

Finger Lakes Regional Telecommunications Development Corporation
CASH MANAGEMENT AND
INVESTMENT POLICY

September 28, 2007

Finger Lakes Regional Telecommunications Development Corporation
Cash Management and Investment Policy
POLICY AND PROCEDURES

SCOPE

This investment policy applies to all moneys and other financial resources available for investment on its own behalf.

OBJECTIVES

The primary objectives of the Corporation's investment activities are, in priority order:

- to conform with all applicable federal, state and other legal requirements
- to adequately safeguard principal
- to provide sufficient liquidity to meet all operating requirements
- to obtain a reasonable rate of return

DELEGATION OF AUTHORITY

The Board of Directors responsibility for administration of the investment program is delegated to the Chief Financial Officer who shall establish written procedures for the operation of the investment program consistent with these investment guidelines. Such procedures shall include an adequate internal control structure to provide a satisfactory level of accountability.

ETHICAL ACTIVITY

All participants in the investment process shall seek to act responsibly as custodians of the Corporation's funds and shall avoid any transaction that places Corporation funds at unreasonable risk.

All participants involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

DIVERSIFICATION

It is the policy of the Corporation to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling but only in the event that funds in the possession of the Corporation exceed \$5,000,000.00.

INTERNAL CONTROLS

The Chief Financial Officer is responsible for establishing and maintaining an internal control structure to provide reasonable, but not absolute, assurance that deposits and investments are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization.

DESIGNATION OF DEPOSITARIES

Until such time as the funds of the Corporation on deposit exceed \$5,000,000.00, the Board will designate by resolution the bank or trust company for the deposit and the investment of Corporation funds.

PERMITTED INVESTMENTS

The Chief Financial Officer is authorized to invest moneys not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

- Special time deposit accounts;
- Certificates of deposit;
- Obligations of the United States of America;
- Obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America;
- Obligations of the State of New York;

AUTHORIZED FINANCIAL INSTITUTIONS AND DEALERS

The Corporation shall maintain a list of financial institutions and dealers approved for investment purposes. All financial institutions with which the Corporation conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Corporation.

The Chief Financial Officer is responsible for evaluating the financial position and maintaining a listing of proposed depositaries, trading partners and custodians. Such listing shall be evaluated at least annually.

OPERATING PROCEDURES

The Chief Financial Officer is responsible for the investment of Corporation funds. The Chief Financial Officer will make investments based upon projections of the Corporation's cash flow needs, so that investments shall mature at such times when funds are estimated to be needed for the orderly payment of Corporation obligations.

Investments will generally be made based upon competitive bids solicited by telephone by the Chief Financial Officer and shall be awarded to the highest responsible bidder.

The Chief Financial Officer is authorized to transfer Corporation funds using any electronic transfer system(s) that reasonably assure the safety of Corporation funds.

Electronic transfer procedures and guidelines will be established between the Corporation and the banking institutions with whom the Corporation intends to use electronic means to transfer funds between or within banks. The Chief Financial Officer will establish internal control procedures that will provide reasonable assurance that the corporation deposits are safeguarded against loss.

Funds will only be transferred between institutions in the name of the Finger Lakes Regional Telecommunications Corporation by using the Federal Reserve Wire Transfer (FedWire) system, the Automated Clearing House or by Corporation check and only as authorized in writing by the Chief Financial Officer. The Chief Financial Officer may designate staff to perform any of the foregoing functions and upon doing so, shall notify in writing the Chief Executive Officer. A listing of authorized staff will be maintained by the Chief Executive Officer and will be forwarded to the authorized depositories.

The Chief Financial Officer shall prepare and submit a quarterly investment report to the Chief Executive Officer.

At the time independent auditors conduct the annual audit of the accounts and financial affairs of the Corporation, they shall audit the investments for compliance with the provisions of these investment guidelines.

At least annually, the Board of Directors shall review and amend, if necessary, the Investment Policy.

General Municipal Law Section 10
ELIGIBLE LIST OF SECURITIES FOR COLLATERALIZATION OF
DEPOSITS

1. Obligations issued by the United States of America, an agency thereof or a United States government sponsored corporation or obligations fully insured or guaranteed as to the payment of principal and interest by the United States of America, an agency thereof or a United States government sponsored corporation.
2. Obligations issued or fully guaranteed by the International Bank for Reconstruction and Development, the InterAmerican Development Bank, the Asian Development Bank, and the African Development Bank.
3. Obligations partially insured or guaranteed by any agency of the United States of America, at a proportion of the Market Value of the obligation that represents the amount of the insurance or guaranty.
4. Obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a municipal corporation, school district or district corporation of this state or obligations of any public benefit corporation which under a specific state statute may be accepted as security for deposit of public moneys.
5. Obligations issued by states (other than the State of New York) of the United States rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
6. Obligations of Puerto Rico rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
7. Obligations of counties, cities and other governmental entities of a state other than the State of New York having the power to levy taxes that are backed by the full faith and credit of such governmental entity and rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
8. Obligations of domestic corporations rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization.
9. Any mortgage related securities, as defined in the Securities Exchange Act of 1934, as amended, which may be purchased by banks under the limitations established by bank regulatory agencies.
10. Commercial paper and bankers' acceptance issued by a bank, other than the Bank rated in the highest short term category by at least one nationally recognized statistical rating organization and having maturities of not longer than 60 days from the date they are pledged.
11. Zero coupon obligations of the United States Government marketed as "Treasury STRIPS".