

**MINUTES OF THE MEETING OF
THE NEW YORK CITY HOUSING DEVELOPMENT CORPORATION
AUDIT COMMITTEE**

January 28th, 2011

A meeting of the Members of the Audit Committee of the New York City Housing Development Corporation (the "Corporation") was held on Friday January 28th, 2011 at the offices of the Corporation, 110 William Street, 10th Floor, New York, New York.

The meeting was called to order at 11:05 am by Mr. Felix Ciampa, Board Member, who noted the presence of a quorum. Mr. Ciampa called for approval of the minutes from the December 3rd, 2010 meeting. The minutes were approved.

Mr. Ciampa turned to Mr. Rich Froehlich, Executive Vice President and General Counsel of the Corporation to provide an overview of the agenda. Mr. Froehlich then turned the Committee's attention to Ms. Cathleen Baumann, Treasurer of the Corporation, to provide a summary of the Fiscal Year 2010 Financial Statements.

Ms. Baumann reported that despite the financial crisis and market turbulences over the past couple of years, the Corporation has achieved yet another year of substantial growth. During FY 2010, the Corporation issued 24 bond series totaling \$1.59 Billion, while maintaining its strong AA credit rating. Ms. Baumann noted that of the total issued in FY 2010, \$1.42 Billion were issued with new money and \$167.3 Million were issued due to the refinancing of previously issued debt. Ms. Baumann further noted that HDC assets grew by 12.2% to \$11.18 Billion, an increase of \$1.21 Billion from 2009, due to the Corporation's ongoing debt issuance and lending activities. Total liabilities grew to \$9.95 Billion, an increase of almost \$1.15 Billion or 13.1% from 2009. HDC's Total Net Assets at fiscal year end were \$1.23 Billion, an increase of 5.1% from 2009. Net Income for HDC for FY 2010 was \$59.3 Million. (Last year HDC's net income was \$60.68 Million. The decrease is due to a decrease in income from Loan Participation interests -- less prepayments). Ms. Baumann took the opportunity to thank Bharat Shah, Controller, Mary John, Deputy Controller, and the rest of the Accounting staff for all of their hard work and dedication in producing the financial statements in such an efficient timeframe this year. Ms. Baumann then turned to Randy Nelson of Ernst & Young to provide an overview of the audit results.

Mr. Ciampa then turned to Mr. Randy Nelson of Ernst & Young, to provide a summary of the report detailing how the audit was conducted and the areas of emphasis. Mr. Nelson provided an overview of the Corporation's assets and liabilities and the changes for Fiscal Year 2010. Mr. Nelson noted that the Corporation is in excellent shape. Mr. Randy Nelson stated that there were no material weaknesses. Mr. Nelson noted good communication with the Corporation throughout the year. Mr. Nelson stated that the Corporation has consistently been compliant with its guidelines. Mr. Nelson also provided an overview of the Corporation's investments guidelines. Mr. Randy Nelson noted that there were no significant accounting policy changes during the 2010 fiscal year. Mr. Nelson stated that the OPEB liability slightly increased this year for the new OPEB calculation done this year. Mr. Nelson noted that the Corporation adapted the

implementation of GASB 53. Mr. Froehlich commented that HDC uses the cap to reduce interest rate exposure rather than using it as a fair value. Mr. Nelson further noted that the accounting principles selected by Management are consistent with those prescribed by accounting and industry standards. The Audit Committee members then approved the financial statements for FY 2010. Mr. Ciampa then thanked the HDC staff for their hard work on getting the financial statement completed timely.

Mr. Ciampa then turned to Ms. Ellen Duffy, Senior Vice President of Debt Issuance and Finance to present the debt report for the month of December 2010. Ms. Duffy noted that The Corporation issued nine new series of bonds in December totaling \$222.23 million. All of the bond series were issued as tax-exempt debt in the Open Resolution. Redemptions in November totaled \$107.47 million. All redemptions were from the Open Resolution. There were no redemptions in December. Ms. Duffy reported that HDC's debt outstanding as of December 31, 2010 is approximately \$8.545 billion. The Corporation's statutory debt capacity stands at \$10.25 billion.

Mr. Ciampa then turned again to Ms. Duffy to provide the Corporation's Weekly Investment Report for the week of January 6, 2011. Funds under management totaled approximately \$2.9 billion, consistent with the balances the Corporation have been experiencing this year. Ms. Duffy stated that the report reflects routine investment activity.

Mr. Ciampa then recognized Ms. Mary Hom, Deputy Director-Credit Risk, for the counterparty credit risk exposure report. Ms. Hom reported that HDC added one new counterparty to the list of approved banks since the last report -- New York Community Bank (NYCB). Ms. Hom noted that the Corporation has a money market account with NYCB collateralized by a municipal letter-of-credit with the Federal Home Loan Bank. NYCB has \$41 billion in assets and \$22 billion in deposits as of December 31, 2010, and generated \$541 million in net income during 2010. Additionally, Ms. Hom reported that NYCB trades on the New York Stock Exchange. Ms. Hom continued her report by noting that there were no other changes to the list of counterparties, and there were no meaningful downgrades since the last report, although S&P downgraded the sovereign rating for Japan yesterday, but Ms. Hom had not seen any impact on the two Japanese securities firms with which HDC has a repo relationship. Ms. Hom continued by reporting that the Corporation's counterparty exposure remains well-diversified with Fannie Mae and Citibank continuing to be the largest exposures. Ms. Hom then reported that investments rated double-A or higher were 70% of total investments at December 31, 2010, and that the weighted average maturity on the investment portfolio declined slightly since the last report to 3 years, from 3.4 years. Ms. Hom concluded her report by noting that there were no changes to liquidity providers since the last report, although the overall amount outstanding declined slightly to \$198 million due to a \$13 million redemption since the last report.

Mr. Ciampa then turned the Committee's attention to Ms. Shirley Jarvis, Vice President of Internal Audit, to present the Internal Audit reports. Ms. Jarvis reported on the results of the audit of Payroll performed by the Internal Audit staff. Ms. Jarvis noted that there were a number of objectives in the audit however the primary objectives were to: 1) Evaluate the controls over the payroll process, specifically verification of payroll and

authorization of payroll changes. 2) Ensure that payroll data was accurately processed in ADP and recorded in the General Ledger. 3) Ensure compliance with policy and regulations regarding leave accrual and overtime payments to employees. Ms. Jarvis further noted that the scope of the audit covered the period of January 1, 2009 through June 19, 2010. Ms. Jarvis reported that there were no significant issues. Generally, operations comply with regulations. The Audit staff noted no matters involving internal control that the staff considers a material weakness. Ms Jarvis noted that issues that were resolved during the course of the audit or the enhancement opportunity presented in the draft report were not included in the final report.

At 11:30 AM, with no further business, Mr. Ciampa moved to dismiss and the meeting was adjourned.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Violine Roberty". The signature is written in dark ink and is positioned above the printed name.

Violine Roberty

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ATTENDANCE LIST

<u>NAME</u>	<u>AFFILIATION</u>
Felix Ciampa	Audit Committee Member
Denise Scott	Audit Committee Member
Randy Nelson	Ernst & Young
Marc Jahr	NYC Housing Development Corp.
Richard Froehlich	NYC Housing Development Corp.
Mathew Wambua	NYC Housing Development Corp.
Ellen Duffy	NYC Housing Development Corp.
Terry Gigliello	NYC Housing Development Corp.
Eileen O'Reilly	NYC Housing Development Corp.
Cathy Baumann	NYC Housing Development Corp.
Pellegrino Mariconda	NYC Housing Development Corp.
Urmas Naeris	NYC Housing Development Corp.
Mary Hom	NYC Housing Development Corp.
Jaclyn Moynahan	NYC Housing Development Corp.
Zenaida Bhuiyan	NYC Housing Development Corp.
Shirley Jarvis	NYC Housing Development Corp.
Bharat Shah	NYC Housing Development Corp.
Mary John	NYC Housing Development Corp.
Cheuk Yu	NYC Housing Development Corp.
Violine Roberty	NYC Housing Development Corp.