

CHARLOTTE VALLEY CENTRAL SCHOOL

INVESTMENT POLICY

1. SCOPE

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

2. OBJECTIVES

The primary objectives of the School District's investment activities are, in priority order,

- to conform with all applicable federal, state and other legal requirements (legal);
- to adequately safeguard principal (safety);
- to provide sufficient liquidity to meet all operating requirements (liquidity); and
- to obtain a reasonable rate of return (yield).

3. DELEGATION OF AUTHORITY

The governing board's responsibility for administration of the investment program is delegated to the treasurer who shall establish written procedures for the operation of the investment program consistent with these investment guidelines. Such procedures shall include an adequate internal control structure to provide a satisfactory level of accountability based on a data base or records incorporating description and amounts of investments, transaction dates, and other relevant information and regulate the activities of subordinate employees.

4. 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 School District 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 program, or which could impair their ability to make impartial investment decisions.

5. DIVERSIFICATION

It is the policy of the School District to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling.

6. INTERNAL CONTROLS

It is the policy of the School District for all moneys collected by any officer or employee of the government to transfer those funds to the treasurer within five business days of deposit, or within the time period specified in law, whichever is shorter.

The business manager / 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 management's authorization and recorded properly, and are managed in compliance with applicable laws and regulations.

7. DESIGNATION OF DEPOSITARIES

The banks and trust companies authorized for the deposit of monies up to the maximum amounts are:

Depository Name
To be supplied

Maximum Amount
To be supplied

Officer
To be supplied

8. COLLATERALIZING OF DEPOSITS

In accordance with the provisions of General Municipal Law, § 10, all deposits of School District, 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" as provided by GML § 10, equal to the aggregate amount of deposits from the categories designated in Appendix A to the policy.
- b. By an eligible "irrevocable letter of credit" issued by a qualified bank other than the bank with the deposits in favor of the government 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 government 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 an irrevocable letter of credit issued in favor of the local government 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, accept such letter of credit payable to such local government as security for the payment of one hundred percent of the aggregate amount of public deposits from such officers and the agreed upon interest, if any.

9. SAFEKEEPING AND COLLATERALIZATION

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

The security agreement shall provide that eligible securities are being pledged to secure the School District 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 School District to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the School District, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the School District or its custodial bank.

The custodial agreement shall provide that securities held by the bank or, trust company, or agent of and custodian for, the School District, 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 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 School District a perfected interest in the securities.

10. PERMITTED INVESTMENTS

As authorized by General Municipal Law § 11, the School District authorizes the treasurer to invest moneys not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

- Special time deposit accounts;
- Certificates of deposit;
- Obligations of the United States of America;
- 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;
- Obligations of the State of New York;
- Obligations issued pursuant to LFL § 24.00 or 25.00 (with approval of the State Comptroller) by any municipality, school district or district corporation other than the School District;
- Obligations of public authorities, public housing authorities, urban renewal agencies and industrial development agencies where the general State statutes governing such entities or whose specific enabling legislation authorizes such investments.
- Certificates of Participation (COPs) issued pursuant to GML 109-b. Obligations of this School District, but only with any moneys in a reserve fund
- Obligations of this School District, but only with any moneys in a reserve fund established pursuant to GML §§ 6-c, 6-d, 6-e, 6-g, 6-h, 6-j, 6-k, 6-m, or 6-n.

All investment obligations shall be payable or redeemable at the option of the School District 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 School District within two years of the date of purchase.

11. AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The School District 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 School District conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the School District. 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 treasurer 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.

12. PURCHASE OF INVESTMENTS

The treasurer is authorized to contract for the purchase of investments:

- a. Directly, including through a repurchase agreement, from an authorized trading partner.
- b. By participation in a cooperative investment program with another authorized governmental entity pursuant to Article 5G of the General Municipal Law where such program meets all the requirements set forth in the Office of the State Comptroller Opinion No. 88-46, and the specific program has been authorized by the governing board.
- c. By utilizing an ongoing investment program with an authorized trading partner pursuant to a contract authorized by the governing board.

All purchased obligations, unless registered or inscribed in the name of the School District, 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 School District 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 General Municipal Law, § 10.

The custodial agreement shall provide that securities held by the bank or trust company, as agent of and custodian for, the School District, 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 agreement shall describe how the custodian shall confirm the receipt and release of the securities. Such agreement shall include all provisions necessary to provide the School District a perfected interest in the securities.

13. REPURCHASE AGREEMENTS

Repurchase agreements are authorized subject to the following restrictions:

- All repurchase agreements must be entered into subject to a Master Repurchase Agreement.
- Trading partners are limited to banks or trust companies authorized to do business in New York State and primary reporting dealers.
- Obligations shall be limited to obligations of the United States of America and obligations guaranteed by agencies of the United States of America.
- No substitution of securities will be allowed.
- The custodian shall be a party other than the trading partner.

APPENDIX A Schedule of Eligible Securities

- (i) Obligations issued, or 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.
- (ii) Obligations issued or full guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank.
- (iii) Obligations partially insured or guaranteed by any agency 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.
- (iv) Obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a municipal corporation, school district or district corporation of 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.
- (v) 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.
- (vi) Obligations of Puerto Rico rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- (vii) Obligations of counties, cities and other governmental entities of a state other than the State of New York 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 rating categories by at least one nationally recognized statistical rating organization.
- (viii) Obligations of domestic corporations rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization.
- (ix) 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.

- (x) Commercial paper and bankers' acceptances issued by a bank, other than the Bank, rated in the highest short term category by at least one nationally recognized statistical rating organization and having maturities of not longer than 60 days from the date they are pledged.
- (xi) Zero coupon obligations of the United States government marketed as "Treasury strips".

THIRD PARTY CUSTODIAL

THIS AGREEMENT, made and executed this _____ day of _____, 20_____, between _____, located in the County of _____, State of New York, ("School District"), _____ having offices at _____, New York ("Bank") and _____ having offices at _____, New York ("Custodian").

WITNESSETH

WHEREAS, the School District desires to maintain or continue to maintain public deposits with the Bank;

WHEREAS, the Bank desires to obtain such deposits and to provide security therefore as required by the General Municipal Law, Banking Law and other applicable statutes;

WHEREAS, the Custodian agrees to provide safekeeping services and to hold any securities pledged by the Bank in a custodial account established for the benefit of the School District as secured party pursuant to this Agreement;

NOW, THEREFORE, in consideration of the mutual promises set forth hereafter, the parties hereto agree as follows:

1. Schedule of Deposits and Required Security

Attached as Exhibit A hereto is a schedule of the maximum amount of the Deposits anticipated by the School District and the Bank during each school year and the Collateral Requirement to be provided by the Bank during each such school year. The obligation of the Bank to provide Eligible Collateral pursuant to this Agreement shall not be less than the Collateral Requirement shown in Exhibit "A" unless the School District and _____, at any time during the term of this agreement, agree to amend Exhibit "A". Any such amendments to either increase or decrease the Collateral Requirement shown in Exhibit "A" shall be confirmed in writing by either party at least ten Business Days before the new Collateral Requirement becomes effective. A copy of any amendments made pursuant to this section shall be furnished to the Custodian.

2. Security Requirements

- a. The Bank, to secure the timely payment of Uninsured Deposits heretofore or hereafter made by the School District, including any interest due thereon, shall provide the School District with Eligible Collateral having an Adjusted Market Value equal to the Collateral Requirement. Whenever Eligible Securities are provided pursuant to this paragraph, the Bank hereby grants to the School District a pledge and security interest in and to such Eligible Securities and shall deliver such Eligible Securities to the Custodian in the manner prescribed in section 3 of this Agreement. The security interest of the School District in Eligible Securities shall terminate upon the transfer of such Eligible Securities from the Account. Eligible Letters of Credit and Eligible Surety Bonds provided pursuant to this paragraph shall be subject to the prior approval of the School District unless the School District has approved in writing the form of an Eligible Letter of Credit or Eligible Surety Bond to be issued by a specific entity or the form of such Eligible Letter of Credit or Eligible Surety Bond is attached hereto as an Exhibit.

- b. The Custodian will monthly determine the Adjusted Market Value of the Eligible Collateral provided pursuant to this Agreement. If the Adjusted Market Value of such Eligible Collateral is less than the Collateral Requirement, the Custodian will so notify the Bank and the Bank shall, upon such notice, be required to provide additional Eligible Collateral having a Adjusted Market Value equal to or greater than such deficiency no later than one Business Day after receipt of such notice. If the Adjusted Market Value of the Eligible Collateral provided pursuant to this Agreement exceeds the Collateral Requirement, the Custodian, at the direction of the Bank, shall transfer securities from the Account, or in the case of other Eligible Collateral, cause or consent to a reduction in the amount thereof, to the extent of such excess.
- c. The Bank may substitute Eligible Collateral ("Substitute Collateral") for any Eligible Collateral previously provided pursuant to this Agreement so long as the Substitute Collateral has an Adjusted Market Value equal to or greater than the Eligible Collateral which it will replace. The Bank shall give Written or Oral Notice thereof to the Custodian of any proposed substitution. In the event that the Custodian determines that the Substitute Collateral described in such notice consists exclusively of Eligible Securities having sufficient Adjusted Market Value, the Custodian, at the direction of the Bank, shall transfer the Eligible Securities out of the Account against delivery to the Account on the same Business Day of the Substitute Collateral. In the event the Substitute Collateral described in such notice consists of an Eligible Letter of Credit or Eligible Surety Bond, the prior consent of the School District shall be required before the Bank or Custodian may complete the substitution described in such notice unless the School District has, in writing, previously approved and consented to the form and issuer of the Eligible Letter of Credit or Eligible Surety Bond to be provided as Substitute Collateral.
- d. The Custodian, to the extent not contained in the confirmation required by paragraph c of section 3 of this Agreement, shall provide the School District with a written confirmation setting forth: (1) a complete description of Eligible Collateral provided, reduced or transferred to or from the Account pursuant to this section; and, (2) the Market Value and Adjusted Market Value of such Eligible Collateral as of the date of such transaction.

3. Custody of Eligible Securities

- a. The Bank and School District hereby appoint the Custodian as custodian of all Eligible Securities at any time delivered to the Custodian pursuant to this Agreement. The Custodian hereby accepts appointment as such Custodian and agrees to establish and maintain the Account and appropriate records identifying the Eligible Securities as pledged by the Bank to the School District. The Account shall be kept separate and apart from the general assets of the Custodian and will not, in any circumstances, be commingled with or become part of the backing for any other deposit or liability of the Custodian. The Custodian, in performing its duties and responsibilities pursuant to this Agreement, shall act as Custodian for, and agent of, the School District.
- b. The Bank and School District agree that Eligible Securities delivered to the Custodian for deposit in the Account may be in the form of credits to the accounts of the Custodian at the Book Entry System or a Depository or by delivery to the Custodian of physical certificates in a form suitable for transfer or with an assignment in blank to the School District or Custodian. The Bank and School District hereby authorize the Custodian on a continuous and ongoing basis to deposit in the Book Entry System or the Depositories all Eligible Securities that may be deposited therein and to utilize the Book Entry System or Depositories and the receipt and delivery of physical securities or any combination thereof in connection with its performance hereunder. Eligible Securities credited to the Account and deposited in the Book Entry System or Depositories or other financial intermediaries will be represented in accounts of the Custodian that include only assets held by the Custodian for customers, including but not limited to accounts in which the Custodian acts in a fiduciary, agency or representative capacity. Eligible Securities that are not held in the Book Entry System, Depositories or through another financial intermediary will be held in the Custodian's vault and physically segregated from securities and other non-cash property belonging to the Custodian.

- c. The Custodian shall provide the School District and Bank with a written confirmation on each Business Day on which Eligible Securities are transferred to and from the Account. Such confirmation shall identify the specific securities which are the subject to the confirmation and state both the Market Value and Adjusted Market Value thereof. The Custodian shall also provide the School District and the Bank each month with a statement identifying all Eligible Securities in the Account, the Market Value and Adjusted Market Value thereof as of the date of such statement.
- d. The Account shall not be subject to any security interest, lien or any right of set-off by or against the Custodian.
- e. With respect to all Eligible Securities held in the Account, the Custodian by itself, or through the use of the Book Entry System or the appropriate Depository, shall, unless otherwise instructed to the contrary by the Bank: (i) collect all income and other payments reflecting interest and principal on the Eligible Securities in the Account and credit such amounts to the account of the Bank; (ii) forward to the Bank copies of all information or documents that it may receive from an issuer of Eligible Securities which, in the opinion of the Custodian, are intended for the beneficial owner of the Eligible Securities including, without limitation all proxies and other authorizations properly executed and all proxy statements, notices and reports; (iii) execute, as Custodian, any certificates of ownership, affidavits, declarations or other certificates under any tax laws now or hereafter in effect in connection with the collection of bond and note coupons; (iv) hold directly, or through the Book Entry System or Depository, all rights issued with respect to any Eligible Securities held by the Custodian hereunder; and (v) upon receipt of written instruction from the Bank, the Custodian will exchange Eligible Securities held hereunder for other securities or cash in connection with (a) any conversion privilege, reorganization, recapitalization, redemption in kind, consolidation, tender offer or exchange offer, or (b) any exercise, subscription, purchase or other similar rights.

4. Events of Default

In the event the Bank shall fail to pay the School District any amount of the Deposits by the School District covered by this Agreement in accordance with the terms of such Deposit, or should the Bank fail or suspend active operations, the Deposits in such Bank shall become due and payable immediately and the School District shall have the right to unilaterally demand delivery of all Eligible Securities in the Account by notice to the Custodian and to sell such securities at public or private sale. In the event of such sale, the School District, after deducting all legal expenses and other costs, including reasonable attorneys fees, from the proceeds of such sale, shall apply the remainder towards any one or more of the liabilities of the Bank to the School District and shall return the surplus, if any, to the Bank.

5. Representation and Warranties

- a. Representations of the Bank. The Bank represents and warrants that:
 - (1) it is the legal and actual owner, free and clear of all liens and claims, of all Eligible Securities pledged pursuant to this Agreement;
 - (2) the form of this Agreement was approved by its board of directors;
 - (3) this Agreement was executed by an officer of the Bank who was authorized by the Bank's board of directors to do so and will at all times be maintained as an official record of the Bank;
 - (4) all securities pledged pursuant to this Agreement are Eligible Securities and that all letters of credit and surety bonds obtained by the Bank in satisfaction of its obligations hereunder and of which the School District is the beneficiary are Eligible Collateral;
 - (5) the Bank is a bank or trust company located and authorized to do business in the State of New York;

- (6) all acts, conditions and things required to exist, happen or to be performed on its part precedent to and in the execution and delivery of this Agreement exist or have happened or have been performed.
- b. Representations of the School District. The School District hereby represents and warrants that:
- (1) this Agreement has been legally and validly entered into, does not and will not violate any statute or regulation applicable to it and is enforceable against the School District in accordance with its terms;
 - (2) the appointment of the Custodian has been duly authorized and no other action by the School District is required and this Agreement was executed by an officer of the School District authorized to do so;
 - (3) it will not transfer, assign its interests in or the rights with respect thereto any Eligible Securities pledged pursuant to this Agreement except as authorized pursuant section 4 of the Agreement.
 - (4) all acts, conditions and things required to exist, happen or to be performed on its part precedent to and in the execution and delivery of this Agreement exist or have happened or have been performed.

6. Concerning the Custodian

- a. The Custodian shall not be liable for any loss or damage, including counsel fees, resulting from its action or omission to act or otherwise, except for any loss, damage, claim or expense arising out of its own negligence or willful misconduct, and shall have no obligation hereunder for any loss or damage, including counsel fees, which are sustained or incurred by reason of any action or inaction by the Book Entry System or Depository. The Custodian may, with respect to questions of law, apply for and obtain the advice and opinion of competent counsel and shall be fully protected with respect to anything done or omitted by it in good faith and conformity with such advice or opinion. The School District and Bank agree, jointly and severally, to indemnify the Custodian and to hold it harmless against any and all costs, expenses, damages, liabilities or claims, including reasonable fees and expenses of counsel, which the Custodian may sustain or incur or which may be asserted against the Custodian by reason of or as a result of any action taken or omitted by the Custodian in connection with operating under this Agreement, except those costs, expenses, damages, liabilities or claims arising out of the negligence or willful misconduct of the Custodian or any of its employees or duly appointed agencies. This indemnity shall be a continuing obligation of the School District and Bank notwithstanding the termination of this Agreement.
- b. The Custodian shall not be responsible for, or considered to be the Custodian of, any security received by it for deposit in the Account until the Custodian actually receives and collects such security directly or by the final crediting of the Custodian's account on the books of the Book Entry System or the appropriate Depository. The Custodian will be entitled to reverse any credits made on the School District's behalf where such credits have been previously made and the Eligible Securities are not finally collected.
- c. The Bank shall pay to the Custodian such fees as may be agreed upon from time to time.
- d. The Custodian shall have no duties or responsibilities whatsoever except such duties and responsibilities as are specifically set forth in this Agreement *and* no covenant or obligation shall be implied against the Custodian in connection with this Agreement.
- e. The School District's authorized officer, upon reasonable notice, shall have access to the Custodian's books and records maintained with respect to the School District's interest in the Account during the Custodian's normal business hours. Upon the reasonable request of the

School District, copies of any such books and records shall be provided by the Custodian to the School District or the School District's authorized officer at the School District's expense.

7. Termination

Any of the parties hereto may terminate this Agreement by giving to the other party a notice in writing specifying the date of such termination, which shall be the earlier of (i) not less than 90 days after the date of giving such notice or (ii) the date on which the Deposits are repaid in full. Such notice shall not affect or terminate the School District's security interest in the Eligible Securities in the Account. Upon termination hereof, the Bank shall pay to the Custodian such compensation as may be due to the Custodian as of the date of such termination and the Custodian shall follow such reasonable Written Instructions of the Bank and the School District concerning the transfer of custody of Eligible Securities, collateral records and other items. In the event of a discrepancy between Written Instructions of the Bank and the School District, the Custodian shall act pursuant to the School District's Written Instructions. Upon the date set forth in the termination notice, this Agreement shall terminate except as otherwise provided herein and all obligations of the parties to each other hereunder shall cease.

8. Miscellaneous

- a. The School District and Bank each agrees to furnish to the Custodian a new Certificate (Exhibit C) in the event that any present Authorized Person ceases to be an Authorized Person or in the event that any other Authorized Persons are appointed and authorized. Until such new Certificate is received, the Custodian shall be fully protected in acting upon Oral or Written Instructions or signatures of the present Authorized Persons.
- b. Any Written Instructions or other instrument in writing authorized or required by this Agreement shall be given to the Custodian and shall be sufficiently given if sent to the Custodian by regular mail to its Offices set forth on page one or at such other place as the Custodian may from time to time designate in writing.
- c. Any notice or other instrument in writing authorized or required by this Agreement to be given to the Bank shall be sufficiently given if sent to the Bank by regular mail to its Offices set forth on page one or at such other place as the Bank may from time to time designate in writing.
- d. Any notice or other instrument in writing, authorized or required by this Agreement to be given to the School District shall be sufficiently given if sent to the School District by regular mail to its Offices set forth on page one or at such other Offices as the School District may from time to time designate in writing.
- e. In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and unenforceability of the remaining provisions or obligations shall not in any way be affected or impaired thereby and if any provision is inapplicable to any person or circumstances, it shall nevertheless remain applicable to all other persons and circumstances.
- f. This Agreement may not be amended or modified in any manner except by written agreement executed by all of the parties hereto.
- g. This Agreement shall extend to and be binding upon the parties hereto, and their respective successors and assigns; provided, however, that this Agreement shall not be assignable by any party without the written consent of the other parties.
- h. This Agreement shall be construed in accordance with the laws of the State of New York without regard to conflict of law principles thereof.

9. Definitions

Whenever used in this Agreement the following terms shall have the following meanings:

- a. "Account" shall mean the custodial account established with the Custodian for the benefit of the School District as secured party in accordance with this Agreement.
- b. "Adjusted Market Value" shall be one hundred percent of Market Value except that: (1) in the case of Eligible Securities enumerated in subparagraphs (v), (vi) and (vii) of Exhibit B, the Adjusted Market Value shall be an amount equal to its Market Value divided by 0.9 if such Eligible Security is not rated in the highest rating category by at least one nationally recognized statistical rating agency, but is so rated in the second highest rating category, and an amount equal to its Market Value divided by 0.8 if such Eligible Security is not so rated in one of the two highest categories, but is so rated in the third highest rated category; (2) in the case of Eligible Securities enumerated in subparagraphs (viii), (x) and (xi) of Exhibit B, the Adjusted Market Value shall be an amount equal to its Market Value divided by 0.8; and, (3) in the case of Eligible Letters of Credit, the Adjusted Market Value shall be one hundred and forty percent of Market Value.
- c. "Authorized Person" shall be any officer of the School District or Bank, as the case may be, duly authorized to give Oral Instructions or Written Instructions on behalf of School District or Bank, such persons to be designated in a Certificate substantially in the form of Exhibit "C" attached hereto, as such Exhibit may be amended from time to time.
- d. "Bank" shall mean any bank as defined by the banking law of the State of New York or a national banking association located and authorized to do business in New York.
- e. "Book Entry System" shall mean the Federal Reserve/Treasury Book Entry System for receiving and delivering government securities.
- f. "Business Day" shall mean any day on which the Custodian and the Bank are open for business and on which the Book Entry System or the Depositories are open for business.
- g. "Certificate" shall mean the Certificate attached hereto as Exhibit "C".
- h. "Collateral Requirement" shall mean the amounts required in Exhibit "A" unless the Bank and School District agree to a different amount in accordance with this Agreement.
- i. "Depository" shall include the Depository Trust Company, the Participants Trust Company and other securities depositories and clearing agencies (and their successors and nominees) registered with the Securities and Exchange Commission or otherwise regulated by appropriate federal or state agencies as a securities depository or clearing agency.
- j. "Deposits" shall mean all deposits by the School District in the Bank that are available for all uses generally permitted by the Bank to the School District for actually and finally collected funds under the Bank's account agreement or policies.
- k. "Eligible Collateral" shall mean Eligible Securities, Eligible Letters of Credit and Eligible Surety Bonds.
- l. "Eligible Letter of Credit" shall mean an irrevocable letter of credit issued in favor of the School District for a term not to exceed ninety days by either: (1) a bank (other than the Bank) whose commercial paper and other unsecured short-term debt obligations (or, in the case of a bank which is the principal subsidiary of a holding company, whose holding company's commercial paper and other unsecured short-term debt obligations) are rated in one of three highest rating categories based on the credit of such bank or holding company by at least one nationally recognized statistical rating organization; or, (2) by a bank (other than the Bank) which is in compliance with applicable Federal minimum risk-based capital requirements.
- m. "Eligible Securities" shall mean any securities of the types enumerated in the Schedule of Eligible Securities attached hereto as Exhibit "B", as such Schedule may be amended by the

parties in writing from time to time. Such Schedule may establish limitations pertaining to the types or amounts of Eligible Securities which may be provided pursuant to this Agreement.

- n. "Eligible Surety Bond" shall mean a bond executed by an insurance company authorized to do business in the State of New York, the claims paying ability of which is rated in the highest rating category by at least two nationally recognized statistical rating organizations.
- o. "Market Value" shall mean, with respect to any Eligible Security held in the Account, the market value of such Eligible Security as made available to the Custodian by a generally recognized source selected by the Custodian or by the Bank or the most recently available closing bid quotation from such source plus, if not reflected in the market value, any accrued interest thereon, or, if such source does not make available a market value or a closing bid price for a particular security, the market value shall be as determined by the Custodian in its sole discretion based on information furnished to the Custodian by one or more brokers or dealers or based on information otherwise reasonably acceptable to the School District; provided however that, if agreed in writing by the parties hereto, the Bank may provide the Custodian with such Market Values. The Market Value of Eligible Letters of Credit and Eligible Surety Bonds shall be the face amount thereof.
- p. "Margin Percentage" shall equal 10% percent.
- q. "Nationally Recognized Statistical Rating Organization" shall mean Moody's, Standard and Poors, Fitch, Duff and Phelps, BankWatch and IBCA and in the case of Eligible Surety Bonds, shall also include Bests.
- r. "Oral Instructions" shall mean verbal instructions actually received by the Custodian from an Authorized Person or from a person reasonably believed by the Custodian to be an Authorized Person.
- s. "Substitute Collateral" shall have meaning set forth in paragraph c of Section 2 of this Agreement.
- t. "Uninsured Deposits" shall mean that portion of the School District's Deposits with the Bank which exceeds the insurance coverage available from the Federal Deposit Insurance Corporation.
- u. "Written Instructions" shall mean written communications actually received by the Bank or the Custodian from an Authorized Person or from a person reasonably believed by the Bank or the Custodian to be an Authorized Person by a computer, telex, telecopier or any other system whereby the receiver of such communications is able to verify by codes or otherwise with a reasonable degree of certainty the identity of the sender of such communication.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized and their respective seals to be hereunto affixed, as of the day and year first above written.

By: _____
President

By:

By:

EXHIBIT A

OPTION A

Schedule of Anticipated Deposit and Collateral Requirements

	Maximum Amount of Anticipated Uninsured	Amount of Collateral Required Deposits
January	_____	_____
February	_____	_____
March	_____	_____
April	_____	_____
May	_____	_____
June	_____	_____
July	_____	_____
August	_____	_____
September	_____	_____
October	_____	_____
November	_____	_____
December	_____	_____

OPTION B

Collateral Requirement

On any Business Day that the School District has Uninsured Deposits in the Bank, the Bank, in accordance with paragraph b of section 2 of this Agreement, agrees to deliver or cause to be delivered to the Custodian for deposit in the Account Eligible Collateral having an Adjusted Market Value equal to the Collateral Requirement. For purposes of this Agreement, Collateral Requirement shall mean the amount of such Uninsured Deposits times the Margin Percentage, if any.

EXHIBIT B

Schedule of Eligible Securities

- (i) Obligations issued, or 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.
- (ii) Obligations issued or fully guaranteed by the International Bank for Reconstruction and Development, the InterAmerican Development Bank the Asian Development Bank and the African Development Bank.
- (iii) Obligations partially insured or guaranteed by any agency 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.
- (iv) Obligations issued or fully insured or guaranteed by the State of New York obligation issued by a municipal corporation, school district or district corporation of 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.

- (v) Obligations issued by state (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.
- (vi) Obligations of Puerto Rico rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- (vii) Obligations of counties, cities and other governmental entities of a state other than the State of New York having the power to levy taxes that are balanced by the full faith and credit of such governmental entity and rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- (viii) Obligations of domestic corporations rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization.
- (ix) 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.
- (x) Commercial paper and bankers' acceptances issued by a bank other than the Bank rated in the highest short term category by at least one nationally recognized statistical rating organization and having maturities of not longer than 60 days from the date they are pledged.
- (xi) Zero coupon obligations of the United States government marketed as "Treasury Strips".

EXHIBIT C

Certificate of Authorized Persons

Charlotte Valley Central School

INVESTMENT POLICY

Adopted, readopted or revised by the Board of Education on: June 25, 2009

By: _____
Clerk of the Board of Education