

# **TSASC, Inc.**

Meeting of the Members

May 8, 2025

## Agenda

1. Approval of Minutes of Meeting of September 26, 2024
2. Election of Alternate Director(s)

# **TSASC, Inc.**

Meeting of the Members

May 8, 2025

## Approval of Minutes

**WHEREAS**, the Members of TSASC, Inc. have reviewed the minutes of their previous meeting held on September 26, 2024; it is therefore

**RESOLVED**, that the minutes of the meeting of the Members held on September 26, 2024 be, and they hereby are, adopted.

**MINUTES OF THE ANNUAL MEETING OF  
THE MEMBERS OF  
TSASC, INC.**

September 26, 2024

The Meeting of the Members of TSASC, Inc. (the “Corporation”) was held on September 26, 2024 at approximately 4:03 p.m., conducted at 255 Greenwich Street, Room 6-M4, New York, New York 10007.

The following members or their alternates were present:

Jacques Jiha, Director of Management and Budget of The City of New York (the “City”), represented by David Womack;

Brad Lander, Comptroller of the City, represented by Michael Stern;

Muriel Goode-Trufant, Acting Corporation Counsel of the City, represented by Al Rodriguez;

Preston Niblack, Commissioner of Finance of the City, represented by Dara Jaffee; and

Adrienne Adams, Speaker of the City Council, represented by Emre Edev;

constituting a quorum of the Members. Claudia Martinez served as secretary of the meeting.

Also in attendance were members of the public, officers of the Corporation and employees of various agencies of the City, who joined in-person and remotely.

The meeting was called to order by Mr. Womack.

Approval of Minutes

The first item on the agenda was the approval by the Members of the minutes of their previous meeting held on April 29, 2024. The minutes have been circulated for review. There being no further discussion, the following resolution to adopt such minutes was duly approved by

all members excluding Mr. Edev, who did not attend the prior meeting:

**WHEREAS**, the Members of TSASC, Inc. have reviewed the minutes of their previous meeting held on April 29, 2024; it is therefore

**RESOLVED**, that the minutes of the meeting of the Members held on April 29, 2024 be, and they hereby are, adopted.

Election of Alternate Directors

The second item on the agenda was the election of the alternate directors. Mr. Womack explained that each membership class, by proxy, is entitled to elect an alternate director to represent them at Committee and Board of Director meetings. Thus, Mr. Edev, as the proxy holder for the Speaker of the New York City Council, is entitled to elect himself as an alternate director. Next, Mr. Rodriguez, as the proxy holder for the Acting Corporation Counsel of the City, is entitled to elect himself as an alternate director. Finally, Mr. Stern, as the proxy holder for the Comptroller of the City, is entitled to elect himself as an alternate director. Finally, The Membership Class connected to the election voted, and upon such vote, the following resolution to elect the alternate director was duly approved:

**WHEREAS**, TSASC, Inc. (the “Corporation”) is a not-for-profit local development corporation incorporated under the New York Not-For-Profit Corporation Law (the “N-PCL”);

**WHEREAS**, Section 703(d) of the N-PCL provides that where directors of not-for-profit corporations are elected by membership sections, such sections may also elect alternate directors;

**WHEREAS**, the Membership Classes consisting of the Speaker of the New York City Council, wishes to elect an Alternate Director to attend meetings of the Corporation and act on her behalf at said meetings;

**WHEREAS**, the Membership Classes consisting of the Corporation Council of the New York City, wishes to elect an Alternate Director to attend meetings of the Corporation and act on her behalf at said meetings; and

**WHEREAS**, the Membership Class consisting of the Comptroller of the City of New York wishes to elect an Alternate Director to attend meetings of the Corporation and act on his behalf at said meetings; it is therefore

**RESOLVED**, that the Membership Classes consisting of the Speaker of the New York

City Council, hereby elects Emre Edev to act as an alternate director on her behalf at meetings of the Corporation; and it is

**FURTHER RESOLVED**, that the Membership Classes consisting of the Corporation Council of the New York City, hereby elects Albert Rodriguez to act as an alternate director on her behalf at meetings of the Corporation; and it is

**FURTHER RESOLVED**, that the Membership Class consisting of the Comptroller of the City of New York hereby elects Michael Stern to act in his place as alternate director at meetings of the Corporation.

#### Recess of the Meeting

An oral resolution was made and unanimously approved to recess the meeting of the Members until the completion of the meeting of the Board of Directors of the Corporation. The meeting was then recessed at 4:05 p.m.

#### Resumption of the Meeting

Subsequent to the completion of the Board of Directors meeting, the meeting of the Members resumed at 4:34 p.m.

#### Resolution: Receipt and Acceptance of Annual Report to Members

The third and final item on the agenda was a resolution which would accept the Annual Report to Members. Mr. Womack explained that this report has been verified by the Board of Directors, as required by Section 519 of the New York Not-for-Profit Corporation Law. He also noted that the Board have authorized the release of this report to the Members. The proposed resolution would approve the Annual Report. He asked if there were any questions or comments. There being no further discussion and upon unanimous vote, the following resolution was adopted:

**WHEREAS**, Section 519 of the New York Not-For-Profit Corporation Law (the “NPCL”) requires that the Board of Directors of not-for-profit corporations present an annual report relating to the financial conditions of such corporations to the members of such corporations at their annual meeting;

**WHEREAS**, the Corporation has prepared an annual report in compliance with Section

519 of the NPCL (the “Annual Report”) attached heretofore as Schedule I; and

**WHEREAS**, the Board of Directors has verified the information in the Annual Report as attached heretofore and authorized the presentation of such report to the members of the Corporation; it is therefore

**RESOLVED**, that the members of the Corporation do hereby receive and review the Annual Report as attached heretofore; and it is

**FURTHER RESOLVED**, that the Annual Report be entered in the minutes of this Annual Meeting of the Members.

**FURTHER RESOLVED**, that the Annual Report be entered in the minutes of this Annual Meeting of the Members.

## **SCHEDULE I**

### **ANNUAL REPORT OF THE BOARD OF DIRECTORS OF TSASC, INC.**

For the Fiscal Year Ended June 30, 2024 Under Section 519 of  
the New York State Not-For-Profit Corporation Law

**To:** The Members of TSASC, Inc.

**From:** The Board of Directors of TSASC, Inc.

The Board of Directors respectfully submits for your information the following report relating to TSASC, Inc. for the twelve-month fiscal period ending June 30, 2024:

1. The assets and liabilities, including trust funds (listed separately), of the Corporation as of the end of said fiscal period may be found on page 13 of the attached audited financial statements.
2. The principal changes in the assets and liabilities, including trust funds, of the Corporation during said fiscal period may be found on page 6 of the attached audited financial statements.
3. The revenues of the Corporation, both unrestricted and restricted to particular purposes, during said fiscal period may be found on page 14 of the attached audited financial statements.
4. The expenses of the Corporation, for both general and restricted purposes, during said fiscal period may be found on page 14 of the attached audited financial statements.

5. Concerning the membership of the Corporation:

- (a) The number of members as of June 30, 2024 is 5
- (b) The number of members remained the same during said fiscal period ended June 30, 2024
- (c) The names and places of residence of the current members may be found in the books of the Corporation, which are kept at 255 Greenwich Street, 7th Floor, New York, NY 10007.

This report has been prepared pursuant to Section 519 of the New York State Not-for-Profit Corporation Law

Dated: September 26, 2024

New York, New York

Adjournment

There being no further business to come before the Members, upon unanimous vote, the meeting was adjourned.

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SECRETARY

# TSASC, Inc.

Meeting of the Members

May 8, 2025

## Election of Alternate Director(s)

**WHEREAS**, TSASC, Inc. (the “Corporation”) is a not-for-profit local development corporation incorporated under the New York Not-For-Profit Corporation Law (the “N-PCL”);

**WHEREAS**, Section 703(d) of the N-PCL provides that where directors of not-for-profit corporations are elected by membership sections, such sections may also elect alternate directors; and

**WHEREAS**, the Membership Class consisting of the Corporation Counsel of the City of New York (the “City”) wishes to elect an Alternate Director to attend meetings of the Corporation and act on her behalf at said meetings; it is therefore

**RESOLVED**, that the Membership Class consisting of the Corporation Counsel of the City hereby elects Michael Moore to act in her place as alternate director at meetings of the Corporation.

# **TSASC, Inc.**

## **Governance Committee Meeting**

**May 8, 2025**

### Agenda

1. Resolution: Approval of Minutes of Meeting of September 26, 2025
2. Resolution: Review & Approval of Policy on the Procurement of Goods & Services

# **TSASC, Inc.**

Governance Committee Meeting

May 8, 2025

## Approval of Minutes

**WHEREAS**, the Governance Committee of TSASC, Inc. has reviewed the minutes of the previous meeting of the Governance Committee held on September 26, 2024; it is therefore

**RESOLVED**, that the minutes of the Governance Committee meeting of September 26, 2024, are hereby approved.

**MINUTES OF THE MEETING OF  
THE GOVERNANCE COMMITTEE OF  
TSASC, INC.**

September 26, 2024

A meeting of the Governance Committee (the “Committee”) of TSASC, Inc. (the “Corporation”) was held on September 26, 2024 at approximately 4:24 p.m., conducted at 255 Greenwich Street, Room 6-M4, New York, New York, 10007.

The following members of the Committee or their alternates were present:

Jacques Jiha, Director of Management and Budget of The City of New York (the “City”), represented by David Womack;

Brad Lander, Comptroller of the City, represented by Michael Stern;

Muriel Goode-Trufant, Corporation Counsel of the City, represented by Al Rodriguez;

Preston Niblack, Commissioner of Finance of the City, represented by Dara Jaffee; and

Adrienne Adams, Speaker of the City Council, represented by Emre Edev;

constituting a quorum of the Committee. Claudia Martinez served as secretary of the meeting.

Also in attendance were members of the public, officers of the Corporation and employees of various agencies of the City, who joined in-person and remotely.

The meeting was called to order by Mr. Rodriguez, Chairperson of the Committee.

Approval of Minutes

The first item on the agenda was the approval of the minutes of the meeting of the Committee held on April 29, 2024. The minutes were circulated for the Committee’s review. There being no further discussion, upon unanimous vote, the following resolution to adopt such minutes was duly approved:

**WHEREAS**, the Governance Committee of TSASC, Inc. has reviewed the minutes of the

previous meeting of the Governance Committee held on April 29, 2024; it is therefore

**RESOLVED**, that the minutes of the Governance Committee meeting of April 29, 2024, are hereby approved.

Resolution: Self-evaluation and discussion of presentation to Board of Directors

The second item on the agenda was the self-evaluation of the Committee and a resolution which would authorize the presentation of the self-evaluation to the Board of Directors. Section III(g) of the Governance Committee Charter requires the Committee to conduct a self-evaluation of its functions annually. Mr. Rodriguez explained that a report of the Committee's actions taken in the past fiscal year was provided to the Committee. Mr. Rodriguez noted that the proposed resolution expresses the Committee's opinion that it is functioning in a satisfactory manner consistent with its Charter, and authorizes the Chair of the Committee to present the result of this self-evaluation to the Board. Mr. Rodriguez asked if there were there any questions or comments and there was no further discussion. There being no discussion and, upon unanimous vote, the following resolution was adopted:

**WHEREAS**, Section III(g) of the Governance Committee Charter requires the Governance Committee to conduct an annual self-evaluation of its functions; and

**WHEREAS**, the Governance Committee finds its functioning and performance to be satisfactory, effective, and in compliance with the Governance Committee Charter; it is therefore

**RESOLVED**, that the Governance Committee finds its functioning to be satisfactory and the Chair of the Governance Committee shall present the Committee's findings to the Board of Directors of TSASC, Inc.

Review of compensation and benefits

The third and final item on the agenda was a review of the Corporation's compensation and benefits expenses. Mr. Rodriguez stated that Section III(i) of the Governance Committee Charter requires that the Committee to annually review this information. The information provided states that the Corporation has no employees, and describes the total compensation that the

Corporation reimburses to other entities for personal services provided to the Corporation. Mr. Rodriguez noted that this was a review item only, and no vote was taken.

Adjournment

There being no further business to come before the Committee, upon unanimous vote, the meeting was duly adjourned.

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SECRETARY

# **TSASC, Inc.**

Governance Committee Meeting

May 8, 2025

## Review & Approval of Policy on the Procurement of Goods and Services

**WHEREAS**, pursuant to Section 2824(e) of the Public Authorities Law of the State of New York, TSASC, Inc. (the “Corporation”) is required to establish a policy on the procurement of goods and services and to periodically review the policy;

**WHEREAS**, the Corporation adopted a Policy on the Procurement of Goods and Services (the “Policy”) on July 31, 2006 and amended it on April 24, 2009, September 22, 2010, September 11, 2013 and April 27, 2018; and

**WHEREAS**, the Governance Committee has reviewed the Policy as attached hereto and finds it to be reasonable and prudent; it is therefore

**RESOLVED**, that the Governance Committee hereby approves the Policy, without further changes, as attached hereto.

**TSASC, INC.**  
**POLICY ON THE PROCUREMENT OF GOODS AND SERVICES**

**Adopted July 31, 2006**

**Amended April 24, 2009, September 22, 2010, September 11, 2013 and April 27, 2018**

**I. INTRODUCTION**

In accordance with the requirements of Section 2824(1)(e) of the Public Authorities Law, the following comprehensive guidelines (“Guidelines”) set forth TSASC, Inc.’s (the “Corporation’s”) operative policy and instructions regarding the procurement of goods and services. It is the policy of the Corporation to encourage participation by minority and women-owned business enterprises in providing goods and services to the Corporation.

**II. SELECTION CRITERIA FOR CONTRACTS FOR GOODS AND SERVICES**

1. Goods and Services Costing Less Than \$20,000

For procurements of goods and services the value of which is less than \$20,000 in any single fiscal year, no competition is required except that in making purchases below this limit, the Corporation staff shall ensure that the price is reasonable. Documentation of such purchases shall identify the contractor the item was purchased from, the item purchased, and the amount paid. Contracts for goods and services the value of which is less than \$20,000 in any single fiscal year shall not require approval of the Board of Directors of the Corporation.

2. All Other Goods and Services

Contracts for goods and services the value of which is \$20,000 or more in any single fiscal year are to be awarded on a competitive basis to the maximum extent possible, in accordance with the general procedures set forth below.

3. Proposals or Bids may be solicited as follows:

- i. **Requests for Proposals:** Where practicable, written requests for proposals ("RFPs") shall be issued by the Corporation. RFPs shall set forth the nature of the goods or services the Corporation is seeking to procure, including specifications where applicable or available, and shall solicit proposed prices, fees, charges or billing rates, where appropriate. RFPs shall contain such other information and shall request from proposers such other information as the Corporation may deem

necessary or desirable. RFPs shall be advertised in at least one appropriate periodical.

- ii. **Telephone or letter solicitation:** Proposals may be solicited from contractors by letter or telephone, where the Contracting Officer determines that the issuance of an RFP is impracticable or unnecessary. Where practicable, proposals should be solicited from at least three contractors.

#### 4. Evaluation:

For personal services contracts, the technical merits of the proposals, the experience and capabilities of the proposing person or firm and any prior experience that Corporation staff may have had with the proposing person or firm will be significant factors in selecting the contractor, provided that the price, fees, charges, or billing rates for performing the services are reasonable and competitive in light of such experience and capabilities. The Corporation may determine not to select a person or firm where information is obtained which indicates that the person or firm is not qualified as responsive or responsible based upon such criteria as the Corporation may deem appropriate for the procurement.

#### 5. Waiver of Selection Criteria

Notwithstanding any requirement of these Guidelines, contracts may be awarded to persons or firms on a non-competitive basis, without regard to the procedures set forth above, when the Contracting Officer of the Corporation determines that circumstances such as any of the following exist:

- i. In the event an emergency or other extraordinary circumstances exist which make competition impracticable or inappropriate;
- ii. Only one source for the goods or services is reasonably available;
- iii. Legal services or other specialized services are required for which a certain person or firm's expertise is unique;
- iv. Continuation of existing services or purchasing goods from a previous supplier firm is desirable for purposes of continuity or compatibility;

- v. A person or firm has superior qualifications to perform the service or provide the goods at a cost that is determined to be fair and reasonable; or
- vi. Information is obtained which indicates that persons or firms which were invited to submit proposals are not qualified, responsive or responsible based upon the appropriate criteria for the project.
- vii. In the event that the City of New York (the “City”) or another governmental unit can provide or cause to be provided needed services pursuant to contracts entered into by the City or another governmental unit and the Corporation determines that it is in the best interest of the Corporation to avail itself of such opportunity.

If a contract is awarded pursuant to a waiver, the Board of Directors of the Corporation shall be notified.

# **TSASC, Inc.**

## **Audit Committee Meeting**

**May 8, 2025**

### Agenda

1. Resolution: Approval of Minutes of Meeting of September 26, 2024
2. Resolution: Recommendation to the Board - Approval of Independent Auditor Agreement
3. Review of Internal Controls
4. Resolution: Self-Evaluation and Review of Report of the Audit Committee
5. Presentation of Audit Plan by Independent Auditors and Discussion of New Accounting and Auditing Standards

# **TSASC, Inc.**

Audit Committee Meeting

May 8, 2025

## Approval of Minutes

**WHEREAS**, the Audit Committee of TSASC, Inc. has reviewed the minutes of the previous meeting of the Audit Committee held on September 26, 2024; it is therefore

**RESOLVED**, that the minutes of the Audit Committee meeting of September 26, 2024 be, and they hereby are, approved.

**MINUTES OF THE MEETING OF  
THE AUDIT COMMITTEE OF TSASC, INC.**

September 26, 2024

A meeting of the Audit Committee (the “Committee”) of TSASC, Inc. (the “Corporation”) was held on September 26, 2024 at approximately 4:06 p.m., conducted at 255 Greenwich Street, Room 6-M4, New York, New York 10007.

The following members of the Committee or their alternates were present:

Jacques Jiha, Director of Management and Budget of The City of New York (the “City”), represented by David Womack;

Brad Lander, Comptroller of the City, represented by Michael Stern;

Muriel Goode-Trufant, Acting Corporation Counsel of the City, represented by Al Rodriguez;

Preston Niblack, Commissioner of Finance of the City, represented by Dara Jaffee;

and

Adrienne Adams, Speaker of the City Council, represented by Emre Edev;

constituting a quorum of the Committee. Claudia Martinez served as secretary of the meeting.

Also in attendance were members of the public, officers of the Corporation and employees of various agencies of the City, who joined in-person and remotely.

The meeting was called to order by Mr. Stern, the Chairperson of the Committee.

Approval of Minutes

The first item on the agenda was the approval of the minutes of the prior meeting of the Committee held on April 29, 2024. The draft minutes were circulated for the Committee’s review. There being no further discussion, upon unanimous vote, the following resolution to

adopt such minutes was duly approved:

**WHEREAS**, the Audit Committee of TSASC, Inc. has reviewed the minutes of the previous meeting of the Audit Committee held on April 29, 2024 it is therefore

**RESOLVED**, that the minutes of the Audit Committee meeting of April 29, 2024 be, and they hereby are, approved.

Presentation by management and independent auditors regarding the audited annual financial statements of the Corporation

The second item on the agenda was a presentation by the Corporation's independent auditor, CBIZ CPAs ("CBIZ"). Raymond Lee, the Corporation's Comptroller provided a summary of the Corporation's financial activities for fiscal year 2024 and then introduced John D'Amico and Daniel McElwee of CBIZ. Mr. D'Amico first explained that the firm was previously known as Mayor Hoffman, P.C., but had undergone certain corporate changes since the previous report to the Committee. He then referred the Audit Committee to CBIZ's presentation materials regarding the firm's audit of the Corporation's financial statements for the fiscal years ending June 30, 2024 and June 30, 2023 which had been distributed to the Committee members in advance of the meeting. Mr. D'Amico and Mr. McElwee then reviewed and discussed the contents of the presentation.

Recommendation to the Board of Directors the acceptance of the independent auditors' report on the audited financial statements of the Corporation for the fiscal years ended June 30, 2024 and June 30, 2023, and the issuance of such financial statements

The third item on the agenda was the approval of a recommendation to the Board of Directors to accept the independent auditor's report and financial statements for the fiscal years ended June 30, 2024 and June 30, 2023. There was no discussion and the following resolution was approved upon unanimous vote:

**WHEREAS**, the Audit Committee of TSASC, Inc. (the "Corporation") has met with the independent auditors of the Corporation and has reviewed the independent auditors' report on the audited financial statements of the Corporation for the fiscal years ended June 30, 2024 and

June 30, 2023 and such financial statements, as submitted to the Committee; and

**WHEREAS**, the Audit Committee believes the independent auditors' report and the financial statements are reasonable and appropriate; it is therefore

**RESOLVED**, that the Audit Committee recommends to the Board the acceptance of the independent auditors' report and the authorization of the release of the audited financial statements of the Corporation for the fiscal years ended June 30, 2024 and June 30, 2023; provided that both the independent auditors' report and the audited financial statements may be amended to reflect non-material changes acceptable to the Comptroller or Deputy Comptroller of the Corporation

Resolution: Review and Approval of the Audit Committee Charter

The fourth item on the agenda was the review and approval of the Audit Committee Charter. Pursuant to the Audit Committee Charter<sup>1</sup>, sections III(s) and (u), the Committee is required to annually review and approve its Charter. Mr. Stern noted there were no proposed changes at this time. There was no discussion and the following resolution was approved upon unanimous vote:

**WHEREAS**, the Board of Directors (the "Board") of TSASC, Inc. (the "Corporation") originally adopted an Audit Committee Charter on October 4, 2007 and has subsequently amended it;

**WHEREAS**, pursuant to the Audit Committee Charter, Section III(s), the Audit Committee of the Corporation is required annually to review the Audit Committee Charter, reassess its adequacy, and recommend any proposed changes to the Governance Committee of the Corporation; and

**WHEREAS**, no changes to the Audit Committee Charter are proposed; it is therefore

**RESOLVED**, that the Audit Committee hereby approves the Audit Committee Charter as attached.

Review of the Audit Committee Schedule of Dates

The fifth and final item on the agenda was a review of the Audit Committee's Schedule

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<sup>1</sup> Filed with the meeting minutes.

of Dates. The Audit Committee Schedule of Dates<sup>2</sup> provides a guideline for the items to be addressed at annual meetings of the Audit Committee. A copy of the Schedule was in the materials provided to the Committee members. Mr. Stern explained that no changes were proposed. Mr. Stern noted that this was a review item only, and no vote was taken.

Adjournment

There being no further business to come before the Committee, upon unanimous vote, the meeting was duly adjourned.

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SECRETARY

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<sup>2</sup> Filed with the meeting minutes.

# TSASC, Inc.

Audit Committee Meeting  
May 8, 2025

## Recommendation to the Board of Directors - Approval of Independent Auditor Agreement

**WHEREAS**, the Audit Committee of TSASC, Inc. (the “Corporation”) is authorized, under the Audit Committee Charter, pursuant to Section III(a), to recommend to the Board of Directors of the Corporation the appointment and retention of the Corporation’s independent auditors; and

**WHEREAS**, pursuant to a competitive request for proposals the selection committee of the Corporation has selected the firm of CBIZ CPAs P.C. (“CBIZ”); it is hereby

**RESOLVED** that the Audit Committee recommends that the Board authorize the President, Secretary, Treasurer or other authorized Officer of the Corporation to enter into an agreement with CBIZ to serve as independent auditor for the Corporation’s financial statements for the fiscal years ending June 30, 2025, 2026, 2027 and 2028, with a one one-year extension at the discretion of the Corporation to conduct the audit of the Corporation’s financial statements for the fiscal year ending June 30, 2029, which agreement shall contain such other terms and conditions which are not inconsistent with this resolution as the President, Secretary, Treasurer or other authorized Officer of the Corporation shall deem necessary, and which agreement shall provide for compensation not to exceed the following rates:

Audit:

<b>Fiscal Year</b>	<b>Fixed Fee</b>
2025	\$20,775
2026	\$21,195
2027	\$21,615
2028	\$22,035
2029*	\$22,455

\* At the discretion of the Authority.

Hourly Rates for Special Projects:

<b>Position</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
Shareholder & Managing Director	\$575	\$605	\$635	\$670	\$700
Senior Manager	\$350	\$370	\$390	\$405	\$425
Manager	\$300	\$315	\$330	\$350	\$370
Senior Associate	\$250	\$265	\$275	\$290	\$305
Associate	\$200	\$210	\$220	\$230	\$245

**TSASC, INC.**  
**POLICIES AND PROCEDURES MANUAL**

INTERNAL CONTROLS  
(Amended April ~~2025~~2024)

**OVERVIEW**

TSASC, Inc.'s ("TSASC") internal control objectives include, but are not limited to: the safeguarding of assets (including preventing the intentional or unintentional misapplication of funds), ensuring the accuracy and reliability of accounting data and financial reporting (including ensuring proper documentation of all transactions), promoting the effectiveness and efficiency of operations and ensuring compliance with applicable laws and regulations.

Internal controls exist in each area of TSASC where financial activities take place, and may be categorized as (A) controls related to funds received, held, invested and disbursed by TSASC's Indenture Trustee (as defined below) and (B) other control measures including record keeping activities. These types of controls are discussed in this internal controls manual (the "Manual").

The control measures used by TSASC are periodically reviewed by TSASC managers and changed as deemed necessary, and this Manual will be reviewed at least annually, and updated if appropriate. While not part of TSASC's system of internal control, TSASC is subject to audit annually by independent auditors. Any comments or recommendations pertaining to TSASC's internal controls made by the independent auditors are reviewed by management and, if the value of the expected risk reduction is expected to be greater than the additional cost, they are incorporated into TSASC's internal controls.

[In accordance with the New York City Comptroller's Directive 1, once every four years, TSASC prepares a Financial Integrity Statement based upon a current Directive 1 Checklist with respect to management's assessment of TSASC's internal control environment.](#)

Throughout this document the following Indenture, Trust and Trustees are referenced: the Amended and Restated Indenture between TSASC and the Bank of New York Mellon as trustee (the "Indenture Trustee"), dated as of December 1, 2016, Amending and restating in its entirety the Indenture dated as of November 1, 1999, as previously amended and restated as of January 1, 2006, (the "Indenture") and the Amended and Restated Declaration and Agreement of Trust, by and among TSASC, the Wilmington Trust Company as the Delaware Trustee ("Delaware Trustee"), and the successor trustees David Womack (Deputy Director of the City's Office of Management and Budget, Financing Policy and Coordination Unit), as appointed by letter executed May 8, 2023, and ~~Michael Moore~~Al Rodriguez (Chief of the City Law Department's Municipal

Finance Division), as appointed by letter executed ~~March 6, 2025~~~~December 13, 2013~~ (together the “Controlling Trustees”), dated as of January 1, 2006, as amended January 19, 2017 (the “Tobacco Settlement Trust”). The City is the sole beneficial owner of the Tobacco Settlement Trust, as amended. Terms used but not defined herein have the same meaning given to them in the Indenture.

~~In accordance with the New York City Comptroller’s Directive 1, TSASC will prepare an annual Financial Integrity Statement based upon a current Directive 1 Checklist with respect to management’s assessment of TSASC’s internal control environment.~~

## Organization

Overseen by its Board of Directors (“Board”) and directed by its President, TSASC’s internal operations are carried out by three functional areas within the organization. While all activities of TSASC require close coordination and cooperation among all units and with the New York City Office of Management and Budget (“OMB”), the following are the primary responsibilities of each:

1. Secretary’s Office – Directed by TSASC’s Secretary and the Assistant Secretaries and their staff, the Secretary’s Office is responsible for all legal affairs of TSASC, including providing staff support for the operations of the Board and committees of the Board, drafting and interpretation of all contracts, agreements, and legal documents and dissemination of new or revised Board approved policies to staff.
2. Treasurer’s Office – Directed by TSASC’s Treasurer and his or her staff, the Treasurer’s Office is responsible for the finance function of TSASC, including working with all parties on structuring and executing bond issuances, modeling debt service requirements, and directing the investment of TSASC’s funds.
3. Accounting Unit – Directed by TSASC’s Comptroller, Deputy Comptroller and the Accounting Manager (collectively, the “Accounting Managers” ~~or “AM”~~), the Accounting Unit is responsible for maintaining accounting books and records and the preparation of financial statements and other financial reports, on-going monitoring of TSASC’s resources and coordination with and oversight of the Indenture Trustee.~~The Accounting Unit’s staffing is further comprised of:~~
  - ~~a. The Unit’s Accounting Staff are A Unit Head (“UH”) who directs and reviews the work of the APS (defined below) and reports to an AM;~~
  - ~~b. An accounts payable staff (“APS”) member who is responsible for various accounting tasks, including preparing payments, preparing journal entries, monitoring account activity, entering payments and entry of approved journal entries into TSASC’s electronic accounting system, which is currently Microsoft Dynamics Great Plains (the “Accounting System, and maintaining”) and reports to the UH and/or an AM; and~~

~~Other members of the accounting unit staff (“AUS”) who are assigned to prepare journal entries, monitor account activity, and maintain schedules and analyses necessary for the preparation of year-end financial statements and other recurring and ad-hoc financial and non-financial reports ~~and reports to an AM.~~~~

~~[Note: Throughout this Manual, when one Accounting ManagerAM is unavailable to perform a noted function on a timely basis, another Accounting ManagerAM can perform that function. When one Accounting Staff is ~~APS or AUS~~ are unavailable to perform a noted function on a timely basis, another Accounting Staff or an Accounting Managerthe UH can perform that function or delegate it to another Accounting Staffstaff member who has performed no conflicting duties pertaining to that matter. Where an Accounting Managerthe UH performs a staff function, review and approval will be done by another Accounting Manager. In Summary, regardless of the availability of staff members usually tasked with performing or reviewing specific functions, all functions that require review will be performed by one person and reviewed by another.an AM.]~~

TSASC and OMB are prepared to provide uninterrupted delivery of TSASC’s operations in the face of business disruptions. TSASC’s emergency preparedness plan is designed to provide personnel, equipment and technology to operate remotely with minimal interruption.

TSASC has one bond issuance outstanding, which was issued on January 19, 2017. This issue was primarily used to restructure all of TSASC’s outstanding indebtedness and current refund all bonds then outstanding. The Indenture continues to provide that 37.40% of Tobacco Settlement Revenues (the “TSRs”)~~collections~~ are Pledged TSRs and are required to be applied to the payment of debt service and the operating costs of TSASC and that 62.60% of TSR~~collections~~ are Unpledged TSRs and are due to the Tobacco Settlement Trust as outlined in the Tobacco Settlement Trust Agreement, as amended, of which the City is the sole beneficial owner. Upon direction of the Controlling Trustees of the Tobacco Settlement Trust, distributions of Unpledged TSRs (as defined below) to the City are currently made prior to May 31<sup>st</sup>.

On December 9, 2024, TSASC entered into a Security Agreement with the Indenture Trustee, pursuant to which TSASC pledged to the Indenture Trustee the Unpledged TSRs (the “Security Agreement”). The Security Agreement stipulates that Unpledged TSRs are to be used, to the extent needed, to cure a Senior Bonds Payment Deficiency or Subordinate Bonds Payment Deficiency (as these terms are defined in the Security Agreement) for TSASC’s outstanding bonds, beginning with the June 1, 2025, payment and through, at the latest, the June 1, 2028, payment. The Security Agreement and such pledge may be terminated earlier by TSASC upon ninety days’ notice to the Indenture Trustee.

## **RECEIPTS**

### **Tobacco Settlement Revenues (the “TSRs”)**

Annually on April 15<sup>th</sup> or the first business day following (the “Annual Payment Day”), in accordance with the Master Settlement Agreement (the “MSA”), dated November 23, 1998, between the Attorneys General of the 46 settling states and the participating cigarette manufactures (“PMs”), TSASC receives 3.403634% of the available TSRs paid primarily by the PMs. The independent auditors engaged in accordance with the MSA, currently ~~PricewaterhouseCoopers LLP (“PwCPricewaterhouseCoopers (“PWC”)~~, determine the amount of all payments owed to the settling states pursuant to the MSA. This information is available on ~~PwC’s~~~~PWC’s~~ website (~~https://www.tlmsa.pwc.com~~). ~~The net, a confidential website; the~~ information contained in this website ~~is confidential and~~ should not be shared with any outside individuals or entities, including TSASC’s independent auditors. ~~The New York State Attorney General’s Office, Tobacco Compliance Office (the “AG”) is the liaison between PwC and the recipients of the New York State TSRs.~~

~~The TSRs paid by the PMs are deposited into an escrow account currently maintained at Citibank. The New York State Attorney General’s Office, Tobacco Compliance Office (“AG”) is the liaison between PwC and the recipients of the New York State TSRs. TSASC’s share of TSRs is wired from Citibank to the Indenture Trustee as established through the Indenture.~~

In late March, the ~~Accounting Unit~~~~AM or his/her designated AUS~~ receives an e-mail from ~~PwC~~~~PWC~~ with a projected ~~amount of~~ TSRs ~~amounts~~ to be received by the State on the Annual Payment Day. The projected ~~pledged and unpledged amounts~~ are computed and shared with other OMB and TSASC staff.

In mid-April, prior to the Annual Payment Day, the ~~Accounting Unit~~~~AM or his/her designated AUS~~ receives an e-mail from ~~PwC~~~~PWC~~ and ~~the~~ AG with the final calculated amount of TSRs to be received by the State on the Annual Payment Day. ~~The Accounting Unit notifies~~~~AUS and/or an AM notify~~ the Indenture Trustee of the expected amount of TSRs to be received by TSASC. This amount may differ from the final actual payment due to disputes and other adjustments.

On the Annual Payment Day, the PMs and other related parties deposit their required payments into the Escrow Account at ~~Citibank. PwC~~~~CitiBank. PWC~~ and Citibank ~~will~~ coordinate TSRs receipts from the PMs and distributions to each recipient. ~~PwC instructs~~~~PWC will instruct~~ Citibank to wire the appropriate amounts to each recipient. Citibank wires TSASC’s TSRs to the Indenture Trustee for deposit into TSASC’s collection account on ~~the~~ Annual Payment Day and any residual amounts within a few days after.

The ~~Accounting Unit confirms~~~~AUS and/or an AM will confirm~~ with the AG and the Indenture Trustee the amount of TSRs received by TSASC on the Annual Payment Day. Once the TSRs received are confirmed as final, TSASC ~~will~~ promptly ~~allocates~~~~allocate~~ funds between the Unpledged ~~TSRs~~ (62.60%) and Pledged ~~TSRs~~ (37.40%). ~~Unpledged TSRs (confirmed to the Indenture Trustee in writing in an Officer’s Certificate) are~~

~~promptly deposited into the Unpledged TSRs Subaccount and, upon the authorization of the Controlling Trustees, promptly remitted to the City. The~~ Pledged TSRs are held in the Collections Account and then used towards the operating expenses (as specified by an Officer's Certificate) and debt service as required in the Amended and Restated Indenture.

Pursuant to the Security Agreement, if TSASC operating expenses for the current or next fiscal year are projected to exceed the Operating Cap (as defined in the Indenture), TSASC management will issue an Officer's Certificate to the Indenture Trustee specifying an amount, not to exceed \$500,000 for any fiscal year, to be transferred to the Operating Account from the Unpledged TSRs to cover the operating expenses projected to exceed the Operating Cap.

While the Security Agreement is in effect, Unpledged TSRs, net of any amounts transferred to the Operating Account, are then transferred to the Series 2017 Additional Pledged TSRs Account (as defined in the Security Agreement). No later than three business days prior to each June 1<sup>st</sup> beginning with June 1, 2025, if there is a Senior Bonds Payment Deficiency and/or a Subordinate Bonds Payment Deficiency, TSASC will provide a Payment Deficiency Notice (as defined in the Security Agreement) to the Indenture Trustee, with copies provided to the Tobacco Settlement Trust and the City. If there is no Payment Deficiency, TSASC will provide a Notice of No Payment Deficiency (as defined in the Security Agreement) to the Indenture Trustee, with copies provided to the Tobacco Settlement Trust and the City.

Upon receipt of a Payment Deficiency Notice, the Indenture Trustee will retain the amounts stipulated in the Payment Deficiency Notice from the Series 2017 Additional Pledged TSRs Account. Amounts in excess of the retained amounts are transferred to the Unpledged TSRs Subaccount. Similarly, upon receipt of a Notice of No Payment Deficiency, the Indenture Trustee will transfer all funds in the Series 2017 Additional Pledged TSRs Account to the Unpledged TSRs Subaccount. Upon authorization of the Controlling Trustees, amounts in the Unpledged TSRs Subaccount are remitted to the City.

Information regarding the final actual TSRs received and any Payment Deficiency is shared with OMB and TSASC staff.

For the further handling of the Pledged funds, see the *Debt Service Payments* section; for the further handling of Unpledged funds, see the *Transfers to the TSASC Tobacco Settlement Trust*, under the Disbursements~~Disbursement~~ section of this Manual.

### ~~Miscellaneous Cash Receipts~~

~~While the major sources of cash for TSASC are the TSRs and interest income (see the *Interest Income* section of this Manual), there is an occasional receipt of a check.~~

~~An AUS opens all mail in the Accounting Department and distributes the mail to the appropriate person. If a check is received, the AUS gives the check to the UH, who records the receipt of the check in the Check Control Log, detailing date, amount, payer, and other relevant information. The UH gives the check to an AM who in turn gives the check to the appropriate AUS to research the reason for the receipt and thus the proper accounting, and to deposit into the appropriate bank account. Any check received by OMB or another department of TSASC should be hand delivered to the UH. The UH follows the same procedures detailed above for recording the check. The check is secured in a locked area until deposit. As the Indenture Trustee does not have any retail banking units, the AUS prepares a letter to the Indenture Trustee detailing the amount, payer of the check and bank account to which the check should be deposited. This letter is signed by an AM or authorized designee and AUS hand delivers the check along with the letter to the Indenture Trustee representative for deposit into the appropriate TSASC bank account. A copy of the signed letter is given to an AM. Another copy of the letter and supporting documentation is filed in the bank file and an entry recording the cash receipt is made in the general ledger upon deposit with the Indenture Trustee. At month end the AUS and/or an AM confirms that the deposit is reflected in the bank statement and in the general ledger.~~

### **~~Interest Income~~**

~~All interest income is posted to the individual bank accounts and reported on the monthly bank statements by the financial institutions. The bank account statements are reviewed and recorded through monthly journal entries prepared by the AUS as described in the *Journal Entries* section of this Manual.~~

~~Interest earnings from the Debt Service accounts are used toward TSASC's debt service requirements, *See Debt Service Payments* section of this Manual.~~

~~Interest earnings from the Operating Accounts are retained in the Operating Accounts and are used for TSASC's operations.~~

~~Interest earnings from the Unpledged Account are due to the City, as the beneficial owner of the Delaware Trust. *See Disbursement* section of this Manual.~~

### **Debt Service Retention**

The Treasurer maintains debt service models which tracks the debt service requirements for TSASC. Under the current debt structure, TSASC has senior ~~and~~ subordinate serial & term bonds with scheduled required principal and interest payment dates. The subordinate bonds include term bonds with flexible amortization requirements whereby if there are Pledged funds available after retaining the annual required principal ~~and~~ interest payments, the excess funds are used to "Turbo" redeem subordinate turbo term bonds. Any senior or subordinate debt service reserve fund draws, if any, are replenished as specified under the ~~Indenture~~ ~~indenture~~ given available funds, generally after the

funding of the respective upcoming debt service payments. See *Debt Service Payments* section of this Manual.

The Accounting Unit reviews AUS and/or an AM review the debt service models for reasonableness and rely upon them for financial statement preparation and debt service requirements.

### Interest Income

All interest income is posted to the individual bank accounts and reported on the monthly bank statements by the financial institutions. The bank account statements are reviewed and recorded through monthly journal entries prepared by the Accounting Staff as described in the *Journal Entries* section of this Manual. At year-end, the Accounting Staff prepares journal entries to record the fair market value adjustments for financial reporting purposes.

Interest earnings from the Debt Service accounts are used toward TSASC's debt service requirements. See the *Debt Service Payments* section of this Manual.

Interest earnings from the Operating Accounts are retained in the Operating Accounts and are used for TSASC's operations.

Interest earnings from the Unpledged Account are due to the City, as the beneficial owner of the Delaware Trust. See the *Disbursements* section of this Manual.

### Miscellaneous Cash Receipts

TSASC may receive cash from sources other than the ones listed previously. These receipts may come as check receipts or wire/ACH receipts.

#### 1. Check Receipts

When a check is received, receipt is recorded in the Check Control Log by the Accounting Staff responsible for the log, detailing date, amount, payer, and other relevant information. The Accounting Staff then gives the check to an Accounting Manager, who in turn gives the check to the appropriate Accounting Staff to research the reason for the receipt and to determine the proper accounting for the receipt. Any checks received by OMB or another department of TSASC are delivered to the Accounting Staff responsible for the Check Control Log. The Accounting Staff follows the same procedures detailed above for recording the check. Checks are endorsed immediately and secured in a locked area until deposit.

As the Indenture Trustee does not have any retail banking locations, checks are either hand-delivered or mailed to the Indenture Trustee representative along with a letter prepared by the Accounting Staff and signed by an Accounting Manager.

The letter details the amount, payer of the check, and the bank account for deposit.

The letter and any supporting documentation isare filed and a journal entry recording the cash receipt is made in the Accounting System. At month end, an Accounting Manager confirms that the deposit is reflected in the bank statement and in the Accounting System.

## 2. Wire/ACH Receipts

When a miscellaneous wire/ACH is received, the Accounting Staff researches the reason for the receipt to determine the proper accounting for the receipt. Receipts are transferred to the appropriate account(s) as deemed necessary. Once a determination is made, a journal entry recording the cash receipt is made in the Accounting System.

## **DISBURSEMENTS**

### **Transfers to the TSASC Tobacco Settlement Trust**

Pursuant to a Purchase and Sale Agreement dated as of November 18, 1999, as amended (the “TSR Purchase Agreement”), the City sold to TSASC the Tobacco Assets (as defined in the Indenture), including the City’s right to receive its portion of the TSRs. Under the Indenture, TSASC has assigned and pledged only the Pledged TSRs to the Indenture Trustee. The purchase price paid by TSASC to the City under the TSR Purchase Agreement gives the City 100% beneficial ownership interest in the Tobacco Settlement Trust. The assets of the Tobacco Settlement Trust consist primarily of a security (the “Residual Certificate”) which entitles the Tobacco Settlement Trust to the Unpledged TSRs received by TSASC. The Tobacco Settlement Trust has its own trustee, the Delaware Trustee, who is different from the Indenture Trustee.

The Tobacco Settlement Trust receives the Unpledged TSRs (62.60% of the TSRs received), net of amounts retained pursuant to the Security Agreement, as described under the *Tobacco Settlement Revenues ~~under Receipts~~* section of this Manual. The Unpledged TSRs are kept in the Unpledged TSRs Subaccount~~TSR bank account~~ maintained at the Indenture Trustee bank until they are transferred, ~~along with any interest earnings,~~ to the Delaware Trustee. Prior to the transfer, the Accounting Unit prepares a schedule reporting the total Unpledged TSRs received net of amounts retained pursuant to the Security Agreement, amounts in the Tobacco Settlement ~~for deposit into the~~ Distribution Account ~~(as defined in the Tobacco Settlement Trust Agreement), projected interest earnings, and projected operating expenses of the Tobacco Settlement Trust obtained from the~~. ~~The Delaware Trustee. The net amount, after deducting the releases the funds to the City, net of the Tobacco Settlement Trust’s operating expenses, are upon authorization by the Controlling Trustees (see below). This transfer currently occurs prior to May 31<sup>st</sup>.~~

~~The AUS and/or an AM confirm the amount of money to be transferred to the Delaware Trustee with the Indenture Trustee.~~

~~The AUS and/or an AM contact the Delaware Trustee to obtain the projected annual operating expenses of the Tobacco Settlement Trust. The AUS and/or an AM will prepare a schedule reporting the total Unpledged TSRs received, cash in the Tobacco Settlement Trust Distribution Account, projected interest earnings and projected operating expenses. The total amount is transferred to the Delaware Trustee and deposited into the Tobacco Settlement Trust Distribution bank account. The net amount, after operating expenses, is transferred to the City upon authorization of the Controlling Trustees. This transfer currently occurs prior to May 31<sup>st</sup>.~~

The Controlling Trustees meet to review and approve the projected transfer and authorize the transfer through a jointly signed letter to the Delaware Trustee authorizing and directing the Delaware Trustee to transfer the authorized amount to the City from the Distribution Account. This letter includes the City's wiring instructions, which ~~are~~ have been confirmed by the ~~Accounting Unit, AUS and/or an AM.~~ Prior to the transfer date, a letter signed by two authorized signatories, along with a copy of the Controlling Trustees' transfer authorization, is sent to the Indenture Trustee instructing the Indenture Trustee to send the authorized amount to the Tobacco Settlement Trust bank account from the Indenture Trustee's Unpledged bank account. The ~~Accounting Unit confirms~~ AUS and/or an AM confirm that the funds have been received by the Delaware Trustee. The City's Department of Finance is notified of the amount and expected date of receipt of these funds into the City's Central Treasury account. On the day of the transfer, the Delaware Trustee will forward the ~~Accounting Unit, AUS and/or an AM~~ the wire transfer reference number. The ~~Accounting Unit, AUS and/or an AM~~ confirms the amount wired to the City on the following business day.

### ~~Vendor Payments~~

~~In addition to checking for mathematical accuracy of invoice, the AUS compares the invoice to the order, receiving report, or contract for the correct pricing of goods and services, and verifies that no sales tax has been included in the invoice, and initials the invoice to document this review. The invoice is then approved by the TSASC Officer/manager with the most direct knowledge of and/or responsibility for the goods or services for which payment is to be made. The AUS prepares a wire payment instruction letter directing the Indenture Trustee to wire money from TSASC's bank accounts to the appropriate recipients. The letter must contain the amount of the wire payment, the payment date, and the account numbers from and to which the money will be wired. The letter must be reviewed and signed by two authorized signers, if a signer approved the invoice, he/she cannot sign the wire payment letter. The wire letter and approved invoice is e-mailed to the trustee for payment.~~

~~The AUS confirms the wire payment the following business day by reviewing the bank account information online.~~

~~All vendors must complete and sign an IRS Form W-9 (or its equivalent) and send it to the TSASC Accounts Payable Department before payment can be made to the vendor. This information is used to determine if a 1099 must be issued to the vendor for payments from TSASC.~~

## **TSASC Tobacco Settlement Trust Disbursements**

TSASC is not responsible for the payment of the Tobacco Settlement Trust's expenses. However, the Delaware Trustee sends a copy of all invoices to be paid from Tobacco Settlement Trust funds for TSASC's review. If clarification is needed, the Accounting Unit~~AUS and/or an AM~~ contacts the Delaware Trustee for further explanation. The Accounting Unit maintains copies~~Copies~~ of the invoices and are kept by AUS and/or an AM who also maintains a schedule of all Tobacco Settlement Trust expenses. The Accounting Unit also~~and~~ reconciles the monthly bank statements of the Tobacco Settlement Trust.

### **~~1099 Preparation and Issuance~~**

~~The APS prepares the IRS forms 1099 and 1096 for distribution to payees and to the IRS annually. Although there are several types of 1099 forms, TSASC may use the 1099-MISC to report gross proceeds paid to attorneys and uses 1099-NEC to report payments for services performed by non-employees.~~

~~The 1096 is used as a transmittal document when reporting 1099's to the Internal Revenue Service. The APS compiles a schedule showing all payments from January 1 to December 31st. The 1099 and 1096 are checked by the APS for accuracy before submitting to the TSASC Officer (generally an AM) for his or her review and signature. All 1099s are mailed prior to January 31, and all 1096s are mailed prior to February 28.~~

## **Debt Service Payments**

TSASC funds principal and semi-annual interest on its bonds from the Pledged Account. The Accounting Unit confirms~~AUS and/or an AM will confirm~~ the projected principal and interest payments with the Treasurer and the Indenture Trustee. After retaining sufficient funds to cover the agreed upon principal and interest payments for the next two payment dates, the excess funds are used to Turbo redeem TSASC's subordinate term bonds (~~see~~-(See the *Debt Service Retention* section of this manual). The Accounting Unit prepares~~AUS and/or an AM prepare~~ a schedule to determine the amount to be Turbo redeemed and confirms the amounts~~will confirm amount~~ with the Indenture Trustee. The Turbo redemption, principal, and interest payments occur on June 1<sup>st</sup>~~1~~ and December 1<sup>st</sup>.

~~1. Prior to making the debt service payments, the Accounting Unit confirms AUS and/or an AM will confirm with the Indenture Trustee the total amounts to be paid. The next business day, the Accounting Unit AUS and/or an AM confirms that the correct amounts were transferred from TSASC's bank accounts using the daily transactions report received via e-mail from the Indenture Trustee trustee bank. If there are any discrepancies, the Accounting Unit Indenture Trustee will be immediately notifies notified by the Indenture Trustee to resolve AUS and/or an AM for a resolution of the discrepancy.~~

If, on the Annual Payment Day, the TSRs received appear to be inadequate to fund upcoming payments of principal and interest due on the next two payment dates, the Accounting Manager AM will inform TSASC's Treasurer's Treasurer and Secretary's Secretary Offices of the deficiency situation. Under the guidance of the Secretary, legal notices may be filed as needed informing bondholders of the funding shortfall. ~~The AUS and/or AM will prepare a schedule to determine the amount of funds to be withdrawn from the appropriate reserve fund in order to make the required payment of interest and/or principal on the scheduled due date, pursuant to the Indenture.~~

~~The Accounting Unit prepares a schedule to determine the amount of funds to be withdrawn from the appropriate reserve fund to make the required payments. If reserve funds are not adequate to make the required payments, pursuant to the Security Agreement, the Indenture Trustee will retain Unpledged TSRs in an amount certified by TSASC in a Payment Deficiency Notice (see the Tobacco Settlement Revenues section of this Manual). The retained amounts are held in the Series 2017 Additional Pledged TSRs Account. No later than two business days prior to each interest payment date, the Indenture Trustee transfers from the Series 2017 Additional Pledged TSRs Account to the Senior Debt Service Account amounts equal to the Senior Bonds Payment Deficiency, if any. Then, the Indenture Trustee transfers from the Series 2017 Additional Pledged TSRs Account to the Subordinate Debt Service Account amounts equal to the Subordinate Bonds Payment Deficiency.~~

### Vendor Payments

~~All invoices are routed for review and approval to the TSASC officer/manager (or his or her designee) with the most direct knowledge of and/or responsibility for the goods or services for which payment is to be made. In addition to checking for mathematical accuracy of all invoices, when applicable the reviewer compares the invoice to the orders, receiving reports or contracts for the correct pricing of goods and services, and verifies that no sales tax has been included in the invoices.~~

~~After an invoice is approved by the applicable officer/manager, it is entered by the Accounting Staff into TSASC's Accounting System. A digital copy of the invoice is also attached in the Accounting System. To release and post invoices in the Accounting System, the system requires the Accounting Staff request approval from an Accounting Manager. After approving and releasing the invoices, the Accounting Staff posts the invoices.~~

After the invoices are reviewed and posted, the Accounting Staff either prepares a wire payment instruction letter directing the Indenture Trustee to wire money from TSASC's bank accounts to the vendors or pays the invoices using the company purchasing card administered by the New York City Municipal Water Finance Authority.

### **1. Wire Payments**

Payment instruction letters for wire payments must contain the amount of the wire payment, the payment date, and the account numbers from and to which the money will be wired. The letter must be reviewed and signed by two authorized signers. The payment instruction letters and approved invoices are e-mailed to the Indenture Trustee for payment. The Accounting Staff confirms the wire payments the following business day by reviewing the bank account information online.

### **2. Purchasing Card Payments**

Vendors invoices may be paid using the New York City Municipal Water Finance Authority ("NYW") purchasing card if other forms of electronic payment are not readily available. All uses of the NYW purchasing card require requestors to submit to the Accounting Managers a completed *Purchasing Card Expense Authorization Form* along with any required documentation. The form must be approved by the requestor's supervisor who must also be an officer of TSASC. If the requestor's supervisor is not an officer of TSASC, approval must be obtained from an officer who does not report to the requestor. Payments above \$1,000 require a secondary approval from the President, Treasurer, or Secretary. Receipts must be sent to the Accounting Unit immediately after purchase or as soon as receipts are available. TSASC will reimburse NYW for these purchases as part of the annual overhead allocation (see the *Overhead Allocation* section of this manual).

In parallel with or following all payments, the Accounting Staff enters payment journals in TSASC's Accounting System to record the payments and close previously entered and approved invoices. Payment journals must be approved by an Accounting Manager before they can be posted to the Accounting System.

Supporting documentation must be electronically attached to the invoice records and payment journals in the Accounting System. For invoice records, at a minimum, the approved invoice should be attached. For payment journals, digital copies of wire confirmations from the Indenture Trustee and payment instruction letters should be attached to the payment journals.

### **1099 Preparation and Issuance**

All vendors must complete and sign an IRS Form W-9 (or its equivalent) and send it to the Accounting Unit before payment can be made to the vendor. This information is used to determine if any Forms 1099 must be issued to the vendor for payments from TSASC made during each calendar year.

Starting with calendar year 2023, TSASC is required to submit Forms 1099 electronically to the IRS. Recipient (payee) copies of Forms 1099 may continue to be mailed to recipients or transmitted electronically with the recipients' permission.

Although there are several types of 1099 forms, TSASC generally uses only the Form 1099-MISC to report gross proceeds paid to attorneys and Form 1099-NEC to report payments to entities for services performed by non-employees.

To prepare the Forms 1099, the Accounting Staff compiles a schedule showing all payments from January 1<sup>st</sup> to December 31<sup>st</sup> of the year, by category, for all disbursements to vendors. The Accounting Staff then enters the disbursement information for each vendor and form type into the IRS Information Return Intake System ("IRIS"). PDFs of each Form 1099 are then generated by the IRIS system for each vendor and form type. Prior to mailing to recipients, the Forms 1099 are checked by the Accounting Staff for accuracy before being submitted to an Accounting Manager for review.

While deadlines to distribute Forms 1099 to recipients and e-filing with the IRS depends on the form type, most of TSASC's Forms 1099 (specifically, Form 1099-NEC) are due to recipients by January 31<sup>st</sup>. Similarly, e-filing with the IRS is also generally due by January 31<sup>st</sup>.

### **Internal Funds Transfers**

Instruction letters for wire transfers among TSASC's bank accounts are signed by one authorized signer except for activities for TSASC's operating accounts which require two authorized signers.

The signed letters are e-mailed to the Indenture Trustee and copies are submitted with the monthly bank statements and the proposed journal entries for review by an Accounting ManagerAM.

### **INVESTMENTS**

The universe of allowable investments for the TSASC is defined in the Indenture. Additionally, TSASC has Investment Guidelines adopted by the Board of Directors. All investments are to be made within the constraints imposed by the Indenture and Investment Guidelines. Based upon instructions received from the Treasurer, investment letters are prepared authorizing the Indenture Trustee to invest funds on behalf of TSASC. The instruction letter for the purchase, sale or rollover of investments, instructs the Indenture Trustee how the funds are to be invested including the investment vehicle

and the required maturity date of the investments. The letter is signed by one authorized signer.

## **FINANCIAL ACCOUNTING AND REPORTING**

The recording of TSASC's financial transactions into the Accounting System is through purchase invoices and payment journals for vendor payments and through journal entries for all other transactions.~~journal entries.~~

### **Recording of Bond Issuance Costs**

Bond issuance costs may either be paid directly from the bond proceeds at the time of the closing of the bond issuance or paid at a later date through the invoice process. For payments made at the closing, closing documents are forwarded to the Accounting Unit~~accounting department~~ for recording in the Accounting System~~general ledger~~ as part of the recording of the bond issuance. Payments requested by invoice are processed as discussed in the *Vendor Payments* section of this Manual.

### **Journal Entries**

Journal entries are prepared by the Accounting Staff~~AUS~~ to record all transactions, other than vendor payments, as part of the following monthly journal entry preparation process.

Each month, the Accounting Staff~~AUS~~ reconciles the Indenture Trustee bank account statements and verifies that all transactions reported were made in accordance with TSASC instruction letters for transfers between accounts, investment of funds, and disbursements. Any discrepancies are immediately investigated and resolved with the Indenture Trustee. Activity in each account is summarized by the Accounting Staff~~AUS~~ and the summaries are used by the Accounting Staff~~AUS~~ to prepare journal entries for the month.

The entries are reviewed by an Accounting Manager who approves and signs the journal entries. The Accounting Staff then enters the journal entries into the Accounting System. To post the journal entries in the Accounting System, the system requires Accounting Staff request approval from an Accounting Manager. After an Accounting Manager approves the entries, the Accounting Staff posts the journal entries and verifies that they were posted accurately in the general ledger and subledgers, as applicable. If adjusting journal entries are required, they are reviewed and approved by an Accounting Manager.

After posting, the new trial balance is reviewed by the Accounting Staff to verify that the amounts agree with the transaction summaries and bank statements used to prepare the journal entries.

~~An AM reviews the journal entries prepared by the AUS and applies the final approval and sign-off before entry into the general ledger. The APS enters the journal entries into the general ledger. The posted journal entry is examined by the AUS for accuracy after the entries are accepted.~~

## **Fiscal Year-End Closing and Financial Reporting**

Shortly after the fiscal year ends, the Comptroller requests that the Secretary's Office and the Treasurer's Office contact all vendors and service providers and obtain invoices for goods and services provided through June 30<sup>th</sup> so that ~~expenditures are~~ the expenditure is accrued and reported in the proper fiscal year. Additionally, all vendor payments made between fiscal year-end and the conclusion of the annual audit are analyzed by Accounting Staff ~~AUS~~ for proper treatment as an expenditure of the current or prior fiscal year.

At year-end, the Accounting Unit prepares ~~AUS and an AM prepare~~ all closing schedules and analyses needed for adjusting entries, for disclosures, and for auditors, ~~including but not limited to:~~ amortization schedules for bond premiums and discounts, bond interest payable accruals, investment income accruals, deposit and investment categorization). Where required due to technical complexity, ~~select~~ selected schedules and analyses may be prepared by an Accounting Manager ~~AM~~.

Schedules and analyses prepared by the Accounting Staff ~~AUS~~ are provided to an Accounting Manager ~~AM~~ along with supporting documentation for review. Schedules and analyses pertaining to deposits, investments, outstanding bonds, and debt service are provided to TSASC's Treasurer or his or her designee in draft form for review.

Adjusting journal entries are prepared, ~~by AUS and~~ reviewed, ~~and~~ approved, and posted under the same process as monthly ~~by an AM who signs prior to entry into the Accounting System general ledger. The APS enters the journal entry into the general ledger. The posted journal entry is examined by the AUS for accuracy after the entries (see the Journal Entries section of this Manual) are accepted.~~

The adjusted trial balance is reviewed by the Accounting Staff ~~AUS~~ to verify balances, and then exported into an Excel file for preparation of financial statements. Draft financial statements, notes, and management discussion and analysis ~~Management Discussion & Analysis~~ are prepared jointly by Accounting Staff and an Accounting Manager ~~AUS and AM~~, for review by other members of TSASC's management and independent auditors.

After the conclusion of the independent audit, ~~if any adjusting entries are needed due to the audit, they~~ are prepared by ~~or at the~~ Accounting Staff ~~direction of the AUS~~ and reviewed by ~~or~~ an Accounting Manager, who approves ~~AM~~ and signs prior to entry in to the Accounting System. ~~entered into the general ledger.~~ Before running the general ledger close process in ~~of~~ the Accounting System ~~fiscal year~~, a final trial balance is run,

and the Accounting Staff verifies AUS and/or an AM reviews to ensure that all balances are in agreement with the audited financial statements. The final trial balance is approved/initialed by an Accounting Manager/AM and retained in the fiscal -year-end workpaper files.

An Accounting Manager/The AM instructs the Accounting Staff/APS to close the fiscal year, which is automatically done by the Accounting System when the close process is run. APS marks the appropriate field in the Accounting System. The Accounting System will automatically produce a “closing entries” that must be entry” which is retained in the year-end files. After the closing entries have generated, reviewed, entry has been produced the AUS and approved by/or an Accounting Manager, the Accounting Staff/AM reviews the trial balance after the close and verifies that to make sure the assets, liabilities, and fund balances (net assets) have been properly updated.

All trial balances, workpapers, journal entries, and supporting documentation are centrally filed for access by the external auditors. See the Records/Section on Record Retention section of this Manual.

## **OTHER CONTROL MEASURES**

### **TSASC Tobacco Settlement Trust Reporting Requirements**

TSASC does not perform any financial accounting or reporting for the Tobacco Settlement/Delaware Trust. The Delaware Trustee prepares an annual financial report (unaudited) and the Internal Revenue Service 1041 U.S. Income Tax Return for Estates and Trusts. The Accounting Unit/AUS and/or an AM contacts the Delaware Trustee to determine the estimated date of completion of the financial statements and the tax return. These reports are done annually, and copies should be forwarded to TSASC. ~~These reports are sent to TSASC~~ for information purposes only. If there are any discrepancies between the amounts transferred from TSASC to the Tobacco Settlement Trust and from the Tobacco Settlement Trust to the City, the Accounting Unit contacts AUS and/or an AM will contact the Delaware Trustee for clarification. A copy of the tax/1041 return and the annual financial report is forwarded to the City’s Law Department, as the representative of the beneficial owner of the Tobacco Settlement Trust. ~~(the City).~~

### **Bank Accounts**

When a new bank account is needed, the Treasurer, Comptroller, or their respective designee will send an e-mail request to the Indenture Trustee, along with supporting documentation requested by the Indenture Trustee. After opening the new account, the Trustee will confirm the number and name of the account via e-mail to the Treasurer and the Accounting Staff. Subsequently, the Accounting Staff will add the new account to the bank account schedule.

~~The opening of TSASC bank accounts is authorized by an Officer of TSASC. For bank accounts opened at a new banking institution, the bank account application form must contain, at a minimum, the names, titles, and signatures of three authorized Officers of TSASC. The application states the number of signatures required for all financial transactions. The new bank account number is included on the bank account schedule maintained by the AUS.~~

All unneeded bank accounts are closed immediately by a letter to the bank, signed by one TSASC Officer.

### **Incumbency Certificate**

Every time there is a change of an ~~officer~~Officer for TSASC, a new Incumbency Certificate is prepared listing the current ~~officers~~Officers. The Incumbency Certificate is signed by the ~~TSASC Secretary of TSASC~~ and the original sent to the Indenture Trustee bank. Similarly, new authorized signatory documents are prepared, signed, approved, and forwarded to the Indenture Trustee bank.

### **Computer Equipment and System Usage**

TSASC personnel follow the current policies and guidelines of OMB. Staff ~~members~~ are required to familiarize themselves with these policies and guidelines.

### **Overhead Allocation**

TSASC has entered into an Administrative Services Agreement with OMB and other financing entities at the direction of the Board which specifies how shared personal service and other than personal service costs are allocated among the entities. The OMB overhead allocation is calculated by the Accounting Unit, with assistance and information provided by OMB as needed. ~~Staff OMB's staff. Staff members~~ are required to familiarize themselves with this agreement.

### **Inventory**

TSASC does not own any capital assets or equipment. All equipment is owned, maintained, and monitored by OMB. TSASC personnel follow the current policies and guidelines of OMB. Staff ~~members~~ are required to familiarize themselves with these policies and guidelines.

### **Procurement**

The Board of Directors has adopted a Policy on the Procurement of Goods and Services (“Procurement Policy”). Staff ~~members~~ are required to familiarize themselves with the Procurement Policy. Any changes to the Procurement Policy, as adopted by the Board ~~of Directors~~, are disseminated to staff by the Secretary’s Office.

### **Travel and Business Expense Reimbursement**

The Board of Directors has adopted a Policy on Travel Allowance (“Travel Policy”) and a Policy on Salary, Compensation, Reimbursements, Time and Attendance (“Reimbursement Policy”). Staff ~~members~~ are required to familiarize themselves with these policies. All internal control measures detailed above under ~~Disbursements—Vendor Payments~~ are followed in the issuance of ~~reimbursements~~ ~~a reimbursement check~~ to ~~employees~~ ~~an employee~~. Any changes to the Travel Policy or Reimbursement Policy, as adopted by the Board ~~of Directors~~, are disseminated to staff by the Secretary’s Office.

### **~~Personal and Real Property~~**

The Board of Directors has adopted a Policy on the Disposition of Personal Property (“Personal Property Policy”) and a Policy on the Acquisition and Disposition of Real Property (“Real Property Policy” and together with the Personal Property Policy, the “Property Policies”). Staff ~~members~~ are required to familiarize themselves with the Property Policies. Any changes to the Property Policies, as adopted by the Board ~~of Directors~~, are disseminated to staff by the Secretary’s Office.

### **RECORDS RECORD RETENTION**

Documents supporting ~~all~~ TSASC transactions recorded in the Accounting System and information on the opening and closing of all bank accounts are maintained and available for audit by various entities (~~i.e.~~, independent auditors, State and City auditors, IRS). The support may be maintained in either paper or electronic form.

Procurement records pertaining to contracts and all procurements other than Small Purchases (as defined by the TSASC Board approved procurement guidelines) are maintained by TSASC’s contracting ~~officer~~ ~~Officer~~ and the Secretary’s Office.

Calculations of allocated costs (management fees, rent, and overhead costs incurred by OMB and bond financing entities) are maintained by ~~the Accounting Unit~~ ~~TSASC’s Comptroller~~, ~~AM~~ or ~~designated staff~~.

# **TSASC, Inc.**

Audit Committee Meeting

May 8, 2025

## Annual Report of the Audit Committee

**WHEREAS**, Section III(k) of the Audit Committee Charter and Section 5.3 of Directive 22 of the City of New York Office of the Comptroller require the Audit Committee to issue an annual report to be prepared no later than October 30 of each year, which details the activities and decisions of the Audit Committee for the prior calendar year;

**WHEREAS**, the Audit Committee has reviewed the Annual Report of the Audit Committee, as attached hereto and finds it to be reasonable;

**WHEREAS**, Section III(j) of the Audit Committee Charter requires the Audit Committee to conduct an annual self-evaluation of its performance, including its effectiveness and compliance with the Audit Committee Charter; and

**WHEREAS**, the Audit Committee finds its performance to be satisfactory, effective, and in compliance with the Audit Committee Charter; it is therefore

**RESOLVED**, that the Annual Report of the Audit Committee is hereby approved and shall be presented to the Board of Directors of TSASC, Inc., copies of which shall be filed with the minutes of the Audit Committee and submitted to the Bureau of Accountancy of the Office of the Comptroller.

# **TSASC, Inc.**

## **Annual Report of the Audit Committee**

May 8, 2025

During calendar year 2024, the Audit Committee of TSASC, Inc. (the “Corporation”) met twice. The Audit Committee’s actions at these meetings were as follows:

On April 29, 2024:

- Conducted a self-evaluation and approved an annual report of the Committee’s activities;
- Reviewed the Corporation’s Internal Control manual; and
- Met with the independent auditors to review the auditors’ audit plan for the fiscal year 2024 audit and several new accounting and auditing standards.

On September 26, 2024:

- Met with the independent auditors and management of the Corporation to discuss the annual audited financial statements and independent auditors’ report for the fiscal years ended June 30, 2024 and June 30, 2023 and recommended to the Board of Directors of the Corporation the acceptance and release of such report and financial statements; and
- Reviewed and approved Audit Committee Charter and Schedule of Dates.



# TSASC, Inc.

**AUDIT AND OTHER SERVICES PLANNING MEETING FOR YEAR ENDING JUNE 30, 2025**

MAY 8, 2025

*This report is intended solely for the information and use of the Audit Committee, Board of Directors, Members and management of TSASC, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties, unless permission is granted.*



# Your Engagement Leadership Team



**James Wilkinson**  
Engagement Shareholder  
☎ Direct: 401.600.4709  
✉ Email: James.Wilkinson@cbiz.com



**Warren Ruppel**  
Advisory Shareholder  
☎ Direct: 212.503.6391  
✉ Email: Warren.Ruppel@cbiz.com



**Daniel McElwee**  
Senior Manager  
☎ Direct: 212.201.2992  
✉ Email: Daniel.McElwee@cbiz.com

# Agenda

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- Audit Planning Communications
  - Service Delivery Timeline
  - Responsibilities
  - Deliverables
  - Special Factors Impacting This Year
  - Our Planned Audit Approach
  - Relationship and Independence
  - New Developments and Forward Considerations
- Appendices:
  - Appendix A - Background on CBIZ
  - Appendix B – Draft Engagement Letter
- Executive Session

# Service Delivery Timeline

Audit Services	2025	2024
Preliminary communications held and draft engagement letters shared	May 2, 2025	April 19, 2024
Audit scope presentation to the Audit Committee	May 8, 2025	April 29, 2024
Audit fieldwork to begin	Mid-August 2025	August 12, 2024
Draft financials received from management	Early September 2025	September 11, 2024
Review audit results with the Audit Committee	Late September 2025	September 26, 2024
Report issuance soon after approval by the Audit Committee and Board of Directors	By September 30, 2025	September 27, 2024

CBIZ is a business consulting, tax, and financial services provider that works closely with CBIZ CPAs P.C., an independent CPA firm that provides audit, review, and attest services. CBIZ and CBIZ CPAs P.C. are members of Kreston Global, an international network of independent accounting firms. In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

# Our Responsibilities

## Financial Statement Audit

- To obtain evidence to provide reasonable assurance that the financial statements are free of material misstatement whether caused by error or fraud.
- To issue an auditor's report that includes an opinion that the financial statements are fairly stated in all material respects in accordance with accounting principles generally accepted in the United States of America (U.S.GAAP).
  - Reasonable assurance is a high level of assurance, but not absolute assurance in detection of material misstatement. Material misstatements are items that would influence users of the financial statements.
  - This process entails an understanding of the Organization and its environment including internal controls to assess the risk of material misstatement and to design tests responsive to those risk to allow support for our opinion
  - This process entails assessing accounting policies and estimates including disclosures to result in fair presentation
  - Based on the audit evidence, we will conclude relative to the ability of the entity to continue as a going concern for a reasonable period of time
  - We will communicate significant matters related to the audit
- We will not report on the required supplementary information, including Management's Discussion and Analysis, but will compare the information to the financial statements, and read the information for clarity and to ensure it complies with U.S. GAAP.

***See Engagement Letter in Appendix for full responsibility details***

# Our Responsibilities

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## Investment Compliance

We will also issue a report on the Organization's compliance with its investment guidelines – as part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we will perform certain tests and report on the Organization's compliance with its investment guidelines as of and for the year ended June 30, 2025.

*See Engagement Letter in Appendix for full responsibility details.*

# Responsibilities of Management

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- Making all management decisions and performing all management functions
- Preparing and presenting the financial statements in conformity with U.S. GAAP
- Access to and accuracy of financial records and related information
- Selecting and applying accounting policies
- Safeguarding of all assets
- Adjusting the financial statements to correct material misstatements
- Establishing and maintaining internal controls and monitoring ongoing activities
- Designing and implementing programs and controls to prevent and detect fraud and informing us of any known and/or suspected fraud
- Evaluating going concern considerations
- Complying with all applicable laws and regulations, contracts, agreements, and grants
- Preparing the required supplementary information
- Providing us with a written representation letter regarding certain matters
- Tracking the status of audit findings and recommendations

*See Engagement Letter in Appendix for full responsibility details*

# Responsibilities of Those Charged With Governance

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- Overseeing the financial reporting process
- Overseeing the strategic direction of the Organization
- Appointing the auditors, including overseeing our work
- Informing us of all known or suspected fraud involving the Organization
- Resolving disagreements between management and the audit team

*See Engagement Letter in Appendix for full responsibility details*

# Deliverables

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## Engagement Deliverables

- Issuance of opinions on the financial statements
- Issuance of a report on the Organization's compliance with its investment guidelines
- Issuance of a report under *Government Auditing Standards*
- A summary communication document regarding the results of the audit of the Organization with our feedback and insights

# Our Planned Audit Approach

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- We will gain an understanding of the Organization's environment, including internal control, for purpose of:
  - Assessing risk of material misstatement of the financial statements
  - Designing the nature, timing and extent of further audit procedures
- Material misstatements may result from:
  - Management override of controls
  - Errors
  - Fraudulent financial reporting
  - Misappropriation of assets
  - Violations of laws or governmental regulations

# Our Planned Audit Approach

## Entity-Wide Considerations

- Entity level controls
- Tone at the top
- Financial reporting practices and oversight
- Financial pressures and regulatory influences
- Technology practices and security
- Fraud assessment and detection
- Assessment of the design of key internal controls over certain transaction cycles and verification that such key controls have been placed into operation
- Assessment as to how the entity adapts to environmental changes such as people, systems, practices and external influences

## Specific Areas of Focus

- Confirmation of cash & investments balances, including the classification of any restricted cash/investments.
- Confirmation of bonds payable and recalculation of accrued interest payable
- Compliance with debt and other agreements
- Cut-off tests related to completeness of liabilities
- Fund balance and net position accounting, including review of reconciling items between modified and full accrual basis of accounting
- Confirmation of Tobacco Settlement Revenues (TSRs)
- Fair presentation of the financial statements, including note disclosures
- Our professional standards require us to incorporate an element of unpredictability into the selection of our audit procedures from year to year. We will share the results of those tests when we meet with you to discuss the results of the audit process.

# Our Planned Audit Approach: Significant Audit Risks

**Significant Audit Risks** The audit risk assessment process is continuous, and as such, could result in additional significant risks identified as we perform our audit. If we identify additional significant risks, we will communicate those to you at that time.

Description of Risk	Potential Risk	Audit Response
<b>Management Override of Controls (Significant Fraud Risk)</b>	Misappropriation of assets/improper financial reporting	Procedures we expect to perform include the following: <ul style="list-style-type: none"><li>• Fraud risk inquiries of senior management and other employees, including inquiries related to improper or unusual journal entry activity.</li><li>• Retrospective review of significant accounting estimates to see if such estimates reflect bias on the part of management.</li><li>• Journal entry testing for validity, support and approvals.</li></ul>

# Our Planned Audit Approach

## Management Judgments and Accounting Estimates

### TSRs Receivable and Remittance Payable to the Trust (Important Judgment)

- TSASC records TSRs receivable, along with a corresponding payable to the Trust, at June 30 in its government-wide financial statements.
- The TSRs receivable are expected to be received the following April and are based on an estimate of cigarette sales for the six-month period from January 1 to June 30.
- We will perform procedures to evaluate management's calculation of TSRs receivable at year-end, and the corresponding calculation of TSRs payable to determine if they are reasonable.

# Our Planned Audit Approach

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## Other Considerations

- As of June 30, 2024, TSASC had not received sufficient TSRs to fully fund its scheduled December subordinate debt service payment due on December 1, 2024, and was required to draw from its subordinate debt service reserve fund to meet its debt service requirement. On December 9, 2024, TSASC entered into a Security Agreement with its Indenture Trustee, pursuant to which TSASC granted a lien on and security interest in all of the Corporation's interest in the Unpledged TSRs, which may be used, only to the extent needed, to cure a Senior Bonds Payment Deficiency or Subordinate Bonds Payment Deficiency (as such terms are defined in the Security Agreement) on the 2017 Series A and 2017 Series B Bonds, beginning with the June 1, 2025 payment through, at the latest, the June 1, 2028 payment.

## Use of Technology

- The use of technology is now routine to aid in the rigor of the audit process.
- Audits are a combination of risk assessments, random samples, targeted inspection of inherently riskier transactions and transactions of greater interest given data analytics and other factors.
- We will use technology to select journal entries for testing with a focus on validity and support on what we consider to be potential unusual items within that data set.

# Our Planned Audit Approach

## Fraud Related Procedures

### Our Approach

- Questionnaires to key employees regarding fraud matters
- Oral inquiries with certain members of the management team and those charged with governance
- Consideration of incentives, pressures, opportunities, and attitudes/tone at the top
- Understanding of internal controls at various levels
- Follow-up on noted matters, considering the effect on the audit plan

### Inquiries of Governance

- Are you aware of any fraud, suspected fraud or allegations?
- Are you aware of any potential conflicts of interest or related party transactions?
- Do you have any concerns about specific exposures to fraud or accounts that may be susceptible to fraud?
- Has management discussed internal control to prevent, detect and deter material fraud with the Committee?
- Is there actual or potential litigation, claims, or assessments that may give rise to a contingency where an accrual or disclosure would be required
- Are there any other risks/areas of concern?

# Our Planned Audit Approach: Unpredictability + Other Procedures

We perform additional procedures beyond what might be required under U.S. GAAS utilizing Data Analytics tools which are tools to analyze data from the Organization's general ledger, accounts payable and payroll systems searching for outliers and anomalies. These procedures are related to **reputational risks** and to identify **potential fraud risks**, even if not material. For any exceptions or anomalies noted we will corroborate to supporting documentation and make inquiries of management to ensure that exceptions are valid. Some of the additional procedures may include:

- Scanning the list of major vendors receiving disbursements
- Unpredictability testing – Not disclosed but discussed that our audit always considers certain procedures

**Are there any other additional procedures that the committee members would like to see performed during the current year audit?**

# Special Factors Impacting This Year

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- New accounting standards effective this year are not anticipated to have a material impact on the financial statements. Refer to the next slide for details of new accounting pronouncements.
- A full update of standards effective and pending is at [www.gasb.org](http://www.gasb.org) and we urge management to review and confirm no applicable items of material impact.
- We've shared most current industry updates herein and will review pending, proposed and other future developments during our exit meeting communication, if applicable.

# Special Factors Impacting This Year

Development	What's Changing?	When Are the Changes Effective?	Recommended Actions
<p><b>GASB 101, Compensated Absences</b></p>	<p>Requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or otherwise settled. Also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.</p>	<p>Changes are effective for the year ended June 30, 2025.</p>	<ul style="list-style-type: none"> <li>No impact is anticipated as TSASC, Inc. has no employees.</li> </ul>

# Special Factors Impacting This Year

Development	What's Changing?	When Are the Changes Effective?	Recommended Actions
<p><b>GASB 102, Certain Risk Disclosures</b></p>	<p>Improves financial reporting by providing timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.</p>	<p>Changes are effective for the year ended June 30, 2025</p>	<ul style="list-style-type: none"> <li>▪ Understand the standard</li> <li>▪ Model the effects               <ul style="list-style-type: none"> <li>▪ Review with external auditors</li> <li>▪ Communicate impact</li> </ul> </li> </ul>

# Special Factors Impacting This Year

Development	What's Changing?	When Are the Changes Effective?	Recommended Actions
<b>GASB 103, Financial Reporting Model Improvements</b>	Seeks to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability	Fiscal years beginning after June 15, 2025 (i.e., FY 2026).	<ul style="list-style-type: none"> <li>▪ Understand the standard</li> <li>▪ Model the effects                             <ul style="list-style-type: none"> <li>▪ Review with external auditors</li> <li>▪ Communicate impact</li> </ul> </li> </ul>
<b>GASB 104, Disclosure of Certain Capital Assets</b>	Requires certain types of capital assets to be disclosed separately in the capital assets note disclosure. The Statement also required additional disclosures for capital assets held for sale and for such assets to be evaluated each reporting period.	Fiscal years beginning after June 15, 2025 (i.e., FY 2026).	<ul style="list-style-type: none"> <li>▪ No impact is anticipated as TSASC, Inc. has no capital assets.</li> </ul>

# Relationship and Independence

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No non-audit services that would impair independence



No consulting services outside of routine advice relative to accounting and tax matters



No known roles of our people or their relatives in any management or oversight role



No known financial interrelationships of either the firm or its people with the Organization

# Appendices

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- Appendix A - Background on CBIZ
- Appendix B – Draft Engagement Letter

# CBIZ CPAs National Not-for-Profit Practice Overview

Our National Not-for-Profit Practice provides unique insight, superior quality, and consistency to all not-for-profit clients across our organization. This experience, combined with our active participation in organizations that matter to you offers a deeper level of industry immersion, and thus a deeper knowledge of your organization.

**6K**  
Not-For-Profit  
Clients  
Served  
Nationwide

**CBIZ CPAs Local  
Not-for-Profit & Government  
Qualifications Experience**

We are equally committed to meeting the needs of our tax-exempt and government entity clients

## Industry Expertise



Arts &  
Cultural  
Institutions



Colleges  
Universities  
& Schools



Public  
Charities



Private  
Foundations



Health &  
Welfare  
Organizations



Professional  
&  
Membership  
Trade  
Associations



Religious  
Entities



Government

# How We Seek to Add Value

 <b>Seminars &amp; Webinars</b>	 <b>Regular Client Communications</b>	 <b>Proactive Implementation of New Standards</b>	 <b>Not-For-Profit Newsletter</b>	 <b>Resource Center</b>
<p>Complimentary virtual/in-person events designed to cover accounting, tax, business, technology and other areas of importance to our clients</p>	<p>Year-round communication from our team in person, by phone, through a virtual meeting, or via email</p>	<p>Provide templates, training, tools, and best practices as new standards are introduced</p>	<p><b>The Not-For-Profit Viewpoint</b> Monthly newsletter covering topics that impact not-for-profit and education organizations</p>	<p><b>Inflation Resource Center</b> Our program to provide companies with articles, podcasts, webinars, guides and more to help navigate these unprecedented times</p>

## Supporting Innovation and Mitigating Risks:

In addition to our capable attest, audit, tax compliance and related tax advisory services, we can assist with other business services when they fit with our core engagement as follows:

- Cybersecurity and Information Technology
- Compensation Advisory, Executive Search and Benefits Cost Savings Opportunities
- AI Planning, Management and Administration
- State Privacy Legislation Compliance
- Insurance and Risk Management
- Accounting and Business Advisory
- Investment Advisory

CBIZ is a business consulting, tax, and financial services provider that works closely with CBIZ CPAs P.C., an independent CPA firm that provides audit, review, and attest services. CBIZ and CBIZ CPAs P.C. are members of Kreston Global, an international network of independent accounting firms. In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

# How We Embrace Our People

We strive to strengthen our culture to enable a feeling of belonging for all team members in a variety of ways, including:

## Diversity & Inclusion Task Force

Leaders from across the company tasked with accelerating our efforts nationally, using a three pronged-approach:  
**Retention, Recruitment, Awareness & Education**



**CEO ACTION FOR DIVERSITY & INCLUSION**

The largest CEO-driven business commitment to diversity and inclusion within the workplace



**TRAINING, LEARNING & DEVELOPMENT**

New and enhanced D&I training, and integration of D&I into existing learning and development programs



**EMPLOYEE RESOURCE GROUPS**



**EMPLOYEE BENEFITS**

Domestic partner benefits, flexible work arrangements, paid parental leave, expecting parents' programs, childcare resources, etc. to attract and retain a diverse workforce



**RECENT IMPACT**

Since 2020, our hiring of professionals from underrepresented ethnicities has **increased by 59%**. Also, in 2022, **51% of hires were female.**



**BIPOC**  
CBIZ



**CBIZ PRIDE**



**CBIZ WOMEN'S ADVANTAGE**



**CBIZ YOUNG PROFESSIONALS**

May XX, 2025

Mr. Raymond Lee, Comptroller  
TSASC, Inc.  
255 Greenwich Street, 7<sup>th</sup> Floor  
New York, NY 10007

Dear Mr. Lee

We are pleased to confirm the arrangements of our engagement and the nature of the services we will provide TSASC, Inc. (the “Client”, “Entity”, “you,” or “your”). This letter constitutes the entire agreement between the Entity and CBIZ CPAs P.C. (“CBIZ CPAs,” “Firm,” “we,” “us,” or “our”) regarding the services described herein.

### **ENGAGEMENT OBJECTIVES AND OUR RESPONSIBILITIES**

We will audit the financial statements of the governmental activities and each major fund, which collectively comprise the Entity’s basic financial statements, as of June 30, 2025 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Client’s basic financial statements as listed in the table of contents.

Our audit will be conducted with the objectives of our expressing an opinion on each opinion unit.

The objectives of our audit of the financial statements are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error, fraudulent financial reporting, misappropriation of assets, or violations of laws, governmental regulations, grant agreements, or contractual agreements. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America (“GAAS”) and in accordance with *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Accounting principles generally accepted in the United States of America (“U.S. GAAP”) as promulgated by the Governmental Accounting Standards Board (“GASB”) require that certain information, such as management’s discussion and analysis (“MD&A”), be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the Client’s required supplementary information (“RSI”) in accordance with GAAS. These limited procedures will consist of inquiries of management regarding their methods of measurement and presentation and comparing the information for consistency with management’s responses to our inquiries. We will not express an opinion or provide any form of assurance on the RSI, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by U.S. GAAP. This RSI will be subjected to certain limited procedures but will not be audited:

- Management’s Discussion and Analysis

We will also issue a report on the Entity’s compliance with its investment guidelines – as part of obtaining reasonable assurance about whether the financial statements are free from material misstatement, we will perform certain tests and report on the Entity’s compliance with its investment guidelines as of and for the year ended June 30, 2025.

### **Auditor Responsibilities**

We will conduct our audits in accordance with GAAS, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. As part of an audit of financial statements in accordance with GAAS and in accordance with *Government Auditing Standards*, we will exercise professional judgment and maintain professional skepticism throughout the audit. We will also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of the system of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
4. Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Client's ability to continue as a going concern for a reasonable period of time.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements or noncompliance may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards* of the Comptroller General of the United States of America. Please note that the determination of abuse is subjective, and *Government Auditing Standards* does not require auditors to detect abuse.

Our responsibility as auditors is limited to the period covered by our audit and does not extend to any other periods.

We will issue a written report upon completion of our audit of the Client's basic financial statements. Our report will be addressed to the governing body of the Client. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add an emphasis-of-matter or other-matter paragraph(s) to our auditors' report, or if necessary, withdraw from the engagement. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

In accordance with the requirements of *Government Auditing Standards*, we will also issue a written report describing the scope of our testing over internal control over financial reporting and over compliance with laws, regulations, and provisions of grants and contracts, including the results of that testing. However, providing an opinion on internal control and compliance over financial reporting will not be an objective of the audit and, therefore, no such opinion will be expressed.

### **MANAGEMENT'S RESPONSIBILITIES**

Our audit will be conducted on the basis that management and, when appropriate, those charged with governance acknowledge and understand that they have responsibility:

1. For the preparation and fair presentation of the financial statements in accordance with U.S. GAAP;

2. For the design, implementation, and maintenance of an effective system of internal control over the financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
3. To provide us with:
  - a. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements including the disclosures, and relevant to federal award programs, such as records, documentation, and other matters;
  - b. Additional information that we may request from management for the purpose of the audit;
  - c. Unrestricted access to persons within the entity and others from whom we determine it necessary to obtain audit evidence;
  - d. A written acknowledgement of all the documents that management expects to issue that will be included in the annual report and the planned timing and method of issuance of that annual report; and
  - e. A final version of the annual report (including all the documents that, together, comprise the annual report) in a timely manner prior to the date of the auditors' report.
4. For adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the current year period(s) under audit are immaterial, both individually and in the aggregate, to the financial statements as a whole;
5. For acceptance of non-attest services, including identifying the proper party to oversee non-attest work;
6. For maintaining adequate records, selecting and applying accounting principles, and safeguarding assets;
7. For informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in internal control and others where fraud could have a material effect on compliance;
8. For the accuracy and completeness of all information provided;
9. For the evaluation of the effectiveness of the entity's internal control over financial reporting using suitable and available criteria;
10. For providing us with management's written assessment about the effectiveness of the entity's internal control over financial reporting;
11. For supporting management's assessment about the effectiveness of the entity's internal control over financial reporting with sufficient evaluations and documentation (e.g., policy or accounting manuals, narrative memoranda, flowcharts, decision tables, procedural write-ups, or completed questionnaires)
12. For taking reasonable measures to safeguard protected personally identifiable and other sensitive information; and
13. For confirming your understanding of your responsibilities as defined in this letter to us in your management representation letter.

As part of our audit process, we will request from management and, when appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

We understand that your employees will prepare all confirmations we request and will locate any documents or invoices selected by us for testing.

Management is responsible for all management decisions and performing all management functions including critical judgments and conclusions, and for designating an individual, preferably from senior management, with suitable skill, knowledge, or experience to oversee any financial statement preparation services, assistance with the preparation of the Data Collection Form, bookkeeping services, tax services, or other services we or our associated company CBIZ, Inc. (or its related entities (collectively with CBIZ, Inc., "CBIZ")) provides.

Professional standards prohibit us from being the sole host and/or the sole storage for your financial and non-financial data. As such, it is your responsibility to maintain your original data and records and we cannot be responsible to maintain such original information. If you are missing any documents or workpapers from our prior years' engagements (if applicable), it is your responsibility to inform us. By signing this engagement letter, you affirm that you have all the data and records required to make your books and records complete.

You agree to inform us of facts that may affect the financial statements of which you may become aware during the period from the date of the auditors' report to the date the financial statements are issued.

### **COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

At the conclusion of our audit engagement, we will communicate to those charged with governance the following significant findings from the audit:

- Our view about the qualitative aspects of the entity's significant accounting practices;
- Significant difficulties, if any, encountered during the audit;
- Uncorrected misstatements, other than those we believe are trivial, if any;
- Disagreements with management, if any;
- Other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to those charged with governance regarding their oversight of the financial reporting process;
- Material, corrected misstatements that were brought to the attention of management as a result of our audit procedures;
- Representations we requested from management;
- Management's consultations with other accountants, if any; and
- Significant issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management.

## **ENGAGEMENT FEES**

We will complete the aforementioned services for the year ended June 30, 2025 for a fixed fee of \$20,775.

We request that payments for these services be no later than the following dates/events specified below:

Upon signing this letter	\$ 2,000
September 1, 2025	9,000
Issuance of financial statements	<u>9,775</u>
	<u>\$ 20,775</u>

Our fees are based upon the complexity of the work to be performed, timing of the engagement, experience level of the personnel required, and estimates of the professional time to complete the required services.

Additionally, our fees are dependent on the availability, quality, and completeness of the Client's records and, where applicable, upon the Client's personnel providing the level of assistance identified in the "prepared by client" request list distributed at the end of our planning work (e.g., Client employees preparing confirmations and schedules we request, locating documents selected by us for testing, etc.). Circumstances – including but not limited to those such as those listed in Appendix A – may arise during the engagement that may cause delay or significantly affect our fees. CBIZ CPAs shall not be responsible for any consequences.

## **DISPUTE RESOLUTION PROCEDURE (MEDIATION AND ARBITRATION) AND GOVERNING LAW**

*Any dispute arising out of or relating to this engagement, or breach thereof, shall first be submitted for mediation administered by the American Arbitration Association ("AAA") under its Commercial Mediation Procedures. The parties agree to discuss their differences in good faith and to attempt, with facilitation by the mediator, to reach a consensual resolution of the dispute. The mediator shall be selected by agreement of the parties; if the parties cannot agree on a mediator, a mediator shall be appointed by the AAA. The mediation shall be treated as a settlement discussion and shall be confidential. The mediator may not testify for any party in any later proceeding related to the dispute. No recording or transcript shall be made of the mediation proceeding. Each party shall bear its own costs in the mediation, and the fees and expenses of the mediator shall be shared equally by the parties. No other proceeding shall be commenced prior to 60 days after the parties' first appearance before the mediator.*

*If a dispute has not been resolved within 60 days after the written initiation of the mediation, the dispute shall be settled by arbitration administered by the AAA under its*

*Accounting and Related Services Arbitration Rules (the "Rules"). In the event of a conflict between the Rules and this Agreement, this Agreement shall control. The arbitration shall be conducted before a panel of three arbitrators, selected by application of the rules of the AAA, or by mutual agreement of the parties, except that all arbitrators shall be lawyers or former judges. Discovery shall be permitted in connection with the arbitration only to the extent, if any, expressly authorized by the arbitration panel upon a showing of substantial need by the party seeking discovery. The arbitration panel shall issue its final award in a written and reasoned decision to be provided to each party. The arbitration panel shall have no authority to make an award or impose a remedy that could not be made or imposed by a court deciding the matter in the same jurisdiction. All aspects of the arbitration shall be treated as confidential. The parties and the arbitrator may disclose the existence, content, or result of the arbitration only as expressly provided by the Rules. The award reached as a result of the arbitration will be binding on the parties, and judgment on the award may be entered in any court having jurisdiction.*

*The terms and provisions of this engagement letter, any course of conduct, course of dealing and/or action of the Firm and/or the Client and our relationship with you shall be governed by the laws of the State of New York (without giving effect to its choice of law principles).*

#### **LIMITATION OF LIABILITY**

*Unless otherwise prohibited by law or applicable professional standard, you agree that CBIZ CPAs and its personnel shall not be liable to you for any claims, liabilities, or expenses relating to this engagement for an aggregate amount in excess of the fees paid by you to CBIZ CPAs pursuant to this engagement, except to the extent finally judicially determined to have resulted from the bad faith or intentional misconduct of CBIZ CPAs. Unless otherwise prohibited by law or applicable professional standard, in no event shall CBIZ CPAs or its personnel be liable for consequential, special, indirect, incidental, punitive, or exemplary losses or damages relating to this engagement. This limitation on liability provision shall apply to the fullest extent of the law, whether in contract, statute, tort (such as negligence), professional standard, or otherwise.*

*No action, regardless of form, arising out of the services under this agreement may be brought by you more than one year after the date the last services are provided under this agreement.*

*The Client hereby indemnifies CBIZ CPAs and its shareholders and other professionals, and holds them harmless from all claims, liabilities, losses and costs arising in circumstances where there has been a known misrepresentation by a member of the Client's management, regardless of whether such person was acting in the Client's interest. This indemnification will survive completion or termination of this agreement.*

## **OTHER MATTERS**

### **Auditors' Report and Reproduction**

We will issue a written report upon completion of our audit of the Client's financial statements. Our report will be addressed to those charged with governance. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s) to our auditors' report. If for any reason, we are unable to complete the audit or we are unable to form or have not formed an opinion, we may decline to express an opinion or decline to issue a report as a result of the engagement. If, in our professional judgment, the circumstances require us to do so, we may resign from the engagement prior to completion.

Except to the extent prohibited by law, if you intend to publish or otherwise reproduce the financial statements and/or make reference to our Firm, you agree that the Client's management will provide us with a draft for our review and approval before disclosure, inclusion or incorporation by reference of any of our reports or the reference to CBIZ CPAs before such document or information is published, printed or distributed. You also agree to provide us with the final reproduced material for our approval before it is distributed. In addition, to avoid unnecessary delay or misunderstanding, you agree to provide us timely notice of your intention to issue any such document. Our fees for any additional procedures or services we require to provide approval to you would be in addition to those fees discussed above. Notwithstanding the foregoing, you may distribute the financial statements "as is," without our written consent; provided such financial statements are not inserted in any other document or are not altered or revised in any manner, including without limitation, the alteration, addition or removal of data or information to or from such financial statements.

With regard to the electronic dissemination of the Client's financial statements, including financial statements published electronically on the Client's website, we are not required to read the information contained in those sites or to consider the consistency of other information in the electronic site with the original document.

### **Background Checks**

As a matter of our Firm policy, we perform background checks on potential clients and/or on existing clients, on an as-determined basis. The terms and conditions of this engagement are expressly contingent upon the satisfactory completion of our investigatory procedures, and we reserve the right to withdraw from any relationship should information which we deem to be adverse come to our attention.

### **Independence and Our Personnel**

Professional standards require that a firm and its members maintain independence throughout the duration of the professional relationship with a client. These services are being provided under the AICPA and Government Accountability Office (GAO) independence standards. If the Client becomes subject to Public Company Accounting Oversight Board (“PCAOB”) or Securities and Exchange Commission (“SEC”) independence standards, those standards will need to be followed. As a result, certain non-attest services that would not impair our independence under the AICPA and *Government Auditing Standards* may have impaired our past or may impair our future independence under the PCAOB and SEC standards. CBIZ CPAs’ acceptance of this engagement is conditioned on confirming that it is independent under applicable standards. We will inform you promptly if we determine that we are not independent.

In addition, we will periodically reevaluate our independence as part of our customary client continuance process or more frequently, should circumstances arise that may require us to investigate whether our independence may have been impaired in which case we may terminate and resign from this engagement in our sole and absolute discretion. You agree to promptly advise us of any matters or changes in circumstances that could affect our independence or give rise to conflicts including, changes in senior management or the Board, or entities that may have preexisting relationships with CBIZ or CBIZ CPAs or conflicts that could affect our independence.

Any discussions that the Client has with personnel of CBIZ CPAs or CBIZ regarding potential employment with the Client could impair our independence with respect to this engagement. Therefore, we request that you inform us prior to any such discussions so that we can implement appropriate safeguards to maintain our independence. Employment offers to any staff member working on your engagement without our prior knowledge may require substantial additional procedures to ensure our independence on this engagement. Any additional costs incurred due to these procedures will be billed at our standard hourly rates.

Furthermore, we strive to maintain a staff of quality, trained professionals. In recognition of the investment we have made to recruit and develop our personnel, solely to the extent not prohibited by law, you agree to not solicit any of our employees involved in this engagement at any time while we are performing services for you or within one year thereafter; irrespective of whether they’ve worked on your account or not. However, this limitation shall not apply to employment via a general solicitation or open job posting which is not directed towards the employee or CBIZ CPAs.

#### **Access to Working Papers; Confidentiality**

Our workpapers and files for this engagement are the property of CBIZ CPAs. If we receive a subpoena or other administrative, judicial, or government demand or request requiring it to provide information or documents, we will, unless prohibited by law, provide written notice to the Client of such demand or request. The Client shall reimburse CBIZ CPAs for our time at standard rates and reasonable expenses (including reasonable attorneys’ fees and expenses) incurred in responding to such demands or requests.

Certain professional standards, including American Institute of Certified Public Accountants Code of Professional Conduct 1.700 and similar rules adopted by state boards of accountancy, prohibit the disclosure of client confidential information without client consent, except in limited circumstances. CBIZ CPAs will treat the Client's confidential information in accordance with applicable professional standards. The Client acknowledges and agrees that we may disclose confidential information as directed by the Client or as permitted by law, rule, regulation, professional standards or guidelines, or the terms of this engagement letter. The Client authorizes CBIZ CPAs to use email and other electronic methods to transmit and receive information, including confidential information, related to this engagement. CBIZ CPAs will employ commercially reasonable efforts to protect the confidentiality of transmitted information.

In performing our engagement, we will utilize professional and administrative staff who are employed by or otherwise associated with CBIZ or other entities. These individuals will be under the direct control and supervision of CBIZ CPAs, which is solely responsible for the professional performance of our engagement. Additionally, the professional staff is subject to the standards governing the accounting profession, including the requirement to maintain the confidentiality of client information, and CBIZ CPAs has contractual agreements requiring confidential treatment of all client information.

In addition, the Client agrees that we may provide CBIZ with access to the Client's accounting, financial, and other records in our possession so that CBIZ can provide the Client with any services it has engaged them to perform.

Should you request that we use a third-party electronic file transfer service in connection with this engagement, you acknowledge that CBIZ CPAs makes no representations or warranties regarding the security of data transmitted to and from, or stored by, that third-party electronic file transfer service. You also agree that CBIZ CPAs is not responsible for any loss, or unauthorized interception, of data transmitted to and from, or stored by, third-party electronic file transfer service.

### **Termination**

Our engagement ends on the earlier of termination or resignation (including without limitation, our declining to issue a report or other work product) or CBIZ CPAs' delivery of our report. We acknowledge your right to terminate our services at any time, and you acknowledge our right to terminate our services and this agreement and resign at any time in our sole and absolute discretion, subject in either case to our right to payment for all direct and indirect charges including out-of-pocket expenses incurred through the date of termination or resignation or thereafter as circumstances and this agreement may require, plus applicable interest, costs, fees and attorneys' fees. All terms which by their nature are reasonably intended to survive will survive termination, resignation or expiration.

## **Agreement**

This letter comprises the complete and exclusive statement of the agreement between the parties, superseding all proposals oral or written and all other communications between the parties. If it is determined that any provision of this letter is unenforceable, all other provisions shall remain in full force and effect. This letter comprises the complete and exclusive statement of the agreement between the parties, superseding all proposals oral or written and all other communications between the parties. The Client may not assign or transfer this agreement, or any rights, licenses, obligations, claims or proceeds from claims arising out of or in any way relating to this agreement, any services provided hereunder, or any fees for services to anyone, by operation of law or otherwise without CBIZ CPAs' prior written consent and any assignment without consent shall be void and invalid. CBIZ CPAs may assign this agreement, including all the rights and benefits hereunder, to any affiliate or acquirer of or successor to its business, or purchaser of all or substantially all of its assets, stock or interests or in the event of a reorganization or restructuring, and by your signature hereto, you consent to such assignment and the transfer of the Client's files and information.

It is hereby understood and agreed that this engagement is being undertaken solely for the benefit of the Client and that no other person or entity shall be authorized to enforce the terms of this engagement. The undersigned represents and warrants that it has the requisite authority and consents to enter into and perform this Agreement and the obligations herein for and on behalf of the NYC School Construction Authority.

If you agree with the terms of our engagement, as described in this letter, please affix your e-signature and return the letter to us via DocuSign and we will return a fully executed letter to you.

In accordance with the requirements of *Government Auditing Standards*, our latest external peer review report of our Firm is available upon request.

Very truly yours,

James Wilkinson, CPA, CITP  
CBIZ CPAs P.C.

**ACCEPTED**

This letter correctly sets forth the agreement of TSASC, Inc.

By \_\_\_\_\_  
Raymond Lee, Comptroller

Date \_\_\_\_\_

DRAFT

## APPENDIX A

### Circumstances Affecting Timing and Fee Estimate

The estimated fee is based on certain assumptions. Circumstances may arise during the engagement that may significantly affect the targeted completion dates and our fee estimate. As a result, additional fees may be necessary. Such circumstances include but are not limited to the following:

1. Changes to the timing of the engagement at your request. Changes to the timing of the engagement usually require reassignment of personnel used by CBIZ CPAs in the performance of services hereunder. However, because it is often difficult to reassign individuals to other engagements, CBIZ CPAs may incur significant unanticipated costs.
2. All requested schedules are not (a) provided by the accounting personnel on the date requested, (b) completed in a format acceptable to CBIZ CPAs (c) mathematically correct, or (d) in agreement with the appropriate underlying records (e.g., general ledger accounts). CBIZ CPAs will provide the accounting personnel with a separate listing of required schedules and deadlines.
3. Weaknesses in the internal control structure.
4. Significant new issues or unforeseen circumstances as follows:
  - a. New accounting issues that require an unusual amount of time to resolve.
  - b. Changes or transactions that occur prior to the issuance of our report.
  - c. Changes in the Client's accounting personnel, their responsibilities, or their availability.
  - d. Changes in auditing requirements set by regulators.
5. Significant delays in the accounting personnel's assistance in the engagement or delays by them in reconciling variances as requested by CBIZ CPAs. All invoices, contracts and other documents which we will identify for the Client, are not located by the accounting personnel or made ready for our easy access.
6. A significant level of proposed audit adjustments is identified during our audit.
7. Changes in audit scope caused by events that are beyond our control.
8. Untimely payment of our invoices as they are rendered.



## Report on the Firm's System of Quality Control

September 22, 2023

To the Shareholders of Mayer Hoffman McCann P.C.  
And the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice applicable to engagements not subject to PCAOB permanent inspection of Mayer Hoffman McCann P.C. (the firm) in effect for the year ended April 30, 2023. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a system review as described in the Standards may be found at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary). The summary also includes an explanation of how engagements identified as not performed or reported on in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

### Firm's Responsibility

The firm is responsible for designing and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

### Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of and compliance with the firm's system of quality control based on our review.

### Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans; and examinations of service organizations (SOC 1<sup>®</sup> and SOC 2<sup>®</sup> engagements).

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

### Opinion

In our opinion, the system of quality control applicable to engagements not subject to PCAOB permanent inspection for the accounting and auditing practice of Mayer Hoffman McCann P.C. in effect for the year ended April 30, 2023, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Mayer Hoffman McCann P.C. has received a peer review rating of *pass*.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Weaver and Tidwell, L.L.P.  
9311 San Pedro Avenue, Suite 1400 | San Antonio, Texas 78216  
Main: 210.737.1042

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# Executive Session

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# **TSASC, Inc.**

## **Board of Directors Meeting**

**May 8, 2025**

### Agenda

1. Resolution: Approval of Minutes of Meeting of November 14, 2024
2. Resolution: Approval of Budget
3. Discussion of EMMA Filing
4. Resolution: Approval of Directors & Officers Insurance
5. Resolution: Approval of Independent Auditor Agreement
6. Presentation by Audit Committee Chair regarding Audit Committee's Report and Self-Evaluation

# **TSASC, Inc.**

Board of Directors Meeting

May 8, 2025

## Approval of Minutes

**WHEREAS**, the Board of Directors of TSASC, Inc. has reviewed the minutes of its meeting held on November 14, 2024; it is therefore

**RESOLVED**, that the minutes of the meeting of the Board of Directors held on November 14, 2024 be, and they hereby are, adopted.

**MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS  
OF TSASC, INC.**

November 14, 2024

A meeting of the Board of Directors (the “Board”) of TSASC, Inc. (the “Corporation”) was held on November 14, 2024 at approximately 4:00 p.m., conducted at 255 Greenwich Street, Room 6-M4, New York, New York, 10007.

The following Board members attended, represented by their designees:

Jacques Jiha, Director of Management and Budget of The City of New York (the “City”), represented by David Womack;

Brad Lander, Comptroller of the City, represented by Michael Stern;

Muriel Goode-Trufant, Acting Corporation Counsel of the City, represented by Al Rodriguez;

Preston Niblack, Finance Commissioner, represented by Dara Jaffee; and

Adrienne Adams, Speaker of City Council, represented by Emre Edev;

constituting a quorum of the Board. Claudia Martinez served as secretary of the meeting. Also in attendance were members of the public, officers of the Corporation and employees of various agencies of the City, who joined in-person and remotely. The meeting was called to order by Mr. Womack, Chairperson of the Board.

Approval of Minutes

The first item on the agenda was the approval of the minutes of the meeting of the Board held on September 26, 2024. The draft minutes were circulated for the Board’s review. There being no further discussion, upon unanimous vote, the following resolution to adopt such minutes was duly approved:

**WHEREAS**, the Board of Directors of TSASC, Inc. has reviewed the minutes of its meeting held on September 26, 2024; it is therefore

**RESOLVED**, that the minutes of the meeting of the Board of Directors held on September 26, 2024 be, and they hereby are, adopted.

Approval of the Resolution Authorizing the Execution of a Security Agreement and Related Documents Relating to the Tobacco Settlement Bonds, Series 2017A and Series 2017B

The second and final item on the agenda was the approval of a resolution that would authorize the execution of a Security Agreement, and related documents, relating to TSASC's outstanding 2017 A and B Tobacco Settlement Bonds. Mr. Womack explained that at an earlier TSASC Board meeting this year, it was discussed that TSASC will be unable to meet the debt service requirements for its outstanding bonds as early as June 1, 2025. Mr. Womack then provided the details of the pledged and unpledged amounts Tobacco Settlement Revenues, including related operating expenses, debt service payment plan, and purpose of entering into the Security Agreement. The draft Security Agreement was provided to the Board for review.<sup>1</sup> Upon consent from the required parties, the proposed resolution would authorize the execution of the Security Agreement. There was no discussion and the following resolution was approved upon unanimous vote:

**WHEREAS**, TSASC, Inc. (the "Corporation") entered into an Amended and Restated Indenture, as supplemented by a Series 2017 Supplement (as supplemented, the "Indenture"), each dated as of December 1, 2016, by and between the Corporation and The Bank of New York Mellon, a New York banking corporation, as trustee (the "Trustee"); and

**WHEREAS**, pursuant to the Indenture, the Corporation issued its \$613,370,000 Tobacco Settlement Bonds, Fiscal 2017 Series A (Senior) (the "Series 2017A Bonds") and its \$489,700,000 Tobacco Settlement Bonds, Fiscal 2017 Series B (Subordinate) (the "Series 2017B Bonds" and together with the Series 2017A Bonds, the "Series 2017 Bonds"); and

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<sup>1</sup> Filed with the meeting minutes.

**WHEREAS**, in return for entering into the Indenture, the Corporation received on January 19, 2017, consideration in the form of \$705,836,447.71 in cash, constituting the net cash proceeds of the Series 2017 Bonds, and the exchange of \$450,000,000 in principal amount of bonds previously issued by the Corporation for \$450,000,000 in principal amount of Series 2017B Bonds with different terms; and the Corporation used such net cash proceeds to, among other things, defease certain bonds with different terms previously issued by the Corporation and secured by the Pledged TSRs (as defined herein); and

**WHEREAS**, the Series 2017 Bonds are secured by and payable from, among other things, all of the Corporation's right, title and interest in and to 37.40% of the Tobacco Assets (as defined in the Security Agreement (defined and described herein)) (the "Pledged TSRs"); and

**WHEREAS**, the 62.60% of the Tobacco Assets owned by the Corporation that are not Pledged TSRs (the "Unpledged TSRs") are not collateral for the payment of the Series 2017 Bonds or any other obligation of the Corporation and are currently deposited into the Unpledged TSRs Subaccount (as defined in the Security Agreement) and then paid by the Trustee from time to time to the TSASC Tobacco Settlement Trust (the "Trust"), as registered owner of the Residual Certificate (as defined in the Security Agreement); and

**WHEREAS**, in accordance with the terms of the Indenture, the Corporation has determined to provide certain additional credit support to the Series 2017 Bonds as provided in the Security Agreement, attached hereto as Exhibit A (the "Security Agreement"), by and between the Corporation and the Trustee, including to pledge, and grant a security interest in and lien on, the Unpledged TSRs to the Trustee, for the benefit of the holders of the Series 2017 Bonds, in order to secure the obligation of the Corporation to pay any Payment Deficiency (as defined in the Security Agreement), all subject to the terms and conditions set forth in the Security Agreement; and

**WHEREAS**, the Trust and The City of New York (the "City"), as sole beneficiary of the Trust, are consenting to the execution, delivery, and performance by the Corporation of the Security Agreement; and

**WHEREAS**, the execution and delivery of the Security Agreement shall not alter any of the terms of the Series 2017 Bonds.

**NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:**

Section 1. The Security Agreement in substantially the form attached hereto as Exhibit A is hereby approved. The Corporation has determined that the recitals in the Security Agreement are true and correct. Each of the President, Secretary, Treasurer or Deputy Treasurer of the Corporation (each an "Authorized Representative"), acting alone, is hereby authorized to execute such Security Agreement with such changes, additions and deletions as the person so executing shall approve as necessary or desirable, such approval to be conclusively evidenced by such execution.

Section 2. Any Authorized Representative of the Corporation is hereby authorized to execute and deliver such documents, agreements, instruments and certifications and take such other action as may be necessary or desirable to give effect to this Resolution and the transactions described herein, including but not limited to, authorize the preparation and filing of a Uniform Commercial Code financing statement relating to the Security Agreement.

Section 3. Any Authorized Representative of the Corporation is hereby authorized to pay on behalf of the Corporation any fees or any other expenses that he or she shall deem reasonable and appropriate in connection with the transactions contemplated hereby.

Adjournment

There being no further business to come before the Board, upon unanimous vote, the meeting was duly adjourned.

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SECRETARY

# TSASC, Inc.

Board of Directors Meeting

May 8, 2025

## Approval of Budget

**WHEREAS**, TSASC, Inc. (the “Corporation”), pursuant to Section 2801(2) of the Public Authorities Law (the “PAL”), is required to submit to the Mayor, Comptroller, Speaker of the City Council and the Authorities Budget Office, at least sixty days before the commencement of its fiscal year, budget information on operations and capital construction setting forth the estimated receipts and expenditures for the next fiscal year and the current fiscal year, and the actual receipts and expenditures for the last completed fiscal year;

**WHEREAS**, the Corporation is also required, pursuant to the PAL, Section 2800(2)(a)(14) to submit to the Mayor, Comptroller, Speaker of the City Council and the Authorities Budget Office, at a minimum a four-year financial plan, including (i) a current and projected capital budget, and (ii) an operating budget report, including an actual versus estimated budget, with an analysis and measurement of financial and operating performance; and

**WHEREAS**, the Board of Directors of the Corporation has reviewed the budget information and financial plan attached hereto and found it to be satisfactory; it is therefore

**RESOLVED**, that the Board of Directors of the Corporation approves the budget information and financial plan as attached hereto, provided that the Corporation’s Comptroller may make non-material changes to the budget and financial plan prior to its submission.

**TSASC, INC.**

May \_\_, 2025

Terms used but not defined herein have the meanings assigned to them in the TSASC, Inc. (“TSASC”) Offering Circular, dated January 11, 2017, in connection with its Tobacco Settlement Bonds, Fiscal 2017 Series A (Senior) and Fiscal 2017 Series B (Subordinate), as supplemented (the “Offering Circular”).

Notice is hereby given that TSASC has received \$58,127,766 of Pledged TSRs from the April 2025 Tobacco Settlement Revenue distribution. Based on the Pledged TSRs received, TSASC projects that it will draw down all of the remaining funds in its Subordinate Liquidity Reserve Account to make a payment toward the Fiscal 2017 Series B (Subordinate) Bonds debt service payment due on June 1, 2025. As of the date hereof, the Subordinate Liquidity Reserve Account has a remaining balance of approximately \$2.3 million. The remaining portion of the June 1, 2025, debt service payment not paid from Pledged TSRs or the Subordinate Liquidity Reserve Account, as well as all of the December 1, 2025, debt service payment, together totaling approximately \$12.4 million, shall be paid from Unpledged TSRs pursuant to the Security Agreement, dated as of December 9, 2024, by and between TSASC and the Trustee.

TSASC recently adopted its 2026 fiscal year budget, including future revenue and expenditure projections. The budget has been posted on TSASC’s website ([www.nyc.gov/tsasc](http://www.nyc.gov/tsasc)).

Fiscal Year 2026 Budget and Five-Year Plan (Cash Basis)

July 01, 2024 - June 30, 2029

(\$ in thousands)	Actual		Modified <sup>2</sup>	Proposed			
	Unaudited	Adopted		FY 2026	FY 2027	FY 2028	FY 2029
	FY 2024	FY 2025	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
<b>Receipts:</b>							
Operating Receipts:							
Pledged:							
Tobacco Settlement Revenue (TSR) <sup>1</sup>	\$ 63,736	\$ 58,961	\$ 58,128	\$ 51,487	\$ 50,771	\$ 50,157	\$ 49,625
Investment earnings	4,250	2,500	3,257	2,500	500	500	500
<b>Sub-total</b>	<b>67,986</b>	<b>61,461</b>	<b>61,385</b>	<b>53,987</b>	<b>51,271</b>	<b>50,657</b>	<b>50,125</b>
Additional Pledged TSR <sup>3</sup>	-	-	12,442	15,672	18,581	18,112	-
Unpledged:							
Tobacco Settlement Revenue (TSR) <sup>1</sup>	106,681	98,688	84,852	70,507	66,399	65,840	83,062
Investment earnings	374	-	-	-	-	-	-
<b>Sub-total</b>	<b>107,055</b>	<b>98,688</b>	<b>84,852</b>	<b>70,507</b>	<b>66,399</b>	<b>65,840</b>	<b>83,062</b>
<b>Total Receipts</b>	<b>175,041</b>	<b>160,149</b>	<b>158,679</b>	<b>140,166</b>	<b>136,250</b>	<b>134,609</b>	<b>133,186</b>
<b>Disbursements:</b>							
Transfers to Trust - Unpledged TSR	107,055	98,688	84,852	70,507	66,399	65,840	83,062
Debt Service:							
Principal payments	29,050	30,385	30,385	25,135	26,585	26,830	27,275
Interest payments	46,905	45,453	45,452	43,934	42,677	41,348	40,006
<b>Sub-total</b>	<b>75,955</b>	<b>75,838</b>	<b>75,837</b>	<b>69,069</b>	<b>69,262</b>	<b>68,178</b>	<b>67,281</b>
Administrative	619	630	717	590	590	590	591
<b>Total Disbursements</b>	<b>183,629</b>	<b>175,156</b>	<b>161,406</b>	<b>140,165</b>	<b>136,250</b>	<b>134,609</b>	<b>150,933</b>
<b>Excess (deficiency) of Receipts over Disbursements <sup>3</sup></b>							
	<b>\$ (8,588)</b>	<b>\$ (15,007)</b>	<b>\$ (2,727)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (17,747) <sup>4</sup></b>
<b>Cash Equivalent and Investment Holdings: <sup>5</sup></b>							
Beginning Balance	\$ 81,866	N/A	\$ 73,278	\$ 70,551	\$ 70,552	\$ 70,552	\$ 70,552
Ending Balance	\$ 73,278	N/A	\$ 70,551	\$ 70,552	\$ 70,552	\$ 70,552	\$ 52,805
Senior Reserve Balance			48,000	48,000	48,000	48,000	48,000
Subordinate Reserve Balance <sup>6</sup>			0	0	0	0	0

<sup>1</sup> Projections of TSRs in each of FY 2026 through FY 2029 assume a rate of decline based on the Menthol Ban Alternative 2 Forecast as defined in the Golden State Tobacco Securitization Corporation Official Statement dated December 8, 2022, with certain modifications. Additionally, the projections reflect a credit adjustment based on 165.9 million Tribal NPM Packs sold. The credit adjustment of 165.9 million Tribal NPM Packs underpinned the TSRs received in FY 2021 and FY 2022 and was stipulated by the New York State Attorney General to continue to underpin the TSRs to be received in FY 2025 and FY 2026. This analysis will be revisited thereafter. Actual TSRs are expected to differ from these projections and may be higher or lower based on various factors, including actual consumption and the results of future independent investigator determinations with respect to Tribal NPM Packs sold.

<sup>2</sup> The modified FY 2025 budget includes actual amounts from July 1, 2024 through April 18, 2025, and projected amounts from April 19, 2025 through June 30, 2025.

<sup>3</sup> Pursuant to the Security Agreement, dated December 9, 2024, Unpledged TSRs, to the extent needed, may be used to cover projected operating and debt service expenses in excess of available funds. The Security Agreement may be terminated at any time, and otherwise expires on the earliest of June 1, 2028, or whenever the Fiscal 2017 Bonds are no longer outstanding. The 2017 Bonds are callable on June 1, 2027. TSASC continues to explore options including refinancings of its outstanding debt.

<sup>4</sup> The realization of assumptions discussed in Footnote 1 will result in TSASC's inability to meet its subordinate debt service funding in FY 2029 unless additional revenues are received in excess of the assumed amounts above. TSASC continues to explore options including refinancings.

<sup>5</sup> Cash equivalent and investments holdings are included at cost.

<sup>6</sup> In FY 2025, TSASC will exhaust the remaining funds in the Subordinate Reserve.

TSASC, Inc.

Fiscal Year 2026 Administrative Budget (Cash Basis)

Description	Adopted	Actual	Favorable vs	Adopted	Actual	Projected	Proposed	Proposed
	FY 2024	Disbursements	(Unfavorable)	FY 2025	Disbursements	Disbursements	Modified	
	FY 2024	FY 2024	%	FY 2025	7/1/24 - 4/18/25	4/19/25 - 6/30/25	FY 2025	
Management Fees (Salaries & Benefits)	\$ 266,500	\$ 244,871	8.12	\$ 245,000	\$ -	\$ 186,000	\$ 186,000	\$ 186,000
Overhead (Rent, Telephone, etc.)	51,000	52,147	-2.25	51,000	-	42,500	42,500	42,500
Audit Fees	15,500	15,500	0.00	16,000	14,000	2,000	16,000	20,775
Insurance Fees	277,640	277,640	0.00	285,000	307,319	-	307,319	308,000
Trustee Fees	2,000	2,000	0.00	2,500	2,000	-	2,000	2,000
Legal Fees	7,000	4,059	42.01	7,000	116,852	-	116,852	7,000
Arbitrage Consultant	1,250	2,500	-100.00	1,500	-	1,250	1,250	1,250
Rating Agency Fees	20,000	20,000	0.00	20,000	20,000	-	20,000	20,000
Consulting Fees	-	-	0.00	-	22,788	-	22,788	-
Other Administrative	2,000	-	100.00	2,000	-	2,000	2,000	2,000
<b>Total</b>	<b>\$ 642,890</b>	<b>\$ 618,717</b>	<b>3.76%</b>	<b>\$ 630,000</b>	<b>\$ 482,958</b>	<b>\$ 233,750</b>	<b>\$ 716,708</b>	<b>\$ 589,525</b>

# TSASC, Inc.

Board of Directors Meeting

May 8, 2025

## Approval of Directors' and Officers' Insurance Contracts

**WHEREAS**, despite their diligence and good faith, directors and officers of TSASC, Inc. (the "Corporation") may be subject to potentially large personal financial liability in connection with the Federal securities laws or otherwise arising from their service to the Corporation;

**WHEREAS**, Article VI of the Bylaws of the Corporation provides that the Corporation shall indemnify each member, director and officer, to the fullest extent permitted by law; and

**WHEREAS**, Directors' and Officers' Liability Insurance is a prudent supplement to such indemnification; it is therefore

**RESOLVED**, that the Board of Directors of the Corporation hereby approves the procurement of Directors' and Officers' Liability Insurance policies from American International Group ("AIG"), Zurich American Insurance Company ("Zurich"), Liberty Mutual Insurance Company ("Liberty Mutual"), Aspen Insurance ("Aspen" and together with AIG, Zurich, Liberty Mutual, the "Insurers") or similarly rated insurers, through USI Insurance Services LLC as broker, providing \$50,000,000 of coverage beginning June 25, 2025 for a period up to June 24, 2026 provided that the annual premium payable by the Corporation to the Insurers will not exceed \$410,000, and said policies shall contain such other terms and conditions not inconsistent with the foregoing which President, Vice President, Assistant Secretary or Deputy Treasurer deems desirable or appropriate and that the President, Vice President, Assistant Secretary or Deputy Treasurer shall be authorized to procure such insurance coverage.

# TSASC, Inc.

## Board of Directors Meeting

May 8, 2025

### Retention of Independent Auditors

**WHEREAS**, pursuant to a request for proposals for independent auditors, the selection committee of TSASC, Inc. (the “Corporation”) has selected the firm of Marks Paneth LLP; and

**WHEREAS**, the Audit Committee has recommended the retention of Marks Paneth LLP as the Corporation’s independent auditors; it is hereby

**RESOLVED**, that the President, Secretary, Treasurer or other authorized Officer of the Corporation is authorized to enter into an agreement with CBIZ CPAs P.C. to serve as independent auditor for the Corporation’s financial statements for the fiscal years ending June 30, 2025, 2026, 2027 and 2028, with a one one-year extension at the discretion of the Corporation to conduct the audit of the Corporation’s financial statements for the fiscal year ending June 30, 2029, which agreement shall contain such other terms and conditions which are not inconsistent with this resolution as the President, Secretary, Treasurer or other authorized Officer of the Corporation shall deem necessary, and which agreement shall provide for compensation not to exceed the following rates:

Audit:

<b>Fiscal Year</b>	<b>Fixed Fee</b>
2025	\$20,775
2026	\$21,195
2027	\$21,615
2028	\$22,035
2029*	\$22,455

\* At the discretion of the Authority.

Hourly Rates for Special Projects:

<b>Position</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
Shareholder & Managing Director	\$575	\$605	\$635	\$670	\$700
Senior Manager	\$350	\$370	\$390	\$405	\$425
Manager	\$300	\$315	\$330	\$350	\$370
Senior Associate	\$250	\$265	\$275	\$290	\$305
Associate	\$200	\$210	\$220	\$230	\$245