

**PRACTICES AND PROCEDURES GOVERNING
REPORTING, INVESTIGATION AND DISPOSITION OF ALLEGED
ILLEGAL OR UNETHICAL ACTIVITY BY AFFILIATED AGENCIES'
EMPLOYEES OR THOSE DOING BUSINESS WITH THE AGENCIES**

It is the policy of the Affiliated Agencies (the New York State Housing Finance Agency, the State of New York Mortgage Agency, the New York State Affordable Housing Corporation, the State of New York Municipal Bond Bank Agency and the Tobacco Settlement Financing Corporation, "Affiliated Agencies") that illegal or unethical activity, including but not limited to corruption, fraud, criminal activity, abuse and conflict of interest, by the Members, Officers or employees of the Agency or any person having business dealings with the Agency, will not be permitted, tolerated or condoned. The following practices and procedures are hereby adopted in furtherance of this policy.

REPORTING ILLEGAL OR UNETHICAL ACTIVITY

Employees discovering or otherwise obtaining information concerning acts of wrongdoing, misconduct, malfeasance, or other inappropriate behavior by an employee or Member with respect to investments, travel, the acquisition of real property and the disposition of real and personal property and the procurement of goods and services shall promptly report such activity directly to:

- The Affiliated Agencies' Senior Vice President and Counsel;
- The Affiliated Agencies' Ethics Officer;
- The Inspector General's Office of the State of New York;
- Any member of an Audit Committee of the Affiliated Agencies; or
- The Affiliated Agencies' Director of Human Resources.

Such activity shall specifically include, without limitation, wrongdoing, misconduct, malfeasance, or other inappropriate behavior with respect to accounting, internal accounting controls or accounting audit matters.

Where appropriate, employees may also, in addition, report such activity to outside local, state and federal governmental authority having jurisdiction over the illegal or unethical activity.

An employee reporting such activity to the Agency may do so orally or in writing, and may do so confidentially or anonymously. While the Agency cannot ensure the confidentiality of such reporting, it will attempt to maintain confidentiality and anonymity as much as reasonably possible.

The Senior Vice President and Counsel shall be notified of any report of illegal or unethical activity, whether written or oral, unless another Agency Officer is designated by the Audit Committee to receive such notification. Such information shall be referred by the Senior Vice President and Counsel (or other Agency Officer) to the Audit Committee.

INVESTIGATION OF CLAIMS OF

ILLEGAL OR UNETHICAL ACTIVITY

All reporting of alleged illegal or unethical activity or matters involving compliance with laws, regulations and internal procedures, including without limitation, substantive complaints with respect to accounting, internal accounting controls or accounting audit matters, shall be reviewed and investigated by the Audit Committee or referred by the Audit Committee for review and investigation in the manner herein provided.

Unless otherwise directed by the Audit Committee based on a finding of special circumstances, all investigations conducted by the Agency in accordance with these practices and procedures shall be conducted under the direction and supervision of the Senior Vice President and Counsel. Investigators may include representatives of the Legal Unit, Human Resources Department, internal or external auditors and outside counsel.

Unless otherwise directed by the Audit Committee, reported allegations of illegal or unethical activity by employees made directly to the Inspector General's Office or other outside governmental authority shall be investigated by the Inspector General's Office or the outside governmental authority, as the case may be, unless referred back to the Agency for investigation. Unless otherwise directed by the Audit Committee or the Inspector General's Office, the Senior Vice President and Counsel shall serve as liaison with the Inspector General's Office and outside governmental authority with respect to all such investigations, including the handling of any draft reports. Unless specified to the contrary by the Inspector General's Office, the Audit Committee or the outside governmental authority, all information requests and requested information shall be forwarded to the Senior Vice President and Counsel for appropriate action.

In the case of allegations received by the Agency which involves (or might involve) concurrent responsibilities of more than one audit committee of the Affiliated Agencies, there shall be appropriate coordination which may involve one of the Affiliated Agencies' audit committees taking the lead in the matter ("Lead Audit Committee"). The Lead Audit Committee, through its Chair or the Senior Vice President and Counsel, shall periodically report to the other audit committees, as appropriate, regarding the status and disposition of such matters.

INVESTIGATION REPORTS

The findings of investigations conducted by the Affiliated Agencies hereunder shall, as appropriate, be set forth in a written report which shall include findings of fact, conclusions and recommendations ("Report"). The Senior Vice President and Counsel (or others designated by the Audit Committee) shall, as may be appropriate, provide the Audit Committee with completed Reports prepared under his/her supervision. All reports received by the Agency from the Inspector General's Office shall be directed to the Audit Committee. All Reports prepared by outside third parties, including outside counsel and alike, shall be directed to the Audit Committee.

DISPOSITION OF SUBSTANTIATED CLAIMS

The Audit Committee shall take appropriate action upon each completed written Report forwarded to it pursuant to these practices and procedures. Appropriate action may include referral to the Inspector General's Office; referral to the all the Members for recommended action requiring Member approval; or referral to the President/CEO for recommended disciplinary or administrative action.

PROHIBITION ON RETALIATION AGAINST WHISTLEBLOWERS

It is the policy of the Affiliated Agencies that an employee disclosing information concerning wrongdoing, misconduct, malfeasance, or other inappropriate behavior by an employee or Member with respect to investments, travel, the acquisition of real property and the disposition of real and personal property and the procurement of goods and services that the employee reasonably believes to be true and reasonably believes to be a violation of a law, rule, regulation or policy shall not suffer reprisal, retaliation or punitive action by the Affiliated Agencies or their respective employees. It is a violation of this policy to retaliate or take wrongful punitive action against any employee for the reporting of such alleged activity ("Protected Whistleblower Reporting"). Retaliation and wrongful punitive action can also be a violation of a variety of state and federal laws depending on the facts and circumstances. In particular, New York State law provides that a public employer shall not dismiss or take other disciplinary or other adverse personnel action against a public employee regarding the employee's employment because the employee discloses to a governmental body information: (i) regarding a violation of a law, rule or regulation which violation creates and presents a substantial and specific danger to the public health or safety; or (ii) which the employee reasonably believes to be true and reasonably believes constitutes an improper governmental action. Retaliation and wrongful punitive action can include both adverse employment actions, such as termination from employment and demotion, and the creation of a hostile work environment.

Employees who retaliate or take wrongful punitive action against an employee for disclosing the above described information shall be subject to disciplinary action, up to and including termination from employment.

REPORTING AND INVESTIGATION OF WHISTLEBLOWER RETALIATION CLAIMS

Employees who believe that they or another employee has been the subject of illegal retaliation or wrongful punitive action as a result of Protected Whistleblower Reporting should report same orally or in writing:

- To the Agencies' Senior Vice President and Counsel;
- To the Agencies' Ethics Officer;
- To the Director of Human Resources;

- To a member of the Audit Committee;
- To the Chairman of any Governance Committee of the Affiliated Agencies.

All allegations of retaliation or punitive action will be fully investigated by the Agency in the same manner as set forth above for investigation of claims of illegal or unethical activity. Aggrieved employees may also have rights to pursue claims of illegal retaliation action under state and federal laws prohibiting retaliation for the reporting of illegal or unethical activity.

ABUSE OF PRACTICES AND PROCEDURES AND MERITLESS CLAIMS

It shall be a violation of this policy for any employee to report or disclose information covered by this procedure that the employee knows or reasonably should know to be untrue, unfounded or misleading or for which there is no basis for the claim reported in law, rule, regulation or policy.

DISCIPLINARY ACTION

Disciplinary action brought under these practices and procedures shall be subject to all collective bargaining provisions, laws and regulations applicable to the employee against whom disciplinary action is being taken for alleged violations of these practices and procedures.

PERIODIC REPORTING TO THE MEMBERS

Periodically, but not less than once annually, the Audit Committee, in consultation with the Senior Vice President and Counsel, shall provide a written summary to the Agency's Members for the period setting forth the status of pending matters reported pursuant to these practices and procedures, including all claims of whistleblower retaliation.

RECORD RETENTION AND ADMINISTRATION

Unless otherwise directed by the Audit Committee, all information obtained and work product prepared pursuant to this practice and procedure, including but not limited to Reports, statements, physical evidence, reports, memos and notes shall be maintained by the Agency in separate and secure files maintained and administered by the Senior Vice President and Counsel.

RECUSAL

In the event it becomes necessary for Members, Officers or employees to recuse themselves from responsibilities assigned to them under these practices and procedures, these practices and procedures shall be administered with such reasonable adjustments as are necessary in furtherance of their purpose.

APPLICABILITY

The practices and procedures herein shall apply to all employees, part-time employees, seasonal employees, temporary employees, Officers, Members, Directors and interns of the Agencies and the term “employee,” for the purposes of these practices and procedure, shall include all of the foregoing positions.