

OPERATION OSWEGO COUNTY, INC.  
BOARD OF DIRECTORS MEETING  
Lake Ontario Event and Conference Center  
26 East First Street, Oswego, New York  
September 18, 2017

PRESENT:

ANDERSON  
BATEMAN  
CULLINAN  
GALLOWAY

GRECO  
JOYCE  
MURPHY  
PETER-CLARK

QUENVILLE  
RANSOM  
SHARKEY  
SOLAZZO  
TURNER

Conference: BEHLING

Staff: Treadwell, Dano, Wheelock, LiVoti, Woolson and Perwitz

President Bateman called the meeting to order at 3:15 p.m. at 26 East First Street in Oswego. President Bateman noted the staff has moved to the conference table. President Bateman welcomed the two new board members and everyone introduced themselves.

President Bateman reported that the Notice of the Meeting was posted in the Palladium Times on September 6, 2017.

President Bateman listed the items in the Consent Agenda and asked if there were any reports in the Consent Agenda that anyone would like pulled out for further discussion. There were none.

CONSENT AGENDA

**On a motion by Mr. Solazzo, seconded by Mr. Turner, the Consent Agenda Items were approved, as follows: May 15, 2017 Minutes of Board of Directors; June 16, 2017 Minutes of Annual Meeting of the Board of Directors; and August 23, 2017 Minutes of the Executive Committee.**

Financial Statements

Treasurer Quenville reviewed the June financial reports for Operation Oswego County. **On a motion by Mr. Greco, seconded by Mr. Galloway the OOC Financial Statements for the Periods ending April 30, 2017; May 31, 2017; and June 30, 2017 were unanimously approved.**

Treasurer Quenville reviewed the June financial reports for Operation Oswego County Foundation, Inc. **On a motion by Mr. Cullinan, seconded by Mr. Behling, the OOC Foundation Financial Statements for the Periods ending April 30, 2017; May 31, 2017; and June 30, 2017 were unanimously approved.**

SBA Employment Number Collection Policy

Mr. Treadwell noted the SBA request for the Policy. **On a motion by Mr. Turner, seconded by Mr. Solazzo, the SBA Employment Number Collection Policy was unanimously approved.** Copy is attached.

SBA Internal Control Policy

Mr. Treadwell noted the SBA request for the Policy. **On a motion by Mr. Galloway, seconded by Mr. Murphy, the Internal Control Policy was unanimously approved.** Copy is attached.

SBA Annual Certification for 120.823

Mr. Treadwell noted the annual requirement by the SBA for individually signed certifications that Board Members have read and understand the requirements set for the in 120.823. He noted that the By-Laws were recently updated to reflect the language required regarding the Board of Directors. Copy is attached.

SBA Complete File Review

Mr. Dano reported that the largest SBA Project was selected for a Complete File Review, Holiday Inn Express & Suites. The review found the files complete and correct.

SBA 504 Loans

Mr. Dano reported on an SBA 504 Loan request to purchase a house and renovate it into a day care center, Great Bear Childcare, LLC. The participating bank is Pathfinder Bank. Employment would start with one and hire one additional. Project is in the Village of Phoenix. Total project cost is estimated at \$220,000. SBA portion would not exceed \$100,000. **On a motion by Mr. Anderson, seconded by Mr. Murphy, a resolution was approved to submit an application to the U.S. Small Business Administration and for the sale of a 504 Debenture not to exceed \$100,000. Mr. Joyce and Mr. Quenville abstained.**

CNY REDC – CFA Round 7

Mr. Treadwell reported that the CFA process is at full speed. The prioritizing of ESD projects and the scoring for non-ESD funding is complete. There were 67 projects submitted for ESD funding and 108 for Other Funding. Of the ESD projects submitted, 11 were from Oswego County. Of the Non-ESD Projects, there were 16 from Oswego County. He noted that the numbers worked out that Oswego County has 15.4% of the population of the region and 15.4% of the total projects submitted. There was a good mix of project types including manufacturing and agriculture projects.

Real Estate Development Committee

Mr. Wheelock reported that the committee members toured the OOC-Owned buildings and met with some of the tenants. This tour gave the Committee Members a first-hand look at what they are discussing in their meetings.

Mr. Wheelock reported that the committee met on 9/13/17. A presentation by company in the hops processing and growing business that owns land adjacent to the Oswego County Industrial Park, included a proposal to lease some land in the Park, with possible purchase in the future. Another project is Fibercraft, industrial canvas products. The company would like to acquire 1 to 1.5 acres to expand the business in Oswego County. The Committee approval is conditioned on a formal purchase offer received.

Oswego County Industrial Park

Mr. Wheelock reported on an Archeological Study completed on a site in the Oswego County Industrial Park, brought to our attention as Archeologically Sensitive, due to proximity to another site. Mr. Wheelock noted that the RFP went to 6 archeological firms and Curtin was selected for a Phase I Archeological Study. A Phase 1-B was recommended due to surrounding archeological sites. The Phase 1-B estimate is \$3,000 to \$5,000 and covers 18 acres.

Tech Soup

Ms. LiVoti reported about needed upgrades to office software programs. She noted that Computer Outlet North suggested Tech Soup, which is a non-profit company providing deep discounts on Hardware and Software to other non-profits. Ms. LiVoti reported that the process to qualify is fairly simple and the discounts are quite large. Once the process is complete, Ms. LiVoti will share this information and process with other Non-profits in Oswego County.

OOC December Board Meeting

President Bateman reported that the December Board of Directors Meeting has been rescheduled to December 14, 2017.

Economic Development Projects

Mr. Treadwell updated the Board on the following projects: Tailwater Lodge's Phase III Expansion Project; COIDA Incubator Project's setback with funding options; Champlain Valley Specialty's significant investment to add waste water treatment capacity for a new expansion and EJ USA's closing on IDA Financial Assistance and start of construction in the Oswego County Industrial Park. Mr. Ransom updated the board on United Wire Technologies' expansion. Mr. Treadwell reported that the Aldi/Nestle Site's foundation work has begun; Marmon Enterprises USA was formed as the Real Estate Holding Company for the purchase of the former Woods of Ware building in Williamstown to house Hardwood Transformations, Inc. and Designer Hardwood Flooring, Inc. The company plans to add 5 new jobs.

ADJOURNMENT

**On a motion by Mr. Anderson, seconded by Mr. Quenville, the meeting was adjourned at 4:35 p.m.**

Respectfully submitted,

L. Michael Treadwell  
Executive Director

# OPERATION OSWEGO COUNTY, INC.

## INTERNAL CONTROLS POLICY

This Policy is adopted the 18<sup>th</sup> day of September, 2017, by a majority of the Board of Directors of OPERATION OSWEGO COUNTY, INC., a quorum of its members being present and voting in the affirmative.

**WHEREAS**, sound internal controls are a necessary function of a successful organization and are best achieved by a clearly defined process; and

**WHEREAS**, this policy, established by the Board of Directors of Operation Oswego County, Inc. (OOC) covers basic accounting functions, day-to-day operating functions performed by OOC staff, as well as compliance requirements of OOC as a Certified Development Company (CDC) as that term is used by the U.S. Small Business Administration;

**NOW, THEREFORE, be it**

**RESOLVED**, that the Board of Directors of OOC hereby establish the following policy regarding Internal Controls for the organization:

1. **GENERAL.** The Board of Directors of OOC is responsible for authorizing all bank accounts and check signers. Financial institutions where OOC accounts are maintained are notified on an annual basis of any changes in check signers, following the transition of officers or changes in staff with check signing responsibilities. Financial reports shall be presented to the Board of Directors for review on a monthly basis. An annual financial compilation, review, or audit will be conducted by a qualified outside certified public accountant. Applicable financial and administrative guidelines relating to specific grant funding shall be followed.

2. **CASH RECEIPTS.** While OOC rarely, if ever, receives cash, employees handling cash will have the necessary knowledge and skills to perform the job and will be carefully supervised. Cash receipts must be deposited within 3 days of receipt or when the deposit amount exceeds \$2,000, whichever comes first. Incoming checks must be restrictively endorsed, "for deposit only" with the appropriate OOC account number, when received. Incoming cash must be counted and receipts/bank deposits developed by two or more persons authorized to perform these functions. Records of cash received must be totaled and initialized by authorized employees. Cash collection documentation totals must be compared and reconciled to bank deposit receipts on a regular basis. Bank deposit receipts must be compared and attached to the original bank deposit slips. Adequate physical controls must be maintained over cash receipts from the time of receipt to deposit in the bank. Payments, from any source and for any purpose, received in an OOC bank account

electronically via Electronic Funds Transfer (EFT) will be posted to accounting software within 3 days of receipt.

**3. CASH DISBURSEMENTS.** a. *Check Authorization.* The Executive Director must provide approval for all disbursements. Supporting documentation must accompany checks when presented for signature.

b. *Checks.* All non-recurring disbursements must be made by check. Recurring disbursements may be set up electronically with a vendor via Electronic Funds Transfer with prior OOC Executive Committee approval. Only pre-numbered checks shall be used and always in sequence. Signing of blank checks is strictly prohibited. Checks must be made payable to specific payees based upon appropriate documentation; and never to “cash” or “bearer”. Prior to preparing checks, receiving reports should be compared to vendor invoices for accuracy. Checks must be prepared from vendor invoices only and not from a vendor statement. Signature stamps may never be used to sign checks. Dual signatures, by any Board approved authorized signer, are required for all checks over \$1,000. All checks over \$2,500 require at least one officer of the Board of Directors to sign. Access to blank checks must be limited to persons authorized to prepare checks. Blank check stock must be locked in a secure place when not in use. Any voided/spoiled checks must be marked “Void”, shredded with the signature portion removed and retained in a secure place.

c. *Bank Reconciliations.* Bank accounts must be reconciled by the person responsible on a monthly basis and reviewed by the Executive Director. The Executive Director must receive the bank statements, including canceled checks, if provided by the banking institution. All check numbers must be accounted for. Checks outstanding over 90 days must be periodically investigated, with payment stopped, if necessary, and an entry made restoring such items to cash if appropriate.

**4. TRAVEL AND EXPENSES.** Employees must submit a detailed expense record, with supporting documentation, in order to be reimbursed for expenses; and initialed for approval by the Executive Director prior to payment, or in the case of the Executive Director’s travel and expense approval by an officer of OOC.

**5. SBA 504-RELATED LOANS.** The review and assessment of loans provided by OOC, as the CDC for the U.S. SBA 504 Loan Program, is an integral tool to generate and maintain economic growth in Oswego County. The following review standards and procedures shall be followed by OOC staff assigned to review and assess 504 loans:

a. *Assignment of Responsibility.* The responsibility of the internal controls function shall be assigned to the Executive Director of OOC.

b. *Periodic Review and Updates.* A periodic review of the internal controls is essential to ensure that this function remains compliant with ever changing regulatory and procedural guidelines. Such periodic reviews should coincide with changes to the SBA’s Standard Operating Procedure (SOP), as well as other regulatory and policies changes.

c. *Independent Review.* (i). At least annually, an independent review shall be conducted by the Audit Committee of OOC to ensure that the 504 Loans were underwritten in conformance with the SOP. The review shall include new loans (originating within the 12 months preceding the review period) and older loans that originated more than 12 months preceding the review period. The review of new loans shall focus on underwriting and the closing procedure; while the older loans shall focus on servicing and liquidation, if applicable. The review must include an assessment of the loan classification (aka loan risk rating) to ensure loans are risk classified appropriately and that risk classifications are updated in a timely manner (such as when new information is obtained), and at least annually.

(ii). The Audit Committee must opine on the risk rating of each loan reviewed as to whether the committee agrees with the risk rating ascribed by the underwriter. The opinion must include a recommendation whether the risk rating should be up-graded or down-graded, and provide an explanation for the change.

(iii). Annual objective reviews of credit risk levels and risk management processes are essential to effective portfolio management, which includes review for accuracy and completeness of eligibility, creditworthiness (collateral) and closing checklists. Loan reviews should analyze a number of important credit factors, including:

- A. Credit quality;
- B. Sufficiency of credit and collateral documentation;
- C. Proper lien perfection;
- D. Proper loan approval;
- E. Adherence to loan covenants;
- F. Compliance with internal policies and procedures, and applicable laws and regulations;  
and
- G. The accuracy and timeliness of credit grades assigned by loan officers.

(iv). To encourage independence in the review process, the Audit Committee shall report to the Board of Directors. Results of the review shall be communicated to both management and the Board of Directors. However, to protect the review function's independence, the board or committee shall approve the performance evaluation for the review, review the OOC staff's strategic and operating plans, and act on the findings of the review. Core analysis phases during the independent Loan Review must include a:

1. Determination whether deficiencies noted in the last examination and most recent internal/external audit have been addressed and/or corrected by management; and
2. Determination if any Executive Committee of Board of Directors/Executive Director of OOC have an ability to override credit grades and decisions.

d. *Results of Loan Review.* The results from the review shall be presented to the Board of Directors. The Board and senior management of OOC shall then use this information to improve the current and future loan making and monitoring functions of the organization. The following objectives

shall generally be addressed in the loan review process, and should serve as potential points for improvement to:

- (i). Promptly identify loans with well-defined credit weaknesses so that timely action can be taken to minimize credit loss. This would include a review of the loan classifications used by OOC/CDC staff;
- (ii). Identify relevant trends affecting the collectability of the loan portfolio and isolate potential problem areas;
- (iii). Evaluate the activities of lending personnel;
- (iv). Assess the adequacy of, and adherence to, loan policies and procedures, and to monitor compliance with relevant laws and regulations;
- (v). Provide the Board of Directors and senior management with an objective assessment of the overall portfolio quality; and
- (vi). Provide management with information related to credit quality that can be used for financial and regulatory reporting purposes.

*e. Oversight of Lender Service Providers.* OOC shall monitor its professional services contracts to ensure that the services provided are prudent and customary. There should be no apparent conflict of interest between OOC and the professional service provider. The Audit Committee shall monitor the performance of the professional service providers to ensure that the services provided are not underperformed. One measure of performance review to be utilized is the Complete File Review (CFR) utilized by SBA District Counsel to ensure that 504 loans are closed in conformance with the SBA's SOP and governing regulations.

**6. MODIFICATIONS.** This Internal Controls Policy is intended to be modified and updated on a regular basis, as needed, upon review by the Executive Committee and approval by a majority of the Board of Directors of OOC.

Adopted by the Board of Directors on the 18<sup>th</sup> day of September, 2017, at Oswego, New York.

Operation Oswego County, Inc.

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Eric Behling, Secretary

# **OPERATION OSWEGO COUNTY, INC.**

## **SBA EMPLOYMENT NUMBER COLLECTION POLICY**

Adopted – September 18, 2017

### **PURPOSE**

The U.S. Small Business Administration requires the collection and reporting of the number of full-time equivalent employees a business has on the two-year anniversary of the issuance of a 504 debenture. Operation Oswego County, Inc. is a Certified Development Company for the U.S. Small Business Administration.

The purpose of this Policy is to outline the procedures for collecting and reporting the number of employees a business has on the two-year anniversary of the issuance of the SBA 504 Debenture, as required by the United States Small Business Administration.

### **POLICY**

1. Following the closing and sale of an SBA 504 Debenture, the information on the company and the project are entered into a data base.
2. In December of each year, the data base will be reviewed to assess the needed documentation for employment and prepare a letter and form to be mailed to the client in the month the data is needed.
3. Upon receipt of the form(s), the information will be compared to the projected employment on the Application for each loan. Any discrepancies will be addressed with the client.
4. Forms not received within 30 days will be followed up with either a telephone call, electronic notice or personal visit.
5. The forms will be kept on file for future reference and numbers reported in the SBA Annual Report.

It is the intent that this SBA Employment Number Collection Policy conform to the requirements of the U.S. Small Business Administration as a Certified Development Company.

### **APPROVAL**

This Policy has been reviewed and approved by the Executive/Governance Committee at its meeting held on August 23, 2017 and the Board of Directors at its Meeting held on September 18, 2017.

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Eric Behling  
Secretary

**END OF POLICY**

# 13 CFR § 120.823 - CDC Board of Directors.

§ 120.823 CDC Board of Directors.

(a) The CDC, whether for-profit or non-profit, must have a Board of Directors with at least seven (7) voting directors who live or work in the CDC's State of incorporation or in an area that is contiguous to that State that meets the definition of a [Local Economic Area](#) for the CDC. The Board must be actively involved in encouraging economic development in the [Area of Operations](#). The initial Board may be created by any method permitted by applicable State law. At a minimum, the Board must have directors with background and expertise in internal controls, financial risk management, commercial lending, legal issues relating to commercial lending, corporate governance, and economic, community or workforce development. Directors may be either currently employed or retired.

(b) At least two voting members of the Board of Directors, other than the CDC manager, must possess commercial lending experience satisfactory to [SBA](#). When the Board votes on [SBA](#) loan approval or servicing actions, at least two voting Board members, with such commercial lending experience, other than the CDC manager, must be present and vote.

(c) The Board of Directors must meet at least quarterly and shall be responsible for the actions of the CDC and any committees established by the Board of Directors. In addition, the Board of Directors is subject to the following requirements:

(1) Except for the CDC manager, no [person](#) on the CDC's staff may be a voting director of the Board;

(2) A quorum must be present to transact business. The quorum shall be set by the CDC but shall be no less than 50% of the voting members of the Board of Directors;

(3) Attendance at meetings may be through any format permitted by State law;

(4) No CDC Board member may serve on the Board of another CDC.

(d) The Board shall have and exercise all corporate powers and authority and be responsible for all corporate actions and business. There must be no actual or appearance of a conflict of interest with respect to any actions of the Board. The Board is responsible for ensuring that the structure and operation of the CDC, as set forth in the Bylaws, comply with [SBA's Loan Program Requirements](#). The responsibilities of the Board include, but are not limited, to the following:

(1) Approving the mission and the policies for the CDC;

(2) Hiring, firing, supervising and annually evaluating the CDC manager;

(3) Setting the salary for the CDC manager and reviewing all salaries;

(4) Establishing committees, at its discretion, including the following:

(i) Executive Committee. To the extent authorized in the Bylaws, the Board of Directors may establish an Executive Committee. The Executive Committee may exercise the authority of the Board; however, the delegation of its authority does not relieve the Board of its responsibility imposed by law or [Loan Program Requirements](#). No further delegation or redelegation of this authority is permitted. If the Board establishes an Executive Committee and delegates any of its authority to the Executive Committee as set forth in the Bylaws of the CDC, the Executive Committee must:

(A) Be chosen by and from the Board of Directors from the Board; and

(B) Meet the same organizational and representational requirements as the Board of Directors, except that the Executive Committee must have a minimum of four voting members who must be present to conduct business.

(ii) Loan Committee. The Board of Directors may establish a Loan Committee. The Loan Committee may exercise the authority of the Board only as set forth below; however, the delegation of its authority does not relieve the Board of its responsibility imposed by law or [Loan Program Requirements](#). If the Board of Directors chooses to establish a Loan Committee, no CDC staff or manager may serve on the Loan Committee. The Loan Committee must:

(A) Be chosen by the Board of Directors, and consist of individuals with a background in either financial risk management, commercial lending, or legal issues relating to commercial lending who are not [associated](#) with another CDC;

(B) Have a Quorum of at least four Loan Committee members authorized to vote;

(C) Have at least two (2) Loan Committee members with commercial lending experience satisfactory to [SBA](#);

(D) Have no actual or appearance of a conflict of interest, including for example, a Loan Committee member participating in deliberations on a loan for which the Third Party Lender is the member's employer or the member is otherwise [associated](#) with the Third Party Lender; and

(E) Consist only of Loan Committee members who live or work in the CDC's State of incorporation or in an area that meets the definition of a [Local Economic Area](#) for the CDC, except that, for [Projects](#) that are financed under a CDC's Multi-State authority, the CDC must satisfy the requirements of either [§ 120.835\(c\)\(1\)](#) or (2) when voting on that [Project](#).

(5) Ensuring that the CDC's expenses are reasonable and customary;

(6) Hiring directly an independent auditor to provide the financial statements in accordance with [Loan Program Requirements](#);

(7) Monitoring the CDC's portfolio performance on a regular basis;

(8) Reviewing a semiannual report on portfolio performance from the CDC manager, which would include, but not be limited to, asset quality and industry concentration;

(9) Ensuring that the CDC establishes and maintains adequate reserves for operations;

(10) Ensuring that the CDC invests in economic development in each of the States in its [Area of Operations](#) in which it has a portfolio, and approving each investment. If the investment is included in the CDC's budget, the Board's approval of the budget may be deemed approval of the investment. If the investment is not included in the budget, the Board must separately approve the investment;

(11) Establishing a policy in the Bylaws of the CDC prohibiting an actual conflict of interest or the appearance of same, and enforcing such policy (see [§ 120.140](#) and [§ 120.851](#));

(12) Retaining accountability for all of the actions of the CDC;

(13) Establishing written internal control policies, in accordance with [§ 120.826](#);

(14) Establishing commercially reasonable loan approval policies, procedures, and standards. The Bylaws must include any delegations of authority to the Loan Committee and Executive Committee, if either Committee has been established. In addition, the CDC must establish and set forth in detail in a policy manual its credit approval process. All 504 loan applications must have credit approval prior to submission to the Agency. The Loan Committee, if established, may be delegated the authority to provide credit approval for loans up to \$2,000,000 but, for loans of \$1,000,000 to \$2,000,000, the Loan Committee's action must be ratified by the Board or Executive Committee prior to [Debenture](#) closing. Only the Board or Executive Committee, if authorized by the Board, may provide credit approval for loans greater than \$2,000,000.

(15) All members of the Board of Directors must annually certify in writing that they have read and understand this section, and copies of the certification must be included in the Annual Report to [SBA](#).

(e) The Board of Directors shall maintain Directors' and Officers' Liability and Errors and Omissions insurance in amounts established by [SBA](#) that are based on the size of the CDC's portfolio and other relevant factors.

[[79 FR 15649](#), Mar. 21, 2014, as amended at [82 FR 39504](#), Aug. 21, 2017; [84 FR 66294](#), Dec. 4, 2019]