



# **INVESTMENT POLICY**

## **BOARD OF DIRECTORS POLICY 035**

Adopted by the Board of Directors March 21, 1996  
First Revision Adopted by the Board of Directors January 22, 2004

**CONNECTICUT RESOURCES RECOVERY AUTHORITY  
INVESTMENT POLICY**

**TABLE OF CONTENTS**

1.	PURPOSE .....	1
2.	GENERAL POLICY .....	1
3.	SCOPE .....	1
4.	INVESTMENT OBJECTIVES .....	1
4.1	Preservation of Principal .....	2
4.2	Maintenance of Liquidity: .....	2
4.3	Return on Investment: .....	2
5.	DELEGATION OF AUTHORITY .....	2
6.	STANDARD OF PRUDENCE .....	3
7.	ETHICS AND CONFLICTS OF INTEREST .....	3
8.	ELIGIBLE FINANCIAL DEALERS AND INSTITUTIONS .....	3
9.	COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS .....	3
10.	AUTHORIZED INVESTMENTS .....	4
11.	INTERNAL CONTROLS .....	4
12.	SAFEKEEPING AND CUSTODY .....	4
13.	PORTFOLIO DIVERSIFICATION .....	5
14.	PERFORMANCE STANDARDS .....	5
14.1	Returns .....	5
15.	REPORTING .....	5
15.1	Semi-Annual Reporting .....	5
15.2	Annual Reporting .....	6
15.3	Reporting by Contracted Professionals .....	6
16.	INVESTMENT POLICY ADOPTION .....	7

**TABLE OF APPENDICES**

Tab

- A Authorized Investments under the Mid-Connecticut System Bond Resolution
- B Authorized Investments under the Bridgeport System Bond Resolution
- C Authorized Investments under the Southeast System Bond Resolution
- D Authorized Investments under the Wallingford System Bond Resolution
- E Authorized Investments for Funds Not Under a General Bond Resolution

# **CONNECTICUT RESOURCES RECOVERY AUTHORITY**

## **INVESTMENT POLICY**

### **1. PURPOSE**

The President, Chief Financial Officer and Assistant Treasurer & Director of Finance of the Connecticut Resources Recovery Authority (the “Authority”) are charged with the responsibility to prudently and properly manage any and all funds of the Authority. The purpose of this document is to specify the investment and operational policies for the management of the public funds of the Authority, not subject to the provisions, covenants or requirements of any general bond resolution. These policies have been adopted by, and can be changed only by, a majority vote of the Board of Directors of the Authority.

These policies are designed to ensure the prudent management of public funds, the availability of operating and capital funds, when needed, and an investment return competitive with comparable funds and financial market indices.

### **2. GENERAL POLICY**

Authority investments will conform to all state statutes and bond resolution restrictions governing the investments of Authority funds. All investments shall be made with 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 probable safety of their principal as well as the probable income to be derived. The standard of prudence to be used by investment officials shall be the “prudent investor” standard and shall be applied in the context of managing an overall portfolio.

### **3. SCOPE**

This Investment Policy applies to all financial assets and funds of the Authority, including all funds assigned to external parties through Board approved bond resolutions or contractual agreements. This policy authorizes the Chief Financial Officer or Assistant Treasurer & Director of Finance to act as the investment officer and to invest the funds in accordance with this policy. The appendices contain the specific authorized investments that pertain to the four project bond resolutions and other funds not under or created by a bond resolution.

### **4. INVESTMENT OBJECTIVES**

The primary objectives of the Authority’s investment activities, in priority order, shall be:

#### **4.1 Preservation of Principal**

The preservation and safety of principal is the foremost objective of the Authority's investment program. Investment activity of the Authority shall be undertaken in a manner that seeks to ensure the preservation of principal in the overall portfolio. In the event that investments are made in non-U.S. government or U.S. agency securities, the Authority shall maintain adequate diversification of instruments, issuers, and maturities to protect against losses from credit risks and market changes.

#### **4.2 Maintenance of Liquidity:**

The portfolio shall be managed in such a manner that assures that funds are available as needed to meet those immediate and/or future operating requirements of the Authority. The Chief Financial Officer or Assistant Treasurer & Director of Finance shall ensure that investments are maintained with maturities that meet these requirements.

#### **4.3 Return on Investment:**

The Authority's investment portfolio shall be designed with the objective of attaining a maximum rate of return but within the context and parameters set forth by objectives 4.1 and 4.2 above. Return on investment is subordinate to the primary objectives of safeguarding principal and providing necessary liquidity.

### **5. DELEGATION OF AUTHORITY**

Management responsibility for the investment program is delegated to the Chief Financial Officer, who shall establish written procedures for the operation of the investment program consistent with the Investment Policy.

No person may engage in an investment transaction except as provided under the terms of the Investment Policy and the procedures established by the Chief Financial Officer. The Chief Financial Officer shall have responsibility for all transactions undertaken and shall establish and maintain a system of internal controls to regulate the activities of subordinate officials.

The Authority may employ an outside investment manager to assist in managing some or all of the investment portfolio. Such outside investment manager(s) must be registered under the Investment Advisors Act of 1940 and must comply with all relevant aspects of Public Act No. 00-43. In addition, any such outside investment manager(s) will provide evidence of their continued registration, upon written request of the Authority.

In the absence of the Chief Financial Officer, all responsibilities and duties delegated to the Chief Financial Officer under this Investment Policy will be conducted by the Assistant Treasurer & Director of Finance, or a designee of the President.

## **6. STANDARD OF PRUDENCE**

Except where specifically directed by statutes or regulations of the State of Connecticut, the general investment policies of the Authority will be guided by the “prudent investor” rule. Those with investment responsibility for public funds are fiduciaries and, as such, will exercise the judgment and care under the circumstances then prevailing which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital.

## **7. ETHICS AND CONFLICTS OF INTEREST**

Investment activities shall be performed in full accordance with state statute and other Authority policies whose purpose is to avoid conflicts of interest.

## **8. ELIGIBLE FINANCIAL DEALERS AND INSTITUTIONS**

The Chief Financial Officer will establish and maintain a list of eligible brokers, dealers and other financial institutions that are responsible and financially sound and shall file such list with the Trustee. These may include “primary” dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). It shall be the policy of the Authority to purchase securities only from those authorized institutions and firms.

The purchase of any investment, other than those purchased directly from the issuer of such investment, shall be executed with an institution authorized to do business in the State of Connecticut as a broker/dealer, which is a member of the National Association of Securities Dealers, or a member of a federally-regulated securities exchange, a national- or state-chartered bank, or a brokerage firm designated as a Primary Government Dealer by the Federal Reserve Bank or a financial institution approved by the Authority’s Board of Directors.

## **9. COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS**

It will be the policy of the Authority to transact all securities purchase/sales only with approved financial institutions through a formal and competitive process requiring the solicitation and evaluation of at least three bids/offers from qualified financial institutions. The Authority will accept the offer that provides (a) the highest rate of return within the maturity required; and (b) optimizes the investment objective of the overall portfolio. When selling a security, the Authority will select the bid that generates the highest sale price.

It will be the responsibility of the personnel involved with each purchase/sale to produce and retain written records of each transaction including the name of the financial institutions solicited, rates quoted, description of the security, investment selected and any special considerations that had an impact on the decision. If the lowest priced security

(highest yield) was not selected for purchase, an explanation describing the rationale will be included in this record.

## **10. AUTHORIZED INVESTMENTS**

The Authority is empowered to invest any funds, including all funds under a general bond resolution, not needed for immediate use of disbursement in securities as follows:

For all funds created under the General Bond Resolution of the Mid-Connecticut System, please refer to Appendix A, herein, for a full list of authorized investments.

For all funds created under the General Bond Resolution of the Bridgeport System, please refer to Appendix B, herein, for a full list of authorized investments.

For all funds created under the General Bond Resolution of the Southeast System, please refer to Appendix C, herein, for a full list of authorized investments.

For all funds created under the General Bond Resolution of the Wallingford System, please refer to Appendix D, herein, for a full list of authorized investments.

For all other funds not specifically established under a bond resolution and held in trust by the Authority's trustee, please refer to Appendix E, herein, for a full list of authorized investments.

## **11. INTERNAL CONTROLS**

The Chief Financial Officer shall establish a written system of internal controls governing the administration and management of the Authority's investment portfolio, approved by the President. These controls shall be designed to prevent and control losses of Authority funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by employees and officers of the Authority. Procedures should include reference to wire transfer agreements, collateral/depository agreements, safekeeping and banking service contracts. In addition, these procedures will include explicit delegation of authority to persons responsible for investment transactions.

## **12. SAFEKEEPING AND CUSTODY**

All security transactions entered into by the Authority shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third party custodian bank or trust department, acting as agent for the Authority under the terms of a custody or trust agreement executed by the bank and the Authority, as designated by the Chief Financial Officer and evidenced by safekeeping receipts.

### **13. PORTFOLIO DIVERSIFICATION**

In the event that investments are made in non-U.S. government or U.S. agency securities, the Authority will diversify that portion of the investment portfolio to eliminate the risk of loss from an over concentration of assets in a specific class of security, a specific maturity, and/or a specific issuer. The asset allocation in the portfolio should, however, be flexible depending upon the outlook for the economy and the securities markets, thereby assuring adequate liquidity should one sector or corporation experience difficulties

### **14. PERFORMANCE STANDARDS**

The investment portfolio shall be designed to obtain a maximum rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs. The Chief Financial Officer will identify expected returns for each asset class based on the prevailing market rates of return.

Short-term funds and other funds that must maintain a high degree of liquidity will be compared to the return on the three-month U.S. Treasury Bill. Funds that have a longer-term investment horizon will be compared to an index of U.S. Treasury securities having a similar duration or other appropriate benchmark.

#### **14.1 Returns**

In general, within the constraints of preserving liquidity and minimizing risk, the investment objective for funds subject to rebate is to maximize retainable earnings and minimize negative arbitrage and for funds not subject to rebate to earn a market rate of return. The stated goal of the Authority is to develop the capacity to measure investment returns on both a book and market value basis no less than semi-annually.

### **15. REPORTING**

#### **15.1 Semi-Annual Reporting**

The Chief Financial Officer and/or any outside investment manager shall prepare and submit a semi-annual investment report to the Finance Committee of the Board. The semi-annual investment report shall be submitted within 60 (sixty) days following the end of the period covered by the report. The report shall contain information sufficient to provide a comprehensive review of the investment activity and performance and shall include, but not be limited to, the following:

- (i) a summary of the investment strategies employed in the most recent period;

- (ii) summary portfolio information including maturity distribution, asset allocations and risk characteristics (such as a credit rating for non-governmental obligations and any call provisions);
- (iii) representative portfolio performance; and
- (iv) a summary of broker activity.

The semi-annual investment report will also include

- (i) (a) a statement that the Authority's portfolio is in compliance with this Investment Policy and
- (b) a statement denoting the ability of the Authority to meet its expenditure requirements for the next nine months (or provide an explanation as to why sufficient money shall, or may, not be available), and
- (ii) indicate any area of policy concern and suggested or planned revision of investment policies.

## **15.2 Annual Reporting**

Within 120 days after the end of the Authority's fiscal year, the Chief Financial Officer shall provide the Finance Committee of the Board with a comprehensive report, using the audited financial statements, on the Authority's investment program and investment activity.

## **15.3 Reporting by Contracted Professionals**

All contracted professional investment advisors shall provide the Authority with the following information on any purchase or sale that has taken place at the time of any transaction:

- Trade and settlement date
- Type of investment
- Exact issuer name
- Par dollar amount invested
- Coupon rate (if applicable)
- Maturity date
- Call/refunding date and price (if applicable)
- Principal amount
- Accrued interest
- Total cost
- Current credit rating of each security other than Government Securities
- Other special features, characteristics or comments

## 16. INVESTMENT POLICY ADOPTION

The policy shall be reviewed on an annual basis by the President, Chief Financial Officer and the Finance Committee of the Board of Directors and any modifications are to be approved by the Board of Directors.

---

Approved By: Board of Directors

P&P No.: BOD 035  
Effective Date: 01/22/04

**APPENDIX A**

**INVESTMENT OF FUNDS UNDER THE  
MID-CONNECTICUT SYSTEM BOND RESOLUTION**

**AUTHORIZED INVESTMENTS**

Pursuant to Section 5.16 Investment of Funds and Accounts of the Mid-Connecticut Bond Resolution adopted March 13, 1985 (the "Resolution"), as amended, amounts in any Fund or Account of the Mid-Connecticut Project established under the Resolution shall, if and to the extent then permitted by law, be invested in Investment Securities. Investment Securities are defined as:

- (1) Direct obligations of or obligations guaranteed by the USA, whether or not the obligations are issued or held in book entry form on the books of the US Department of the Treasury
- (2) Any bond, debenture, note, participation or other similar obligations issued by any of the following agencies: Governmental National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, US Postal Service, Farmers' Home Administration, Export-Import Bank and Federal Financing Bank;
- (3) Any bond, debenture, note, participation or other similar obligation issued by the Federal National Mortgage Association to the extent such obligations are guaranteed by the Government National Mortgage Association or issued by a federal agency backed by the full faith and credit of the USA other than as provided in (1) hereof;
- (4) Any other obligation of the USA or any federal agency which may then be purchased with funds belonging to the State or which are legal investments for savings banks in the State;
- (5) Public Housing Bonds issued by Public Housing Authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an Annual Contributions Contract or Contracts with the USA; or Project Notes issued by Public Housing Authorities or Project Notes issued by Local Public Agencies, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the USA;
- (6) Direct and general obligations of or obligations guaranteed by the State of Connecticut, to the payment of the principal of an interest on which the full faith and credit of the State is pledged;
- (7) (a) Deposits in interest-bearing time or demand deposits or certificates of deposit secured to the extent not insured by the Federal Deposit Insurance Corporation,

or by the Federal Savings and Loan Insurance Corporation or similar corporation chartered by the USA by obligations described in (1), (2), (3), (4), (5), (6) or (9) hereof having a market value (exclusive of accrued interest) not less than the uninsured amount and lodged in trust at an appropriate institution independent of the issuer of the investment security pursuant to a written security agreement; or

- (b) Repurchase agreements with respect to obligations listed in paragraphs (1), (2), (3), (4), (5) or (6) above if entered into with a bank (including the Trustee), trust company or a broker or dealer (as defined by the Securities Exchange Act of 1934) which is a dealer in government bonds which reports to, trades with and is recognized as a primary dealer by a Federal Reserve Bank, and which is a member of the Securities Investors Protection Corporation if (i) such obligations that are the subject of such repurchase agreement are delivered to the Trustee or are supported by a safekeeping receipt issued by a depository satisfactory to the Trustee, provided that such repurchase agreement must provide that the value of the underlying obligations shall be maintained at a current market value, calculated no less frequently than monthly, of not less than the repurchase price, (ii) a prior perfected security interest in the obligations which are the subject of such repurchase agreement has been granted to the Trustee, (iii) such obligations are free and clear of any adverse third party claims, and (iv) such repurchase agreement is a “repurchase agreement” as defined in the Bankruptcy Amendments and Federal Judgeship Act of 1984, as amended, as follows: repurchase agreements providing for the transfer or certificates of deposit, eligible bankers’ acceptances or securities that are direct obligations of, or that are fully guaranteed as to principal and interest by; the US or any agency of the US against transfer of funds by the transferee of such certificates of deposit, eligible bankers’ acceptances or securities with a simultaneous agreement by such transferee to transfer to the transferor thereof certificates of deposit, eligible bankers’ acceptances or securities as described above, at a date certain not later than one year after such transfers or on demand, against the transfer of funds; or
- (c) Investment agreements continuously secured by the obligations listed in paragraphs (1), (2), (3), (4), (5), (6) or (9) hereof, with any bank, trust company or broker or dealer (as defined by the Securities Exchange Act of 1934) which is a dealer in government bonds, which reports to, trades with and is recognized as a primary dealer by, a Federal Reserve Bank, and is a member of the Securities Investors Protection Corporation if (i) such obligations are delivered to the Trustee or are supported by a safekeeping receipt issued by a depository satisfaction to the Trustee, provided that such investment agreements must provide that the value of the underlying obligations shall be maintained at a current market value, calculated no less frequently than monthly, of not less than the amount deposited thereunder, (ii) a prior perfected security interest in the obligations which are securing such agreement has been granted to the Trustee, and (iii) such obligations are free and clear of any adverse third party claims;

- (8) Participation certificates for the combined investment pool administered by the State Treasurer pursuant to No. 236 of the Public Acts of 1971; and
- (9) Obligations the interest on which is exempt from federal income taxation, that are fully and irrevocably secured as to principal and interest by US government securities held in trust for the payment thereof, and which have been rated by either Moody's or S&P in their respective highest Rating Category and which municipal securities are serial bonds or term bonds non-callable prior to maturity except at the option of the holder thereof.

**APPENDIX B**

**INVESTMENT OF FUNDS UNDER THE  
BRIDGEPORT SYSTEM BOND RESOLUTION**

**AUTHORIZED INVESTMENTS**

Pursuant to Section 5.6. Investment of Funds and Accounts of the Bridgeport Project Bond Resolution dated December 1, 1985 (the “Resolution”), as amended, amounts in any Fund or Account established under the Resolution shall, if and to the extent then permitted by law, be invested in Qualified Investments. Qualified Investments are defined as:

- (i) Government Obligations;
- (ii) Government Authority Obligations;
- (iii) Interest bearing time deposits, bankers’ acceptances, certificates of deposit or similar arrangements satisfactory to the Trustee of any bank or trust company which has, or the parent, holding company or other controlling entity of which has, and whose obligations have, or the obligations of the parent, holding company or other controlling entity of which have, a rating in either of the two highest rating categories of either Moody’s Investors Service (“Moody’s) or Standard & Poor’s Corporation (“S&P”) or their successors;
- (iv) Negotiable certificates of deposit issued by banks, trust companies or savings and loan associations and continuously secured (to the extent not fully insured by the Federal Deposit Insurance Corporation), for the benefit of the Trustee and the holders of Bonds or Additional Company obligations either (a) by lodging with a bank or trust company, as collateral security, Government Obligations or Government Authority Obligations having a market value (exclusive of accrued interest) not less than the amount of such deposit, or (b) if the furnishing of security as provided in clause (a) of this paragraph is not permitted by applicable law, in such other manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for , or granted a preference in the case of, the deposit of trust funds;
- (v) Repurchase agreements for Governments Obligations and Government Authority Obligations with any bank, trust company or dealer in government bonds reporting to, trading with and recognized as a primary dealer by a Federal Reserve Bank, acting as principal as principal or agent, if such Government Obligations and Government Authority Obligations are delivered to, or registered in the name of, the Trustee or are supported by a safekeeping receipt issued by a depository satisfactory to the Trustee, provided that such repurchase agreements must provide that the value of the underlying Government Obligations and Government

Authority Obligations shall be continuously maintained at a current market value not less than the repurchase price;

- (vi) Commercial paper or finance company paper in either of the two highest rating categories of either Moody's or S&P or their successors;
- (vii) Bonds or notes of US corporations or any general obligation bonds of any state, political subdivision or municipality, in either case having, or being on a pari passu basis with other obligations of comparable maturities of the issuer which have a rating of at least "A" of either Moody's or S&P or their successors; and
- (viii) To the extent permitted by law, shares in or units in investment companies at least ninety percent (90%) of the assets of which consist of obligations of the character described in the foregoing clauses (i) - (vii) or at any so-called "money-market fund" that has 90% of its assets invested in investments of the type described in the foregoing clause (i) - (vii).

**APPENDIX C**

**INVESTMENT OF FUNDS UNDER THE  
SOUTHEAST PROJECT SYSTEM BOND RESOLUTION**

**AUTHORIZED INVESTMENTS**

Pursuant to Section 5.6 Investment of Funds and Accounts of the Southeast Project Bond Resolution dated December 1, 1988, any amounts in any fund or account established under the Resolution shall, if and to the extent then permitted by law, be invested in Qualified Investments. Qualified Investments are defined as:

- (1) Direct obligations of or obligations guaranteed by the USA, whether or not the obligations are issued or held in book-entry form on the books of the US Department of the Treasury;
- (2) Any bond, debenture, note, participation or other similar obligations issued by any of the following agencies; Government National Mortgage Association, Federal Land Bank, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers' Home Administration, Export-Import Bank and Federal Financing Bank;
- (3) Any bond, debenture, note, participation or other similar obligation issued by the Federal National Mortgage Association to the extent such obligations are guaranteed by Government National Mortgage Association or issued by a federal agency backed by the full faith and credit of the USA other than as provided in (1) hereof;
- (4) Any other obligation of the USA or any federal agency which may then be purchased with funds belonging to the State or which are legal investments for savings banks in the State;
- (5) Public Housing Bonds issued by Public Housing Authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an Annual Contributions Contract or Contracts with the USA; or Project Notes issued by Public Housing Authorities or Project Notes issued by Local Public Agencies, in each case, fully secured as to the payment of both principal and interest by a requisitions or payment agreement with the USA;
- (6) Direct and general obligations of or obligations guaranteed by the State, to the payment of the principal of and interest on which the full faith and credit of the State is pledged;
- (7) Deposits in interest-bearing time or demand deposits or certificates of deposit secured to the extent not insured by the Federal Deposit Insurance Corporation, or by the Federal Savings and Loan Insurance Corporation or similar corporation chartered

by the USA by obligations described in (1), (2), (3), (4), (5), (6) or (9) hereof having a market value (exclusive of accrued interest) not less than the uninsured amount and lodged in trust at an appropriate institution independent of the issuer of the investment security pursuant to a written security agreement; or

- (8) Repurchase agreements with respect to obligations listed in paragraphs (1), (2), (3), (4), (5) or (6) above if entered into with a bank, including the Trustee, trust company or a broker or dealer (as defined by the Securities Exchange Act of 1934, as amended) which is a dealer in government bonds which reports to, trades with and is recognized as a primary dealer by a Federal Reserve Bank, and which is a member of the Securities Investors Protection Corporation if (i) such obligations that are the subject of such repurchase agreement are delivered to the Trustee or are supported by a safekeeping receipt issued by a depository satisfactory to the Trustee, provided that such repurchase agreement must provide that the value of the underlying obligations shall be maintained at a current market value, calculated no less frequently than monthly, of not less than the repurchase price, (ii) a prior perfected security interest in the obligations which are the subject of such repurchase agreement has been granted to the Trustee, (iii) such obligations are free and clear of any adverse third party claims, and (iv) such repurchase agreement is a “repurchase agreement” as defined in the Bankruptcy Amendments and Federal Judgeship Act of 1984, as amended, as follows: repurchase agreements providing for the transfer of certificates of deposit, eligible bankers’ acceptances or securities that are direct obligations of, or that are fully guaranteed as to principal and interest by, the United States or any agency of the United States against transfer of funds by the transferee of such certificates of deposit, eligible bankers’ acceptances or securities with a simultaneous agreement by such transferee to transfer to the transferor thereof certificates of deposit, eligible bankers’ acceptances or securities as described above, at a date certain not later than one year after such transfers or on demand, against the transfer of funds; or
- (9) Investment agreements continuously secured by the obligations listed in paragraphs (1), (2), (3), (4), (5), (6) or (9) hereof, with any bank, trust company or broker or dealer (as defined by the Securities Exchange Act of 1934, as amended) which is a dealer in government bonds, which reports to, trades with and is recognized as a primary dealer by, a Federal Reserve Bank, and is a member of the Securities Investors Protection Corporation if (i) such obligations are delivered to the Trustee or are supported by a safekeeping receipt issued by a depository satisfactory to the Trustee, provided that such investment agreements must provide that the value of the underlying obligations shall be maintained at a current market value, calculated no less frequently than monthly, of not less than the amount deposited thereunder, (ii) a prior perfected security interest in the obligations which are securing such agreements has been granted to the Trustee, and (iii) such obligations are free and clear of any adverse third party claims;
- (10) Participation certificates for the combined investment pool administered by the State Treasurer pursuant to No. 236 of the Public Acts of 1971; and

- (11) Obligations the interest on which is exempt from federal income taxation, that are fully and irrevocably secured as to principal and interest by US government securities held in trust for the payment thereof, and which have been rated by either Moody's or S&P in their respective highest Rating Category and which municipal securities are serial bonds or term bonds non-callable prior to maturity except at the option of the holder thereof.

**APPENDIX D**

**INVESTMENT OF FUNDS UNDER THE  
WALLINGFORD SYSTEM BOND RESOLUTION**

**AUTHORIZED INVESTMENTS**

Pursuant to Section 5.7 Investment of Funds and Accounts established under the Wallingford Project Bond Resolution dated December 1, 1985 (the "Resolution") any amounts in the funds and Accounts established under the Resolution shall, if and to the extent then permitted by law, be invested in Authorized Investments. Authorized Investments are defined as:

- (i) Direct obligations of or obligations guaranteed as to full and timely payment by the USA, whether or not the obligations are issued or held in book entry form on the books of the US Department of Treasury, but excluding from the meaning of obligations guaranteed by the USA unit investment trusts and mutual fund investing in governmental obligations;
- (ii) Any bond, debenture, note, participation or other similar obligations issued by any of the following agencies: Government National Mortgage Association, Federal Home Loan Banks, Tennessee Valley Authority, US Postal Service, Export-Import Bank and Federal Financing Bank;
- (iii) Any bond, debenture, note, participation or other similar obligation issued by the Federal National Mortgage Association to the extent such obligations are guaranteed by the Government Mortgage Association or issued by a federal agency backed by the full faith and credit of the USA other than as provided in (i) above;
- (iv) Any other obligation of the USA or any federal agency which may then be purchased with funds belonging to the State or which are legal investments for savings banks in the State;
- (v) Public Housing Bonds issued by Public Housing Authorities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an Annual Contributions Contract or Contracts with the USA; or Project Notes issued by Public Housing Authorities or Project Notes issued by Local Public Agencies, in each case, fully secured as to the payment of both principal and interest by a requisition or payment agreement with the USA;
- (vi) Direct and general obligations of or obligations guaranteed by the State, to the payment of the principal of and interest on which the full faith and credit of the State is pledged, provided that such obligations are rated in one of the two highest Rating Categories of a nationally recognized rating agency;

- (vii) Deposits in interest-bearing time or demand deposits or certificates of deposit in each case having a maximum term of six months secured to the extent not insured by the Federal Deposit Insurance Corporation or similar corporation chartered by the USA or by obligations described in (i), (ii), (iii), (iv), (v), (vi) or (ix) of this definition having a market value (exclusive of accrued interest) not less than the uninsured amount and lodged in trust at an appropriate institution independent of the issuer of the investment security pursuant to a written security agreement; or
- (viii) Repurchase agreements having a maximum term of six months with respect to obligations listed in paragraphs (i), (ii), (iii), (iv), (v) or (vi) above if entered into with a bank (including the Trustee), trust company or a broker or dealer (as defined by the Securities Exchange Act of 1934) which is a dealer in Government bonds which reports to, trades with and is recognized as a primary dealer by a Federal Reserve Bank, and which is a member of the Securities Investors Protection Corporation if (i) such obligations that are the subject of such repurchase agreement are delivered to the Trustee or are supported by a safekeeping receipt issued by a depository satisfactory to the Trustee, provided that such repurchase agreement must provide that the value of the underlying obligations shall be maintained at a current market value, calculated no less frequently than monthly, of not less than the repurchase price: (ii) a prior perfected security interest in the obligations which are the subject of such repurchase agreement has been granted to the Trustee; (iii) such obligations are free and clear of any adverse third party claim; and (iv) such repurchase agreement is a “repurchase agreement” as defined in the Bankruptcy Amendments and Federal Judgeship Act of 1984, as amended, as follows: repurchase agreements providing for the transfer of certificates of deposit, eligible bankers’ acceptances or securities that are direct obligations of, or that are fully guaranteed as to principal and interest by, the US or any agency of the US against transfer of funds by the transferee of such certificates of deposit, eligible bankers’ acceptances or securities with a simultaneous agreement by such transferee to transfer to the transferor thereof certificates of deposit, eligible bankers’ acceptances or securities as described above, at a date certain not later than one year after such transfers or on demand, against the transfer of funds; or
- (ix) Investment agreements continuously secured by the obligations listed in paragraphs (i), (ii), (iii), (iv), (v), (vi), or (ix) of this definition, with any bank, trust company or broker or dealer (as defined by the Securities Exchange Act of 1934) which is a dealer in government bonds, which reports to, trades with and is recognized as a primary dealer by, a Federal Reserve Bank, and is a member of the Securities Investors Protection Corporation if (a) such obligations are delivered to the Trustee or are supported by a safekeeping receipt issued by a depository satisfactory to the Trustee, provided that such investment agreements must provide that the value of the underlying obligations shall be maintained at its current accrued value, calculated no less frequently than monthly, of not less than the amount required to be on deposit thereunder, (b) a prior perfected security interest in the obligations which are securing such agreement has been granted to the Trustee, and (c) such obligations are free and clear of any adverse third party claims;

- (x) Participation certificates for the short term investment fund administered by the State Treasurer pursuant to Section 3-21a through 3-27f of the Connecticut General Statutes, provided that such obligations are rated in one of the two highest Rating Categories of a nationally recognized rating agency; and
- (xi) Obligations the interest on which is exempt from federal income taxation, that are fully and irrevocably secured as to principal and interest by United States government securities held in trust for the payment thereof, and which have been rated by Moody's and S&P in their respective highest Rating Category and which municipal securities are serial bonds or term bonds non-callable prior to maturity except at the option of the holder thereof.

**APPENDIX E****INVESTMENT OF FUNDS NOT UNDER A  
GENERAL BOND RESOLUTION****AUTHORIZED INVESTMENTS**

Pursuant to CGS 22a-265 (14), the Authority is empowered to invest any funds (not including funds specifically established under a bond resolution and held in trust by the Authority's trustee) and not needed for immediate use or disbursement in the following securities, as further limited by this policy:

- (1) U.S. Government securities (U.S. Treasury notes, bills and bonds) and federal agency securities (including securities of the FHLMC, FNMA, GNMA, FSLIC);
- (2) The State Treasurer's Short-Term Investment Fund (STIF);
- (3) Certificates of deposit or interest earning accounts of commercial banks or thrift institutions in the State which are qualified depositories;
- (4) Commercial Paper with a credit rating of A1+ and P1 from Standard & Poor's and Moody's respectively;
- (5) Corporate Bonds which are publicly issued and maintain a rating of A or better by Standard & Poor's or Moody's; and
- (6) Money market investment pools which are comprised of any investment type listed in items 1-5 or any combination of items 1-5 and maintain a rating from Moody's or Standard & Poor's no lower than AA.