

TOWN OF ROTTERDAM INDUSTRIAL DEVELOPMENT AGENCY INVESTMENT AND DEPOSIT POLICY

I. STATEMENT OF PURPOSE

The Town of Rotterdam Industrial Development Agency (“Agency”) has adopted this Investment and Deposit Policy (the “Policy”) in accordance with Title 5-A of the New York State Public Authorities Law (“PAL”). This Policy shall detail the Agency’s instructions regarding the investment and deposit of its funds, all of which shall be consistent with and in compliance with the provisions of Chapter 1030 of 1969 Laws of New York, constituting Title 1 of Article 18-A of the General Municipal Law, Chapter 24 of the Consolidated Laws of New York, as amended (the “Enabling Act”) and Chapter 673 of the 1975 Laws of New York, as amended, constituting Section 899-b of said General Municipal Law (said Chapter and the Enabling Act being hereinafter collectively referred to as the “Act”), and any other applicable law regarding the investment and deposit of Agency funds.

II. INTRODUCTION

A. Scope – This investment and deposit policy applies to all monies and other financial resources available for investment and deposit on its own behalf or on behalf of any other entity or individual.

B. Objectives – The primary objectives of the Agency’s investment activities are, in priority order:

1. to conform with all applicable federal, state and other legal requirements;
2. to adequately safeguard principal;
3. to provide sufficient liquidity to meet all operating requirements; and
4. to obtain a reasonable rate of return.

C. Prudence – All participants in the investment process and all participants responsible for depositing the Agency’s funds shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair confidence in the Agency to operate effectively.

Investments and deposits shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, 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 and all participants responsible for depositing the Agency’s funds shall refrain from personal business activity that could conflict with proper execution of the investment program or the deposit of the Agency’s funds or which could impair their ability to make impartial investment decisions.

D. Diversification – It is the policy of the Agency to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling.

E. Internal Controls

1. All money's collected by the Agency shall be immediately deposited in such depositories and designated by the Agency for the receipt of such funds.
2. The Agency shall maintain or cause to be maintained a proper record of all book, notes, securities or other evidences of indebtedness held by the Agency for investment and deposit purposes.
3. The Agency is responsible for establishing and maintaining an internal control structure 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 the Board's authorization and recorded properly, and are managed in compliance with applicable laws and regulations.

F. Designation of Depositories

The Agency shall designate as depositories of its money those banks and trust companies authorized to serve as such pursuant to said law.

III. INVESTMENT POLICY

A. Permitted Investments

In accordance with Section 11 of the General Municipal Law, the Agency is authorized to invest moneys not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

1. Special time deposit accounts;* and
2. Certificates of deposit.*

provided, however, that special time deposit accounts and certificates of deposit are permitted investments provided that (1) they shall be payable within such time as the proceeds shall be needed to meet expenditures for which the moneys were obtained and (2) they are collateralized in the same manner as set forth in Section IV below for deposits of public funds.

B. Authorized Financial Institutions

The Agency 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 Agency conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Agency.

IV. DEPOSIT POLICY

A. Collateralization of Deposits

In accordance with the provisions of Section 10 of the General Municipal Law, all deposits of the Agency, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured:

1. By pledge of “eligible securities” with an aggregate “market value” as provided by Section 10 of the General Municipal Law, equal to the aggregate amount of deposits from the categories designated in Exhibit A attached hereto.
2. By an eligible “irrevocable letter of credit” issued by a qualified bank other than the bank with the deposits in favor of the government for a term not to exceed 90 days with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed upon interest, if any. A qualified bank is one whose commercial paper and other unsecured short-term debt obligations are rated in one of the three highest rating categories by at least on nationally recognized statistical rating organization or by a bank that is in compliance with applicable federal minimum risk-based capital requirements.
3. By an eligible surety bond payable to the government for an amount at least equal to 100% 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 terms and conditions of any eligible surety shall be approved by the governing board.

B. Safekeeping and Collateralization

Eligible securities used for collateralizing deposits shall be held by the depository bank or trust company subject to security and custodial agreements.

The security agreement shall provide that eligible securities are being pledged to secure the Agency’s government deposits together with agreed upon interest, if any and any costs or expenses arising out of the collection of such deposits upon default. It shall also provide the conditions under which the securities may be sold, presented for payment, substituted or released and the events, which will enable the Agency to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the Agency, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the Agency or its custodial bank.

The custodial agreement shall provide that securities held by the bank or trust company, or agent of and custodian for, the Agency, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become part of backing for any other deposit or other liabilities. The agreement should also describe that the custodian shall confirm the receipt, substitution or release of the securities. The agreement shall provide for the frequency of revaluation of eligible securities and for the substitution of securities when a change in the rating of a security may cause ineligibility. Such agreement shall include all provisions necessary to provide the Agency a perfected interest in the securities.

EXHIBIT A

SCHEDULE OF ELIGIBLE SECURITIES

(1) Obligations issued, or fully insured or guaranteed as to the payment of principal and interest by the United States of America, an agency thereof or a United States government sponsored corporation.

(2) Obligations issued or fully guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank and the African Development Bank.

(3) Obligations partially insured or guaranteed by any agency of the United States of America, at a proportion of the Market Value of the obligation that represents the amount of the insurance or guaranty.

(4) Obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a municipal corporation, school district or district corporation or such State or obligations of any public benefit corporation which under a specific State statute may be accepted as security for deposit of public moneys.

(5) Obligations issued by states (other than the State of New York) of the United States rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

(6) Obligations of Puerto Rico rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

(7) Obligations of countries, cities and other governmental entities of a state other than the State of New York having the power to levy taxes that are backed by the full faith and credit of such governmental entity and rated in one of the three highest categories by at least one nationally recognized statistical rating organization.

(8) Obligations of domestic corporations rated one of the two highest rating categories by at least one nationally recognized statistical rating organization.

(9) Any mortgage related securities, as defined in the Securities Exchange Act of 1934, as amended, which may be purchased by banks under the limitations established by bank regulatory agencies.

(10) Commercial paper and bankers' acceptances issued by a bank, other than the Bank, rated in the highest short term category by at least one nationally recognized statistical rating organization and having maturities of not longer than 60 days from the date they are pledged.

(11) Zero Coupon obligations of the United States government marketed as "Treasury strips".