



INVESTMENT **GUIDELINES**

Updated: July 2, 2009

GUIDELINES FOR INVESTMENTS
BY THE DEVELOPMENT AUTHORITY OF THE NORTH COUNTRY

Section 1. Title

These guidelines shall be known as the “Guidelines for Investments by the Development Authority of the North Country, “ or the “Investment Guidelines”.

Section 2. Purpose

The purpose of these Investment Guidelines is to establish comprehensive guidelines which detail the operative policy and instructions to officers and staff of the Development Authority of the North Country regarding the investing, monitoring and reporting of Funds. Its purpose is to comply with Title VII of the New York Public Authorities Law, and to create a reasonable rate of return to the Development Authority in accordance with sound investment practices.

Section 3. Definitions

- (a) “Funds” means all monies and other financial resources available for investment by DANC on its own behalf or on the behalf of any other entity or individual. Funds shall not include pension funds, which are separately administered pursuant to State and Federal law.
- (b) “Board” means the Board of Directors of DANC.
- (c) “DANC” means the Development Authority of the North Country.
- (d) “State” means the State of New York.

Section 4. Permitted Investments

The following is a list of the permitted investments that may be made by DANC with the Funds, all of which investments must be made in a manner and upon such terms as are consistent with the appropriate provisions of law relating to DANC, Board policy directives, and the limitations contained in contracts with bond or note holders:

- (a) Obligations of the United States of America or the State;
- (b) Obligations, the principal and interest of which are guaranteed, or insured by the United States of America or the State;
- (c) Government Agency Bonds;

- (d) Bankers' acceptances of, or certificates of deposit or other interest bearing depository accounts issued by, or time deposits with, any bank or trust company or national banking association secured by obligations of the United States or the State, of a market value equal at all times to or greater than the amount of the investment;
- (e) Repurchase agreements with any bank or trust company, national banking association or government bond broker dealer reporting to, trading with, and recognized as a primary government securities dealer by the Federal Reserve Bank of New York (listed on the then-current "List of the Government Securities Dealers Reporting to the Market Reports Division of the Federal Reserve of Bank of New York"), which agreement is secured by obligations of the United States or the State of a market value equal at all times to the amount of the investment.

Section 5. Security of Investments

The following procedures shall be followed in order to fully secure DANC's financial interest in investment:

- (a) Investments shall be guaranteed or insured by the United States of America or the State, or be secured with the securities of the same.
- (b) Investments may also be made with such security as may be permitted to be made by agencies and public benefit corporations of the State from time to time.
- (c) An investment of Funds may be less than fully secured in the event that any one of the following occurs:
 - (1) in the opinion of the Board, the yield on the investment outweighs the risk of loss;
 - (2) it is not the customary business practice for the type of investment that the investment be fully secured;
 - (3) it involves an investment of less than \$25,000;
 - (4) it is an investment with a duration of less than one (1) week

Section 6. Written Contracts and Procedures

The Development Authority shall enter into written contracts pursuant to which investments are made, except if the Executive Director or Comptroller, shall determine that:

- (a) a written contract is not practical; or

- (b) there is no regular business practice of executing written contracts with respect to a particular investment or transaction.
- (c) In situations where there is no written contract for a particular investment, DANC shall follow such procedures as are appropriate to protect its financial interest.
- (d) Such written contracts or procedures shall include provisions so that:
 - (1) DANC's financial interest in an investment or transaction is secured in an appropriate manner;
 - (2) The use, type and amount of collateral or insurance is established;
 - (3) There is an established method for valuation of collateral and procedures for monitoring such valuation on a regular basis;
 - (4) There is an established mechanism for the monitoring, control, deposit and retention of investments and collateral including, in the case of a repurchase agreement, that obligations purchased be physically delivered for retention to DANC or its agent (which shall not be an agent of the party with whom DANC enters the repurchase agreement), unless such obligations are issued in book-entry form, in which case DANC shall take such other action as may be necessary to obtain title to, or a perfected security interest in, such obligations. "Open" or continuing agreements shall not be made.

Section 7. Collateral, Insurance and Valuation of Collateral

- (a) The use, type and amount of collateral or insurance for each investment shall equal or exceed the amount of such Investment, except upon resolution by the Board.
- (b) Collateral held by DANC or its agent shall be valued either at its current value on regularly traded money market or stock market exchange and shall be one year or less in maturity. The valuation of such collateral shall be monitored on a regular basis, as determined by the Executive Director or Comptroller of DANC.
- (c) All investments and collateral shall be controlled and managed by the Executive Director, Comptroller or Staff Accountant of DANC and shall, if practicable, be deposited and secured in fire-proof or other safe locations.
- (d) Except where such an arrangement is impractical or not done in the ordinary course of business for investment transactions of that kind, payment of Funds should only be made against the delivery of collateral or other acceptable form of security, the delivery of government obligations when such obligations are purchased outright, or the delivery of the underlying securities when a repurchase

agreement is involved. Custodians should be required to report periodically as appropriate on transactions involving DANC, and must have the written consent of DANC to transfer collateral. Telephonic communications should be confirmed in writing within a commercially acceptable period of time.

- (e) On a monthly basis, staff designated by the Executive Director or Comptroller shall verify the status of investments (and collateral if necessary) to determine that the financial interests of DANC are adequately protected.
- (f) Where appropriate, specific guidelines regarding margin maintenance should be established, taking into consideration (1) the size and terms of the transaction, (2) the type of underlying security, (3) the maturity of the underlying collateral, (4) the capitalization, financial status and type of purchaser and/or seller and (5) the method by which additional margin will be maintained.

Section 8. Standards for Diversification of Investments

- (a) Investments of DANC shall be reasonably diversified, as shall the investment firms or banks with which DANC transacts investment business. This Section 8 shall not be construed so as to mandate absolute diversification in the event that the Board, Executive Director or Comptroller of DANC considers, in a certain instance, that diversification is not in the best interests of DANC.
- (b) In making permitted investments, selection of investment shall be competitively based. A complete and continuous record of all bids or quotes, both solicited and unsolicited, shall be maintained. Not less than three (3), if possible, investment options with similar risk and term should be considered, and the investment should be made in the one offering the highest yield.
- (c) The process of initiating, reviewing and approving requests to buy and sell investments shall be documented by the Executive Director, Comptroller or Staff Accountant of DANC. Telephonic communications must be confirmed in writing within a commercially acceptable period of time.

Section 9. Standards for the Qualification of Investment Bankers, Brokers, Agents, Dealers and Other Investment Advisors and Agents Transacting Business with DANC; Conflicts of Interest

- (a) DANC shall transact business only with qualified, certified or licensed investment bankers, brokers, agents, dealers and other investment advisors and agents. DANC shall consider the quality, reliability, experience, capitalization, size and any other appropriate factors that, in the judgment of DANC, make an individual or firm qualified to transact business with DANC on investment matters.

- (b) Specifically, but without limitation, the following shall be considered qualified:
- (1) As investment bankers, brokers, agents and dealers: any bank or trust company organized under the laws of the State or the United States of America, or any government bond broker dealer reporting to, trading with, and recognized as a primary government securities dealer by the Federal Reserve Bank of New York (listed on the then current “List of the Government Securities Dealers Reporting to the Market Reports Division of the Federal Reserve Bank of New York”).
 - (2) As investment advisors: any bank or trust company organized under the laws of the State or the United States of America, and any person, firm or corporation that is: (a) Registered with the Securities and Exchange Commission under the Investment Advisor Act of 1940, (b) Registered with the Secretary of State as an Investment Advisor, and (c) A member in good standing of the Investment Counsel Association of America.
 - (3) As Custodian: any bank or trust company organized under the laws of the State or the United States of America.
- (c) An approved list of dealers may be established by the Board.
- (d) Investment business may not be transacted with any institution or dealers of which a Board member, a senior DANC officer, or any other officer or employee of DANC authorized to participate in the selection of such institutions or dealers is an officer, director, stockholders, member or partner, if such transaction would violate the prohibitions of Section 73 of the New York Public Officers Law or other applicable provisions of law.

Section 10. Operations and Management

- (a) Within The Development Authority, the Executive Director approves, in writing, all investment transactions. The Comptroller or Staff Accountant executes the approved transactions. The Staff Accountant tracks, reconciles and records entries to the General Ledger on a monthly basis and reconciles the bank statements on a monthly basis. The Comptroller reviews in detail, the deposits and withdrawals of each of the reconciled bank statements and supporting documentation, on a monthly basis, and approves. Custodial functions shall be separately maintained. The Executive Director, Deputy Executive Director and the Comptroller are the management staff that has board authorization as bank signatories. The Comptroller and Staff Accountant do not have the board authorization to solely make investments.

- (b) All investment transactions, including (1) the disbursement of Funds for investment, (2) the delivery of securities, and (3) the corresponding receipt of securities or Funds, shall be approved in writing, by the Executive Director, and the actual, approved transfer, completed by the Comptroller or Staff Accountant.
- (c) The Investment Policy hereby prohibits any and all Third Party transactions from any of the Development Authority investment accounts. Inter-company transfers and bond indenture requirements will be permitted.
- (d) Testing of the investment practices and controls (including proper execution and completion of required documentation) shall be periodically done by the Compliance Officer, or designee and independent auditors.
- (e) Collateral should be verified at least annually by the Comptroller or Staff Accountant, designated for such purpose by the Executive Director.
- (f) The investment policy or policies of DANC should be subject to continual review and revised as necessary to reflect changes in market conditions.
- (g) Review of compliance with investment policy and related procedures should be part of the annual certification by independent auditors. This should include confirmation letters from each bank verifying the obligations securing DANC deposits.
- (h) The Investment Manager is required to provide the Finance & Budget Committee with the actual costs associated with managing the Development Authority accounts upon request and no more frequently than annually.
- (i) The Investment Manager is required to disclose the turnover on the Development Authority accounts on an annual basis.
- (j) The Investment Manager is required to provide the Finance & Budget Committee with Benchmarks and Index comparisons on a quarterly basis.
- (k) The Management Staff is required to complete an annual comparison of costs.
- (l) The Management Staff is required to review turnover to determine if there is excessive buying and selling which would increase costs.
- (m) An examination of the market is required every five years to determine if the costs associated with managing the Development Authority's accounts is in line.

Section 11. Annual Audit of Investments

DANC shall annually engage a firm qualified to conduct an independent audit of all investments. The results of the audit shall be made available to the Board within 90 days of the end of the fiscal year. The Development Authority's financial statements should contain note disclosures on deposits with financial institutions and investments, as required by Government Accounting Standards Board Statement No. 3, effective for financial statements for periods ending after December 15, 1986.

Section 12. Quarterly Reports

Quarterly reports or reports covering such other period as may be approved by the Board shall be filed by the Executive Director or Comptroller with the Board regarding:

- (a) The maximization/performance of investments
- (b) The inventory of existing investments (available upon request)
- (c) The selection of investment bankers, brokers, agents, dealers or auditors, if appropriate, since the last report.

On a semi-annual basis, a formal presentation will be made to the Board by the Investment Manager as to the current Investment status. (Exhibit I - See attached report).

Section 13. Annual Investment Report

DANC shall prepare and approve an annual investment report that shall include:

- (a) These Investment Guidelines as then currently amended.
- (b) A description of any amendments to these Investment Guidelines since the last annual investment report.
- (c) An explanation of these Investment Guidelines as amended.
- (d) The results of the annual independent audit.
- (e) The investment income record of DANC.
- (f) A list of the total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and advisor that or who rendered investment associated services to DANC since the last annual investment report. The annual investment report may be a part of any other annual report that DANC is required to make.

On an annual basis a presentation will be made to the Board by the Investment Manager as to the current Investment status. (Exhibit I – See attached report).

Section 14. Submission of Annual Investment Report

The annual investment report described in Section 13 shall be submitted with the Coordinator of Public Authority Programs, Office of the State Comptroller, 110 State Street, Albany, NY 12236. Copies of each report shall be made available to the public upon reasonable request therefore, and upon compliance with DANC's Public Access To Records.

Section 15. Third Party Rights; Validity of Contracts; etc.

- (a) These Investment Guidelines are intended for the guidance of the Board, officers and employees of DANC only, and nothing contained herein is intended or shall be construed to confer upon any person, firm or corporation any right, remedy, claim or benefit under, or by reason of any requirement or provision hereof.
- (b) Nothing contained in these Investment Guidelines shall be deemed to alter, affect the validity of, modify the terms of or impair any contract or agreement made or entered into in violation of, or without compliance with, the provisions of these Guidelines.
- (c) Where applicable Federal, State or local laws or regulations contain requirements that are in conflict with, or that impose greater obligations upon DANC than these Investment Guidelines, then such laws or regulations shall take precedence over those contained herein.

Section 16. Effective Date; Annual Review

These Investment Guidelines shall be effective as of the 1st day of January, 1986, may be amended from time to time, and shall be reviewed and approved on an annual basis by the Board.

Revised: November 10, 2005

Revision/Review Approval Date: April 10, 2007

Revision/Review Approval Date: March 27, 2008

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