

BUFFALO URBAN DEVELOPMENT CORPORATION

INVESTMENT AND DEPOSIT POLICY

ARTICLE I

Scope

Section 2925 of the New York Public Authorities Law requires the Buffalo Urban Development Corporation (the “Corporation”) to adopt by resolution comprehensive investment guidelines which detail its operative policy and instructions to officers and staff regarding the investing, monitoring and reporting of funds of the Corporation.

This investment and deposit policy (“Investment Policy”) is adopted by the Corporation pursuant to the foregoing provisions of the Public Authorities Law and shall apply to all moneys and other financial resources available for investment on the Corporation’s own behalf or, when applicable, on behalf of any other entity or individual. The provisions of this Investment Policy are also consistent with the requirements of Sections 10 and 11 of the New York General Municipal Law, which the Corporation is not required to comply with, but has elected to follow as a “best practice.”

This Investment Policy shall be applicable to all affiliates and subsidiaries of the Corporation, and to all other affiliates or subsidiary companies of the Corporation which may hereafter be established by the Corporation and which are determined to be subject to the requirements of Section 2925 of the Public Authorities Law (an “Affiliate”). Unless otherwise indicated, all references to the “Corporation” herein shall also include the each Affiliate.

ARTICLE II

Governing Principles

A. Investment Objectives.

The primary objectives of the Corporation’s investment policy are, in order of priority, as follows: (i) to conform with all applicable federal, state and local laws and legal requirements; (ii) to adequately safeguard principal; (iii) to provide sufficient liquidity to meet all operating requirements of the Corporation; and (iv) to obtain a reasonable rate of return.

B. Diversification.

The policy of the Corporation is to diversify by investment instrument, by maturity, and where practicable by financial institution.

C. Internal Controls.

1. All funds received by an officer or employee of the Corporation shall be promptly deposited with the depositories designated by the Corporation (pursuant to Article III.A of this Investment Policy) for the receipt of such funds.

2. The Treasurer or Assistant Treasurer of the Corporation shall maintain or cause to be maintained a proper record of all books, notes, securities or other evidence of indebtedness held by the Corporation for investment and deposit purposes. Such record shall identify 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 such sale or other disposition.

3. 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.

D. 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 that may be outstanding with each financial institution or dealer. All financial institutions with which the Corporation conducts business must be creditworthy as determined by criteria established by the Treasurer or Assistant Treasurer of the Corporation. All banks with which the Corporation does business 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.

E. Purchase of Investments.

The Corporation may 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 shall be held pursuant to a written custodial agreement as described in Article IV.C.2 of this Policy.

F. Repurchase Agreements.

The Corporation may enter into repurchase agreements subject to the following restrictions:

1. All repurchase agreements must be entered into subject to a Master Repurchase Agreement.
2. Trading partners are limited to commercial banks or trust companies authorized to do business in New York State and primary reporting dealers.
3. Obligations shall be limited to obligations of the United States of America and obligations guaranteed by agencies of the United States of America.
4. No substitution of securities will be allowed.
5. 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 Article IV.C.2 of this Policy.

ARTICLE III **Investments**

A. General Policy.

It is the general policy of the Corporation that funds not required for immediate expenditure shall be invested as described in Article III.B below. 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, net of fees, to be derived.

B. Permitted Investments.

The Treasurer or Assistant Treasurer is authorized to invest funds not required for immediate expenditure in the following investments, which are permitted under Section 11 of the General Municipal Law:

1. 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 secured in the same manner as provided in Article IV.B of this Investment Policy and is payable within such time as the proceeds shall be needed to meet expenditures for which the funds were obtained;
2. Obligations of the United States of America;
3. 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;

4. Obligations of the State of New York; and
5. Such other obligations as may be permitted under Section 11 of the General Municipal Law.

All investments as provided in Sections B(2) through B(5) of this Article 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, and comply with such other requirements as set forth in Section 11 of the General Municipal Law.

ARTICLE IV **Deposits**

A. Designation of Depositories.

The Corporation shall, by resolution, designate one or more commercial banks or trust companies for the deposit of Corporation funds received by the Corporation. 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.

B. Collateralization of Deposits.

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 as follows:

1. By a pledge of “eligible securities” with an aggregate “market value” as defined by Section 10 of the General Municipal Law, at least equal to the aggregate amount of deposits. A list of eligible securities is attached hereto as Schedule A.

2. By an irrevocable letter of credit issued by a qualified bank (other than the bank with which the money is being deposited or invested) in favor of the Corporation for a term not to exceed ninety (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 minimum risk-based capital requirements.

3. 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 bond shall be subject to Board approval.

C. Safekeeping and Collateralization.

Eligible securities used for collateralizing deposits shall be held by the depository and/or third party bank or trust company subject to security and custodial agreements as described below.

1. 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 an assignment in blank to the depository or its custodial bank.

2. Custodial Agreement Requirements. 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 custodial agreement should also describe that the custodian shall confirm the receipt, substitution or release of the securities. The custodial 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 Board deems necessary.

ARTICLE V
Monitoring and Reporting Obligations

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 Assistant Treasurer 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 Assistant Treasurer of the Corporation shall present a report at each meeting of the Board of Directors which will include the following information: (i) the cash and investment balances of the Corporation; (ii) 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 Board of Directors at the time of its annual review of this Investment Policy.

2. Pursuant to Section 2925(6) of the Public Authorities Law, staff shall, on an annual basis, prepare and submit for 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 those individuals identified in Section 2925(7)(b) of the Public Authorities Law. The Corporation shall make available to the public copies of its investment report upon reasonable request therefor.

ARTICLE VI
Annual Review

This Investment Policy shall be reviewed and approved by the Board of Directors of the Corporation on an annual basis.

ARTICLE VII
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 by the Corporation in violation of, or without compliance with the provisions of Section 2925 of the Public Authorities Law.

SCHEDULE A
ELIGIBLE SECURITIES

Obligations issued by the United States of America, an Corporation thereof or a United States government sponsored corporation or obligations fully insured or guaranteed as to the payment of principal and interest by the United States of America, an Corporation thereof or a United States government sponsored corporation.

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.

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 or guaranty.

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 or obligations of any public benefit corporation which under a specific State statute may be accepted as security for deposit of public moneys.

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.

Obligations of Puerto Rico rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.

Obligations of counties, cities and other governmental entities of another state having the power to levy taxes that are 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.

Obligations of domestic corporations rated one of the two highest rating categories by at least one nationally recognized statistical rating organization.

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.

Commercial paper and bankers' acceptances issued by a bank (other than the bank with which the money is being deposited or invested), rated in the highest short term category by at least one nationally recognized statistical rating organization and having maturities of not longer than sixty days from the date they are pledged.

Zero Coupon obligations of the United States government marketed as "Treasury STRIPS".

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