



Hudson River Park Trust

March 31

Investment Guidelines

2015

The following comprehensive corporate investment guidelines comply with the requirement for periodic review and updating of investment guidelines set forth in Public Authorities Law Section 2925 and in the Investment Guidelines for Public Authorities adopted by the Comptroller of the State of New York.

HUDSON RIVER PARK TRUST INVESTMENT GUIDELINES

Introduction

Section 2925 of the Public Authorities require each public authority requires corporations to adopt comprehensive investment guidelines which detail the corporation's operative policy and instructions to officers and staff regarding the investing, monitoring and reporting of funds of the corporation. The investment guidelines approved by the corporation shall be annually reviewed and approved by the corporation. The following comprehensive corporate investment guidelines comply with the requirement for periodic review and updating of investment guidelines set forth in Public Authorities Law Section 2925 and in the Investment Guidelines for Public Authorities adopted by the Comptroller of the State of New York.

ARTICLE ONE

Definitions

As used herein the terms set forth below are defined as follows:

- 1.1 "Comptroller" means the State Comptroller,
- 1.2 "Corporation" means the Hudson River Park Trust, as a corporate governmental agency of the State of New York, constituting a public benefit corporation and a political subdivision established pursuant to Chapter 592, Laws, 1998, State of New York.
- 1.3 "Investment Funds" means all monies and financial instruments available for investment by the Corporation.
- 1.4 "Repurchase Agreement" means a repurchase agreement satisfying the requirements set forth in Section 4.2 hereof.
- 1.5 "Securities" means any or all of the investment obligations of the categories described Section 4.1 hereof.
- 1.6 "State" means the State of New York.

ARTICLE TWO

Scope

These guidelines shall govern the investment and reinvestment of investment Funds and the sale and liquidation of investments, as well as the monitoring, maintenance, accounting, reporting, and internal controls by and of the Corporation with respect to such investment, sale, reinvestment, and liquidation.

ARTICLE THREE

Investment Objectives

The Corporation's investment activities shall have as their first and foremost objective the safeguarding of the principal amount of the Investment Funds. Additional considerations regarding the Corporation's investment activities shall be liquidity of investments, realization of a reasonable return on investments, and diversification of investments.

ARTICLE FOUR

Diversification

It is the policy of the corporation's to monitor the diversification of its investments by financial institution, investment instrument, and maturity; and to provide reports of such diversification levels to the Board. The corporation's Investment Funds shall be structured to diversify investments to reduce the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific type of security.

ARTICLE FIVE

Permissible Investments

- 4.1 The Corporation may invest its Investment Funds in any and all of the following, if and to the extent permitted by statutes and regulations applicable at the time of investment:
- (1) Any bonds and other obligation which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by the United States of America;
 - (2) Any bonds and other obligations which as to principal and interest constitute direct obligations of the State or which as to payment of principal and interest are unconditionally guaranteed by the State;
 - (3) Bonds and other obligations of governmental authorities, political subdivisions, or public authorities of the State or of the United States of America, which are securities in which the Corporation lawfully may invest pursuant to applicable statutes and regulations;
 - (4) Prime Commercial Paper issued by domestic banks, corporations, and financial companies rated "A-I" or "P-1" by Standard and Poor's Corporation or Moody's Investors Service, Inc;
 - (5) Certificates of deposit of banks or trust companies authorized to do business in this State, including commercial banks which participate in New York State Excelsior Linked Deposit programs and are authorized program depositories, which certificates of deposit are fully insured by the Federal Deposit Insurance Corporation or fully secured, as required by Section 4.3.1 below, by securities of the character described in clauses (1), (2), or (3) above;

- (6) Subject to the requirements of Section 4.2 below, any Repurchase Agreement with any bank or trust company authorized to do business in the State of New York or with any broker-dealers on the Federal Reserve Bank of New York's list of primary government securities dealers, which agreement is secured by securities of the character described in clauses (1), (2), or (3) above.

4.2 **Specific Requirements Governing Repurchase Agreements.**

- 4.2.1 **Eligible Sellers.** The Corporation shall enter into Repurchase Agreements only with banks or trust companies authorized to do business in the State or from broker-dealers on the Federal Reserve Bank of New York's list of primary government securities dealers only after the Corporation's Chief Financial Officer has reviewed such firm's capitalization and the Corporation's Chief Financial Officer and Chief Executive Officer have set a limit on the amount of monies that the Corporation may invest with such firm at any one time. The placement of Repurchase Agreements shall be distributed among several authorized firms to reduce the level of risk. Not less frequently than once each year, the Corporation's Chief Financial Officer shall review and, if appropriate, recommend adjustment of the investment limit for each eligible seller in light of each seller's current capitalization. All investment limit adjustments shall require the approval of the Chief Financial Officer and the Chief executive Officer.
- 4.2.2 **Eligible Custodian Banks:** To be eligible to hold the securities which are the subject of a Repurchase Agreement, a custodial bank shall be a member of the Federal Reserve Bank or maintain accounts with member banks to accomplish book-entry transfer of securities to the credit of the Corporation. Transfer of securities, whether by book entry or physical delivery, shall be confirmed in writing to the Corporation by the custodial bank. The custodian shall not be the same party that is selling the securities. The Corporation's Directors must affirmatively find that a proposed custodial bank is financially sound before such bank may be eligible to perform custodial services for the Corporation.
- 4.2.3 **Maximum Maturity of Repurchase Agreements:** There shall be no "open repurchase" agreements. Repurchase Agreements shall be limited to a maturity not to exceed ten (10) working days. Collateral shall have maturities not exceeding thirty (30) years.
- 4.2.4 **Standard Terms for Repurchase Agreements:** The Corporation shall execute with each of its broker-dealers a master Repurchase Agreement which outlines the basic rights of both buyer and seller including:
- (1) The events of default which would permit the Corporation to liquidate or purchase the underlying securities;
 - (2) The relationship between parties to the agreement which should ordinarily be purchaser and seller;

- (3) A requirement that there be a written contract with the custodial bank outlining the responsibilities of the bank and the parties to the agreements. Such an agreement must provide, among other things, that the custodial bank: will not make payment for the securities until the bank actually receives them, that the custodial bank takes possession of the securities exclusively for the Corporation, and that any claims of the custodial bank are subordinate to those of the Corporation;
- (4) Procedures which ensure that the Corporation obtains a perfected security interest in the underlying securities. The Corporation or its custodian must take possession of the securities being purchased by physical delivery or book entry. Furthermore, the written agreement shall contain a provision that in the event a court of final jurisdiction construes the specific Repurchase Agreement to be a loan the seller shall be deemed to have granted the Corporation a perfected security interest in the purchased securities;
- (5) The market value of the securities purchased under a Repurchase Agreement must be at least equal to the purchase price. The value of the securities must be monitored and marked to market on a daily basis. Additional securities shall be required if market fluctuations cause the market value of the purchased securities to become less than the purchase price. The Corporation's Chief Financial Officer shall establish the method of computing margin maintenance requirements and providing for timely correction of margin deficiencies or excesses, taking into consideration
 - (a) the size and terms of the transaction;
 - (b) the type of underlying security;
 - (c) the maturity of the underlying security;
 - (d) the capitalization, financial status, and type of purchaser and/or seller; and
 - (e) the method by which additional margin will be maintained; and
- (6) Circumstances, if any, under which substitution of securities subject to the agreement shall be permitted.

4.3 **Specific Requirements Regarding Certificates of Deposit.**

- 4.3.1 **Collateral Requirements:** To the extent that the Corporation's investment in a certificate of deposit is less than fully insured by the Federal Deposit Insurance Corporation, the uninsured portion shall be fully collateralized as set forth in 5.8 below. Collateral for a certificate of deposit must be reviewed at least weekly to determine whether the market value of the securities as shown in the Wall Street Journal equals or exceeds the principal amount of the uninsured portion of the certificate of deposit plus accrued interest. If the market value of the securities is insufficient, the issuer of the certificate of deposit must exchange or add to the amount of collateral to increase its market value to equal or exceed the uninsured portion of the principal amount of the certificate of deposit plus accrued interest.

4.3.2 **Standard Terms for Certificate of Deposit Collateral Agreement.**

The Corporation shall negotiate and enter into a written agreement with each bank and custodian from which it has obtained a certificate of deposit. Such written agreement shall, at a minimum, address the following concerns:

- (1) The frequency of the valuation of the collateral to market, as set forth above, which shall be done by the Corporation at least weekly;
- (2) The right and ability of the bank to substitute like securities as collateral;
- (3) Description of events of default which would permit the Corporation or its custodian to liquidate or purchase the underlying securities;
- (4) Identify the party which is to have title to the underlying securities during the term of the agreement;
- (5) With respect to the custodial bank, the agreement shall also provide that the custodial bank takes possession of the securities as agent of the Corporation and that the claims of the custodial bank are subordinate to those of the Corporation.

ARTICLE SIX

Operating Procedures

- 5.1 **Authorized Officers and Employees:** Only the following persons shall be authorized to make investment decisions on behalf of the Corporation: Chair of the Corporation's Board of Directors, the President and Chief Executive Officer, and the Chief Financial Officer. The implementation of such investment decisions by placement of purchase or sale orders or otherwise shall be effected only by the foregoing officers and employees and by such employees as may from time to time be designated in writing by the Chief Executive Officer.

The organizational structure of the corporation's Office of Finance will provide for a separation of duties between the authorization of investments transactions, the execution of investment transactions and the accounting for investments. The Board shall, by separate Resolution, designate those officers and employees of the Authority that are authorized to approve and execute investment transactions.

- 5.2 **Standards for the Qualification of Brokers, Dealers and Agents:** 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 authorized to do business in the State may be qualified by the Corporation to transact purchases and sales of securities other than Repurchase Agreements. Factors to be considered in determining the qualifications of such firms shall include the firm's capitalization, quality, size, and reliability; the Corporation's prior experience with the firm; and the firm's level of expertise and prior experience as to the contemplated transaction. The determination as to qualification shall be made by the Chief Financial Officer, who shall maintain a list of all such qualified firms.

5.3 **Standards for the Qualification of Investment Advisors:** For the purpose of rendering investment advice to the Corporation, the Corporation may qualify any bank or trust company organized under the laws of any state of the United States of America, any national banking association, and any partnership, corporation, or person which is:

- (1) Authorized to do business in the State;
- (2) Registered with the Securities & Exchange Commission under the Investment Advisor Act of 1940;
- (3) Registered with the New York State Secretary of State as an Investment Advisor; and
- (4) A member in good standing of the Investment Counsel Association of America.

The Corporation also shall consider the additional criteria, other than capitalization, enumerated in Section 5.2 above.

5.4 **Standards for the Qualification of Custodial Banks:** To be eligible to hold securities as collateral for an investment made by the Corporation, a custodial bank shall be a member of the Federal Reserve Bank or maintain accounts with member banks to accomplish book-entry transfer of securities to the credit of the Corporation. Transfer of securities, whether by book-entry or physical delivery, shall be confirmed in writing to the Corporation by the custodial bank. The custodian shall not be the same party that is selling the securities. To be eligible to perform custodial services, the Corporation's Directors must affirmatively find that the proposed custodian bank is financially sound.

5.5 **Competitive Bids, Negotiated Prices:** As to the purchase and sale of securities, for each transaction in excess of two and one-half million dollars (\$2,500,000.00) (or such other threshold dollar amount as the Chief Financial Officer may specify in writing), the Corporation shall obtain and use competitive quotations. For each transaction which is equal to or less than two and one-half million dollars (\$2,500,000.00) (or such other threshold dollar amount as the Chief Financial Officer may specify in writing), the Corporation may use either competitive quotations or negotiated prices. The foregoing shall not apply to the purchase of government securities at initial auction. A complete and continuous record of all quotes, solicited and received, shall be maintained by the Chief Financial Officer.

For each transaction, other than the purchase of governmental securities at initial auction, in excess of two and one-half million dollars (or such other threshold dollar amount as the Chief Financial Officer may specify in writing), a minimum of three separate solicitations shall be made on each direct purchase or sale of a security, including a Repurchase Agreement. The transaction shall be awarded to the dealer(s) offering the highest yield of return, provided that, with respect to Repurchase Agreements, the amount of the investment with each individual firm does not exceed the investment limit referred to in Section 4.2.1 above.

- 5.6 **Written Contracts and Confirmations:** A written contract or a written confirmation shall be required for each investment transaction. As to the purchase or sale of securities other than Repurchase Agreement, the Corporation shall not be required to enter into a formal written contract, provided that the Corporation's oral instructions to its broker, dealer, agent, investment advisor, or custodian with respect to such transactions are confirmed in writing at the earliest practicable moment. A written contract shall be required for each purchase and sale of a Repurchase Agreement.
- 5.7 **Payment:** Payment for investments shall be made only upon written confirmation of presentation of the physical security, or in the case of book-entry form securities, when credited for the Corporation's account with the custodian. The custodian may act on oral instructions from an authorized officer of the Corporation, such instructions to be confirmed in writing immediately by an authorized officer of the custodian. On the date of purchase, such collateral shall be at least equal in market value to the amount of the investment plus accrued interest.
- 5.8 **Collateral:** The Corporation's financial interest in its investments shall be fully secured or collateralized at all times in an amount not less than the original amount invested plus accrued interest thereon. Only securities permissible for investment by the Corporation pursuant to these Guidelines, but not Repurchase Agreements, may be accepted as collateral. Pledges of proportionate interests in pooled collateral shall not constitute acceptable collateral. In the case of certificates of deposit and demand and time deposits, collateral shall be provided for amounts in excess of the applicable limit of coverage provided by the Federal Deposit Insurance Corporation. Collateral shall be maintained in the custody of the Corporation or an approved third party custodian at all times. To assure that at all times the market value of the collateral is at least equal to the original amount invested plus accrued interest, collateral shall be marked to market at the time the investment is made and daily thereafter with respect to Repurchase Agreements and weekly with respect to certificates of deposit.
- 5.9 **Operating Procedure Manual:** The Corporation's Chief Financial Officer shall prepare a Standard Operating Procedure Manual for placing, controlling, and reporting all investment activity. This Manual shall be consistent with these guidelines, approved by the Corporation's Chief Financial Officer and Chief Executive Officer, and consistent with the following requirements:
- (1) Each disbursement of funds and corresponding receipt of securities or delivery of securities and corresponding receipt of funds shall be based upon proper written authorization. If the authorization is initially given orally, there shall be electronic or other written confirmation from the Corporation's authorized officer to the custodian;
 - (2) The process of initiating, reviewing, and approving requests to buy and sell securities shall be documented and retained for audit purposes. Dealer limits shall be established and reviewed regularly;
 - (3) Custodians shall have prior electronic or other written authorization from the Corporation to deliver obligations and collateral. All transactions shall be confirmed in writing to the Corporation. Delivery of obligations sold shall only be made upon receipt of funds;

- (4) Custodial banks shall be required to report whenever activity has occurred in the Corporation's custodial account;
- (5) There shall be at least monthly verification of both the principal amount and the market values of all investments and collateral. Appropriate listings shall be obtained from the custodian and compared with the Corporation's records;
- (6) A record of investments shall be maintained by the Corporation's Chief Financial Officer. The records shall identify the security, the fund for which held, the place where kept, date of disposition and amount realized, and the market value and custodian of collateral;
- (7) The establishment and maintenance of a system of internal controls;
- (8) Methods for adding or changing information contained in the investment record, including a description of the documents to be created and verification tests to be conducted.
- (9) A data base or record incorporating descriptions and amounts of investments, transaction dates, interest rates, maturities, bond ratings, market prices, and related information necessary to manage the portfolio; and
- (10) Requirements for periodic reporting and a satisfactory level of accountability.

ARTICLE SEVEN

Reports and Audits

The following reports and audits shall be prepared in connection with the Corporation's investment program.

- 6.1 **Annual Investment Report.** Within ninety (90) days after the close of each fiscal year of the Corporation, the Chair of the Board of Directors shall submit to the Directors and file with the State Division of the Budget, State Comptroller, State Senate Finance Committee, and Assembly Ways and Means Committee an annual investment report, prepared by the Chief Financial Officer, which shall include the following:
 - (1) The Investment Guidelines required by Public Authorities Law Section 2925(3) and any amendments to such guidelines since the last investment report;
 - (2) The results of the Annual Investment Audit describe below;
 - (3) The investment income record of the Corporation; and
 - (4) A list of 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 date of the last investment report.

6.2 **Annual Investment Audit.** Each year, the Corporation shall cause its independent auditors to conduct an audit (the "Annual Investment Audit") regarding the Corporation's investments. The Corporation's financial statements as to investments shall be prepared in conformity with generally accepted accounting principles for governments and shall contain all of the note disclosures on deposits with financial institutions and investments required by the Governmental Accounting Standards Board Statement No. 3, "Deposits with Financial Institutions, Investments including Repurchase Agreements, and Reverse Repurchase Agreements" dated April 1986.

The Annual Investment Audit shall:

- (1) Determine whether: the Corporation complies with its own investment policies; investment assets are adequately safeguarded; adequate accounts and records are maintained which accurately reflect all transactions and report on the disposition of the Corporation's assets; and a system of adequate internal controls is maintained.
- (2) Determine whether the Corporation has complied with applicable laws, regulations, and the State Comptroller's Investment Guidelines; and
- (3) Be designed to the extent practicable to satisfy both the common interest of the Corporation and of public officials.

6.3 **Annual Investment Audit Report.**

The results of the Annual Investment Audit shall be set forth in a report (the "Annual Investment Audit Report") which shall include without limitation:

- (1) Verification of collateral;
- (2) A description of the scope and objectives of the audit;
- (3) A statement that the audit was made in accordance with generally accepted government auditing standards;
- (4) A description of any material weaknesses found in the internal controls;
- (5) A description of all non-compliance with the Corporation's investment policies as well as applicable laws, regulations, and the State Comptroller's Investment Guidelines;
- (6) A statement of positive assurance of compliance on the items tested and negative assurance on those items not tested;
- (7) A statement on any other material deficiency or finding identified during the audit not covered in (6) above; and
- (8) Recommendations, if any, as to amendment of these Guidelines.

The Annual Investment Audit Report shall be filed within ninety (90) days after the close of the Corporation's fiscal year on the Public Authority Internal Reporting System (PARIS) and will be

posted on the corporation's website.

ARTICLE EIGHT

Affirmative Action

The Corporation shall seek to encourage participation by minority and women-owned financial services firms in the conduct of the Corporation's activities.

ARTICLE NINE

Miscellaneous

- 8.1 In connection with each Annual Investment Audit, the Corporation shall review these Guidelines to determine whether to amend them.
- 8.2 The Corporation's policy regarding conflicts of interest shall be followed regarding the investment of funds.