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**RESOLUTION AUTHORIZING NEW BY-LAWS**

**WHEREAS**, in 2005 New York State enacted the Public Authorities Accountability Act ("PAAA") to provide oversight and regulation of public authorities, mandate greater accountability of authority boards, and increase the transparency of public authority operations; and

**WHEREAS**, in 2009 New York State enacted the Public Authorities Reform Act ("PARA"); and

**WHEREAS**, the Lumber City Development Corporation desires to amend its By-Laws to comply with the PAAA and PARA,

**NOW THEREFORE, BE IT**

**RESOLVED**, that the By-Laws dated June 20, 2012 and incorporated herein by reference are hereby approved by the Board of Directors of the Lumber City Development Corporation.

**CORPORATE BY-LAWS FOR  
THE LUMBER CITY DEVELOPMENT CORPORATION**

**ARTICLE I**

**NAME AND TYPE**

Section 1.1 The name of the organization shall be the Lumber City Development Corporation. The organization was incorporate by the filing of a Certificate of Incorporation with the Secretary of State for the State of New York on May 18, 2004. The corporation was incorporated pursuant to Section 201 of the Not-for-Profit Corporation Law, as a Type C corporation. The corporation will apply for recognition as an exempt corporation pursuant to Section 501c(3) of the Internal Revenue Code.

**ARTICLE II**

**PURPOSES**

Section 2.1 The general purposes of the corporation are the planning and implementation of programs, projects and activities designed to create or stimulate economic and community development in the City of North Tonawanda, New York and reduce the burden of government by:

- (a) Creating employment opportunities for City of North Tonawanda residence, particularly those employment positions that pay a living wage, offer health, retirement, and other employee benefits, and provide skills training.
- (b) Increasing the property tax base of the city of North Tonawanda;
- (c) Increasing sales tax revenues in the City of North Tonawanda;
- (d) Encouraging and fostering entrepreneurship;
- (e) Strengthening and expanding existing businesses;
- (f) Bringing new businesses into the City of North Tonawanda;
- (g) Revitalizing downtown and other commercial shopping areas;
- (h) Stimulating tourism growth;
- (i) Encouraging the environmental remediation and reuse of contaminated property;

(j) Promoting the development of land use policies designed to encourage development and preserve City neighborhoods;

(k) Encouraging and supporting the development and maintenance of municipal infrastructure, recreational facilities, and other public facilities and services that support businesses and residential neighborhoods; and

(l) Undertaking any other activities that effect the general purposes of the Corporation.

### ARTICLE III

#### CONFLICT OF INTEREST

##### Section 3.1 Conflict of Interest

No person who is a member of the Board of Directors or an officer, or an employee of the corporation shall participate in the exercise of their duties if the same would constitute or appear to constitute a conflict of interest.

### ARTICLE IV

#### BOARD OF DIRECTORS

##### Section 4.1 General Powers

The corporation shall be managed by its Board of Directors, which shall have full power by majority vote of Directors attending a meeting, to adopt rules and regulations governing the actions of the corporation and the Board of Directors. The Board of Directors shall ensure that the corporation adheres to the basic purposes of the corporation as set forth in Article II.

Specific responsibilities include, but are not limited to; initiating, recommending, and adopting the organization's policies, serving on corporate committees if formed; planning and approving new budgetary and programmatic directions; appointing and evaluating the performance of the Executive Director, as needed.

##### Section 4.2 Prohibitions

The Board of Directors shall enforce the following prohibitions:

(a) No part of the net income of the corporation shall inure to the benefit of any person on the Board of Directors, no officer and no member of the corporation.

- (b) The corporation shall not participate in or intervene in any political campaign on behalf of any candidate for public office.

Section 4.2 Number and Term

The number of Directors shall be no less than seven (7) or more than fifteen (15), each of whom shall be at least 18 years of age. The Director's position available to the Mayor of the City of North Tonawanda as set forth at Section 4.4 shall be a non-expiring term. All other Directors elected in 2004 shall be randomly appointed to terms expiring on January 31 of 2006, 2007, or 2008, with one-third or the closest fraction thereto of those terms expiring in each of those years. Thereafter, Directors other than the Mayor's position shall serve terms of three years and, upon expiration of a term, each Director shall serve until a successor shall have been elected.

Section 4.4 Composition

One Director's position shall be permanently available to the Mayor of the City of North Tonawanda, New York (hereinafter the "Mayor's Position"). One Director's position shall be filled by appointment of the Common Council of the City of North Tonawanda, New York (hereinafter the "Common Council Position"). For all other positions, each member of the Board of Directors shall be a resident of the City of North Tonawanda, New York, or shall have his/her principal place of employment within the corporate limits of the City of North Tonawanda, New York. However, the Board of Directors may allow no more than 25% of its composition to be members who do not reside in the City of North Tonawanda or who do not have his/her principal place of employment within the corporate limits of the City of North Tonawanda, provided that such members shall have some interest in the City of North Tonawanda that relates to the purposes of the corporation as set forth in Article II of these By-Laws, entitled Purposes.

Section 4.5 Election of Directors

With the exception of the Mayor's Position and the Common Council Position, Board vacancies created by the expiration of terms shall be filled at the annual meeting by a majority vote of the Directors then in office. The Chairperson may, at his/her option and with approval of the Board, appoint an ad hoc Nominating Committee to make recommendations to the Board for nomination of Directors and Officers at the annual election and to fill vacancies as needed.

Section 4.6 Vacancies

With the exception of the Mayor Position and the Common Council Position, any vacancy occurring on the Board of Directors occurring prior to the expiration of a term shall be filled by a majority vote of the Directors present at a meeting. The term of a Director so elected shall be the unexpired term of his/her predecessor. If a vacancy in the Common Council Position occurs prior to the expiration of that term, the Board shall notify the Common Council of such vacancy prior to the next scheduled Board meeting, and that position shall be filled by appointment of the Common Council, with the appointed Director to serve the unexpired term of this/her predecessor. Any Board seat to be filled by reason of an increase in the number of Directors

shall be filled by election at an annual meeting or, upon notice to the current Board, at a regular or special meeting.

Section 4.7 Resignation

Any director may resign at any time by giving written notice to the Chairperson or Secretary.

Section 4.8 Removal

Any Director may be removed by an affirmative vote of two-thirds of the Board of Directors then in office.

Section 4.9 Open Meetings

To the extent required by law, the Corporation shall comply with the Open Meetings Law of the State of New York, as set forth within Article 7 of the Public Officers Law.

Section 4.10 Freedom of Information

To the extent required by law, the Corporation shall comply with the Freedom of Information Law of the State of New York, as set forth within Article 6 of the Public Officers Law.

Section 4.11 Attendance at Meetings

Attendance at each meeting of the Board shall be recorded by the Secretary in the minutes thereof.

Section 4.12 Compensation

The Directors shall serve without compensation. All Directors may be reimbursed for reasonable expenses incurred in the performance of corporate duties.

## ARTICLE V

### COMMITTEES

Section 5.1 Standing Committees

(a) The Standing Committees of the Board shall be as described in subparagraph (b) below. Except as otherwise provided by these By-laws, each Standing Committee shall consist of at least three Directors. No Standing Committee shall have authority as to the following matters:

- (i) The submission to the Members of any action requiring its approval;
- (ii) The filling of vacancies on the Board of Directors or any committee;

- (iii) The amendment or repeal of these By-laws or the adoption of new By-laws; or
- (iv) The amendment or repeal of any resolution of the Board which by its terms is not so amendable or repealable.

(b) Until changed by amendment of these By-laws, the Corporation shall have Audit and Governance Standing Committees comprised of three (3) independent directors, as required by the Public Authorities Accountability Act of 2005 (PAAA), and as confirmed by each independent director's execution via signature on Appendix A to these By-Laws verifying said director's independent status.

#### Section 5.2 Special Committees; Executive Committee

(a) The Board of Directors, by resolution adopted by a majority of the entire Board of Directors, may create Special Committees, which shall have only the powers specifically delegated to them and shall in no case have powers which are not authorized for Standing Committees. The members of Special Committees shall be appointed by the President from among the Directors, with the approval of the Board.

(b) The Board may choose to designate an Executive Committee pursuant to Article XVII of the Articles of Incorporation. Such committee shall at all times consist of at least five Directors, all of whom shall meet at least once every quarter.

#### Section 5.3 Meetings

Meetings of committees shall be held at such times and places as shall be fixed by the respective committee chairmen, or by vote of a majority of all of the members of the committee. Written notice shall be mailed (via regular mail or electronic mail) or delivered to all members of the committee prior to each meeting. Written minutes of the proceedings shall be kept at all committee meetings and shall be submitted at the next meeting of the Board. The President, or his or her designee, may attend all committee meetings.

#### Section 5.4 Quorum

Unless otherwise provided by resolution of the Board of Directors, a majority of all of the members of a committee shall constitute a quorum for the transaction of business.

#### Section 5.5 Manner of Acting

Any corporate action to be taken by a committee shall mean such action to be taken at a meeting of the committee. Action by a committee shall be taken by majority vote at a meeting.



## ARTICLE VI

### OFFICERS

#### Section 6.1 Designation

The Officers of the Corporation shall be the Chairperson, the First Vice-Chairperson, Secretary, and Treasurer. The Board of Directors may elect such other officers, including Assistance Secretaries and Assistant Treasurers, as it shall deem desirable. Such Officers shall have the authority and perform the duties prescribed from time to time by the Board of Directors.

#### Section 6.2 Election and Term of Office

The Officers of the Corporation shall be elected from the Board membership at the annual meeting of the Boards of Directors. If the election of Officers is not held at such a meeting, the election shall be held as soon thereafter as is practicable. Officers shall serve for a term of one year. The term of office shall be from February 1 to January 31, unless otherwise provided in these By-Laws. Each officer shall hold office until a successor shall have been duly elected and qualified.

#### Section 6.3 Vacancies

A vacancy in any office, because of resignation, removal or other reason shall be filled by a majority vote of current Directors present at a meeting for the unexpired portion of the term. Such interim Officer so elected shall serve until his/her successor has been elected and qualified.

#### Section 6.4 Removal

Any Officer of the Corporation may be removed by an affirmative vote of two-thirds of the Board of Directors then in office.

#### Section 6.5 Chairperson: Powers and Duties

The chairperson shall, in general, supervise the business and affairs of the Corporation. He/she shall preside at all meetings of the Board of Directors. He/She may sign contracts or other instruments that the Board of Directors have authorized to be executed; and shall perform such other duties as may be assigned by the Board of Directors from time to time.

#### Section 6.6 Vice-Chairperson(s): Powers and Duties

In the absence of the Chairperson, the Vice Chairperson shall perform duties normally assigned to the Chairperson and, from time to time, may be assigned additional duties by the Chairperson or by the Board of Directors.

Section 6.7 Treasurer: Powers and Duties

The Treasurer shall have charge of all funds and securities of the Corporation; ensure the receiving and giving of receipts for monies due and payable to the Corporation; ensure the deposit of all monies in the name of the Corporation, in banks, or other depositories, as shall be designated by the Board of Directors. When required by the Board of Directors, the Treasurer shall ensure the rendering of financial statements of the Corporation's accounts, and furnish the books and records for examination by any Officer or Director of the Corporation. The Treasurer shall perform such other duties as from time to time may be assigned by the Chairperson or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his/her duties in such sum as the Board of Directors shall determine.

Section 6.8 Secretary: Powers and Duties

The Secretary shall keep the minutes of the Board of Directors, including a listing of those in attendance; be responsible for giving all notices required by these By-Laws; act as custodian of the Corporation's records and seal; maintain a register of the post office and residential addresses of all members which shall be furnished to the Secretary by each member, and perform such other duties as from time to time may be assigned by the Chairperson or Board of Directors.

Section 6.9 Assistant Treasurers and Assistant Secretaries

Assistant Treasurers and Assistant Secretaries, if any, shall perform such duties as shall be assigned to them by the Treasurer, the Secretary, the Chairperson or the Board of Directors, and shall serve on the Executive Committee ex-officio. Without vote.

**ARTICLE VII**

**MEETINGS OF THE DIRECTORS**

Section 7.1 Organization

The Chairperson of the Corporation or, in his/her absence, the Vice-Chairperson, shall preside at all meetings of the Board of Directors, should both be absent, a Chairperson shall be chosen by designation, by the members who are present. The Secretary of the Corporation shall act as Secretary at all meetings of the Board of Directors. In the absence of the Secretary, the presiding Officer may appoint any person to act as Secretary of the meeting.

Section 7.2 Annual Meeting

An annual meeting of the Board of Directors shall be held, upon notice, for the purposes of electing Directors and Officers and for the transcription of such other business as may come before the meeting. The meeting shall be held during the month of January at a time and place to be designated by the Chair, or at such other date, time and place as the Board of Directors may designate.

Section 7.3 Regular Meetings

Regular meetings of the Board of Directors shall be held not less than six (6) times a year at such date, time, and place as may be determined by the Board of Directors.

Section 7.4 Special Meetings

Special meetings of the Board of Directors may be held at such date, time and place, as may be determined by the Chairperson or, at a date, time and place designated by written demand of not less than one-half of the Directors then in office.

Section 7.5 Notice of Meetings

Notice stating the place, day, and purpose and hour of any meeting of the Directors shall be sent by the Secretary, or by such other person as the Board of Directors may designate, to each Director, in the following manner, not less than ten (10) calendar days before the date of an annual meeting; not less than five (5) calendar days before the date of a regular meeting; and not less than two (2) calendar days before the date of a special meeting. At a special meeting, the unanimous consent of all present, following quorum guidelines, shall be required to transact any business not stated in the meeting notice.

Section 7.6 Quorum

One-half plus one of the Directors of the Board of Directors then in office shall constitute a quorum for the transaction of business at any meeting of the Board. If less than a quorum of the Directors is present at said meeting, a majority of Directors present may make recommendations for consideration at the next regular meeting at which a quorum is present.

Section 7.7 Voting

Each Director shall be entitled to one vote on each matter submitted to the Board of Directors for a vote. All Directors shall be voting members of the Board.

Section 7.8 Action by the Board

The act of the majority of the Directors attending a meeting at which a quorum is present shall be deemed the acts of the Board of Directors.

Section 7.9 Action Without a Meeting

Any lawful Board action may be taken without a meeting if all members of the Board consent in writing to said action, and these consents shall be filed with the minutes of the Board or its designated Committee.

Section 7.10 Order of Business

The order of business for all meetings of the Directors shall be as follows:

1. Roll call
2. Reading of minutes of the preceding meeting for review and approval
3. Committees' Reports
4. Old Business
5. New Business
6. Adjournment

**ARTICLE VIII**

**MEMBERS**

Section 8.1

The members of the Corporation shall be those persons who are members of the Board of Directors.

Section 8.2 Property Rights of Directors

No Director shall have any right or interests in or to the property or assets of the Corporation.

**ARTICLE IX**

**CONTRACTS, CHECKS, DRAFTS  
AND BANK ACCOUNTS**

Section 9.1 Execution of Contracts

The Board of Directors, except as these By-Laws otherwise provide, may authorize any officer or officers, agent or agents, employee or employees, in the name of and on behalf of the Corporation, to enter into any contract or execute and deliver any instrument, and such authority may be general or confined to specific instances; but, unless so authorized by the Board of Directors, or expressly authorized by these By-Laws, no officer, agent or employee shall have any power or authority to bind the Corporation by any contract or engagement or to pledge its credit or to render it liable pecuniary in any amount for any purpose.

Section 9.2 Loans

No loans shall be contracted on behalf of the Corporation unless specifically authorized by the Board of Directors.

Section 9.3 Checks, Drafts, Etc.

All checks, drafts and other orders for the payment of money out of the funds of the Corporation, and all notes or other evidences of indebtedness of the Corporation, must be signed on behalf of the Corporation by any two (2) of the following: Chairman, Vice-Chairman, Treasurer, Vice-Treasurer or Secretary.

Section 9.4 Deposits

All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Treasurer may recommend and the Board of Directors approves.

Section 9.5 Investments

The Board of Directors may authorize the Corporation to contract with an investment advisor and custodian to manage its investments in accordance with an investment policy established by the Board.

**ARTICLE X**

**GENERAL**

Section 10.1 Seal

The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization, and the words "Corporate Seal, New York." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or otherwise reproduced.

Section 10.2 Books and Records

There shall be kept by the Corporation (1) correct and complete books and records of account, (2) minutes and statements of written action by the Members, (3) minutes of the proceedings of the Board of Directors and its committees, (4) a current list of the Members, Directors and officers of the Corporation and their residence addresses, (5) a copy of the Certificate of Incorporation, and (6) a copy of these By-laws.

Section 10.3 Indemnification

The Corporation shall indemnify each Member, each Director, each officer, and, to the extent authorized by the Board of Directors, each other person authorized to act for the Corporation or on its behalf, to the full extent to which indemnification is permitted under the Not-For-Profit Corporation Law.

Section 10.4 Interested Directors and Officers

The Board of Directors may adopt a policy regarding conflicts of interest which shall apply to all directors and officers.

**ARTICLE XI**

**RULES OF ORDER AND BY-LAW CHANGES**

Section 11.1 Rules of Order

Meetings of the Members and the Board of Directors and its committees shall be governed by Robert's Rules of Order, except in cases otherwise provided for by these By-laws.

Section 11.2 By-Law Changes

These By-laws may be amended, repealed or adopted only by the Members of the Corporation.

**ARTICLE XII**

**AMENDMENTS TO THE BY-LAWS**

Section 12.1 Amendment or Revocation

These By-Laws may be amended or revoked by a resolution of the Board of Directors at a regular meeting or the annual meeting, provided that the procedures of this Section 8 are followed.

Section 12.2 Consideration at the First Meeting

The Directors may consider revisions to the By-Laws at any meeting. Any revisions proposed for adoption shall be authorized by a Resolution of the Board of Directors for placement on the agenda of the Board of Directors' next regular meeting (the Second Meeting).

Section 12.3 Action at the Second Meeting

Any proposed revisions to the By-laws that have been authorized by a Resolution of the Board of Directors at a prior meeting shall be considered and acted upon by the Board of Directors at the Second Meeting. At the Second Meeting, a Resolution adopting any revisions to the By-Laws shall require approval by at least two-thirds of the Directors in attendance at the Second Meeting.

Section 12.4 Notice to Board of Directors

At such time as the members of the Board of Directors are given notice of the Second Meeting, each member of the Board of Directors shall receive a copy of the proposed Amendments or Revisions to the By-Laws.

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Secretary

## GOVERNANCE COMMITTEE CHARTER

This Governance Committee Charter was adopted by the Board of Directors of the Lumber City Development Corporation, a public benefit corporation established under the laws of the State of New York, on this 20th day of June, 2010.2

### **Purpose**

The purpose of the governance committee is to assist the Board by:

- Keeping the Board informed of current best practices in corporate governance;
- Reviewing corporate governance trends for their applicability to the Lumber City Development Corporation;
- Updating the Lumber City Development Corporation's corporate governance principles and governance practices; and
- Advising those responsible for appointing directors to the Board on the skills, qualities and professional or educational experiences necessary to be effective Board members.

### **Powers of the Governance Committee**

The Board of Directors has delegated to the governance committee the power and authority necessary to discharge its duties, including the right to:

- Meet with and obtain any information it may require from Board staff.
- Obtain advice and assistance from in-house or outside counsel, accounting and other advisors as the committee deems necessary.
- Solicit, at the Board's expense, persons having special competencies, including legal, accounting or other consultants as the committee deems necessary to fulfill its responsibilities. The governance committee shall have the authority to negotiate the terms and conditions of any contractual relationship subject to the Board's adopted procurement guidelines as per Public Authorities Law Section 2879, and to present such contracts to the Board for its approval.

### **Composition and Selection**

The membership of the committee shall be as set forth in accordance with the Governance Committee Charter. The governance committee shall be comprised of three (3) independent members. The governance committee members shall be appointed by and will serve at the discretion of the Lumber City Development Corporation's Board of Directors. The Board may designate one member of the governance committee as its Chair. The members shall serve until their resignation, retirement, removal by the Board or until their successors shall be appointed and qualified. When feasible, the immediate past governance committee Chair will continue serving as a member of the Committee for at least one year to ensure an orderly transition.



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

The governance committee members should be knowledgeable or become knowledgeable in matters pertaining to governance.

### **Committee Structure and Meetings**

The governance committee will meet a minimum of twice a year, with the expectation that additional meetings may be required to adequately fulfill all the obligations and duties outlined in the charter. All committee members are expected to attend each meeting in person or via telephone or videoconference.

Meeting agendas will be prepared for every meeting and provided to the governance committee members at least five days in advance of the scheduled decisions. The governance committee shall act only on the affirmative vote of a majority of the members at a meeting or by unanimous consent. Minutes of these meetings are to be recorded.

### **Reports**

The governance committee shall:

- Report its actions and recommendations to the Board at the next regular meeting of the Board.
- Report to the Board, at least annually, regarding any proposed changes to the governance charter or the governance guidelines.
- Provide a self-evaluation of the governance committee's functions on an annual basis.

### **Responsibilities**

To accomplish the objectives of good governance and accountability, the governance committee has responsibilities related to: (a) the Board; (b) evaluation of the Board's policies; and (c) other miscellaneous issues.

## **Relationship to the Board**

The Board of Directors has delegated to the governance committee the responsibility to review, develop, draft, revise or oversee policies and practices for which the governance committee has specific expertise, as follows:

- Develop the Board's governance practices. These practices should address transparency, independence, accountability, fiduciary responsibilities, and management oversight.
- Develop the competencies and personal attributes required of Directors to assist those authorized to appoint members to the Board in identifying qualified individuals.

In addition, the governance committee shall:

- Develop and recommend to the Board the number and structure of committees to be created by the Board.
- Develop and provide recommendations to the Board regarding Board member education, including new member orientation and regularly scheduled board member training to be obtained from state-approved trainers.
- Develop and provide recommendations to the Board on performance evaluations, including coordination and oversight of such evaluations of the board, its committees and senior management in the Board's governance process.

## **Evaluation of the Board's Policies**

The governance committee shall:

- Develop, review on a regular basis, and update as necessary the Board's code of ethics and written policies regarding conflicts of interest. Such code of ethics and policies shall be at least as stringent as the laws, rules, regulations and policies applicable to state officers and employees.
- Develop and recommend to the Board any required revisions to the Board's written policies regarding the protection of whistleblowers from retaliation.
- Develop and recommend to the Board any required revisions to the Board's equal opportunity and affirmative action policies.
- Develop and recommend to the Board any required updates on the Board's written policies regarding procurement of goods and services, including policies relating to the disclosure of persons who attempt to influence the Board's procurement process.
- Develop and recommend to the Board any required updates on the Board's written policies regarding the disposition of real and personal property.

- Develop and recommend to the Board any other policies or documents relating to the governance of the Board, including rules and procedures for conducting the business of the Board, such as the Board's By-Laws. The governance committee will oversee the implementation and effectiveness of the By-Laws and other governance documents and recommend modifications as needed.

### **Other Responsibilities**

The governance committee shall:

- Review on an annual basis the compensation and benefits for the Managing Director and other senior Board officials.
- Annually review, assess and make necessary changes to the governance committee charter and provide a self-evaluation of the governance committee.

**RESOLUTION**  
**Establishing Lumber City Development Corporation**  
**Audit Committee:**

**WHEREAS**, the Lumber City Development Corporation (LCDC) is required by the Public Authorities Accountability Act of 2005 (the "ACT") to establish an Audit Committee; and

**WHEREAS**, such Audit Committee is necessary to recommend, oversee and review the work of the public accounting firm conducting the financial audit of the LCDC's performance and financial procedures; and

**WHEREAS**, such Audit Committee shall follow an Audit Committee Charter adopted by the LCDC; and

**WHEREAS**, the Audit Committee shall also follow a Best Audit Practice as adopted by the LCDC;

**NOW THEREFORE BE IT**

**RESOLVED**, that the Lumber City Development Corporation hereby adopts the Audit Charter and Best Audit Practice Policy incorporated herein by reference; and be it further

**RESOLVED**, that the Audit Committee be and is hereby directed to follow the Audit Charter and Best Audit Practice Policy; and be it further

**RESOLVED**, that an Audit Committee shall be established comprised of three members, Nicolas Maniccia, Ed Janulionis and Andrea Moreau; and be it further

**RESOLVED**, that the Audit Committee shall have sufficient resources to carry out the duties and obligations as outlined in the Charter and Best Audit Practice Policy.

DATED: 6/20/2012

## AUDIT COMMITTEE CHARTER

This Audit Committee Charter was adopted by the Board of Directors of the Lumber City Development Corporation (hereinafter referred to as "LCDC"), a Not-For-Profit Corporation established under the laws of the State of New York, on this 20<sup>th</sup> day of June, 2010. 2

### Purpose

The purpose of the audit committee shall be to: (1) assure that the LCDC's board fulfills its responsibilities for the LCDC'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 between management, the independent auditors, the internal auditors, and the board of directors.

### Powers of the Audit Committee

It shall be the responsibility of the audit committee to:

- Appoint, compensate, and oversee the work of any public accounting firm employed by the LCDC.
- Conduct or authorize investigations into any matters within its scope of responsibility.
- Seek any information it requires from LCDC employees, all of whom should be directed by the board to cooperate with committee requests.
- Meet with LCDC staff, independent auditors or outside counsel, as necessary.
- Retain, at the LCDC's expense, such outside counsel, experts and other advisors as the audit committee may deem appropriate.

The LCDC 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 be established as set forth in the Audit Committee Charter. The audit committee shall consist of at least three (3) members of the board of directors who are independent of LCDC operations. The LCDC'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 LCDC or an immediate family member of an employee of the LCDC. In addition, audit committee members shall not engage in any private business transactions with the LCDC or receive compensation from any private entity that has material business relationships with the LCDC, or be an immediate family member of an individual that engages in private business transactions with the LCDC or receives compensation from an entity that has material business relationships with the LCDC.

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

The audit committee shall have access to the services of at least one financial expert, whose name shall be disclosed in the annual report of the LCDC.

The audit committee's financial expert should have: (1) an understanding of generally accepted accounting principles and financial statements; (2) experience in preparing or auditing financial statements of comparable entities; (3) experience in applying such principles in connection with the accounting for estimates, accruals and reserves; (4) experience with internal accounting controls, and (5) an understanding of audit committee functions.

### **Meetings**

The audit committee will meet a minimum of twice a year with the expectation that additional meetings may be required to adequately fulfill all the obligations and duties outlined in the 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 management, auditors or other technical experts to attend meetings and provide pertinent information, as necessary.

The audit committee will meet with the LCDC's independent auditor at least annually to discuss the financial statements of the LCDC.

Meeting agendas will be prepared for every meeting and provided to the audit committee members along with briefing materials five (5) business days before the scheduled audit committee 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) the LCDC's internal auditors; (c) oversight of management'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 LCDC.

#### **A. Independent Auditors and Financial Statements**

The audit committee shall:

- Appoint, compensate and oversee independent auditors retained by the LCDC 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 LCDC'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 LCDC's operations, such as bookkeeping or other services related to the accounting records or financial statements of the LCDC, 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 LCDC'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 on a regular basis 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 Auditors of the audit committee shall:**

- Review with management and the internal audit director, the charter, activities, staffing and organizational structure of the internal audit function. The audit committee shall have the power over the appointment, dismissal, compensation and performance reviews of the internal audit director.
- Ensure that the internal audit function is organizationally independent from LCDC operations.
- Review the reports of internal auditors and have the power to review and approve the annual internal audit plan.
- Review the results of internal audits and approve procedures for implementing accepted recommendations of the internal auditor.

**C. Internal Controls, Compliance and Risk Assessment**

The audit committee shall:

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

#### **D. Special Investigations**

The audit committee shall:

- Ensure that the LCDC 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 LCDC or any persons having business dealings with the LCDC 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 (for example, issues may be referred to the State Inspector General or other investigatory organization).
- Review all reports delivered to it by the Inspector General and serve as a point of contact with the Inspector General.

#### **E. Other Responsibilities of the Audit Committee**

The audit committee shall:

- Present annually to the LCDC's board a written report of how it has discharged its duties and met its responsibilities as outlined in the charter.
- Obtain any information and training needed to enhance the committee members' understanding of the role of internal audits and the independent auditor, the risk management process, internal controls and a certain level of familiarity in financial reporting standards and processes.
- Review the committee's charter annually, reassess its adequacy, and recommend any proposed changes to the board of the LCDC. The audit committee charter will be updated as applicable laws, regulations, accounting and auditing standards change.

Conduct an annual self-evaluation of its performance, including its effectiveness and compliance with the charter and request the board approval for proposed changes.



**RESOLUTION**

*(Public Authorities Accountability Act of 2005 and  
Public Authorities Reform Act of 2009)*

A regular meeting of the Lumber City Development Corporation was convened  
on November 30, 2010, at 7:30 p.m.

The following resolution was duly offered and seconded, to wit:

Resolution No.

RESOLUTION OF THE LUMBER CITY DEVELOPMENT CORPORATION ADOPTING CERTAIN POLICIES, STANDARDS AND PROCEDURES IN CONNECTION WITH THE PUBLIC AUTHORITIES ACCOUNTABILITY ACT OF 2005 AND THE PUBLIC AUTHORITIES REFORM ACT OF 2009

**WHEREAS**, pursuant to section 402 of the Not-for-Profit Corporation Law of the State of New York, the Lumber City Development Corporation (hereinafter called the "Corporation") was created as a Not-For-Profit Local Development Corporation; and

**WHEREAS**, the Public Authorities Accountability Act of 2005 (the "PAAA"), which was signed into law on January 13, 2006 as Chapter 766 of the Laws of 2005, was enacted by the New York State Legislature to insure greater accountability and openness of public authorities throughout the State; and

**WHEREAS**, pursuant to Section 2 of the Public Authorities Law ("PAL") of the State, the provisions of the PAAA apply to certain defined "local authorities", including the Corporation; and

**WHEREAS**, the Corporation desires to adopt certain policies, standards and procedures necessary to comply with the provisions of the PAAA.

**NOW, THEREFORE, BE IT RESOLVED** by the members of the Board of the Corporation (the "Board") as follows:

Section 1. Pursuant to Section 2824 of the PAL, no chair who is also the chief executive officer shall participate in determining the level of compensation or reimbursement, or time and attendance rules for the position of chief executive officer.

Section 2. Pursuant to subdivision 2 of Section 2824 of the PAL, any members of the Board appointed on or after January 13, 2006 shall participate in State-approved training regarding their legal, fiduciary, financial and ethical responsibilities as directors within one (1) year of their appointment to the Corporation. Further, each Board member appointed after January 13, 2006 shall execute a certificate of

independence pursuant to subdivision 2 of Section 2825 of the PAL. Such certificate shall be executed in substantially the form attached hereto as Appendix A.

Section 3. Pursuant to subdivision 2 of Section 2824 of the PAL, all members of the Board shall participate in such continuing training as may be required to remain informed of best practices, regulatory and statutory changes relating to the effective oversight of the management and financial activities of public authorities and to adhere to the highest standards of responsible governance.

Section 4. Pursuant to subdivision 3 of Section 2825 of the PAL, on or before May 15 of each year, all Corporation Board members, officers and employees shall file annual financial disclosure statements with the Board of Ethics of the County of Niagara (the "County") pursuant to Article 18 of the GML of the State. The annual financial disclosure statements so filed shall be substantially in the form attached hereto as Appendix B, or such other form of statement as may be adopted and approved by the Corporation.

Section 5. Pursuant to subdivision 4 of Section 2824 of the PAL, an Audit Committee is hereby formed, being comprised of 3 Independent Board Members for the purpose of recommending to the Board the hiring of a certified independent accounting firm, establishing the compensation to be paid to the accounting firm and providing direct oversight of the performance of the independent audit to be performed on or after fiscal year ending on December 31, 2010 by the accounting firm hired for such purposes.

Section 6. Pursuant to subdivision 7 of Section 2824 of the PAL, a Governance Committee is hereby formed, being comprised of 3 Independent Board Members for the purpose of keeping the Board informed of current best governance practices, to review corporate governance trends; to update the Corporation's corporate governance principles; and to advise appointing the Corporation on skills and experiences required of potential Board members.

Section 7. Pursuant to subdivision 2(a) of Section 2800 of the PAL, the Board shall submit to the chief executive officer, the chief fiscal officer and the chairperson of the legislative body of the County, and the New York State Authority Budget Office within ninety (90) days after the end of the Corporation's calendar year, a complete and detailed report (the "Annual Report") that shall contain:

- (a) the Corporation's operations and accomplishments;
- (b) the Corporation's receipts and disbursements, or revenues and expenses, during such fiscal year in accordance with the categories or classifications established by the Corporation for its own operating and capital outlay purposes;
- (c) the Corporation's assets and liabilities at the end of its fiscal year including the status of reserve, depreciation, special or other funds and including the receipts and payments of these funds;

- (d) a schedule of the Corporation's bonds and notes outstanding at the end of its fiscal year, together with a statement of the amounts redeemed and incurred during such fiscal year as part of a schedule of debt issuance that includes the date of issuance, term, amount, interest rate and means of repayment. Additionally, the debt schedule shall also include all refinancings, calls, refundings, defeasements and interest rate exchange or other such agreements, and for any debt issued during the reporting year, the schedule shall also include a detailed list of costs of issuance for such debt;
- (e) a compensation schedule that shall include, by position, title and name of the person holding such position or title, the salary, compensation, allowance and/or benefits provided to any officer, director or employee in a decision making or managerial position of such Corporation whose salary is in excess of one hundred thousand dollars;
- (f) the projects undertaken by such Corporation during the past year;
- (g) a listing of (i) all real property of such Corporation having an estimated fair market value in excess of fifteen thousand dollars that the Corporation intends to dispose of; (ii) all such property held by the Corporation at the end of the period covered by the report; and (iii) all such property disposed of during such period. The report shall contain an estimate of fair market value for all such property held by the Corporation at the end of the period and the price received by the Corporation and the name of the purchaser for all such property sold by the Corporation during such period;
- (h) the Corporation's code of ethics; and
- (i) an assessment of the effectiveness of its internal control structure and procedures.

Once completed, and prior to submission, the chief executive officer and the chief fiscal officer of the Corporation shall certify that the financial information contained in the Annual Report is accurate, correct and does not contain any untrue statements. The certification executed shall be in substantially the form attached hereto as **Appendix C**.

Section 8. Pursuant to subdivision 2 of Section 2801 of PAL, on or before November 1, 2010, the Corporation will submit to the Mayor and President of the Common Council of the North Tonawanda, along with the New York State Authority Budget Office, the Corporation's budget for fiscal year ending December 31, 2011.

Section 9. For the Corporation fiscal year ending December 31, 2010 and each year thereafter, the Corporation will abide by the following rules relating to audit services:

- (a) the certified independent public accounting firm performing the Corporation's audit will be prohibited from providing audit services if the lead (or coordinating) audit partner responsible for reviewing the audit,

has performed audit services for the Corporation in each of the five previous fiscal years;

- (b) the certified independent public accounting firm performing the audit shall be prohibited from performing any non-audit services to the Corporation contemporaneously with the audit, unless receiving previous written approval by the audit committee including: (i) bookkeeping or other services related to the accounting records or financial statement of the Corporation, (ii) financial information systems design and implementation, (iii) appraisal or valuation services, fairness opinions, or contribution-in-kind reports, (iv) actuarial services, (v) internal audit outsourcing services, (vi) management functions or human services, (vii) broker or dealer, investment advisor, or investment banking services and (viii) legal services and expert services unrelated to the audit; and
- (c) it shall be prohibited for any certified independent public accounting firm to perform for such Corporation any audit service if the chief executive officer, comptroller, chief financial officer, chief accounting officer, or any other person serving in an equivalent position for the Corporation, was employed by that certified independent public accounting firm and participated in any capacity in the audit of the Corporation during the one (1) year period preceding the date of the initiation of the audit.

Section 10. The following policies, as presented at this meeting, are hereby adopted and approved:

- (a) The Compensation, Reimbursement and Attendance Policy attached hereto as **Appendix D**;
- (b) The Code of Ethics attached hereto as **Appendix E**;
- (c) The Whistleblower Policy attached hereto as **Appendix F**;
- (d) the Investment Policy attached hereto as **Appendix G**;
- (e) The Travel Policy attached hereto as **Appendix H**;
- (f) The Disposition of Property Guidelines, attached hereto as **Appendix I**, is hereby ratified and approved along with the appointment of the Executive Director as the "Contracting Officer" of the Corporation.
- (g) The Procurement Policy attached hereto as **Appendix J**;
- (h) The Defense and Indemnification Policy attached hereto as **Appendix K**; and
- (i) The Audit Committee Best Practices as **Appendix L**.

Section 11. This resolution shall take effect immediately.

The question of the adoption of the foregoing Resolution was duly put to a vote on roll call, which resulted as follows:

	Yea	Nea	Absent	Abstain
Steven Adams	[ ]	[ ]	[ ✓ ]	[ ]
David E. Gross	[ ✓ ]	[ ]	[ ]	[ ]
David J. Guido	[ ✓ ]	[ ]	[ ]	[ ]
Ed Janulionis	[ ]	[ ]	[ ✓ ]	[ ]
Garry Krause	[ ✓ ]	[ ]	[ ]	[ ]
Nick Maniccia	[ ]	[ ]	[ ✓ ]	[ ]
Bob Miller	[ ]	[ ]	[ ✓ ]	[ ]
Joe Miranto	[ ✓ ]	[ ]	[ ]	[ ]
Andrea Moreau	[ ✓ ]	[ ]	[ ]	[ ]
Gary Przewozny	[ ✓ ]	[ ]	[ ]	[ ]
Rich Andres	[ ]	[ ]	[ ✓ ]	[ ]
Rob Ortt	[ ✓ ]	[ ]	[ ]	[ ]
Doug Taylor	[ ✓ ]	[ ]	[ ]	[ ]

The Resolution was thereupon duly adopted.

11-30-10

STATE OF NEW YORK )  
COUNTY OF NIAGARA ) SS:

I, the undersigned Secretary of the Lumber City Development Corporation, DO  
HEREBY CERTIFY:

That I have compared the annexed extract of minutes of the meeting of the  
Lumber City Development Corporation (the "Corporation"), including the resolution  
contained therein, held on \_\_\_\_\_, 2010, with the original thereof on file in my  
office, and that the same is a true and correct copy of the proceedings of the Corporation  
and of such resolution set forth therein and of the whole of said original insofar as the  
same related to the subject matters therein referred to.

I FURTHER CERTIFY, that all members of said Corporation had due notice of  
said meeting, that the meeting was in all respects duly held and that, pursuant to Article 7  
of the Public Officers Law (Open Meetings Law), said meeting was open to the general  
public, and that public notice of the time and place of said meeting was duly given in  
accordance with such Article 7.

I FURTHER CERTIFY, that there was a quorum of the members of the  
Corporation present throughout said meeting.

I FURTHER CERTIFY, that as of the date hereof, the attached resolution is in  
full force and effect and has not been amended, repealed or modified.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of  
said Corporation this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

\_\_\_\_\_  
Secretary

[SEAL]

APPENDIX B

LUMBER CITY DEVELOPMENT CORPORATION

ANNUAL FINANCIAL DISCLOSURE FORM

I, \_\_\_\_\_, being a (member/officer/employee) of the Lumber City Development Corporation (the "Corporation"), DO HEREBY CERTIFY, as follows:

1. This Certificate is being delivered for purposes of complying with the provisions of Article 18 of the General Municipal Law.

2. That I own, directly or indirectly, five percent (5%) or more of the stock or other equity interest of the following companies:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. That I am an officer or employee of the following companies.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. That I am a member of the board of directors of the following companies:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

\_\_\_\_\_

Sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

\_\_\_\_\_  
Notary Public

APPENDIX C

FORM OF  
CERTIFICATE OF THE CHIEF EXECUTIVE OFFICER  
AND THE CHIEF FINANCIAL OFFICER  
OF THE LUMBER CITY DEVELOPMENT CORPORATION

The undersigned chief executive officer and chief financial officer of the Lumber City Development Corporation, a local development corporation organized pursuant to Section 1411 of the Not-For-Profit Corporation Law of the State of New York, hereby certify, pursuant to subdivision 3 of Section 2800 of the Public Authorities Law, as follows:

The financial information provided within the Annual Report of the Lumber City Development Corporation (the "Corporation"), dated as of \_\_\_\_\_, 20\_\_ (the "Annual Report"), is accurate, correct, and does not contain any untrue statement of material fact. The Annual Report does not omit any material fact which, if omitted, would cause the report to be misleading in light of the circumstances under which the report and any such statements made therein are made. The Annual Report fairly presents in all material respects the financial condition and results of operations of the Corporation as of, and for, the periods present in said report.

The Annual Report is hereby approved.

IN WITNESS WHEREOF, the undersigned chief executive officer and chief financial officer have executed this Certificate as of this \_\_\_\_ day of \_\_\_\_\_, 2010.

\_\_\_\_\_  
Name:  
Title: Chairman

\_\_\_\_\_  
Name:  
Title: Treasurer



APPENDIX D

COMPENSATION, REIMBURSEMENT AND ATTENDANCE POLICY

The members of the board of the Lumber City Development Corporation (the "Board") shall serve without salary and may be reimbursed for reasonable expenses incurred in the performance of Corporation duties at the approval of the Board.

The officers and employees of the Corporation shall serve at the pleasure of the Board at such compensation levels as may be approved by the Board from time to time and may be reimbursed for reasonable expenses incurred in the performance of Corporation duties at the approval of the Board.

The members of the Board, officers, and employees of the Corporation shall be available as required to perform the operations of the Corporation and as set forth within the By-Laws of the Corporation, as may be amended, restated or revised by the Board from time to time. Said members and officers of the Corporation shall put forth their best efforts to perform their respective duties as outlined in the By-Laws of the Corporation and any other directives of the Board relating to same.

APPENDIX E

CODE OF ETHICS  
OF THE  
LUMBER CITY DEVELOPMENT CORPORATION

The members of the board (the "Board") of the Lumber City Development Corporation (the "Corporation"), a duly established public benefit corporation of the State of New York (the "State"), along with the officers and staff of the Corporation, shall comply with and adhere to the provisions of the Not-For-Profit Corporation Law of the State.

Further, no director, officer, or employee of the Corporation shall (1) accept other employment which will impair his or her independence of judgment in the exercise of his or her official duties; (2) accept employment or engage in any business or professional activity which will require him or her to disclose confidential information which he or she has gained by reason of his or her official position of authority; (3) disclose confidential information acquired by him or her in the course of his or her official duties nor use such information to further his or her personal interests; (4) use or attempt to use his or her official position to secure unwarranted privileges or exemptions for himself, herself or others; (5) engage in any transaction as a representative or agent of Corporation with any business entity in which he or she has a direct or indirect financial interest that might reasonably tend to conflict with proper discharge of his or her official duties; (6) not, by his or her conduct, give reasonable basis for the impression that any person can improperly influence him or her or unduly enjoy his or her favor in the performance of his or her official duties, or that he or she is affected by the kinship, rank, position or influence of any party or person; (7) abstain from making personal investments in enterprises which he or she has reason to believe may be directly involved in decisions to be made by him or her or which will otherwise create substantial conflict between his or her duty in the public interest and his or her private interest; and (8) endeavor to pursue a course of conduct which will not raise suspicion among the public that he or she is likely to be engaged in acts that are in violation of his or her trust.

APPENDIX F

WHISTLEBLOWER POLICY

Every director, officer or employee of the Corporation, in the performance of their duties shall conduct themselves with honesty and integrity and observe the highest standards of business and personal ethics as set forth in the Code of Ethics of the Lumber City Development Corporation (the "Code").

Each director, officer or employee is responsible to report any violation of the Code (whether suspected or known) to the Corporation's Attorney. Reports of violations will be kept confidential to the extent possible. No individual, regardless of their position with the Corporation, will be subject to any retaliation for making a good faith claim and any employee who chooses to retaliate against someone who has reported a violation shall be subject to disciplinary action which may include termination of employment. Regardless, any claim of retaliation will be taken and treated seriously and irrespective of the outcome of the initial complaint, will be treated as a separate offense.

The Attorney is responsible for immediately forwarding any claim to the Corporation's counsel who shall investigate and handle the claim in a timely manner.

APPENDIX G

LUMBER CITY DEVELOPMENT CORPORATION

INVESTMENT POLICY

I. INVESTMENT AND DEPOSIT POLICY

A. Introduction

1. Scope – This investment and deposit policy applies to all monies and other financial resources available for investment and deposit on its own behalf or on behalf of any other entity or individual.
2. Objectives – The primary objectives of the local LCDC's investment activities are, in priority order:
  - a. to conform to all applicable federal, state and other legal requirements (legal);
  - b. to adequately safeguard principal (safety);
  - c. to provide sufficient liquidity to meet all operating requirements (liquidity); and
  - d. to obtain a reasonable rate of return (yield).
3. Prudence – All participants in the investment process and all participants responsible for depositing the Corporation's funds shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair confidence in the Corporation to govern effectively.

Investments and deposits shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of the principal as well as the probable income to be derived.

All participants involved in the investment process and all participants responsible for depositing the Corporation's funds shall refrain from personal business activity that could conflict with proper execution of the investment program or the deposit of the Corporation's funds or which could impair their ability to make impartial investment decisions.

- 9
4. Diversification – It is the policy of the Corporation to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling.
  5. Internal Controls
    - a. All money's collected by an officer or employee of the Corporation shall be immediately deposited in such depositories and designated by the Corporation for the receipt of such funds.
    - b. The Corporation shall maintain or cause to be maintained a proper record of all book, notes, securities or other evidences of indebtedness held by the Corporation for investment and deposit purposes.
    - c. The Corporation is responsible for establishing and maintaining an internal control structure to provide reasonable, but not absolute, assurance that: (i) deposits and investments are safeguarded against loss from unauthorized use or disposition, (ii) transactions are executed in accordance with management's authorization and recorded properly and (iii) all deposits, investments and transactions are managed in compliance with applicable laws and regulations.
  6. Designation of Depositories

The Corporation shall designate as depositories of its money those banks and trust companies authorized to serve as such pursuant to applicable law.

## B. Investment Policy

### 1. Permitted Investments

Pursuant to Section 512 of the Not-For-Profit Corporation Law ("N-PCL"), the Corporation is authorized to invest moneys not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

- 9
- a. Special time deposit accounts;\*

- 9
- b. Certificates of deposit;\*
  - c. Obligations of the United States of America;\*\*
  - d. Obligations guaranteed by agencies of the United States of America where payment of principal and interest are guaranteed by the United States of America;\*\*
  - e. Obligations of the State of New York;\*

\* Special time deposit accounts and certificates of deposit are permitted investments provided that (1) they shall be payable within such time as the proceeds shall be needed to meet expenditures for which the moneys were obtained and (2) they are collateralized in the same manner as set forth in Section C below for deposits of public funds.

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\*\* All investment obligations shall be payable or redeemable at the option of the Corporation within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable at the option of the Corporation within two years of the date of purchase.

## 2. Authorized Financial Institutions and Dealers

The Corporation shall maintain a list of financial institutions and dealers, approved for investment purposes and establish appropriate limits to the amount of investments which can be made with each financial institution or dealer. All financial institutions with which LCDC conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Corporation. Security dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as primary dealers. The Executive Director or Chairman is responsible for evaluating the financial position and maintaining a listing of proposed depositories, trading partners and custodians. Such listing shall be evaluated at least annually.

## 3. Purchase of Investments

9

The Corporation may contract for the purchase of investments:

- a. Directly, including through a repurchase agreement, from an authorized trading partner.

b. By participation in a cooperative investment program with another authorized governmental entity pursuant to the N-PCL where such program meets all the requirements set forth in the Office of the State Comptroller Opinion No. 88-46, and the specific program has been authorized by the governing board

c. By utilizing an ongoing investment program with an authorized trading partner pursuant to a contract authorized by the governing board.

All purchased obligations, unless registered or inscribed in the name of LCDC, shall be purchased through, delivered to and held in the custody of a bank or trust company. Such obligations shall be purchased, sold or presented for redemption or payment by such bank or trust company only in accordance with prior written authorization from the officer authorized to make the investment. All such transactions shall be confirmed in writing to the Corporation by the bank or trust company shall be held pursuant to a written custodial agreement as described in the N-PCL.

The custodial agreement shall provide that securities held by the bank or trust company, as agent of and custodian for LCDC, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become part of the backing for any other deposit or other liabilities. The agreement shall describe how the custodian shall confirm the receipt and release of the securities. Such agreement shall include all provisions necessary to provide the Corporation a perfected interest in the securities.

#### 4. Repurchase Agreements

Repurchase agreements are authorized subject to the following restrictions:

- a. All repurchase agreements must be entered into subject to a Master Repurchase Agreement.
- b. Trading partners are limited to banks or trust companies authorized to do business in New York State and primary reporting dealers.
- c. Obligations shall be limited to obligations of the United States of America and obligations guaranteed by agencies of the United States of America.
- d. No substitution of securities will be allowed.
- e. The custodian shall be a party other than the trading partner.

C. Deposit Policy

1. Collateralization of Deposits

All deposits of the Corporation, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured:

- a. By pledge of "eligible securities" with an aggregate "market value" as provided by the N-PCL, equal to the aggregate amount of deposits from the categories designated in Exhibit A attached hereto;
- b. By an eligible "irrevocable letter of credit" issued by a qualified bank other than the bank with the deposits in favor of the LCDC for a term not to exceed 90 days with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed upon interest, if any. A qualified bank is one whose commercial paper and other unsecured short-term debt obligations are rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization or by a bank that is in compliance with applicable federal minimum risk-based capital requirements; or
- c. By an eligible surety bond payable to LCDC for an amount at least equal to 100% of the aggregate amount of deposits and the agreed upon interest, if any, executed by an insurance company authorized to do business in New York



State, whose claims-paying ability is rated in the highest rating category by at least two nationally recognized statistical rating organizations. The terms and conditions of any eligible surety shall be approved by the governing board.

## 2. Safekeeping and Collateralization

Eligible securities used for collateralizing deposits shall be held by the depository bank or trust company subject to security and custodial agreements.

The security agreement shall provide that eligible securities are being pledged to secure LCDC deposits together with agreed upon interest, if any and any costs or expenses arising out of the collection of such deposits upon default. It shall also provide the conditions under which the securities may be sold, presented for payment, substituted or released and the events, which will enable LCDC to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of LCDC, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the Corporation or its custodial bank.

The custodial agreement shall provide that securities held by the bank or trust company, or agent of and custodian for, LCDC, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become part of backing for any other deposit or other liabilities. The agreement should also describe that the custodian shall confirm the receipt, substitution or release of the securities. The agreement shall provide for the frequency of revaluation of eligible securities and for the substitution of securities when a change in the rating of a security may cause ineligibility. Such agreement shall include all provisions necessary to provide the Corporation a perfected interest in the securities.

A-1  
EXHIBIT A

SCHEDULE OF ELIGIBLE SECURITIES.

- (1) Obligations issued, or fully insured or guaranteed as to the payment of principal and interest by the United States of America, an Agency thereof or a United States government sponsored corporation.
- (2) Obligations issued or fully guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank and the African Development Bank.
- (3) Obligations partially insured or guaranteed by any Corporation of the United States of America, at a proportion of the Market Value of the obligation that represents the amount of the insurance or guaranty.
- (4) Obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a municipal corporation, school district or district corporation or such State or obligations of any public benefit corporation which under a specific State statute may be accepted as security for deposit of public moneys.
- (5) Obligations issued by states (other than the State of New York) of the United States rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- (6) Obligations of Puerto Rico rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- (7) Obligations of countries, cities and other governmental entities of a state other than the State of New York having the power to levy taxes that are backed by the full faith and credit of such governmental entity and rated in one of the three highest categories by at least one nationally recognized statistical rating organization.
- (8) Obligations of domestic corporations rated one of the two highest rating categories by at least one nationally recognized statistical rating organization.
- (9) Any mortgage related securities, as defined in the Securities Exchange Act of 1934, as amended, which may be purchased by banks under the limitations established by bank regulatory agencies.
- (10) Commercial paper and bankers' acceptances issued by a bank, other than the Bank, rated in the highest short term category by at least one nationally recognized statistical rating organization and having maturities of not longer than 60 days from the date they are pledged.
- (11) Zero Coupon obligations of the United States government marketed as "Treasury strips".

## APPENDIX H

### TRAVEL POLICY

This policy applies to all directors, officers and employees of the Lumber City Development Corporation (the "Corporation").

All official travel for which a reimbursement will be sought must be approved by the Chairman of the Corporation prior to such travel. Provided, however, in the instance where the Chairman will seek reimbursement for official travel, such travel must be pre-authorized by the Board of the Corporation.

The Corporation will reimburse all reasonable expenses related to meals, travel and lodging that were incurred by any director, officer or employee as a result of the performance of their official duties. All official travel shall be properly authorized, reported and reimbursed. Under no circumstances shall expenses for personal travel be charged to, or temporarily funded by the Corporation. It is the traveler's responsibility to report his or her travel expenses in a responsible and ethical manner, in accordance with this policy.

Travelers may use their private vehicle for business purposes and will be reimbursed at a standard mileage reimbursement rate.

Meals will be reimbursed at actual expense or a per diem rate, whichever is less.

Lodging will be reimbursed at actual expense up to certain daily rate caps established for various locations. The applicability of such caps shall be determined on a case by case basis taking into consideration availability of lodging and other extenuating circumstances.

Reimbursement for miscellaneous expenses shall be determined on a case by case basis.

Mileage rates, per diem allowances and lodging caps will be established and from time to time, as amended by the Treasurer of the Corporation. All determinations made pursuant to this policy shall be made by the Treasurer. In the instance where such determinations regard the travel of the Treasurer, the Chairman shall make such determinations.

APPENDIX I

LUMBER CITY DEVELOPMENT CORPORATION

DISPOSITION OF PROPERTY GUIDELINES  
ADOPTED PURSUANT TO SECTION 2896 OF THE PUBLIC AUTHORITIES  
LAW

**SECTION 1. DEFINITIONS**

A. "Contracting officer" shall mean the officer or employee of the Lumber City Development Corporation (hereinafter, the "Corporation") who shall be appointed by resolution to be responsible for the disposition of property.

B. "Dispose" or "disposal" shall mean transfer of title or any other beneficial interest in personal or real property in accordance with Section 2897 of the Public Authorities Law.

C. "Property" shall mean personal property in excess of five thousand dollars (\$5,000) in value, and real property, and any inchoate or other interest in such property, to the extent that such interest may be conveyed to another person for any purpose, excluding an interest securing a loan or other financial obligation of another party.

**SECTION 2. DUTIES**

A. The Corporation shall:

(i) maintain adequate inventory controls and accountability systems for all property owned by the Corporation and under its control;

(ii) periodically inventory such property to determine which property shall be disposed of;

(iii) produce a written report of such property in accordance with subsection B herewith; and

(iv) transfer or dispose of such property as promptly and practicably as possible in accordance with Section 3 below.

B. The Corporation shall:

(i) publish, not less frequently than annually, a report listing all real property owned in fee by the Corporation. Such report shall consist of a list and full description of all real and personal property disposed of during such period.

The report shall contain the price received by the Corporation and the name of the purchaser for all such property sold by the Corporation during such period; and

(ii) shall deliver copies of such report to the Comptroller of the State of New York, the Director of the Budget of State of New York, the Commissioner of the New York State Office of General Services, and the New York State Legislature (via distribution to the majority leader of the senate and the speaker of the assembly).

### SECTION 3. TRANSFER OR DISPOSITION OF PROPERTY

A. Supervision and Direction. Except as otherwise provided herein, the Contracting Officer shall have supervision and direction over the disposition and sale of property of the Corporation. The Corporation shall have the right to dispose of its property for any valid corporate purpose.

B. Custody and Control. The custody and control of Corporation property, pending its disposition, and the disposal of such property, shall be performed by the Corporation.

C. Method of Disposition. Unless otherwise permitted, the Corporation shall dispose of property for not less than its fair market value by sale, exchange, or transfer, for cash, credit, or other property, with or without warranty, and upon such other terms and conditions as the Corporation and/or contracting officer deems proper. The Corporation may execute such documents for the transfer of title or other interest in property and take such other action as it deems necessary or proper to dispose of such property under the provisions of this section. Provided, however, except in compliance with all applicable law, no disposition of real property, any interest in real property, or any other property which because of its unique nature is not subject to fair market pricing shall be made unless an appraisal of the value of such property has been made by an independent appraiser and included in the record of the transaction.

D. Validity of Deed, Bill of Sale, Lease, or Other Instrument. A deed, bill of sale, lease, or other instrument executed by or on behalf of the Corporation, purporting to transfer title or any other interest in property of the Corporation in accordance herewith shall be conclusive evidence of compliance with the provisions of these guidelines and all applicable law insofar as concerns title or other interest of any bona fide grantee or transferee who has given valuable consideration for such title or other interest and has not received actual or constructive notice of lack of such compliance prior to the closing.

E. Bids for Disposal; Advertising; Procedure; Disposal by Negotiation; Explanatory Statement.

(i) Except as permitted by all applicable law, all disposals or contracts for disposal of property made or authorized by the Corporation shall be made

after publicly advertising for bids except as provided in subsection (iii) of this Section F.

(ii) Whenever public advertising for bids is required under subsection (i) of this Section F:

(A) the advertisement for bids shall be made at such time prior to the disposal or contract, through such methods, and on such terms and conditions as shall permit full and free competition consistent with the value and nature of the property proposed for disposition;

(B) all bids shall be publicly disclosed at the time and place stated in the advertisement; and

(C) the award shall be made with reasonable promptness by notice to the responsible bidder whose bid, conforming to the invitation for bids, will be most advantageous to the Corporation, price and other factors considered; provided, that all bids may be rejected at the Corporation's discretion.

(iii) Disposals and contracts for disposal of property may be negotiated or made by public auction without regard to subsections (i) and (ii) of this Section F but subject to obtaining such competition as is feasible under the circumstances, if:

(A) the personal property involved is of a nature and quantity which, if disposed of under subsections (i) and (ii) of this Section F, would adversely affect the state or local market for such property, and the estimated fair market value of such property and other satisfactory terms of disposal can be obtained by negotiation;

(B) the fair market value of the property does not exceed fifteen thousand dollars;

(C) bid prices after advertising therefore are not reasonable, either as to all or some part of the property, or have not been independently arrived at in open competition;

(D) the disposal will be to the state or any political subdivision, and the estimated fair market value of the property and other satisfactory terms of disposal are obtained by negotiation;

(E) the disposal is for an amount less than the estimated fair market value of the property, the terms of such disposal are obtained by public auction or negotiation, the disposal of the property is intended to further the public health, safety or welfare or an economic development

interest of the Corporation, the state or a political subdivision (to include but not limited to, the prevention or remediation of a substantial threat to public health or safety, the creation or retention of a substantial number of job opportunities, or the creation or retention of a substantial source of revenues, or where the authority's enabling legislation permits or other economic development initiatives), the purpose and the terms of such disposal are documented in writing and approved by resolution of the Board of the Corporation; or

(F) such action is otherwise authorized by law.

(iv) (A) An explanatory statement shall be prepared of the circumstances of each disposal by negotiation of:

(1) any personal property which has an estimated fair market value in excess of fifteen thousand dollars;

(2) any real property that has an estimated fair market value in excess of one hundred thousand dollars, except that any real property disposed of by lease or exchange shall only be subject to clauses (3) through (5) of this subparagraph;

(3) any real property disposed of by lease for a term of five years or less, if the estimated fair annual rent is in excess of one hundred thousand dollars for any of such years;

(4) any real property disposed of by lease for a term of more than five years, if the total estimated rent over the term of the lease is in excess of one hundred thousand dollars; or

(5) any real property or real and related personal property disposed of by exchange, regardless of value, or any property any part of the consideration for which is real property.

(B) Each such statement shall be transmitted to the persons entitled to receive copies of the report required under all applicable law not less than ninety (90) days in advance of such disposal and a copy thereof shall be preserved in the files of the Corporation making such disposal.

The Guidelines are subject to modification and amendment at the discretion of the Board of Directors of the Corporation and shall be filed annually with all local and state agencies as required under all applicable law.

APPENDIX J

PROCUREMENT POLICY

Any purchase/contract for goods or nonprofessional services with an annualized expenditure in excess of \$15,000 must adhere to the following:

Definitions:

*best value* - the basis for awarding all nonprofessional services /contracts to the offerer which optimizes quality, cost and efficiency, among responsive and responsible offerers. Such basis shall be, whenever possible, quantifiable.

*responsible* - Such requirements may include, but are not limited to, the offerers' qualifications, financial stability and integrity.

*responsive* - Applies to the extent to which the offerer has complied with the specifications or requirements of the solicitation for goods or nonprofessional services.

1) For the purchase of goods, proposals must be requested from a minimum of three offerers. The lowest responsible, responsive bidder shall be accepted unless it is otherwise in the best interest of the Corporation, as justified in writing by the Contracting Officer. Such justification must be maintained in the procurement record.

2) For nonprofessional services proposals must be requested from a minimum of three offerers. The best value bidder shall be accepted unless it is otherwise in the best interest of the Corporation, as justified in writing by the Contracting Officer. Such justification must be maintained in the procurement record.

3) The requirement for competitive bidding may be waived upon prior written approval of the Contracting Officer provided that prior to the acceptance of such goods, or nonprofessional services, a written statement is prepared describing the justification for waiving competitive bidding and the reasonableness of the proposed expenditure.

**FOR PROFESSIONAL SERVICES POLICY  
AND PROCEDURES SEE APENDIX J-1**



## APPENDIX J-1

### PROFESSIONAL SERVICES POLICY AND PROCEDURES

#### DEFINITIONS

*“Professional Service”*: A service that requires special or technical skill, training or expertise and that does not readily lend itself to competitive bidding. General guidelines for determining whether a service is a professional service are as follows:

1. Whether the service is subject to state licensing or testing requirements.
2. Whether substantial formal education or training is a necessary prerequisite to the performance of the service.
3. Whether the service requires a relationship of personal trust and confidence between the contractor and Lumber City Development Corporation officials.

Professional Services purchased from or exchanged with a governmental body or public benefit corporation shall be exempt from this policy and procedure.

*“RFQ/RFP - Request For Qualifications/Proposals”*: A written request seeking offers from prospective vendors. This method promotes competition based on qualifications and other factors that go beyond just price. Price Proposals can be solicited at the same time, or fees may be negotiated after selection of the most qualified provider.

*“Statements of Qualifications/Proposals”*: Written documents submitted in response to a RFQ/RFP, if so requested.

#### SELECTION

A Request for Qualification/Proposal shall be prepared by the applicable department. Lumber City Development Corporation shall use reasonable efforts to circulate the RFQ/RFP, including posting a copy on the Lumber City Development Corporation website. If possible, Statements of Qualification/ Proposal shall be solicited from at least three (3) professional service providers.

Technical proposals generally require that potential service providers have extensive expertise in the field. Accordingly, the RFQ/P should include, where applicable, requests for written Statements of Qualifications/Proposals and personal interviews or similar presentations.

#### PHASE-IN OF POLICY

This policy shall become effective on the date of its approval by the Lumber City Development Corporation Board of Directors. For any professional service providers already engaged by Lumber City Development Corporation on the effective date, Lumber City Development Corporation shall conduct a new RFQ/P for such services in a

manner that conforms to this policy. The RFQ/P described in the foregoing sentence shall occur by the later of (i) one year from the effective date or (ii) the expiration date of any contract by which Lumber City Development Corporation has engaged an existing service provider for a specific term (including all renewal terms).

#### APPROVAL

The Members of Lumber City Development Corporation shall be responsible for Approval of any contracts for Professional Services in an amount greater than \$15,000 per year.

The Executive Director shall be responsible for:

1. Approval of Professional Services contracts in amounts under \$5,000 per year.
2. Approval of Professional Services contracts in amounts between \$5,000 per year and up to \$15,000 per year, with notification to the Members.

#### CONTRACTS AND PURCHASE ORDERS

All Professional Services shall be memorialized pursuant to a written contract (or purchase order) stating the services to be provided and any material terms. The term of any contract shall not exceed five (5) years. The contract shall specifically state the method by which any service provider shall be compensated. For continuing services, a new selection process shall be completed no less than every five (5) years. This does not preclude the same professional services firm or individual from proposing again after the prior five (5) years has elapsed.

APPENDIX K

DEFENSE AND INDEMNIFICATION POLICY

Pursuant to Article VII, Section 3 of the By-Laws of the Lumber City Development Corporation (the "Corporation"), the Corporation shall indemnify each member, each Director, each officer, and, to the extent authorized by the Board of Directors, each other person authorized to act for the Corporation or on its behalf, to the full extent to which indemnification is permitted under the Not-For-Profit Corporation Law.

## APPENDIX L

### Public Authorities Audit Committee Best Practices Checklist

#### General

1. Potential board members are identified with explicit consideration being given to the candidate's qualifications for serving on the audit committee.
2. Members have the appropriate predefined qualifications to meet the objectives of the audit committee's charter, including appropriate financial literacy.
3. Audit committee members have differing perspectives due to a diversity of experiences and backgrounds.
4. The audit committee demonstrates integrity, credibility, trustworthiness, willingness to actively participate, industry knowledge, ability to constructively handle conflict, interpersonal skills, and proactiveness.
5. The level of independence of the audit committee is acceptable.
6. The audit committee reviews its charter annually to determine whether its responsibilities are adequately described.
7. The audit committee ensures compliance with corporate governance regulations and guidelines.
8. The audit committee has developed a continuing education program to enhance its members' understanding of relevant auditing, accounting, regulatory, and industry issues.
9. New audit committee members are provided with an orientation program to educate them on the company and their responsibilities.
10. The audit committee, in conjunction with the nominating committee (or its equivalent) as appropriate, creates a succession plan for audit committee members, including the audit committee chair.

#### Understanding the Business, Including Risks

11. The audit committee considers the economic circumstances and political pressures on management that may impact the quality of financial reporting.
12. The audit committee considers the significant risks faced by the authority. Examples include (but are not limited to):
  - Regulatory requirements

- Concentrations (e.g. suppliers and customers)
- Competitive trends
- Financing/liquidity needs
- Financial exposures
- Business continuity
- Company reputation

13. Management provides the audit committee with performance reports and explanations for significant variances.

#### Process and Procedures

14. The audit committee regularly reports to the board of directors.

15. The audit committee dedicates appropriate time and resources to execute its responsibilities.

16. The audit committee participates in the development of a calendar and agenda to ensure that responsibilities are met.

17. Members have the option to influence meeting agendas in order to address emerging issues.

18. The audit committee encourages input on the meeting agenda from management, the internal auditor, the external auditor, and the board of directors.

19. The agenda and related information (e.g. prior meeting minutes, press releases, and financial statements) are circulated in advance of meetings to allow members sufficient time to study and understand the information.

20. Meetings are held at least quarterly.

21. The audit committee has private executive sessions with management, internal audit and external audit.

22. The written materials provided to audit committee members are appropriately balanced (i.e. relevant and concise).

23. If a whistleblower hotline exists, the audit committee reviews the log of incoming calls.

#### Communications and Information

24. The "tone at the top" set by the audit committee promotes organization-wide awareness of corporate ethics, quality financial reporting, and strong internal controls.

25. The level of openness between members of the audit committee and other board members is acceptable.

26. The level of openness between the audit committee and relevant parties (management, internal audit, and external audit) is acceptable.

27. For matters that require specialized expertise, the audit committee engages external parties as appropriate.

28. The audit committee receives information from management related to changes in the organization on a timely basis.

29. The audit committee receives and analyzes information from management on significant trends and variations from budget.

30. Members are made aware of communications received from agencies (e.g. governmental or regulatory) relating to areas of alleged violations or areas of non-compliance.

31. Members periodically visit company locations to conduct on-site meetings with key members of management.

#### Oversight of the Financial Reporting Process, Including Internal Controls

32. The audit committee considers the quality and appropriateness of financial accounting and reporting.

33. The audit committee reviews regulatory reports and other filings.

34. The audit committee oversees management's procedures for enforcing the company's code of conduct.

35. The audit committee oversees the organization's whistleblower process.

36. The audit committee considers the transparency of disclosures.

37. The audit committee reviews the company's accounting policies.

38. The audit committee has sufficient understanding of management's process of developing and summarizing financial information (quarterly and annually).

39. The audit committee has a process for the review of significant issues prior to quarterly and annual earnings releases (i.e. with management and the external auditors).

40. The audit committee understands and approves the process used by management to identify related-party transactions.

41. The audit committee considers the transparency of related-party disclosures.
42. The audit committee reviews the processes related to financial statements certifications made by the CEO and CFO (if required under legislation).
43. The audit committee receives sufficient information to evaluate the organization's system of internal controls (e.g. financial reporting and disclosure controls, operation controls, and compliance controls).
44. The audit committee oversees the organization's external financial reporting and internal control over financial reporting.
45. The audit committee evaluates the internal control testing conducted by management, the internal auditors, and external auditors to assess the process of reasonably detecting internal control issues or fraud.
46. The audit committee believes that management's scope of internal control testing adequately supports its internal control assessment (as required by state legislation).
47. If management's assessment of internal controls resulted in the identification of significant deficiencies or material weaknesses, plans to address these issues are reviewed by the audit committee.
48. The audit committee makes inquiries of the appropriate parties (external auditor, internal auditor and management) on the depth of experience and sufficiency of staff.
49. The audit committee reviews the management recommendation letters written by the auditors (external and internal) to ensure that all significant matters raised are addressed.
50. The audit committee evaluates management's action plans as applicable (i.e. to address internal control deficiencies and related corrective actions).
51. The audit committee takes action to ensure resolution when there are instances of repeat comments from auditors and others about internal controls.
52. All adjustments to the financial statements resulting from the audit process are reviewed by the audit committee.
53. The audit committee is consulted when management is seeking a second opinion on an accounting or auditing matter.

#### Oversight of Audit Functions

54. The audit committee evaluates the coordination of work between the auditors (external and internal) to ensure that they appropriately address their different areas of responsibility.

55. The audit committee regularly reviews the internal audit function (e.g. the charter, audit plan, budget, compliance, and staff quality and continuity).

56. The audit committee oversees the role of the internal audit director from selection to termination (e.g. appointment, evaluation, compensation and retention).

57. The audit committee approves the reporting relationships of the internal audit director.

58. The audit committee oversees the role of the external auditors from selection to termination (e.g. appointment, oversight, evaluation, retention, and approval of services).

59. The audit committee reviews the appropriateness of the audit fees paid to the external auditor.

60. The audit committee comprehensively reviews management's representation letters to the external auditors (including making inquiries about any difficulties obtaining the representations).

61. The audit committee assesses the overall independence of the external auditor.

62. The audit committee pre-approves any internal control-related service provided by the external auditor.

63. The audit committee considers the scope of non-audit services provided by the external auditor in determining the external auditor's independence.

64. The audit committee reviews other professional services provided by outside consultants.