

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

***January 31st, 2012***

A meeting of the Members of the Audit Committee of the New York City Housing Development Corporation (the "Corporation") was held on Tuesday January 31st, 2012 at the offices of the Corporation, 110 William Street, 10<sup>th</sup> Floor, New York, New York.

The meeting was called to order at 11:17 am by Ms. Denise Scott, Board Member, who noted the presence of a quorum. Mr. Felix Ciampa, Board Member, joined the meeting via telephone. Ms. Scott called for approval of the minutes from the November 30th, 2011 meeting. The minutes were approved.

Ms. Scott turned to Mr. Richard Froehlich, Chief Operating Officer 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 2011 Financial Statements.

Ms. Baumann noted a change in the original packets that were sent to the Members. Ms. Baumann further noted that a change was made to the Operating Activities section of the Cash Flow statement on p. 13. Some receipts were moved between line items in this category during final review. This change had no effect on the face of the Balance Sheet or Income Statement, and did not affect the totals in the Cash Flow statement. The updated version is included in the financial statements provided to the Members at the meeting. Ms. Baumann reported that despite the financial crisis and market turbulences over the past few years, the Corporation has achieved yet another year of significant growth. Ms. Baumann stated that during FY 2011, the Corporation issued 20 bond series totaling \$685 Million, while maintaining its strong AA credit rating. Of the total issued in FY 2011, \$679.3 Million were issued with new money and \$5.7 Million were issued due to the refinancing of previously issued debt. Ms. Baumann noted that total HDC assets grew by 4.87% to \$11.73 Billion, an increase of \$544.3 Million from 2010, due to the Corporation's ongoing debt issuance and lending activities. Total liabilities grew to \$10.36 Billion, an increase of \$401 Million or 4.03% from 2010. HDC's Total Net Assets at fiscal year end were \$1.37 Billion, an increase of 11.68% from 2010. Net Income for HDC for FY 2011 was \$143.2 Million. This amount includes \$75.2 Million from grant revenue income from Battery Park City Authority. 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.

Ms. Scott 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 2011. Mr. Nelson noted that the Corporation is in excellent financial shape. Mr. Nelson stated that there were no material weaknesses. Mr. Nelson noted good

communication with the Corporation throughout the year. Mr. Nelson went thru the required communications section of the E&Y audit booklet. Mr. Nelson stated that the Corporation has consistently been compliant with its guidelines. Mr. Nelson stated that the staff prepared outstanding notes to the financial statements, which are very descriptive and provide excellent details of what is going on in the organization. Mr. Nelson also provided an overview of the Corporation's investments guidelines. Mr. Nelson noted that there were no significant accounting policy changes during the 2011 fiscal year. Mr. Nelson stated that the OPEB obligation was adequately disclosed. Mr. Nelson noted that this year Ernst & Young partnered with the auditing firm Mitchell & Titus to perform the Corporation's audit. The Audit Committee members then approved the financial statements for FY 2011.

Ms. Scott then turned to Ms. Ellen Duffy, Senior Vice President of Debt Issuance and Finance to present the debt report for the month of December 2011. Ms. Duffy noted that the Corporation issued \$53 million of Multi-family Secured Mortgage Revenue Bonds ("Mini-Open") in November. The Corporation issued \$299.59 million of Open Resolution bonds and \$8.47 million of Stand-Alone bonds in December. HDC also converted its remaining \$233.02 million of NIBP taxable escrow bonds to tax-exempt bonds in December, utilizing its entire \$500 million NIBP allocation originally issued in December 2009. Redemptions in November and December totaled approximately \$107 million, all in the Open Resolution. Ms. Duffy reported that HDC's debt outstanding as of December 31, 2011 is approximately \$8.64 billion. The Corporation's statutory debt capacity stands at \$10.25 billion.

Ms. Scott then turned again to Ms. Duffy to provide the Corporation's Investment Report for January 17, 2012. Funds under management totaled approximately \$2.6 billion, consistent with the balances we have been experiencing this year. This report reflects routine investment activity.

Ms. Scott then recognized Ms. Mary Hom, Deputy Director-Credit Risk for the counterparty credit risk exposure report. Ms. Hom noted that there were no changes to the list of counterparties since the last report to the Audit Committee; however, there were a few downgrades by the credit rating agencies. Ms. Hom reported that S&P took various rating actions on sovereign ratings on January 13<sup>th</sup>, most notably downgrading France to AA+ from AAA. This resulted in the subsequent downgrade of the French banks on January 23<sup>rd</sup>, including Societe Generale and Credit Agricole to A from A+. All other sovereigns to which HDC had exposure were affirmed by S&P at the time. At Moody's, Dexia Credit Local was downgraded to Baa1 from A3 on concerns about the comprehensiveness of the funding guarantees from the French, Belgium, and Luxembourg states, as well as concerns about further credit deterioration. Ms. Hom noted that Dexia provides enhancement on a couple of municipal bonds currently held in HDC's investment portfolio. Ms. Hom continued her report by noting that Fannie Mae continued to be the Corporation's largest counterparty exposure, followed by Citibank. Investments rated double-A or higher were 51% of total investments, down from 68% at the last report. The weighted average maturity of the investment portfolio remained virtually unchanged at 3.9 years. Ms. Hom concluded her report by noting that exposure to liquidity providers was unchanged at approximately \$24 million.

Ms. Scott 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 the President's Office Expenses. Ms. Jarvis noted that the primary objective of this audit was to verify the PO compliance to the Corporation's policy and procedures relating to travel and related expenses. Ms. Jarvis further noted that the scope of the Audit staff's review covered all expenditures charged to the President's Office in six expense categories from May 1, 2011 to October 31, 2011. Internal Audit found that expenses for the selected categories were processed correctly according to the travel and business expense policies in the Employee Handbook and that all expenses had the proper documentation and authorization. Ms. Jarvis noted that the results of the audit are more fully presented in the report provided to the Members.

At 11:32 am, with no further business, Ms. Scott moved to dismiss and the meeting was adjourned.

Respectfully submitted,

Violine Roberty  
Jaclyn Moynahn

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*January 31<sup>st</sup>, 2012*

**ATTENDANCE LIST**

<b><u>NAME</u></b>	<b><u>AFFILIATION</u></b>
Felix Ciampa	Audit Committee Member- Via telephone
Denise Scott	Audit Committee Member
Randy Nelson	Ernst & Young
Marc Jahr	NYC Housing Development Corp.
Richard Froehlich	NYC Housing Development Corp.
Ellen Duffy	NYC Housing Development Corp.
Terry Gigliello	NYC Housing Development Corp.
Eileen O'Reilly	NYC Housing Development Corp.
Simon Bacchus	NYC Housing Development Corp.
Cathy Baumann	NYC Housing Development Corp.
Pellegrino Mariconda	NYC Housing Development Corp.
Urmaz 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.
Uyen Luu	NYC Housing Development Corp.
Nataliya Frolov	NYC Housing Development Corp.
Catherine Foody	NYC Housing Development Corp.
Mohammad Zaman	NYC Housing Development Corp.
Violaine Roberty	NYC Housing Development Corp.