

**SCHUYLER TOBACCO ASSET
SECURITIZATION CORPORATION**

Watkins Glen, New York

Financial Statements

December 31, 2000

SCHUYLER TOBACCO ASSET SECURITIZATION CORPORATION

DECEMBER 31, 2000

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Schuyler Tobacco Asset
Securitization Corporation
Watkins Glen, New York

We have audited the accompanying financial statements of the Schuyler Tobacco Asset Securitization Corporation, a related party of the County of Schuyler, as of December 31, 2000 and for the period from inception (October 12, 2000) through December 31, 2000. These financial statements are the responsibility of the Schuyler Tobacco Asset Securitization Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Schuyler Tobacco Asset Securitization Corporation, as of December 31, 2000, and the results of its operations and its cash flows for the period from inception (October 12, 2000) through December 31, 2000, in conformity with generally accepted accounting principles.

Ciaschi, Dietzenberger, Little, Mickelson & Company LLP

June 21, 2001
Ithaca, New York

SCHUYLER TOBACCO ASSET SECURITIZATION CORPORATION
BALANCE SHEET
DECEMBER 31, 2000

ASSETS

Current Assets	
Cash and cash equivalents	
Unrestricted	\$ 28,378
Accrued interest	1,123
Total Current Assets	29,501
Investments held by Trustee	267,810
Tobacco settlement rights	2,786,627
Bond issuance and closing costs, net of accumulated amortization of \$104	52,560
Total Assets	\$ 3,136,498

LIABILITIES AND RETAINED EARNINGS (DEFICIT)

Current Liabilities	
Accounts payable	\$ 2,518
Accrued interest payable	13,439
Total Current Liabilities	15,957
Bonds payable, \$3,280,000 par, less unamortized discount of \$127,464	3,152,536
Total Liabilities	3,168,493
Retained earnings (deficit)	(31,995)
Total Retained Earnings (Deficit)	(31,995)
Total Liabilities and Retained Earnings (Deficit)	\$ 3,136,498

See Independent Auditors' Report and Notes to Financial Statements

SCHUYLER TOBACCO ASSET SECURITIZATION CORPORATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE PERIOD ENDED DECEMBER 31, 2000

Revenues	
Interest income	\$ <u>1,123</u>
Expenses	
Residual to Schuyler County	15,237
Insurance expense	2,019
Professional fees	2,000
Interest expense	13,692
Amortization of bond issuance and closing costs	104
Bank fees	<u>66</u>
Total Expenses	<u>33,118</u>
Excess of (Expenses) Over Revenues	(31,995)
Retained Earnings, October 12, 2000	<u>-0-</u>
Retained Earnings (Deficit), December 31, 2000	<u>\$ (31,995)</u>

See Independent Auditors' Report and Notes to Financial Statements

SCHUYLER TOBACCO ASSET SECURITIZATION CORPORATION
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2000

Cash Flows from Operating Activities:	
Excess of (expenses) over revenues	\$ (31,995)
Reconciliation of excess of (expenses) over revenues to net cash (used) by operating activities:	
Amortization of bond discount	253
Amortization of bond issuance and closing costs	104
(Increase) in:	
Accrued interest	(1,123)
Increase in:	
Accounts payable	2,518
Accrued Interest	<u>13,439</u>
Net Cash (Used) by Operating Activities	<u>(16,804)</u>
Cash Flows from Investing Activities:	
Cash used to purchase tobacco settlement rights	(2,786,627)
Purchase of investments held by trustee	<u>(267,810)</u>
Net Cash (Used) by Financing Activities	<u>(3,054,437)</u>
Cash Flows from Financing Activities:	
Proceeds from bonds issued	3,152,283
Bond issuance and closing costs	<u>(52,664)</u>
Net Cash Provided by Financing Activities	<u>3,099,619</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,378
Cash and cash equivalents, October 12, 2000	<u>-0-</u>
Cash and cash equivalents, December 31, 2000	<u>\$ 28,378</u>
Noncash Financing Activity	
Bond issuer and underwriter discounts	<u>\$ 127,717</u>

See Independent Auditors' Report and Notes to Financial Statements

SCHUYLER TOBACCO ASSET SECURITIZATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2000

Note 1 - Summary of Significant Accounting Policies

Organization and Purpose

The Schuyler Tobacco Asset Securitization Corporation (TASC) was organized as a local development corporation pursuant to Section 1411 of the Not-For-Profit Corporation Law of the State of New York. The Schuyler TASC is one of 17 New York County TASC's created in 2000 for the purpose of purchasing the tobacco settlement rights from each respective county with the net proceeds of bonds issued to the New York Counties Tobacco Trust I (NYCTT). The trust in-turn issued \$227,130 aggregate principal amount Tobacco Settlement Pass-Through Bonds - Series 2000, dated December 7, 2000. The Trust bonds represent a direct, pass-through interest in the corresponding TASC bonds. All payments of the TASC bonds will be made directly by the Trust with the future proceeds of the Tobacco Settlement Revenues.

The financial statements of the Schuyler Tobacco Asset Securitization Corporation have been prepared in conformity with generally accepted accounting principles (GAAP). Significant accounting policies are:

Basis of Accounting

The accounts of the Corporation are maintained on the accrual basis of accounting.

Income Tax

The Corporation is exempt from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments having an original maturity of three months or less to be cash equivalents.

Investments

Investments are recorded at fair value.

Tobacco Settlement Rights

Tobacco Settlement Rights have been recorded at cost, which is the net proceeds of the bonds issued by the Corporation. The net proceeds represent the face value of the bonds less discounts and issue costs associated therewith less the mandated liquidity reserve and initial operating cost allocation. This asset will be adjusted annually by the projected present value of future cash flows through 2042.

Bond Issuance and Closing Costs

Bond issuance costs will be amortized over a 42 year period using the straight-line method.

Bonds Payable and Related Discounts

Bonds payable, in the amount of \$3,280,000, have been recorded net of issuer and underwriter discounts of \$47,144 and \$80,573, respectively, which will be amortized over a 42 year period using the straight-line method.

Operating Costs

The Corporation is notified annually by the bond attorneys of the amount that it may draw down from the trust in advance for that year's operating costs. That amount may vary from year to year, but should approximate \$34,000.

SCHUYLER TOBACCO ASSET SECURITIZATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
(CONTINUED)
DECEMBER 31, 2000

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Note 2 - Investments Held by Trustee

Investments held by Trustee represent a mandated TASC liquidity reserve, required in the amount of \$267,810, and held in trust. This reserve is comprised of commercial paper maturing June 1, 2001 recorded at cost which approximates fair value.

Note 3 - Projected Debt Service

The County's future right, title, and interest in the Tobacco Settlement Revenues were financed through the issuance of Bonds in the amount of \$3,280,000 bearing interest rates ranging from 5.000% to 6.625%.

Projected required minimum debt service requirements over 42 years are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ -0-	\$ 204,383	\$ 204,383
2002	5,000	207,716	212,716
2003	20,000	207,060	227,060
2004	5,000	206,410	211,410
2005	5,000	206,157	211,157
2006-2010	65,000	1,023,295	1,088,295
2011-2015	135,000	995,304	1,130,304
2016-2020	305,000	934,911	1,239,911
2021-2025	500,000	808,804	1,308,804
2026-2030	625,000	633,044	1,258,044
2031-2035	595,000	435,863	1,030,863
2036-2040	700,000	225,251	925,251
2041-2042	<u>320,000</u>	<u>21,528</u>	<u>341,528</u>
	<u>\$ 3,280,000</u>	<u>\$ 6,109,726</u>	<u>\$ 9,389,726</u>

There is a 25 year flexible amortization option and it is the intent of the TASC's and the trust to select that option.

Projected flexible minimum debt service requirements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 45,000	\$ 203,078	\$ 248,078
2002	95,000	202,496	297,496
2003	100,000	196,910	296,910
2004	70,000	192,055	262,055
2005	70,000	188,032	258,032
2006-2010	495,000	860,314	1,355,314
2011-2015	680,000	676,299	1,356,299
2016-2020	995,000	418,644	1,413,644
2021-2025	<u>730,000</u>	<u>70,223</u>	<u>800,223</u>
	<u>\$ 3,280,000</u>	<u>\$ 3,008,051</u>	<u>\$ 6,288,051</u>