

March 30, 2015

To the Board of Trustees
Warren Tobacco Asset Securitization Corporation

Dear Board Members:

We have audited the financial statements of the governmental activities and the major fund of Warren Tobacco Asset Securitization Corporation (Corporation) for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 11, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate in determining tobacco settlement revenue expected to be received in April 2015 is based on prior historical trends and the projected payout calculation from the New York State Office of the Attorney General.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements (were):

- Note 3, Bonds Payable, describes the types of debt taken on by the Corporation, provides a summary of the current year activity, and provides schedules of the future maturities of each bond issuance.
- Note 5, Economic Dependency, discusses the Corporation's reliance on its primary revenue source which enables the Corporation to continue to meet its debt service requirements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of this letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Restriction on Use

This information is intended solely for the use of the Board of Trustees and management of the Corporation and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Bonadio & Co., LLP

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INTERNAL CONTROL MATTERS

March 30, 2015

To Board of Directors
Warren Tobacco Asset Securitization Corporation

We have completed our audit of the financial statements of the Warren Tobacco Asset Securitization Corporation for the year ended December 31, 2014 and have issued our report thereon, dated March 30, 2015.

In planning and performing our audit of the financial statements of Warren Tobacco Asset Securitization Corporation (Corporation) for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered Warren Tobacco Asset Securitization Corporation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

The financial statements and required report include all required communications regarding internal control. During our audit, we became aware of other matters that present opportunities for the organization to improve and we are presenting them here for your consideration.

Current Year Comments:

Cash Flow Management – Management Advisory Comment – Repeat Comment

Management should carefully manage the cash flow of the Corporation to ensure that adequate funds will be available to pay the 2005 bond issuance when it comes due beginning in 2038.

Compliance with Public Authorities Accountability Act

Observation: The Corporation is considered a public authority as defined by New York State; therefore, management is responsible for ensuring compliance with the Public Authorities Accountability Act (PAAA). During the audit, it was noted the Corporation has created a website in accordance with PAAA requirements. However, the Corporation has not posted various documents such as the mission statement, investment policy, annual investment report, By-laws, etc. to the web site.

Suggestion: Management should review the Authorities Budget Office website to become familiar with the compliance requirements of the PAAA and obtain guidance and examples of the various documents that are required to be made accessible to the public via a website.

The Board of Trustees
Warren Tobacco Asset Securitization Corp.
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This communication is intended solely for the information and use of management and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the cooperation and the professional conduct of the business office personnel and thank all of the County's personnel for the courtesy received during the course of our audit. Should you have any questions regarding the matters presented, we shall be pleased to discuss them at your convenience.

Very truly yours,

Bonadio & Co., LLP

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