



ROCHESTER LAND BANK CORPORATION INVESTMENT POLICY

I. INVESTMENT AND DEPOSIT POLICY

A. Introduction.

1. *Scope* – This investment and deposit policy applies to all monies and other financial resources available for investment and deposit on its own behalf or for any other entity or individual.
2. *Objectives* – The primary objectives of the Rochester Land Bank Corporation’s (“the Corporation”) investment activities are, in priority order:
 - a. to conform to all federal, state and other legal requirements (legal);
 - b. to adequately safeguard principal (safety);
 - c. to provide sufficient liquidity to meet all operating requirements (liquidity);
and
 - d. to obtain a reasonable rate of return (yield).
3. *Prudence* – All participants in the investment process and all participants responsible for depositing the Corporation’s funds shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair confidence in the Corporation.

Investments and deposits shall be made with judgement 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 and the probable income to be derived.

All participants involved in the investment process and all participants responsible for depositing the Corporation’s funds shall refrain from personal business activity that could conflict with proper execution of the investment program or the deposit of the Corporation’s funds or which could impair their ability to make impartial investment decisions.



4. *Diversification* – It is the policy of the Corporation to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling.
5. *Internal Controls*
 - a. All monies collected by an officer or employee of the Corporation shall be immediately deposited in such depositories as designated by the Corporation for the receipt of such funds.
 - b. The Corporation shall maintain or cause to be maintained a proper record of all book, notes, securities or other evidences of indebtedness held by the Corporation for investment and deposit purposes.
 - c. The Corporation shall establish and maintain an internal control structure to provide reasonable, but not absolute, assurance that: (i) deposits and investments are safeguarded against loss from unauthorized use or disposition, (ii) transactions are executed under management’s authorization and recorded properly and (iii) all deposits, investments and transactions are managed in compliance with applicable laws and regulations.
6. *Designation of Depositories* – The Corporation shall designate as depositories of its money those banks and trust companies authorized to serve as such under applicable law.

B. Investment Policy.

1. *Permitted Investments* – Pursuant to Section 512 of the Not-For-Profit Corporation Law (“NPCL”), the Corporation may invest monies not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following investments:
 - a. Special time deposit accounts;*
 - b. Certificates of deposit;*
 - c. Obligations of the United States of America;**
 - d. Obligations guaranteed by agencies of the United States of America where payment of principal and interest are guaranteed by the United States of America;***
 - e. Obligations of the State of New York;*



* 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 monies were obtained, and (2) they are collateralized as set forth in Section C below for deposits of public funds.

** 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 monies were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable at the option of the Corporation within two years of purchase.

2. *Authorized Financial Institutions and Dealers* – The Corporation shall maintain a list of financial institutions and dealers, approved for investment and establish appropriate limits to the investments which can be made with each financial institution or dealer. 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. Security dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as primary dealers. The Executive Director or Treasurer shall evaluate the financial position and maintain a list of proposed depositories, trading partners and custodians. Such listing shall be evaluated at least annually.

3. *Purchase of Investments* – The Corporation may contract for the purchase of investments:

- a. Directly, including through a repurchase agreement, from an authorized trading partner.
- b. By participation in a cooperative investment program with an authorized governmental entity under the NPCL where such program meets all the requirements in the Office of the State Comptroller Opinion No. 88-46, and the specific program has been authorized by the governing board.
- c. By utilizing an ongoing investment program with an authorized trading partner under a contract authorized by the governing board.

All purchased obligations, unless registered or inscribed in the name of the local government, shall be purchased through, delivered to and held in the custody of a bank or trust company. Such obligations shall be purchased, sold or presented for redemption or payment by such bank or trust company only under prior written authorization from the officer authorized to make the investment. All such transactions shall be confirmed in writing to the Corporation by the bank or trust



company and shall be held under a written custodial agreement as described in the NPCL.

The custodial agreement shall provide that securities held by the 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, in any circumstances, be commingled with or become part of the backing for any other deposit or other liabilities. The agreement shall describe how the custodian shall confirm the receipt and release of the securities. Such agreement shall include all provisions necessary to provide the Corporation a perfected interest in the securities.

4. *Repurchase Agreements* – Repurchase agreements are authorized subject to the following restrictions:
 - a. All repurchase agreements must be entered into subject to a Master Repurchase Agreement.
 - b. Trading partners are limited to banks or trust companies authorized to do business in New York State and primary reporting dealers.
 - c. Obligations shall be limited to obligation of the United States of America and obligations guaranteed by agencies of the United States of America.
 - d. No substitution of securities will be allowed.
 - e. The custodian shall be a party other than the trading partner.

C. Deposit Policy.

1. *Collateralization of Deposits* – All deposits of the Corporation, including certificates of deposit and special time deposits, over the amount insured under the Federal Deposit Insurance Act shall be secured:
 - a. By pledge of “eligible securities” with an aggregate “market value” as provided by the NPCL, equal to the aggregate deposits from the categories designated in Exhibit A attached hereto.
 - b. By an eligible “irrevocable letter of credit” issued by a qualified bank other than the bank with the deposits in favor of the Corporation for a term not to exceed 90 days with an aggregate value equal to 140% of the aggregate 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 one nationally recognized statistical rating organization or by a bank in compliance with applicable federal minimum risk-based capital requirements.

- c. By an eligible surety bond payable to the Corporation for an amount at least equal to 100% of the aggregate deposits and the agreed upon interest 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.

2. *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 Corporation 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 local government to exercise its rights against the pledged securities. If the securities are not registered or inscribed in the name of the local government, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the Corporation or its bank.

The custodial agreement shall provide that securities held by the bank or trust company, or 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, 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 Corporation 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 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 monies.
- (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 obligations of any public benefit corporation which under a specific State statute may be accepted as security for deposit of public monies.
- (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 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".