

CLAYTON LOCAL DEVELOPMENT 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 by and on behalf of the Clayton Local Development Corporation (the "Corporation").
2. Objectives – The objectives of the Corporation's investment policy are, in priority order:
 - a. to comply with all applicable federal, state and other legal requirements (legal);
 - b. to adequately safeguard principal (safety);
 - c. to provide sufficient liquidity to meet all operating requirements (liquidity);
 - 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 act responsibly as custodians of the public trust and shall avoid any transaction that might impair confidence in the Corporation's ability to govern effectively.
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 deposited in such depositories and 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 accounts held by the Corporation for investment and deposit purposes.

- c. The Corporation is responsible for establishing and maintaining an internal control structure to provide reasonable assurance that: (i) deposits and investments are safeguarded against loss from unauthorized use or disposition, (ii) transactions are executed and recorded properly in accordance with management's authorization and (iii) all deposits, investments and transactions are managed in compliance with applicable laws and regulations.
- d. In addition to the above, see Exhibit A attached hereto for Internal Control procedures.

6. Designation of Depositories

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

B. Investment Policy

1. Permitted Investments

Pursuant to Section 512 of the Not-For-Profit Corporation Law ("N-PCL), the Corporation is authorized to invest available monies in the following types of 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 USA where payment of principal and interest are guaranteed by the USA;**
- e. Obligations of the State of New York;*

*Special time deposit accounts and certificates of deposit are permitted investments provided that they are collateralized in the same manner as set forth in law for deposits of public funds.

**All investment obligations shall be payable or redeemable at the option of the Corporation 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 the date of purchase.

2. Authorized Financial Institutions and Dealers

The Corporation shall maintain a list of financial institutions and dealers approved for investment purposes and establish appropriate limits to the amount of investments which can be made with each financial institution or dealer. All financial institutions with which the local government 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 primary reporting dealers affiliated with the New York Federal Reserve Bank. The Administrative Officer or Treasurer is responsible for evaluating the financial position and maintaining a listing 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 another authorized governmental entity where such program meets all the requirements set forth 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 pursuant to 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 in accordance with prior written authorization from the officer authorized to make the investment. All such transactions confirmed in writing to the Corporation by the bank or trust company shall be held pursuant to a written custodial agreement.

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 to primary reporting dealers.
- c. Obligations shall be limited to obligations of the United States of American and obligations guaranteed by agencies of the USA.
- 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 Corporations, 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:

- a. By pledge of "eligible securities" with an aggregate "market value" as provided by law, equal to the aggregate amount of deposits from the categories designated in Exhibit B 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 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 one nationally recognized statistical rating organization or by a bank that is 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 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.

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 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 for, substituted or released and the events which will enable the Corporation to exercise its rights against the pledged securities. In the event that the 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.

The custodial agreement shall provide that securities held by the bank or trust company, or agent of and custodian for the local 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 that 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.

Approved and adopted this 4th day of March, 2010

EXHIBIT A
CLAYTON LOCAL DEVELOPMENT CORPORATION
FINANCIAL INTERNAL CONTROL SYSTEM

These procedures provide an internal control structure to preserve the assets of the Corporation. Procedures shall be reviewed at least annually by the independent auditors who will make recommendations to the Board of Directors for suggested changes. Interim changes may be recommended by management; however, such changes shall not be implemented until approved by independent auditors and the Board.

The following are procedures for processing cash receipts and disbursements:

CASH RECEIPTS:

The Administrative Officer shall open the daily mail and enter all cash payments in the accounting system. He/She shall make copies of the checks received and file same in the folder for the proper application of the payment.

Weekly, or as needed, the Administrative Officer shall prepare the bank deposit.

A CLDC Board member or Officer shall make all deposits.

The Administrative Officer shall be responsible assuring that all cash/checks are locked in the safe prior to deposit.

Upon completion of the deposit the Administrative Officer shall enter the deposit into the daily cash receipts record, and post the payments to the proper G/L accounts. A separate record is made of all checks posted, and is compared to checks received.

Discrepancies between checks received and posted shall be investigated at once and reported to the Treasurer if not reconciled.

All loan payments shall be entered on the appropriate amortization schedule with the date received.

PILOT payments shall be processed in the same manner and deposited to the proper account. Disbursements will be made to the proper taxing jurisdiction when due.

All bank accounts shall be reconciled monthly and must agree with the General Ledger. Bank accounts shall be reconciled by the Administrative Officer and approved by the Treasurer.

CASH DISBURSEMENTS:

All purchases must be made according to the procurement policy. Procurement Policies must be reviewed annually and approved by the Board of Directors.

All invoices received shall be reviewed by the Administrative Officer and verified for accuracy and completeness. The Administrative Officer shall code all invoices and enter them in the system as payables. The Treasurer shall review all invoices prior to payment.

All invoices must be approved by the Board of Directors and properly initialed by an authorized signer prior to payment. Prior to filing paid invoices the Administrative Officer will review all invoices for required information; missing information must be complete prior to filing.

All reimbursement for expense reports must be audited by the Treasurer and approved by the Board of Directors prior to payment. Complete detail of expenses and mileage reimbursement with receipts must be provided. Mileage reimbursement shall be at the IRS approved rate. Expenses in excess of \$25.00 must have receipts, unless approved by the Board of Directors.

Checks in an amount greater than \$1,000 require two authorized signatures. Authorized signers shall be the Officers of the Board to include: Chairman, Vice-Chairman, Treasurer, Secretary and Assistant Secretary.

The Administrative Officer will not be an authorized signer.

Checks less than \$1,000 will require only one signature by an authorized signer of the corporation.

An authorized signer may not sign his/her check for reimbursement of approved travel, unless signed by a second officer of the corporation.

FINANCIAL STATEMENTS:

Financial statements and supporting schedules shall be prepared monthly by the Administrative Officer in a format approved by the Board of Directors.

A standard Income Statement and Balance Sheet will be provided with the following supporting schedules:

Miscellaneous Receivables
Cash Disbursements
Cash Receipts- General Account
Unrestricted Aged Payables
Detailed Activity on all loan funds
Special reports as requested by the board

General Ledger accounts to be reconciled on an ongoing basis.

All Financial Statements shall be reviewed by the Treasurer prior to presentation to the board.

All investment of funds must be in accordance with investment policies. Investment activities shall be reported to the board monthly. All investment decisions must have the approval of the Board of Directors after review for compliance with current investment policies.

The Treasurer will provide a monthly detail of investments to include maturity date and percentage return.

EXHIBIT B
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 partially insured or guaranteed by any Corporation of the United States of America, at a proportion of the Market Value of the obligation that represents the amount of the insurance of guaranty.
- (3) Obligations issued of 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 obligation of any public benefit corporation which under a specific State statute may be accepted as security for deposit of public monies.