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**I. STATEMENT OF PURPOSE**

The Lewis County Development Corporation (the “Corporation”) has adopted this Investment and Deposit Policy (the “Policy”) in accordance with Article 9, Title 7 of the New York State Public Authorities Law (“PAL”). This Policy shall detail the Corporation’s instructions regarding the investment and deposit of its funds, all of which shall be consistent with and in compliance with the provisions of Section 1411 of the New York State Not-For-Profit Corporation Law (the “Act”) and any other applicable law regarding the investment and deposit of Corporation funds.

**II. SCOPE**

This investment policy applies to all moneys and other financial resources available for deposit and investment by the Corporation on its own behalf or on behalf of any other entity or individual.

**III. OBJECTIVES**

The primary objectives of the Corporation’s investment activities are, in priority order:

- To conform with all applicable federal, state and other legal requirements (legality);
- To adequately safeguard principal (safety);
- To provide sufficient liquidity to meet all operating requirements (liquidity) and
- To obtain a reasonable rate of return (yield).

**IV. DELEGATION OF AUTHORITY**

The Corporation shall establish written procedures for the operation of the investment program consistent with these investment policies. Such procedures shall include internal controls to provide a satisfactory level of accountability based upon records incorporating the description and amount of investments, the place(s) where kept, and other relevant information, including dates of sale or other dispositions and amounts realized. In addition, the internal control procedures shall describe the responsibilities and levels of authority for key individuals involved in the investment program.

**V. PRUDENCE**

All participants in the investment process shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the Corporation to operate effectively.

Investments shall be made with prudence, diligence, skill, judgment and care, under circumstances then prevailing, which knowledgeable and prudent persons acting in like capacity would use, 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 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.

**VI. DIVERSIFICATION**

It is the policy of the Corporation to diversity its deposits and investments by financial institution, by investment instrument, and by maturity scheduling.

The Corporation shall establish appropriate limits for the amount of investments which can be made with each financial institution or dealer, and shall evaluate this listing at least annually.

**VII. INTERNAL CONTROLS**

It is the policy of the Corporation for all moneys collected by any officer or employee of the Corporation to transfer those funds to the Director of Finance within 5 days of deposit, or within the time period specified in the law, whichever is shorter.

The Corporation is responsible for establishing and maintaining internal control procedures to provide reasonable, but not absolute, assurance that deposits and investments are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization, properly recorded, and managed in compliance with applicable laws and regulations.

**VIII. DESIGNATION OF DEPOSITORIES**

The banks and trust companies that are authorized for the deposit of monies, and the maximum amount which may be kept on deposit at any time, are:

<u>Depository Name</u>	<u>Maximum Amount</u>
Community Bank NA	\$ 5,000,000.00

Commented [BD1]: List local institutions

## **IX. SECURING DEPOSITS AND INVESTMENTS**

All deposits and investments at a bank or trust company, including all demand deposits, certificates of deposit and special time deposits (hereinafter, collectively, "deposits") made by officers of the Corporation that are in excess of the amount insured under the provisions of the Federal Deposit Insurance Act, including pursuant to a Deposit Placement Program in accordance with law, shall be secured by:

1. A pledge of "eligible securities" with an aggregate "market value" (as provided by General Municipal Law Section 10) that is at least equal to the aggregate amount of deposits by the officers. See Schedule A of this policy for a listing of "eligible securities."
2. An "eligible surety bond" payable to the Corporation for an amount at least equal to 100 percent 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 governing board shall approve the terms and conditions of the surety bond.
3. An "eligible letter of credit," payable to the Corporation as security for the payment of 140 percent of the aggregate amount of deposits and the agreed-upon interest, if any. An "eligible letter of credit" shall be an irrevocable letter of credit issued in favor of the Corporation, for a term not to exceed 90 days, by a qualified bank (other than the bank where the secured money is deposited). A qualified bank is either one whose commercial paper and other unsecured short-term debt obligations (or, in the case of a bank which is the principal subsidiary of a holding company, whose holding company's commercial papers 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 one that is in compliance with applicable federal minimum risk-based capital requirements.
4. An "irrevocable letter of credit" issued in favor of the Corporation by a federal home loan bank whose commercial paper and other unsecured short-term debt obligations are rated in the highest rating category by at least one nationally recognized statistical rating organization, as security for the payment of 100 percent of the aggregate amount of public deposits and agreed-upon interest, if any.

## **X. COLLATERALIZATION AND SAFEKEEPING**

Eligible securities used for collateralizing deposits made by officers of the Corporation shall be held by (the depository or a third party) bank or trust company subject to security and custodial agreements.

The security agreement shall provide that eligible securities are being pledged to secure such deposits together with agreed upon interest, if any, and any costs or expenses arising out of the collections of such deposits upon default. It shall also provide the conditions under which the securities held may be sold, presented for payment, substituted or released and the events of default which will enable the Agency to exercise its rights against the pledged securities.

In the event that the pledged securities are not registered or inscribed in the name of the Corporation, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the Corporation or its custodial bank or trust company. Whenever eligible securities delivered to the custodial bank or trust company are transferred by entries on the books of a federal reserve bank or other book-entry system operated by a federally regulated entity without physical delivery of the evidence of the obligations, then the records of the custodial bank or trust company shall be required to show, at all times, the interest of the Corporation in the securities as set forth in the security agreement.

The custodial agreement shall provide that pledged securities will be held by the custodial bank or trust company as agent of, and custodian for, the Corporation, will be kept separate and apart from the general assets of the custodial bank or trust company and will not be commingled with or become part of the backing of any other deposit or other bank liability. The agreement shall also describe how the custodian shall confirm the receipt, substitution or release of the collateral and it shall provide for the frequency of revaluation of collateral by the custodial bank or trust company and for the substitution of collateral when a change in the rating of a security causes ineligibility. The security and custodial agreements shall include all other provisions necessary to provide the Corporation with a perfected security interest in the eligible securities and to otherwise secure the Agency's interest in the collateral, and may contain other provisions that the governing board deems necessary.

## **XI. PERMITTED INVESTMENTS**

As provided by General Municipal Law Section 11, the Corporation authorizes the Chief Financial Officer to invest moneys not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

- Special time deposit accounts in, or certificates of deposit issued by, a bank or trust company located and authorized to do business in the State of New York;

- Through a Deposit Placement Program, certificates of deposit in one or more “banking institutions”, as defined in Banking Law Section 9-r;
- Obligations of the United States of America;
- Obligations guaranteed by agencies of the United States of America, where the payment of principal and interest are guaranteed by the United States of America;
- Obligations of the State of New York;
- With the approval of the State Comptroller, obligations issued pursuant to Local Finance Law Section 24.00 or 25.00 (i.e., Tax Anticipation Notes and Revenue Anticipation Notes) by any municipality, school district or district corporation in the State of New York other than the Corporation; and
- Obligations of the Corporation, but only with any moneys in a reserve fund established pursuant to General Municipal Law 6-c, 6-d, 6-e, 6-f, 6-g, 6-h, 6-j, 6-k, 6-l, 6-m, or 6-n.

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 in any event at the option of the Corporation within two years of the date of purchase. Time deposit accounts and certificates of deposit shall be payable within such times as the proceeds will be needed to meet expenditures for which the moneys were obtained, and shall be secured as provided in Sections IX and X herein.

Except as may otherwise be provided in a contract with bondholders or noteholders, any moneys of the Corporation authorized to be invested may be commingled for investment purposes, provided that any investment of commingled moneys shall be payable or redeemable at the option of the Corporation within such time as the proceeds shall be needed to meet expenditures for which such moneys were obtained, or as otherwise specifically provided in General Municipal Law Section 11. The separate identity of the sources of these funds shall be maintained at all times and income received shall be credited on a pro rata basis to the fund or account from which the moneys were invested.

Any obligation that provides for the adjustments of its interest rate on set dates is deemed to be payable or redeemable on the date on which the principal amount can be recovered through demand by the holder.

## **XII. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS**

The Corporation shall not engage in any activity with any investment banker, broker, agent, dealer, investment advisor or agent unless and until the Corporation has determined that such party is qualified to do so. In determining a party’s qualifications, the Corporation shall consider the quality and reliability of that party’s services, that party’s experience in providing such services, and the size and level of capitalization maintained by that party.

The Corporation shall maintain a list of financial institutions approved for investment purposes and establish appropriate limits to the amount of investments which can be made with each financial institution. Such listing shall be evaluated at least annually. All

financial institutions with which the Corporation conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Corporation. Such currently approved financial institutions are set forth in Section XIII herein.

### **XIII. INVESTMENT CONTRACTS**

All investments must be made pursuant to a written contract between the Corporation and the investment bank, broker, agent, dealer or advisor. If use of a written contract is not practical or not a regular business practice of the investment bank, broker, agent, dealer or advisor, the Corporation may proceed with such party only if:

1. The Corporation determines, by resolution, that the regular business practice does not encompass the use of a written contract; and
2. The Corporation adopts procedures covering the investment transaction.

Any procedure so adopted must comply substantially with the provisions which would be required if the transaction were covered by a written contract as described below. Those procedures shall thereafter become a part of this Policy.

All investment contracts, written or otherwise, shall contain:

1. Provisions sufficient to secure the Corporation's financial interest in each investment;
2. Provisions outlining the type and amount of collateral and insurance necessary to adequately secure the investment, as well as the uses, if any, of such collateral or insurance;
3. Provisions which establish a method for valuing the collateral, and procedures for monitoring the valuation of such collateral on a regular basis;
4. Provisions for the monitoring, control, deposit and retention of investments and collateral. In the case of a repurchase agreement, these provisions shall include a requirement that the obligations purchased be physically delivered for retention to the Corporation or its agent (which shall not be an agent of the party with whom the Corporation enters into such repurchase agreement), unless such obligations are issued in book-entry form, in which case the Corporation shall take such other action as may be necessary to obtain title to or a perfected security interest in such obligations.

All contracts shall comply with the provisions of this Policy.

### **XIV. COURIER SERVICE**

The Director of Finance may, subject to the approval of the governing board by resolution, enter into a contract with a courier service for the purpose of causing the deposit of public funds with a bank or trust company. The courier service shall be required to obtain a surety bond for the full amount entrusted to the courier, payable to the Corporation and executed by an insurance company authorized to do business in the State of New York, with a claims-paying ability that is rated in the highest rating category by at least two nationally recognized statistical rating organizations, to insure against any loss of public deposits entrusted to the courier service for deposit or failure to deposit the full amount entrusted to the courier service.

The Corporation may agree with the depository bank or trust company that the bank or trust company will reimburse all or part of, but not more than, the actual cost incurred by the Corporation in transporting items for deposit through a courier service. Any such reimbursement agreement shall apply only to a specified deposit transaction, and may be subject to such terms, conditions and limitations as the bank or trust company deems necessary to ensure sound banking practices, including, but not limited to, any terms, conditions or limitations that may be required by the Department of Financial Services or other federal or State authority.

#### **XV. ANNUAL AUDIT**

An independent certified public accountant shall audit all investments held by the Corporation on an annual basis. The report prepared pursuant to the annual audit shall be available to the Corporation and shall be used in reviewing and approving this Policy.

#### **XVI. REPORTING REQUIREMENTS**

##### **A. Annual Investment Report**

An annual investment report shall be prepared and transmitted to the appropriate oversight agencies.

The report shall include:

1. This policy, including any changes made since the last submission;
2. An explanation of this policy and any amendments;
3. The results of the annual independent audit;
4. The investment income record of the Corporation; and
5. A list of all total fees, commission and other charges paid to each investment banker, broker, agent, dealer, advisor, bank and trust company, since the last submission.

The report shall be submitted to:

1. The State Department of Audit and Control; and

Copies of the report shall be made available to the public, upon reasonable request.

#### **XVII. ANNUAL REVIEW AND AMENDMENTS**

The Corporation shall review this investment policy annually, and it shall have the power to amend this policy at any time.

#### **XVIII. DEFINITIONS**

The terms “public funds,” “public deposits,” “bank,” “trust company,” “eligible securities,” “eligible surety bond,” and “eligible letter of credit” shall have the same meanings as set forth in General Municipal Law Section 10.