



A RESOLUTION OF THE ENERGY IMPROVEMENT CORPORATION ("EIC" or the "Corporation") WITH RESPECT TO THE REVIEW AND APPROVAL OF THE CORPORATION'S INVESTMENT GUIDELINES AND INVESTMENT REPORT

WHEREAS, the Corporation is required by the provisions of Section 2925 of the New York State Public Authorities Law to adopt and to annually review and approve its Investment Guidelines, which shall include the information required under Section 2925 of the Public Authorities Law, and to prepare and approve an investment report;

WHEREAS, the Board of Directors adopted Investment Guidelines for the Corporation on May 9, 2013, and has reviewed the Investment Guidelines as required by Section 2925; and

WHEREAS, the Board of Directors desires to modify and amend the Investment Guidelines effective immediately;

NOW, THEREFORE, BE IT RESOLVED BY THE DIRECTORS OF THE ENERGY IMPROVEMENT CORPORATION, AS FOLLOWS:

Section 1. The Investment Guidelines of the Corporation, as amended as of March 5, 2015, a copy of which is annexed hereto as Exhibit A and made a part hereof, are hereby adopted.

Section 2. This resolution shall take effect immediately upon its adoption.

## **EXHIBIT A**

### **ENERGY IMPROVEMENT CORPORATION INVESTMENT GUIDELINES**

March 5, 2015

#### **PURPOSE AND DESCRIPTION**

These Investment Guidelines (the "Guidelines") are intended to comply with the provisions of Section 2925 of the Public Authorities Law and apply to the investment of monies held by the ENERGY IMPROVEMENT CORPORATION ("EIC") in connection with the Energize NY Benefit Finance Program and Energize NY Program being held in the following accounts :

- (a) Various Reserve funds held at EIC's Trustee Bank accounts
- (b) Corporate and Operating Funds held in EIC's Corporate Bank accounts
- (c) Unspent Municipal Payments held at EIC's Trustee Bank accounts
- (d) Unspent proceeds of borrowings held at EIC's Trustee Bank accounts

In developing these Guidelines, EIC recognizes that it has an obligation to invest and manage, in a prudent manner, all funds under its direction. Thus, the types of investments and investment procedures must reflect

a commitment to limit capital risk and enhance, to the extent permissible under applicable law, the total return to EIC.

These Guidelines set forth the policy of EIC and constitute instructions to EIC's officers and staff to ensure that investments of EIC are duly authorized, properly managed and adequately safeguarded.

It is the policy of EIC, to the extent practicable, to diversify its deposits and investments by financial institution, investment instrument and by maturity consistent with prudent cash and investment management practices. The cash flow requirements of EIC will be the primary determining factor in selecting investments.

## I. ENERGIZE NY BENEFIT FINANCE PROGRAM and ENERGIZE NY PROGRAM

Article 5-L of the General Municipal Law of the State of New York, as amended, authorizes EIC to extend credit and financial assistance to owners of properties located within the municipalities which are members of EIC (the "Member Municipalities") to finance energy efficiency and renewable energy improvements (the "Energy Improvements"). Under its Energize NY Benefit Finance Program, EIC may issue special obligation revenue bonds, the proceeds of which may be used to provide financing to property owners for eligible energy improvement projects. The property owner repays the financing through an energy improvement tax charge (the Energy Improvement Charge) on its property tax bill paid to the Member Municipality. The Energy Improvement Charge is collected and enforced by the respective EIC Member Municipality and is generally the only source of revenue for payment of the principal and interest on the financings. In addition, EIC operates the Energize NY Program which facilitates the acceptance of Energy Improvements through education and marketing. Funding to support the Energize NY Program originates from revenues generated by the Energize NY Benefit Finance Program, grants and other contributions to EIC operations.

## II. PERMITTED INVESTMENTS

### 1. General Statement

This section of the Investment Guidelines is intended to govern the investment of funds deposited in EIC'S Trustee or Corporate bank accounts.

All funds are subject to investment limitations as set forth below. These limitations were intended to insure that investments are prudent, that they secure EIC'S interest in the investments and guide prudent diversification of EIC'S investments. The following Guidelines adhere to the requirements imposed by statute, but also reflect additional refinements evidencing EIC's commitment to minimize risk, maximize return, and promote assistance to recipients in the form contemplated by the program.

Proceeds from Municipal Payments used to repay EIC creditors are deposited with EIC'S Trustee and generally are not available for direct investment by EIC. The indenture of trust agreement between EIC and the Trustee will contain a list of permitted investments allowed under EIC'S Investment Guidelines as set forth below, in which the trustee may invest the proceeds.

Various Reserve funds held at EIC'S Trustee Bank accounts, unspent Municipal Payments and unspent proceeds of borrowings held at EIC'S Trustee Bank accounts will be managed by the Trustee according to the list of permitted investments allowed under EIC'S Investment Guidelines as set forth below.

Corporate and Operating funds will be directly controlled by EIC's Officers and will be governed by the Investment Guidelines as set forth below.

## 2. Permitted Investments

- (a) Direct obligations of the United States, an agency thereof or a United States government sponsored corporation. Such investments shall be rated by at least two nationally recognized rating agencies in one of their two highest categories;
- (b) Direct obligations of the State of New York (the "State") rated by at least two nationally recognized rating agencies in one of their two highest categories
- (c) Obligations, the principal and interest of which are guaranteed by the United States, an agency thereof or a United States government sponsored corporation or by the State;
- (d) Deposits with banks or trust companies, provided such deposits are secured by direct obligations of the United States or the State, or obligations the principal and interest of which are guaranteed by the United States or the State or as otherwise permitted by law;
- (e) Investment agreements or repurchase agreements, rated by a nationally recognized rating agency in one of its two highest categories, and entered into with insurance or reinsurance companies, or with their corporate affiliates, and banks, trust companies, or brokers or dealers (as defined in Securities Exchange Act of 1934) who are dealers in governmental bonds, which report to, trade with and are recognized as a primary dealer by the Federal Reserve Bank and who are members of the Securities Investors Protection Corporation (SIPC); provided that
  - (i) such agreements are secured by obligations of the types referred to in (a), (b) or (c) above or as otherwise permitted by law;
  - (ii) such obligations are delivered to a trustee for the benefit of EIC or, with respect to monies pledged under an indenture of trust relating to bonds or notes of EIC, to a third party custodian satisfactory to EIC, as applicable;
  - (iii) such agreements provide that the value of the underlying obligations must be maintained at a current market value of not less than 102% of the amount currently on deposit by EIC under such agreements plus accrued interest, calculated no less frequently than weekly;
  - (iv) a prior perfected security interest in such obligations has been granted to EIC, as applicable; and
  - (v) such obligations are free and clear of third party claims.
- (f) money market funds rated in the highest category by at least two nationally recognized rating agencies for the purpose of earning interest thereon until such time that it becomes practicable or desirable to invest such amounts in other investments permitted hereunder provided that such money market funds limit investments to direct U.S. Treasury obligations and repurchase agreements secured by U.S. Treasury obligations; and

(g) obligations otherwise permitted by law, provided that such obligations are rated by at least two nationally recognized rating agencies in one of their two highest rating categories and are approved by the Board.

For purposes of these Guidelines, a “Repurchase Agreement” is a written contract whereby the Corporation purchases securities, and the seller of the securities agrees to repurchase the securities at a future date for a specified price. EIC may enter into a repurchase agreement only with the entities listed in this Section 2(e).

### 3. Special Requirements

#### a) Project or Loan Origination Funds of Recipients

As part of Energize NY Benefit Financing Program, EIC intends, without limitation, to issue revenue bonds ("Bonds"), and then use the proceeds thereof to provide financing to property owners within EIC Member Municipalities for Energy Improvement projects. To the extent that proceeds of any such Bonds are deposited either in a separate recipient project or loan origination fund or allocated as a recipient's portion of an investment in such funds, such proceeds so deposited will be invested by EIC as permitted by these Guidelines, but subject to any applicable provisions of the General Municipal Law or the Local Finance Law or other laws and regulations governing the investment of municipal funds.

### III. RESERVE FUNDS

As determined by EIC, EIC may establish, from federal or State funds or other available Energize NY Benefit Financing Program assets, Reserve Funds (aka: Debt Service Reserve Fund, Loan Loss Reserve Fund, Municipal Reserve Fund, other Reserve Funds) (all generally known as “Reserve Fund”).

The following elements will be considered in selecting a Reserve Fund investment vehicle:

- the protection of principal;
- ability to withdraw funds on a short time frame, with no or minimal market risk or penalty, in the event of a default on the related Bonds; and
- maturity of investments matched to Program or debt-related needs, either pay Bonds when due or used for new financings, or other permitted program uses.
- ability to generate a guaranteed rate of return;

If an investment agreement is utilized to invest monies in a Reserve Fund, the following minimum standards will be required in addition to the requirements for investment agreements under Section II, 2(e):

- redemption of a portion of the monies if required pursuant to the Bond payment terms;
- no penalty for a withdrawal as permitted under the trust agreement or to avoid or cure a bond default;
- replenishment of funds withdrawn because of a default or due to a withdrawal on the Reserve Fund for any purpose permitted under the trust agreement. Such replenishment of funds will earn the same interest rate as provided prior to the withdrawal of funds from the Reserve Fund, if replenishment of funds has occurred within a reasonable time period.; and

- ability to make deposits into the investment agreement as permitted under the trust agreement (i.e., ability to add monies to the Reserve Fund to meet the Reserve funding requirement.

#### IV. RESTRICTED AND CORPORATE FUNDS WHICH ARE NOT TRUST AGREEMENT OR RESERVE FUNDS

##### 1. Authorization and Management

Funds subject to these Guidelines may be held and invested by EIC directly.

##### 2. Permitted Investments

- (a) Interest Bearing Bank Deposits
- (b) Certificates of Deposit
- (c) Investment Obligations
- (d) Repurchase Agreements as authorized in Section II, 2(e) above
- (e) State or State Guaranteed Obligations
- (f) Insured Money Market Funds or Investments authorized in Section II, 2 (g) above.

Investments of Restricted and Corporate Funds in excess of \$1,000,000 per account shall require competitive bidding through telephone solicitation of at least three banks.

An investment of \$1,000,000 or more may be established and maintained with the competitively selected banking institution in order to meet the requirements for collateralization provided that prevailing market rates are quoted.

All bank deposits are to be continuously and fully secured by direct obligations of the United States or obligations the principal and interest of which are guaranteed by the United States, State Obligations or State Guaranteed Obligations and are rated by a nationally recognized rating agency in one of its two highest categories. Additionally, in the case of funds of any municipality, bank deposits may, in the alternative, be continuously and fully secured by obligations of any municipality, school district or district corporation of the State of a market value equal to 102% of the amount of the deposit plus accrued interest and which are rated by a nationally recognized rating agency in one of its two highest categories.

For purposes of these Guidelines "Investment Obligations" shall be defined as obligations issued by the United States of America, an agency 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 agency thereof or a United States government sponsored corporation that are rated by a nationally recognized rating agency in one of its two highest categories. "State Obligations" mean general obligations of the State and "State Guaranteed Obligations" the principal and interest of which are guaranteed by the State.

#### V. INVESTMENT ADMINISTRATION PROCEDURES

##### 1. Operating Procedures

- (a) The authorization, accounting and custodial functions related to investments will be performed by separate individuals within the Corporation using bankers, brokers, agents and dealers deemed suitable

to provide services to EIC through a documented or competitive selection process based upon criteria which may include, but are not limited to, quality, reliability, experience, capitalization, size and any other factors that may make a firm qualified to transact business with EIC.

(b) The Chief Financial Officer or Treasurer shall review and provide written approval of investment transactions initiated by EIC personnel, or in the absence of both then either the Executive Director or Chairman shall review and provide written approval of such investment transactions. Evidence of this approval will be made on the investment control sheet. Master contracts will be reviewed by the Chairman and General Counsel to EIC and approved by the Executive Director or Treasurer.

(c) EIC's demand deposits shall be held in interest bearing accounts.

(d) Collateral on any secured investment or deposit shall be delivered to a trustee or third-party depository and held in EIC's name.

(e) Banks providing securities in EIC's name as collateral for investments may substitute collateral types, consistent with EIC's current Guidelines.

(f) There shall be a marked-to-market review of all pledged collateral minimally on a monthly basis.

(g) EIC will require advices or written contracts, if applicable, from the institutions in which investments are made. Such contracts shall include the following:

- i. Provisions deemed necessary to secure EIC's financial interest in each investment.
- ii. Provisions covering the use, type and amount of collateral or insurance for each investment.
- iii. Provisions establishing a method for valuation of collateral, and procedures for monitoring the valuation of such collateral on a regular basis. Provisions for the monitoring, control, deposit and retention of investments and collateral. In the case of a repurchase agreement, such agreement must provide a requirement that the obligations purchased be physically delivered to EIC or its agents.
- iv. The advices should outline and confirm the terms of the investment or deposit.
- v. Repurchase agreements entered into with broker dealers shall be subject to the terms of a master repurchase agreement that outlines the basic rights of both buyer and seller.

## 2. Reporting Requirements

(a) The Chief Financial Officer or Treasurer shall direct the preparation and filing with EIC's Board of Directors a quarterly inventory of investments as required by Section 2925 of the Public Authorities Law.

(b) The Chief Financial Officer or Treasurer shall direct the preparation of an annual investment report to be submitted to the Board of Directors which shall include the following: the Investment Guidelines; the result of the annual independent audit; the investment income record; and a list of total fees, commissions or other charges paid to each bank, broker, agent, dealer and/or adviser rendering investment associated services to EIC. The report shall also be submitted to (i) the Authorities Budget Office; (ii) the Department of Audit and Control; and (iii) the Chief Executive Officer and Chief Fiscal

Officer of each Member Municipality. Copies of the report will also be made available to the public upon request.

(c) The Investment Guidelines will be reviewed and approved by the Board of Directors annually subject to the annual investment report provided in (b) below.

3. Audit Procedures

(a) A review of compliance with the Investment Guidelines and related procedures shall be part of the annual independent audit. This shall include confirmation letters from each bank verifying EIC deposits as well as the obligations securing such deposits.

(b) The Chief Financial Officer or Treasurer will examine investment practices and controls at least once a year and report the findings to the Board of Directors as part of the annual investment report.

VI. EFFECT OF NONCOMPLIANCE WITH INVESTMENT POLICY

Failure by the EIC to comply with the provisions of this Investment Policy shall not be deemed to alter, affect the validity of, modify the terms of or impair any contract, agreement or investment of funds.

Approved: March 5, 2015