§ 43. Required elements of a cooperative investment agreement. Every cooperative investment agreement shall contain, at a minimum, the following:

1. a description of the creation, membership, powers and responsibilities of the governing board of the cooperative investment agreement as set forth in sections forty-four and forty-five of this article.

2. a statement designating one of the participants as the lead participant. Moneys to be invested pursuant to the cooperative investment agreement and the investments made pursuant to the cooperative investment shall be held in the custody of the lead participant on behalf of all the participants. Moneys or investments held in the custody of the lead participant on behalf of the participants shall not be commingled with other moneys or investments of the lead participant.

3. a statement that each participant shall have an undivided interest in moneys and investments held by the lead participant on behalf of the participants in the proportion that the total amount of contributions made by that participant bears to the total amount of contributions by all the participants.

4. a statement of the investment policy applicable to investments made pursuant to the agreement. This investment policy shall conform to the requirements of section thirty-nine of this chapter and shall also include:

(a) a statement of the governing board's intention to maintain the value of each participant's interest in the cooperative investments at a stable value of one dollar,

(b) a statement of the types of investments authorized by section eleven of this chapter in which moneys may be invested under the agreement and, if deemed appropriate, further limitations pertaining to matters such as the use of repurchase agreements and the purchase of variable rate and structured obligations,

(c) a statement of the maximum time remaining to maturity of

individual investments permitted under the agreement and the maximum weighted average maturity of all investments made pursuant to the agreement as are deemed necessary to fulfill the investment policy stated in the agreement and to ensure that a participant's investment will be available when needed to meet expenditures; provided, however, that the maximum time remaining to maturity of individual investments shall not exceed three hundred ninety-seven days and the maximum weighted average maturity of all investments shall not exceed sixty days. Compliance under the cooperative investment agreement with the maturity limitations stated in this subdivision shall be deemed to be compliance with the requirements of paragraph a of subdivision three of section eleven of this chapter, and

(d) standards for the diversification of investments, including diversification with respect to types of investments and firms with whom the governing board transacts business.

5. the participants' rights to make contributions and receive distributions, the frequency with which earnings will be distributed to the participants, and the circumstances, if any, under which a participant's rights to make contributions or receive distributions may be limited or deferred.

6. a description of the manner in which expenses incurred by the governing board in administering the cooperative investment agreement, including, but not limited to, the cost of procuring the services of professionals to assist the governing board, the compensation of an executive director, if one is appointed, and other costs of administering the investments made pursuant to the agreement, are to be apportioned among the participants.

7. a description of the methodology, including, but not limited to, the amortized cost method, that will be utilized to establish the value of each participant's interest in investments made pursuant to the agreement, including the value of contributions and distributions, and the calculation of yield thereon.

8. a provision requiring that the market value of investments made

pursuant to the agreement shall be determined at least monthly and whenever the method of valuation authorized by the agreement does not accurately reflect the value of participants' interests in such investments.

9. a provision requiring that, at least once a month, the portfolio of investments made pursuant to the agreement be tested for sensitivity to changes in interest rates. This provision must require that the testing methodology adopted by the board be reasonably designed to reliably quantify the effect of a change in interest rates on the market value of the portfolio.

10. a provision requiring that the governing board secure an irrevocable letter of credit in an amount sufficient to cover any potential losses as quantified pursuant to the testing described in subdivision nine of this section. The cost of such irrevocable letter of credit shall be deemed to be an expense incurred by the board in administering the investments made pursuant to the agreement.

11. a statement that the governing board may procure the services of professionals such as an administrator, investment advisor, independent auditor, custodial bank, and any other professional services it deems appropriate to assist the governing board in fulfilling its responsibilities under the agreement, provided that: (a) the professionals who will render such services, individually and collectively, shall meet all qualifications deemed appropriate by the governing board; (b) the procurement of such services shall be in compliance with section one hundred four-b of this chapter, subject to a request for proposal process at least every three years; (c) the contracts for such services shall ensure compliance with the requirements of sections ten and eleven of this chapter; and (d) the charges, fees and other compensation for any contracted services shall be clearly stated in written service contracts.

12. a provision requiring that each participant receive written confirmation of each contribution made by or distribution made to the participant no later than the following business day after which the

contribution or distribution occurs.

13. a provision requiring that each participant receive a monthly statement that sets forth the following information for the preceding month: (a) all activity by the participant; (b) the value of the participant's interest under the agreement at the beginning and end of the month; and (c) an itemization of all investments held under the agreement as of the end of the month, including the market value of each investment as of that date.

14. a provision requiring that each participant and the state comptroller receive immediate notification of any event or circumstance that may require a deferral of distributions or may cause investment losses not anticipated by the investment policy and of any other material adverse event relating to the investments made pursuant to the agreement.

15. a provision requiring that a certified public accountant annually conduct an audit, in accordance with generally accepted government auditing standards, of the activities undertaken pursuant to the agreement. A copy of this annual audit shall be distributed to each participant and to the state comptroller within ninety days after the close of the fiscal year established under the agreement.

16. a provision requiring that each participant annually receive, and each prospective participant receive prior to their participation in the agreement, an information statement that includes, at a minimum, the following: (a) a brief history of the agreement; (b) a description of the organization and terms of the cooperative investment agreement, including the powers and responsibilities of the governing board and the qualifications of any professionals retained under the agreement; (c) a description of the investment objectives, policies and practices contained in the agreement including those pertaining to liquidity, methodology for determining participants' interests, distribution of earning and calculation of yield; (d) a description of the current investments held under the agreement; (e) a listing of any fees or charges to be incurred by participants; and (f)

a description of the required procedures for initiation and termination of participation in the agreement.

17. a provision requiring that all participants receive at least once a year a report detailing the following information for the preceding twelve months: (a) the portfolio of investments currently held pursuant to the agreement, including, for each investment, the market value, time remaining to maturity, interest earned and realized, and unrealized gains and losses; (b) the overall investment results, yield and weighted average maturity; (c) a list of the fees paid for all professional services procured under the agreement; and (d) a statement of all other expenses incurred by the governing board in administering the investments made pursuant to the agreement.

18. a provision requiring that, if the governing board obtains a rating from a nationally recognized statistical rating organization, such rating and any subsequent changes therein be disclosed to each participant.