

2010 IDA Internal Control Structure & Procedures

- In 2010 the Orange County IDA operated in compliance with the NYS General Municipal Law, the Public Authorities Accountability Act and other relevant statutes. The IDA's bylaws were amended in draft form and circulated to Board members in 2010 to include the revised PAAA requirements—but not adopted until 2011.
- At the IDA organization meeting in January 2010, an Executive Director, Chief Financial Officer, Contract Officer, and Audit & Governance Committees were appointed as required by law. The Audit Committee and Governance Committee meet every prior to the scheduled IDA meeting as necessary.
- The Chief Financial Officer is the County Treasurer and issues monthly financial reports. The IDA's 2009 Annual Audit was received and submitted on time, as was the IDA's projected 2011 budget. Investment monies are in CD's which are awarded to the highest bidder.
- In 2010 the IDA continued to operate its successful Orange County Business Accelerator, which is Orange County's own economic stimulus plan opened in late 2009. The business accelerator is being funded by the IDA in the amount of \$1.5 million for three years including 2010. The business accelerator occupies the entire first floor of a new building, comprising 10,000 square feet. It offers entrepreneurs a mentoring environment for management, marketing, legal and accounting services, and critical venture capital. The business accelerator offers subsidized rent, computer services, broadband, wireless, video-conferencing, and everything else to get a fledgling business underway. Clients may stay for three years and then will graduate into their own buildings, providing high-paying jobs. The IDA's return-on-investment comes in the form of good jobs and tax ratables from new buildings.
- The IDA may take an equity position in the entrepreneurial ventures at the Orange County Business Accelerator and elsewhere in Orange County out of an investment fund the IDA began the process of establishing in 2010.
- The IDA closed down in 2010 the Orange County Capital Development Corporation limited partnership Fund #1. The fund had been opened in 2006 with a \$500,000 IDA limited partnership investment with Orange County Capital Development Corporation, which was owned by Orange County Partnership. The purpose was to finance entrepreneurial ventures in Orange County. Of the \$500,000 investment approximately \$350,000 was returned to the IDA in 2010; and \$150,000 had been invested in shares of a new company named New Hampton Technologies or RoadLok. In November 2009 the IDA acquired all

shares of Orange County Capital Development Corporation from the Orange County Partnership and continued to own the corporation in 2010.

- In 2010 a company named Breonics remained in business in Albany, NY, having relocated there from Orange County. Breonics has been awarded a federal NIH grant to pursue its biotech business. The IDA was awarded a judgment in 2007 against Breonics, which in turn resulted in a post-judgment settlement of \$233,083 in favor of the IDA. An initial payment of \$10,000 had been received in January 2009. There was no further financial recovery in 2010 but the IDA remains hopeful of full financial recovery.
- In 2010 the IDA settled as a defendant along with others in a lawsuit entitled "Monti v. Storm King Contractors." The case involved a fall by a workman at an IDA-financed Hilton Gardens Motel in Newburgh. The IDA was covered by insurance and its interests were defended vigorously. No IDA financial loss occurred.
- In 2010 the Town of Chester brought an Article 78 against the IDA and its client, C & S Wholesale Grocers, Inc., challenging a PILOT agreement that the IDA had entered into with the company. The IDA vigorously defended the action in Supreme Court, Orange County, New York, and in October 2010 the IDA prevailed on all counts. There was no appeal.
- In 2010 one of the IDA's clients, Orange County Choppers, for reasons of its own decided not to pay its mortgage payments to G.E. Capital Services. The mortgagee initiated a foreclosure action against Choppers and named the IDA as a defendant. The IDA should have no liability based on New York State law and the closing documents, and is defending the case vigorously. The actual defendant, Orange County Choppers, must indemnify the IDA for all losses the IDA may incur, if any, and also reimburse the IDA for legal expenses.
- Other pertinent IDA information is as follows: No IDA bonds or notes are outstanding as of 12-31-10. There are seven independent IDA members at end of business on 12-31-10. No IDA employee's salary exceeds \$100,000. The IDA website is current and contains all information required by the PAAA. The IDA met every month in 2010 in open meeting. Formal resolutions were presented and acted upon. Minutes were kept and posted on the website. The IDA Chairman, Executive Officer, and attorney attended all public hearings. Stenographic transcripts were made for all public hearings. IDA economic development grants were disbursed pursuant to resolution and written agreements.
- In summary the internal control structure and procedures of the Orange County IDA are excellent and in compliance with State law.