

**NIAGARA COUNTY BROWNFIELD DEVELOPMENT CORPORATION
INVESTMENT GUIDELINES**

Introduction

These Investment Guidelines (“Guidelines”) are adopted as required by Section 2925 of the New York Public Authorities Law.

ARTICLE 1

Scope

These Guidelines shall govern the investment and reinvestment of Investment Funds and the sale and liquidation of investments, as well as the monitoring, maintenance, accounting, reporting and internal controls by and of the Niagara County Brownfield Development Corporation (hereinafter the “Corporation”) with respect to such investment, sale, reinvestment and liquidation.

ARTICLE 2

Investment Objectives

The Corporation’s investment activities shall have as their first and foremost objective the safeguarding of the principal amount of the Investment Funds. Additional considerations regarding the Corporation’s investment activities shall be liquidity of investments, realization of a reasonable return on investments and diversification of investments.

ARTICLE 3

Permissible Investments

- 3.1 The Corporation may invest its Investment Funds in any and all of the following, if and to the extent permitted by statutes, regulations and bond resolutions applicable at the time of investment of such Investment Funds:
- a. Obligations of the State or the United States Government;
 - b. Obligations the principal and interest of which are guaranteed by the State or the United States Government;
 - c. Certificates of deposit, whether negotiable or non-negotiable, and banker’s acceptances (1) of any of the fifty largest banks in the United States which bank, at the time of investment, has an outstanding unsecured, uninsured and unguaranteed debt issue ranked by two nationally recognized independent rating agencies at a rating category that is no lower than the then current rating of the Corporation’s

bonds, notes or other obligations; and/or, (2) the certificates of deposit are fully collateralized by obligations of the United States Government or obligations the principal and interest of which are guaranteed by the United States Government.

- d. Commercial paper of any bank or corporation created under the laws of either the United States or any state of the United States which commercial paper, at the time of the investment, has received the highest rating of two nationally recognized independent rating agencies; or,
- e. Bonds, debentures, or other evidences of indebtedness, issued or guaranteed at the time of the investment by the Federal National Mortgage Association, Federal Home Loan Mortgage Authority, Student Loan Marketing Association, Federal Farm Credit system, or any other United States Government sponsored agency, provided that at the time of the investment such agency receives, or its obligations receive, any of the three highest rating categories of two nationally recognized independent rating agencies.

3.2 Specific Requirements Regarding Certificates of Deposit

3.2.1. Collateral for a Certificate of Deposit. If a certificate of deposit is required to be collateralized pursuant to Section 2 of paragraph (c) of section 3.1 of these Guidelines, the collateral must be reviewed weekly to determine if the market value of the collateral equals or exceeds the principal amount of the uninsured portion of the certificate of deposit plus accrued interest. If the market value of the collateral is insufficient, the issuer of the certificate of deposit must exchange or add to the amount of collateral to bring its market value equal to or in excess of the uninsured portion of the principal amount of the certificate of deposit plus accrued interest.

3.2.2 Standard Terms for Certificate of Deposit Collateral Agreement. The corporation shall negotiate and enter into a written agreement with each bank (and custodian) from which it has obtained a certificate of deposit. Such written agreement shall, at a minimum, address the following concerns:

- a. The frequency of the valuation of the collateral to market, as set forth above (such valuation shall be done at least weekly);
- b. The right and ability of the bank to substitute like Investment Securities as collateral;
- c. Description of events of default which would permit the Corporation or its custodian to liquidate or purchase the underlying Investment Securities;
- d. Description of the party who is to have title to the underlying Investment Securities during the term of the agreement; and,

- e. With respect to the custodian bank, the agreement shall also provide that the custodial bank takes possession of the Investment Securities as agent of the Corporation and that the claims of the custodial bank are subordinate to those of the Corporation.

ARTICLE 4
Operating Procedures

- 4.1 Authorized Officers and Employees. Only the following persons shall be authorized to make investment decisions on behalf of the Corporation: the Chairman of the Corporation's Directors; and, other designated members of the Board. The implementation of such investment decisions by placement of purchase or sale orders or otherwise shall be effected only by the foregoing and by such employees as may from time to time be designated in writing by the Chairman of the Board of Directors.
- 4.2 Standards for the Diversification of Investments: All purchases and sales of investments as described herein shall be made in conjunction with efforts to minimize investment risk while maximizing the rate of return of the Corporation's investments through the diversification of all of the Corporation's holding.
- 4.3 Standards for Qualification of Brokers, Dealers and Agents. Any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer which is authorized to do business in the State may become qualified by the Corporation to transact purchases and sales of Securities with the Corporation. Factors to be considered in determining the qualification of such firms shall include the firm's capitalization, quality, size and reliability, the Corporation's prior experience with the firm, the firm's level of expertise and prior experience with respect to the contemplated transaction. The determination of qualification shall be made by the Board of Directors.
- 4.4 Standards for Qualification of Investment Advisors. For the purpose of rendering investment advice to the Corporation, the Corporation may qualify any bank or trust company organized under the laws of any state of the United States of America, any national banking association, and any partnership, authority, or person which is authorized to do business with the State. The Corporation also shall consider the additional criteria enumerated in the preceding paragraph.
- 4.5 Standards for the Qualification of Custodial Banks. To be eligible to hold Securities as collateral for an investment made by the Corporation, a custodial bank should be a member of the Federal Reserve Bank or maintain accounts with member banks to accomplish book-entry transfer of Securities to the credit of the Corporation. Transfer of Securities, whether by book entry or physical delivery, should be confirmed in writing to the Corporation by the

custodial bank. The custodian should not be the same party that is selling the Securities. To be eligible to perform custodial services, the Corporation's Directors or their designee(s) must affirmatively find that the proposed custodial bank is financially sound.

- 4.6 Competitive Bids; Negotiated Prices. In connection with the purchase and sale of Securities, for each transaction in excess of Two and One-half Million Dollars (\$2,500,000.00) (or such other threshold dollar amount as the Board of the Corporation may specific in writing), the Corporation shall utilize competitive quotations. For each transaction which is equal to or less than Two and One-half Million Dollars (\$2,500,000.00) (or such other threshold dollar amount as the Board of the Corporation may specific in writing), the Corporation may utilize either competitive quotations or negotiated prices. The foregoing shall not apply to the purchase of government securities at initial auction. A complete and continuous record of all quotes, solicited and received, shall be maintained by the Chief Financial Officer.

For each transaction (other than the purchase of government securities at initial auction) in excess of Two and One-half Million Dollars (\$2,500,000.00) (or such other threshold dollar amount as the Board of the Corporation may specific in writing), a minimum of three (3) separate solicitations will be made on each direct purchase or sale of a Security. The transaction shall be awarded to the dealer(s) offering the highest yield or return, provided that the amount of the investment with each individual firm does not exceed the investment limit referred to in Section 3.2.1, above.

- 4.7 Written Contracts and Confirmations. The Corporation shall enter into written contracts pursuant to which investments are made, unless the Corporation shall by resolution determine that a written contract is not practical or that there is not a regular business practice of written contracts with respect to a specific investment or transaction, in which case the Corporation shall adopt procedures covering such investment or transaction. Such contracts and procedures shall include provisions:

- a. deemed necessary and sufficient to secure in a satisfactory manner the Corporation's financial interest in each investment;
- b. covering the use, type and amount of collateral or insurance for each investment;
- c. establishing a method for valuation of collateral, and procedures for monitoring the valuation of such collateral on a regular basis;
- d. for the monitoring, control, deposit and retention of investments and collateral which shall include, in the case of a repurchase agreement, 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.

- 4.8 Payment. Payment for investments shall be made only upon written confirmation of presentation of the physical Security, or in the case of book-entry form Securities, when credited for the custodian's account, which shall be segregated for the Corporation's sole use. The custodian may act on oral instructions from an authorized Officer of the Corporation, such instructions to be confirmed in writing immediately by an authorized Officer of the Corporation. Such collateral shall, on the date of purchase, be at least equal in market value to the amount of the investment.
- 4.9 Collateral. Except as specifically otherwise provided herein, the Corporation's financial interest in its investments shall be fully secured or collateralized at all times in an amount not less than the original amount invested plus accrued, unpaid interest thereon. Only Securities permissible for investment by the Corporation pursuant to these Guidelines may be accepted as collateral. Pledges of proportionate interests in pooled collateral shall not constitute acceptable collateral. In the case of certificates of deposit and demand and time deposits, collateral shall be provided for amounts in excess of the applicable limit of coverage provided by the Federal Deposit Insurance Authority. Collateral shall be maintained in the custody of the Corporation or an approved third-party custodian at all times. To assure that, at all times, the market value of said collateral is at least equal to the original amount invested plus all accrued, unpaid interest, collateral shall be marked to market at the time the investment is made and thereafter weekly with respect to certificates of deposit.
- 4.10 Operating Procedure Manual. The Corporation's Chief Financial Officer shall prepare a Standard Operating Procedure Manual for placing, controlling and reporting of all investment activity which shall be consistent with these Guidelines, be approved by the Corporation's Board of Directors and shall be consistent with the following:
- a. Each disbursement of funds (and corresponding receipt of Securities) or delivery of Securities (and corresponding receipt of funds) should be based upon proper written authorization. If the authorization is initially given orally, there should be written or telegraphic confirmation from the Corporation's authorized Officer to the custodian;
 - b. The process of initiating, reviewing and approving requests to buy and sell Securities should be documented and retained for audit purposes. Dealer limits should be established and reviewed regularly;
 - c. Custodians must have prior authorization from the Corporation to deliver obligations and collateral. All transactions must be confirmed in writing to the Corporation. Delivery of obligations sold should only be made upon receipt of funds.

- d. Custodial banks should be required to report whenever activity has occurred in the Corporation's custodial account;
- e. There should be at least monthly verifications of both the principal amount and the market values of all investments and collateral. Appropriate listings should be obtained from the custodian and compared against the Corporation's records;
- f. A record of investments shall be maintained by the Corporation's Chief Financial Officer. The records should identify the Security, the fund for which held, the place where kept, date of disposition, and amount realized and the market value and custodian of collateral;
- g. The establishment and maintenance of a system of internal controls;
- h. Methods for adding, changing or deleting information contained in the investment record, including a description of the documents to be created and verification tests to be conducted;
- i. A database or record incorporating descriptions and amounts of investments, transaction dates, interest rates, maturities, bond ratings, market prices and related information necessary to manage the portfolio; and,
- j. Requirements for periodic reporting and a satisfactory level of accountability.

ARTICLE 5
Reports and Audits

The following reports and audits shall be prepared in connection with the Corporation's investment program.

- 5.1 Annual Investment Report. Within ninety (90) days after the close of each fiscal year of the Corporation, the Chairman shall submit to the Directors and the chief executive officer and the chief financial officer of the Corporation, and the chief executive officer and chief fiscal officer of the County of Niagara and the City of Niagara Falls an Annual Investment Report which shall include the following:
- a. The Investment Guidelines required by Section 2925(3) of the Public Authorities Law and any amendments to such Guidelines since the last investment report;
 - b. An explanation of the Investment Guidelines and amendments;
 - c. The results of the Annual Investment Audit (described below);

- d. The investment income record of the Corporation;
- e. A list of the total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and advisor rendering investment associated services to the Corporation since the date of the last investment report; and,
- f. A description of new and existing investments and a description of the selection of investment bankers, brokers, agents, dealers or auditors,.

5.2 Annual Investment Audit. Each year, the Corporation shall cause its independent auditors to conduct an audit (the “Annual Investment Audit”) regarding the Corporation’s investments. The Annual Investment Audit:

- a. shall determine whether: the Corporation complies with its own investment policies; investment assets are adequately safeguarded; adequate accounts and records are maintained which accurately reflect all transactions and report on the disposition of the Corporation’s assets; and, a system of adequate internal controls is maintained;
- b. shall determine whether the Corporation has complied with applicable laws, regulations and State Comptroller’s Investment Guidelines; and,
- c. should be designed to the extent practical to satisfy both the common interest of the Corporation and the public officials accountable to others.

5.3 Annual Investment Audit Report. The results of the Annual Investment Audit shall be set forth in a report (the “Annual Investment Audit Report”) which shall include without limitation:

- a. Verification of collateral;
- b. A description of the scope and objectives of the audit;
- c. A statement that the audit was made in accordance with generally accepted government auditing standards;
- d. A description of any material weaknesses found in the internal controls;
- e. A description of all non-compliance with the Corporation’s investment policies, as well as applicable laws, regulations, and the State Comptroller’s Investment Guidelines;
- f. A statement of positive assurance of compliance on the items tested and negative assurance on those items not tested;

- g. A statement on any other material deficiency or finding identified during the audit not covered in (f), above; and,
- h. Recommendations, if any, with respect to amendment of these Guidelines.

The Annual Investment Audit Report shall be submitted within ninety (90) days after the close of the Corporation's fiscal year with to the Directors and the chief executive officer and the chief financial officer of the Corporation, and the chief executive officer and chief fiscal officer of the County of Niagara and the City of Niagara Falls

ARTICLE 6
Miscellaneous

- 6.1 In connection with the Annual Investment Audit, each year the Corporation shall review these Guidelines to determine whether the Corporation shall amend or otherwise update these Guidelines.
- 6.2 The Corporation's policy regarding conflicts of interest shall be followed regarding the investment of funds.