

## **SOUTHOLD LOCAL DEVELOPMENT CORPORATION**

### **INVESTMENT GUIDELINES POLICY**

**(Adopted by the Corporation  
July 18, 2014)**

#### **PURPOSE**

The purpose of this Policy is to establish procedures and guidelines regarding the investing, monitoring and reporting of funds of the Southold Local Development Corporation (the "Corporation").

#### **GENERAL PROVISIONS**

##### **Scope of Policy**

This Policy applies to the funds of the Corporation which, for purposes of this Policy and the guidelines stated herein, consist of all moneys and other financial resources available for deposit and investment by the Corporation on its own behalf and for its own account (collectively, the "Funds"). As defined herein, "Funds" shall not include the proceeds of bonds issued by the Corporation as financial assistance in connection with a project under the General Municipal Law (as such terms are defined in the General Municipal Law).

##### **Investment Objectives**

The Funds shall be managed to accomplish the following objectives:

- (i) *Preservation of Principal* – The single most important objective of the Corporation's investment program is the preservation of the principal of the Funds.
- (ii) *Maintenance of Liquidity* – The Funds shall be managed in such a manner that assures that funds are available as needed to meet immediate and/or future operating requirements of the Corporation.
- (iii) *Maximize Return* – The Funds shall be managed in such a fashion as to maximize income through the purchase of Permitted Investments (hereinafter defined), taking into account the other investment objectives.
- (iv) *Compliance with law* – The Funds shall be managed in compliance with Sections 10, 11 and 858-a(3) of the General Municipal Law of the State of New York (respectively, the "GML" and the "State").

## IMPLEMENTATION

Under the direction of the Chief Financial Officer of the Corporation, the Treasurer of the Corporation and any Assistant Treasurer of the Corporation (respectively, the “Chief Financial Officer,” the “Treasurer,” and an “Assistant Treasurer”), shall be responsible for the implementation of the Corporation’s investment program and the establishment of investment procedures and a system of controls to regulate the activities of subordinate staff, consistent with this Policy. The Treasurer or an Assistant Treasurer shall additionally have the authority to invest the Funds of the Corporation and shall invest prudently and in accordance with the requirements of this Policy.

## AUTHORIZED DEPOSITS

### Authorized Institutions for Deposit

In accordance with relevant provisions of the General Municipal Law, the Board of Directors must designate one or more banks or trust companies for the deposit of Funds (“Designated Institution(s)”), and shall additionally specify the maximum amount of Funds which may be deposited in each such Designated Institution.

Accordingly: (1) the Board of Directors hereby designates as the Designated Institutions, those banks and/or trust companies that, from time to time, the Town of Southold shall have designated, or shall have been permitted to designate, for the deposit of the Town’s funds; (2) the Board of Directors hereby determines and specifies that each account of the Corporation at any such Designated Institution, shall be subject to a maximum deposit amount and that such amount shall be, for purposes of day-to-day operations, no greater than two million dollars, and for purposes of extraordinary receipts having a deposit duration of no longer than two business days, no greater than ten million dollars.

### Deposits; Responsibility for Making Deposits

The Corporation shall cause Funds potentially needed for immediate expenditure to be deposited at Designated Institutions in accounts that permit nearly immediate withdrawal (“Deposit Accounts”). The Chief Financial Officer, the Treasurer, an Assistant Treasurer, or any other officer of the Corporation authorized to have custody of the Funds, shall be responsible for depositing the Funds in accordance with this Section IV.

### Collateral

In the event that the Funds on deposit in any one Deposit Account exceed the amount that is insurable by the Federal Deposit Insurance Act, as now or hereafter amended, such excess shall be secured by collateral in accordance with the requirements of GML Section 10(3).

## AUTHORIZED TEMPORARY INVESTMENTS

### Responsibility for Temporary Investments

In accordance with relevant provisions of the General Municipal Law, the Board of Directors may delegate the authority to temporarily invest such portion of the Funds as are not needed for immediate expenditure. Accordingly, the Board of Directors hereby delegates to the Chief Financial Officer and, if under the direction of the Chief Financial Officer, to the Treasurer and any Assistant Treasurer, the authority to temporarily invest such portion of the Funds not needed for immediate expenditure; *provided*, such investments are made in accordance with the requirements of relevant provisions of the General Municipal Law.

### Permitted Temporary Investments

Permitted temporary investments for the Funds are the investments listed below (hereinafter referred to as “Permitted Investment(s)”):

- (i) Special time deposit accounts in, or certificates of deposit issued by, a bank or trust company located and authorized to do business in the State of New York, *provided that* (y) such instruments shall be payable within such time as the proceeds shall be needed for the Corporation’s expenditures, and (z) Funds so invested shall be secured in accordance with Subsection IV.C. herein, as applicable.
- (ii) Obligations of, or obligations guaranteed as to principal and interest by agencies of, the United States of America, or obligations of the State.
- (iii) General obligations and notes of a state other than the State when such instruments have the highest rating of at least one independent rating agency designated by the State comptroller.
- (iv) Assuming satisfaction of respective requirements set forth in GML Section 11(3)(a)(2): corporate obligations; bankers’ acceptances; obligations of, or instruments issued by or fully guaranteed as to principal and interest by, any agency or instrumentality of the United States acting pursuant to a grant of authority from the congress of the United States; or no-load money market mutual funds registered under the Securities Act of 1933, as amended, and operated in accordance with Rule 2a-7 of the Investment Company Act of 1940, as amended.

### Requirements

All obligations in which portions of the Funds are invested: (i) shall be payable and redeemable in accordance with the provisions of GML Section 11(3)(b)(1); and (ii) shall be, unless registered or inscribed in the name of the Corporation, purchased, delivered and held in custody in accordance with the provisions of GML Section 11(3)(b)(2); and (iii) may be comingled for investment purposes, provided such commingling is in accordance with the provisions of GML Section 11(6). The Treasurer shall maintain or cause to be maintained a proper record of all books, notes, securities or other evidences of indebtedness held by or for the Corporation for purposes of investment. Such record shall at least identify the security, the fund

for which held, the place where kept and entries shall be made therein showing date of sale or other disposition and the amount realized therefrom.

## WRITTEN CONTRACTS

The Corporation shall enter into written contracts pursuant to which investments are made which conform with the requirements of this Policy and Section 2925.3(c) of the Public Authorities Law unless the Chief Financial Officer determines that a written contract containing such provisions is not practical or that there is not a regular business practice of written contracts containing such provisions with respect to a specific investment or transaction.

## MAXIMUM MATURITY

Maintenance of adequate liquidity to meet the cash flow needs of the Corporation is essential. Accordingly, the Corporation's portfolio of Permitted Investments will be structured in a manner that ensures sufficient cash is available to meet anticipated liquidity needs. Selection of investment maturities must be consistent with cash requirements in order to avoid the forced sale of securities prior to maturity.

For purposes of this Policy, assets of the portfolio shall be segregated into two categories based on expected liquidity needs and purposes – Cash Equivalents and Investments. Assets categorized as Cash Equivalents will be invested in Permitted Investments maturing in ninety (90) days or less or in Deposit Accounts. Assets categorized as Investments will be invested in Permitted Investments with a stated maturity of no more than two (2) years from the date of purchase.

## MONITORING AND ADJUSTING THE INVESTMENT PORTFOLIO

Those responsible for the day-to-day management of the Corporation's portfolio of Permitted Investments will routinely monitor the contents of the portfolio, the available markets and the relative values of competing instruments, and will adjust the portfolio as necessary to meet the requirements and goals of this Policy. It is recognized and understood that the non-speculative active management of portfolio holdings may cause a loss on the sale of an owned investment.

## INTERNAL CONTROLS

Under the direction of the Chief Financial Officer, the Treasurer or an Assistant Treasurer, shall establish and be responsible for monitoring a system of internal controls governing the administration and management of the portfolio. Such controls shall be designed to prevent and control losses of the portfolio funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by any personnel.

## ELIGIBLE BROKERS, AGENTS, DEALERS, INVESTMENT ADVISORS, INVESTMENT BANKERS AND CUSTODIANS.

The following are the standards for the qualifications of brokers, agents, dealers, investment advisors, investment bankers and custodians:

### Brokers, Agents, Dealers

- (i) *In Government Securities:* any bank or trust company organized or licensed under the laws of any state of the United States of America or of the United States of America or any national banking association or any registered broker/dealer or government securities dealer.
- (ii) *In Municipal Securities:* any broker, dealer or municipal securities dealer registered with the Securities and Exchange Commission (the "SEC").

### Investment Advisors

Any bank or trust company organized under the laws of any state of the United States of America or any national banking association, and any firm or person which is registered with the SEC under the Investment Advisors Act of 1940.

### Investment Bankers

Firms retained by the Corporation to serve as senior managing underwriters for negotiated sales must be registered with the SEC.

### Custodians

Any bank or trust company organized under the laws of any state of the United States of America or any national banking association with capital and surplus of not less than \$50,000,000.

## REPORTING

Under the direction of the Chief Financial Officer, the Treasurer or an Assistant Treasurer, shall prepare and deliver to the Board of Directors once for each quarter of the Corporation's fiscal year a report setting forth a summary of new investments made during that quarter, the inventory of existing investments and the selection of investment bankers, brokers, agents, dealers, investment advisors and auditors.

## ESCROWED FUNDS

Escrowed Funds deposited by project applicants shall be retained by the Corporation in interest bearing deposit accounts with financial institutions meeting the requirements of and otherwise subject to the requirements of this policy.

## INDENTURE FUNDS

Funds deposited pursuant to an Indenture of Trust pursuant to which Corporation bonds are issued shall be governed by the terms of such Indenture, the terms of which may provide such flexibility as is permitted by applicable law.

## APPLICABILITY

Nothing contained in this Policy shall be deemed to alter, affect the validity of, modify the terms of or impair any contract or agreement for the investment of the Funds, made or entered into in violation of, or without compliance with, the provisions of this Policy.

## CONFLICT OF LAW

In the event that any portion of this Policy is in conflict with any State, Town or federal law, that law will prevail.

## AUTOMATIC AMENDMENT

This Policy shall be deemed automatically amended to conform with enactments that amend or succeed any of GML Sections 10, 11 or 858-b(3).