



CAPITALIZE ALBANY
CORPORATION

Wednesday, January 18, 2017
21 Lodge Street, 8:30 a.m.

Capitalize Albany Corporation
Finance and Investment Committee Meeting
Agenda

1. Review of the minutes from the Finance & Investment Committee meeting of October 18, 2016
2. Quarterly Financial Report
3. Quarterly Investment Update
4. Review Draft Annual Real Property Report
5. Loan Allowances 2017
6. Review Finance Committee Charter
7. Annual Review of Corporate Policies
 - a) Review Investment Policy
 - b) Review Procurement Policy
8. 526 Central Avenue Update
9. Riverfront Barge Update
10. Other Business

**Capitalize Albany Corporation Finance & Investment Committee Meeting
MINUTES
October 18, 2016**

The meeting of the Capitalize Albany Corporation Finance & Investment Committee was held at 8:30 a.m., Tuesday, October 18, 2016 at 21 Lodge Street.

The following were in attendance:

Committee Members:

Anders Tomson, Jeff Sperry, John Harris and John Vero

Other:

Thomas M. Owens, Esq.

Staff:

Sarah Reginelli, Brad Chevalier, Mark Opalka and Chantel Burnash

Excused:

Bob Curley

The regular meeting of the Capitalize Albany Corporation Finance & Investment Committee was called to order at 8:37 a.m.

Approval of Minutes for September 20, 2016 Finance & Investment Committee Meeting

The Committee reviewed the minutes of the September 20, 2016 meeting. Jeff Sperry made a motion for approval. John Harris seconded. The Committee agreed unanimously to approve the minutes.

Quarterly Financial Report

Staff discussed the financial performance for the third quarter. On a pre-audit basis, through September 30th, the Corporation had net income of \$39,339, which compares favorably to the year-to-date budgeted net loss of \$254,480.

Quarterly Investment Report

Staff reviewed the Investment Portfolio and its performance. Staff advised the Committee that the Corporation's Investment Portfolio is in compliance with the Corporation's Investment Policy.

Other Business

Staff reminded the Committee that the 2017 budget review will be discussed and adoption will be voted on at the next full Board meeting.

Counsel briefed the Committee on an Office of the State Comptroller audit concerning a state public authority relating to supplemental payments in addition to base salaries. Counsel described that the Corporation's practices are consistent with the findings that the additional payments require the existence of an evaluation program with specific performance criteria set

forth and a decision based on the process. Counsel will be discussing the audit with the Governance Committee.

Staff reviewed the status of active projects with the Committee.

There being no further business the Capitalize Albany Corporation Finance & Investment Committee meeting was adjourned at 9:08 a.m.

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 18, 2017

BUDGET PERFORMANCE

On a pre-audit basis, through December 31, 2016, the Capitalize Albany Corporation had net income of \$54,057. This position compares favorably to the year-to-date (YTD) budgeted net loss of \$275,216. Capitalize Albany Corporation had net loss of \$153,597 at December 31, 2015.

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

- ***YTD 2016 revenue is \$1,747,879, which is \$377,404 (27%) above the 2016 budget.***
 - ***Professional Service Agreement Income.*** Professional service agreement income is \$348,582 which is \$48,582 (16%) over budget. This positive variance is a direct result of the IDA approving an increase to the Professional Service agreement in 2016.
 - ***Investment & Interest Income.*** Interest and Investment Income is \$119,324 which is 54,430 (83%) over budget. This positive variance is a direct result of market performance that occurred during 2016, as well as higher interest being earned on the Corporation's money market accounts.
 - ***Project & Program Revenue.*** Project and Program revenue is \$265,364. This revenue is from grant monies received from the Main Street program as well as the Amplify Albany grant programs. These revenues have offsetting project and program expenses. This revenue was not budgeted for in the 2016 budget.
- ***YTD 2016 expenses are \$1,693,822 which is \$148,131 (9%) above the 2016 budget.***
 - ***Professional Fee Expense.*** Professional fee expenses are \$234,539 or 12% under budget. The variance is attributable to lower legal, accounting, and IT expenses.
 - ***Administrative Expense.*** Administrative expenses are \$85,949 or 32% under budget. This variance is mainly attributable to lower office and insurance expenses as well as board opt-outs for strategic initiatives.

- **Occupancy Expense.** Occupancy expenses are \$32,098 or 29% under budget. This variance is mainly attributable to lower utility and maintenance costs incurred by the Corporation.
- **Membership & Event Expense.** Membership and Event expenses are \$7,661 or 37% under budget. This is attributable to lower marketing and annual meeting expenses.
- **Project & Program Expense.** Project and Program Expenses are \$254,114. This expense was for the disbursement of Main Street grant monies received during the first quarter as well as Amplify Albany and Retail Program grant disbursements. These expenses were not budgeted for in the 2016 budget.

LOANS

- The Corporation is suggesting that allowance on its loan with Angela Boney be increased to 100% from 75% due to non-payment from the borrower. Staff has tried to reach out to the borrower but has not received any correspondence. This additional allowance amounts to \$8,434.

BALANCE SHEET

- At December 31, 2016, compared to December 31, 2015, unrestricted cash has increased by \$208,066.
- Restricted cash has increased \$60,077 due to loan repayments.
- Mortgage notes receivable has increased by \$74,105. This is a result of a loan closing in the third quarter offset by scheduled loan payment activity..
- Net investment in direct financing leases has been reduced by approximately \$160,111. 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 increased by approximately \$38,558. This is primarily due to deferred grant revenue received in the 2nd Quarter for the Amplify Albany and Retail Grant Programs offset by principal repayments on bonds payable.

CASH FLOW STATEMENT

- Capitalize Albany's December 31, 2016 cash and cash equivalents increased 208,066 to \$4.37 million. This increase is primarily due to grant revenue received in the 2nd Quarter for the Amplify Albany and Retail Grant Programs.
- Projected 2016 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 2016.
- Cash flow from investing activities reflects projected loan disbursement and repayment activity, direct finance lease payments, and investment activity.

	January 1, 2016 - December 31, 2016							
	4th Quarter	YTD Actual	YTD Budget	Variance - \$	Variance - %	2016 Projection	Original Budget	Projected Variance from Budget
REVENUE								
General Economic & Community Development Support Income	\$ 204,937	\$ 509,980	\$ 497,443	\$ 12,537	3%	\$ 509,980	\$ 497,443	\$ 12,537
Real Estate Income	186,067	299,916	298,152	1,764	1%	299,916	298,152	1,764
Professional Service Agreement Income	87,146	348,582	300,000	48,582	16%	348,582	300,000	48,582
Loan Interest Income	26,081	94,550	97,314	(2,764)	-3%	94,550	97,314	(2,764)
Fee Income	5,733	31,056	31,529	(473)	-2%	31,056	31,529	(473)
Direct Finance Lease Income	280	41,007	47,643	(6,636)	-14%	41,007	47,643	(6,636)
Investment & Interest Income	19,030	74,432	64,894	9,538	15%	74,432	64,894	9,538
FMV Adj on Fidelity Inv	10,270	45,015	-	45,015	100%	45,015	-	45,015
G/L on Sale/Redemption	(4,007)	(123)	-	(123)	100%	(123)	-	(123)
Membership & Event Support	5,738	38,099	33,500	4,599	14%	38,099	33,500	4,599
TOTAL REVENUE	<u>\$ 541,273</u>	<u>\$ 1,482,515</u>	<u>\$ 1,370,475</u>	<u>\$ 112,040</u>	8%	<u>\$ 1,482,515</u>	<u>\$ 1,370,475</u>	<u>\$ 112,040</u>
EXPENSE								
Salaries Expense	\$ 219,633	\$ 807,939	\$ 829,322	\$ (21,383)	-3%	\$ 807,939	\$ 829,322	\$ (21,383)
Professional Fees	37,304	234,539	265,714	(31,175)	-12%	234,539	265,714	(31,175)
Administrative Expenses	15,382	85,949	126,940	(40,991)	-32%	85,949	126,940	(40,991)
Interest Expense	10,314	29,529	24,594	4,935	20%	29,529	24,594	4,935
Real Estate Expenses	9,840	35,689	37,270	(1,581)	-4%	35,689	37,270	(1,581)
Occupancy Expense	12,298	32,098	45,444	(13,346)	-29%	32,098	45,444	(13,346)
Bad Debt Expense (recovery)	8,434	6,997	-	6,997	100%	6,997	-	6,997
Membership & Event Expense	6,597	7,664	12,175	(4,511)	-37%	7,664	12,175	(4,511)
TOTAL EXPENSES BEFORE DEPRECIATION	<u>\$ 319,802</u>	<u>\$ 1,240,404</u>	<u>\$ 1,341,460</u>	<u>\$ (101,055)</u>	-8%	<u>\$ 1,240,404</u>	<u>\$ 1,341,460</u>	<u>\$ (101,055)</u>
NET INCOME BEFORE DEPRECIATION & PROGRAM ACTIVITY	<u>\$ 221,471</u>	<u>\$ 242,111</u>	<u>\$ 29,016</u>	<u>\$ 213,095</u>	734%	<u>\$ 242,111</u>	<u>\$ 29,016</u>	<u>\$ 213,095</u>
DEPRECIATION	<u>\$ 199,307</u>	<u>\$ 199,307</u>	<u>\$ 204,232</u>	<u>\$ (4,925)</u>	-2%	<u>\$ 199,307</u>	<u>\$ 204,232</u>	<u>\$ (4,925)</u>
NET INCOME (LOSS) AFTER DEPRECIATION	<u>\$ 22,164</u>	<u>\$ 42,804</u>	<u>\$ (175,216)</u>	<u>\$ 218,020</u>	124%	<u>\$ 42,804</u>	<u>\$ (175,216)</u>	<u>\$ 218,020</u>
PROJECT & PROGRAM REVENUE								
Blight to Betterment	\$ -	\$ -	\$ -	\$ -	0%	-	\$ -	\$ -
CACRC Grant	26,864	29,114	-	29,114	100%	29,114	-	29,114
New York Main Street	-	236,250	-	236,250	100%	236,250	-	236,250
Total Program Income	<u>\$ 26,864</u>	<u>\$ 265,364</u>	<u>\$ -</u>	<u>\$ 265,364</u>	100%	<u>\$ 265,364</u>	<u>\$ -</u>	<u>\$ 265,364</u>
PROJECT & PROGRAM EXPENSE								
New York Main Street	\$ -	\$ 225,000	\$ -	\$ 225,000	100%	225,000	\$ -	\$ 225,000
Capitalize Albany Amplify and Retail Grants	26,864	29,114	-	29,114	100%	29,114	100,000	(70,886)
Impact Downtown Albany	-	-	100,000	(100,000)	-100%	-	-	-
Total Program Expense	<u>\$ 26,864</u>	<u>\$ 254,114</u>	<u>\$ 100,000</u>	<u>\$ 154,114</u>	154%	<u>\$ 254,114</u>	<u>\$ 100,000</u>	<u>\$ 154,114</u>
NET INCOME (LOSS) FROM PROGRAM ACTIVITY	<u>\$ -</u>	<u>\$ 11,250</u>	<u>\$ (100,000)</u>	<u>\$ 111,250</u>	111%	<u>\$ 11,250</u>	<u>\$ (100,000)</u>	<u>\$ 111,250</u>
NET INCOME (LOSS) AFTER DEPRECIATION & PROGRAM ACTIVITY	<u>\$ 22,165</u>	<u>\$ 54,054</u>	<u>\$ (275,216)</u>	<u>\$ 329,270</u>	120%	<u>\$ 54,054</u>	<u>\$ (275,216)</u>	<u>\$ 329,270</u>

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

Current Assets:

	December 31, 2016	December 31, 2015	\$ Change
Cash and cash equivalents	\$ 4,370,263	\$ 4,162,197	\$ 208,066
Investments	3,525,663	3,437,044	88,619
Restricted cash	639,683	579,606	60,077
Mortgage notes receivable, net	2,495,999	2,430,328	65,671
Net investment in direct financing leases	360,879	520,990	(160,111)
Accrued interest receivable	26,812	45,103	(18,291)
Grants receivable	-	-	-
Receivables from the City of Albany and City agencies	112,537	100,020	12,517
Other receivables, net	130,389	88,131	42,258
Property held for investment and lease, net	2,220,725	2,396,208	(175,483)
Property and equipment, net	354,246	378,070	(23,824)
Other assets	652,038	658,891	(6,853)
Total assets	\$ 14,889,234	\$ 14,796,584	\$ 92,650

Deferred Outflows of Resources

	\$ -	\$ -	\$ -
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Liabilities

Current Liabilities:

Accounts payable and accrued expenses	\$ 88,879	\$ 132,293	\$ (43,414)
Due to the City of Albany	72,892	72,892	-
Unearned grant and other income	904,881	503,781	401,100
Bonds payable	2,030,000	2,350,000	(320,000)
Revolving loan fund liability	704,521	703,612	909
Unearned program support	77,147	77,147	-
Total liabilities	\$ 3,878,320	\$ 3,839,724	\$ 38,592

Deferred Inflows of Resources

	\$ -	\$ -	\$ -
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Net Position

Net invested in capital assets	\$ 879,278	\$ 879,278	\$ -
Restricted for:			
Debt service	171,466	171,466	-
CDBG eligible activities	123,033	123,033	-
Other program specific activities	5,412	5,412	-
Impact Downtown Albany	-	-	-
Unrestricted	9,831,724	9,777,671	54,054
Total net position	\$ 11,010,914	\$ 10,956,860	\$ 54,054

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

Pre Audited Draft

	Projected December 31, 2016	Year Ended December 31, 2015
Revenues		
Grant income and Contribution Income	\$ 775,344	\$ 674,487
Rental income	301,246	294,170
Other interest and investment income	159,001	94,077
Interest income on mortgage notes	94,550	91,889
Gain on sale of properties	-	-
Fees and other income	417,737	384,101
Total revenues	<u>1,747,878</u>	<u>1,538,724</u>
Expenses		
Salaries and fringe benefits	807,939	733,919
Program and project costs	466,536	502,438
Interest expense	29,529	29,825
Bad debt expenses (recovery)	6,997	(2,787)
Administrative Expenses	382,822	428,926
Total expenses	<u>1,693,823</u>	<u>1,692,321</u>
Excess of (expenses over revenues) revenues over expenses	54,054	(153,597)
Net Position, Beginning of Year	<u>10,956,860</u>	<u>11,110,458</u>
Net Position, End of Month	<u>\$ 11,010,914</u>	<u>\$ 10,956,860</u>

CAPITALIZE ALBANY CORPORATION
STATEMENTS OF CASH FLOWS
Pre-Audited Draft

Cash Flows From Operating Activities

	Projected December 31, 2016	December 31, 2015
Cash received from customers	\$ 419,588	\$ 444,149
Cash received from grantors	1,177,353	695,981
Other operating cash receipts	417,737	371,785
Cash payments to suppliers and grantees	(705,983)	(869,134)
Cash payments to employees	(807,939)	(733,919)

Net cash provided by operating activities 500,757 (91,138)

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	(6,878)
Purchase of other assets including purchase options	-	-
Principal payments on bonds payable	(320,000)	(300,000)
Interest paid on bonds payable	(29,529)	(32,413)

Net cash used in capital and related financing activities (349,529) (339,291)

Cash Flows From Investing Activities

Interest on cash and cash equivalents and investments	74,477	63,146
Net decrease (increase) in restricted cash	(60,076)	(64,077)
Proceeds from sales and maturities of investments	2,988,369	1,954,644
Purchase of investments	(3,031,933)	(2,001,078)
Issuance of mortgage notes receivable	(400,000)	(275,000)
Repayments received on mortgage notes receivable	325,895	675,723
Principal payments received under direct financing leases	160,105	150,530

Net cash used in investing activities 56,837 503,888

Change in cash and cash equivalents

208,066 73,459

Cash and cash equivalents:

Beginning of year 4,162,197 4,088,738

End of year \$ 4,370,263 \$ 4,162,197

Reconciliation of Excess of (Expenses Over Revenues)

Revenues Over Expenses to Net Cash Provided by

Operating Activities

	Projected December 31, 2016	December 31, 2015
Excess of (expenses over revenues) revenues over expenses	\$ 54,054	\$ 1,462,055
Adjustments to reconcile excess of (expenses over revenues) revenues over expenses to net cash provided by operating activities:		
Depreciation and amortization	199,307	212,181
Adjustment for losses on mortgage notes and other receivables	6,998	(203,201)
Gain on sale of property	-	(1,457,824)
Net realized and unrealized losses (gains) on investments	(45,055)	(660)
Interest income on cash and cash equivalents and investments	(74,478)	(69,831)
Interest expense on bonds payable	29,529	68,262
Changes in:		
Grants receivable	-	-
Other receivables, accrued interest receivable and other assets	(15,677)	10,456
Accounts payable and accrued expenses	(43,413)	67,026
Due to the City of Albany	(12,517)	14
Unearned grant and other income	401,100	(29,796)
Revolving loan fund liability	909	577

Net cash provided by operating activities \$ 500,757 \$ 59,259

Capitalize Albany Corporation
21 Lodge Street
Albany, New York 12207

MEMORANDUM

TO: CAC Finance & Investment Committee
FROM: Capitalize Albany Staff
RE: Review of the 4th Quarter Hugh Johnson Investment Portfolio
DATE: January 18, 2017

Staff has reviewed the Hugh Johnson portfolio to ensure that it is compliance with the guidelines of the Capitalize Albany investment policy. After reviewing the investment policy Capitalize Albany is in compliance with all aspects of this policy.

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>	<i>85%</i>	<i>100%</i>	S&P 500
<i>International*</i>	<i>0%</i>	<i>15%</i>	MSCI EAFE
Fixed Income	80%	95%	BCS Int. Govt./Credit**
Cash or Equivalent	3%	25%	Treasury Bill

Currently CAC's portfolio composition for the first quarter consists of 13% Equities, 84% Fixed Income, and 3% cash.

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 \$7,500; 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>
\$7,501-\$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 \$7,500.

(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.