

Chemung Tobacco Asset Securitization Corporation
2012 Annual Report
March 11, 2013

This report is being submitted in compliance with the Public Authorities Accountability Act of 2005 (Chapter 766 of the Laws of 2005). It is not intended to be a substitute for or to replace the Chemung Tobacco Asset Securitization Corporation's (herein referred to as either "CTASC" or the "Corporation") financial statements prepared as of December 31, 2012.

1. Operations and Accomplishments:

The Corporation did not receive sufficient Tobacco Settlement Revenues (TSR's) to make the required principal payments of \$425,000 on the Series 2000 Bonds. Principal payments of \$155,000 were made during the year ended December 31, 2012. The unpaid principal of \$270,000 will be added to the require maturities for the year ended December 31, 2013. Original principal payments scheduled for December 31, 2013, amounted to \$300,000. The terms of the agreement allows the Corporation to alter the payment schedule should sufficient funds not be available.

2. The Corporation's revenues and expenditures for December 31, 2012, which will be reported in its 2012 financial statements are as follows:

Revenues	
Tobacco settlement proceeds	\$ 603,866
Interest and investment income	<u>108</u>
Total revenues	<u>603,974</u>
Expenses	
Administrative fees	63
Amortization expense	9,351
Insurance expense	5,545
Interest expense	393,051
Investment fees	9,560
Professional fees	<u>6,350</u>
Total expenses	<u>423,920</u>
Change in Net Deficit	\$ <u>180,054</u>

3. The Corporation's assets and liabilities for December 31, 2012, which will be reported in its 2012 financial statements are as follows:

Assets	
Cash and cash equivalents	\$ 132,828
Tobacco settlement proceeds receivable	737,590
Restricted cash - liquidity reserve	648,255
Unamortized bond issuance costs - net	<u>138,898</u>
Total Assets	\$ <u>1,657,571</u>
Liabilities	
Bonds payable - net	\$ <u>5,861,028</u>
Net Deficit	
Unrestricted net deficit	<u>(4,203,457)</u>
Total Liabilities and Net Deficit	\$ <u>1,657,571</u>

4. The bonds payable of the Corporation for December 31, 2012, as reported in its 2012 financial statements are as follows:

The bonds were issued on December 7, 2000, as part of the New York State Counties Tobacco Trust/Tobacco Settlement Pass-Through Bond Series 2000. Face value of the bonds issued was \$8,090,000. The bonds were sold at a discount of \$116,695, for a net issue price of \$7,973,305. The discount will be amortized over the maturity period of the bonds. The weighted average maturity period of the bonds is 15.914 years with a final maturity date of December 31, 2025. Interest on the bonds ranges from 5.000% to 6.625%. The repayment schedule is based on the flexible amortization payments which accelerates the maturity date. In the event sufficient funds are not available to meet maturities, rated maturity dates will be used to extend the maturity schedule of the bonds.

During the year ended December 31, 2012, sufficient funds were not available to meet maturities, therefore, principal payments only amounted to \$155,000 for the year ended December 31, 2012. The terms of the agreement allows the Corporation to alter the payment schedule should sufficient funds not be available. Required maturities for the year ended December 31, 2012, called for \$425,000 in principal payments. The unpaid principal of \$270,000 will be added to the required maturities for the year ended December 31, 2013. At December 31, 2012 and 2011, the face value of the bonds was \$5,920,000 and \$6,075,000 with remaining discount of \$58,972 and \$62,891, respectively.

Bonds payable consist of the following at December 31, 2012:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 570,000	\$ 366,709	\$ 936,709
2014	315,000	338,971	653,971
2015	325,000	318,624	643,624
2016	355,000	296,849	651,849
2017	370,000	273,466	643,466
2018 - 2022	2,640,000	900,290	3,540,290
2023 - 2025	<u>1,345,000</u>	<u>95,897</u>	<u>1,440,897</u>
	<u>\$ 5,920,000</u>	<u>\$ 2,590,806</u>	<u>\$ 8,510,806</u>

The cost of issuing the bonds has been capitalized and is reported on the statements of financial position as unamortized bond issuance costs. Amortization of the costs, using the effective interest method, is as follows as of December 31:

	<u>2012</u>	<u>2011</u>
Bond issuance cost	\$ 275,016	\$ 275,016
Accumulated amortization	<u>(136,118)</u>	<u>(126,767)</u>
Unamortized bond issuance costs	<u>\$ 138,898</u>	<u>\$ 148,249</u>

5. The Corporation's compensation schedule:

No salary or compensation was paid to any officer or director of the Corporation during 2012. The Corporation did not have any paid employees in 2012.

6. Projects undertaken by the Corporation during 2012:

The Corporation did not undertake any projects during 2012.

7. Real property owned and or disposed of by the Corporation:

The Corporation did not own or sell any real property during 2012 and does not currently own any real property.

8. Assessment of the effectiveness of the Corporation's internal control structure and procedures:

The financial statements of CTASC for the year ended December 31, 2012, are the responsibility of management. The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America. Financial information contained elsewhere in this annual report is consistent with the financial statements.

CTASC has established an internal control structure. The objectives of an internal control structure are to provide reasonable assurance as to the protection of and accountability for assets, compliance with applicable laws and regulations, proper authorization and recording of transactions, and the reliability of financial records for preparing financial statements. The internal control structure is subject to periodic review by management and the independent auditors.

CTASC financial statements are currently being audited by EFP Rotenberg, LLP, independent auditors. The audit is in process at the date of this report. Management has made available to EFP Rotenberg, LLP all the financial records and related data of CTASC, as well as providing access to all the minutes of the meetings of the Board of CTASC. The role of the auditors is to provide an independent review of management's responsibility to present fairly in the financial statements the financial position, changes in its financial position and cash flows in accordance with accounting principles generally accepted in the United States of America.

The independent audit includes a review of the internal control structure, tests of accounting records, and other procedures which the independent auditors consider necessary in order to express an opinion on the fairness of the presentation of the financial statements.

Thomas J. Santulli
President/CEO


Joseph E. Sartori
Treasurer/CFO