

Griffiss Utility Services Corporation

Investment Policy and Guidelines

Section 1. Scope and Purpose

Section 2925(1) of the New York Public Authorities Law, as amended, requires the Griffiss Utility Services Corporation (“Corporation”) to adopt comprehensive investment guidelines that detail the Corporation’s operative policy and instructions to officers and staff regarding the investing, monitoring and reporting of funds of the Corporation. Accordingly, the Corporation has established and adopted these Investment Guidelines (these or the “Investment Guidelines”).

The Investment Guidelines apply to the investment of all moneys on behalf of the Corporation or by the Corporation on behalf of any entity or individual, including funds held by a trustee under financing documents authorized by the Corporation (collectively referred to as the Corporation’s “investment program”).

Section 2. Investment Program Objectives

The primary objectives of the Corporation’s investment program, in conformity with all applicable federal, state and other legal requirements, including any applicable bond resolutions (legal), are, in priority order, to:

- i. adequately safeguard principal (safety);
- ii. provide sufficient liquidity to meet the purposes for which the funds are being held (liquidity);
- iii. obtain a reasonable rate of return, subject to any applicable requirements imposed by Federal Tax Law (yield); and
- iv. maintain procedures that allow for maximum diversification of investment firms used by the Corporation and to ensure opportunity for participation by minority and women owned investment firms in investment activity by the Corporation and in the activities of investment firms engaged by the Corporation to manage or invest funds under the supervision of the Corporation.

Section 3. Delegation of Corporation

The Corporation shall review, amend as necessary, and approve the Investment Guidelines at least annually. The Corporation may modify the Investment Guidelines at any time.

The Corporation’s responsibility for administration of the investment program is delegated to the Corporation’s Treasurer, who shall establish written procedures for the operation of the investment program consistent with these Investment Guidelines. These responsibilities shall include the evaluation of the investment program by monitoring the system of internal controls, verifying relevant matters related to the securities purchased or held as collateral at least semiannually and on an unscheduled basis, determining that the investment results are consistent with the Corporation’s objectives and reviewing any independent audits of the investment program.

Section 4. Prudence

The members and management of the Corporation and other participants in the investment process shall seek to act responsibly as custodians of the public trust.

Investment decisions for the Corporation shall be made with the judgment, care, skill, prudence and diligence, under the circumstances then prevailing, that a knowledgeable and prudent investor acting in a like

capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

All participants involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Section 5. Internal Controls

It is the policy of the Corporation for all moneys collected by any officer, member, staff or employee of the Corporation to transfer those funds to the Treasurer within one business day for deposit, or within the time period specified in law, whichever is shorter.

The Treasurer 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 the Corporation's authorization and recorded properly, and is managed in compliance with all applicable laws and regulations.

The Treasurer shall authorize investment transactions initiated by Corporation staff only after determining that the investment transactions are in compliance with these Investment Guidelines.

Section 6. Permitted Investments

The following is a detailed list of the permitted investments of the Corporation, all of which are consistent with the appropriate provisions of law relating to the Corporation and any additional requirements pursuant to any contract with bondholders and noteholders:

- i. Certificates of deposit issued by a bank or trust company in the State of New York;
- ii. U.S. Treasury & Government Guaranteed – U.S. Treasury obligations, and obligations the principal and interest of which are backed or guaranteed by the full faith and credit of the U.S. Government.
- iii. Federal Agency/GSE – Debt obligations, participations or other instruments issued or fully guaranteed by any U.S. Federal agency, instrumentality or government-sponsored enterprise (GSE).
- iv. Corporates and Other Debt Obligations – U.S. dollar denominated corporate notes, bonds or other debt obligations issued or guaranteed by a U.S. or foreign corporation, financial institution, non-profit, or other entity.
- v. Municipals – Obligations issued or guaranteed by any state, territory or possession of the United States, political subdivision, public corporation, authority, agency board, instrumentality or other unit of local government of any U.S. state or territory.
- vi. Collateralized Investment Agreements – Investment agreements or guaranteed investment contract with any financial institution that guarantees repayment of principal and a fixed or floating interest rate for a predetermined period.
- vii. Agency Mortgage Backed Securities – Mortgage-backed securities (MBS), backed by residential, multi-family or commercial mortgages, that are issued or fully guaranteed as to principal and interest by a U.S. Federal agency or government sponsored enterprise, including but not limited to pass-throughs, collateralized mortgage obligations (CMOs) and real estate mortgage investment conduits (REMICs).
- viii. Negotiable Bank Deposit Obligations – Negotiable bank certificates of deposit, deposit notes or other deposit obligations issued by a nationally or state-chartered bank, credit union or savings association, or by a federally or state-licensed branch of a foreign bank or financial institution.
- ix. Commercial Paper – U.S. dollar denominated commercial paper issued or guaranteed by a U.S. or foreign corporation, company, financial institution, trust or other entity, including both unsecured debt and asset-backed programs.

- x. Insured Bank Deposits - Interest bearing time certificates of deposit, savings accounts or deposit accounts fully insured by the Federal Deposit Insurance Corporation (FDIC).
- xi. Money Market Mutual Funds – Shares in open-end and no-load money market mutual funds, provided such funds are registered under the Investment Company Act of 1940 and operate in accordance with Rule 2a-7.
- xii. Floating Rate Notes – Floating rate notes (FRNs) may be purchased as part of
- xiii. Corporation’s Portfolio if the following criteria are met:
 - a. FRN rate resets no less frequently than quarterly;
 - b. FRN rate resets with a frequency that produces a close tracking with money market rates;
 - c. FRN is indexed to a money market rate such as, but not limited to, Federal Funds, Secured Overnight Financing Rate (SOFR) Treasury Bills or LIBOR and correlates very highly with overall changes in money market rates even under wide swings in interest rates;
 - d. Any interest rate cap is at least 10%; and
 - e. Director of Finance and Treasury Operations, Manager of Treasury Operations or the designated Investment Manager uses pricing services, pricing matrices or "theoretical" pricing models to calculate the market value of all FRNs held in the portfolio to value the portfolio holdings.
- xiv. Repurchase Agreements – Permitted provided certain conditions are met:
 - a. The contract is fully secured by deliverable U.S. Government Obligations as described in Section 2.2.1 having a market value of at least one hundred two percent (102%) of the amount of the obligation’s principal and accrued interest;
 - b. A written master repurchase agreement governs the transaction that outlines the basic rights of both buyer and seller, including:
 - i. events of default which would permit the purchaser to liquidate pledged collateral;
 - ii. the relationship between parties to the agreement, which shall ordinarily be purchaser and seller;
 - iii. method of computing margin maintenance requirements and providing for timely correction of margin deficiencies or excesses;
 - c. The repurchase agreement is transacted on a delivery or book entry versus payment basis;
 - d. The securities are held free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee; the Trustee shall have received written confirmation from such third party that it holds such securities free and clear of any lien as agent for the Trustee; and such third party is either
 - a. a Federal Reserve Bank, or
 - b. a bank which is a member of the Federal Reserve Bank or maintains an account with member banks to accomplish book-entry transfer of securities to the credit of the Authority and which (1) has combined capital and surplus of more than \$1 billion, and (2) has a long-term debt rating of “A-” or higher by S&P and “A3” or higher by Moody’s;
 - e. A perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Authority;
 - f. The Investment Manager will value the collateral daily, and require that if additional collateral is required then that collateral must be delivered within one business day (if a collateral deficiency is not corrected within this time frame, the collateral securities will be liquidated);
 - g. Substitutions of collateral will be permitted only with advance written approval of the Chief Financial Officer or designee;
 - h. Corporation will only enter into repurchase agreements with reputable firms that have a short-term debt rating of “A-1” or higher by S&P and “P-1” or higher by Moody’s and are:
 - i. Broker dealers who are members of the National Association of Securities Dealers, listed on the Federal Reserve Bank of New York’s list of primary government securities dealers, and have \$25 billion in assets and \$350 million in capital, or

- ii. Banks or trust companies authorized to do business in the State of New York and have \$5 billion in assets and \$500 million in capital;
 - iii. No more than 20% or \$50 million, whichever is less, of the Investment Funds will be invested with any single repurchase agreement counterparty; and
- i. The repurchase agreement shall have a term not to exceed ninety days. Permitted investments must be authorized if the moneys being invested are subject to a legal or other restriction that precludes such investment.
- xv. Bonds and notes of the United States Government;
- xvi. Bonds and notes of the State of New York;
- xvii. Bonds and notes of any municipality or municipal corporation in the State of New York issued pursuant to law;
- xviii. Repurchase Agreements involving the purchase and sale of direct obligations of the United States Government.

Section 7. Diversification

In order to safeguard principal from imprudent risks, it is the policy of the Corporation, where possible, to diversify a portfolio among the investment instruments which it may legally and prudently hold and also among investment firms with which it transacts business.

It is also the policy of the Corporation to monitor the diversification of its investments by financial institution, investment instrument and maturity; and to provide quarterly reports of such diversification levels to the members of the Corporation.

However, since the Corporation is legally limited in the type of securities in which it may invest, the opportunity to diversify among investments is very limited. The terms of each investment will be consistent with the Corporation's cash liquidity requirements.

Section 8. Standards for the Qualification of Investment Bankers, Brokers, Agents, Dealers and Other Investment Advisers and Agents Transacting Business with the Corporation

The Corporation shall transact business only with qualified, certified or licensed investment bankers, brokers, agents, dealers and other investment advisers and agents. The Corporation staff, on the advice and consent of the Corporation, shall consider the quality, reliability, experience, financial strength, size and any other factors which in the judgment of the Corporation make an individual or firm qualified to transact business with the Corporation.

Specifically, but without limitation, the following are considered qualified:

- i. Broker, agents, dealers: 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 reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York (included in the then current "List of the Government Securities Dealers Reporting to the Market Reports Division of the Federal Reserve Bank of New York").
- ii. Investment Advisers: Any bank or trust company organized under the laws of any state of the United States of America or any national banking association or any firm or person which is:
 - Registered with the Securities and Exchange Commission under the Investment Advisor of 1940, and
 - Registered with the New York State Secretary of State as an Investment Advisor, and

- Is a member in good standing with the Investment Counsel Association of America.
- Custodian: Any bank or trust company organized under the laws of any state of the United States of America or any national banking association.

Any criteria listed herein may be in addition to the requirements of any bond resolution pertaining to the funds to be invested under such bond resolution.

The Treasurer shall maintain a list of approved investment firms, which may serve as trustee, custodian or broker-dealer, may modify this list at any time as deemed appropriate and, based on the nature of the investment transaction, may establish limits on the types and amounts of investments that can be made with each trustee or custodian or executed with each broker-dealer.

The Corporation's policy regarding conflicts of interest shall be followed regarding the investment of funds. No Corporation member, senior Corporation official, any officer or employee, is authorized to participate in the selection of institutions where the individual is an officer, a director or substantial stockholder.

Section 9. Collateral

For investments of funds of the Corporation in certain permitted investments, collateral must be provided for the investment to be authorized by the Treasurer. The collateral requirements for permitted investments are as follows:

- Certificates of Deposit shall be fully secured by insurance of the Federal Deposit Insurance Corporation (FDIC) and, when applicable, by bonds or notes of the United States, or bonds or notes of federal agencies, the principal and interest of which are guaranteed by the United States, or bonds or notes of the State of New York or any municipality or municipal corporation in the State of New York. Collateral shall be delivered to the Corporation or a custodial bank with which the Corporation has entered into a security/custodial agreement, in accordance with Section 10 of New York General Municipal Law, as amended.
- Collateral shall not be required with respect to the direct purchase of bonds or notes of the State of New York or any municipality or municipal corporation located in the State of New York, bonds or notes of the United States, and bonds or notes of federal agencies, the principal and interest of which are guaranteed by the United States Government and are pursuant to applicable law, the bonds or notes of the United States.
- The securities purchased under a Repurchase Agreement must be direct United States Government obligations. The purchase price should be the present market value of the securities and not the face value.
- Securities purchased through a Repurchase Agreement shall be valued to market at least weekly.
- The market value of the collateral shall equal the value of the investment and its accrued interest at all times. The recorded value of the collateral backing any investment shall be adjusted to market at the time of the initial investment, and thereafter at least monthly to be certain that the principal amount of the market value of collateral is at least 100% of the investment.
- The security/custodial agreement shall provide that eligible securities (in compliance with the Section 9(1) of these Investment Guidelines), are being pledged to secure Corporation deposits together with agreed upon interest, if any, and 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 Corporation or its custodial bank.

- The security/custodial agreement shall provide that 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 commingled with or become part of the backing for any other deposit or other liabilities. The security/custodial agreement should also describe that the custodian shall confirm the receipt, substitution or release of the securities. The security/custodial agreement shall provide for the frequency or 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.
- In the event the market value of the collateral is less than 99% of the value of the original investment and accrued interest, the financial institution at which the investment was placed will be required to immediately move additional collateral to the custodian in order to be in compliance with the valuation requirements of these Investment Guidelines.
- Failure of the financial institution to correct this situation within one (1) business day upon notice by the Corporation or its custodian will result in the financial institution being held in default. Further, all investment activity with that financial institution will be suspended until the default is resolved.

Section 10. Delivery of Securities

- Every Repurchase Agreement shall provide for payment to the seller only upon the seller's delivery of bonds or notes of the United States to the custodial bank designated by the Corporation, or in the case of a book-entry transaction, when the bonds or notes of the United States are credited to the custodial bank's Federal Reserve System account. The seller shall not be entitled to substitute securities without written approval of the Corporation's Treasurer or his/her designee. The custodial bank shall confirm all transactions in writing to insure that the Corporation's ownership of the securities is properly reflected on the records of the custodial bank.
- Payment shall be made by or on behalf of the Corporation for bonds or notes of the State of New York, bonds or notes the principal and interest of which are guaranteed by the United States, direct obligations of the United States, certificates of deposit, and other duly authorized purchased securities upon delivery thereof to the custodial bank, or in the case of a book-entry transaction, when the purchased securities are credited to the custodial bank's Federal Reserve System account. All transactions shall be confirmed in writing.

Section 11. Written Contracts

Written contracts are required for Repurchase Agreements, Certificates of Deposit and custodial undertakings. With respect to the purchase of bonds or notes of the United States, the State of New York or other governmental entities, etc. in which moneys may be invested; the interests of the Corporation will be adequately protected by conditioning payment on the physical delivery of purchased securities to the custodial bank's Federal Reserve System account. All purchases will be confirmed in writing to the Treasurer of the Corporation or his/her designee.

It is therefore, the policy of the Corporation to require written contracts as follows:

- Written contracts shall be required for all Repurchase Agreements. Only credit worthy banks and primary reporting dealers shall be qualified to enter into a Repurchase Agreement with the Corporation, The written contract shall provide that only direct obligations of the United States may be purchased, and the Corporation shall take delivery, through the Corporation's custodian, of the purchased securities. No specific repurchase agreement shall be entered into unless a master repurchase agreement has been executed between the Corporation and the trading partners.
- Written contracts shall be required for the purchase of all Certificates of Deposit.
- A written contract shall be required with any custodial bank.

All written contracts shall include such terms as required by any and all applicable laws and regulations, including but not limited to the Corporation's Enabling Act, New York Public Authorities Law, as amended, New York General Municipal Law, as amended, New York Local Finance Law, as amended, and New York State Finance Law, as amended.

Section 12. Audit Requirements

The Corporation shall require its independent auditor to review the Investment Guidelines and the Corporation's policies and practices to determine whether:

- the Corporation complied with any and all applicable laws and regulations;
- the Corporation complied with these Investment Guidelines;
- investment assets were adequately safeguarded;
- adequate accounts and records were maintained which accurately reflect all transactions, including a report on them; and
- a system of adequate internal controls was maintained.

Securities purchased or held as collateral shall be verified at least annually and on an unscheduled basis by the Corporation's independent or internal auditors.

Section 13. Quarterly Reports

In accordance with Section 2925(5) of the New York Public Authorities Law, as amended, the Treasurer shall cause to be prepared and filed with the Corporation a quarterly report on any new investments, the inventory of existing investments and the selection of investment bankers, brokers, agents, dealers or advisers or custodians.

Section 14. Annual Report

In accordance with Section 2925(6) of New York Public Authorities Law, as amended, the Corporation shall annually prepare and approve an Annual Investment Report, which shall include the following:

- The Investment Guidelines as then currently amended;
- Amendments to the Investment Guidelines since the last investment report;
- The investment income records of the Corporation;
- A list of the total fees, commissions or other charges paid to each investment banker, broker, agent, dealer and adviser rendering investment associated services to the Corporation since the last investment report; and

- The results of the annual independent audit, pursuant to Section 2925 of New York Public Authorities Law, as amended, and any other applicable laws and regulations. Such Annual Investment Report may be part of any other annual report that the Corporation is required to make.

After the close of the Corporation's fiscal year, the Annual Investment Report shall be transmitted to the New York State Authorities Budget Office (ABO) using the Public Authorities Reporting Information System (PARIS), which will meet the Corporation's statutory reporting requirements. The report shall be posted on the Corporation's website at the time it is submitted.

Adopted by Resolution on, September 22, 2021