Section 2925 of the New York Public Authorities Law requires the Authority to adopt investment guidelines on an annual business. The purpose of these guidelines is to identify various policies and procedures that enhance opportunities for a prudent and systematic investment policy and to organize and formalize investment related activities. The ultimate goal is to enhance the economic status of the Authority while protecting its funds.

Certain of the Members of and the Director of Finance for the Authority are duly authorized to invest Authority monies pursuant to the New York Public Authorities Law and are trustees of Authority funds. Accordingly, such persons are acting as fiduciaries and will be subject to a prudent investor standard.

ARTICLE 2
SCOPE

This policy covers all moneys and other financial resources available for investment by the Authority on its own behalf or on behalf of any other entity or individual. It is intended that this policy cover all funds and investment activities under the direct control of the Authority, except for retirement or other employee benefit plans and deferred compensation funds.

ARTICLE 3
OBJECTIVES

1. The investment policies and practices of the Authority are based upon limitations set forth in the New York Public Authorities Law. These limitations seek to assure compliance with all laws governing the investment of monies under the control of the Authority. They also seek to protect the principal of funds entrusted to the Authority through the following objectives in order of importance.

   A. Safety: It is the primary duty and responsibility of the Director of Finance to protect, preserve and maintain cash and investments placed in his/her trust. Each investment transaction shall seek to ensure that capital losses are avoided, whether from institution default, broker-dealer default, or erosion of market value of securities. The Director of Finance shall evaluate or cause to have evaluated each potential investment, seeking both quality in issuer and in underlying security or collateral. Diversification of the portfolio will be used as much as practicable given the range of permitted investments in order to reduce exposure to principal loss.
B. **Liquidity**: An adequate percentage of the portfolio will be maintained in liquid short-term securities that can be converted to cash if necessary to meet disbursement requirements. Since all cash requirements cannot be anticipated, investment in securities with active secondary markets will be utilized. These securities will have a low sensitivity to market risk.

C. **Yield**: Yield should become a consideration only after the basic requirements of safety and liquidity have been met.

D. **Public Trust**: All participants in the investment process shall act as custodians of the public trust. Investment officials shall recognize that the investment portfolio is subject to public review and evaluation. The overall program shall be designed and managed with a degree of professionalism that is worthy of the public trust. In a diversified portfolio it must be recognized that occasional measured losses are inevitable, and must be considered within the context of the overall portfolio’s investment return, provided that adequate diversification has been implemented.

**ARTICLE 4
PERMITTED INVESTMENTS**

Section 1097 of the New York Public Authorities Law permits the Authority to invest solely in bank account deposits, which can be secured by government obligations. Notwithstanding the foregoing, this Section permits the Authority to contract with the holders of any of its bonds as to the investment of available funds. The Authority has issued various bonds pursuant to that certain Trust Indenture, dated as of October 1, 1991 (the “Indenture”), by and between the Authority and JPMorgan Chase Bank, as successor to Chase Lincoln First Bank, N.A., as trustee (the “Trustee”), including all amendments and supplements thereto. Section 511 of the Indenture permits the Authority (or the Trustee on its behalf) to invest funds not required for immediate disbursement solely in Authorized Investments. Section 101 of the Indenture defines the term “Authorized Investments;” attached hereto as Exhibit A is a copy of such definition, with a summary of permitted investments for funds other than those deposited in the Bond Fund.

**ARTICLE 5
SECURED INVESTMENTS**

The following describes the Authority’s procedures regarding securing certificated and uncertificated securities.

1. The Authority’s security interest in certificated securities purchased outright or acquired by repurchase agreement or held as collateral shall be perfected by:

   A. Certificated Securities securing or transferred by a repurchase agreement or used as collateral to secure any other investment or cash balance shall be physically delivered, as far as practicable, to the Authority or its custodian for safekeeping throughout the term of the investment agreement.
B. Payment of funds shall only be made against the delivery of physical securities when securities are purchased outright, or the delivery of collateral when a repurchase agreement or certificate of deposit is involved.

C. These securities and collateral shall be physically segregated by the custodian or the financial institution (in the event delivery of the collateral to the custodian or the Authority is not practical) into an account held on behalf of the Authority.

D. The custodian shall release such securities or collateral upon the termination of the investment agreement as directed by the Custodial Agreement.

2. The Authority’s security interest in uncertificated Treasury Securities (issued in book entry form) purchased outright shall be perfected by:

A. A Reserve Bank making an appropriate entry in its records of the securities purchased.

B. Transfer of such securities to the Reserve Bank account of the Authority’s custodian or financial institution and held in the name of the Authority.

C. Notification to the Authority, and the custodian when applicable, by the financial institution of the purchase of subject securities with specific identification of such securities, the Reserve Bank account numbers transferred from and to, and the terms of the agreement.

D. As provided by Parts 306 and 350 of Title 31 of the Code of Federal Regulations, as amended from time to time, and/or by any method prescribed by Sections 8-313, 8-320 or 8-321 or other Sections of Article 8 of the Uniform Commercial Code of the State of New York, as amended from time to time.

3. The Authority’s security interest in uncertificated Treasury Securities (issued in book entry form) held as collateral for repurchase agreements or other deposits shall be perfected by:

A. A Reserve Bank making an appropriate entry in its records of the securities transferred or pledged.

B. Transfer of such securities to the Reserve Bank account of the custodian and pledged to the Authority (or to the custodian acting for the Authority).

C. Notification to the Authority and the custodian by the financial institution of the transfer and pledge of subject securities with specific identification of such securities, the Reserve Bank account numbers transferred from and to, and the terms of the agreement.
D. As provided by Parts 306 and 350 of Title 31 of the Code of Federal Regulations, as amended from time to time, and/or by any method prescribed by Sections 8-313, 8-320 or 8-321 or other Sections of Article 8 of the Uniform Commercial Code of the State of New York, as amended from time to time.

**ARTICLE 6**

**MONITORING**

The following describes the Authority’s procedures regarding monitoring of certain types of investments.

1. The Authority shall apply the following procedures for safekeeping:
   
   A. Certificated securities and other collateral held by the Authority’s Custodian or other financial intermediary for safekeeping shall be segregated or otherwise identified as pledged to the Authority.
   
   B. Book entry securities shall be secured as provided in Article 5, Sections 2 and 3 above.

2. The Authority shall apply the following procedures regarding audits:
   
   A. An independent audit of the Authority’s investments shall be conducted annually at the direction of the Director of Finance.
   
   B. The audit report shall be incorporated into the annual investment report described in Article 14 hereof.

3. The Authority shall comply with the following collateral requirements:
   
   A. Investments and cash balances shall be fully (100%) secured by collateral, except as provided in subsection C below.
   
   B. Collateral may consist of obligations described in items (i), (ii) and (iii) of the definition of Authorized Investments in Section 101 of the Indenture.
   
   C. FDIC, FSLIC, and SIPC insurance may be substituted for collateral as available and up to its limit.
4. The Authority shall monitor the foregoing through the following procedures:

A. The Authority shall monitor the recorded value of the collateral to make certain it is equal to the current market value, including accrued interest, of the collateral at the time of the initial investment, and thereafter monthly. For certain short-term investments the market value shall be monitored on a daily basis.

B. Substitutions of collateral shall be permitted in like-kind or upon written agreement subject to the approval of the Treasurer, the Executive Director, the Director of Finance or the lawful delegate of any of them.

ARTICLE 7
WRITTEN CONTRACTS

Pursuant to Section 2925 of the New York Public Authorities Law, any investments made by the Authority shall be evidenced by written contracts. All such contracts shall contain the provisions of the type described in Section 2925(3)(c) (i) – (iv). Notwithstanding the foregoing, the Authority may by resolution authorize certain investment transactions to be made by oral agreement where a written contract is not practical or there is not a regular business practice of written contracts; in such case, the Authority shall adopt procedures to govern such investment or transaction. In connection with any written contract, the Authority shall furnish a copy of these investment guidelines to each financial institution and obtain a written confirmation from such financial institution that it has reviewed and understands such guidelines.

ARTICLE 8
DELEGATION OF AUTHORITY

The investment, per this policy, of Authority idle monies is annually delegated to the Director of Finance by the Members who shall thereafter assume full responsibility for those transactions until the delegation of authority is revoked or expires. The Director of Finance may delegate the day-to-day operations of investing to his/her designee(s), but not the responsibility for the overall investment program. The Director of Finance will review all investment transactions on a regular basis to assure compliance with this Statement of Investment Policy.

ARTICLE 9
ETHICS AND CONFLICT OF INTEREST

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Such persons shall disclose any material financial interest in financial institutions that conduct business with this jurisdiction, and they shall further disclose any large personal financial/investment positions that could be related to the performance of the Authority’s portfolio. All officers and employees involved in the investment of public funds are required to comply with the Authority’s Conflict of Interest Policy.
ARTICLE 10  
INELIGIBLE INVESTMENTS

The Authority shall invest only in the types of investments specifically described herein. All other investments are prohibited from use in this portfolio, including but not limited to common stocks, futures and the writing of options. The use of short positions is also prohibited.

ARTICLE 11  
DERIVATIVES

A derivative is defined as a financial instrument that derives its cash flows, and therefore its value, by reference to an underlying instrument, index or reference rate. The purchase of yield curve notes, interest only, principal only, range notes, and inverse floaters are prohibited (this list is not intended to cover all types of securities and is presented as an example of the types of securities that should be avoided). Callable bonds, step-up bonds, and floating rate securities (with a positive spread) are permitted investments. No security will be purchased that could result in a zero interest accrual if held to maturity.

ARTICLE 12  
SWAPS

A swap is a shift of assets from one instrument to another and may be done for a variety of reasons, such as to increase yield, lengthen or shorten maturities, or to increase investment quality. In no instance shall a swap be used for speculative purposes. Any such swap shall be simultaneous (same day execution of sale and purchase), and requires the written approval of the Director of Finance.

ARTICLE 13  
INTERNAL CONTROLS

Pursuant to other provisions of the New York Public Authorities Law, a system of internal controls shall be established and documented in writing. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation of third parties, unanticipated changes in financial markets or imprudent action by employees and officers of the Authority. Controls deemed most important include: control of collusion, separation of duties and administrative controls, separation of transaction authority from accounting and recordkeeping, separation of custodial safekeeping from transaction authority, accounting, and recordkeeping, clear delegation of authority, management review and approval of investment transactions, specific limitations regarding securities losses and remedial action, written confirmation of telephone transactions, minimizing the number of authorized investment officials, documentation of transactions and strategies, and code of ethics standards. The Director of Finance will establish an annual process of independent review by an external audit firm. This review will provide assurances of strong internal controls by reviewing compliance with previously established policies and procedures.
ARTICLE 14
REPORTING

The Director of Finance will submit a quarterly investment report to the Members and the Executive Director. This report will include: a list of portfolio transactions, type of investment, issuer, date of maturity, amount of deposit/par amount, current market value of all securities (with the source of the market valuation), rate of interest, statement that there are or are not sufficient funds to meet the next 6 month’s obligations and a statement indicating compliance or noncompliance with this Statement of Investment Policy. As applicable and appropriate based on the type of investment, additional items listed will also include average weighted yield, average days to maturity, accrued interest earned during the period and fiscal year to date, percent distribution to each type of investment and any funds under management by contracted parties, including lending programs. The report shall include the selection of auditors, investment bankers, brokers, agents, dealers and advisers.

The Director of Finance will submit an annual investment report to the Members and the Executive Director. In addition to the information set forth in the preceding paragraph, the annual report will contain a yearly update regarding the Authority’s investment guidelines, amendments to such guidelines, if any, the results of the annual independent investment audit, the investment performance record of the Authority, and a list of the total fees, commissions and other charges paid to each investment banker, broker, agent, dealer and adviser rendering investment-related services to the Authority. The annual investment report shall be prepared in conformity with generally accepted accounting principles for governments (GAAP) and shall comply with Governmental Accounting Standards Board (GASB) Statement No. 3. In addition, GASB Statement No. 28 and GASB Statement No.31 shall be applied as appropriate.

The Authority shall submit its annual investment report to the Division of the Budget with copies to the chief executive officer and chief financial officer of the County of Monroe, the Department of Audit and Control of the State of New York, the Senate Finance Committee, and the Assembly Ways and Means Committee.

Copies of the Authority’s annual investment report shall be made available to the public upon reasonable request therefor.

ARTICLE 15
QUALIFIED BANKS AND SECURITIES DEALERS

The Authority shall conduct business only with banks, agents and registered investment securities brokers and dealers. The Authority’s staff will investigate all institutions that wish to conduct business with the Authority and evaluate their quality, reliability, experience, capitalization, size and any other relevant information. All institutions must sign an information request form, and agree to abide by the conditions set forth in this Investment Policy. The Director of Finance shall maintain a list of approved institutions and security broker/dealers. This will be done annually by having the financial institutions complete and return an information request form, and an audited financial statement within 90 days of the institution’s fiscal year-end. In the event the primary dealer rejects the language in the dealer information
request form, the Director of Finance may return to the Authority’s Board for approval of alternative language proposed by the primary dealer.

ARTICLE 16
RISK TOLERANCE

The Authority recognizes that investment risks can result from issuer defaults, market price changes or various technical complications leading to temporary illiquidity. Portfolio diversification is employed as a way to control risk. The Director of Finance is expected to display prudence in the selection of securities, as a way to minimize default risk. No individual investment transaction shall be undertaken which jeopardizes the total capital position of the overall portfolio. The Director of Finance shall periodically establish guidelines and strategies to control risks of default, market price changes and illiquidity.

As described herein, the Indenture permits the use of various types of investments. Funds invested pursuant to the Indenture include short-term funds for operating needs as well as longer-term funds for capital needs. The Authority shall manage market and interest rate risk within each category of investments by investing to a shorter term. The Authority shall also seek to avoid trading losses (for speculative purposes) unless there is a sudden need for liquidity and the need cannot be satisfied on a more cost effective basis.

Controlling and managing risk is the foremost portfolio management objective. The Authority strives to maintain an efficient portfolio by providing for the lowest level of risk for a given level of return.

In addition to these general policy considerations, the following specific policies will be strictly observed:

A. All transactions will be executed on a delivery-versus-payment basis.

B. A competitive bid process, when practical, will be used to place all investment purchases and sell transactions.

ARTICLE 17
DIVERSIFICATION

In order to avoid incurring unreasonable and avoidable risks regarding specific security types or individual financial institutions, the Director of Finance shall diversify the investment portfolio by security type, institution and maturity. In particular, the Authority shall limit its investments at any financial institution to 1% of such institution’s assets.

ARTICLE 18
STATEMENT OF INVESTMENT POLICY

This Statement of Investment Policy shall be reviewed and submitted annually to the Members in order to incorporate any changes necessary to ensure consistency and its relevance to current law, and financial and economic trends. Such review and approval shall occur each year at the Authority’s Annual Meeting.
Exhibit A

Included below is the definition of "Authorized Investments" and the list of permitted investments per section 101 of the Trust Indenture dated as of October 1, 1991.

Items (i)-(iii) below apply to the investment of funds held in the Bond Fund.

All other funds held under the Trust Indenture may be invested in any of the categories of authorized investments.

"Authorized Investments" means any of the following, if and to the extent that the same are legal for the investment of funds of the Authority or the Trustee, as applicable:

(i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America;

(ii) bonds, debentures, notes, participation certificates or other evidences of indebtedness issued or guaranteed by Bank for Cooperatives; Federal Intermediate Credit Bank; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Federal National Mortgage Association; United States Postal Service; Government National Mortgage Association, Federal Financing Bank, Farmers Home Administration, Federal Home Loan Mortgage Association or any agency or instrumentality of the United States of America or any other corporation wholly-owned by the United States of America;

(iii) New Housing Authority Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or any agency thereof; or notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition, guarantee or payment agreement with the United States of America or any agency thereof;

(iv) direct and general obligations, to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any of the following: any state of the United States, or any political subdivision of any such state; provided that (a) as to such obligations of a political subdivision, all the taxable real property within such political subdivision shall be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount, or the revenues of such political subdivision shall be pledged to pay such obligations and the interest thereon and (b) at the time of their purchase under this Indenture, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies;

(v) bank time deposits evidenced by certificates of deposit and bankers acceptances issued by any bank or trust company (which may include the Trustee or any Construction Fund Custodian) which is a member of the Federal Deposit Insurance Corporation and which has capital stock, surplus and undivided profits aggregating in excess of fifty million dollars ($50,000,000), provided that such time deposits and bankers' acceptances (a) do not exceed at any one time in the aggregate five percent (5%) of the...
total of the capital and surplus of such bank or trust company, or (b) are secured by obligations described in items (i), (ii), or (iii) of this definition or are insured by a nationally recognized insurance company which has issued municipal bond insurance policies insuring the payment or which are rated, because of such insurance, in either of the two highest rating categories by two nationally recognized bond rating agencies, which such obligations at all time have a market value (exclusive of accrued interest) at least equal to such time deposits so secured;

(vi) repurchase agreements collateralized by obligation described in items (i), (ii) or (iii) of this definition with any registered broker/dealer subject to Securities Investors' Protection Corporation jurisdiction, which has an uninsured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Moody's Investors Services, Inc. and "A-1" or "A" or better by Standard & Poor's Corporation, or any commercial bank with the above ratings, provided

(a) a master repurchase agreement or specific written repurchase agreement governs the transaction,

(b) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than $25,000,000 and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee,

(c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed as 31 CFR 306.1 et seq. or 31 CFR 350.0 et seq. (or similar successor provision of law) in such securities is created for the benefit of the Trustee,

(d) the repurchase agreement has a term of 30 days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within the two business days of such valuation,

(e) the repurchase agreement matures at least ten days (or other appropriate liquidation period) prior to the date when liquidation is required, and

(f) the fair market value of the securities in relation to the amount of the repurchase obligation is equal to at least 100%.

(vii) obligations consisting of notes, bonds and debentures which are direct obligations of a solvent corporation existing under the laws of the United States or any state thereof, provided that such investments shall be rated in one of the two highest long-term rating categories established by at least two nationally recognized bond rating agencies;

(viii) certificates or other obligations that evidence ownership of the right of payments of principal of or interest on obligations of the United States of America or any state of the United State of America or any political subdivision thereof or any agency or instrumentality of the United State of America or any state or political subdivision
provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for a Trustee under Section 801 hereof, and provided further that, in the case of certificates or other obligations of a state or political subdivision, the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which shall be rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation, or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of an interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation;

(ix) investment agreements rated or the issuer of which is rated, in the highest short-term or one of the two highest long term rating categories by at least two nationally recognized rating agencies;

(x) money market funds rated in the highest short term or long term rating category by at least one nationally recognized rating agency; and

(xi) with respect to investments made by the Authority, and other investments which are permitted under the laws of the State of New York.