

Natural Heritage Trust

Investment Report

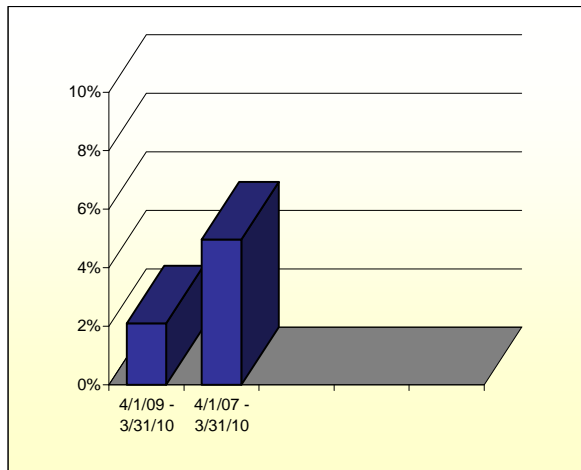
FY 2009-10

NHT INVESTMENT ACCOUNT ACTIVITY SUMMARY - FY 2009-10

Account	Balance 4/1/2009	Balance 3/31/2010	Investment Income 4/1/09 - 3/31/10	1 Year Return	Fees 4/1/09 - 3/31/10
Main Management Account	\$ 17,404,207	\$ 15,703,352	\$ 536,104	2.15%	\$ 54,003
Huttleston	\$ 87,747	\$ 85,265	\$ 2,523	1.25%	\$ 787
Emma Treadwell Thacher	\$ 470,657	\$ 464,545	\$ 13,643	1.35%	\$ 2,019
Davis Park	\$ 228,308	\$ 181,759	\$ 6,202	1.23%	\$ 1,120
Columbia-Greene	\$ 317,855	\$ 265,709	\$ 7,399	1.25%	\$ 1,532
Mount Loretto	\$ 1,856,431	\$ 1,886,810	\$ 40,775	1.48%	\$ 5,999
Jamesport State Park	\$ 3,939,538	\$ 3,913,003	\$ 102,515	1.63%	\$ 12,296
Sonnenberg Gardens (acct closed 5/5/09)	\$ 1,921,692	\$ -	\$ 17,462		\$ 1,312
Taconic Capital Projects	\$ 501,183	\$ 513,848	\$ 3,113	0.36%	\$ 2,430
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Totals	\$ 26,226,435	\$ 23,014,291	\$ 729,736		\$ 81,498
Barclays 1-3 Yr Govt Bond Index				1.81%	

Performance Analysis

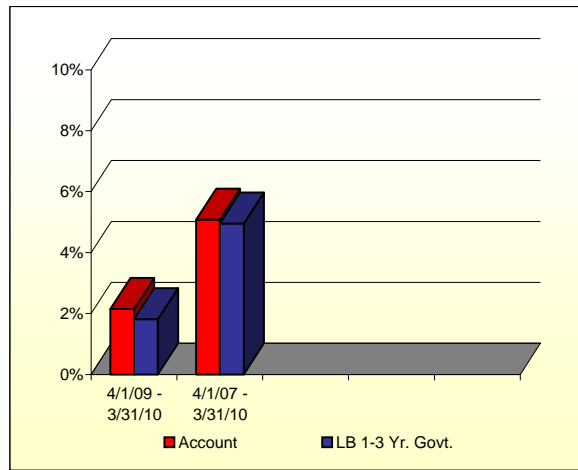
Total Account



Total Account

4/1/09 - 3/31/10	2.10%
4/1/07 - 3/31/10	4.97%

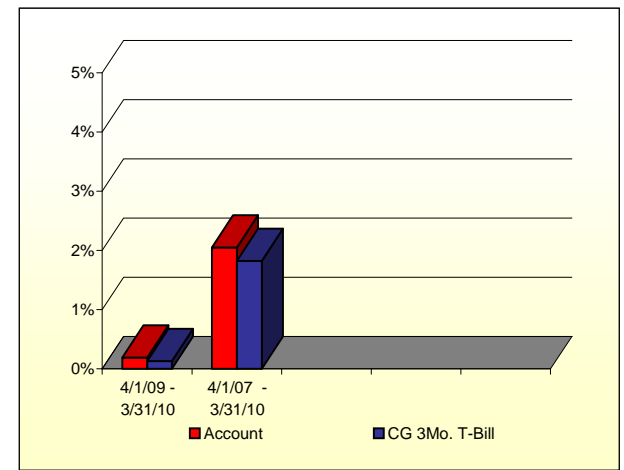
Fixed Income



Account LB 1-3 Yr. Govt.

4/1/09 - 3/31/10	2.15%	1.81%
4/1/07 - 3/31/10	5.08%	4.95%

Cash Equivalents

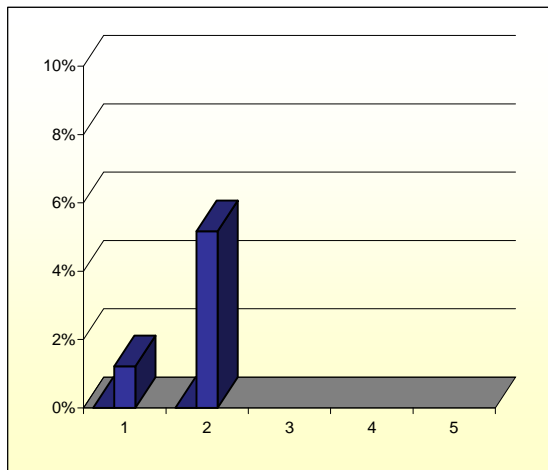


Account CG 3Mo. T-Bill

4/1/09 - 3/31/10	0.19%	0.13%
4/1/07 - 3/31/10	2.05%	1.82%

Performance Analysis

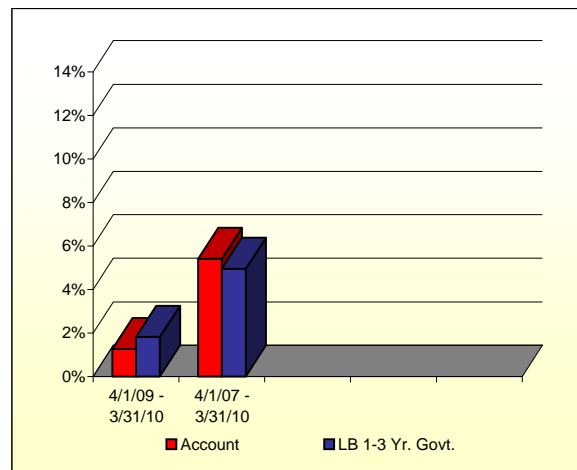
Total Account



Total Account

4/1/09 - 3/31/10	1.22%
4/1/07 - 3/31/10	5.17%

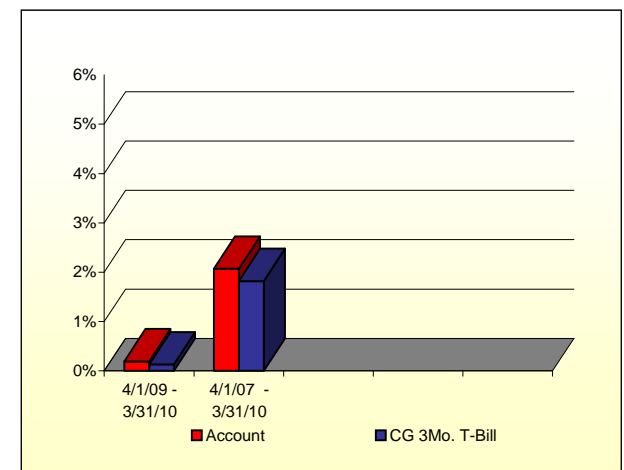
Fixed Income



Account LB 1-3 Yr. Govt.

4/1/09 - 3/31/10	1.25%	1.81%
4/1/07 - 3/31/10	5.40%	4.95%

Cash Equivalents

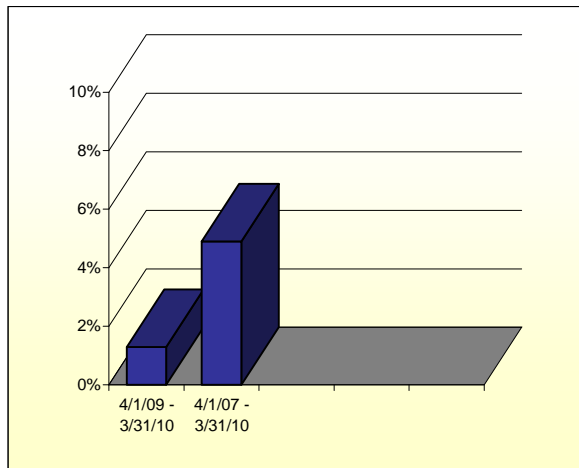


Account CG 3Mo. T-Bill

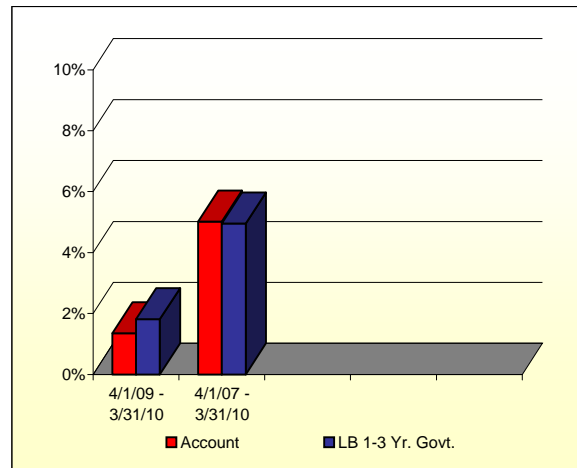
4/1/09 - 3/31/10	0.19%	0.13%
4/1/07 - 3/31/10	2.07%	1.82%

Performance Analysis

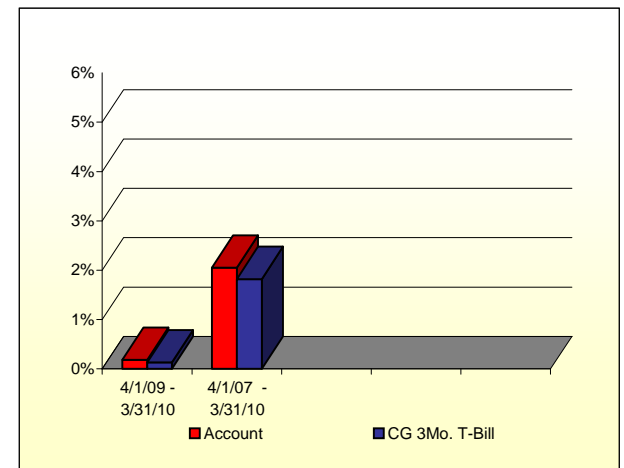
Total Account



Fixed Income



Cash Equivalents



Total Account

4/1/09 - 3/31/10	1.29%
4/1/07 - 3/31/10	4.90%

Account LB 1-3 Yr. Govt.

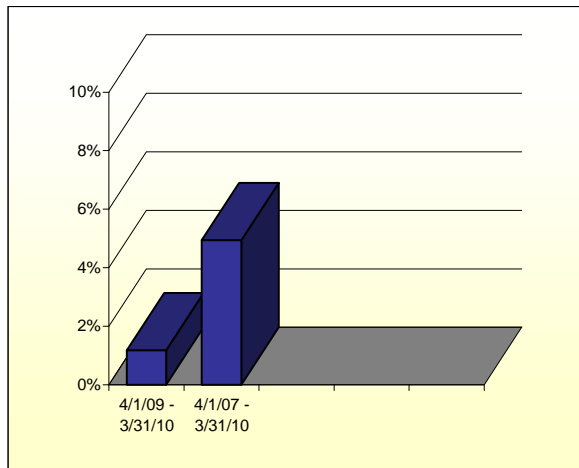
4/1/09 - 3/31/10	1.35%	1.81%
4/1/07 - 3/31/10	5.02%	4.95%

Account CG 3Mo. T-Bill

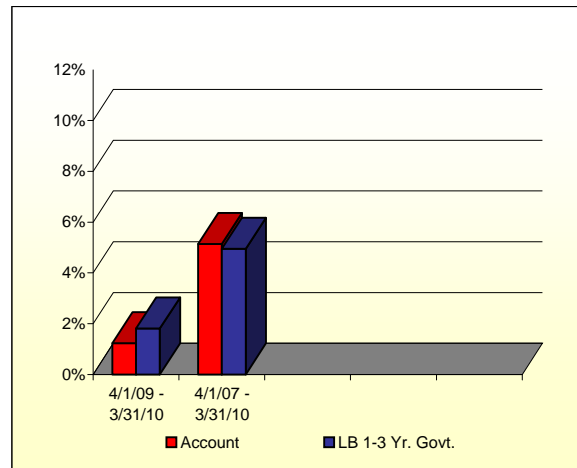
4/1/09 - 3/31/10	0.18%	0.13%
4/1/07 - 3/31/10	2.05%	1.82%

Performance Analysis

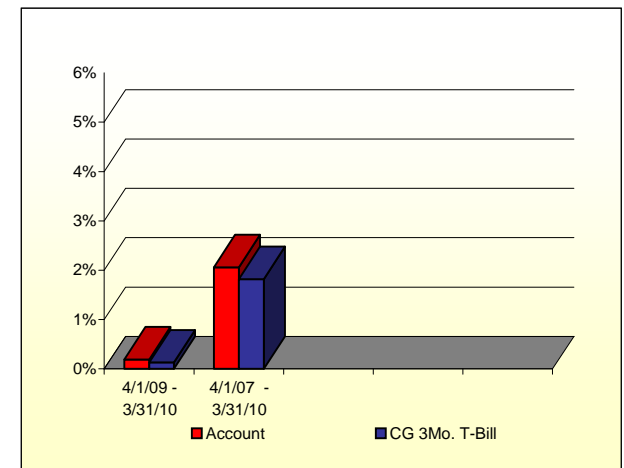
Total Account



Fixed Income



Cash Equivalents



Total Account

4/1/09 - 3/31/10	1.18%
4/1/07 - 3/31/10	4.94%

Account LB 1-3 Yr. Govt.

4/1/09 - 3/31/10	1.23%	1.81%
4/1/07 - 3/31/10	5.14%	4.95%

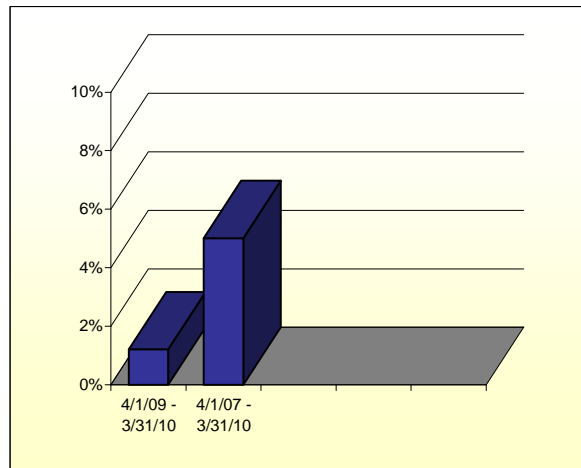
Account

CG 3Mo. T-Bill

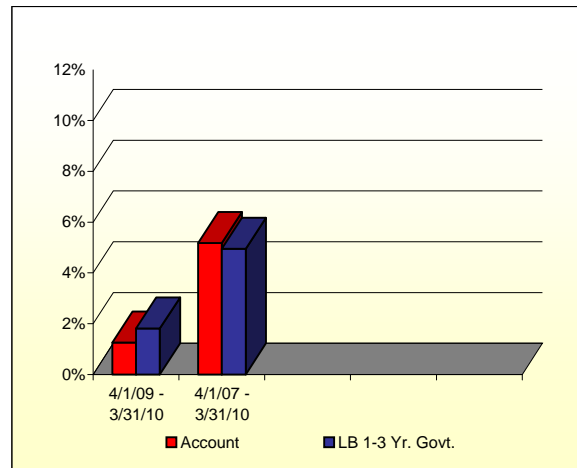
4/1/09 - 3/31/10	0.19%	0.13%
4/1/07 - 3/31/10	2.06%	1.82%

Performance Analysis

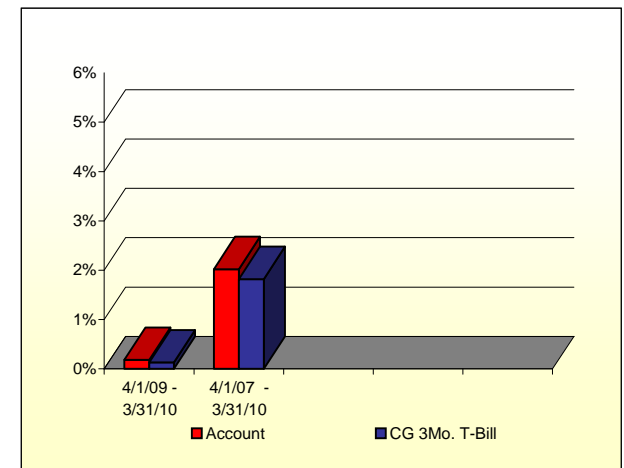
Total Account



Fixed Income



Cash Equivalents



Total Account

4/1/09 - 3/31/10	1.21%
4/1/07 - 3/31/10	5.01%

Account LB 1-3 Yr. Govt.

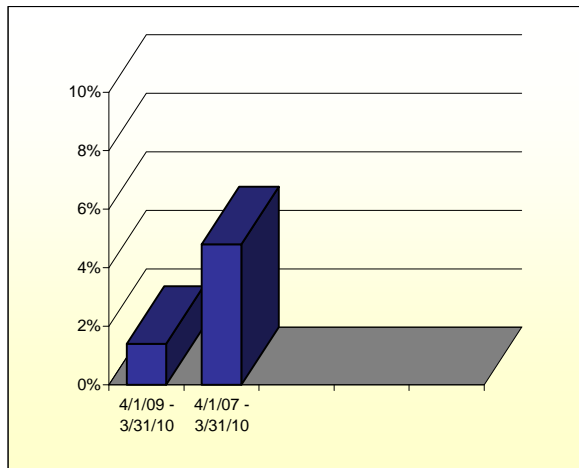
4/1/09 - 3/31/10	1.25%	1.81%
4/1/07 - 3/31/10	5.18%	4.95%

Account CG 3Mo. T-Bill

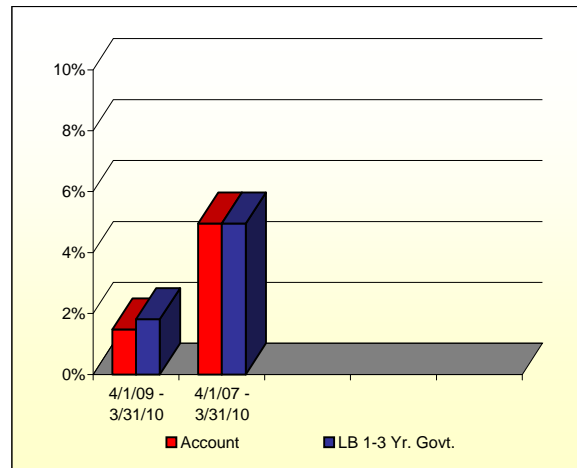
4/1/09 - 3/31/10	0.18%	0.13%
4/1/07 - 3/31/10	2.02%	1.82%

Performance Analysis

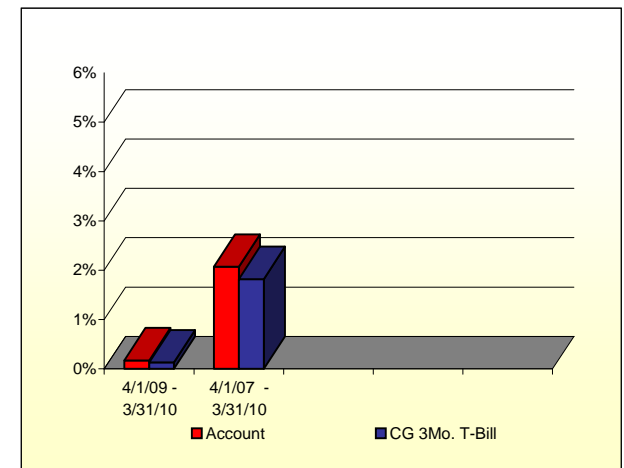
Total Account



Fixed Income



Cash Equivalents



Total Account

4/1/09 - 3/31/10	1.40%
4/1/07 - 3/31/10	4.80%

Account LB 1-3 Yr. Govt.

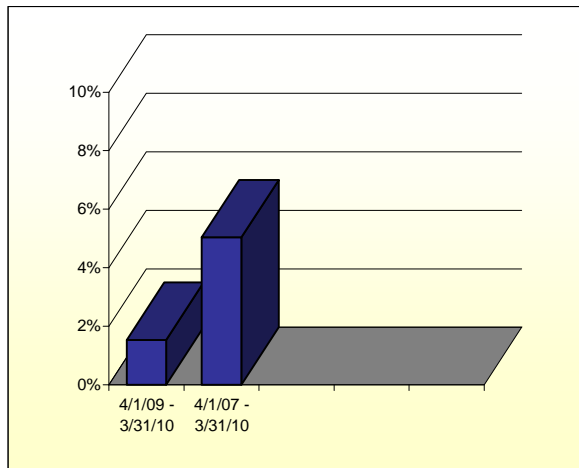
4/1/09 - 3/31/10	1.48%	1.81%
4/1/07 - 3/31/10	4.95%	4.95%

Account CG 3Mo. T-Bill

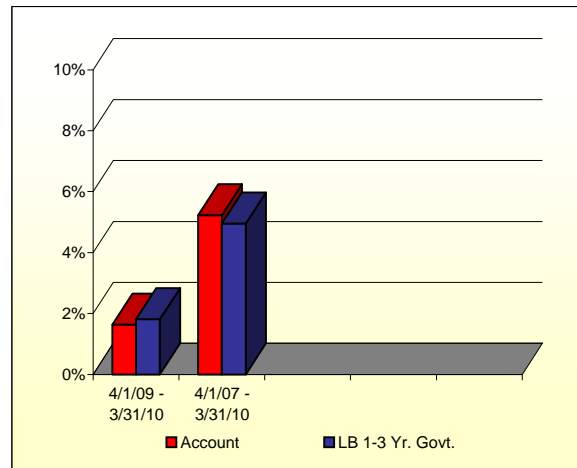
4/1/09 - 3/31/10	0.17%	0.13%
4/1/07 - 3/31/10	2.07%	1.82%

Performance Analysis

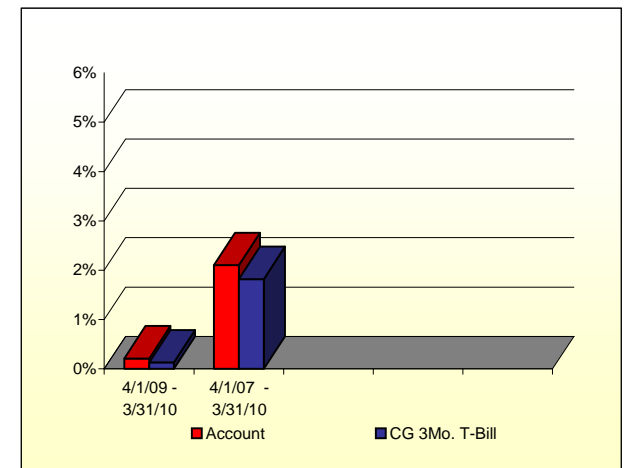
Total Account



Fixed Income



Cash Equivalents



Total Account

4/1/09 - 3/31/10	1.53%
4/1/07 - 3/31/10	5.04%

Account LB 1-3 Yr. Govt.

4/1/09 - 3/31/10	1.63%	1.81%
4/1/07 - 3/31/10	5.23%	4.95%

Account

CG 3Mo. T-Bill

4/1/09 - 3/31/10	0.21%	0.13%
4/1/07 - 3/31/10	2.10%	1.82%

INVESTMENT PORTFOLIO HOLDINGS AS OF 03/31/2010

Description	Coupon/Shares	Maturity/Share Price	Mkt Value	Amort Cost	Accr Int	Unreal G/L
COLUMBIA GREENE						
FANNIE MAE	4.750	12/15/2010	104,335.73	99,980.33	1,398.61	2,956.79
FEDERAL HOME LOAN BANK	4.375	09/17/2010	102,047.52	99,871.45	170.14	2,005.93
MTB MONEY MARKET FUND-I			24,050.66	24,050.66		
SPDR S&P 500 ETF TRUST	150.00	117.270	17,550.00	17,594.99		(44.99)
ISHARES S&P SMALLCAP 600	100.00	60.263	5,945.00	6,029.28		(84.28)
ISHARES S&P MIDCAP 400	75.00	79.369	5,902.50	5,954.89		(52.39)
ISHARES MSCI EAFE INDEX FUND	105.00	55.900	5,877.90	5,872.64		5.26
TOTALS			265,709.31	259,354.23	1,568.75	4,786.32
DAVIS PARK						
CITIGROUP FUNDING INC TLGP	2.250	12/10/2012	51,169.69	50,756.50	359.38	53.81
FEDERAL HOME LOAN BANK	4.875	05/14/2010	25,603.71	24,996.82	463.80	143.08
FEDERAL HOME LOAN BANK	4.625	02/18/2011	26,028.07	24,941.42	138.11	948.55
FEDERAL HOME LOAN BANK	4.875	11/18/2011	43,242.46	39,944.58	720.42	2,577.46
MTB MONEY MARKET FUND-I			8,993.94	8,993.94		
SPDR S&P 500 ETF TRUST	115.00	117.270	13,455.00	13,489.49		(34.49)
ISHARES MSCI EAFE INDEX FUND	80.00	55.900	4,478.40	4,474.39		4.01
ISHARES S&P SMALLCAP 600	75.00	60.263	4,458.75	4,521.96		(63.21)
ISHARES S&P MIDCAP 400	55.00	79.369	4,328.50	4,366.92		(38.42)
TOTALS			181,758.52	176,486.02	1,681.71	3,590.79
HUTTLESTON						
FANNIE MAE	4.750	12/15/2010	20,867.15	19,996.07	279.72	591.36
FEDERAL HOME LOAN BANK	4.875	05/14/2010	10,241.48	9,998.73	185.52	57.23
FEDERAL HOME LOAN BANK	4.625	02/18/2011	20,822.46	19,983.85	110.49	728.12
MTB MONEY MARKET FUND-I			1,153.33	1,153.33		
12 MONTH CD	1.510	10/07/2011	25,181.47	25,000.00	181.47	
SPDR S&P 500 ETF TRUST	30.00	117.070	3,510.00	3,513.00		(3.00)
ISHARES S&P SMALLCAP 600	20.00	59.850	1,189.00	1,197.60		(8.60)

ISHARES S&P MIDCAP 400	15.00	78.840	1,180.50	1,183.05		(2.55)
ISHARES MSCI EAFE INDEX FUND	20.00	55.710	1,119.60	1,114.80		4.80
TOTALS			85,264.98	83,140.43	757.20	1,367.36
JAMESPORT						
US TREASURY N/B	3.625	06/15/2010	50,888.55	50,066.43	532.80	289.32
US TREASURY N/B	4.250	01/15/2011	51,978.61	50,433.77	446.13	1,098.70
US TREASURY N/B	4.500	09/30/2011	52,816.11	50,983.57	6.15	1,826.39
FANNIE MAE	4.750	12/15/2010	260,839.31	249,808.16	3,496.53	7,534.62
FANNIE MAE	5.125	04/15/2011	267,814.59	250,135.89	5,907.99	11,770.72
FANNIE MAE	5.000	10/15/2011	54,280.17	49,921.93	1,152.78	3,205.46
FANNIE MAE	5.000	02/16/2012	107,720.17	99,769.41	625.00	7,325.76
FANNIE MAE	4.875	05/18/2012	382,699.46	349,399.72	6,303.65	26,996.10
FANNIE MAE	4.375	09/15/2012	107,201.39	99,253.38	194.44	7,753.57
FANNIE MAE	3.250	04/09/2013	105,737.02	99,000.35	1,552.78	5,183.90
FEDERAL HOME LOAN BANK	4.875	05/14/2010	153,622.24	149,980.92	2,782.81	858.50
FEDERAL HOME LOAN BANK	4.875	11/18/2011	162,159.22	149,789.07	2,701.56	9,668.59
FEDERAL HOME LOAN BANK	3.375	02/27/2013	104,882.37	99,478.20	318.75	5,085.42
FREDDIE MAC	5.125	07/15/2012	109,548.04	99,992.29	1,081.94	8,473.80
MTB MONEY MARKET FUND-I			124,738.78	124,738.78		
12 MONTH CD	1.510	10/07/2011	1,233,892.21	1,225,000.00	8,892.21	
SPDR S&P 500 ETF TRUST	2,550.00	117.270	298,350.00	299,114.74		(764.74)
ISHARES MSCI EAFE INDEX FUND	1,700.00	55.900	95,166.00	95,080.83		85.17
ISHARES S&P MIDCAP 400	1,200.00	79.369	94,440.00	95,278.20		(838.20)
ISHARES S&P SMALLCAP 600	1,585.00	60.263	94,228.25	95,564.09		(1,335.84)
TOTALS			3,913,002.49	3,782,789.74	35,995.51	94,217.23
MAIN MANAGEMENT						
BANK OF AMERICA CORP	5.375	09/11/2012	452,980.52	451,728.25	1,586.37	(334.10)
CITIGROUP FUNDING INC TLGP	2.250	12/10/2012	511,696.87	507,565.00	3,593.75	538.12
COCA-COLA CO/THE	3.625	03/15/2014	260,495.64	258,769.75	402.78	1,323.11
FLORIDA POWER CORP	4.500	06/01/2010	204,336.78	201,310.00	3,100.00	(73.23)
GENERAL ELEC CAP CORP	4.800	05/01/2013	270,684.25	259,124.19	5,000.00	6,560.06
GENERAL ELEC CAP CORP	5.900	05/13/2014	561,482.91	513,645.16	11,308.33	36,529.42
PROCTER & GAMBLE CO/THE	4.600	01/15/2014	542,348.93	537,440.00	5,111.11	(202.18)
US TREASURY N/B	3.625	06/15/2010	559,774.02	550,730.74	5,860.75	3,182.52

US TREASURY N/B	3.875	07/15/2010	509,470.29	501,115.95	4,067.68	4,286.66
US TREASURY N/B	4.250	01/15/2011	545,775.37	529,554.58	4,684.39	11,536.39
US TREASURY N/B	4.500	09/30/2011	554,569.17	535,327.50	64.55	19,177.12
US TREASURY N/B	1.500	07/15/2012	505,489.00	498,022.09	1,574.59	5,892.33
US TREASURY N/B	4.375	08/15/2012	539,985.71	510,763.72	2,719.27	26,502.72
US TREASURY N/B	3.875	02/15/2013	535,977.03	510,547.28	2,408.49	23,021.26
FANNIE MAE	2.375	05/20/2010	50,574.32	49,999.88	432.12	142.32
FANNIE MAE	4.750	12/15/2010	1,043,357.25	999,670.50	13,986.11	29,700.64
FANNIE MAE	4.500	02/15/2011	520,354.45	498,875.37	2,875.00	18,604.08
FANNIE MAE	2.750	04/11/2011	155,239.17	149,629.85	1,947.92	3,661.41
FANNIE MAE	5.000	02/16/2012	538,600.86	499,030.52	3,125.00	36,445.34
FANNIE MAE	4.875	05/18/2012	546,713.52	498,513.46	9,005.21	39,194.85
FANNIE MAE	3.625	02/12/2013	52,945.58	49,872.03	246.70	2,826.85
FANNIE MAE	3.250	04/09/2013	687,290.64	643,844.95	10,093.06	33,352.63
FANNIE MAE	3.875	07/12/2013	1,073,200.89	989,166.16	8,503.47	75,531.26
FEDERAL FARM CREDIT BANK	2.250	07/01/2010	50,532.25	49,998.23	281.25	252.77
FEDERAL HOME LOAN BANK	2.375	04/30/2010	50,580.66	49,998.47	498.09	84.11
FEDERAL HOME LOAN BANK	4.875	05/14/2010	512,074.13	499,936.41	9,276.04	2,861.67
FEDERAL HOME LOAN BANK	2.750	06/18/2010	50,659.88	49,979.61	393.40	286.87
FEDERAL HOME LOAN BANK	4.625	02/18/2011	520,561.38	499,596.29	2,762.15	18,202.94
FEDERAL HOME LOAN BANK	2.625	05/20/2011	103,174.83	99,649.55	955.21	2,570.08
FEDERAL HOME LOAN BANK	3.625	07/01/2011	1,045,952.40	999,497.02	8,861.11	37,594.26
FEDERAL HOME LOAN BANK	3.375	02/27/2013	576,853.02	547,130.09	1,753.13	27,969.80
FEDERAL HOME LOAN BANK	3.625	05/29/2013	53,490.11	49,804.99	614.24	3,070.89
MTB MONEY MARKET FUND-I			4,744.84	4,744.84		
12 MONTH CD	1.510	09/29/2011	1,511,385.22	1,500,000.00	11,385.22	
TOTALS			15,703,351.87	15,094,582.41	138,476.48	470,292.98
MOUNT LORETTO						
US TREASURY N/B	3.625	06/15/2010	25,444.27	25,033.22	266.40	144.66
US TREASURY N/B	4.250	01/15/2011	25,989.30	25,216.88	223.07	549.35
US TREASURY N/B	4.500	09/30/2011	26,408.06	25,491.79	3.07	913.20
FANNIE MAE	4.750	12/15/2010	130,419.66	124,930.86	1,748.26	3,740.54
FANNIE MAE	4.875	05/18/2012	54,671.35	49,851.35	900.52	3,919.49
FANNIE MAE	4.375	09/15/2012	80,401.05	74,440.03	145.83	5,815.18
FANNIE MAE	3.250	04/09/2013	52,868.51	49,500.17	776.39	2,591.95
FEDERAL HOME LOAN BANK	4.875	05/14/2010	51,207.41	49,993.64	927.60	286.17
FEDERAL HOME LOAN BANK	4.875	11/18/2011	135,132.68	124,797.17	2,251.30	8,084.21

FEDERAL HOME LOAN BANK	4.500	11/15/2012	81,877.25	74,534.40	1,275.00	6,067.85
FEDERAL HOME LOAN BANK	3.375	02/27/2013	52,441.18	49,739.10	159.38	2,542.71
FREDDIE MAC	5.125	07/15/2012	54,774.02	49,996.15	540.97	4,236.90
MTB MONEY MARKET FUND-I			7,655.96	7,655.96		
12 MONTH CD	1.510	10/07/2011	654,718.31	650,000.00	4,718.31	
SPDR S&P 500 ETF TRUST	1,950.00	117.070	228,150.00	228,345.00		(195.00)
ISHARES MSCI EAFE INDEX FUND	1,350.00	55.710	75,573.00	75,249.00		324.00
ISHARES S&P MIDCAP 400	950.00	78.840	74,765.00	74,926.50		(161.50)
ISHARES S&P SMALLCAP 600	1,250.00	59.850	74,312.50	74,850.00		(537.50)
TOTALS			1,886,809.52	1,834,551.21	13,936.11	38,322.20
TACONIC CAPITAL PROJECTS						
FCAR Owner Trust		06/30/2010	124,906.25	124,906.25	0.00	0.00
MTB MONEY MARKET FUND I			388,942.15	388,942.15		
TOTALS			513,848.40	513,848.40	0.00	0.00
EMMA TREADWELL THACHER						
US TREASURY N/B	3.625	06/15/2010	25,444.27	25,033.22	266.40	144.66
US TREASURY N/B	4.250	01/15/2011	25,989.30	25,216.88	223.07	549.35
US TREASURY N/B	4.500	09/30/2011	26,408.06	25,491.79	3.07	913.20
FANNIE MAE	4.750	12/15/2010	78,251.79	74,929.28	1,048.96	2,273.55
FANNIE MAE	4.375	09/15/2012	26,800.35	24,813.34	48.61	1,938.39
FEDERAL HOME LOAN BANK	4.875	05/14/2010	15,362.22	14,998.09	278.28	85.85
FEDERAL HOME LOAN BANK	4.625	02/18/2011	26,028.07	24,979.82	138.11	910.15
FEDERAL HOME LOAN BANK	4.875	11/18/2011	54,053.07	49,902.62	900.52	3,249.93
MTB MONEY MARKET FUND-I			3,668.08	3,668.08		
12 MONTH CD	1.510	10/07/2011	100,725.89	100,000.00	725.89	
SPDR S&P 500 ETF TRUST	350.00	117.070	40,950.00	40,985.00		(35.00)
ISHARES S&P MIDCAP 400	175.00	78.840	13,772.50	13,802.25		(29.75)
ISHARES MSCI EAFE INDEX FUND	245.00	55.710	13,715.10	13,656.30		58.80
ISHARES S&P SMALLCAP 600	225.00	59.850	13,376.25	13,473.00		(96.75)
TOTALS			464,544.96	450,949.68	3,632.91	9,962.38
GRAND TOTAL			23,014,290.05	22,195,702.12	196,048.67	622,539.26

TREND ANALYSIS OF INVESTMENT ADVISORY FEES

FISCAL YEAR	Balance at 4/1	Balance at 3/31	Total Investment Fees	Investment Advisor
2007-2008	\$21,100,000.00	\$30,900,000.00	\$69,000.00	Key Private Bank
2008-2009	\$30,900,000.00	\$26,700,000.00	\$71,000.00	Key Private Bank
2009-2010	\$26,700,000.00	\$23,000,000.00	\$84,000.00	Key Private Bank
2010-2011*	\$23,000,000.00	N/A	\$48,000.00	MTB Investment Advisors

*Total Investment Fees calculated using the rate of 20 basis points on an average yearly investment balance of \$24 million.

CASH AND INVESTMENT ACCOUNT ALLOCATIONS

Fixed Income Investment Positions

TOTALS

CAPITAL PROJECTS	Balance 3/31/2010	Treasuries	Agencies	Corporate Bonds	CD's	Total Fixed Income	Equities	Cash/Money Market
Jamesport Park	\$3,913,000	4.0%	46.4%	0.0%	31.5%	81.9%	14.9%	3.2%
Columbia Greene	\$266,000	0.0%	77.6%	0.0%	0.0%	77.6%	13.3%	9.1%
Davis Park	\$182,000	0.0%	52.1%	28.3%*	0.0%	80.4%	14.7%	4.9%
Taconic Capital Projects	\$514,000	0.0%	0.0%	24.3%	0.0%	24.3%	0.0%	75.7%
* denotes FDIC insured Corporate bond								
Total Capital Projects	\$4,875,000	3.2%	43.5%	3.6%	25.3%	75.6%	13.2%	11.2%
ENDOWMENT								
Mount Loretto	\$1,887,000	4.1%	36.8%	0.0%	34.7%	75.6%	24.0%	0.4%
Emma Treadwell Thacher	\$465,000	16.8%	43.1%	0.0%	21.7%	81.6%	17.6%	0.8%
Huttleston	\$85,000	0.0%	61.1%	0.0%	29.3%	90.4%	8.2%	1.4%
Total Endowment	\$2,437,000	6.4%	38.9%	0.0%	32.0%	77.3%	22.2%	0.5%
OPERATING								
Main Management Checking	\$966,000	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Main Management	\$15,703,000	23.9%	48.6%	17.9%	9.6%	100.0%	0.0%	0.0%
Total Operating	\$16,669,000	22.5%	45.8%	16.8%	9.1%	94.2%	0.0%	5.8%
Total Portfolio	\$23,981,000	16.9%	44.3%	12.4%	14.7%	88.3%	4.9%	6.8%

NATURAL HERITAGE TRUST
RESOLUTION # 2010-10
Resolution for the Natural Heritage Trust to
Amend Investment Policy

(Adopted June 16, 2010)

WHEREAS, the Board of the Natural Heritage Trust ("NHT") has the responsibility under article 55.05 of the Arts and Cultural Affairs Law of the State of New York, Section 2925 of the Public Authorities Law, and under the NHT By-Laws, to oversee the investment policy of the NHT; and

WHEREAS, the NHT relies on income earned on its investments to support projects and programs funded through the NHT, as well as operations of the Trust; and

WHEREAS, the investment objective of the Trust is to obtain maximum return on available funds while maintaining a prudent cash position and protecting against loss of principal; and

WHEREAS, on March 17, 2010, the Board adopted three separate Investment Policy Statements, one each for the NHT Operating Accounts, Capital Project/Reserve Accounts and Long Term Capital/Endowment Accounts, each IPS to inform and guide the NHT in making investment decisions appropriate to each account; and

WHEREAS, proposed amendments to the *Natural Heritage Trust Investment Policy* reflect and incorporate in the Investment Policy Statements; and

WHEREAS, the amended *Natural Heritage Trust Investment Policy* has been presented to and reviewed by the Board; and

NOW THEREFORE, it is hereby **RESOLVED** that the *Natural Heritage Trust Investment Policy* (Revised June 2010) is hereby adopted by the Board of the Natural Heritage Trust.

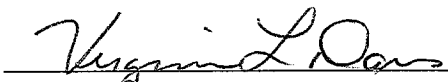
MOVED BY: George Stafford

SECONDED BY: Jack McKeon

In Favor: Carol Ash, Lucy Waletzky, Jack McKeon, George Stafford

Opposed: None

In Witness Hereof:


Secretary

NATURAL HERITAGE TRUST

INVESTMENT POLICY

(Revised June 16, 2010)

THE INVESTMENT POLICY OF THE NATURAL HERITAGE TRUST REGARDING INVESTMENT OF ALL FUNDS, PROVIDING FOR THE SECURITY OF THOSE INVESTMENTS AND PROVIDING FOR PERIODIC REPORTS ON THE INVESTMENTS.

ARTICLE I

STATEMENT OF PURPOSE AND INVESTMENT OBJECTIVE

101. This Policy is adopted pursuant to the provisions of Section 2925 of the Public Authorities Law and shall be reviewed and approved by the Members of the Board at least annually.
102. The investment objective of the Trust is to obtain maximum return on available funds while maintaining a prudent cash position and protecting against loss of principal. The goals, objectives and guidelines applicable to specific investment accounts shall be set forth in Investment Policy Statements (IPS) established by the Trust upon the advice of its Investment Advisor.

ARTICLE II

DEFINITION OF TERMS

201. Definitions. The following terms shall, for all purposes of this Policy, have the following meanings unless the context shall clearly indicate some other meaning:

“Board” shall mean the Board of Directors of the Natural Heritage Trust.

“Trust” shall mean the Natural Heritage Trust.

“Chief Financial Officer” or “CFO” shall mean that officer as such term is defined in the By-Laws of the Trust or her/his designee.

“Counsel” shall mean that officer as such term is defined in the By-Laws of the Trust.

“Custodial Account” shall mean the bank account of the Natural Heritage Trust.

“Custodian” shall mean the Executive Director of the Natural Heritage Trust.

“Deliver” or “Delivered” shall mean either (1) the voluntary transfer of possession to the Custodian or a custodial bank designated by the Custodian, or (2) the registration of transfer by the appropriate book entry procedure by a member of the Federal Reserve System.

“Depository Bank” shall mean a bank designated by the Executive Director to hold deposits of the Trust’s funds. The obligation on the part of the Depository Bank is that it keeps the deposit and, upon request, restores it to the depositor or otherwise delivers it according to the original trust.

“Investment Advisor” shall be the person or entity to provide advice to the Trust and to invest the funds of the Trust at the direction of the Investment Officers.

“Investment Obligations” shall mean U.S. Treasury Obligations, Federal Government Agency Obligations, Certificates of Deposit, Corporate Debt Obligations and Other Obligations Authorized under SFL 98, as set forth in Section 302 of this Policy.

“Investment Officer” shall mean the Trust’s Executive Director or her/his designee.

“Investment Policy Statement” or “IPS” shall mean the document setting forth the goals and objectives, and the management guidelines applicable to the Trust’s investment portfolios. Each IPS shall create the framework for an appropriately diversified asset mix that can be expected to generate acceptable returns at a level of risk suitable to the Trust. Each IPS shall be approved by the Board after consultation with the Investment Advisor prior to signature by the Investment Officer.

“Members” shall mean the Board of Directors of the Trust.

“Officer” shall mean any person holding an office of the Trust as defined in the Trust’s By-Laws.

ARTICLE III

INVESTMENT AUTHORIZATION, PERMITTED INVESTMENTS AND SECURITY THEREFOR

301. Investment Authorization.

- (1) The Investment Advisor shall invest the funds of the Trust in accordance with the terms of this Investment Policy at the direction of the Investment Officer.
- (2) The Investment Officer shall, after arriving at an investment decision in accordance with the Trust's investment policy, authorize the Investment Advisor to invest the funds of the Trust.
- (3) The Investment Advisor shall receive written authorization from both the Investment Officer and CFO prior to the investment of funds in any permitted investment obligations.

302. Permitted Investments and Required Security Provisions.

- (1) All Funds of the Trust must be initially deposited in Negotiated Order of Withdrawal (NOW), comparable demand or money market accounts secured as described below. All proceeds of maturing investments must be immediately redeposited in NOW, comparable demand or money market accounts unless reinvested in accordance with the instructions of the Trust's Investment Officer.
- (2) Investment of funds of the Trust or any other monies under its custody and control not required for immediate use or disbursement, at the discretion of the Board, may be made in accordance with the applicable Investment Policy Statement applicable to each investment account. The Trust may establish an IPS for individual investment account types (e.g. operating, capital projects, reserve, long-term, endowment). Each IPS shall be appended to and incorporated in this Policy.
- (3) Notwithstanding any other provision herein, permitted investments may only be placed through firms approved by the Investment Officer or CFO.
- (4) The maturity of any authorized investment obligation shall not exceed the term provided for in the IPS applicable to such investment.
- (5) In the event that a change in market conditions alter the rating of any investment obligation held by the Trust such that that the investment obligation would no longer be permissible under these guidelines, the Investment Officer and Investment Advisor shall have 120 days to dispose of such investment obligation, unless otherwise provided for in an IPS applicable to such investment.

303. Collateral

- (1) All secured deposits and investments must be fully secured by the Federal Deposit Insurance Corporation (FDIC) or equivalent or fully collateralized at all times except as provided in Section 303(3).
 - (2) Demand deposits, time deposits, and certificates of deposit issued by a commercial bank having a long term rating of "Aa3" or higher by Moody's or "AA-" or higher by S&P do not require collateralization unless otherwise required by the Trust Investment Officer or CFO. All other demand deposits, time deposits, and certificates of deposit shall be collateralized for amounts over and above Federal Deposit Insurance Corporation coverage. All collateral shall be authorized Investment Obligations, exclusive of Corporate Debt Obligations. Collateral shall be delivered to the Investment Advisor or its custodial bank. The market value of collateral shall at all times equal or exceed the principal amount of the funds deposited. Collateral shall be monitored and valued to market by the Investment Advisor in accordance with its policies.
 - (3) Collateral shall not be required with respect to the direct purchase of obligations of New York State, obligations the principal and interest of which are directly guaranteed by New York State, obligations of the United States, and obligations of federal agencies the principal and interest of which are guaranteed by the United States Government.
304. All investments shall be reviewed by the Trust Investment Officer and CFO in consultation with the Investment Advisor on a monthly basis and reported to the Board of the Trust at least quarterly.

ARTICLE IV

RESPONSIBILITIES OF INVESTMENT ADVISOR

401. Responsibilities of Investment Advisor.

- (1) The Investment Advisor shall invest Custodial Account funds in accordance with law and this investment policy at the direction of the Investment Officer.
- (2) The Investment Advisor shall invest Custodial Account funds into highest yielding instruments permissible while maintaining security and liquidity consistent with this policy.

ARTICLE V

OTHER REQUIREMENTS OF INVESTMENTS

501. Written Contracts. In accordance with Section 2925, Subdivision 3(c) of the Public Authorities Law, all investments of the Trust's funds must be made pursuant to a written contract between the Trust and its Investment Advisor.

502. Security Provisions. Each investment shall provide for sufficient security of the Trust's financial interest as stated in Sections 301 and 302 of this Policy. The Investment Advisor shall maintain a description of the use, type and amount of collateral or insurance for each investment, the method for valuation of that collateral and of control, deposit and retention of investments and any required collateral, including, where appropriate, physical delivery or other action necessary to obtain title or a perfected security interest.

ARTICLE VI

REPORTS

601. Quarterly Reports. The Trust shall prepare and deliver to the Members of the Board Quarterly reports on the Trust's Investments. Such reports shall include a description of new investments, the inventory of existing investments and the selection of investment bankers, brokers, agents, dealers or auditors. The report of investments included in the financial report submitted by the CFO at Board Meetings will be deemed to meet this requirement.

602. Annual Report. Within ninety (90) days after the close of each fiscal year, the Members of the Board shall approve an annual investment report. Such report shall include the Policy and any supplemental resolutions, the results of an annual independent audit of the investments, the annual investment income record of the Trust and a list of the total fees, commissions or other compensations by payee for all investment advisors, and an annual consolidation of other material contained in the annual report. This annual investment report, after being approved by the Members, shall be submitted to the Governor's Office, Division of the Budget, Office of the State Comptroller, the Senate Finance Committee and the Assembly Ways and Means Committee. Copies of the annual investment report shall also be available to the public upon reasonable request at the Trust's main office.

ARTICLE VII

MISCELLANEOUS PROVISIONS

701. Powers of Amendment. Any modification or amendment of this Policy may be made by a supplemental resolution adopted at any duly constituted meeting of the Members of the Board; provided, however, that no such

modification or amendment to this Policy shall abrogate the rights and duties of then existing Trust contracts with third parties

702.No Recourse Under this Policy

- (1) No provision in this Policy shall be the basis of any claim against any Member, officer or employee of the Trust in their individual or official capacity or against the Trust itself.
- (2) Members, officers, or employees of the Trust Shall be deemed to be acting within the Public Officers Law in the discharge of their duties pursuant to this Policy

703.Effect of Failure to Comply.

Failure to comply with this Policy shall not invalidate any investment or affect the validity of the authorization of the Members or their designees to make such investments.

**INVESTMENT POLICY STATEMENT for
NATURAL HERITAGE TRUST - Operating Account
MANAGED by MTB INVESTMENT ADVISORS, INC.**

The purpose of this Investment Policy Statement (IPS) is to establish a clear understanding between **MTB Investment Advisors, Inc.** ("Advisor") and **Natural Heritage Trust** ("Client") regarding the investment goals and objectives, and the management guidelines applicable to the Client's investment portfolio ("Portfolio"). This Investment Policy Statement will:

- Establish reasonable expectations, goals, objectives and guidelines in the investment of the Portfolio's assets.
- Create the framework for an appropriately diversified asset mix that can be expected to generate acceptable returns at a level of risk suitable to the Client, including:
 - specifying the investment strategy and target asset allocation policy
 - establishing investment guidelines regarding the permissible securities and diversification of assets
 - specifying the criteria for evaluating the performance of the Portfolio's assets
- Encourage effective communication between the Advisor and Client

This IPS is intended to reflect the Client's investment philosophy and guidelines governing the investment of the Portfolio under normal market conditions. This IPS should reflect the Client's current status and philosophy, and should be reviewed and revised periodically to ensure it adequately reflects significant changes related to the Client's circumstances, investment goals and objectives, or the capital markets. It is understood that there can be no guarantee about the attainment of the goals or investment objectives outlined herein.

A. Investment Strategy: Intermediate Fixed Income

Customized investment strategy of actively managed intermediate fixed income securities to preserve principal, maximize the total return, and achieve a desired level of liquidity.

B. Investment Objectives:

1. Safety of Principal
2. Total Return
3. Liquidity

C. Client Profile:

Organization [*Corporate, Individual, Limited Partnership, Public, Not For Profit, Union*]:

Not-For-Profit/Public

Business [*charitable, community, cultural, endowment, foundation, health related, educational, insurance, governmental, religious, other, N.A.*]: **Trust**

Fiscal Year End: March 31st
 Publicly Traded-Ticker (if applicable): _____
 Marginal Tax Rate: _____
 Account Type [IMA, Corp Trust, Deferred Comp, Defined Benefit, Defined Contribution, Health & Welfare/VEBA, Self Insurance Trust]: Investment Management Account
 Retirement: ERISA: _____ Non-ERISA: _____ Non-Retirement: Other: _____
 Amortize/Accrete Premium/Discount securities: Yes _____ No
 Purpose of Portfolio Funds: Operating Account

D. Investment Constraints:

1. Trading Constraints: Full Investment Manager discretion: No
 Other: Subject to approval by client
2. Other Objectives/Special Concerns:

E. <u>Asset Allocation:</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Target</u>
Fixed Income	50%	95%	95%
Cash/Money Market	5%	50%	5%

F. Eligible Investments: Portfolio concentrations shall use *Market Values at Time of Purchase* and use the *Lower of the allowable credit ratings*.

	ITEM	Portfolio % Limit
1.	<u>Treasury Securities:</u> U.S. Treasury obligations, including Bills, Notes and Bonds. Both Nominal and TIPS.	100%
2.	<u>Government Sponsored Agencies:</u> U.S. Government-guaranteed and Government sponsored corporations and agencies, including mortgage-backed securities (MBS) *no more than 20% in any specific GSE.	35%
3.	<u>Corporate Bonds/Commercial Paper:</u> U.S. dollar-denominated debt obligations of corporations including, but not limited to, floating rate notes, medium-term notes, bonds, debentures, commercial paper, and repurchase agreements. At the time of purchase corporate bonds must have a minimum long-term credit rating by at least one of the NRSROs (i.e. S&P, Moody's of "A").	25%
4.	<u>Collateralized CD's:</u> Certificates of Deposits collateralized by Treasury, Agency or Municipal Securities.	100%

5.	FDIC Guaranteed Bonds: Bonds maturing before 12/31/12 under the "Temporary Liquidity Guaranty Program" which are FDIC guaranteed.	100%
6.	Taxable Municipal Bonds: Obligations of the U.S. states, local governments, and other municipal entities, that are taxable, including General Obligation and Revenue bonds, commercial paper, and Variable Rate Demand Notes (VRDNs). At the time of purchase must have a minimum credit rating by at least one of the NRSROs (i.e. S&P, Moody's) of "A".	25%
7.	Money Market Funds: Money Market Fund (includes Corporate Securities) At the time of purchase must have a credit rating by the NRSROs (i.e. S&P, Moody's) of "AAAm".	50%
8.	Other: Mutual Funds consistent or substantially consistent with the asset allocation or eligible investments noted above may also be utilized as needed.	

G. Maturity Restrictions: Maturity restrictions shall be at *Time of Purchase*.

1. Individual Security Maturity:

For any single issue the maximum final maturity will not exceed 5 years.

2. Bond Ratings:

Bonds must be rated at least "A" at time of purchase by S&P or Moody's. If individually managed fixed income securities fall below the credit quality restrictions applied at time of purchase, the Investment Manager will notify the client in a reasonable period of time following the rating downgrade. This will extend to any obligation that has been downgraded 1 level from the minimum required long-term credit rating. If the obligation is downgraded more than 1 level from the minimum the Investment Officer has 120 days to dispose of that obligation.

H. Investment/Credit Restrictions: Investment/Credit Restrictions shall be at *Time of Purchase*.

1. Client Notification and Approval:

If securities fall below the credit quality restrictions applied at time of purchase, the Investment Manager will notify the client (email or writing) in a reasonable period of time following the rating downgrade.

2. Single Issuer:

- Single Corporate issuer concentration of a portfolio's aggregate market value shall not exceed 5% at time of purchase.
- Single Corporate issuer includes the issuer parent, subsidiaries, and affiliates included in the consolidated financial statements of the ultimate parent company.

I. Performance Benchmark:

- Investment performance will be analyzed on a quarterly basis.
- The performance benchmark will be the Merrill Lynch 1-5 Yr. Government/Corporate, A+ Index
Historic benchmark Average Duration ranges: 2.25-2.75 years
Historic benchmark Average Portfolio Quality: AA
- Cash/Money Market: Citigroup 1 Month Treasury Bill

J. Client Communications:

The Advisor shall keep the Client apprised of any material changes in Advisor's outlook, recommended investment policy and strategy. In addition, Advisor shall issue reports and meet with the Client as specified below.

1. Reports:

The Advisor will provide to the Client in writing a quarterly economic analysis and performance report concerning each account unless otherwise specified.

2. Meetings:

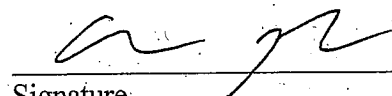
The Advisor will offer to meet in person annually with the Client at a mutually agreeable time and place unless otherwise specified, to review and explain the Portfolio's investment results and related information. Additional communications may be made by telephone and email.

By signing below, the Client acknowledges that the Client understands these guidelines and agrees that they will remain in effect until MTB Investment Advisors, Inc. receives written notice from Client to the contrary. Client agrees that the IPS of this Portfolio shall be governed by the Investment Management Agreement by and between MTB Investment Advisors, Inc. and Client ("Agreement"). In the event of a conflict or discrepancy between this IPS and the Agreement, the Agreement shall be controlling.

Accepted:

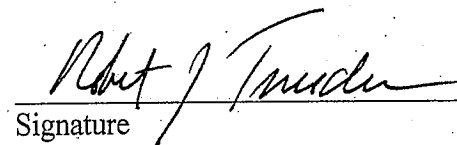
For: NATURAL HERITAGE TRUST – Operating Accounts

By: Alexander J. Roth
Name
Executive Director
Title


Signature
3/19/10
Date

For: MTB INVESTMENT ADVISORS, INC.

By: Robert J. Truesdell
Name
Group Vice President - CIO Fixed Income
Title


Signature
3/23/10
Date

**INVESTMENT POLICY STATEMENT for
NATURAL HERITAGE TRUST – Capital Projects/Reserve Accounts
MANAGED by MTB INVESTMENT ADVISORS, INC.**

PURPOSE

The purpose of this Investment Policy Statement (IPS) is to establish a clear understanding between **MTB Investment Advisors, Inc. (“Advisor”)** and **Natural Heritage Trust (“Client”)** regarding the investment goals and objectives, and the management guidelines applicable to the Client’s investment portfolio (“Portfolio”). This Investment Policy Statement will:

- Establish reasonable expectations, goals, objectives and guidelines in the investment of the Portfolio’s assets.
- Create the framework for an appropriately diversified asset mix that can be expected to generate acceptable returns at a level of risk suitable to the Client, including:
 - specifying the investment strategy and target asset allocation policy
 - establishing investment guidelines regarding the permissible securities and diversification of assets
 - specifying the criteria for evaluating the performance of the Portfolio’s assets
- Encourage effective communication between the Advisor and Client

This IPS is intended to reflect the Client’s investment philosophy and guidelines governing the investment of the Portfolio under normal market conditions. This IPS should reflect the Client’s current status and philosophy, and should be reviewed and revised periodically to ensure it adequately reflects significant changes related to the Client’s circumstances, investment goals and objectives, or the capital markets. It is understood that there can be no guarantee about the attainment of the goals or investment objectives outlined herein.

A. Investment Objective

- The Portfolio will use a Total Return approach intended to generate returns from both capital appreciation and income over the specified time horizon.
- Risk, measured in terms of portfolio volatility, is anticipated to be similar to that of the broader financial markets.
- Portfolio performance should exceed the benchmark performance over a 5-year moving time period (average market cycle).

The Client-defined level of preferred risk and return for the Portfolio is characterized by selection of one of the following MTBIA investment objectives and/or as modified by *(E.) Portfolio Profile* or *(G.) Asset Allocation Guidelines*:

Conservative: ___ **Income & Growth: X** Growth & Income: ___ Growth: ___ Aggressive Growth: ___

B. MTBIA Asset Allocation Strategy: U.S. Centric - Traditional Asset Classes

This strategy utilizes an extensive range of traditional asset classes from the perspective of a U.S. investor whose liabilities are primarily dollar-based and who, thus, desires the majority of total asset exposure, or a minimum of 67%, to be U.S. dollar-denominated. “Traditional asset classes” include domestic & international: stocks, bonds, commodities, real estate, and cash securities. A wide variety of structures may be used to represent this range of asset classes such as: Closed/Open-end Mutual Funds, Exchange Traded Funds, Separately Managed Accounts or Strategies. Where Funds are used, they shall have a fundamental investment policy that is in general accordance with the intent of this statement.

C. Prohibited Investments

Currently excluded from "U.S. Centric – Traditional Asset Classes" are illiquid asset classes and vehicles that do not have daily liquidity. This includes, but is not limited to, most hedge funds, private equity, physical real estate, and physical commodities. Also excluded are individual investment in private placements, letter stock, short sales and margin transactions. Collars, forwards, futures, options and other hedging strategies will not be utilized without Client's prior approval.

D. Client Profile

Organization [Corporate, Individual, Limited Partnership, Public, Not For Profit, Union]: **Not-For-Profit/Public**
Industry/ Line of Business [NAICS sectors]: _____

Fiscal Year End: **March 31st**

Marginal Tax Rate: _____

Publicly Traded-Ticker (if applicable): _____

E. Portfolio Profile

Purpose of Portfolio Funds [Bond Issue, Self Insurance, Employee Benefit, Housing, Community Foundation, Private Foundation, Foundation-Other, Endowment, Long Term Investment (IMA), Operating funds (IMA), NUG Trust, Corporate Trust, CRUT, Other]: **Trust**

Time Horizon [short (< 3 years), medium (3-5 years), long-term (> 5 years)]: **Medium/Long-term**

Liquidity Needs/Income Needs (payment/time period): **As Requested**

Tax Consequences (taxable, tax-exempt): **Tax-exempt**

Amortize/Accrete Premium/Discount securities: Yes ___ No **X**

Fiscal Year End of Portfolio (if different): _____

Retirement [Deferred Comp, Defined Benefit, Defined Contribution/Profit Sharing, Health & Welfare/VEBA, IRA, Not Retirement, Other]: _____ ERISA: Yes ___ No **X**

Required Actuarial or Spending Policy Rate: _____

Trading Constraints:

Full Investment Manager discretion: Yes ___ No **X**

Other: **Subject to approval by client**

Other Objectives/Special Concerns (i.e. social screening, etc.):

F. Advisor Separately Managed Fixed Income Parameters

1. Investment/Credit Restrictions shall be at time of purchase and use the lower of the allowable credit ratings:

- Single issuer concentration shall be limited to 5% of the portfolio, other than for U.S. Treasuries, Government Agencies, ABS and Municipal Securities.
- For Municipal Securities, the single security issue shall be limited to 5% of the portfolio.

2. Maturity Restrictions shall be at time of purchase:

- The Maximum Final Maturity for any single issue will not exceed 5 years.

3. Bond Ratings:

Bonds must be rated at least "A" at time of purchase by S&P or Moody's. If individually managed fixed income securities fall below the credit quality restrictions applied at time of purchase, the Investment Manager will notify the client in a reasonable period of time following the rating downgrade. This will extend to any obligation that has been downgraded 1 level from the minimum required long-term credit rating. If the obligation is downgraded more than 1 level from the minimum the Investment Officer has 120 days to dispose of that obligation.

4. Prohibited Investments not included in Section C. shall be:

- Non U.S. dollar-denominated securities

5. Eligible Fixed Income Investments include:

	<i>ITEM</i>	Portfolio % Limit
1.	<u>Treasury Securities:</u> U.S. Treasury obligations, including Bills, Notes and Bonds. Both Nominal and TIPS.	100%
2.	<u>Government Sponsored Agencies:</u> U.S. Government-guaranteed and Government sponsored corporations and agencies, including mortgage-backed securities (MBS) *no more than 20% in any specific GSE.	35%*
3.	<u>Corporate Bonds/Commercial Paper:</u> U.S. dollar-denominated debt obligations of corporations including, but not limited to, floating rate notes, medium-term notes, bonds, debentures, commercial paper, and repurchase agreements. At the time of purchase corporate bonds must have a minimum long-term credit rating by at least one of the NRSROs (i.e. S&P, Moody's of "A").	25%
4.	<u>Collateralized CD's:</u> Certificates of Deposits collateralized by Treasury, Agency or Municipal Securities.	100%
5.	<u>FDIC Guaranteed Bonds:</u> Bonds maturing before 12/31/12 under the "Temporary Liquidity Guaranty Program" which are FDIC guaranteed.	100%
6.	<u>Taxable Municipal Bonds:</u> Obligations of the U.S. states, local governments, and other municipal entities, that are taxable, including General Obligation and Revenue bonds, commercial paper, and Variable Rate Demand Notes (VRDNs). At the time of purchase must have a minimum credit rating by at least one of the NRSROs (i.e. S&P, Moody's) of "A".	25%
7.	<u>Money Market Funds:</u> Money Market Fund (includes Corporate Securities) At the time of purchase must have a credit rating by the NRSROs (i.e. S&P, Moody's) of "AAAm".	50%
8.	<u>Other:</u> Bonds must be rated at least "A" at time of purchase by S&P or Moody's	

G. Asset Allocation Guidelines

Advisor combines a diversified, asset allocation strategy with periodic rebalancing in order to seek optimal returns commensurate with assumed levels of risk while meeting the client's investment objectives. In its role as discretionary investment manager, Advisor may adjust the Benchmark Target for Sub-Asset classes from time to time as it deems appropriate. Advisor makes "Tactical" (near-term) allocations which fall within the Minimum-Maximum ranges noted below and may be higher or lower than the "Benchmark Target". Tactical allocations are based upon Advisor's judgment given the prevailing economic and market conditions.

Asset Classes Sub-Asset Classes	Minimum	Benchmark Target	Maximum	Benchmark Index
Total Fixed Income:	75%	85%	100%	Merrill Lynch 1-5 Govt/Corp A+
*Total Equity:	0%	15%	25%	S&P 500

*Eligible Equities – Mutual Funds and exchange traded funds (ETFs)

Other: Mutual Funds consistent or substantially consistent with the asset allocation or eligible investments noted above may also be utilized as needed.

H. Performance Benchmark

The Performance Benchmark will be a weighted blend of the Benchmark Indexes noted below, utilizing the Benchmark Target as determined by Advisor.

Primary Benchmark:

Fixed Income - Merrill Lynch 1-5 Yr Government Corporate A+: 85%
Equity - S&P 500: 15%

I. Client Communications

The Advisor shall keep the Client apprised of any material changes in Advisor's outlook, recommended investment policy and strategy, and credit quality downgrades. In addition, Advisor shall issue reports, meet with the Client, and give notification as specified below.

1. Reports:

The Advisor will provide to the Client in writing a quarterly economic analysis and performance report for each Portfolio unless otherwise specified.

2. Meetings:

The Advisor will offer to meet in person annually with the Client at a mutually agreeable time and place unless otherwise specified, to review and explain the Portfolio's investment results and related information. Additional communications may be made by telephone and email.

By signing below, the Client acknowledges an understanding of these guidelines and agrees that they will remain in effect until Advisor receives written notice from the Client to the contrary. Client agrees that the IPS of this Portfolio shall be governed by the Investment Management Agreement ("Agreement") by and between Advisor and Client. In the event of a conflict or discrepancy between this IPS and the Agreement, the Agreement shall be controlling.

Accepted:

For: NATURAL HERITAGE TRUST - Capital Projects/Reserve Accounts

By: Alexander J. Roth
Name
Executive Director
Title

[Signature]
Signature
3/19/10
Date

For: ~~MTB INVESTMENT ADVISORS, INC.~~

By: Robert J. Tevesdell
Name
Group Vice President - CFO - Fixed Income
Title

[Signature]
Signature
3/23/10
Date

**INVESTMENT POLICY STATEMENT for
NATURAL HERITAGE TRUST – Endowment Accounts
MANAGED by MTB INVESTMENT ADVISORS, INC.**

PURPOSE

The purpose of this Investment Policy Statement (IPS) is to establish a clear understanding between **MTB Investment Advisors, Inc. (“Advisor”)** and **Natural Heritage Trust (“Client”)** regarding the investment goals and objectives, and the management guidelines applicable to the Client’s investment portfolio (“Portfolio”). This Investment Policy Statement will:

- Establish reasonable expectations, goals, objectives and guidelines in the investment of the Portfolio’s assets.
- Create the framework for an appropriately diversified asset mix that can be expected to generate acceptable returns at a level of risk suitable to the Client, including:
 - specifying the investment strategy and target asset allocation policy
 - establishing investment guidelines regarding the permissible securities and diversification of assets
 - specifying the criteria for evaluating the performance of the Portfolio’s assets
- Encourage effective communication between the Advisor and Client

This IPS is intended to reflect the Client’s investment philosophy and guidelines governing the investment of the Portfolio under normal market conditions. This IPS should reflect the Client’s current status and philosophy, and should be reviewed and revised periodically to ensure it adequately reflects significant changes related to the Client’s circumstances, investment goals and objectives, or the capital markets. It is understood that there can be no guarantee about the attainment of the goals or investment objectives outlined herein.

A. Investment Objective

- The Portfolio will use a Total Return approach intended to generate returns from both capital appreciation and income over the specified time horizon.
- Risk, measured in terms of portfolio volatility, is anticipated to be similar to that of the broader financial markets.
- Portfolio performance should exceed the benchmark performance over a 5-year moving time period (average market cycle).

The Client-defined level of preferred risk and return for the Portfolio is characterized by selection of one of the following MTBIA investment objectives and/or as modified by *(E.) Portfolio Profile* or *(G.) Asset Allocation Guidelines*:

Conservative: ___ Income & Growth: ___ **Growth & Income: X** Growth: ___ Aggressive Growth: ___

B. MTBIA Asset Allocation Strategy: U.S. Centric - Traditional Asset Classes

This strategy utilizes an extensive range of traditional asset classes from the perspective of a U.S. investor whose liabilities are primarily dollar-based and who, thus, desires the majority of total asset exposure, or a minimum of 67%, to be U.S. dollar-denominated. “Traditional asset classes” include domestic & international: stocks, bonds, commodities, real estate, and cash securities. A wide variety of structures may be used to represent this range of asset classes such as: Closed/Open-end Mutual Funds, Exchange Traded Funds, Separately Managed Accounts or Strategies. Where Funds are used, they shall have a fundamental investment policy that is in general accordance with the intent of this statement.

C. Prohibited Investments

Currently excluded from "U.S. Centric – Traditional Asset Classes" are illiquid asset classes and vehicles that do not have daily liquidity. This includes, but is not limited to, most hedge funds, private equity, physical real estate, and physical commodities. Also excluded are individual investment in private placements, letter stock, short sales and margin transactions. Collars, forwards, futures, options and other hedging strategies will not be utilized without Client's prior approval.

D. Client Profile

Organization [Corporate, Individual, Limited Partnership, Public, Not For Profit, Union]: **Not-For-Profit/Public**
Industry/ Line of Business [NAICS sectors]: _____

Fiscal Year End: **March 31st**

Marginal Tax Rate: _____

Publicly Traded-Ticker (if applicable): _____

E. Portfolio Profile

Purpose of Portfolio Funds [Bond Issue, Self Insurance, Employee Benefit, Housing, Community Foundation, Private Foundation, Foundation-Other, Endowment, Long Term Investment (IMA), Operating funds (IMA), NUG Trust, Corporate Trust, CRUT, Other]: **Trust**

Time Horizon [short (< 3 years), medium (3-5 years), long-term (> 5 years)]: **Long-term**

Liquidity Needs/Income Needs (payment/time period): **As Requested**

Tax Consequences (taxable, tax-exempt): **Tax-exempt**

Amortize/Accrete Premium/Discount securities: Yes ___ No **X**

Fiscal Year End of Portfolio (if different): _____

Retirement [Deferred Comp, Defined Benefit, Defined Contribution/Profit Sharing, Health & Welfare/VEBA, IRA, Not Retirement, Other]: _____ ERISA: Yes ___ No **X**

Required Actuarial or Spending Policy Rate: _____

Trading Constraints:

Full Investment Manager discretion: Yes ___ No **X**

Other: **Subject to approval by client**

Other Objectives/Special Concerns :

F. Advisor Separately Managed Fixed Income Parameters

1. Investment/Credit Restrictions shall be at time of purchase and use the lower of the allowable credit ratings:

- Single issuer concentration shall be limited to 5% of the portfolio, other than for U.S. Treasuries, Government Agencies and MBS, **limited to 20% per GSE.**
- For Municipal Securities, the single security issue shall be limited to 5% of the portfolio.

2. Maturity Restrictions shall be at time of purchase:

- The Maximum Final Maturity for any single issue will not exceed 10 years.
- The Portfolio Average Effective Duration will not exceed 7 years and will be within +/- 20% of the specified performance benchmark.

3. **Bond Ratings:**

Bonds must be rated at least "A" at time of purchase by S&P or Moody's. If individually managed fixed income securities fall below the credit quality restrictions applied at time of purchase, the Investment Manager will notify the client in a reasonable period of time following the rating downgrade. This will extend to any obligation that has been downgraded 1 level from the minimum required long-term credit rating. If the obligation is downgraded more than 1 level from the minimum the Investment Officer has 120 days to dispose of that obligation.

4. **Prohibited Investments not included in Section C. shall be:**

- Non U.S. dollar-denominated securities

5. **Eligible Fixed Income Investments include:**

<i>ITEM</i>	Portfolio % Limit
<p>1. <u>Treasury Securities:</u> U.S. Treasury obligations, including Bills, Notes and Bonds. Both Nominal and TIPS.</p>	100%
<p>2. <u>Government Sponsored Agencies:</u> U.S. Government-guaranteed and Government sponsored corporations and agencies, including mortgage-backed securities (MBS) *no more than 20% in any specific GSE.</p>	35%*
<p>3. <u>Corporate Bonds/Commercial Paper:</u> U.S. dollar-denominated debt obligations of corporations including, but not limited to, floating rate notes, medium-term notes, bonds, debentures, commercial paper, and repurchase agreements. At the time of purchase corporate bonds must have a minimum long-term credit rating by at least one of the NRSROs (i.e. S&P, Moody's of "A").</p>	25%
<p>4. <u>Collateralized CD's:</u> Certificates of Deposits collateralized by Treasury, Agency or Municipal Securities.</p>	100%
<p>5. <u>FDIC Guaranteed Bonds:</u> Bonds maturing before 12/31/12 under the "Temporary Liquidity Guaranty Program" which are FDIC guaranteed.</p>	100%
<p>6. <u>Taxable Municipal Bonds:</u> Obligations of the U.S. states, local governments, and other municipal entities, that are taxable, including General Obligation and Revenue bonds, commercial paper, and Variable Rate Demand Notes (VRDNs). At the time of purchase must have a minimum credit rating by <u>at least one</u> of the NRSROs (i.e. S&P, Moody's) of "A".</p>	25%
<p>7. <u>Money Market Funds:</u> Money Market Fund (includes Corporate Securities) At the time of purchase must have a credit rating by the NRSROs (i.e. S&P, Moody's) of "AAAm".</p>	50%
<p>8. <u>Other:</u> Bonds must be rated at least "A" at time of purchase by S&P or Moody's</p>	

G. Asset Allocation Guidelines

Advisor combines a diversified, asset allocation strategy with periodic rebalancing in order to seek optimal returns commensurate with assumed levels of risk while meeting the client's investment objectives. In its role as discretionary investment manager, Advisor may adjust the Benchmark Target for Sub-Asset classes from time to time as it deems appropriate. Advisor makes "Tactical" (near-term) allocations which fall within the Minimum-Maximum ranges noted below and may be higher or lower than the "Benchmark Target". Tactical allocations are based upon Advisor's judgment given the prevailing economic and market conditions.

Asset Classes Sub-Asset Classes	Minimum	Benchmark Target	Maximum	Benchmark Index
Total Fixed Income:	30%	40%	60%	Merrill Lynch Gov/Corp, A-Rated
*Total Equity:	40%	60%	70%	S&P 500

*Eligible Equities – Mutual Funds and exchange traded funds (ETFs)

H. Performance Benchmark

The Performance Benchmark will be a weighted blend of the Benchmark Indexes noted below, utilizing the Benchmark Target as determined by Advisor.

Primary Benchmark:

Fixed Income - Merrill Lynch Government Corporate, A-Rated: 40%
Equity - S&P 500: 60%

I. Client Communications

The Advisor shall keep the Client apprised of any material changes in Advisor's outlook, recommended investment policy and strategy, and credit-quality downgrades. In addition, Advisor shall issue reports, meet with the Client, and give notification as specified below.

1. Reports:

The Advisor will provide to the Client in writing a quarterly economic analysis and performance report for each Portfolio unless otherwise specified.

2. Meetings:

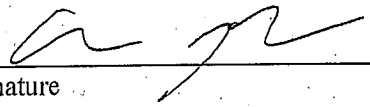
The Advisor will offer to meet in person annually with the Client at a mutually agreeable time and place unless otherwise specified, to review and explain the Portfolio's investment results and related information. Additional communications may be made by telephone and email.

By signing below, the Client acknowledges an understanding of these guidelines and agrees that they will remain in effect until Advisor receives written notice from the Client to the contrary. Client agrees that the IPS of this Portfolio shall be governed by the Investment Management Agreement ("Agreement") by and between Advisor and Client. In the event of a conflict or discrepancy between this IPS and the Agreement, the Agreement shall be controlling.

Accepted:

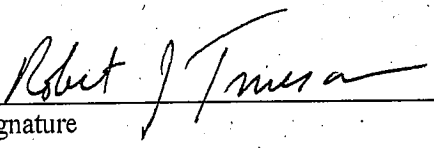
For: NATURAL HERITAGE TRUST - Endowment Accounts

By: Alexander J. Roth
Name
Executive Director
Title


Signature
3/19/10
Date

For: MTB INVESTMENT ADVISORS, INC.

By: Robert J. Truesdell
Name
Group Vice President - CIO Fixed Income
Title


Signature
3/23/10
Date

NATURAL HERITAGE TRUST

INVESTMENT POLICY

~~(Adopted March 2009)~~

(Proposed June 16, 2010)

THE INVESTMENT POLICY OF THE NATURAL HERITAGE TRUST REGARDING INVESTMENT OF ALL FUNDS, PROVIDING FOR THE SECURITY OF THOSE INVESTMENTS AND PROVIDING FOR PERIODIC REPORTS ON THE INVESTMENTS.

ARTICLE I

STATEMENT OF PURPOSE AND INVESTMENT OBJECTIVE

101. This Policy is adopted pursuant to the provisions of Section 2925 of the Public Authorities Law and shall be reviewed and approved by the Members of the Board at least annually.

102. The investment objective of the Trust is to obtain maximum return on available funds while maintaining a prudent cash position and protecting against loss of principal. [The goals, objectives and guidelines applicable to specific investment accounts shall be set forth in Investment Policy Statements \(IPS\) established by the Trust upon the advice of its Investment Advisor.](#)

ARTICLE II

DEFINITION OF TERMS

201. Definitions. The following terms shall, for all purposes of this Policy, have the following meanings unless the context shall clearly indicate some other meaning:

“Board” shall mean the Board of Directors of the Natural Heritage Trust.

“Trust” shall mean the Natural Heritage Trust.

“Chief Financial Officer” or “CFO” shall mean that officer as such term is defined in the By-Laws of the Trust or her/his designee.

“Counsel” shall mean that officer as such term is defined in the By-Laws of the Trust.

“Custodial Account” shall mean the bank account of the Natural Heritage Trust.

“Custodian” shall mean the Executive Director of the Natural Heritage Trust.

“Deliver” or “Delivered” shall mean either (1) the voluntary transfer of possession to the Custodian or a custodial bank designated by the Custodian, or (2) the registration of transfer by the appropriate book entry procedure by a member of the Federal Reserve System.

“Depository Bank” shall mean a bank designated by the Executive Director to hold deposits of the Trust’s funds. The obligation on the part of the Depository Bank is that it keeps the deposit and, upon request, restores it to the depositor or otherwise delivers it according to the original trust.

“Investment Advisor” shall be the person or entity to provide advice to the Trust and to invest the funds of the Trust at the direction of the Investment Officers.

“Investment Obligations” shall mean U.S. Treasury Obligations, Federal Government Agency Obligations, Certificates of Deposit, Corporate Debt Obligations and Other Obligations Authorized under SFL 98, as set forth in Section 302 of this Policy.

“Investment Officer” shall mean the Trust’s Executive Director or her/his designee.

[“Investment Policy Statement” or “IPS” shall mean the document setting forth the goals and objectives, and the management guidelines applicable to the Trust’s investment portfolios. Each IPS shall create the framework for an appropriately diversified asset mix that can be expected to generate acceptable returns at a level of risk suitable to the Trust. Each IPS shall be approved by the Board after consultation with the Investment Advisor prior to signature by the Investment Officer.](#)

“Members” shall mean the Board of Directors of the Trust.

“Officer” shall mean any person holding an office of the Trust as defined in the Trust’s By-Laws.

ARTICLE III

INVESTMENT AUTHORIZATION, PERMITTED INVESTMENTS AND SECURITY THEREFOR

301. Investment Authorization.

- (1) The Investment Advisor shall invest the funds of the Trust in accordance with the terms of this Investment Policy at the direction of the Investment Officer.
- (2) The Investment Officer shall, after arriving at an investment decision in accordance with the Trust's investment policy, authorize the Investment Advisor to invest the funds of the Trust.
- (3) The Investment Advisor shall receive written authorization from both the Investment Officer and CFO prior to the investment of funds in any permitted investment obligations.

302. Permitted Investments and Required Security Provisions.

- (1) All Funds of the Trust must be initially deposited in Negotiated Order of Withdrawal (NOW-~~or~~), comparable demand [or money market](#) accounts secured as described below. All proceeds of maturing investments must be immediately redeposited in NOW-~~or~~, comparable demand [or money market](#) accounts unless reinvested in accordance with the instructions of the Trust's Investment Officer.
- (2) Investment of funds of the Trust or any other monies under its custody and control not required for immediate use or disbursement, at the discretion of the Board, may be made in [accordance with the applicable Investment Policy Statement applicable to each investment vehicles listed below. The concentration of investments which may be invested in any category shall apply only to the aggregate investment portfolio of the Trust and shall not be applied to any account. The Trust may establish an IPS for individual investment account since such limits on concentration of investments may not be practicable or may not be consistent with the intended uses of an individual investment account types \(e.g. operating, capital projects, reserve, long-term, endowment\). Each IPS shall be appended to and incorporated in this Policy.](#)

Concentration Investment Category Description
h

← --- Formatted Table

(a)	15% - 80%	U.S. Treasury Obligations	Any bonds or other obligations, or funds which invest in any bonds or obligations, which as to principal and interest constitute direct obligations of, or are guaranteed by, the United States of America, including obligations of any agency thereof or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America to the extent unconditionally guaranteed by the United States of America.
(b)	0% - 35%,) maximum 20% each agency	Federal Government Agency Obligations	Obligations, or funds which invest in any obligations, sponsored or guaranteed by government agencies and not direct agencies of the United States, provided that such obligations shall have a debt rating of "AAA" by two or more Nationally Recognized Statistical Rating Organizations (NRSRO).
(c)	5% - 50%	Money Market Deposit Accounts	Shares in open end, no load money market mutual funds provided such funds are registered under the Federal Investment Company Act of 1940 and operated in accordance with 17 C.F.R. 270.2a-7 and invest exclusively in obligations permitted herein. The fund must be rated "AAAm" or "AAAm-G" or better by Standard & Poor's Corporation, or the equivalent by another NRSRO. The fund must also be properly registered for sale in the State.
(d)	0% - 20%	Certificates of Deposit	Certificates of deposit, whether negotiable or non negotiable, and banker's acceptances (1) of any of the fifty largest banks in the United States which bank, at the time of investment, has an outstanding

unsecured, uninsured and unguaranteed debt issue ranked in either of the two highest rating categories of two nationally recognized independent rating agencies; or (2) the certificates of deposit are fully collateralized by obligations of the United States government or obligations the principal and interest of which are guaranteed by the United States government.

- | | | | |
|-----|----------|--|--|
| (e) | 0% - 10% | Corporate Debt Obligations | Investment grade debt obligations, or funds which invest in any such obligations, issued by corporations that are incorporated and operating under the laws of the United States or a state which have a rating of "AA" or higher by Standard & Poor's Corporation (S&P) or "Aa3" or higher by Moody's Investor Service (Moody's); |
| (f) | 0% - 20% | Other Obligations Authorized by SFL 98 | Any other obligations in which the Comptroller of the State is authorized to invest pursuant to Section 98 of the State Finance Law. |

- (3) Notwithstanding any other provision herein, permitted investments may only be placed through firms approved by the Investment Officer or CFO.
- (4) The maturity of any authorized investment obligation shall not exceed five years ~~the term provided for in the IPS applicable to such investment.~~
- (5) In the event that a change in market conditions alter the rating of any investment obligation held by the Trust such that that the investment obligation would no longer be permissible under these guidelines, the Investment Officer and Investment Advisor shall have 120 days to dispose of such investment obligation, unless otherwise provided for in an IPS applicable to such investment.

303. Collateral

- (1) All secured deposits and investments must be fully secured by the Federal Deposit Insurance Corporation (FDIC) or equivalent or fully collateralized at all times except as provided in Section 303(3).
- (2) Demand deposits, time deposits, and certificates of deposit issued by a commercial bank having a long term rating of "Aa3" or higher by Moody's or "AA-" or higher by S&P do not require collateralization unless other wise required by the Trust Investment Officer or CFO. All other demand deposits, time deposits, and certificates of deposit shall be collateralized for amounts over and above Federal Deposit Insurance corporation coverage. All collateral shall be authorized Investment Obligations, exclusive of Corporate Debt Obligations. Collateral shall be delivered to the Investment Advisor or its custodial bank. The market value of collateral shall at all time equal or exceed the principal amount of the funds deposited. Collateral shall be monitored and valued to market by the Investment Advisor in accordance with its policies.
- (3) Collateral shall not be required with respect to the direct purchase of obligations of New York State, obligations the principal and interest of which are directly guaranteed by New York State, obligations of the United States, and obligations of federal agencies the principal and interest of which are guaranteed by the United States Government.

304. All investments shall be reviewed by the Trust Investment Officer and CFO in consultation with the Investment Advisor on a monthly basis and reported to the Board of the Trust at least quarterly.

ARTICLE IV

RESPONSIBILITIES OF INVESTMENT ADVISOR

401. Responsibilities of Investment Advisor.

- (1) The Investment Advisor shall invest Custodial Account funds in accordance with law and this investment policy at the direction of the Investment Officer.
- (2) The Investment Advisor shall invest Custodial Account funds into highest yielding instruments permissible while maintaining security and liquidity consistent with this policy.

ARTICLE V

OTHER REQUIREMENTS OF INVESTMENTS

501. Written Contracts. In accordance with Section 2925, Subdivision 3(c) of the Public Authorities Law, all investments of the ~~Corporation's~~ Trust's funds must be made pursuant to a written contract between the Trust and its Investment Advisor.

502. Security Provisions. Each investment shall provide for sufficient security of the Trust's financial interest as stated in Sections 301 and 302 of this Policy. The Investment Advisor shall maintain a description of the use, type and amount of collateral or insurance for each investment, the method for valuation of that collateral and of control, deposit and retention of investments and any required collateral, including, where appropriate, physical delivery or other action necessary to obtain title or a perfected security interest.

ARTICLE VI

REPORTS

601. Quarterly Reports. The Trust shall prepare and deliver to the Members of the Board Quarterly reports on the Trust's Investments. Such reports shall include a description of new investments, the inventory of existing investments and the selection of investment bankers, brokers, agents, dealers or auditors. The report of investments included in the financial report submitted by the CFO at Board Meetings will be deemed to meet this requirement.

602. Annual Report. Within ninety (90) days after the close of each fiscal year, the Members of the Board shall approve an annual investment report. Such report shall include the Policy and any supplemental resolutions, the results of an annual independent audit of the investments, the annual investment income record of the Trust and a list of the total fees, commissions or other compensations by payee for all investment advisors, and an annual consolidation of other material contained in the annual report. This annual investment report, after being approved by the Members, shall be submitted to the Governor's Office, Division of the Budget, Office of the State Comptroller, the Senate Finance Committee and the Assembly Ways and Means Committee. Copies of the annual investment report shall also be available to the public upon reasonable request at the Trust's main office.

ARTICLE VII

MISCELLANEOUS PROVISIONS

701. Powers of Amendment. Any modification or amendment of this Policy may be made by a supplemental resolution adopted at any duly constituted

meeting of the Members of the Board; provided, however, that no such modification or amendment to this Policy shall abrogate the rights and duties of then existing Trust contracts with third parties

702.No Recourse Under this Policy

- (1) No provision in this Policy shall be the basis of any claim against any Member, officer or employee of the Trust in their individual or official capacity or against the Trust itself.
- (2) Members, officers, or employees of the Trust Shall be deemed to be acting within the Public Officers Law in the discharge of their duties pursuant to this Policy

703.Effect of Failure to Comply.

Failure to comply with this Policy shall not invalidate any investment or affect the validity of the authorization of the Members or their designees to make such investments.

NATURAL HERITAGE TRUST

Schedule of Findings and Responses

For the Year Ended March 31, 2010

COMPLIANCE AND OTHER MATTERS

FINDING

The Trust's investment policy statements, as approved March 17, 2010 includes three managed account classifications: (1) capital projects/reserve accounts (the "capital accounts"), which includes four separate investment accounts, (2) endowment accounts, which includes three separate investment accounts and (3) operating account, which includes one investment account. Each policy states that investments in government sponsored agencies cannot exceed 35%, and of that, no more than 20% can be held in any one agency. Seven (7) of the eight (8) separate investment accounts were not in compliance with this requirement. In addition, the capital accounts policy states that investments in money market funds cannot exceed 50% of the total portfolio. One of the four separate investment accounts had 76% of the total assets in money market funds. Finally, the endowment account policy states that the asset allocation minimum for equity securities is 40%. The three investment accounts have 18%, 8% and 24% of the total assets in equity securities, respectively. The endowment policy also states that the maximum allocation for fixed income securities is 60%. The three investment accounts have 82%, 92% and 76% in fixed income securities, respectively.

RESPONSE (provided by Trust management)

The Trust made no new purchases of government agency debt obligations in 2009-10. Trust management and members of the Board are aware that seven (7) accounts currently exceed the maximum asset allocation for government sponsored agencies and a conscious decision by the Board and management has been made to allow these investments to mature. Due to historically low yields on fixed income products, selling these investments before maturity does not make sense financially as there are no comparable products yielding similar returns. The one capital project account with 76% of its funds in money market accounts is for a project which is currently out to bid and the funds need to be readily available. The asset allocation maximum for money market investments will be revisited in the future along with other provisions in the Investment Policy Statements. Finally, the endowment accounts which have not yet reached their minimum asset allocations for equities will soon reach these minimums as the existing fixed income holdings mature. It is management's intention to purchase equities with available cash from these maturing fixed income products.

NATURAL HERITAGE TRUST

Investment Information for New York State

March 31, 2010

INVESTMENTS

At March 31, 2010, Trust investments consisted of money market funds, fixed income debt obligations, certificates of deposit and equity exchange traded funds held by an outside brokerage house. The total market value of investments, excluding money market funds and certificates of deposit, was \$18,629,244 at March 31, 2010.

INVESTMENT EARNINGS

General Fund and Fiduciary Fund investment earnings totaled \$350,678 and \$104,054, respectively, for the year ended March 31, 2010 and consisted of interest and realized and unrealized gains and losses.

INVESTMENT REPORT

The independent auditors' report on compliance and other matters, including compliance with *Investment Guidelines for Public Authorities*, for the year ended March 31, 2010 indicated that there was one instance of noncompliance that was required to be reported under *Government Auditing Standards*.

FEES AND COMMISSIONS

The direct fees, commissions or other charges paid for investment related services for the General Fund and Fiduciary Fund were \$54,003 and \$23,495, respectively, for the year ended March 31, 2010.