

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

June 9th, 2011

A meeting of the Members of the Audit Committee of the New York City Housing Development Corporation (the "Corporation") was held on Monday June 9th, 2011 at the offices of the Corporation, 110 William Street, 10th Floor, New York, New York.

The meeting was called to order at 11:00 am by Mr. Felix Ciampa, Board Member, who noted the presence of a quorum. Mr. Ciampa called for approval of the minutes from the March 17th, 2011 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. Ciampa then turned the Committee's attention to Mr. Bharat Shah, Controller of the Corporation, to provide the second quarter financial report. Mr. Shah stated that the Corporation is pleased to submit for the Audit Committee Member's review the unaudited financial statements for the second quarter of FY 2011, which covers the first 6 month period from November 1st 2010 through April 30th 2011. Mr. Shah noted that growth in assets and liabilities has continued from last fiscal year through the second quarter of this fiscal year. The Financial highlights during the first 6 months of FY 2011 include the following: More than \$250.5 million of bonds were issued by the Corporation. Total assets at second quarter end are \$11.4 billion, an increase of \$179.5 million or 1.6% from Fiscal Year end 2010. Total liabilities are \$10.1 billion, an increase of \$145.9 million or 1.5% from Fiscal Year end 2010. Total net assets are \$1.3 billion, an increase of \$33.6 million or a 2.6% increase from last fiscal year end. Mr. Shah reported that net income for the first six months of this fiscal year is \$33.6 million, which is an increase of \$1.6 million or 5% compared to the same period last year.

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 April 2011. Ms. Duffy noted that the Corporation issued \$28.32 million of Open Resolution bonds and also released \$66.3 million of NIBP bonds from escrow. Redemptions from February through April totaled \$77.61 million. Redemptions in the Open Resolution were in the amount of \$8.55 million from 1 series of bonds. Redemptions in Stand Alone Resolutions were from 6 series of bonds and totaled \$69.06 million. Ms. Duffy reported that HDC's debt outstanding as of April 30, 2011 is approximately \$8.42 billion. The Corporation's statutory debt capacity stands at \$10.25 billion.

Mr. Ciampa then turned again to Ms. Duffy to provide the Corporations' Weekly Investment Report for the week of May 23, 2011. Funds under management totaled approximately \$2.45 billion, consistent with the balances the Corporation has 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 noted that there were no new counterparties since the last report to the Audit Committee; however, there were a couple of rating agency actions. Allied Irish Bank (AIB) was downgraded a notch to Ba3 by Moody's, and CALYON/Credit Agricole was downgraded a notch to single-A-minus by S&P. Ms. Hom reported that the Corporation has one letter-of-credit with AIB on a project expected to refinance later this year. Ms. Hom then noted that the Corporation has GIC exposure to CALYON/Credit Agricole. Additionally, Ms. Hom reported that Moody's placed the senior long-term debt ratings of Bank of America Corp., Citigroup, and Wells Fargo & Co. on Watchlist with negative implications. Moody's will be reviewing the extent to which the Dodd-Frank Act will impact Moody's current credit ratings for these bank holding companies. Ms. Hom continued her report by noting that counterparty exposure remains well-diversified with the Corporation's largest exposure continuing to be with Fannie Mae, primarily in the form of permanent credit enhancement, followed by exposure to Citigroup, primarily in the form of construction letters-of-credit. Ms. Hom continued by noting that investments rated double-A or higher were 62% of total investments, down from 70% at the last report, primarily due to the downgrade of CALYON/Credit Agricole to single-A from double-A by S&P. Additionally, the weighted average maturity of the Corporation's investment portfolio was 3.6 years. Finally, Ms. Hom concluded her report by noting that exposure to liquidity providers has declined significantly since the last report to approximately \$41 million due to remarketing and redemptions.

Mr. Ciampa then turned the Committee's attention to Ms. Shirley Jarvis, Vice President of Internal Audit, to request the Members approval and adoption of the revised Audit Committee Charter, dated June 2, 2011. The Charter outlines the purpose, authority and responsibilities of the Audit Committee. The charter was revised to reflect certain changes in the Corporation's organizational structure. Specifically, references to the "CFO" have been changed to "President, Chief Operating Officer (COO) or Executive Vice President (EVP), and Treasurer" or "COO or EVP, and Treasurer" and references to the "internal audit staff" were changed to "Vice President (VP) of Internal Audit. The Members voted and approved the revised Audit Committee Charter.

Ms. Jarvis proceeded to present the audit report. Ms. Jarvis noted that Internal Audit staff had completed two audits from the 2011 schedule: the Employee Expenses audit and the audit of the President's Office Expenses and are currently performing a third, the construction loan audit. The results of those reviews would be presented to the Members at a later date. Ms. Jarvis reported the results of the Accounts Payable audit. Ms. Jarvis briefly summarized the outcome of the review. Ms. Jarvis noted that the primary objectives of the Accounts Payable audit were to: 1.) Ensure that access to Payables module was appropriate based on job responsibilities. 2.) Determine the security of the blank check stock and the Oracle check disk. 3.) Determine whether all payments processed thru Payables were properly recorded in the GL. 4.) Ensure all payments for the selected sample were authorized and properly supported according to the procedures. The scope covered payments made to vendors from November 1, 2009 through October 31, 2010. The scope of the audit did not include the Procurement and Contract Management processes. Internal Audit found no significant issues during the audit. Ms

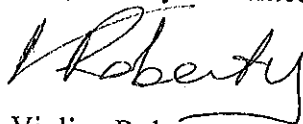
Jarvis stated that recommendations to assist management in improving the AP process were communicated separately in the 2010 Accounts Payable Audit Report.

Mr. Ciampa then turned again to Ms. Jarvis to report on other business of the Corporation. Ms. Jarvis noted that in April, the internal audit function underwent a quality assessment review performed by the Institute of Internal Auditors. HDC received the draft report and are currently formulating responses to their recommendations. Ms. Jarvis stated that the Members will be apprised of the QAR results when the final report is issued.

Mr. Ciampa inquired whether the Members would see the responses to the draft report; Ms Jarvis responded, yes. Mr. Ciampa further requested that Ms. Jarvis provide examples of the recommendations made by the Institute of Internal Auditors as a result of the quality assessment review. In response to Mr. Ciampa's request, Ms. Jarvis gave the following examples: Recommendations specific to HDC senior management were to 1). Enhance HDC Control environment- Board and executive management issuing a management control policy and 2). Enhance the Audit Committee reporting relationship with the Internal Audit activity. Recommendations specific to Internal Audit were to: 1). Expand the scope of Internal audit activities; 2). strengthen Internal Audit's understanding of HDC's business; 3). strengthen the annual planning process; determine audit universe and develop appropriate risk methodology; 4). strengthen periodic reporting to Audit Committee and senior management; 5). strengthen IA support of HDC governance and 6) enhance the quality of audit reports.

At 11:20 am, with no further business, Mr. Ciampa moved to dismiss and the meeting was adjourned.

Respectfully submitted,



Violine Roberty

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ATTENDANCE LIST

<u>NAME</u>	<u>AFFILIATION</u>
Harry Gould	Audit Committee Member
Felix Ciampa	Audit Committee Member
Marc Jahr	NYC Housing Development Corp.
Richard Froehlich	NYC Housing Development Corp.
Joan Tally	NYC Housing Development Corp.
Eileen O'Reilly	NYC Housing Development Corp.
Cathy Baumann	NYC Housing Development Corp.
Ellen Duffy	NYC Housing Development Corp.
Pellegrino Mariconda	NYC Housing Development Corp.
Urmias Naeris	NYC Housing Development Corp.
Mary Hom	NYC Housing Development Corp.
Shirley Jarvis	NYC Housing Development Corp.
Bharat Shah	NYC Housing Development Corp.
Cheuk Yu	NYC Housing Development Corp.
Mary John	NYC Housing Development Corp.
Lisa Geary	NYC Housing Development Corp.
Jaclyn Moynahan	NYC Housing Development Corp.
Violine Roberty	NYC Housing Development Corp.