INVESTMENT POLICY

The purpose of this policy is to insure that the Library's funds are invested to meet cash flow requirements while yielding maximum return consistent with safety of principal. This policy covers the four general categories of the Library's cash funds and prescribes investment criteria and restrictions applicable to each.

1. The major source of cash is the library tax levy which funds Library operations for the fiscal year. This tax levy is collected by the Nyack School District. These funds may be initially deposited in the Library's checking or money market accounts. Balances maintained in the checking account are intended to serve day-to-day operational needs. Balances in excess may be deposited in interest bearing municipal (money market) accounts. These balances are insured by FDIC up to $250,000 in the aggregate (per bank). Amounts deposited in excess of FDIC insurance coverage shall be collateralized by Government securities held by a financial institution under a third party agreement. Amounts over and above the insured deposits may be invested in bank offered cash equivalent funds consisting of a mix of federal agency obligations, or invested in direct obligations of United States Government agencies.

2. Cash received as other income from operations, grants, gifts or bequests, unless otherwise restricted, may be deposited and/or invested as described in Paragraph 1 above. In addition, such amounts may be invested in other marketable high quality investment grade securities.

3. Gifts or bequests received in the form of marketable securities may be held indefinitely, provided they are of high-grade investment quality. Otherwise these securities should be promptly liquidated and reinvested in accordance with Paragraphs 1 and 2 above.

4. The Library maintains a Debt Service Reserve account with Bank of New York Mellon, the Bond Trustee, in accordance with the Indenture Agreement on bonds issued in June 2007. The Bond Trustee should be directed to invest the cash in this Debt Service Reserve account in qualified investments consistent with provisions of the bond indenture agreement. Excerpts from said Agreement are included below and made part of this Policy.

5. Investment of funds as described in Paragraphs 1 through 4 above having a maturity greater than one year shall require the prior approval of the Board of Trustees.

All of the Library's investments, whether inside the Debt Service Reserve account or outside it, shall also be in compliance with the rules defined in the New York State Prudent Management of Institutional Funds Act. These rules require consideration of the following:

a. general economic conditions
b. possible effects of inflation or deflation
c. expected tax consequences
d. the role that each investment or course of action plays within the overall investment portfolio
e. the expected total return from income and the appreciation of investments
f. other resources of the Library

g. the need to make distributions and the need to preserve capital
h. an asset's special relationship or special value to the purposes of the Library.

The Board of Trustees of the Library has determined that its purposes are better served by not diversifying its investments. All of the Library's investments shall be "Qualified Investments", as the term is defined in the paragraphs below. This policy to limit diversification shall be reviewed by the Board of Trustees annually, or more frequently if circumstances necessitate, as required by the State's Prudent Management of Institutional Funds Act.

The Library's Treasurer and Library management shall administer the investment policy as outlined above and all of their actions shall be reported by the Treasurer to the Board of Trustees in the Treasurer's regular monthly report. The Treasurer may recommend that the Board of Trustees seek the advice and counsel of an investment advisor. The decision to retain such an advisor shall require the approval of the Board of Trustees.

Library management, any Trustee of the Library, or any of the Library's investment advisors may make recommendations to the Finance Committee on investment vehicles and/or maturities. The Finance Committee may then propose such recommendations to the Board of Trustees for approval.

This Investment Policy may be modified or amended at any regularly scheduled meeting of the Board of Trustees by a majority vote.

Excerpts from the Bond Indenture Agreement of June 7, 2007

<u>From Page D-10</u>

Investment of Funds and Accounts. Amounts in any Fund or Account established under the Indenture, other than the Debt Service Reserve Fund, may, if and to the extent then permitted by law, be invested only in Qualified Investments provided that any Qualified Investment shall not have a maturity date greater than five (5) years from the date of the making of such investment unless such Qualified Investment may be put at par at any time at the option of the holder for the purposes required or permitted pursuant to the Indenture. Amounts in the Debt Service Reserve Fund may, if and to the extent then permitted by law, be invested only in Qualified Investments rated in any of the two (2) highest Rating Categories by a Rating Agency; provided, that any such Qualified Investment shall not have a maturity date more than five (5) years from the date of the making of such investment, unless such Qualified Investment may be put at par at any time at the option of the holder for the purposes required or permitted pursuant to the Indenture. Any investment herein authorized is subject to the condition that no portion of the proceeds derived from the sale of the Series 2007 Bonds shall be used, directly or indirectly, in such manner as to cause any 2007 Series Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code. Such investments shall be made by the Trustee only at the specific written request (including telecopy) of an Authorized Representative of the Lessee; and if such investment is to be in one or more certificates of deposit, then such written request shall include written assurance to the effect that such investment complies with the Tax Regulatory Agreement.

<u>From Pages C-9 and C-10</u>

<u>Qualified Investments</u> shall mean, to the extent permitted by applicable law, the following:

(a) noncallable direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of Treasury of the United States of America) and obligations of any agency or instrumentality of the United States of America the timely payment of the principal of and interest on which are fully guaranteed by the United States of America;

(b) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America:

(i) Export-Import Bank;

(ii) Rural Economic Community Development Administration;

(iii) U.S. Maritime Administration;

(iv) Small Business Administration;

(v) U.S. Department of Housing & Urban Development (PHAs);

(vi) Federal Housing Administration; and

(vii) Federal Financing Bank.

(c) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

(i) Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);

(ii) Obligations of the Resolution Funding Corporation (REFCORP);

(iii) Senior debt obligations of the Federal Home Loan Bank System;

(iv) Senior debt obligations of other government sponsored agencies approved by the Bond Insurer.

(d) U.S. dollar denominated deposit accounts, federal fund and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-l" by Moody's and "A-I" or "A-l+" by S&P and maturing not more than 360 calendar days after the date of purchase;

(e) Commercial paper which is rated at the time of purchase in the single highest classification, "P-l" by Moody's and "A-l+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(f) Investments in money market funds rated "AAAm" or "AAm-G" or better by S&P;

(g) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(i) which are rated, based on irrevocable escrow account or fund (the "escrow"), in the highest Rating Category of Moody's or S&P or any successors thereto; or

(ii) (a) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Government Obligations, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (b) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

(h) Municipal obligations rated "AaaJ AAA" or general obligations of States with a rating of"A2/A" or higher by both Moody's and S&P;

(i) Investment agreements approved in writing by the Bond Insurer (supported by appropriate opinions of counsel); and

(j) Other forms of investments (including repurchase agreements) approved in writing by the Bond Insurer.

The value of the above investments shall be determined as follows:

(1) For the purpose of determining the amount in any Fund, all Qualified Investments credited to such Fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services…

Amended December 9, 2013
Amended January 11, 2010
Amended December 3, 2007
Adopted June 7, 1993