

OSWEGO TOBACCO ASSET SECURITIZATION CORPORATION AUDIT COMMITTEE CHARTER

This Audit Committee Charter was adopted by the Board of the Oswego Tobacco Asset Securitization Corporation (the “Corporation”), a local development corporation established under the laws of the State of New York, on the 30th day of March, 2010.

Purpose

The purpose of the audit committee shall be to (1) assure that the Corporation’s Board fulfills its responsibilities for the Corporation’s internal and external audit process, the financial reporting process and the system of risk assessment and internal controls over financial reporting; and (2) provide an avenue of communication among management, the independent auditors, and the Board.

Powers of the Audit Committee

It shall be the responsibility of the audit committee to:

- Recommend to the Board a public accounting firm to conduct an independent audit on behalf of the Corporation, and oversee the performance of the independent audit performed by the accounting firm hired for such purposes.
- Conduct or authorize investigations into any matters within its scope of responsibility.
- Meet with the independent auditors or outside counsel, as necessary to accomplish its purposes.
- Retain, at the Corporation’s expense, such outside counsel, experts and other advisors as the audit committee may deem appropriate to accomplish its purposes.

The Corporation’s Board will ensure that the audit committee has sufficient resources to carry out its duties.

Composition of Committee and Selection of Members

The audit committee shall consist of at least two members of the Board who are independent of Corporation operations. The Corporation’s Board will appoint the audit committee members and the audit committee chair.

Audit committee members shall be prohibited from being an employee of the Corporation or an immediate family member of an employee of the Corporation. In addition, audit committee members shall not engage in any private business transactions with the Corporation or receive compensation from any private entity that has material business relationships with the Corporation, or be an immediate family member of an individual that engages in private business transactions with the Corporation or receives compensation from an entity that has material business relationships with the Corporation.

Ideally, all members on the audit committee shall possess or obtain a basic understanding of governmental financial reporting and auditing.

Meetings

The audit committee will meet as necessary to adequately fulfill all the obligations and duties outlined in this charter.

Members of the audit committee are expected to attend each committee meeting, in person or via telephone or videoconference. The audit committee may invite other individuals, such as members of the Corporation staff, if any, auditors or other technical experts to attend meetings and provide pertinent information, as necessary.

The audit committee will have the authority to meet with the Corporation's independent auditor to discuss the financial statements of the Corporation.

Meeting agendas will be prepared for every meeting. The audit committee will act only on the affirmative vote of a majority of the members at a meeting or by unanimous consent. Minutes of these meetings will be recorded.

Responsibilities

The audit committee shall have responsibilities related to: (a) the independent auditor and annual financial statements; (b) oversight of the Corporation's internal controls, compliance and risk assessment practices; (d) special investigations and whistleblower policies; and (e) miscellaneous issues related to the financial practices of the Corporation.

A. Independent Auditors and Financial Statements

The audit committee shall have the authority to:

- Appoint, compensate and oversee independent auditors retained by the Corporation and pre-approve all audit services provided by the independent auditor.
- Establish procedures for the engagement of the independent auditor to provide permitted audit services. The Corporation's independent auditor shall be prohibited from providing non-audit services unless having received previous written approval from the audit committee. Non-audit services include tasks that directly support the Corporation's operations, such as bookkeeping or other services related to the accounting records or financial statements of the Corporation, financial information systems design and implementation, appraisal or valuation services, actuarial services, investment banking services, and other tasks that may involve performing management functions or making management decisions.
- Review and approve the Corporation's audited financial statements, associated management letter, report on internal controls and all other auditor communications.

- Review significant accounting and reporting issues, including complex or unusual transactions and management decisions, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Meet with the independent audit firm as necessary to discuss any significant issues that may have surfaced during the course of the audit.
- Review and discuss any significant risks reported in the independent audit findings and recommendations and assess the responsiveness and timeliness of management's follow-up activities pertaining to the same.

B. Internal Controls, Compliance and Risk Assessment

The audit committee shall have the authority to:

- Review the effectiveness of the Corporation's internal controls and review the report on internal controls by the independent auditor as a part of the financial audit engagement.

C. Special Investigations

The audit committee shall have the authority to:

- Ensure that the Corporation has an appropriate confidential mechanism for individuals to report suspected fraudulent activities, allegations of corruption, fraud, criminal activity, conflicts of interest or abuse by the directors, officers, or employees of the Corporation or any persons having business dealings with the Corporation or breaches of internal control.
- Develop procedures for the receipt, retention, investigation and/or referral of complaints concerning accounting, internal controls and auditing to the appropriate body.
- Request and oversee special investigations as needed and/or refer specific issues to the appropriate body for further investigation.
- Review all reports delivered to it any investigative body and serve as a point of contact with any such investigative body.

D. Other Responsibilities of the Audit Committee

The audit committee shall:

- Upon request of the Board, present to the Corporation's Board at the Corporation's annual meeting, a report of how it has discharged its duties and met its responsibilities as outlined in this charter.
- Obtain any information and training needed to enhance the committee members' understanding of the role of the independent auditor, the risk management process,

internal controls and a certain level of familiarity in financial reporting standards and processes.

- Review from time to time the committee's charter, reassess its adequacy, and recommend any proposed changes to the Board of the Corporation. The audit committee charter will be updated as applicable laws, regulations, accounting and auditing standards change.
- Conduct from time to time a self-evaluation of its performance, including its effectiveness and compliance with the charter and request the Board approval for any proposed changes.