NEW YORK STATE
ENERGY RESEARCH AND DEVELOPMENT AUTHORITY

FY 2014-15 ANNUAL INVESTMENT REPORT

A. EXPLANATION OF INVESTMENT GUIDELINES

Public Authorities Law Section 2925 provides that the investment guidelines of a public authority shall set forth, among other things:

- a detailed list of permitted investments;
- what types of investments shall be secured with collateral and to what extent;
- what types of investments shall be made pursuant to written contracts;
- how collateral shall be valued and monitored;
- standards for diversifying types of investments and for qualifying and diversifying firms with which business is transacted;
- requirements for Board verification of matters relating to investments;
- provisions for annual independent audit of all investments; and
- provisions for preparing and filing quarterly and annual investment reports.

The Guidelines explicitly require the Board to determine whether results are consistent with objectives, to review the independent audit of investments, to review the program for consistency with statutory requirements, and to verify collateral semi-annually (at least once on an unscheduled basis). The Guidelines permit delegation of these functions through the Audit and Finance Committee to the Authority's independent auditors.

The Guidelines provide that, where practicable, the Members shall review and approve at the June meeting an annual investment report and the investment guidelines.

B. AMENDMENTS

The Investment Guidelines were last approved by the Members in June 2014. No amendments to the Investment Guidelines were made during the year.

C. INVESTMENT GUIDELINES, OPERATIVE POLICY AND INSTRUCTION

Following is the Investments Guidelines, Operative Policy and Instruction as of June 2014.

INVESTMENT GUIDELINES, OPERATIVE POLICY AND INSTRUCTIONS
(June 2014)

I. Introduction

These guidelines set forth the policy of the New York State Energy Research and Development Authority (hereafter "the Authority") and instructions to its officers and staff with regard to its investments and the monitoring and reporting of these investments. The guidelines are intended to meet or exceed the provisions of Public Authorities Law (hereafter, "PAL") Section 2925, the Office of the State Comptroller's Investment Guidelines for Public Authorities contained in 2 NYCRR Part 201, Section 201.3, and the provisions of the Authority's enabling legislation concerning Authority investments. In accordance with PAL Section 2925, the guidelines will be reviewed, revised, if necessary, and approved as frequently as necessary and appropriate, but not less frequently than annually, in the manner described hereafter.

The provisions of these guidelines apply to all monies for which the Authority is responsible for directing investment. This includes monies to which the Authority has legal title and which are held by the Commissioner of Taxation and Finance as fiscal agent of the Authority (PAL Section 1859(1)). It also includes monies to which the Authority does not have legal title, but for which it is responsible for directing investment such as monies held by the trustee for the State Service Contract Revenue (West Valley) Bonds.

The Authority conducts a Private Activity Bond Financing Program. Pursuant to this program, tax-exempt non-recourse securities are issued by the Authority, and the proceeds are made available to State utilities and other non-State entities to finance eligible projects. These securities do not constitute a debt of or charge against the credit of the Authority or the State. Rather, the utility or other entity for which the securities are issued is liable for payment of the principal, redemption premium, if any, and interest on the securities. The proceeds of each issuance are deposited with a trustee chosen by the participating utility or other entity, and are not available for investment by the Authority. Generally, the Indenture of Trust for the transaction will contain a list of securities in which the Trustee may invest these monies. The list of permitted investments is approved by the Commissioner of Taxation and Finance as part of the Commissioner's review pursuant to the enabling legislation of the Authority. Investments are made at the direction of the participating utility or other entity, and not at the direction of the Authority. Accordingly, the provisions of these Investment Guidelines do not apply to the investing of these monies. Nonetheless, when participating in the formulation of these financing transactions, staff are directed to pursue the objectives set forth in the Investment Guidelines and to require that prudent provisions as to permitted investments, collateral requirements and investment monitoring be included in the underlying documents, as appropriate.

II. Definitions

"Broker-Dealer" means any government bond trader approved by the Commissioner of Taxation and Finance reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York.

"Custodian" means the Commissioner of Taxation and Finance, or a bank, trust company or national banking association designated or approved to hold securities on behalf of or for the benefit of the Authority, as trustee or otherwise.

"Eligible Banking Institution" means any bank, trust company, or national banking association approved by the Commissioner of Taxation and Finance doing business through offices located within New York State. For the State of New York's Excelsior Linked Deposit Program only, Eligible Banking Institution shall also includes savings and loan institutions.

"Federal Governmental Obligations" means obligations of the United States and obligations the principal and interest of which are unconditionally guaranteed by the United States.

"Repurchase Agreement" means a written contract whereby the Authority purchases securities, and the seller of the securities agrees to repurchase the securities at a future date for a specified price. Repurchase Agreements may be used to purchase only Federal Government Obligations. The Authority may enter into a Repurchase Agreement only with an Eligible Banking Institution or a Broker-Dealer.

"Money market funds" means shares of a diversified open-end management investment company, as defined in the Investment Company Act of 1940, registered under the Federal Securities Act of 1933.

III. Investment Objectives

The investment objectives of the Authority, listed in order of importance, are as follows: to conform with all applicable Federal, State and other legal requirements; to adequately safeguard investment principal; to earn reasonable rates of return; and to provide for portfolio liquidity. These investment objectives will likely be achieved through substantial reliance on Federal Governmental Obligations and minimal investment in long-term securities.

IV. Delegation of Authority

The responsibility for implementing the investment program is delegated to the Authority's Treasurer. All investment transactions shall be approved and authorized by the Treasurer or, in his/her absence the Controller and Assistant Treasurer, or any Officer of the Authority. Such authorized investment transactions shall be initiated and executed by the Commissioner of Taxation and Finance (or his/her authorized designees), the Authority's fiscal agent established pursuant to Section 1859 of the Public Authorities Law. The Treasurer shall establish written procedures for the operation of the investment program consistent with these Investment Guidelines. Such procedures shall include an internal control structure to provide a reasonable level of accountability over the authorization, recording and reporting of investment transactions, and to provide for a segregation of duties between authorization and accounting functions.

Investments shall be made in accordance with the Authority's Investment Guidelines, Operative Policy and Instructions using the judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the objectives set forth herein. All Authority staff participating in the investment process shall act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the Authority's ability to effectively fulfill its responsibilities. All participants involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

V. Types of Investments Authorized

The Authority may deposit monies in demand deposit (checking) and time deposit (savings) accounts with Eligible Banking Institutions located in New York State. Monies deposited in such accounts shall be fully secured as soon as practicable by Federal Deposit Insurance Corporation (FDIC) insurance or obligations of New York State or Federal Government Obligations, subject to approval of the Commissioner of Taxation and Finance, the Authority's fiscal agent, in consultation with the Authority.

Investments shall be limited to the following types of securities:

(1) Federal Governmental Obligations, provided that the term of each shall not exceed five (5) years;

(2) obligations of New York State and obligations the principal and interest of which are guaranteed by New York State, provided that the term of each shall not exceed five (5) years;

(3) certificates of deposit of Eligible Banking Institutions located in New York, provided that: the term of each shall not exceed five (5) years; pursuant to the limitations of a resolution adopted by the Members in June 1994, the Authority may invest in certificates of deposits through the State of New York's Excelsior Linked Deposit Program, whereby the Authority's deposit will earn a fixed rate of interest equal to 2% to 3% less than the institution's published certificate of deposit rate consistent with

this program's criteria; and subject to all other provisions outlined in these Guidelines.

(4) Repurchase Agreements, provided that the term of each shall not exceed sixty (60) days and that no more than 40 percent of the Authority's total investments shall be invested in Repurchase Agreements at the time of purchase; and

(5) Money market funds whose investments are limited to the authorized investments described above and whose objective is to maintain a constant share value of $1.00, provided that: (a) no more than 5 percent of the total amount of the Authority's investments shall be invested in money market funds for more than thirty consecutive business days; and (b) no more than 10 percent of the total amount of the Authority's investments shall be invested in money market funds at any time.

Nothing herein contained shall preclude the Authority from imposing further restrictions on the investing of funds in any Indenture of Trust relating to the issuance of bonds.

VI. Authorized Financial Institutions and Dealers

Eligible Banking Institutions and Broker-Dealers authorized for the Authority's investment purposes shall be approved based upon policies and procedures established by the Commissioner of Taxation and Finance. The Authority will periodically consult with the Department of Taxation and Finance concerning their policies, practices and the resulting list.

VII. Diversity of Investments

To the extent practical, the Authority shall diversify its investments by financial institution, by investment instrument, and by maturity. The cash flow requirements of the Authority will be a significant determining factor in selecting the term of investment securities. Competitive quotations, pursuant to policies established by the Commissioner of Taxation and Finance and executed by his/her designated staff, shall be used to select the institution from which investments are purchased.

Except as otherwise required by any policies and practices of the Commissioner of Taxation and Finance, the Authority shall not invest more than 35 percent of its total investment portfolio with a single Eligible Banking Institution.

VIII. Collateral and Delivery of Securities

Collateral for investments shall be limited to: (i) obligations of New York State and obligations the principal and interest of which are guaranteed by New York State; and (ii) Federal Governmental Obligations. The Authority shall not accept a pledge of a proportionate interest in a pool of collateral. Collateral shall be segregated in the name of the Authority, and shall be in the custody of the Authority or a third party Custodian pursuant to a written custodial agreement; provided, that if the Custodian is the Commissioner of Taxation and Finance, a written custodial agreement shall not be required. The written custodial agreement shall specify circumstances, if any, under which collateral may be substituted, and shall provide that the Custodian holds the collateral solely for the benefit of the Authority and makes no claim thereto. The market value of collateral and accrued interest, if any, shall equal or exceed the value of the secured investment and accrued interest, if any, at all times. Collateral shall be marked to market at the time of the initial investment and, thereafter, no less frequently than monthly using the bid or closing price as quoted in The Wall Street Journal.

In addition to collateral permitted for investments, collateral for deposits made with banks participating in the State's Excelsior Linked Deposit Program shall, subject to the discretion of the Commissioner of Taxation and Finance with confirmation to the Authority, include obligations permitted under Section 105 of the State Finance Law.

Certificates of deposit, demand deposits and time deposits shall be fully collateralized for amounts in excess of Federal Deposit Insurance Corporation (FDIC) coverage.

Securities purchased through a Repurchase Agreement shall be marked to market at least monthly.

Collateral shall not be required with respect to the purchase of obligations of New York State, obligations the principal and interest of which are guaranteed by New York State, Federal Governmental Obligations, or money market funds.

Under any Repurchase Agreement, payment shall be made by or on behalf of the Authority to the seller upon the seller's delivery of obligations of the United States to the Custodian designated by the Authority, or, in the case of a book entry transaction, when the obligations of the United States are credited to the Custodian's Federal Reserve Bank account. Payment shall be made by or on behalf of the Authority for obligations of New York State, obligations the principal and interest of which are guaranteed by New York State, Federal Governmental Obligations, certificates of deposit, and other purchased securities upon the delivery thereof to the Custodian designated by the Authority, or, in the case of a book entry transaction, when the purchased securities are credited to the Custodian's Federal Reserve System account.

IX. Written Contracts

The Authority has determined that, with the exception of Repurchase Agreements, written contracts are not a regular business practice for the types of securities (obligations of New York State, Federal Governmental Obligations, etc.) in which Authority monies may be invested. The interests of the Authority will be adequately protected by conditioning payment by or on behalf of the Authority on the physical delivery of purchased securities to the Authority or its Custodian, or, in the case of book-entry transactions, on the crediting of purchased securities to the Custodian's Federal Reserve System account. In addition, all purchases will be confirmed in writing to the Authority.

Only an Eligible Banking Institution or a Broker-Dealer shall be qualified to enter into a Repurchase Agreement with the Authority’s fiscal agent. The Authority’s fiscal agent shall enter into a Master Repurchase Agreement, patterned after the Bond Market Association (formerly Public Security Association) model master repurchase agreement, with each Eligible Banking Institution or Broker-Dealer with which the fiscal agent enters into a specific Repurchase Agreement. The Master Repurchase Agreement shall include:

(a) a description of the relationship of the parties as purchaser and seller;

(b) a description of the events of default which would permit the purchaser to liquidate the pledged collateral;

(c) procedures which ensure that the Authority obtains a perfected security interest in the underlying securities; and

(d) the method of computing margin maintenance requirements, including a limitation, based on policies established by the Commissioner of Taxation and Finance, that securities purchased and held as collateral for repurchase agreements shall be Federal Government Obligations maturing in twelve years or less, and provided that: (i) if such collateral has a maturity of seven years or less, the market value must equal or exceed 101% of the par value of the repurchase agreement; and (ii.) if such collateral has a maturity greater than seven years, the market value must equal or exceed 102% of the par value of the repurchase agreement.

X. Qualification of Custodians

The following shall be qualified to act as Custodian: the Commissioner of Taxation and Finance, any bank or trust company chartered by the State of New York which is not a member of the Federal Reserve System, or any bank, trust company, or national banking association which is a member of the Federal Reserve System, including an Eligible Banking Institution, which transacts business through offices located within the State of New York. During the time that any bank or trust company serves as Custodian, it must be rated at least "A", or its equivalent, by a nationally recognized independent rating agency. With respect to the holding of securities purchased by the Authority through a Repurchase Agreement, the Custodian may not be the Eligible Banking Institution with which the Authority or its fiscal agent has entered into such Repurchase Agreement, nor an agent of such Eligible Banking Institution for purposes of the Repurchase Agreement.

XI. Audit and Finance Committee

The functions of the Audit and Finance Committee with respect to investments are to:

(a) monitor the system of internal controls;

(b) verify relevant matters relating to securities purchased or held as collateral semi-annually and on an unscheduled basis;

(c) determine whether the investment results are consistent with the investment objectives set forth in these Investment Guidelines;

(d) review any independent audits of the investment program;

(e) review these Investment Guidelines periodically and recommend to the Members of the Authority such amendments thereto as may be necessary or appropriate; and

(f) evaluate systematically and periodically the investment program consistency with the provisions of PAL Section 2925, these Investment Guidelines, and the Office of the State Comptroller's Investment Guidelines for Public Authorities (2 NYCRR Part 201, Section 201.3).

In support of its functions, the Audit and Finance Committee shall:

(a) require the Authority's independent auditors to verify semi-annually, and at least once annually on an unscheduled basis, that the provisions of these Investment Guidelines relating to the delivery and possession of and payment for securities, and custodial possession and periodic valuation of collateral are being met;

(b) review the quarterly, annual, and any other periodic investment reports, and recommend to the Members of the Authority such changes in the annual investment report as it deems necessary or appropriate;

(c) review the written annual audit report of the independent auditors;

(d) discuss with the independent auditors, with staff and officers not present, the results of the annual independent audit and the written annual audit report; and

(e) review not less frequently than annually these Investment Guidelines, and recommend to the Members of the Authority such changes in these Investment Guidelines as it deems necessary or appropriate.

XII. Operations and Procedures

The Treasurer, or in his/her absence the Controller and Assistant Treasurer or any Authority Officer, shall authorize the purchase and sale of all securities, authorize the disbursement of funds for delivery of securities, determine the selection of brokers, dealers and Custodians, and execute contracts for Repurchase Agreements and custodial services on behalf of the Authority. The process of initiating, reviewing and approving requests to purchase and sell securities shall be documented and retained for audit purposes. Oral directions concerning the purchase or sale of securities shall be confirmed in writing. The Authority shall pay for purchased securities upon the delivery or book-entry thereof, and the Authority will obtain written confirmation of each delivery or book-entry. Custodians must have prior authorization from the Authority to deliver securities and collateral, and shall not deliver securities except upon receipt of funds. Custodians shall confirm in writing all such transactions. Custodians shall report whenever activity has occurred in a custodial account of the Authority.

The Treasurer shall develop a detailed investment procedures implementing the Investment Guidelines as part of the Accounting Policy and Procedures Manual which shall include, but not be limited to, the following:

(a) the establishment and maintenance of a system of internal controls for investments;

(b) methods for adding, changing or deleting information contained in the investment record, including a description of the documents to be created and verification tests to be conducted;

(c) a data base or record incorporating descriptions and amounts of investments, transaction dates, interest rates, maturities, bond ratings, market prices and related information necessary to manage the portfolio; and

(d) requirements for periodic reporting and a satisfactory level of accountability.

Except in the purchase of government securities at their initial auction, the Authority will encourage investment selections utilizing competitive quotations based upon the procedures established by the Commissioner of Taxation and Finance and carried out by his/her designated personnel.

The Treasurer shall maintain a record of investments. The record shall identify each security, the fund for which held, the place where kept, date of disposition and amount realized, and the market value and Custodian of the collateral.

At least monthly, the Authority shall verify the principal amount and market values of all investments and collateral. The Authority shall obtain appropriate listings from Custodians and compare such listings against the records of the Authority.

XIII. Audit

At the time the independent auditors to the Authority conduct the annual audit of the accounts and financial affairs of the Authority, the independent auditors shall audit the investments of the Authority for the subject fiscal year. The annual investment audit shall determine whether:

(a) the Authority's investment practices and operations have been consistent with the provisions of PAL Section 2925, these Investment Guidelines, the Office of the Comptroller's Investment Guidelines for Public Authorities, and the Authority's investment operating procedures contained in its Accounting Policies and Procedures Manual;

(b) adequate accounts and records are maintained which accurately reflect all transactions and report on the disposition of the Authority's investment assets; and

(c) a system of adequate internal controls for investments is maintained.

The independent auditors shall prepare a written annual audit report which presents the results of their annual investment audit, and shall include:

(a) a description of the scope and objectives of the audit;

(b) a statement that the audit was made in accordance with generally accepted government auditing standards;

(c) a description of any material weaknesses found in the internal investment controls;

(d) a description of all non-compliance with provisions of PAL Section 2925, these Investment Guidelines, the Office of the State Comptroller's Investment Guidelines for Public Authorities (2 NYCRR Part 201, Section 201.3), or the Authority's investment operating procedures contained in its Accounting Policies and Procedures Manual;

(e) a statement of positive assurance of compliance on the items tested; and

(f) a statement of any other material deficiency or finding identified during the audit not covered in (e) above.

XIV. Reporting

Within sixty (60) days of the end of each of the first three quarters of the Authority's fiscal year, the Treasurer shall prepare and submit to the Members of the Authority and to the Audit and Finance Committee of the Authority a quarterly investment report which indicates new investments, the inventory of existing investments, the selection of Custodians and Broker-Dealers, and such other matters as the Treasurer deems appropriate.

Within 120 days of the end of the fiscal year, the Treasurer shall prepare and submit to the Audit and Finance Committee an annual investment report, which shall include the Investment Guidelines, including any amendment to the Investment Guidelines since the last annual investment report; an explanation of the Investment Guidelines and amendments; the results of the annual independent audit; the investment income record; a list of total fees, commissions or other charges paid to each Broker-Dealer and Custodian; and such other matters as the Treasurer deems appropriate.

The Members of the Authority shall review and approve the annual investment report, if practicable, at the June meeting of the Authority, for submission thereof to the Division of the Budget, the Department of Audit and Control, the Senate Finance Committee, and the Assembly Ways and Means Committee.

The Authority's annual financial statements shall report the Authority’s investments and provide such disclosure information as is required by applicable governmental accounting standards.

Not less frequently than annually, and if practicable, at the June meeting of the Authority, the Members of the Authority shall review, amend, if necessary or appropriate, and approve these Investment Guidelines.

The provisions of these Investment Guidelines and any amendments hereto shall take effect prospectively and shall not invalidate the prior selection of any Custodian, Broker-Dealer, any prior investment, nor any list of permitted investments set forth in any indenture of trust or similar document previously executed by the Authority.

D. INVESTMENT SUMMARY AS OF MARCH 31, 2015

Following is summary and detail of the Authority's investments as of March 31, 2015

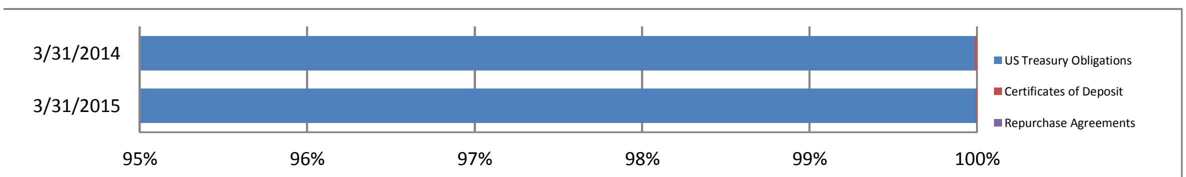
NYSERDA
Investment Report Summary
As of March 31, 2015

Summary of Investments by Fund

Fund	3/31/2015 Amortized Cost	3/31/2015 Market Value	3/31/2014 Amortized Cost	Increase/ Decrease
New York Energy $mart (SBCIII)	$ 140,312,803	$ 140,678,966	$ 167,117,184	$ (26,804,381)
Energy Efficiency Portfolio Standard (EEPS)	53,302,347	53,503,459	15,058,908	38,243,439
Technology and Market Development (T&MD)	184,723,718	185,602,187	190,993,476	(6,269,758)
Renewable Portfolio Standard (RPS)	519,018,284	521,296,148	415,107,477	103,910,807
Research & Development	21,200,590	21,278,196	26,114,445	(4,913,855)
Regional Greenhouse Gas Initiative (RGGI)	287,195,678	289,145,511	210,492,151	76,703,527
Green Jobs Green New York (GJGNY)	36,404,338	36,454,512	57,455,285	(21,050,947)
Other/Operating	69,630,912	69,631,886	74,526,545	(4,895,632)
NY Green Bank	215,899,854	216,374,233	205,041,189	10,858,665
Low Level Radioactive Waste Account - Fiduciary Fund	3,481,966	3,481,930	2,944,837	537,129
Perpetual Care Funds - Fiduciary Fund	28,782,031	28,822,946	28,656,895	125,136
Total Investments	$ 1,559,952,523	$ 1,566,269,974	$ 1,393,508,393	$ 166,444,130

Analysis: The increases in RPS and EEPS investments were primarily due to scheduled collections received in FY 14-15, in excess of amounts spent. The increase in RGGI is due to auction proceeds collected in FY 14-15, but not yet expended. The increase in NY Green Bank was primarily due to collection in April 2014 of a receivable accrued in FY 13-14. These increases were partially offset by decreases in various other funds. The SBCIII decrease resulted from the expenditure of funds previously provided for the program. The decrease in GJGNY resulted primarily from new loans issued and the maturity of $3.6 million of investments held by the Trustee on June 26, 2014 in order to fund the July 1, 2014 bond principal and interest payments due. The decrease in T&MD was primarily due to the need to fund expenses in excess of new collections in FY 14-15. The decrease in Other/Operating was primarily due to the purchase of finished motor gasoline for the New York State Strategic Gasoline Reserve in FY 14-15, and refund payments to ConEd for the System Wide Demand Reduction and Gas Efficiency programs in May 2014.

Summary of Investments by Investment Type



	3/31/2015	3/31/2014
US Treasury Obligations	$ 1,559,864,523	$ 1,390,196,384
Certificates of Deposit	88,000	112,000
Repurchase Agreements	-	3,200,009
Total	$ 1,559,952,523	$ 1,393,508,393
Weighted average term of investments	34.0 months	33.4 months
Weighted average time to maturity	20.9 months	22.2 months

Analysis: Both average term and average time to maturity remained relatively unchanged.

Investment Income

Fund	Year Ended 3/31/2015 (Excluding adjustments to fair market value)	Year Ended 3/31/2015 (Including adjustments to fair market value)	Year Ended 3/31/2014 (Excluding adjustments to fair market value)	Year Ended 3/31/2014 (Including adjustments to fair market value)
New York Energy $mart	$ 871,892	$ 1,555,686	$ 1,921,053	$ 256,902
Energy Efficiency Portfolio Standard	149,684	350,909	(46,933)	(70,057)
Technology and Market Development	1,413,028	2,130,905	1,296,499	730,521
Renewable Portfolio Standard	3,706,781	6,701,826	2,708,295	870,857
Research & Development	152,176	333,600	123,114	(59,572)
Regional Greenhouse Gas Initiative	2,152,356	4,387,185	1,162,633	597,039
Green Jobs Green New York	178,240	162,638	288,222	262,552
Other/Operating	173,870	243,569	409,407	99,254
NY Green Bank	774,275	1,175,749	145,704	218,609
Low Level Radioactive Waste Account - Fiduciary Fund	642	532	2,017	2,367
Perpetual Care Funds - Fiduciary Fund	125,136	80,145	125,136	124,253
Total	$ 9,698,081	$ 17,122,743	$ 8,135,148	$ 3,032,725
		$ 7,424,662		$ 5,102,423
Investment Yield	0.7%	1.2%	0.7%	0.2%
Weighted Average Yield to Maturity of Current Investments	0.7%		0.5%	

Analysis: The investment yield (excluding adjustments to fair market value) was unchanged as compared to the prior fiscal year. The yield inclusive of fair market value adjustments was significantly higher than the prior fiscal year because the current year cost to fair value adjustment was an increase of approximately $7,400,000, while the prior year reflected a downward adjustment of approximately $5,100,000.

NYSERDA Investments **03/31/15**

Fund	Investment Type	Bank	Purchase Date	Maturity Date	Cost	Principal	Yield	Amortized Cost	Market Value
New York Energy $mart									
SBCIII	US Treasury Strip		08/01/12	08/15/15	384,132	388,000	0.33%	387,522	387,919
SBCIII	US Treasury Strip		02/15/13	02/15/16	24,077,076	24,390,000	0.43%	24,298,266	24,341,952
SBCIII	US Treasury Strip		05/01/13	05/15/16	8,036,024	8,114,000	0.32%	8,085,128	8,086,494
SBCIII	US Treasury Strip		02/06/13	05/15/16	14,429,865	14,645,000	0.45%	14,570,946	14,595,353
SBCIII	US Treasury Strip		05/15/14	08/15/16	11,410,768	11,535,000	0.48%	11,459,072	11,471,327
SBCIII	US Treasury Strip		11/15/13	11/15/16	18,140,418	18,475,000	0.61%	18,293,361	18,352,696
SBCIII	US Treasury Strip		11/15/13	11/15/16	47,559,806	48,437,000	0.61%	47,960,786	48,116,347
SBCIII	US Treasury Strip		08/01/13	11/15/16	745,102	765,000	0.80%	755,151	759,714
SBCIII	US Treasury Strip		02/05/14	02/15/17	8,699,309	8,889,000	0.71%	8,771,172	8,802,688
SBCIII	US Treasury Strip		01/08/14	02/15/17	2,499,592	2,573,000	0.94%	2,528,528	2,548,016
SBCIII	US Treasury Strip		11/01/13	02/15/17	3,169,041	3,248,000	0.75%	3,202,871	3,216,462
SBCIII Total					**$139,151,134**	**$141,459,000**		**$140,312,803**	**$140,678,966**
EEPS	US Treasury Bill		10/01/14	09/17/15	130,891	131,000	0.09%	130,947	130,938
EEPS	US Treasury Bill		09/24/14	09/17/15	1,681,452	1,683,000	0.09%	1,682,265	1,682,209
EEPS	US Treasury Bill		10/01/14	09/17/15	12,346,759	12,357,000	0.09%	12,352,040	12,351,192
EEPS	US Treasury Strip		01/09/15	02/15/17	24,345,575	24,690,000	0.67%	24,381,901	24,450,260
EEPS	US Treasury Bill		01/02/15	11/15/17	14,716,437	15,178,000	1.08%	14,755,194	14,888,859
EEPS Total					**$53,221,114**	**$54,039,000**		**$53,302,347**	**$53,503,459**
SBCIV	US Treasury Strip		04/03/12	05/15/15	7,868,965	8,011,000	0.57%	8,005,379	8,010,760
SBCIV	US Treasury Strip		05/02/12	05/15/15	376,142	381,000	0.42%	380,803	380,989
SBCIV	US Treasury Strip		08/22/12	08/15/15	393,148	398,000	0.41%	397,389	397,916
SBCIV	US Treasury Strip		07/05/12	08/15/15	347,297	352,000	0.43%	351,433	351,905
SBCIV	US Treasury Strip		10/31/12	11/15/15	12,799,616	12,964,000	0.42%	12,930,087	12,951,166
SBCIV	US Treasury Strip		01/09/13	02/15/16	8,999,969	9,115,000	0.41%	9,082,381	9,098,228
SBCIV	US Treasury Strip		05/01/13	05/15/16	930,967	940,000	0.32%	936,655	936,813

NYSERDA Investments **03/31/15**

Fund	Investment Type	Bank	Purchase Date	Maturity Date	Cost	Principal	Yield	Amortized Cost	Market Value
SBCIV	US Treasury Strip		04/04/13	05/15/16	405,121	410,000	0.38%	408,236	408,610
SBCIV	US Treasury Strip		04/24/13	05/15/16	967,271	978,000	0.36%	974,052	974,685
SBCIV	US Treasury Strip		07/03/13	08/15/16	10,299,213	10,531,000	0.72%	10,428,639	10,472,869
SBCIV	US Treasury Strip		05/15/14	08/15/16	20,378,138	20,600,000	0.48%	20,464,403	20,486,288
SBCIV	US Treasury Strip		07/10/13	08/15/16	4,899,124	5,018,000	0.78%	4,965,178	4,990,301
SBCIV	US Treasury Strip		08/15/13	08/15/16	16,113,119	16,448,000	0.69%	16,294,309	16,357,207
SBCIV	US Treasury Strip		10/02/13	11/15/16	18,099,633	18,510,000	0.72%	18,295,817	18,382,096
SBCIV	US Treasury Strip		12/31/13	02/15/17	5,582,147	5,741,000	0.90%	5,645,438	5,685,255
SBCIV	US Treasury Strip		04/02/14	02/15/17	29,799,942	30,570,000	0.89%	30,066,162	30,273,165
SBCIV	US Treasury Strip		01/08/14	02/15/17	7,949,539	8,183,000	0.94%	8,041,565	8,103,543
SBCIV	US Treasury Strip		07/02/14	05/15/17	7,629,838	7,827,000	0.89%	7,681,010	7,741,529
SBCIV	US Treasury Strip		08/15/14	08/15/17	4,505,592	4,630,000	0.91%	4,531,472	4,557,865
SBCIV	US Treasury Strip		01/02/15	11/15/17	8,907,623	9,187,000	1.08%	8,931,082	9,011,988
SBCIV	US Treasury Strip		10/01/14	11/15/17	10,736,547	11,121,000	1.13%	10,797,534	10,888,682
SBCIV	US Treasury Strip		01/22/15	11/15/17	2,771,692	2,837,000	0.83%	2,776,012	2,777,735
SBCIV	US Treasury Strip		09/24/14	11/15/17	2,324,129	2,413,000	1.20%	2,338,683	2,362,592
SBCIV Total					**$183,084,772**	**$187,165,000**		**$184,723,718**	**$185,602,187**
RPS	US Treasury Strip		02/06/13	05/15/16	1,029,698	1,045,000	0.45%	1,039,733	1,041,457
RPS	US Treasury Strip		05/01/13	05/15/16	49,519,500	50,000,000	0.32%	49,822,085	49,830,500
RPS	US Treasury Strip		02/06/13	05/15/16	869,043	882,000	0.45%	877,540	879,010
RPS	US Treasury Strip		05/15/14	08/15/16	25,567,639	25,846,000	0.48%	25,675,871	25,703,330
RPS	US Treasury Strip		08/15/13	08/15/16	2,648,947	2,704,000	0.69%	2,678,734	2,689,074
RPS	US Treasury Strip		11/15/13	11/15/16	7,394,614	7,531,000	0.61%	7,456,958	7,481,145
RPS	US Treasury Strip		08/01/13	11/15/16	39,836,191	40,900,000	0.80%	40,373,406	40,617,381
RPS	US Treasury Strip		08/01/13	11/15/16	5,392,983	5,537,000	0.80%	5,465,710	5,498,739
RPS	US Treasury Strip		11/01/13	02/15/17	48,784,500	50,000,000	0.75%	49,305,284	49,514,500

NYSERDA Investments **03/31/15**

Fund	Investment Type	Bank	Purchase Date	Maturity Date	Cost	Principal	Yield	Amortized Cost	Market Value
RPS	US Treasury Strip		11/01/13	02/15/17	9,828,125	10,073,000	0.75%	9,933,043	9,975,191
RPS	US Treasury Strip		02/05/14	02/15/17	44,599,494	45,572,000	0.71%	44,967,920	45,129,496
RPS	US Treasury Strip		01/16/14	02/15/17	20,197,922	20,752,000	0.88%	20,413,943	20,550,498
RPS	US Treasury Strip		05/15/14	05/15/17	14,234,241	14,588,000	0.82%	14,337,528	14,407,984
RPS	US Treasury Strip		05/07/14	05/15/17	40,359,723	41,501,000	0.92%	40,698,798	40,988,878
RPS	US Treasury Strip		04/23/14	05/15/17	4,348,223	4,475,000	0.94%	4,387,005	4,426,133
RPS	US Treasury Strip		08/06/14	08/15/17	48,601,500	50,000,000	0.94%	48,901,450	49,202,500
RPS	US Treasury Strip		08/06/14	08/15/17	19,637,947	20,197,000	0.93%	19,757,853	19,874,858
RPS	US Treasury Strip		11/06/14	11/15/17	47,171,970	48,662,000	1.03%	47,367,494	47,734,989
RPS	US Treasury Strip		10/30/14	11/15/17	16,444,844	16,940,000	0.98%	16,512,527	16,586,123
RPS	US Treasury Strip		01/29/15	11/15/17	8,395,338	8,587,000	0.81%	8,406,789	8,407,618
RPS	US Treasury Strip		02/06/15	02/15/18	24,315,500	25,000,000	0.92%	24,348,331	24,381,500
RPS	US Treasury Strip		02/06/15	02/15/18	36,242,687	37,235,000	0.89%	36,290,282	36,375,244
RPS Total					**$515,420,626**	**$528,027,000**		**$519,018,284**	**$521,296,148**
R&D	US Treasury Strip		06/28/12	05/15/15	2,568,020	2,600,000	0.43%	2,598,631	2,599,922
R&D	Certificate of Deposit	M&T Trust	09/12/14	09/11/15	88,000	88,000	0.00%	88,000	88,000
R&D	US Treasury Strip		02/12/14	05/15/16	2,499,517	2,524,000	0.43%	2,511,773	2,516,201
R&D	US Treasury Strip		02/12/14	08/15/16	2,499,431	2,536,000	0.58%	2,515,897	2,522,001
R&D	US Treasury Strip		05/15/14	11/15/16	2,499,180	2,535,000	0.57%	2,511,708	2,517,483
R&D	US Treasury Strip		02/12/14	02/15/17	2,499,994	2,560,000	0.79%	2,522,489	2,535,142
R&D	US Treasury Strip		05/15/14	05/15/17	2,097,863	2,150,000	0.82%	2,113,085	2,123,469
R&D	US Treasury Strip		08/15/14	08/15/17	3,142,237	3,229,000	0.91%	3,160,286	3,178,692
R&D	US Treasury Strip		11/17/14	11/15/17	2,061,582	2,126,000	1.03%	2,069,473	2,081,588
R&D	US Treasury Strip		02/17/15	02/15/18	1,107,861	1,144,000	1.07%	1,109,248	1,115,697
R&D Total					**$21,063,685**	**$21,492,000**		**$21,200,590**	**$21,278,196**

RGGI	US Treasury Strip		12/19/12	02/15/16	790,211	801,000	0.43%	797,996	799,526
RGGI	US Treasury Strip		03/27/13	05/15/16	1,321,502	1,338,000	0.40%	1,332,078	1,333,598

NYSERDA Investments **03/31/15**

Fund	Investment Type	Bank	Purchase Date	Maturity Date	Cost	Principal	Yield	Amortized Cost	Market Value
RGGI	US Treasury Strip		05/22/13	05/15/16	440,983	446,000	0.38%	444,106	444,488
RGGI	US Treasury Strip		06/17/13	08/15/16	17,605,713	17,908,000	0.54%	17,776,355	17,812,550
RGGI	US Treasury Strip		09/17/13	11/15/16	36,119,348	37,156,000	0.90%	36,621,967	36,910,027
RGGI	US Treasury Strip		12/16/13	02/15/17	43,734,694	44,840,000	0.79%	44,183,695	44,404,604
RGGI	US Treasury Strip		04/02/14	02/15/17	9,499,523	9,745,000	0.89%	9,584,388	9,650,376
RGGI	US Treasury Strip		03/19/14	05/15/17	36,139,411	37,135,000	0.86%	36,464,942	36,672,298
RGGI	US Treasury Strip		06/13/14	08/15/17	36,009,308	37,217,000	1.04%	36,312,534	36,623,389
RGGI	US Treasury Strip		01/02/15	11/15/17	3,593,301	3,706,000	1.08%	3,602,764	3,635,401
RGGI	US Treasury Strip		09/17/14	11/15/17	28,172,308	29,235,000	1.17%	28,351,723	28,624,281
RGGI	US Treasury Strip		10/08/14	11/15/17	4,328,953	4,474,000	1.07%	4,351,209	4,380,538
RGGI	US Treasury Strip		12/19/14	02/15/18	36,699,126	38,106,000	1.20%	36,823,478	37,226,132
RGGI	US Treasury Strip		03/26/15	05/15/18	30,544,077	31,545,000	1.03%	30,548,444	30,628,302
RGGI Total					**$284,998,457**	**$293,652,000**		**$287,195,678**	**$289,145,511**
GJGNY	US Treasury Bill		10/03/14	04/02/15	1,288,737	1,289,000	0.04%	1,288,997	1,289,000
GJGNY	US Treasury Bill		02/05/15	05/07/15	4,289,892	4,290,000	0.01%	4,289,956	4,289,914
GJGNY	US Treasury Bill		01/02/15	06/25/15	300,942	301,000	0.01%	300,971	300,988
GJGNY	US Treasury Bill		03/02/15	06/25/15	1,752,944	1,753,000	0.01%	1,752,958	1,752,930
GJGNY	US Treasury Bill		02/04/15	06/25/15	318,988	319,000	0.01%	318,992	318,987
GJGNY	US Treasury Bill		08/15/14	07/23/15	5,359,052	5,363,000	0.08%	5,361,684	5,362,303
GJGNY	US Treasury Bill		08/13/14	07/23/15	894,294	895,000	0.08%	894,766	894,884
GJGNY	US Treasury Strip		08/15/13	08/15/15	14,649,258	14,750,000	0.34%	14,731,094	14,746,018
GJGNY	US Treasury Strip		08/13/13	08/15/15	2,127,833	2,141,000	0.31%	2,138,536	2,140,422
GJGNY	US Treasury Strip		01/09/13	02/15/16	999,320	1,012,000	0.41%	1,008,404	1,010,138
GJGNY	US Treasury Strip		08/13/13	08/15/16	2,127,577	2,170,000	0.66%	2,150,566	2,158,434

GJGNY	US Treasury Strip		08/13/13	08/15/17	2,127,255	2,226,000	1.14%	2,167,414	2,190,495
GJGNY Total					**$36,236,089**	**$36,509,000**		**$36,404,338**	**$36,454,512**
Other Programs	US Treasury Bill		04/03/14	04/02/15	6,990,747	6,998,000	0.10%	6,997,960	6,998,000

NYSERDA Investments **03/31/15**

Fund	Investment Type	Bank	Purchase Date	Maturity Date	Cost	Principal	Yield	Amortized Cost	Market Value
Other Programs	US Treasury Bill		10/23/14	04/23/15	373,903	374,000	0.05%	373,988	373,996
Other Programs	US Treasury Bill		10/23/14	04/23/15	186,952	187,000	0.05%	186,994	186,998
Other Programs	US Treasury Bill		10/23/14	04/23/15	907,765	908,000	0.05%	907,970	907,991
Other Programs	US Treasury Strip		05/15/14	05/15/15	943,009	944,000	0.11%	943,878	943,972
Other Programs	US Treasury Strip		05/15/14	05/15/15	4,651,111	4,656,000	0.11%	4,655,397	4,655,860
Other Programs	US Treasury Strip		05/21/14	05/15/15	5,158,423	5,164,000	0.11%	5,163,301	5,163,845
Other Programs	US Treasury Bill		01/08/15	09/17/15	722,337	723,000	0.13%	722,553	722,660
Other Programs	US Treasury Bill		01/22/15	09/17/15	1,046,342	1,047,000	0.10%	1,046,530	1,046,508
Other Programs	US Treasury Bill		09/18/14	09/17/15	822,996	824,000	0.12%	823,531	823,613
Other Programs	US Treasury Bill		09/18/14	09/17/15	1,146,601	1,148,000	0.12%	1,147,347	1,147,460
Other Programs	US Treasury Bill		11/13/14	11/12/15	8,999,471	9,012,000	0.14%	9,004,221	9,003,258
Other Programs	US Treasury Bill		01/15/15	11/12/15	13,212,730	13,226,000	0.12%	13,216,036	13,213,171
Other Programs	US Treasury Strip		11/15/13	11/15/15	1,781,642	1,792,000	0.29%	1,788,751	1,790,047
Other Programs	US Treasury Strip		02/17/15	02/15/16	2,533,262	2,539,000	0.23%	2,533,926	2,533,947
Other Programs	US Treasury Strip		05/03/13	05/15/16	19,999,022	20,189,000	0.31%	20,118,530	20,120,559
Other Programs Total					**$69,476,313**	**$69,731,000**		**$69,630,912**	**$69,631,886**
NY Green Bank	US Treasury Bill		05/07/14	04/30/15	10,207,094	10,217,000	0.10%	10,216,170	10,216,693
NY Green Bank	US Treasury Strip		03/23/12	05/15/15	17,167,850	17,500,000	0.61%	17,486,980	17,499,475
NY Green Bank	US Treasury Bill		08/13/14	07/23/15	499,606	500,000	0.08%	499,869	499,935
NY Green Bank	US Treasury Strip		03/19/14	08/15/15	24,999,057	25,069,000	0.20%	25,050,358	25,062,231
NY Green Bank	US Treasury Strip		11/15/12	11/15/15	24,564,357	24,819,000	0.34%	24,765,746	24,791,947
NY Green Bank	US Treasury Strip		01/08/14	02/15/16	19,399,563	19,588,000	0.46%	19,509,239	19,551,958
NY Green Bank	US Treasury Strip		03/19/14	05/15/16	24,999,361	25,232,000	0.43%	25,110,662	25,154,033

NY Green Bank	US Treasury Strip		08/15/13	08/15/16	2,578,412	2,632,000	0.69%	2,607,406	2,617,471
NY Green Bank	US Treasury Strip		07/03/14	11/15/16	19,252,058	19,550,000	0.65%	19,345,294	19,411,782
NY Green Bank	US Treasury Bill		11/14/14	02/15/17	27,488,919	27,903,000	0.66%	27,557,765	27,632,062
NY Green Bank	US Treasury Bill		12/11/14	05/15/17	19,199,736	19,570,000	0.79%	19,245,705	19,328,506

Fund	Investment Type	Bank	Purchase Date	Maturity Date	Cost	Principal	Yield	Amortized Cost	Market Value
NY Green Bank	US Treasury Strip		02/17/15	08/15/17	24,480,353	25,007,000	0.86%	24,504,659	24,608,138
NY Green Bank Total					**$214,836,367**	**$217,587,000**		**$215,899,854**	**$216,374,233**
LLRW	US Treasury Bill		03/12/15	05/07/15	401,994	402,000	0.01%	401,996	401,992
LLRW	US Treasury Bill		02/05/15	05/07/15	2,677,932	2,678,000	0.01%	2,677,972	2,677,946
LLRW	US Treasury Bill		03/05/15	05/07/15	401,996	402,000	0.01%	401,998	401,992
LLRW Total					**$3,481,923**	**$3,482,000**		**$3,481,966**	**$3,481,930**
Perpetual Care Funds	US Treasury Strip		08/16/12	08/15/15	28,453,935	28,829,000	0.44%	28,782,031	28,822,946
Perpetual Care Funds Total					**$28,453,935**	**$28,829,000**		**$28,782,031**	**$28,822,946**
Grand Total					**$1,549,424,414**	**$1,581,972,000**		**$1,559,952,523**	**$1,566,269,974**

E. AUDITOR'S REPORT ON COMPLIANCE WITH INVESTMENT GUIDELINES

As part of the annual audit of the financial statements of the Authority, the independent auditors audited the Authority's investments and its compliance with its Investment Guidelines for the fiscal year ended March 31, 2015. Following is the report issued by the independent auditors.

Independent Accountants' Report on Investment Compliance

Draft Report from KPMG

Report on Investment Compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York

Members of the Authority
New York State Energy Research and Development Authority:

We have examined the New York State Energy Research and Development Authority's (the Authority) compliance with Section 201.3 of Title Two of the *Official Compilation of Codes, Rules, and Regulations of the State of New York* for the year ended March 31, 2015. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Authority complied, in all material respects, with Section 201.3 of Title Two of the *Official Compilation of Codes, Rules, and Regulations of the State of New York* for the year ended March 31, 2015.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Authority's compliance with Section 201.3 of Title Two of the *Official Compilation of Codes, Rules, and Regulations of the State of New York* and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Authority complied with the aforementioned requirements and not for the purpose of expressing an opinion on the internal control over compliance with those requirements or other matters; accordingly, we express no such opinions. The results of our tests disclosed no matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Members of the Authority and management of the Authority, the New York State Office of the State Comptroller, the New York State Division of the Budget, and the New York State Authority Budget Office and is not intended to be and should not be used by anyone other than those specified parties.

Albany, New York
June __, _______

F. LIST OF FEES AND CHARGES RELATED TO INVESTMENTS

Operating Fund	
NYS Department of Taxation and Finance - fiscal agent fees and expenses	$273,426
Total Fees and Charges	$273,426

NEW YORK STATE ENERGY RESEARCH AND DEVELOPMENT AUTHORITY

INVESTMENT GUIDELINES, OPERATIVE POLICY AND INSTRUCTIONS

(June 2015)

INVESTMENT GUIDELINES, OPERATIVE POLICY AND INSTRUCTIONS
(June 2015)

I. Introduction

These guidelines set forth the policy of the New York State Energy Research and Development Authority (hereafter "the Authority") and instructions to its officers and staff with regard to its investments and the monitoring and reporting of these investments. The guidelines are intended to meet or exceed the provisions of Public Authorities Law (hereafter, "PAL") Section 2925, the Office of the State Comptroller's Investment Guidelines for Public Authorities contained in 2 NYCRR Part 201, Section 201.3, and the provisions of the Authority's enabling legislation concerning Authority investments. In accordance with PAL Section 2925, the guidelines will be reviewed, revised, if necessary, and approved as frequently as necessary and appropriate, but not less frequently than annually, in the manner described hereafter.

The provisions of these guidelines apply to all monies for which the Authority is responsible for directing investment. This includes monies to which the Authority has legal title and which are held by the Commissioner of Taxation and Finance as fiscal agent of the Authority (PAL Section 1859(1)). It also includes monies to which the Authority does not have legal title, but for which it is responsible for directing investment such as monies held by the trustee for the State Service Contract Revenue (West Valley) Bonds.

The Authority conducts a Private Activity Bond Financing Program. Pursuant to this program, tax-exempt non-recourse securities are issued by the Authority, and the proceeds are made available to State utilities and other non-State entities to finance eligible projects. These securities do not constitute a debt of or charge against the credit of the Authority or the State. Rather, the utility or other entity for which the securities are issued is liable for payment of the principal, redemption premium, if any, and interest on the securities. The proceeds of each issuance are deposited with a trustee chosen by the participating utility or other entity and are not available for investment by the Authority. Generally, the Indenture of Trust for the transaction will contain a list of securities in which the Trustee may invest theses monies. The list of permitted investments is approved by the Commissioner of Taxation and Finance as part of the Commissioner's review pursuant to the enabling legislation of the Authority. Investments are made at the direction of the participating utility or other entity and not at the direction of the Authority. Accordingly, the provisions of these Investment Guidelines do not apply to the investing of these monies. Nonetheless, when participating in the formulation of these financing transactions, staff are directed to pursue the objectives set forth in the Investment Guidelines and to require that prudent provisions as to permitted investments, collateral requirements and investment monitoring be included in the underlying documents, as appropriate.

II. Definitions

"Broker-Dealer" means any government bond trader approved by the Commissioner of Taxation and Finance reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York.

"Custodian" means the Commissioner of Taxation and Finance, or a bank, trust company or national banking association designated or approved to hold securities on behalf of or for the benefit of the Authority, as trustee or otherwise.

"Eligible Banking Institution" means any bank, trust company, or national banking association approved by the Commissioner of Taxation and Finance doing business through offices located within New York State. For the State of New York's Excelsior Linked Deposit Program only, Eligible Banking Institution shall also include savings and loan institutions.

"Federal Governmental Obligations" means obligations of the United States and obligations the principal and interest of which are unconditionally guaranteed by the United States.

"Repurchase Agreement" means a written contract whereby the Authority purchases securities, and the seller of the securities agrees to repurchase the securities at a future date for a specified price. Repurchase Agreements may be used to purchase only Federal Government Obligations. The Authority may enter into a Repurchase Agreement only with an Eligible Banking Institution or a Broker-Dealer.

"Money market funds" means shares of a diversified open-end management investment company, as defined in the Investment Company Act of 1940, registered under the Federal Securities Act of 1933.

III. Investment Objectives

The investment objectives of the Authority, listed in order of importance, are as follows: to conform with all applicable Federal, State and other legal requirements; to safeguard adequately investment principal; to earn reasonable rates of return; and to provide for portfolio liquidity. These investment objectives will likely be achieved through substantial reliance on Federal Governmental Obligations and minimal investment in long-term securities.

IV. Delegation of Authority

The responsibility for implementing the investment program is delegated to the Authority's Treasurer. All investment transactions shall be approved and authorized by the Treasurer or, in his/her absence the Controller and Assistant Treasurer, or any Officer of the Authority. Such authorized investment transactions shall be initiated and executed by the Commissioner of Taxation and Finance (or his/her authorized designees), the Authority's fiscal agent established pursuant to Section 1859 of the Public Authorities Law. The Treasurer shall establish written procedures for the operation of the investment program consistent with these Investment Guidelines. Such procedures shall include an internal control structure to provide a reasonable level of accountability over the authorization, recording and reporting of investment transactions, and to provide for a segregation of duties between authorization and accounting functions.

Investments shall be made in accordance with the Authority's Investment Guidelines, Operative Policy and Instructions using the judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the objectives set forth herein. All Authority staff participating in the investment process shall act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the Authority's ability to effectively fulfill its responsibilities. All participants involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

V. Types of Investments Authorized

The Authority may deposit monies in demand deposit (checking) and time deposit (savings) accounts with Eligible Banking Institutions located in New York State. Monies deposited in such accounts shall be fully secured as soon as practicable by Federal Deposit Insurance Corporation (FDIC) insurance or obligations of New York State or Federal Government Obligations, subject to approval of the Commissioner of Taxation and Finance, the Authority's fiscal agent, in consultation with the Authority.

Investments shall be limited to the following types of securities:

(1) Federal Governmental Obligations, provided that the term of each shall not exceed five (5) years;

(2) obligations of New York State and obligations the principal and interest of which are guaranteed by New York State, provided that the term of each shall not exceed five (5) years;

(3) certificates of deposit of Eligible Banking Institutions located in New York, provided that: the term of each shall not exceed five (5) years; pursuant to the limitations of a resolution adopted by the Members in June 1994, the Authority may invest in certificates of deposits through the State of New York's Excelsior Linked Deposit Program, whereby the Authority's deposit will earn a fixed rate of interest equal to 2% to 3% less than the institution's published certificate of deposit rate consistent with this program's criteria; and subject to all other provisions outlined in these Guidelines.

(4) Repurchase Agreements, provided that the term of each shall not exceed sixty (60) days and that no more than 40 percent of the Authority's total investments shall be invested in Repurchase Agreements at the time of purchase; and

(5) Money market funds whose investments are limited to the authorized investments described above and whose objective is to maintain a constant share value of $1.00, provided that: (a) no more than 5 percent of the total amount of the Authority's investments shall be invested in money market funds for more than thirty consecutive business days; and (b) no more than 10 percent of the total amount of the Authority's investments shall be invested in money market funds at any time.

Nothing herein contained shall preclude the Authority from imposing further restrictions on the investing of funds in any Indenture of Trust relating to the issuance of bonds.

VI. Authorized Financial Institutions and Dealers

Eligible Banking Institutions and Broker-Dealers authorized for the Authority's investment purposes shall be approved based upon policies and procedures established by the Commissioner of Taxation and Finance. The Authority will periodically consult with the Department of Taxation and Finance concerning their policies, practices and the resulting list.

VII. Diversity of Investments

To the extent practical, the Authority shall diversify its investments by financial institution, by investment instrument, and by maturity. The cash flow requirements of the Authority will be a significant determining factor in selecting the term of investment securities. Competitive quotations, pursuant to policies established by the Commissioner of Taxation and Finance and executed by his/her designated staff, shall be used to select the institution from which investments are purchased.

Except as otherwise required by any policies and practices of the Commissioner of Taxation and Finance, the Authority shall not invest more than 35 percent of its total investment portfolio with a single Eligible Banking Institution.

VIII. Collateral and Delivery of Securities

Collateral for investments shall be limited to: (i) obligations of New York State and obligations the principal and interest of which are guaranteed by New York State; and (ii) Federal Governmental Obligations. The Authority shall not accept a pledge of a proportionate interest in a pool of collateral. Collateral shall be segregated in the name of the Authority, and shall be in the custody of the Authority or a third party Custodian pursuant to a written custodial agreement; provided, that if the Custodian is the

Commissioner of Taxation and Finance, a written custodial agreement shall not be required. The written custodial agreement shall specify circumstances, if any, under which collateral may be substituted, and shall provide that the Custodian holds the collateral solely for the benefit of the Authority and makes no claim thereto. The market value of collateral and accrued interest, if any, shall equal or exceed the value of the secured investment and accrued interest, if any, at all times. Collateral shall be marked to market at the time of the initial investment and, thereafter, no less frequently than monthly using the bid or closing price as quoted in The Wall Street Journal.

In addition to collateral permitted for investments, collateral for deposits made with banks participating in the State's Excelsior Linked Deposit Program shall, subject to the discretion of the Commissioner of Taxation and Finance with confirmation to the Authority, include obligations permitted under Section 105 of the State Finance Law.

Certificates of deposit, demand deposits and time deposits shall be fully collateralized for amounts in excess of Federal Deposit Insurance Corporation (FDIC) coverage.

Securities purchased through a Repurchase Agreement shall be marked to market at least monthly.

Collateral shall not be required with respect to the purchase of obligations of New York State, obligations the principal and interest of which are guaranteed by New York State, Federal Governmental Obligations, or money market funds.

Under any Repurchase Agreement, payment shall be made by or on behalf of the Authority to the seller upon the seller's delivery of obligations of the United States to the Custodian designated by the Authority, or, in the case of a book entry transaction, when the obligations of the United States are credited to the Custodian's Federal Reserve Bank account. Payment shall be made by or on behalf of the Authority for obligations of New York State, obligations the principal and interest of which are guaranteed by New York State, Federal Governmental Obligations, certificates of deposit, and other purchased securities upon the delivery thereof to the Custodian designated by the Authority, or, in the case of a book entry transaction, when the purchased securities are credited to the Custodian's Federal Reserve System account.

IX. Written Contracts

The Authority has determined that, with the exception of Repurchase Agreements, written contracts are not a regular business practice for the types of securities (obligations of New York State, Federal Governmental Obligations, etc.) in which Authority monies may be invested. The interests of the Authority will be adequately protected by conditioning payment by or on behalf of the Authority on the physical delivery of purchased securities to the Authority or its Custodian, or, in the case of book-entry transactions, on the crediting of purchased securities to the Custodian's Federal Reserve System account. In addition, all purchases will be confirmed in writing to the Authority.

Only an Eligible Banking Institution or a Broker-Dealer shall be qualified to enter into a Repurchase Agreement with the Authority's fiscal agent. The Authority's fiscal agent shall enter into a Master Repurchase Agreement, patterned after the Bond Market Association (formerly Public Security Association) model master repurchase agreement, with each Eligible Banking Institution or Broker-Dealer with which the fiscal agent enters into a specific Repurchase Agreement. The Master Repurchase Agreement shall include:

(a) a description of the relationship of the parties as purchaser and seller;

(b) a description of the events of default which would permit the purchaser to liquidate the pledged collateral;

(c) procedures which ensure that the Authority obtains a perfected security interest in the underlying securities; and

(d) the method of computing margin maintenance requirements, including a limitation, based on policies established by the Commissioner of Taxation and Finance, that securities purchased and held as collateral for repurchase agreements shall be Federal Government Obligations maturing in twelve years or less, and provided that: (i) if such collateral has a maturity of seven years or less, the market value must equal or exceed 101% of the par value of the repurchase agreement; and (ii.) if such collateral has a maturity greater than seven years, the market value must equal or exceed 102% of the par value of the repurchase agreement.

X. Qualification of Custodians

The following shall be qualified to act as Custodian: the Commissioner of Taxation and Finance, any bank or trust company chartered by the State of New York which is not a member of the Federal Reserve System, or any bank, trust company, or national banking association which is a member of the Federal Reserve System, including an Eligible Banking Institution, which transacts business through offices located within the State of New York. During the time that any bank or trust company serves as Custodian, it must be rated at least "A", or its equivalent, by a nationally recognized independent rating agency. With respect to the holding of securities purchased by the Authority through a Repurchase Agreement, the Custodian may not be the Eligible Banking Institution with which the Authority or its fiscal agent has entered into such Repurchase Agreement, nor an agent of such Eligible Banking Institution for purposes of the Repurchase Agreement.

XI. Audit and Finance Committee

The functions of the Audit and Finance Committee with respect to investments are to:

(a) monitor the system of internal controls;

(b) verify relevant matters relating to securities purchased or held as collateral semi-annually and on an unscheduled basis;

(c) determine whether the investment results are consistent with the investment objectives set forth in these Investment Guidelines;

(d) review any independent audits of the investment program;

(e) review these Investment Guidelines periodically and recommend to the Members of the Authority such amendments thereto as may be necessary or appropriate; and

(f) evaluate systematically and periodically the investment program consistency with the provisions of PAL Section 2925, these Investment Guidelines, and the Office of the State Comptroller's Investment Guidelines for Public Authorities (2 NYCRR Part 201, Section 201.3).

In support of its functions, the Audit and Finance Committee shall:

(a) require the Authority's independent auditors to verify semi-annually, and at least once annually on an unscheduled basis, that the provisions of these Investment Guidelines relating to the delivery and possession of and payment for securities, and custodial possession and periodic valuation of collateral are being met;

(b) review the quarterly, annual, and any other periodic investment reports, and recommend to the Members of the Authority such changes in the annual investment report as it deems necessary or appropriate;

(c) review the written annual audit report of the independent auditors;

(d) discuss with the independent auditors, with staff and officers not present, the results of the annual independent audit and the written annual audit report; and

(e) review not less frequently than annually these Investment Guidelines, and recommend to the Members of the Authority such changes in these Investment Guidelines as it deems necessary or appropriate.

XII. Operations and Procedures

The Treasurer, or in his/her absence the Controller and Assistant Treasurer or any Authority Officer, shall authorize the purchase and sale of all securities, authorize the disbursement of funds for delivery of securities, determine the selection of brokers, dealers and Custodians, and execute contracts for Repurchase Agreements and custodial services on behalf of the Authority. The process of initiating, reviewing and approving requests to purchase and sell securities shall be documented and retained for audit purposes. Oral directions concerning the purchase or sale of securities shall be confirmed in writing. The Authority shall pay for purchased securities upon the delivery or book-entry thereof, and the Authority will obtain written confirmation of each delivery or book-entry. Custodians must have prior authorization from the Authority to deliver securities and collateral and shall not deliver securities except upon receipt of funds. Custodians shall confirm in writing all such transactions. Custodians shall report whenever activity has occurred in a custodial account of the Authority.

The Treasurer shall develop detailed investment procedures implementing the Investment Guidelines as part of the Accounting Policy and Procedures Manual which shall include, but not be limited to, the following:

(a) the establishment and maintenance of a system of internal controls for investments;

(b) methods for adding, changing or deleting information contained in the investment record, including a description of the documents to be created and verification tests to be conducted;

(c) a data base or record incorporating descriptions and amounts of investments, transaction dates, interest rates, maturities, bond ratings, market prices and related information necessary to manage the portfolio; and

(d) requirements for periodic reporting and a satisfactory level of accountability.

Except in the purchase of government securities at their initial auction, the Authority will encourage investment selections utilizing competitive quotations based upon the procedures established by the Commissioner of Taxation and Finance and carried out by his/her designated personnel.

The Treasurer shall maintain a record of investments. The record shall identify each security, the fund for which held, the place where kept, date of disposition and amount realized, and the market value and Custodian of the collateral.

At least monthly, the Authority shall verify the principal amount and market values of all investments and collateral. The Authority shall obtain appropriate listings from Custodians and compare such listings against the records of the Authority.

XIII. Audit

At the time the independent auditors to the Authority conduct the annual audit of the accounts and financial affairs of the Authority, the independent auditors shall audit the investments of the Authority for the subject fiscal year. The annual investment audit shall determine whether:

(a) the Authority's investment practices and operations have been consistent with the provisions of PAL Section 2925, these Investment Guidelines, the Office of the Comptroller's Investment Guidelines for Public Authorities, and the Authority's investment operating procedures contained in its Accounting Policies and Procedures Manual;

(b) adequate accounts and records are maintained which accurately reflect all transactions and report on the disposition of the Authority's investment assets; and

(c) a system of adequate internal controls for investments is maintained.

The independent auditors shall prepare a written annual audit report which presents the results of their annual investment audit, and shall include:

(a) a description of the scope and objectives of the audit;

(b) a statement that the audit was made in accordance with generally accepted government auditing standards;

(c) a description of any material weaknesses found in the internal investment controls;

(d) a description of all non-compliance with provisions of PAL Section 2925, these Investment Guidelines, the Office of the State Comptroller's Investment Guidelines for Public Authorities (2 NYCRR Part 201, Section 201.3), or the Authority's investment operating procedures contained in its Accounting Policies and Procedures Manual;

(e) a statement of positive assurance of compliance on the items tested; and

(f) a statement of any other material deficiency or finding identified during the audit not covered in (e) above.

XIV. Reporting

Within sixty (60) days of the end of each of the first three quarters of the Authority's fiscal year, the Treasurer shall prepare and submit to the Members of the Authority and to the Audit and Finance Committee of the Authority a quarterly investment report which indicates new investments, the inventory of existing investments, the selection of Custodians and Broker-Dealers, and such other matters as the Treasurer deems appropriate.

Within 120 days of the end of the fiscal year, the Treasurer shall prepare and submit to the Audit and Finance Committee an annual investment report, which shall include the Investment Guidelines, including any amendment to the Investment Guidelines since the last annual investment report; an explanation of the Investment Guidelines and amendments; the results of the annual independent audit; the investment income record; a list of total fees, commissions or other charges paid to each Broker-Dealer and Custodian; and such other matters as the Treasurer deems appropriate.

The Members of the Authority shall review and approve the annual investment report, if practicable, at the June meeting of the Authority, for submission thereof to the Division of the Budget, the Department of Audit and Control, the Senate Finance Committee, and the Assembly Ways and Means Committee.

The Authority's annual financial statements shall report the Authority’s investments and provide such disclosure information as is required by applicable governmental accounting standards.

Not less frequently than annually, and if practicable, at the June meeting of the Authority, the Members of the Authority shall review, amend, if necessary or appropriate, and approve these Investment Guidelines.

The provisions of these Investment Guidelines and any amendments hereto shall take effect prospectively and shall not invalidate the prior selection of any Custodian, Broker-Dealer, any prior investment, nor any list of permitted investments set forth in any indenture of trust or similar document previously executed by the Authority.