

Nassau County Local Economic Assistance Corporation
Investment Report

Period January 1 through December 31, 2012

Section 2925(6) of the New York Public Authorities Law requires that Industrial Development Agencies prepare and approve an investment report annually.

A copy of the Investment and Deposit Policy of the Nassau County Local Economic Assistance Corporation (the “Corporation”) in effect for the reporting period is attached hereto and incorporated herein by reference. No amendment of the Investment and Deposit Policy were made during the reporting period.

Investment Income and Activity

During the fiscal and calendar year 2012, in January and part of February, the NCLEAC’s operating account was maintained in a checking account at State Bank of Long Island. State Bank of LI was acquired by Valley National Bank. In February, Valley National Bank transitioned all accounts to their system. So starting in February the NCLEAC operating checking account was now with Valley National Bank, with the same terms as with State Bank of LI. Interest Income was earned on this account. The deposits were fully collateralized. Deposits up to \$250,000 were guaranteed by the (Federal Deposit Insurance Corporation (FDIC) and deposits above \$250,000 were protected and collateralized via custodian agreements and pledges of eligible securities. All pledged eligible securities per these agreements were held by Bank of New York Mellon, as custodian (the “Custodian”).

As a result of the acquisition of the State Bank of LI by Valley National Bank, a number of employees of State Bank were laid off. The NCLEAC decided to review its banking relationship and solicit rate and service proposals from a number of banks. As there were only minor rate differences in the proposals, a decision was made to move the banking account to the Community National Bank, which is headquartered in Nassau County. This move was approved by the NCLEAC Board. In June, a new NCLEAC operating checking account was opened at the Community National Bank. Interest Income is earned on this account. In July new deposits started being made to the new operating checking account at CNB and checks written on that account in August. The VNB checking

account was maintained for a number of months to allow outstanding checks to clear. Deposits up to \$250,000 at CNB were guaranteed by the (Federal Deposit Insurance Corporation (FDIC) and deposits above \$250,000 were protected and collateralized via custodian agreements and pledges of eligible securities. All pledged eligible securities per these agreements were held by Manufacturers and Traders Trust Company, as custodian (the “Custodian”).

For the full year 2012, the operating accounts at State Bank/VNB and CNB earned \$50 and \$61 interest income respectively. The account balance as of December 31, 2012 was \$598,660.

The amount earned was higher than the amount budgeted for calendar year 2012 due to closing more projects than anticipated in the original budget. The Corporation paid no fees, commissions, or other charges to any investment banker, broker, dealer, or advisor rendering investment services during the reporting period.

Investment Objectives

Pursuant to NCLEAC’s Investment and Deposit Policy, the objectives of NCLEAC with respect to its investments and policies are, in order of priority:

1. to conform with all applicable federal, state and other legal requirements (legal);
2. to adequately safeguard principal (safety);
3. to provide sufficient liquidity to meet all operating requirements (liquidity); and
4. to obtain a reasonable rate of return (yield).

Legal

All of NCLEAC’s investments and deposits are maintained at depositories in compliance with all applicable federal, state and other legal requirements, including, without limitation, the requirements of Sections 10 and 11 of the General Municipal law.

Safety

State Bank and Community National Bank are the depositories authorized and designated by resolutions of the members of NCLEAC.

As of December 31, 2012, NCLEAC’s cash balances maintained at the designated depositories are fully insured by the FDIC for the first \$250,000 and the balance of such deposits are collateralized with eligible securities held by the Custodian and pledged to NCLEAC.

Liquidity

NCLEAC continues to have sufficient liquidity to pay its known and foreseeable expenses and liabilities.

Return

NCLEAC receives market rates of interest on its deposits and investments.

Investment & Deposit Policy

In accordance with Section 2925 of the Public Authorities Law, the directors of the NCLEAC adopted an Investment & Deposit Policy on December 20, 2010.

Investment Audit

The auditors of the NCLEAC, AVZ, have audited compliance with the Corporation's Investment & Deposit Policy. In their report dated March **XX**, 2013, AVZ indicated that the Corporation complied, in all material respects with the Investment & Deposit Policy.