



Monday, January 22, 2018
21 Lodge Street, 11:00 a.m.

CAPITALIZE ALBANY
CORPORATION

Capitalize Albany Corporation
Finance and Investment Committee Meeting
Agenda

1. Review of the minutes from the Finance & Investment Committee meeting of December 8, 2017
2. Quarterly Financial Report
3. Quarterly Investment Update
4. Loan Allowances 2018
5. 420 Broadway Albany, LLC Loan Request
6. Annual Review of Corporate Policies
 - a) Review Draft Annual Real Property Report
 - b) Review Finance Committee Charter
 - c) Review Investment Policy
 - d) Review Procurement Policy
7. Other Business

**Capitalize Albany Corporation Finance & Investment Committee Meeting
MINUTES
December 8, 2017**

The meeting of the Capitalize Albany Corporation Finance & Investment Committee was held at 10:00 a.m., Friday, December 8, 2017 at 21 Lodge Street.

The following were in attendance:

Committee Members:

Anders Tomson, John Vero and John Harris

Other:

Thomas M. Owens, Esq.

Staff:

Sarah Reginelli, Mark Opalka, Joe Landy, Andy Corcione, Ashley Mohl and Chantel Burnash

Excused:

Jeff Sperry and Bob Curley

The regular meeting of the Capitalize Albany Corporation Finance & Investment Committee was called to order at 10:09 a.m.

Approval of Minutes for November 20, 2017 Finance & Investment Committee Meeting

The Committee reviewed the minutes of the November 20, 2017 meeting. John Harris made a motion for approval. John Vero seconded. The Committee agreed unanimously to approve the minutes.

526 Central Avenue Update

Counsel Owens discussed the purchase and sale agreement with Regan Development Corporation with the Committee. The Committee and Staff discussed the transaction.

A motion to move the purchase and sale agreement to the full Board with positive recommendation was made by John Vero and seconded by John Harris. The motion passed unanimously.

Liberty Park due diligence

Staff and Committee discussed the status of the URI funding request, the property management structure and updated cash flow analysis, possible disposition/development structure, as well as the purchase and sale agreement for the site. The Committee agreed to recommend advancing the purchase and sale agreement to the full Board. The Committee discussed expenses incurred to date related to the due diligence period.

Other Business

None.

There being no further business the Capitalize Albany Corporation Finance & Investment Committee meeting was adjourned at 11:49am.

Capitalize Albany Corporation
21 Lodge Street
Albany, New York 12207

MEMORANDUM

TO: Capitalize Albany Finance & Investment Committee
FROM: Mark Opalka
RE: Capitalize Albany Corporation 4th Quarter Financial Reports
DATE: January 22, 2018

BUDGET PERFORMANCE

On a pre-audit basis, through December 31, 2017, the Capitalize Albany Corporation had net income of \$77,213. This position compares favorably to the year-to-date (YTD) budgeted net loss of \$164,458. Capitalize Albany Corporation had net income of \$79,686 at December 31, 2016.

My comments below address those categories that deviate in excess of 5% and greater than \$5,000 from the YTD budget.

- **YTD 2017 revenue is \$1,505,374, which is \$99,942 (7%) above the 2016 budget.**
 - **Loan Interest Income.** Loan interest income is \$85,295 which is \$19,153 (18%) under budget. This variance is a direct result loan payoffs that occurred in 2017 as well as an approved loan in the amount of \$500,000 not closing by year end.
 - **Fee Income.** Fee income is \$21,056 which is \$6,829 (24%) under budget. This variance is a direct result of a loan that was approved in 2017 not closing by year end.
 - **Investment & Interest Income.** Interest and Investment Income is \$138,117 which is \$66,351 (92%) over budget. This variance is a direct result of market performance that occurred during 2017.
 - **Membership & Event Support.** Membership and Event Support is \$39,945 which is \$6,445 (19%) over budget. This variance is a direct result of the Corporation receiving more investor payments than was budgeted for.
 - **Project & Program Revenue.** Project and Program revenue is \$63,511. This revenue is from grant revenue realized from the Amplify Albany and Downtown Retail grant programs. These revenues have offsetting project and program expenses. This revenue was not budgeted for in the 2017 budget.

- **YTD 2017 expenses are \$1,428,161 which is \$141,729 (9%) above the 2017 budget.**
 - **Salary & Fringe Expense.** Salary and Fringe expense are \$704,341 which is \$126,011 (15%) under budget under budget. This variance is attributable to lower staffing levels compared to 2016.
 - **Professional Fee Expense.** Professional fee expenses are \$221,666 which is \$18,953 (8%) under budget. The variance is attributable to lower legal, accounting, and IT expenses.
 - **Administrative Expense.** Administrative expenses are \$65,253 which is \$25,254 (28%) under budget. This variance attributable to lower office, director, and meeting expenses.
 - **Interest Expense.** Interest expenses are \$25,255 which is \$11,543 (84%) over budget. This variance mainly attributable to the 200 HJB accrued bond interest not being budgeted in the 2017 annual budget.
 - **Occupancy Expense.** Occupancy expenses are \$30,600 which is \$17,309 (36%) under budget. This variance is mainly attributable to lower utility and maintenance costs incurred by the Corporation.
 - **Project & Program Expense.** Project and Program Expenses are \$103,442. These expenses were for the disbursement of Amplify Albany and Retail Program grants awarded as well as due diligence expenses related to possible acquisition of the Liberty Park properties from the ACCA. These expenses were not budgeted for in the 2017 budget.

LOANS

- The following borrowers paid off their loans in full in 2017
 - Sixty State Place – Capitalize Albany real estate Loan fund
 - Barbara Smith – Ten Broeck Loan
 - Constance Spann – Ten Broeck Loan
 - Danz Properties – Enterprise Community Loan

BALANCE SHEET

- At December 31, 2017, compared to December 31, 2016, unrestricted cash has increased by \$545,790
- Restricted cash has increased \$87,188 due to loan repayments.
- Mortgage notes receivable has decreased by \$644,364. This is a result of a loan payoffs as well as scheduled loan payment activity.
- Net investment in direct financing leases has been reduced by approximately \$172,631. This is due to scheduled lease payments, the largest of which are the payments from ACDA. Additionally, ACDA payments are applied to the principal amount of bonds outstanding for 200 Henry Johnson Boulevard.

- Liabilities have decreased by approximately \$372,201. This is due to principal payments applied against Capitalize Albany's bond indebtedness as well as a decrease in unearned grant revenue due to the awarding of Amplify Albany and Downtown Retail Grants in 2017

- **CASH FLOW STATEMENT**

- Capitalize Albany's December 31, 2017 cash and cash equivalents increased 545,776 to \$4.92 million. This increase is primarily due to loan repayments which occurred during 2017.
- Projected 2017 cash flow provided by operational activities reflect scheduled project grants activity, receipt of payment under the CAIDA Professional Service Agreement, scheduled lease and rental receipts, and payment of various administrative expenses
- Cash used in capital and financing activities reflects scheduled debt service payments during 2017.
- Cash flow from investing activities reflects projected loan disbursement and repayment activity, direct finance lease payments, and investment activity.

	January 1, 2017 - December 31, 2017				
	4th Qtr	YTD Actual	YTD Budget	Variance - \$	Variance - %
<u>REVENUE</u>					
General Economic & Community Development Support Income	\$ 192,400	\$ 484,906	\$ 497,443	\$ (12,537)	-3%
Real Estate Income	188,499	300,149	298,709	1,439	0%
Professional Service Agreement Income	87,146	348,582	348,582	-	0%
Loan Interest Income	20,082	85,295	104,449	(19,153)	-18%
Fee Income	3,248	21,056	27,885	(6,829)	-24%
Direct Finance Lease Income	506	23,813	23,098	716	3%
Investment & Interest Income	23,760	83,200	71,766	11,434	16%
FMV Adj on Fidelity Inv	10,434	56,598	-	56,598	100%
G/L on Sale/Redemption	162	(1,681)	-	(1,681)	100%
Membership & Event Support	1,540	39,945	33,500	6,445	19%
TOTAL REVENUE	\$ 527,776	\$ 1,441,863	\$ 1,405,432	\$ 36,431	3%
<u>EXPENSE</u>					
Salaries & Fringe Expense	\$ 211,579	\$ 704,341	\$ 830,352	\$ (126,011)	-15%
Professional Fees	42,612	221,666	240,619	(18,953)	-8%
Administrative Expenses	5,853	65,253	90,507	(25,254)	-28%
Interest Expense	14,617	25,255	13,712	11,543	84%
Real Estate Expenses	9,788	36,384	38,085	(1,701)	-4%
Occupancy Expense	11,612	30,600	47,909	(17,309)	-36%
Bad Debt Expense (recovery)	31,195	32,212	-	32,212	100%
Membership & Event Expense	6,395	9,468	12,700	(3,232)	-25%
TOTAL EXPENSES BEFORE DEPRECIATION	\$ 333,651	\$ 1,125,179	\$ 1,273,884	\$ (148,705)	-12%
NET INCOME BEFORE DEPRECIATION & PROGRAM ACTIVITY	\$ 194,126	\$ 316,684	\$ 131,548	\$ 185,136	141%
DEPRECIATION	\$ 199,428	\$ 199,428	\$ 196,006	\$ 3,422	2%
NET INCOME (LOSS) AFTER DEPRECIATION	\$ (5,302)	\$ 117,256	\$ (64,458)	\$ 181,714	282%
<u>PROJECT & PROGRAM REVENUE</u>					
Blight to Betterment	\$ -	\$ -	\$ -	\$ -	0%
CACRC Grant	21,996	63,511	-	63,511	100%
New York Main Street	-	-	-	-	100%
Total Program Income	\$ 21,996	\$ 63,511	\$ -	\$ 63,511	100%
<u>PROJECT & PROGRAM EXPENSE</u>					
Liberty Park Expenses	\$ 32,543	\$ 32,543	\$ -	\$ 32,543	100%
Capitalize Albany Amplify and Retail Grants	21,996	63,511	-	63,511	100%
Impact Downtown Albany	7,500	7,500	100,000	(92,500)	-100%
Total Program Expense	\$ 62,039	\$ 103,554	\$ 100,000	\$ 3,554	4%
NET INCOME (LOSS) FROM PROGRAM ACTIVITY	\$ (40,043)	\$ (40,043)	\$ (100,000)	\$ 59,957	60%
NET INCOME (LOSS) AFTER DEPRECIATION & PROGRAM ACTIVITY	\$ (45,344)	\$ 77,213	\$ (164,458)	\$ 241,671	147%

CAPITALIZE ALBANY CORPORATION**Comparative Balance Sheets****Pre-Audited Draft****Assets**

Current Assets:

Cash and cash equivalents

Investments

Restricted cash

Mortgage notes receivable, net

Net investment in direct financing leases

Accrued interest receivable

Grants receivable

Receivables from the City of Albany and City agencies

Other receivables, net

Property held for investment and lease, net

Property and equipment, net

Other assets

Total assets**Deferred Outflows of Resources****Liabilities**

Current Liabilities:

Accounts payable and accrued expenses

Due to the City of Albany

Unearned grant and other income

Bonds payable

Revolving loan fund liability

Unearned program support

Total liabilities**Deferred Inflows of Resources****Net Position**

Net invested in capital assets

Restricted for:

Debt service

CDBG eligible activities

Other program specific activities

Impact Downtown Albany

Unrestricted

Total net position

	Projected December 31, 2017	December 31, 2016
	\$	\$
Cash and cash equivalents	4,916,054	4,370,264
Investments	3,626,381	3,525,663
Restricted cash	727,065	639,776
Mortgage notes receivable, net	1,888,598	2,532,962
Net investment in direct financing leases	188,248	360,879
Accrued interest receivable	32,342	38,421
Grants receivable	-	-
Receivables from the City of Albany and City agencies	100,000	112,640
Other receivables, net	103,758	90,737
Property held for investment and lease, net	2,045,243	2,220,725
Property and equipment, net	330,301	354,246
Other assets	652,215	658,768
Total assets	\$ 14,610,205	\$ 14,905,081
Deferred Outflows of Resources	\$ -	\$ -
	\$	\$
Accounts payable and accrued expenses	102,130	88,781
Due to the City of Albany	72,892	72,892
Unearned grant and other income	883,112	904,881
Bonds payable	1,700,000	2,030,000
Revolving loan fund liability	670,944	704,614
Unearned program support	67,365	67,365
Total liabilities	\$ 3,496,442	\$ 3,868,533
Deferred Inflows of Resources	\$ -	\$ -
	\$	\$
Net invested in capital assets	854,971	854,971
Restricted for:		
Debt service	171,483	171,483
CDBG eligible activities	114,010	114,010
Other program specific activities	11,774	11,774
Impact Downtown Albany	-	-
Unrestricted	9,961,525	9,884,308
Total net position	\$ 11,113,763	\$ 11,036,546

Capitalize Albany Corporation**STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN NET ASSETS**

Pre Audited Draft

	Projected December 31, 2017	Year Ended December 31, 2016
Revenues		
Grant income and Contribution Income	\$ 548,417	\$ 775,344
Rental income	300,843	301,246
Other interest and investment income	161,236	159,003
Interest income on mortgage notes	85,295	93,114
Gain on sale of properties	-	-
Fees and other income	409,583	437,301
Total revenues	1,505,374	1,766,008
Expenses		
Salaries and fringe benefits	704,341	801,106
Program and project costs	317,891	466,535
Interest expense	25,255	29,529
Bad debt expenses (recovery)	32,212	6,997
Administrative Expenses	348,461	382,156
Total expenses	1,428,160	1,686,323
Excess of (expenses over revenues) revenues over expenses	77,213	79,685
Net Position, Beginning of Year	11,036,546	10,956,861
Net Position, End of Month	\$ 11,113,763	\$ 11,036,546

CAPITALIZE ALBANY CORPORATION
STATEMENTS OF CASH FLOWS
Pre-Audited Draft

Cash Flows From Operating Activities

	Projected December 31, 2017	December 31, 2016
Cash received from customers	\$ 411,030	\$ 412,116
Cash received from grantors	492,978	1,164,756
Other operating cash receipts	409,583	417,737
Cash payments to suppliers and grantees	(505,363)	(690,116)
Cash payments to employees	(704,341)	(801,106)

Net cash provided by operating activities 103,887 503,387

Cash Flows From Capital and Related Financing Activities

Proceeds from sale of property held for sale	-	-
Purchase of property held for investment and lease	-	-
Purchase of property and equipment	0	-
Purchase of other assets including purchase options	-	-
Principal payments on bonds payable	(330,000)	(320,000)
Interest paid on bonds payable	(28,130)	(32,308)

Net cash used in capital and related financing activities (358,130) (352,308)

Cash Flows From Investing Activities

Interest on cash and cash equivalents and investments	83,917	101,828
Net decrease (increase) in restricted cash	(87,289)	(60,171)
Proceeds from sales and maturities of investments	6,146,630	3,351,824
Purchase of investments	(6,192,432)	(3,395,389)
Issuance of mortgage notes receivable	-	(400,000)
Repayments received on mortgage notes receivable	676,576	298,713
Principal payments received under direct financing leases	172,630	160,182

Net cash used in investing activities 800,032 56,987

Change in cash and cash equivalents

545,790 208,066

Cash and cash equivalents:

Beginning of year 4,370,264 4,162,198

End of year \$ 4,916,054 \$ 4,370,264

Reconciliation of Excess of (Expenses Over Revenues)

Revenues Over Expenses to Net Cash Provided by

Operating Activities

	Projected December 31, 2017	December 31, 2016
Excess of (expenses over revenues) revenues over expenses	\$ 77,213	\$ 79,685
Adjustments to reconcile excess of (expenses over revenues) revenues over expenses to net cash provided by operating activities:		
Depreciation and amortization	199,427	199,306
Adjustment for losses on mortgage notes and other receivables	(32,212)	(2,785)
Gain on sale of property	-	-
Net realized and unrealized losses (gains) on investments	(54,916)	(45,054)
Interest income on cash and cash equivalents and investments	(83,918)	(100,195)
Interest expense on bonds payable	28,130	29,529
Changes in:		
Grants receivable	-	-
Other receivables, accrued interest receivable and other assets	(386)	4,002
Accounts payable and accrued expenses	13,348	(40,731)
Due to the City of Albany	12,640	(12,691)
Unearned grant, program support and other income	(21,769)	391,319
Revolving loan fund liability	(33,670)	1,002

Net cash provided by operating activities \$ 103,887 \$ 503,387

CAPITALIZE ALBANY CORPORATION PROPERTY

<u>Parcel ID</u>	<u>Acres</u>	<u>Location</u>
76.34-2-32	0.06	21 Lodge Street
65.65-2-84	0.41	170 Henry Johnson Blvd.
65.82-5-35	0.11	174 North Pearl Street
76.8-1-3	0.38	35 Spencer Street
76.27-1-25.1	0.03	Spencer Street
76.8-1-4	0.06	41 Montgomery Street
65.82-5-38	0.07	168 North Pearl Street
65.82-5-37	0.07	170 North Pearl Street
76.26-4-12	0.03	27 Clinton Avenue
76.26-4-11	0.03	27 1/2 Clinton Avenue
76.26-4-10	0.04	29 1/2 Clinton Avenue
76.27-1-20	0.31	683 Broadway (1 Quakenbush Square)
76.26-4-15	0.44	Front of 11 Clinton Avenue
65.65-5-80	0.04	200A Henry Johnson Blvd. (State of NY)
65.65-5-79	0.04	200B Henry Johnson Blvd. (CAIDA)
65.65-5-78	0.04	200C Henry Johnson Blvd. (CAIDA)
	0.56	Corning Preserve - Riverfront Bar & Grill
	5.36	Corning Preserve - 2002 Port Bonds/Improvements

CAC FINANCE & INVESTMENT COMMITTEE CHARTER

The Finance & Investment Committee Charter was adopted by the Board of Directors of the Capitalize Albany Corporation (“CAC”) on March 31, 2009 and amended on January 26, 2016.

Purpose

The purpose of the Finance & Investment Committee shall be to (1) ensure the financial health of CAC (2) ensure that CAC assets are protected and resources are used appropriately and (3) assist the Board in understanding CAC’s financial condition.

Scope of Responsibilities

The CAC Finance & Investment Committee shall be responsible for the following:

- Project review
 - Review projects and recommend action for Board approval.
 - Review proposals for the issuance of debt.
- Involvement with CAC finance department management.
 - Work with management to ensure timely and accurate financial data is presented to the Board.
 - Review and recommend new or revised financial policies to the Board for approval.
- Budget Oversight
 - Provide guidelines for the development of the annual operating budget.
 - Review and recommend an annual operating budget for Board approval.
 - Review the financial performance of CAC against budget projections for the period to-date.
- Investment Oversight
 - Develop the investment policy for CAC and review this policy annually.
 - As necessary, recommend investment policy changes to the Board for approval.
 - Meet with the investment manager (if any) at least annually to review the performance. As appropriate, conduct a search for and select a new investment manager.
 - Coordinate with Audit Committee to deliver annual investment report to CAC Board of Directors.
- Meet with CAC staff or outside counsel, as necessary.
- Retaining, at the CAC’s expense, such outside counsel, experts and other advisors as the Finance & Investment Committee may deem appropriate, upon approval of said expenditure(s) by the CAC Board of Directors.

- Recommend any recommend changes to its Committee Charter to the Board.

The CAC Board will ensure that the Finance & Investment Committee has sufficient resources to carry out its duties.

Composition of Committee and Selection of Members

The membership of the Committee shall be as set forth in accordance with and pursuant to Article IV, Section 9 of the Corporation's bylaws. The Finance and Investment Committee shall be comprised of not less than three (3) independent members. The members shall serve until their resignation, retirement, removal by the Board or until their successors shall be appointed and qualified. When feasible, the immediate past Finance and Investment Committee Chair will continue serving as a member of the Committee for at least one year to ensure an orderly transition.

Finance & Investment Committee members shall possess or obtain a basic understanding of financial reporting, accounting, and auditing.

Meetings

The Committee will meet a minimum of four times per year, with the expectation that additional meetings may be required to adequately fulfill all the obligations and duties outlined in the charter. Meeting agendas will be prepared for every meeting and provided to Committee members in advance of the scheduled meeting, along with the appropriate materials needed to make informed decisions. The Committee shall act only on the affirmative vote of a majority of the members at a meeting or by unanimous consent. Minutes of these meetings are to be recorded.

Members of the Committee, as well as the appropriate senior staff are expected to attend each committee meeting, in person or via telephone or videoconference.

The Committee may invite other individuals to attend meetings and provide pertinent information, as necessary.

GUIDELINES FOR INVESTMENTS CAPITALIZE ALBANY CORPORATION

These guidelines detail the operative policy regarding the investing, monitoring and reporting of funds of the Capitalize Albany Corporation (“CAC”).

1) Purpose.

These investment guidelines (“Guidelines”) are intended to:

- a) Establish a system whereby current funds on hand, in excess of immediate and near-term needs, are invested to assure that such investment assets are adequately safeguarded and collateralized.
- b) Assure that such investments are adequately liquid to meet the operational needs of the CAC;
- c) Assure that an adequate system of internal control is maintained; and
- d) Assure that such investments produce a reasonable rate of return.

The primary objectives of this portfolio are: (1) preservation of capital, (2) liquidity, and (3) prudent growth of principal.

2) Authorization and Management.

The Board Members of the CAC have delegated the authorization to make day-to-day investment decisions to the President and/or Controller (“Authorized Persons”), subject to the direction from the Board and/or Finance and Investment Committee. Detailed reports of the corporation’s investments will be provided to the Finance and Investment Committee and the Committee will provide a summary of such report/required actions to the Board at the next scheduled meeting.

These Authorized Persons are to make certain that all CAC investment decisions/actions conform to:

- a. section 2925 of the Public Authorities Law; and
- b. these Guidelines.

The Authorized Persons are authorized to deposit all funds received by the CAC (in excess of those needed for on-going operations) consistent with these guidelines. Additionally, subject to Board/Finance and Investment Committee Approval, a professional investment advisor (“Advisor”) may be retained to assist the CAC’s implementation of these Guidelines and the CAC may grant the advisor discretion to execute transactions within the context of these Guidelines. The advisor will be expected to act as a fiduciary at all times in the best interest of the CAC.

3) Investment Strategy

CAC's investment objectives will be achieved primarily with fixed-income investments and, to a lesser extent, with quality equity investments. However, there is no requirement that the portfolio contain equities.

Fixed-income securities in the combined portfolios will include cash equivalents, short- and intermediate-term fixed-income securities. The portfolio will be allocated to these categories based upon cash flow needs as determined by CAC.

Equity investments will be well diversified, high grade and readily marketable.

The investment return on the short-term fixed-income portion of the portfolio will be measured against short-term U.S. Treasury Bills. The investment return on the intermediate-term fixed-income portion of the portfolio will be measured against the Barclays Intermediate Government Credit Index. The investment return on the equity portion of the portfolio, when appropriate, will be measured against the S&P 500.

Asset Allocation*

<i>Asset Class</i>	<i>Min. Wt.</i>	<i>Max. Wt.</i>	<i>Representative Index</i>
Equities	0%	15%	S&P 500 and MSCI EAFE
<i>Domestic</i>	85%	100%	S&P 500
<i>International**</i>	0%	15%	MSCI EAFE
Fixed Income	80%	95%	BCS Int. Govt./Credit***
Cash or Equivalents	3%	25%	Treasury Bill

* The Asset Allocation requirements contained above are only intended to apply to those funds directed by the Finance and Investment Committee to be placed with the Advisor. All other funds of the Corporation are to be placed in the "Cash or Equivalents" category.

** Only broadly diversified Exchange Traded Funds will be used for investing in international equities.

*** Or other broad-based bond market benchmark agreed upon by CAC.

4) Types of Investments.

a. Cash and Fixed-Income. Subject to the conditions and restrictions contained in 3(A)(8) below, the following types of cash or fixed income investments are approved:

1. Deposits in Savings, Checking and/or Money Market Type accounts of banks doing business in New York that are collateralized or fully insured by the FDIC as to principal and expected interest.

2. Obligation of the U.S. Treasury, AAA-rated U.S. Government Agencies and obligations guaranteed by the U.S. Treasury or AAA-rated U.S. Government agencies. There is no limit on these investments, except that no more than 15% of the fixed-income segment can be invested in Government guaranteed mortgage pass through securities.

3. Certificates of Deposit collateralized or fully insured by the Federal Deposit Insurance Corporation as to principal and expected interest.
4. Corporate debt obligations as follows:
 - a. Commercial Paper; and
 - b. Short-Term Notes or Corporate Bonds

Commercial paper must be rated at least A1/P1 with a maximum maturity of nine months. Corporate notes and bonds must be rated at least A1 by Moody's or A+ by Standard and Poor's.

5. Money market funds managed by nationally recognized investment management companies in funds with net assets of \$1 billion or more.
6. Tax-Exempt or Taxable Municipal Securities as follows:
 - a. Municipal notes and bonds;
 - b. Adjustable rate municipals; and
 - c. Tax-Exempt commercial paper.

Municipal obligations must be rated at least "A" (or the equivalent) by a nationally recognized credit rating agency. Insured obligations must have an underlying rating of at least "A".

7. Any obligation that is not guaranteed by the U.S. Government or one of its agencies is limited to 10% of the portfolio.
8. The Following Conditions and Restrictions Apply to Fixed-Income Investments:
 - a. No less than 25% of the portfolio will possess a final maturity of one year or less.
 - b. The maximum weighted average maturity of the fixed-income securities (exclusive of the portion of the portfolio that matures within one year) may not exceed four years.
 - c. No less than 50% of the fixed-income securities must be obligations of the U.S. Treasury or Government Agency.
 - d. Fixed income securities with a maturity, expected average maturity, or reset period greater than 10 years are prohibited.
 - e. Fixed income or interest rate futures are prohibited
 - f. Risky or volatile derivative securities as commonly defined by the financial industry are prohibited.
 - g. Zero coupon Treasury bonds are permitted.
 - h. CMO securities of any type are not permitted.
 - i. Cash reserves should be invested in interest bearing securities or in an appropriate money market fund or saving/checking account.

Since it is not a regular business practice for a written contract with respect to these types of investments, no written contract is required. The operating practices herein shall govern.

- b. Equity. Equity investments are to be chosen from the New York Stock Exchange, American Stock Exchange, the regional exchanges, or the national over-the-counter market. No more than 30% of the market value of the equity portion of the portfolio should be in any one industry and no more than 10% in any one security.
- c. Collateral and Securitization. Other than those investments identified in 4(a)(1) and 4(a)(3), no collateralization or securitization of the investments are required.
- d. Written Contracts. No written contracts are required for any of the approved CAC investments except for all normal and customary investment/account documents (e.g. account statements, etc.) which provide that CAC is the full and only owner of the respective investment.

5) Operating Procedures.

- a) Approvals: The Advisor will be consulted by the Authorized Persons prior to executing any investment transactions. Authorized Persons must approve all investment transactions before they are executed.
- b) Collateral: The custodian of all collateral involved in any investment transaction must be either the CAC or third party custodian acceptable to the CAC. If at any time the required collateral does not equal the value of the investment, the CAC shall inform the third party custodian of additional collateral required. If additional collateral is not added immediately by the third party custodian involved, the CAC shall demand the return of the amount invested. Any custodian or trustee of securities in any transaction of which the CAC is a principal may not relinquish control over such securities without written consent of the CAC and the bank. Whenever investments require collateralization, such investments must be collateralized by direct obligations of the United States or New York State Government or obligations the principal and interest of which are guaranteed by the United States, one of its agencies or New York State Government.
- c) Tracking and Accounting. CAC will account for investments in accordance with generally accepted accounting principles (GAAP) for all financial statements. CAC shall receive reports monthly from any custodian/bank holding CAC investments. The Controller will review such reports monthly and verify the principal amount and market values of all investments and collateral.

6) Guidelines Annual Review or Modifications.

- a) The CAC Finance and Investment Committee and Board will review these Guidelines at least annually and may by Board resolution modify these Guidelines at any time.

7) Reports and Audits.

- a) Quarterly reports of investment activity and portfolio reporting will be provided to the CAC's Finance & Investment Committee and a summary of each such quarterly report will be provided by the Committee to the Board. At least annually, and additionally as determined by the CAC Finance & Investment Committee, a report on the investment portfolio and activity will be provided to the Board. The portfolio reporting will include an estimate of fair value (market value) as obtained from the Bloomberg, financial correspondents or nationally published sources. Also included will be the characteristics of each investment, the net change in fair value since the prior month-end, with summary information for the entire portfolio.

- b) Any retained investment advisor will meet with the CAC Board at least annually to discuss the portfolio and any questions of the CAC Board.

- c) Annual Investment Audit. Each year, the CAC shall cause its independent auditors to conduct an audit (the "Annual Investment Audit") regarding the CAC's investments. The Annual Investment Audit shall determine whether CAC has complied with:

1. its own investment policies; adequate accounts and records are maintained which accurately reflect all transactions and report on the disposition of the CAC's assets; and a system of adequate internal controls is maintained; and
2. applicable laws and regulations.

- d) Annual Investment Report. The CAC Controller shall prepare and submit an annual investment report to the Board within 90 days after the close of each fiscal year of the CAC. Upon Board approval, the report shall be filed with the City of Albany and entered/certified into the Public Authority Reporting Information System ("PARIS"). Such report shall include the following:

1. The Guidelines required by Section 2925(3);
2. The results of the Annual Investment Audit described above;
3. The investment income results of the CAC; and
4. A list of the total fees, commissions or other charges paid for CAC investment associated services by the CAC since the date of the last investment report.

The Annual Investment Report shall be filed within ninety (90) days after the close of the CAC's fiscal year.

8) Criteria for Selection of Investment Banks or Firms and Brokers.

The following are criteria for the selection of Investment Banks or Firms and Brokers:

- a) Investment Banks or Firms and Brokers authorized to do business within New York State.
- b) Investment Banks or Firms and Brokers in business for over (5) five years.
- c) Investment Banks or Firms and Brokers that have demonstrated a proven record of returns, that meet or exceed the yield and total return generated from Treasury benchmarks.
- e) Investment Managers/Advisors must be registered with the Securities and Exchange Commission (SEC) while Investment Brokers/Dealers must be members in good standing with the Securities Investors Protection Corporation (SIPC) and the Financial Industry Regulatory Authority (FINRA).

CAPITALIZE ALBANY CORPORATION

PROCUREMENT POLICY (NON-REAL ESTATE PROCUREMENTS)

SECTION 1. PURPOSE AND AUTHORITY. The purpose of this procurement policy (the "Policy") is to outline the procurement policy of Capitalize Albany Corporation (the "Corporation") applicable to procurements of goods and services paid for by the Corporation for its own use and benefit.

SECTION 2. SECURING GOODS AND SERVICES. All goods and services will be secured by use of written requests for proposals, written quotations, verbal quotations, or any other method that assures that goods/services will be purchased in a competitive manner except for in the following circumstances: purchases costing less than \$5,000; purchases under state contracts pursuant to Section 104 of the General Municipal Law; purchases under county contracts pursuant to Section 103(3) of the General Municipal Law; or purchases pursuant to Section 4 of this Policy. Regardless of the estimated cost of any purchase of goods and/or services, the Corporation will seek to obtain the best value for the Corporation while meeting all relevant purchase requirements.

SECTION 3. METHOD OF PURCHASE. The following method of purchase will be used when required by this Policy in order to achieve the highest savings:

<u>Estimated Amount of Purchase Contract</u>	<u>Method</u>
\$5,001-\$10,000	Price obtained by 2 verbal quotations with the approval of two CAC officers
\$10,001-\$50,000	Price obtained by 3 written/fax quotations with approval by two CAC officers
\$50,001 and above	Price obtained through issuance of Request For Proposals with award made by resolution of Board of Directors

(B) Number of Proposals or Quotations. A good faith effort shall be made to obtain the required number of proposals or quotations. If the purchaser is unable to obtain the required number of proposals or quotations, the purchaser will document the attempt made at obtaining the proposals. In no event shall the failure to obtain the proposals be a bar to the procurement.

(C) Documentation. Documentation is required of each action is taken in connection with each procurement. Documentation and an explanation is required whenever a contract is awarded to other than the lowest responsible offeror. This documentation will include an explanation of how the reward will achieve savings or how the offeror was not responsible. A determination that the offeror is not responsible shall be made by the purchaser and may not be challenged under any circumstances.

SECTION 4. CIRCUMSTANCES WHERE SOLICITATION OF ALTERNATIVE PROPOSALS AND QUOTATIONS NOT IN BEST INTEREST. This Policy may contain circumstances when, or types of procurements for which, in the sole discretion of the directors of the Corporation, the solicitation of alternative proposals or quotations will not be in the best interest of the Corporation. In the following

circumstances, it may not be in the best interests of the Corporation to solicit quotations or document the basis for not accepting the lowest bid:

(A) Professional Services. Professional services or services requiring special or technical skill, training or expertise. The individual, company or firm must be chosen based on accountability, reliability, responsibility, skill, conflict of interests, reputation, education and training, judgement, integrity, continuity of service and moral worth. Furthermore, certain professional services to be provided to the Corporation, e.g., legal and accounting services, impact liability issues of the Corporation and its directors, including securities liability in circumstances where the Corporation is issuing bonds. These qualifications and the concerns of the Corporation regarding its liability and the liability of its directors are not necessarily found or addressed in the individual, company or firm that offers the lowest price and the nature of these services are such that they do not readily lend themselves to competitive procurement procedures.

In determining whether a service fits into this category, the Corporation shall take into consideration the following guidelines: (a) whether the services are subject to state licensing or testing requirements; (b) whether substantial formal education or training is a necessary prerequisite to the performance of the services; and (c) whether the services require a personal relationship between the individual and the directors of the Corporation. Professional or technical services shall include but not be limited to the following: services of an attorney (including bond counsel); services of a physician; technical services of an engineer engaged to prepare plans, maps and estimates; securing insurance coverage and/or services of an insurance broker; services of a certified public accountant; investment management services; printing services involving extensive writing, editing or art work; management of Corporation-owned property; real estate brokerage services; appraisers; and computer software or programming services for customized programs, or services involved in substantial modification and customizing of pre-packaged software.

(B) Emergency Purchases. Due to the nature of this exception, these goods or services must be purchased immediately and a delay in order to seek alternate proposals may threaten the life, health, safety or welfare of the public. This section does not preclude alternate proposals if time permits.

(C) Purchases of Secondhand Goods. Purchases of surplus and second-hand goods from any source. It is difficult to try to compare prices of used goods and a lower price may indicate an older product.

(D) Goods or Services Under \$5,000.

(E) Special Findings. In the event the Corporation determines that the solicitation of alternative proposals or quotations is not in the best interests of the Corporation, the Corporation must make such determination by resolution duly adopted and entered into the minutes of the Corporation. Such resolution should include any findings described in this Section 4 supporting such determination.

SECTION 7. POLICY REVIEW. This policy will be reviewed annually.