



PURCHASING DIVISION

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Addendum

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|--------------------------|--|------------------------|---|-------------|----------|
| SOLICITATION NAME | Treasury Management and Investment Services C14020 | ADDENDUM NUMBER | 1 | DATE | 04-25-14 |
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KCDC is providing this addendum to answer questions that have been raised about this solicitation. To aid in readability, the questions are in black and the answers are in **bold** and the answers follow immediately below.

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| Q1 | Has HUD approved the First Amendment to General Depository Agreement? If it has been approved by HUD will any accounts require specific Federally pledged collateral? Are there any accounts exempt from collateralization requirements? |
| | Yes. See the next two pages. |



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

**NASHVILLE OFFICE
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<http://www.hud.gov/tennessee>

October 5, 2011

Mr. Alvin J. Nance
Executive Director/CEO
Knoxville's Community Development Corporation
901 Broadway, N. E.
Knoxville, TN 37917-6699

Dear Mr. Nance:

This is in response to your letter dated May 9, 2011 in which you requested a waiver in order to resolve a possible audit finding regarding KCDC's collateralized investments. The auditor found that the investments were held by the depository in a pool instead of in individually identified accounts.

The requirement for individually identified investment accounts is contained in Paragraph 2 of the General Depository Agreement ("GDA," Form HUD-51999) which reads in part:

"Any portion of PHA/IHA Funds not insured by a Federal insurance organization shall be fully (100%) and continuously collateralized with specific and identifiable U.S. Government or Agency securities prescribed by HUD."

Because the requirement is not regulatory, HUD Headquarters found that a regulatory waiver request is not needed. However, they also found that KCDC's practice of pooling its collateralized investments with its depository is not in conformance with the requirements of the GDA. KCDC has asserted in its waiver request of May 9, 2011 that pooling collateralized investments poses no risk to the collateralized investments because of the pooling arrangements among several depositories in the State of Tennessee, such arrangements which are endorsed by the State's Treasury.

As such Headquarters has authorized the Local HUD Office to enter into an amendment to the GDA with KCDC or any similarly situated public housing agency to reflect the State's pooling

arrangements upon our satisfaction of the following:

1. Verification from the Treasury of the State of Tennessee that the pooling collateralization is as KCDC asserts and that the arrangement does not pose a loss risk to KCDC, and
2. Confirmation from KCDC that its internal bookkeeping clearly identifies each investment account on deposit with its depository.

I understand that your General Counsel is already in consultation with our Local Counsel, Mary Brewer, in crafting the amendment to the GDA.

If you have any questions, please contact Ms. Brewer (615.515.8591) or me.

Sincerely,



Charles T. Barnett
Program Center Coordinator

cc: Mary Brewer
June Oliver
Tracee Pross