HOMELESS HOUSING AND ASSISTANCE CORPORATION

POLICY REGARDING INVESTMENT OF ALL CORPORATION MONIES; PROVIDING FOR THE SECURITY OF THOSE INVESTMENTS; AND PROVIDING FOR ANNUAL REPORTS ON THE INVESTMENTS

ARTICLE I

STATEMENT OF PURPOSE AND TITLE

101. This Policy is adopted pursuant to the provisions of Section 2925 of the Public Authorities Law and shall be reviewed and approved by the Members of the Corporation at least annually.

102. This document may be referred to as the Corporation's "Investment Policy."

ARTICLE II

DEFINITION OF TERMS

201. Definitions. The following terms shall, for all purposes of this Policy, have the following meanings unless the context shall clearly indicate some other meaning:

"Commissioner of Taxation and Finance" shall mean the New York State Commissioner of Taxation and Finance or his designee.

"Corporation" or "HHAC" shall mean the Homeless Housing and Assistance Corporation.

"Corporation Assistant Treasurer" shall mean that person so appointed by the Members.

"Corporation Treasurer" shall mean that person so appointed by the Members.

"Counsel" shall mean the Corporation Counsel, the Corporation Assistant Counsel or an attorney designated by the Members.

"Custodial Account" shall mean the bank account of the Corporation, pursuant to Section 59-I of the Private Housing Finance Law, maintained by the Custodian.

"Custodian" shall mean the Commissioner of Taxation and Finance, the entity that invests the funds of the Corporation at the direction of the Corporation Treasurer, or in his/her absence, the Corporation Assistant Treasurer.

"Deliver" or "Delivered" shall mean either (1) the voluntary transfer of possession to the Custodian or custodial bank designated by the Custodian, or (2) the registration of transfer by the appropriate book entry procedure by a member of the Federal Reserve System.

"Depository Bank" shall mean a bank recommended by the Commissioner of Taxation and Finance and designated by the Members to hold deposits of the Corporation's funds. The obligation on the part of the Depository Bank is that it keeps the deposit and, upon request, restore it to the depositor or otherwise deliver it according to the original trust.

"Investment Obligations" shall mean (1) direct obligations of the United States of America or of the State, and (2) obligations the principal of and interest of which are unconditionally guaranteed by the United States of America or by the State.

"Members" shall mean the Members of the Corporation.

"Officer" shall mean any person holding an office of the Corporation as defined in the Corporation By-Laws.

"Repurchase Agreement" shall mean two simultaneous transactions, one the purchase of securities by the Custodian from a seller, the other the commitment on the part of the seller of the securities to repurchase the securities at an agreed upon price at some mutually agreed upon future date.

ARTICLE III

INVESTMENT AUTHORIZATION, PERMITTED INVESTMENTS AND SECURITY THEREFORE

301. Investment Authorization.

(1) The Custodian shall invest the funds of the Corporation in accordance with the terms of this Investment Policy at the direction of the Corporation's Treasurer or Assistant Treasurer.

(2) The Corporation's Treasurer shall, after arriving at an investment decision, authorize the Custodian to invest the funds of the Corporation.

(3) Solely for the purpose of expediency, the Treasurer or his staff, if permitted by the Treasurer, may orally communicate the investment decision to the Custodian. However, only a written confirmation to the Custodian, signed by the Treasurer of the Corporation or another individual authorized by the Members to be a Finance Signatory, can be considered as the authorization for any investment of the Corporation's funds.

302. Permitted Investments and Required Security Provisions**.**

(1) All funds of the Corporation must be initially deposited in Negotiated Order of Withdrawal (NOW) or comparable demand accounts secured as described below. All proceeds of maturing investments must be immediately redeposited in NOW or comparable demand accounts unless reinvested in accordance with the instructions of the Corporation.

(2) (a) Investment of the funds of the Corporation or any other monies under its custody and control not required for immediate use of disbursement, at the discretion of the Corporation, may be made in Investment Obligations of the State or the United States government or obligations, the principal and interest of which are guaranteed by the State or the United States government, or repurchase agreements, subject to the conditions set forth below, or in any other similar obligation in which the Comptroller of the State is authorized to invest pursuant to Section 98 of the State Finance Law. However, preference should be given to investments of the funds of the Corporation in Investment Obligations.

(b) Repurchase agreements will be permitted only under the following conditions:

(i) The Custodian should only enter into Repurchase Agreements with banks authorized to do business in New York State and which are included on the then current "List of the Government Securities Dealers Reporting to the Markets Reports Division of the Federal Reserve Bank of New York".

(ii) Securities which are the subject of Repurchase Agreements shall be limited to obligations the principal and interest of which are guaranteed by the United States government.

(iii) Substitution of securities is not permitted.

(iv) The term of any Repurchase Agreement shall not exceed sixty (60) days.

(v) Payment shall be made only upon delivery of subject securities.

(vi) Subject securities must be delivered to the Custodian or its designated custodian bank.

(vii) Subject securities shall be valued to market at least weekly by the Custodian.

(viii) Provision shall be made to require the seller of subject securities to deliver additional securities, if necessary, to insure that the market value of the securities delivered is at least equal to the purchase price of the Repurchase Agreement at all times.

(c) Notwithstanding any other provision hereof, in the case of investment contracts and repurchase agreements purchased with gross proceeds of any tax-exempt issue of the New York Housing Finance Agency's Service Contract Obligation Revenue Bonds:

(i) at least 3 bids on the investment contract or repurchase agreement shall be obtained from persons other than those with an interest in such bonds (e.g., underwriters);

(ii) in the case of an investment agreement or repurchase agreement, a certification shall be provided by the person whose bid is accepted that, based on that person's reasonable expectations on the date the investment

contract is entered into, obligations will not be acquired pursuant to such investment contract or repurchase agreement at a price in excess of their fair market value or sold pursuant to the investment contract at a price less than fair market value;

(iii) The yield on the investment contract or repurchase agreement shall be at least equal to the yield offered under the highest bid received from a non-interested party; and

(iv) The yield on the investment contract or repurchase agreement shall be at least equal to the yield offered on similar obligations under similar investment contracts.

(3) Notwithstanding any other provision herein, permitted investments may only be placed through firms approved by the Custodian.

(4) (a) Pursuant to Rebate Compliance Agreement with the New York State Housing Finance Agency, the Corporation has agreed to furnish certain information as may be required by such agency in order to monitor investments of funds received by the Corporation which constitute bond proceeds and to invest such bond proceeds in the manner and types of investments as specified by such agency.

(5) Where, consistent with the cash flow and security needs of the Corporation, diversification of investments within the range of permitted investments is possible, the Treasurer shall seek to diversify the investments of the Corporation. Where, in the opinion of the Corporation's Treasurer, such diversification is not possible or practicable, there shall be no requirement of diversification on investments.

303. Collateral.

(1) All deposits and investments must be fully secured by the Federal Deposit Insurance Corporation (FDIC) or equivalent or fully collateralized at all times except as provided in Section 303 (4).

(2) Funds deposited in NOW Accounts and money market deposit accounts shall be fully secured by insurance of the FDIC or equivalent Federal insurance or by obligations of New York State or obligations the principal and interest of which are directly guaranteed by New York State or obligations of the United States or obligations of federal agencies the principal and interest of which are directly guaranteed by the United States. Collateral shall be delivered to the Custodian of its custodial bank. The market value of collateral shall at all times equal or exceed the principal amount of the funds deposited. Collateral shall be monitored and valued to market by the Custodian in accordance with its policies.

(3) Refer to Section 302 (2) (b) (vi) through (viii) inclusive for collateral requirements for repurchase agreements.

(4) Collateral Shall not be required with respect to the direct purchase of obligations of New York State, obligations the principal and interest of

which are directly guaranteed by New York State, obligations of the United States, and obligations of federal agencies the principal and interest of which are guaranteed by the United States Government.

304. Corporation Review of Investments. All investments shall be reviewed by the Corporation at least annually.

ARTICLE IV

RESPONSIBILITIES OF CUSTODIAN

401. Responsibilities of Custodian.

(1) The Custodian shall invest Custodial Account funds in accordance with law and this investment policy at the direction of the Corporation's Treasurer.

(2) The Custodian shall invest Custodial Account funds into the highest yielding instruments permissible while maintaining security and liquidity consistent with this Policy.

ARTICLE V

OTHER REQUIREMENTS OF INVESTMENTS

501. Written Contracts. In accordance with Section 2925, Subdivision (3)(c) of the Public Authorities Law, all investments of the Corporation's funds must be made pursuant to a written contract between the Corporation and its Custodian, which contract must be approved by Counsel for the Corporation. However, because it is not practical or a regular business practice to impose this requirement on the Commissioner of Taxation and Finance, the Corporation hereby waives this provision solely with respect to the Commissioner of Taxation and Finance when he or she acts as the Corporation's Custodian.

502. Security Provisions. Each investment shall provide for sufficient security of the Corporation's financial interest as stated in Sections 301 and 302 of this Policy, and shall otherwise be in compliance with the terms of this Policy and applicable law. The Custodian shall maintain a description of the use, type and amount of collateral of insurance for each investment, the method for valuation of that collateral and of control, deposit and retention of investments and any required collateral, including, where appropriate, physical delivery or other action necessary to obtain title or a perfected security interest.

ARTICLE VI

REPORTS

601. Annual Reports. Within ninety (90) days after the conclusion of each fiscal year, the Members of the Corporation shall approve an annual investment report. Such report shall include the Policy and any amendments to the Policy since the last investment report, an explanation of the Policy and amendments, the results of an annual independent audit of the investments of the Corporation, the annual

investment income record of the Corporation and a list of the total fees, commissions and other charges paid to each investment banker, broker, agent, dealer, and advisor rendering investment associated services to the Corporation since the last investment report. This annual investment report, after being approved by the Members, shall be submitted by the Treasurer or any other officer of the Corporation as authorized by the President to the Division of the Budget with copies to the Office of the State Comptroller, the Senate Finance Committee, and the Assembly Ways and Means Committee. Copies of the annual investment report shall also be available to the public upon reasonable request at the Corporation's main office.

ARTICLE VII

MISCELLANEOUS PROVISIONS

701. Powers of Amendment. Any modification or amendment of this Policy may be made by a supplemental resolution adopted at any duly constituted meeting of the Members; provided, however that no such modification or amendment to this Policy shall abrogate the rights and duties of parties under then-existing Corporation contracts with third parties.

702. No Recourse Under This Policy.

(1) No Provision in this Policy shall be the basis of any claim against any Member, officer or employee of the Corporation in his or her individual or official capacity or against the Corporation itself.

(2) Members, officers, or employees of the Corporation shall be deemed to be acting within the Public Officers Law in the discharge of their duties pursuant to this Policy.

703. Effect of Failure to comply. Failure to comply with this Policy shall not invalidate any investment or affect the validity of the authorization of the Members or their designees to make such investments.

Explanation of the Corporation's Policy

Article I is a statement of purpose.

Article II defines terms used in the policy.

Article III discusses the details of authorizing investments, the permitted investments, and the requirements for securing investments.

Section 301 establishes that investments of the Corporation's funds can only be placed by the Corporation's Custodian at the direction of the Corporation's Treasurer. It also establishes the process for arriving at an investment decision, and for communicating such decision orally and in writing to the Custodian.

Section 302 states that all funds of the Corporation must be initially deposited in an approved demand account, sets forth permitted investments and certain security provisions.

Section 303 establishes collateral requirements for all Corporation funds in Corporation accounts and for funds invested.

Section 304 establishes the requirement for the annual Corporation review of investments.

Article IV discusses the responsibilities of the Corporation's Custodian.

Article V discusses other investment requirements.

Section 501 establishes when written contracts are required between the Corporation and its Custodian.

Section 502 establishes the requirement for the Custodian to maintain records of the Corporation's investments and the collateralization of those investments, and requires the Custodian to take possession of the underlying securities and/or collateral on behalf of the Corporation when necessary to protect the Corporation's interest in those investments.

Article VI establishes the requirement of annual reporting on the Corporation's investments.

Article VII includes miscellaneous provisions.

Section 701 provides for amendment of the Policy by the Members.

Section 702 provides that the Policy is not to be used as the basis of any claims against any Member, officer or employee of the Corporation.

Section 703 indicates that the Policy is not to invalidate any investment or affect the validity of authorization of investments.