
SYRACUSE HOUSING STRATEGIES CORPORATION

300 South State Street, Suite 700

Syracuse, New York 13202

INVESTMENT POLICY

Introduction

New York Public Authorities Law §2925 requires the Syracuse Housing Strategies Corporation (the "Corporation"), to adopt by resolution comprehensive investment guidelines which detail the Corporation's operative policy and instructions to officers and staff regarding investing, monitoring, and reporting of funds of the Corporation.

1. Scope

This investment policy applies to all moneys and other financial resources of the Corporation available for investment by the Corporation on its own behalf or on behalf of any other entity or individual.

2. Objectives

The primary objectives of the Corporation's investment activities are as follows:

- A. **Legal:** to conform with all applicable federal, state and other legal requirements,
- B. **Safety:** to adequately safeguard principal,
- C. **Liquidity:** to provide sufficient liquidity to meet all operating requirements of the Corporation, and
- D. **Yield:** to obtain a reasonable rate of return.

3. Prudence

All participants in the investment process shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the Corporation to govern effectively.

Investments 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 shall refrain from personal business activity that could conflict with proper execution of the investment policy, or which could impair their ability to make impartial investment decisions. Employees and officers shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the

performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the Corporation.

4. Diversification

It is the policy of the Corporation to diversify its deposits and investments by financial institution and firm, by type of investment, and by maturity consistent with the limitations in New York General Municipal Law Section 10 and 11.

5. Internal Controls

- A. All funds received by any officer or employee of the Corporation shall be promptly deposited with depositories designated by the Corporation pursuant to this policy for the receipt of funds.
- B. The Treasurer or Chief Financial Officer of the Corporation shall maintain or cause to be maintained all contracts and proper record of all books, notes, securities or other evidence of indebtedness held by the Corporation for investment and deposit purposes. Such record shall include the identification of the security, the fund for which it is held, the place where kept, the date of sale or other disposition, and the amount received from income and sale or other disposition.
- C. The Corporation 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 management's authorization and recorded properly, and are managed in compliance with applicable laws and regulations.

6. Designation of Depositories

The banks and trust companies authorized as depositories for the deposit of monies are designated through resolution by the Corporation Board. Such resolution shall specify the maximum amount that may be kept on deposit at any time with each bank or trust company. Such designations and amounts may be changed at any time by further resolution of the Corporation.

7. List of 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 Corporation conducts business must be creditworthy. Banks and depository institutions 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 Corporation Treasurer or Chief Financial Officer 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. The Corporation Treasurer or Chief Financial Officer may use credit reporting agencies to determine the creditworthiness of trading partners.

8. Collateralizing of Deposits

In accordance with the provisions of General Municipal Law Sections 10 and 11, all deposits of the Corporation, 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 a pledge of "eligible securities" with an aggregate "market value" equal to the aggregate amount of deposits.
- 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.
- D. By a pledge of a pro rata portion of a pool of eligible securities, having in the aggregate a market value at least equal to the amount of deposits from all such officers within the State at such bank or trust company, together with a security agreement from the bank or trust company.
- E. By an irrevocable letter of credit issued in favor of the Corporation by a federal home loan bank whose commercial paper and other unsecured short-term debt obligations are rated in the highest rating category by at least one nationally recognized statistical rating organization, as security for the payment of 100% of the aggregate amount of the deposits and the agreed upon interest, if any.

9. Safekeeping and Collateralization

Eligible securities used for collateralizing deposits shall be held by a third party subject to security and custodial agreements.

- A. Security Agreement Requirements. 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, 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 the Corporation or its custodial bank.

- B. Custodial Agreement Requirements. The custodial agreement shall provide that those 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 co-mingled with or become part of the backing for any other deposit or other liabilities. The custodial 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 and may include such other terms as the Corporation Board deems necessary.

10. Permitted Investments

The Corporation authorizes the Corporation Treasurer, or Chief Financial Officer to invest moneys not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

- A. Special time deposit accounts in, or certificates of deposit issued by any commercial bank or trust company that is located in and authorized to do business in New York State, provided that such deposit account or certificate of deposit is either insured in the full amount by the Federal Deposit Insurance Corporation or secured in the same manner as provided in Section 8 of this policy and is payable within such time as the proceeds shall be needed to meet expenditures for which the funds were obtained;
- B. Obligations of the United States of America;
- C. Obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; and
- D. Obligations of the State of New York; and
- E. Such other obligations as may be permitted under Section 11 of the General Municipal Law.

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 the moneys 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 the date of purchase. The designated depository will confirm all purchases and transactions in writing to the Corporation.

11. Purchase of Investments

The Corporation is authorized to contract for the purchase of investments directly, including through a repurchase agreement, from an authorized trading partner. All purchased obligations, unless registered or inscribed in the name of the Corporation, 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 shall be confirmed in writing to the Corporation by the bank or trust company. Any obligation held in the custody of a bank or trust company shall be held pursuant to a written custodial agreement as described in Section 9(b) of this policy.

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 comply with Public Authorities Law Section 2925(3)(c).

12. Repurchase Agreements

The Corporation may enter into repurchase agreements 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 commercial banks or trust companies authorized to do business in New York State and primary reporting dealers.
- C. Obligations shall be limited to obligations 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. Obligations purchased pursuant to a repurchase agreement shall be held by a custodian other than the trading partner, pursuant to a written custodial agreement that complies the terms of Section 9(b) of this policy.

13. Operations and Annual Review of Investment Policy

The Corporation Treasurer or Chief Financial Officer shall authorize the purchase and sale of all securities and execute contracts for repurchase agreements and certificates of deposit on behalf of the Corporation. Oral directions concerning the purchase, transaction, or sale of securities shall be confirmed in writing. The Corporation shall pay for purchased securities upon delivery or book entry thereof.

The Corporation will encourage the purchase and sale of securities and certificates of deposit through a competitive or negotiated process involving telephone solicitations of at least three bids for each transaction.

The Corporation Board shall annually review and approve the Corporation's investment policy.

The provisions of this investment policy and any amendments hereto, shall take effect prospectively, and shall not invalidate the prior selection of any custodial bank or prior investment.

14. Monitoring and Reporting

The following monitoring and reporting procedures shall be applicable in connection with the deposit and investment of funds subject to this investment policy:

- A. Monthly Monitoring. Each cash and investment account statement will be reviewed and reconciled on a monthly basis. The Treasurer or Chief Financial Officer will review each account reconciliation for accuracy and will investigate any unusual items noted.
- B. Monitoring and Reporting. Pursuant to Section 2925(5) of the Public Authorities Law, the Treasurer or Chief Financial Officer of the Corporation shall prepare and file with the Corporation Board of Directors at least quarterly and present a report at each meeting of the Corporation Board of Directors which will include the following information: (i) the cash and investment balances of the Corporation; (ii) an inventory of existing investment and identification of any new investments since the last report; (iii) information concerning the selection of investment bankers, brokers, agents dealers or auditors since the last report; and (iv) the names of the financial institutions holding Corporation deposits.
- C. Annual Monitoring and Reporting.
 - 1. On an annual basis, the Corporation will obtain an independent audit of its financial statements, which shall include an audit of its cash and investments and the Corporation's compliance with this investment policy. The results of the independent audit shall be made available to the Corporation Board at the time of its annual review of this investment policy.
 - 2. Pursuant to Section 2925(6) of the Public Authorities Law, Corporation Treasurer or Chief Financial Officer shall, on an annual basis, prepare and submit for Corporation Board approval an investment report which shall include this investment policy, amendments to the investment policy since the last investment report, an explanation of the investment policy and any amendments, the results of the annual independent audit, the investment income record of the Corporation and 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 last investment report. The investment report will be distributed to chief executive officer and chief fiscal officer of the City of Syracuse and its department of audit and control. The Corporation

shall make available to the public copies of its investment report upon reasonable request therefor.

15. Savings Clause

Nothing contained in Section 2925 of the Public Authorities Law shall be deemed to alter, affect the validity of, modify the terms of or impair any contract, agreement or investment of funds made or entered into in violation of, or without compliance with, the provisions of Section 2925 of the Public Authorities Law.