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PLEASE REPLY TO:
CONTRACTS DIVISION
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MAY 26, 2010

FROM: SHARI HAMILTON
DIRECTOR OF PROCUREMENT & CONTRACTS

NOTICE TO ALL RESPONDENTS

ADDENDUM NO. 2 & ADDENDUM NO. 2A

IFB #09-S-047

REQUEST FOR PROPOSALS

BANKING SERVICES

The following is an acknowledgment of receipt of the following ADDENDUMS for the above project.

ACKNOWLEDGMENT OF RECEIPT:

RECEIVED BY:

COMPANY: _____DATE: _____

NAME PRINTED: _____

SIGNATURE:_____

TITLE: _____

**AN ACKNOWLEDGMENT OF RECEIPT OF THIS ADDENDUM MUST BE
SUBMITTED WITH YOUR PROPOSAL. FAILURE TO SUBMIT AN
ACKNOWLEDGMENT WILL RESULT IN REJECTION OF YOUR PROPOSAL.**

NEWARK HOUSING AUTHORITY

500 BROAD STREET, NEWARK, N.J. 07102

ADDENDUM NO. 2 & ADDENDUM NO. 2A

IFB 09-S-047

BANKING SERVICES

THE FOLLOWING ADDENDUMS ARE HEREBY GIVEN TO ALL INTERESTED PARTIES FOR THE ABOVE REQUEST FOR PROPOSALS.

1. The date for submission of proposals has been extended to Tuesday, June 8, 2010 at 3:00 p.m.
2. Part III, Attachment X of the Cost Proposal has been revised you must use this document with your submission.
3. The following are answers to questions posed by the deadline of Friday, May 14, 2010:
 1. Page 4 - Term is different than page 2. Please clarify.
The contract term is three (3) years with two (2) one (1) year options at the sole discretion of the Authority.
 2. What are the average monthly balances in each of the accounts associated with the Commercial Banking Services section (page 8)?
The NHA has approximately twenty-six (26) different commercial accounts with balances ranging from \$1,200 - \$2.2M.
 3. How many subsidiaries of NHA are there, and will any require more than one account and what services do these entities use?
For this solicitation, the NHA should be viewed as a single entity.
 4. It is our understanding NHA is currently using lockbox services, yet no lockbox volumes are provided. Please clarify.
The NHA is currently using a lockbox service that has a monthly average of 6,000 transactions.
 5. Page 10 - Housing Choice Vouchers Landlords. Who prints and mails checks to landlords? If using a comprehensive payables solution, what does the file format look like? What are the after hours issue resolution requirements expected by NHA?
Check printing and mailing for the Housing Choice Voucher Landlords will be done by the banking institution. The banking institution will determine solution used to generate and mail checks. The NHA will provide the payment data to the institution via a Secure Data Transmission Facility/Server. The file format will follow ACH standards. There will be no after hour issue resolution required by the NHA for Housing Choice Voucher processing.
 6. Page 11 - Please clarify your expectations for the Bank to "Partner with third party collections agents." How many agents do you work with and, what are their locations, volumes, etc?

The only partner that the NHA bank works with today is the lock box, however we expect the bank to recommend additional third party collection agents such as check cashing facilities, Western Union, pharmacies or any other merchant offering a one-stop/pay stop model.

7. What are the anticipated Merchant Card (credit card) volumes (no. of transactions and dollar totals) and the number of locations accepting credit card payments?

The NHA does not currently utilize credit/debit cards for processing rent payments. Therefore, no data is available to accurately respond to this question.

8. New Jersey Business Registration and a Newark or New Jersey Business License. Is the Business Registration Certificate sufficient or are they exclusive documents?

They are exclusive documents. Part 1, Section 2.4 requires the Business Registration Certificate, and Part 1 Section 4.3.6 requires the Business License (Bank, Savings and Commercial (state chartered) as issued by the State of New Jersey Department of Banking & Insurance, Division of Banking). Reminder: the Business Registration Certificate must be valid at the time of submission.

9. You mention Pay to Play, but no form is included. Should we include this form?

No, you are not required to include this form.

10. Should the Sample Contract be included in the response?

No.

11. Should the HUD material be completed and included in our proposal or is that only necessary upon the awarding of the contract?

All materials requested must be completed and submitted with your proposal.

12. What is the annual credit exposure you are seeking for the Corporate Card?

The NHA is requesting a limit of \$25,000 for the corporate card account.

13. Will specific information regarding your investments be included in the addendum items?

Yes, the NHA will provide the Investment Policy. However, the NHA will only require the banking institution to provide safekeeping of its investments.

14. In an ongoing effort to “go green” it is our policy to include one physical annual report and provide a link to the report. Is this acceptable?

Yes.

Section 3.2.2

15. Please provide monthly average balances maintained in all accounts.

SEE RESPONSE #2.

16. Please provide number of sub accounts and balances maintained in escrow.

SEE RESPONSE #2.

17. Overdraft Protection – please provide amount of daily overdraft protection required.

The NHA is requesting daily overdraft protection up to \$100,000. Historically, the NHA has had only one (1) occurrence where this protection was needed.

Credit/Debit Card Acceptance for Rent Payments

18. Will payments be accepted via mail, internet, or in person?

What is the average monthly rent amount?

It will be expected that rent could be processed by all of the above mention methods. The average rent is \$262.

Corporate Credit Cards

19. What is the currently annual spend on the one credit card account?

Is the card used for Travel & Expense, Purchases, or both?

The annual spending on the credit card account is approximately \$20,000. The card is used for travel and emergency purchases.

Virtual Lockbox Collection

20. Is there a remittance advice mailed with the payment? Please provide sample advice.

Yes, there is a remittance advice mailed with the payment. A sample of the advice will be made available to the successful respondent.

Third Party Collection Agents

21. Is there a third party collecting on behalf of NHA today?

Yes.

Section 3.2.3

22. Please provide a copy of your investment policy.

SEE Attachment.

23. Please provide an estimate amount of your current investments.

Approximately \$27.0M

Section 3.2.6

Credit/Loan Facilities

24. Please provide amount of credit required and purpose of the request;

Cash Flow, Working Capital, Capital improvement, etc.

The NHA currently does not have a credit request for the banking institution.

Section 4.7

25. Can we provide link to retrieve the financial statements vs. printing hard copies?

Yes, it will be posted on the NHA website as a separate document entitled Addendum 2A. Please note the 2008 financial statement is 17 megabytes in size.

Part III of III

26. Attachment X – can you please provide a copy of your current account analysis which details volumes by transactions? Attachment X does not reflect volumes outlined throughout the RFP. i.e.; Housing Choice Voucher indicates that approximately 2,200 checks are issued per month. The attachment does not reflect the checks paid volume.

See Attachment X which has been revised and must be submitted with your submission.

Attachment X Proposed Fee Structure

Item	Unit Price	Estimated Monthly Volume	Monthly Cost	Explanation
<i>Ongoing Current Services:</i>				
Account Maintenance		25		
Electronic Credit Items		100		
Electronic Debit Items		25		
Deposited Check – Local Fed		8000		
Deposited Items Returned		100		
Stop Payments – Manual		20		
Positive Pay Maintenance		5		
Positive Pay Only Item		5		
Positive Pay Monthly Maintenance		5		
Wire Transfer In		20		
Wire Transfer Out		20		
Software Monthly Maintenance		1		
Per Item Reported – On Line Balance Reporting		5		
Image Services Per Item Charge		15		
Fed Received ACH Credit		3000		
ACH Payroll Processing – 1 day Settlement		1500		
ACH Originated Fed Item		30		
Cash Deposited		15		
ACH Housing Choice Voucher		750		
Paper Checks		400		
<i>Internet Services Not Previously Listed::</i>				
<i>Other Services:</i>				
Account Reconciliation Service		5		
Overnight Overdraft Rate		0		
Daylight Overdraft Rate		0		
Night Depository Service		0		
Safe Deposit Box		0		
Online Account Service		Unlimited		
<i>Other Items Not Mentioned:</i>				

(ADD2, 5-26-10)



Investment Policy & Procedures

Background

Part II, Section 401, Paragraph E of the Annual Contributions Contract (A.C.C.) requires the Housing Authority to deposit and invest all program funds for projects under an ACC in accordance with the terms of a General Depository Agreement. The General Depository Agreement must be in a form approved by HUD and is executed between the Housing Authority of the City of Newark and the depository. In addition, the ACC requires the Housing Authority to invest General Fund (program) monies only in HUD approved investments.

Investment of Funds

Funds on deposit in the General Fund are comprised of four components:

1. funds for current transactions purposes
2. development and/or modernization funds
3. funds exceeding those necessary for the daily operation of the Housing Authority which are considered available for investment
4. operating reserve funds

The Housing Authority will, on occasion, have monies on deposit in the General Fund in excess of its estimated needs for a ninety-day period. Such excesses will be invested or deposited.

Approved Investment Securities

Purchases of securities shall have maturities that coincide with expected disbursements by the Housing Authority. For the purpose of investing operating reserves, issues shall be limited to maturities three years or less. Although some of the securities have maturities longer than three years, they can be traded in the secondary market and therefore are considered to be allowable investments.

The Housing Authority can choose to invest in one or more of the following HUD approved investments issued in Notice PIH 96-33 (HA) reinstated with Notices PIH 97-41, 98-46, 99-48 2001-7, and 2002-13 (HA).

1. Direct Obligations of the Federal Government Backed by the Full Faith and Credit of the United States
 - a. U.S. Treasury Bills

These securities are short-term obligations, which the Housing Authority or our agent may purchase directly. Treasury Bills with 3-month and 6-month maturities are issued weekly and those with 9-month and 12-month maturities are issued monthly. The minimum denomination is \$10,000.

They are issued on a discount basis and are redeemed at par upon maturity.

U.S. Treasury Bills are available for purchase at any time after issuance from investment departments of banks and from dealers in investment securities. Purchases may be made conveniently using the Housing Authority's depository bank. Treasury Bills may be acquired by subscription on the issue date from a Federal Reserve Bank or branch in amounts not in excess of \$200,000. Detailed information is contained in the weekly or monthly announcements, which may be received regularly upon application to a Federal Reserve Bank or branch.

b. U.S. Treasury Notes and Bonds

These securities are issued periodically by the Treasury Department through Federal Reserve Banks and Branches. They are medium to long-term obligations, which the Housing Authority or our agent can only purchase in the secondary market to assure that they will mature at a date, which coincides with scheduled disbursements by the Housing Authority. Outstanding issues may be purchased from banks or dealers in investment securities at the market price, which on any given day may be more or less than the face amount.

(1) U.S. Treasury Notes

These notes mature in not less than one and not more than 10 years from the issue date and bear interest at fixed rates payable semiannually.

(2) U.S. Treasury Bonds

These bonds mature after 10 years from the issue date and bear interest at fixed rates payable semi-annually. Many issues of bonds are redeemable on call by the Treasury Department before maturity. The yield of such issues usually is computed to the first call date, which may be as much as 5 years prior to maturity.

2. Obligations of Federal Government Agencies

a. Federal Financing Bank (FFB)

The Federal Financing Bank is authorized to purchase obligations held by Federal Agencies and to issue obligations to the public.

b. Government National Mortgage Association (GNMA) Mortgage-Backed Securities (GNMA I and GNMA II)

The securities, guaranteed by GNMA are issued by an issuer (a GNMA approved mortgage lender). The securities are backed by a pool of government-insured or guaranteed mortgages. The holders of the securities receive monthly payments of principal and interest. The minimum denomination issued is \$25,000. The difference in GNMA I and GNMA II is that the GNMA II payment date is on the 20th of the month and the GNMA I payment date is on the 15th; GNMA II uses a central paying agency whereas GNMA I has individual issuers sending checks to investors; and GNMA II has interest rates that vary within a one percent range. The maximum maturity for GNMA I and GNMA II is 30 years, except that GNMA I project loans mature in 40 years.

c. GNMA Participation Certificates

These securities, guaranteed by GNMA, were sold by GNMA as the trustee with various other Federal agencies as trustees. They represent beneficial interest in future payments of principal and interest on mortgage pools. Their maturities range between one and 20 years and the minimum denomination is \$5,000.

d. Maritime Administration Merchant Marine Bonds, Notes, and Obligations

These securities are issued by shipping companies and are backed by the full faith and credit of the U.S. Government. Each issue is further secured by a first preferred ship or fleet mortgage. Maturities and denominations vary.

e. Small Business Administration (SBA), Small Business Investment Corporation (SBIC) Debentures

When authorized by appropriation acts, the SBA may guarantee principal and interest payments on debentures of SBIC. The SBA may also pool these debentures and sell SBA-guaranteed debentures. These issues have maturities of 10 years and are issued in \$10,000 denominations.

f. Tennessee Valley Authority (TVA) Power Bonds and Notes

These securities are secured by a first charge on net power proceeds. Payment of interest and principal on them is ranked ahead of annual payments to the U.S. Treasury. They have been issued in multiples of \$1,000.

3. Securities of Government-Sponsored Agencies

a. Farm Credit Consolidated System-Wide Discount Notes

These notes are the secured joint and several obligations of the Farm

Credit System, which consists of the Federal Land Banks, the Federal Intermediate Credit Banks, and the Banks for Cooperatives. They are issued in denominations of \$5,000 and maturities are authorized from 5 to 365 days.

b. Federal Farm Credit Banks Consolidated System-wide Bonds

These bonds are the secured joint and several obligations of the Farm Credit Banks. Their issuance supersedes individual bond issues by the Federal Land Banks, the Federal Intermediate Credit Banks, and the Banks for Cooperatives. They are issued in multiples of \$1,000 for maturities in excess of 13 months and in multiples of \$5,000 for shorter maturities.

c. Federal Home Loan Banks Consolidated Obligations

These securities are the secured joint and several obligations of the Federal Home Loan Banks comprised of:

(1) Bonds

Bonds that have maturities of one year or more are issued in multiples of \$10,000, \$25,000, \$100,000 and \$1,000,000.

(2) Notes

Notes, which have maturities of less than one year, are issued in multiples of \$10,000, \$25,000, \$100,000 and \$1,000,000.

(3) Discount Notes

Discount notes, which have maturities ranging from 30 to 170 days. They are issued in denominations of \$100,000 and \$1,000,000.

d. FHLMC Mortgage Participation Certificates (PC) (Guaranteed)

These certificates represent undivided interest in specific fixed rate, first lien conventional and residential mortgages. FHLMC provides monthly interest and principal payments. The final payment is the first of the month and year in which the last monthly payment on the last maturing mortgage is scheduled to be paid.

e. FHLMC Collateralized Mortgage Obligations (CMOs)

CMOs are general obligations of FHLMC that are secured by a single pool of conventional mortgages owned by FHLMC. CMOs are issued in several classes with varying stated maturities. Semiannual principal

payments are allocated to each class of the CMOs in the order of the stated maturity of each class so that no principal payments are made to holders of a class until classes with an earlier maturity are retired.

f. Federal National Mortgage Association (FNMA) Debentures

These debentures are issued in denominations ranging from \$10,000 and with maturities ranging from 20 to 25 years.

g. FNMA Notes

The minimum investment in these notes is \$50,000 with maturities ranging from 1 to 20 years.

h. FNMA Short-Term Discount Notes

These notes are similar to commercial paper and are tailored to the individual needs of investors. They are sold at published rates with maturities of 30 to 270 days and in denominations ranging from \$5,000.

i. FNMA Capital Debentures

These debentures are subordinated to the non-capital debentures notes, and short-term discount notes. They were last issued in 1975 in a \$10,000 minimum denomination and with maturities of 5 and 25 years.

j. Student Loan Marketing Associations (SLMA) Obligations

SLMA issues obligation comprises have guaranteed student loans as follows:

(1) Floating Rate and Master Notes.

These notes bear interest at rates that vary with the 91-day Treasury Bill rate. Short-term borrowing has an original or remaining term maturity of one year or less.

(2) The Series E and F Floating Rate Notes.

These notes bear interest at rates which vary with the 91-day Treasury Bill, except that each issue has fixed minimum and maximum rates known as interest rate “collars” for any quarterly interest period.

(3) Zero Coupon Notes

These notes are shown at net proceeds adjusted for accretion of discount.

4. Demand and Savings Deposits

Demand and savings deposits at commercial banks, mutual savings, banks, savings and loan associations and credit unions are permitted for Housing Authority funds provided that the Federal Deposit Insurance Corporations (FDIC) or the National Credit Union Share Insurance Fund (NCUSIF) insures the entire deposit. A deposit in excess of the insurance coverage may be made at a depository institution provided that it is 100 percent collateralized by any of the securities listed under paragraphs 1, 2, and 3 of the approved investment securities. The Housing Authority should be able to make withdrawals on demand without loss of interest and without penalty.

5. Money-Market Deposit Accounts

Money-Market Deposit Accounts at depository institutions that may not be insured fully by the FDIC or NCUSIF are permitted provided that the certificates are fully backed by 100 percent collateral consisting of securities listed under paragraphs 1, 2, or 3 of the approved investment securities. When accounts exceed the \$100,000 insurance limitation, their safety also may depend on the Housing Authority's control of the underlying collateral which must consist of clearly identified (not pooled) U.S. Government securities. Possession of the collateral securities and a continuous perfected security interest may be the only sure protection against loss in case of financial institution failure.

6. Municipal Depository Fund

A Municipal Depository Fund (Fund) or Local Government Investment Pool, which is established by States, municipalities, units of local government or other political subdivision to serve as an investment fund for the Housing Authority is permitted. The securities purchased by a Fund shall be on the HUD-approved list of investment securities. The Housing Authority shall have either an undivided or divided interest in securities comprising the Fund. The Fund shall be under the control of the Investment Company Act of 1940, and its objective shall be clearly stated. The investment objective of the Fund shall be to obtain as much income as possible consistent with the preservation and conservation of capital. The Fund shall disclose clearly the basis of earnings and how they are distributed. The Housing Authority shall obtain a statement of potential default and risk and a clear demonstration that withdrawals from the Funds will not be so restricted as to impair the Housing Authority's day-to-day cash management needs. The management fee shall be fixed at a reasonable amount and management shall be passive. The Housing Authority shall limit the amount of funds invested in the Fund to no more than 30 percent of the Housing Authority's available investment funds. The Fund shall disclose the relationships of the investment advisor, manager, trustees, custodian and transfer agent. Each financial advisory

relationship shall be evidenced by a written document executed prior to, upon, or promptly after the inception of the financial advisory relationship, or promptly after the creation or selection of the issuer. If the issuer does not exist or has not been determined at the time the relationship commences, that written document shall set forth the basis of compensation for the financial advisory services to be rendered.

7. Super NOW Accounts

Super NOW accounts have been available and approved for public funds since January 1983. They offer a relatively high market rate and are fully transactional (have no limitations on the number of checks or transfers). Insurance and collateral requirements are as above for subparagraph e Demand and Savings Deposits.

8. Certificates of Deposit

- a. Certificates of Deposit are permitted at depository institutions that are insured by an agency of the Federal Government. Caution must be exercised for certificates exceeding the \$100,000 insurance limit or when the term is longer than 30-90 days. Although the certificates' rate of return may be attractive for larger amounts and longer terms, U.S. Treasury securities offer superior safety and liquidity for the same amounts and terms. Certificates shall be in the Housing Authority's name and a General Depository Agreement must be executed by each financial institution that issues a Certificate of Deposit.
- b. Certificate amounts above \$100,000 are permitted provided that the excess is 100 percent collateralized by clearly identified (not pooled) U.S. Government securities. Possession of the collateral securities and a continuous perfected security interest may be the only sure protection against loss in case of bank failure.
- c. Brokered deposits are avoided because it is impossible to get \$100,000 federal insurance on a number of deposits placed by brokers.

9. Repurchase Agreements

Repurchase (repos) agreements for a term not to exceed 30 days may be entered into with Federally insured depository institutions to purchase and for sale of securities identified under paragraphs 1, 2, and 3. A repurchase agreement is an agreement negotiated with a bank usually for a short period (1 to 7 days) wherein securities approved for investment are purchased from that bank at a stated price with the bank agreeing to repurchase them on a specified date for a specified amount. The minimum may vary, although it is usually \$100,000. There are three main types: (1) fixed term where both parties are bound to the negotiated time period, (2) demand, where the agreement stays in effect until terminated by

either party, and (3) day-to-day, where daily renewal is by mutual consent and 24-hour notice is required for termination. The Housing Authority will review existing and future repos for compliance with the following certifications. Prior approval by HUD is not necessary, however, the repos seller depository or its agency must provide a written certification to HUD, Assistant Secretary for Public and Indian Housing (Office of Finance and Budget), the Area Office, and to the Housing Authority:

- a. That the depository's repo program complies with applicable Federal and State statutes and regulations and that the program does not involve sales or loans of Federal securities by securities dealers that are not regulated or that report to the Federal Reserve Board;
- b. That the depository owns the underlying Federal securities (approved for repurchase under HUD guidelines) when the repo interest is sold and that the value of the securities is equal to or greater than the amount the Housing Authority Pays for the repo;
- c. That the Housing Authority has possession of the securities (or the Housing Authority will take possession of the securities) or an independent custodian (or an independent third party) holds the securities on behalf of the Housing Authority as a bailee (evidenced by a safe keeping receipt and a written bailment for hire contract), from the time the repo interest is sold to the Housing Authority and will be (or is expected to be) maintained for the full term of the repo;
- d. That the repo agreement and any related documents identify specific Federal securities related to the specific repo purchased by the Housing Authority;
- e. That the repo interest does not represent any interest in a pool or fund of Federal securities for which registration under the Investment company Act of 1940 may be required;
- f. That the Housing Authority will have a continuous perfected security interest in the underlying Federal securities under State or Federal law for the full term of the repo (disclosing the method by which perfection has or will be accomplished, i.e., by possession, filing, registration of book-entry securities and/or Federal preemption of State law by Federal regulation);
- g. That the depository or a reporting dealer selling the repo has not received any adverse financial report from a credit reporting agency, State or Federal regulatory agency; and
- h. That the depository will not substitute other securities as collateral, except to increase the value of the repos security to match the repos purchase price.

10. Sweep Accounts

Sweep Accounts are a contractual agreement between a bank and a Housing Authority, which provide that the bank will regularly “sweep” or transfer any available collected balances from the Housing Authority’s account into repurchase agreements. The Sweep Accounts agreement shall include all the certification provided in the Repurchase Agreement and adherence to paragraph 4-3, Collateralization of Deposits.

11. Separate Trading of Registered Interest and Principal of Securities

Separate Trading of Registered Interest and Principal of Securities (STRIPS) are Treasury-based zero-coupon securities, which consist of interest or principal on U.S. Treasury securities. STRIPS were issued in minimum increments of \$1,000. STRIPS pay no interest until maturity and the rate of return is “locked in” at the time of purchase. Wire transfer through the Federal Reserve book entry system accomplishes the delivery of STRIPS. STRIPS shall be in the name of the Housing Authority.

12. Mutual Funds

A Mutual Fund (Fund) is an investment company that makes investments on behalf of individuals and institutions. The Fund pools the money of the investors and buys various securities that are consistent with the Fund’s objective.

a. Mutual Fund Criteria

The Fund shall be organized as a no-load, open-end, diversified management company and its shares shall be registered under the Securities Act of 1933. The Fund shall be under the control of the Securities Exchange Act of 1934, Investment Advisers Act of 1940 and the Investment Company Act of 1940. The investment objective of the Fund shall be to obtain as much income as possible consistent with the preservation, conservation and stability of capital. The mutual fund objective cannot be changed without the prior approval of fund shareholders.

- b. The securities purchased by the Fund shall be on the HUD-approved list of investment securities. The Fund will not engage in options or financial futures. The Housing Authority shall limit the amount of funds invested in the Fund to no more than 20 percent of the Housing Authority’s available investment funds. The Fund shall disclose clearly the basis of earnings and how they are distributed. The Housing Authority shall obtain a statement of potential default and risk. The Housing Authority’s invested funds shall be accessible to the Housing Authority daily. It shall be demonstrated that any limitations on withdrawals will not impair the Housing Authority’s day-to-day cash management needs.

- c. The management fee shall be fixed at a reasonable amount. The Fund shall disclose the relationships of the investment advisor, manager, trustee, custodian and transfer agent. The Fund shall clearly state all services (such as wire transfers and check writing privileges) and charges.
- d. A Board Resolution shall authorize investment in the Fund. A certified copy of the resolution shall accompany the initial application for the Fund.
- e. The Fund (or Custodian) and the Housing Authority shall sign the General Depository Agreement, HUD-51999 dated June 1991, modified as follows:
 - (1) In the title, “Mutual Fund” shall be added after General Depository Agreement. Whenever “depository” appears in the text it also refers to “Mutual Fund.”
 - (2) The Housing Authority’s name and location (including county or city) will be filled in the first clause of the General Depository Agreement. The name, location and the Housing Authority’s mutual fund account number also will be filled in the first clause. The second clause remains unchanged.
 - (3) The third clause is substituted as follows: “Whereas, under the terms of the Contract the Housing Authority shall invest in a mutual fund (herein called the depository) only on the terms set forth hereafter. Mutual Fund is defined as an investment company that makes investments on behalf of individuals and institutions. The depository shall be organized as a no-load, open-end, diversified management company and its shares shall be registered under the Securities Exchange Act of 1933. The depository shall be under the control of the Securities Exchange Act of 1934, the Investment Advisers Act of 1940 and the Investment Company Act of 1940. The Housing Authority shall acquire shares in a Mutual Fund whose portfolio includes only securities on the HUD-approved list of investment securities.”
 - (4) Paragraphs 1, 3, 11 and 12 are deleted.
 - (5) Paragraphs 4 through 6 are modified to read as follows:
 - (a) Paragraph 4: Any shares purchased from Housing Authority funds shall be held by the depository in safe-keeping for the Housing Authority until sold. Dividends and distributions on such shares and the proceeds from the sale thereof shall be used to purchase additional shares or remitted directly to the Housing Authority.
 - (b) Paragraph 5: The language “from said Accounts” is deleted.

- (c) Paragraph 6: The language “in respect of the Accounts” is deleted.
- (d) Paragraphs 7 through 10 are not changed.
- (e) The additional language can be typed on a separate page, attached and duly executed. The following language shall be added to the bottom of the page: Page number incorporated in and made a part of the General Depository Agreement between (Housing Authority) and (Depository).

Determination of Investment Type

The determination of the best or appropriate types and mixtures of investments is dependent on several factors. The Housing Authority’s primary objective is safety. The factors that the Housing Authority of the City of Newark takes into account include the following:

1. Safety – Safety is achieved through adherence to the list of permitted investments which are backed by the full faith and credit of, or guarantee of, principal and interest by, the U.S. Government, a Government agency or issued by a Government-sponsored agency, coupled with an appropriate maturity date.
2. Yield – The Housing Authority strives to achieve the highest yield consistent with the other factors of this investment policy.
3. Liquidity – All investments are capable of being liquidated on one day’s notice. Therefore, no investments are made which impose a longer notice period for redemption or which are not readily marketable.
4. Maturity – Investments are scheduled to mature when the funds are needed. Sale of securities prior to maturity is avoided due to the inherent risk. (If the market interest rate increases above the yield on the investment, the market value of the securities will decline.) Investments are limited to securities maturing in periods of up to one year, or a lesser period that coincides with expected disbursements by the Housing Authority, but not beyond the current financing cycle. The Housing Authority of the City of Newark may invest in securities up to three years for the investment of operating reserves.
5. Amount – The best or most appropriate type of investment depends on the amount available for investment because certain investments require a large initial amount.
6. Administrative Cost – In choosing an investment, the Housing Authority of the City of Newark considers the administrative work involved. The Authority wants to insure that the highest return is achieved; to do this administrative cost must be minimized.

Investment Record

The Finance department maintains a record of all investments and reconciles the investments to the general ledger monthly.

Internal Controls

The Housing Authority follows the internal control procedures listed below:

1. Investment transactions will be authorized by the Executive Director. Prior to investing transactions must be documented in writing and approved by the Executive Director and the Chief Financial Officer.
2. Investment documents are kept in a locked safe in the Finance Department.
3. Individuals responsible for custody of securities shall be someone other than the individual maintaining the accounting records.
4. Investments are maintained in a custodian or trust account.
5. Investments are in the Housing Authority of the City of Newark's name.
6. Interest earned is credited to the appropriate Housing Authority accounts on a monthly or quarterly basis when applicable.

Cash Management

The Housing Authority of the City of Newark has entered into a banking services contract that includes advice to the Chief Financial Officer and assistance in the administration of its investments.

The Chief Financial Officer is authorized to request purchase of investments and to invest monies for the Housing Authority.

The primary goals of the Housing Authority of the City of Newark are to assure the availability of cash for transaction needs, preserve the value of cash resources and earn the maximum return on funds until they are disbursed.

PLEASE BE ADVISED THAT ADDENDUM NO. 1 WAS ISSUED ON MAY 21, 2010 AND MUST BE ACKNOWLEDGED WITH YOUR SUBMISSION.

EXCEPT AS PROVIDED HEREIN, ALL TERMS AND CONDITIONS OF THE SOLICITATION REMAIN UNCHANGED AND IN FULL FORCE AND EFFECT.

**KEITH KINARD
EXECUTIVE DIRECTOR**