

SARANAC LAKE LOCAL DEVELOPMENT CORPORATION

AUDIT & FINANCE COMMITTEE CHARTER

This Audit & Finance Committee Charter was adopted by the Board of Directors of the Saranac Lake Local Development Corporation ("LDC"), a not-for-profit corporation established under the laws of the State of New York, on this ____ day of May, 2011.

Purpose

Pursuant to Article IV, Section 1(b)(ii) of the LDC's bylaws, identifying the Audit and Finance Committee as a Standing Committee, the purposes of the audit and finance committee shall be to (1) recommend to the board the hiring of a certified public independent public accounting firm for the LDC, (2) establish the compensation to be paid to the accounting firm, (3) provide direct oversight of the performance of the independent audit performed by the accounting firm hired for such purpose, and (4) review proposals for the issuance of debt and to make recommendations regarding such proposed issuance.

Powers of the Audit & Finance Committee

It shall be the responsibility of the audit and finance committee to:

- Appoint, compensate, and oversee the work of any public accounting firm employed by the LDC.
- Conduct or authorize investigations into any matters within its scope of responsibility.
- Seek any information it requires from LDC employees, all of whom should be directed by the board to cooperate with committee requests.
- Meet with LDC staff, independent auditors or outside counsel, as necessary.
- Retain, at the LDC's expense, such outside counsel, experts and other advisors as the audit and finance committee may deem appropriate.
- Make recommendations to the board concerning the level of debt and nature of debt issued by the LDC.
- Make recommendations concerning the appointment and compensation of bond counsel, investment advisors and underwriting firms used by the LDC, and to oversee the work performed by these individuals and firms on behalf of the LDC.
- Review proposals relating to the repayment of debt or other long-term financing arrangements by the LDC and its subsidiaries.
- Annually review the LDC's financing guidelines and make recommendations to the board concerning criteria that should govern its financings. These should include security provisions required for a bond financing undertaking, specific requirements of credit enhancements or additional guarantees used, such as a pledge of revenues, financial covenants or debt service reserves.

The Saranac Lake Local Development Corporation board will ensure that the audit and finance committee has sufficient resources to carry out its duties.

Composition of Committee and Selection of Members

The audit and finance committee shall consist of at least three members of the board of directors who are independent of LDC operations, who shall constitute a majority on the committee. The LDC's board will appoint the audit and finance committee members and the committee chair. Members shall serve on the committee at the discretion of the board.

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

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

The audit and finance committee shall have access to the services of at least one financial expert; whose name shall be disclosed in the annual report of the LDC.

The audit and finance 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. The committee must meet prior to any debt issuance planned to be undertaken by the LDC.

Members of the audit and finance committee are expected to attend each committee meeting, in person or via telephone or videoconference. The audit and finance committee may invite other individuals, such as members of management, auditors, financial experts or other technical experts to attend meetings and provide pertinent information, as necessary. A majority of the committee members present or participating through telephone or videoconference shall constitute a quorum.

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

Meeting agendas shall be prepared prior to every meeting and provided to finance committee members along with briefing materials five (5) business days before the scheduled finance committee meeting. The audit and finance committee may act only on the affirmative vote of a majority of the members or by unanimous consent. Minutes of these meetings shall be recorded.

A report of the committee's meeting shall be prepared and presented to the board at its next scheduled meeting following the meeting of the committee.

Responsibilities

The audit and finance committee shall:

- Appoint, compensate and oversee independent auditors retained by the LDC 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 LDC'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 LDC's operations, such as bookkeeping or other services related to the accounting records or financial statements of the LDC, 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 LDC's audited financial statements, associated management letter, report on internal controls and all other auditor communications.
- Annually review the LDC's audit of investments as provided by independent auditors.
- 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.
- Review management's assessment of the effectiveness of the LDC's internal controls and review the report on internal controls by the independent auditor as a part of the financial audit engagement.
- Develop procedures for the receipt, retention, investigation and/or referral of complaints concerning accounting, internal controls and auditing to the appropriate body.
- Present annually to the LDC'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 LDC. 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.
- Review the LDC's proposed annual operating budget as presented by LDC management for the upcoming fiscal year.
- Recommend the annual budget to the board for approval after incorporating

necessary amendments.

- Monitor and report to the board on the LDC's compliance with its adopted budget during the fiscal year (actual verses estimated budget) on a quarterly basis.
- Annually review the LDC's investment policy and evaluate allocation of assets.
- Review and recommend to the board approval of the LDC's annual investment report.
- Recommend to the board the selection of investment advisors.
- Assess the financial requirements of the LDC's capital plans.
- Review the financial aspects of major proposed transactions, significant expenditures, new programs and services, as well as proposals to discontinue programs or services and making action recommendations to the board.
- Review and recommend changes to the LDC's thresholds for procuring goods and services and procurement policy.
- Review and recommend changes to the LDC's fee schedules.
- Review the scope and terms of the LDC's insurance policies and liability coverage on an annual basis.