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## New York City Transitional Finance Authority Investment Guidelines

Adopted November 18, 1998  
Amended June 25, 2001 and  
Amended August 1, 2001 and  
Further Amended March 14, 2005

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### I. Purpose

- A. Adoption. These Guidelines are adopted by the Board of Directors of the New York City Transitional Finance Authority (the "Authority"), pursuant to Section 2925 of the Public Authorities Law of the State of New York.
- B. Scope. These Guidelines specify the policies and procedures relating to the investment, monitoring and reporting of funds of the Authority. For purposes of these Guidelines, funds of the Authority are all moneys and other financial resources available for investment by the Authority on its own behalf or on behalf of any other entity or individual. All such moneys shall be invested at all times to the fullest extent practicable, and in accordance with the requirements and restrictions set forth in these Guidelines.
- C. Review and Amendment. These Guidelines shall be reviewed and approved by the Board of Directors annually and may be amended by the Board of Directors from time to time.

### II. Permitted Obligations

- A. Indenture Accounts. The Indenture, dated as of October 1, 1997 by and between the Authority and The Chase Manhattan Bank, as amended (the "Indenture"),\* established the following accounts: the Collection Account, the Bond Account and the Redemption Account (collectively, the "Indenture Accounts"). Section 505(a) of the Indenture permits moneys held in the Accounts to be invested in any Eligible Investments. Notwithstanding the provisions of the Indenture, the Authority has determined that investments in the Accounts shall be limited to the Eligible

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\*Unless otherwise indicated, all capitalized terms shall have the meanings set forth in the Indenture.

Investments described below. The Eligible Investments authorized by the Indenture that are not authorized hereby are those described in clause (D) of the definition of Defeasance Collateral and clauses (iii), (iv) and (vii) of the definition of Eligible Securities. Those investments are currently being excluded because the Authority expects that they would not yield as much as the Eligible Investments permitted hereunder.

The following Eligible Investments are permitted investments of Authority moneys under these Guidelines:

(1) non-callable and non-prepayable direct federal agency obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America, non-callable direct obligations of the United States of America which have been stripped by the United States Treasury itself or by any Federal Reserve Bank (not including "CATS," "TIGRS" and "TRS" unless the Authority obtains Rating Confirmation with respect thereto) and the interest components of REFCORP bonds for which the underlying bond is non-callable (or non-callable before the due date of such interest component) for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form;

(2) full faith and credit obligations of the United States of America;

(3) certificates evidencing ownership of the right to the payment of the principal of or interest on obligations described in clause (1) or (2), provided that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee in a segregated trust account in the trust department separate from the general assets of such custodian (together with the investments described in paragraphs (1) and (2) above, "U.S. Obligations");

(4) direct obligations of, or obligations guaranteed as to timely payment of principal and interest by, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association or the Federal Farm Credit System ("U.S. Agency Obligations");

(5) commercial or finance company paper (including both non-interest

bearing discount obligations and interest bearing obligations payable on demand or on a specified date not more than one year after the date of issuance thereof) that is rated A-1+ by S&P and P-1 by Moody's ("Commercial Paper");

(6) repurchase agreements with respect to any security described in paragraphs (1), (2), (3) or (4) above entered into with any government bond dealer recognized as a primary dealer by the Federal Reserve Bank of New York and included in the then-current "List of the Government Securities Dealers Reporting to the Federal Reserve Bank of New York" (a "primary dealer") or with any national banking association or bank or trust company (acting as principal) organized or licensed under the laws of the United States or any state, if the deposits of such institution or such instruments are rated A-1+ by S&P and the long-term unsecured debt obligations of the provider have one of the two highest ratings available for such securities by Moody's ("Repurchase Agreements"); provided that the securities subject to any Repurchase Agreement (i) are held, free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, (ii) are valued at least weekly and (iii) have a fair market value of at least 103% of the amount of the obligation;

(7) investment agreements or guaranteed investment contracts with a financial institution or with a corporation whose principal business is to enter into such agreements ("investment agreements"), in either case rated, at the time such investment agreement is entered into, in the highest category for comparable types of obligations by Moody's and S&P; provided that the investment agreement provides that in the event the counterparty is downgraded below the highest category for comparable types of obligations by either Moody's or S&P, the Authority shall, at its option, either terminate such agreement at no cost to the Authority or require collateral, valued at least weekly, with a fair market value of at least 103% of the amount of the obligation ("AAA-rated Investment Agreements");

(8) investment agreements rated in one of the two highest categories by Moody's and S&P, secured by collateral, valued at least weekly, with a fair market value of at least 103% of the amount of the obligation; provided that the Authority

has an option to terminate such agreement in the event that such rating is downgraded below the two highest categories by Moody's or S&P ("Collateralized Investment Agreements" and, together with AAA-rated Investment Agreements, "Investment Agreements"); or

(9) units of taxable money market funds which funds are regulated investment companies and seek to maintain a constant net asset value per share and have been rated in one of the two highest categories by Moody's and at least AAm or AAm-G by S&P, including if so rated the VISTA Money Market Funds or any other fund for which the Trustee or an affiliate of the Trustee serves as an investment advisor, administrator, shareholder, servicing agent and/or custodian or sub-custodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee charges and collects fees and expenses (not exceeding current income) from such funds for services rendered, (ii) the Trustee charges and collects fees and expenses for services rendered pursuant to the Indenture, and (iii) services performed for such funds and pursuant to the Indenture may converge at any time (the Authority has authorized the Trustee or an affiliate of the Trustee to charge and collect all fees and expenses from such funds for services rendered to such funds, in addition to any fees and expenses the Trustee may charge and collect for services rendered pursuant to the Indenture) (investments pursuant to this paragraph 9 are currently being authorized to allow the Authority to invest funds which it receives at times when higher-yielding investments are unavailable and to allow the Authority to invest funds temporarily due to unfavorable market conditions for other types of investments);

provided that no Eligible Investment may (a) evidence the right to receive only interest with respect to the obligations underlying such instrument (except as provided in paragraph (3) above) or (b) be purchased at a price greater than par if such instrument may be prepaid or called at a price less than its purchase price prior to its stated maturity.

B. Project Fund. The Financing Agreement dated as of October 1, 1997 between the Authority and the City of New York established the Project Fund. The Indenture provides that moneys in the Project Fund may be invested in investments described in

paragraphs (1), (2), (3), (4), (7) and (8) in Section II(A) hereof and in the following investments:

(1) demand and time deposits in or certificates of deposit of, or bankers' acceptances issued by, any bank or trust company, savings and loan association or savings bank, if such deposits or instruments are rated at least A-1 by S&P and the long-term unsecured debt obligations of the institution holding the related account have one of the two highest ratings available for such securities by Moody's;

(2) general obligations of, or obligations guaranteed by, any state of the United States or the District of Columbia receiving one of the two highest long-term unsecured debt ratings available for such securities by Moody's and S&P;

(3) commercial paper (including both non-interest-bearing discount obligations and interest-bearing obligations payable on demand or on a specified date not more than 270 days after the date of issuance thereof) that is rated at least A-1 by S&P and P-1 by Moody's;

(4) repurchase obligations with respect to any U.S. Obligations or U.S. Agency Obligations entered into with a primary dealer or with any national banking association or bank or trust company (acting as principal) whose long-term debt is rated in one of the three highest categories by Moody's and S&P ("Project Fund Repurchase Agreements");

(5) securities bearing interest or sold at a discount that are issued by any corporation incorporated under the laws of the United States of America or any state thereof and rated in one of the two highest categories by Moody's and S&P at the time of such investment or contractual commitment providing for such investment; and

(6) units of taxable money market funds which funds are regulated investment companies and seek to maintain a constant net asset value per share and have been rated in one of the two highest categories by Moody's and at least Aam or Aam-G by S&P, including if so rated any fund which the Trustee or an affiliate of the Trustee serves as an investment advisor, administrator, shareholder, servicing agent and/or custodian or sub-custodian;

provided that no Project Fund investment may (a) evidence the right to receive only interest with respect to the obligations underlying such instrument (except as provided in paragraph (3) of Section II(A)) or (b) be purchased at a price greater than par if such instrument may be prepaid or called at a price less than its purchase price prior to its stated maturity.

As of the date of adoption of these Guidelines, the Project Fund is generally invested in Project Fund Repurchase Agreements with a repurchase period of two weeks (a "short-term repo"). It is the intent of the Authority to analyze, at the time of each deposit into the Project Fund, whether a short-term repo, a portfolio of U.S. Obligations, an Investment Agreement or a Project Fund Repurchase Agreement which provides for variable repurchase periods to be specified by the Authority would produce the highest yield and to invest the amount deposited in such investment.

C. Other Funds: Moneys in any other funds which may be established by the Authority may be invested in any Eligible Investments, as defined in the Indenture.

### III. Conditions of Investment

A. Maturities: All investments shall mature or be redeemable at the option of the holder no later than such times as shall be necessary to provide moneys needed for payments to be made from any fund or account in which such investments are held.

B. Diversification

1. Indenture Accounts. During any calendar quarter, no more than the greater of \$15 million or 50% of the amounts on deposit in the Indenture Accounts (determined at the time of investment) shall be invested in either Commercial Paper of a single issuer or Investment Agreements with a single provider.
2. Project Fund. Except for Project Fund Repurchase Agreements, Investment Agreements, U.S. Obligations and U.S. Agency Obligations, no more than the greater of \$15 million or 35% (determined at the time of investment) of the investments made from the Project Fund may be invested in securities of a single issuer.

C. Payment for Securities. Payment for investments shall be made only upon receipt

of the securities purchased. In the case of book entry form securities, payment may be made only when the custodian's account at the Federal Reserve Bank is credited for the purchased securities.

D. Custodial Arrangements.

1. All securities held by any depository designated by the Authority in bearer or book-entry form (the "Custodial Bank") are held solely as agent to the Trustee or (in the case of the Project Fund) the Authority. Any securities held in registered form shall be registered in the name of the Authority or the Trustee. Securities positions at the Custodial Bank will be audited by the Authority's external auditors. Payment for purchases is not to be released until the purchased securities are received by the Custodial Bank.
2. The Custodial Bank will, upon instructions of the Trustee or (in the case of the Project Fund) the Authority, release to the Treasurer of the Authority all purchased securities including those subject to repurchase. This will permit the Authority to sell such securities, if necessary.
3. Collateral securities shall not be held by an institution having a depository relationship with the Authority.

F. Standards and Qualifications. The following are the standards for the qualifications of brokers, agents, dealers, investment advisors, investment bankers and custodians:

1. Brokers, Agents, Dealers
  - a. In Government Securities: any bank or trust company organized or licensed under the laws of any state of the United States of America or of the United States of America or any national banking association or any registered broker/dealer or government securities dealer.
  - b. In Municipal Securities: any broker, dealer or municipal securities dealer registered with the Securities and Exchange Commission (the "SEC").
2. Investment Advisors: any bank or trust company organized under the laws of any state of the United States of America or any national banking association, and any firm or person which is registered with the SEC under the Investment Advisors Act of 1940.

3. Investment Bankers: firms retained by the Authority to serve as senior managing underwriters for negotiated sales must be registered with the SEC.
4. Custodians: any bank or trust company organized under the laws of any state of the United States of America or any national banking association with capital and surplus of not less than \$50,000,000.

G. Contracts. There is not a regular business practice of written contracts (other than trade confirmations) for the purchase on a current basis of the investments described in Section II(A) hereof, other than those described in paragraphs (6), (7) and (8). The Authority shall, in the case of investments described in paragraphs (6), (7) and (8), enter into written contracts with the permitted providers. In addition, when the Authority agrees to purchase securities on a forward delivery basis of more than six months, the Authority shall enter into written contracts providing for such forward purchase and delivery.

#### IV. Reports

A. Quarterly. The Executive Director shall prepare and deliver to the Board of Directors once for each quarter of the Authority's fiscal year a report setting forth a summary of new investments made during that quarter, the inventory of existing investments and the selection of investment bankers, brokers, agents, dealers, investment advisors and auditors.

B. Annually.

1. Audit. The Authority's independent accountants shall conduct an annual audit of the Authority's investments for each fiscal year of the Authority, the results of which shall be made available to the Board of Directors at the time of its annual review and approval of these Guidelines.
2. Investment Report. Annually, the Executive Director shall prepare and the Board of Directors shall review and approve an Investment Report, which shall include:
  - a. The Investment Guidelines and amendments thereto since the last report;
  - b. An explanation of the Guidelines and any amendments made since the last report;

- c. The independent audit report required by Subsection (1) above;
- d. The investment income record of the Authority for the fiscal year; and
- e. A list of fees, commissions or other charges paid to each investment banker, broker, agent, dealer and advisor rendering investment associated services to the Authority since the last report. The Investment Report shall be submitted to the New York State Department of Audit and Control, and to the Mayor and Comptroller of the City of New York. Copies of the annual report shall also be made available to the public upon reasonable request.

#### V. Applicability

These Guidelines shall govern all investments initiated by the Authority on and after November 18, 1998 and shall not apply to any investments initiated by the Authority prior to November 18, 1998. Nothing contained in these Guidelines shall be deemed to alter, affect the validity of, modify the terms of or impair any contract, agreement or investment of funds made or entered into in violation of, or without compliance with, the provisions of these Guidelines.