

**Cortland County
Business Development Corp
Investment Report
2010**

As required by Section 2925(6) of the Public Authority Law, the following annual investment report is hereby submitted to the Agency Board for review and approval.

The Cortland County Business Development Corp generated \$1,273.23 of interest income for the period January through December 31, 2010 for general administrative accounts and \$347.02 of interest income for the BDC Revolving Loan Funds.

The Agency maintained accounts with the following banking institutions: Alliance Bank, HSBC Bank, Key Bank, Tompkins Trust Bank and First Niagara Bank. A review of the financial strength and credit worthiness for each bank was conducted using Bankrate.com and Standard & Poor's. All banks scored a sound rating varying from 4 stars and A & B standings amongst the various categories. Copies of the reports as well as individual annual reports are available for review in the CC Business Development office.

The following is a summary of the investment accounts held by the Cortland County Business Development Corporation as of December 31, 2010 for administrative purposes:

Account Type	Institution	Purpose	Account Balance
Checking	Alliance Bank	Operating checking	\$ 13,400.10
Money Mkt	Alliance Bank	Operating savings	9,663.47
Money Mkt	HSBC Bank	Operating savings	149,430.34
Money Mkt	1 st Niagara Bank	Operating savings	47,514.75
Total in all accounts, December 31, 2010			\$220,008.66

The following is a summary of the investment accounts held by the Cortland County Business Development Corporation as of December 31, 2010 restricted for funding revolving loans:

Account Type	Institution	Purpose	Account Balance
Checking	Alliance Bank	Revolving loan funds	\$ 148,549.66
Money Mkt	Tompkins Trust	Revolving loan funds	131,745.24
Money Mkt	Key Bank	Revolving loan funds	20,000.00
Total in all accounts, December 31, 2010			\$ 300,294.90

The Fiduciary Responsibility and Investment Policy currently adopted by the Cortland County Business Development Corp for the year ending December 31, 2010 is enclosed.

Cortland County BDC Fiduciary Responsibility and Investment Policy

The Board of Directors of the Cortland County Business Development Corporation and the Cortland County Industrial Development Agency, hereafter referred to as "the agencies," has adopted this policy as a tool to help implement a disciplined and prudent process to manage public assets.

Board members bear fiduciary responsibility, and liability, for the processes they implement to properly fulfill their duties. As fiduciaries, directors have the direct responsibility for the agency's investment policies. A fiduciary is defined as an individual, corporation or association holding assets for another party, often with the legal authority and duty to make decisions regarding financial matters on their behalf. As fiduciaries of public funds, directors have the duty to manage and invest public funds, acting in the public interest.

BDC directors shall exercise this responsibility by:

- Recognizing their fiduciary status, and understanding their fiduciary duties and responsibilities
- Understanding the changing legal and regulatory environment impacting their role as fiduciaries
- Developing and managing prudent investment strategies
- Finding independent, trusted and prudent investment advice if required, and monitoring the work of any external "advisors" through due diligence and documentation
- Diversifying assets for safety and soundness, as well as to produce a reasonable risk/return
- Controlling and accounting for expenses
- Avoiding conflicts of interest and prohibited transactions

The following are general standards for prudent investments:

- The performance and merits of investments must consider safety and soundness first, since BDC funds are public assets.
- All investment decisions must include an assessment of the tradeoff between risk and reward.
- A sound investment strategy is based on diversification.
- Investments should consider long-term growth, not just current yield.

Fiduciary liability is not determined by investment performance, but rather on whether prudent investment practices were followed. A fiduciary may be held liable when a breach of duty exists and appropriate action to protect public assets is not taken. Fiduciaries may also be held liable if they are judged to have made imprudent investment decisions on behalf of specific funds or beneficiaries.

Where fiduciaries lack expertise and when necessary, they are obligated to delegate fiduciary responsibility to another qualified individual, such as an external "prudent financial expert." To minimize potential liability and to satisfy their responsibility, the board, as fiduciaries,

must still implement a disciplined investment management process, and provide direct oversight to an outside expert. Whether investment decisions are delegated to a professional, or retained by the fiduciaries, the board must demonstrate that a due diligence process was followed in selecting each investment option.

The board should periodically take the following steps as part of an Investment Management Process:

- Analyze Current Position
- Implement Investment Policy
- Monitor and Supervise

Currently, all of the BDC's assets are invested in FDIC-insured savings instruments.