

**NEW YORK LOCAL GOVERNMENT ASSISTANCE
CORPORATION**

ANNUAL INVESTMENT REPORT

(Pursuant to Section 2925 of the Public Authorities Law)

FOR THE FISCAL YEAR ENDING MARCH 31, 2008

A report to: Division of the Budget
 Office of the State Comptroller
 Senate Finance Committee
 Assembly Ways and Means Committee

INTRODUCTION

In accordance with Sections 2925(6) and 2925(7) of the Public Authorities Law, Part 201 of Title Two of the New York Code of Rules and Regulations, and as required by the New York Local Government Assistance Corporation's Investments Policy, Procedures, Reporting and Control Guidelines (the "Guidelines"), the Corporation shall annually prepare and approve an Investment Report.

The organization of this report is structured to conform with the prescribed format specified in the section on "Required Reports" of the Guidelines. Section I of this Annual Investment Report contains the Corporation's Guidelines that were most recently reapproved by the Board on July 24, 2007 pursuant to Resolution 2007-14. There have been no amendments to the Annual Investment Guidelines since last approved. Section II contains a concise explanation of the Guidelines. Section III summarizes the recorded results of the Corporation's investment activity for the year ended March 31, 2008 and a schedule of the primary dealers used for the Corporation's investment transactions during its 2007-08 fiscal year. Section IV contains the Independent Auditors' Investment Audit Report for the fiscal year ended March 31, 2008. Pursuant to the Exclusive Agent Agreement between the Corporation and the State Comptroller (the "Comptroller"), as amended, the Corporation had delegated the responsibility of investing the Corporation's monies to the Comptroller.

After the Corporation's Board has reviewed and accepted this Report, copies of the Report will be submitted to the Division of the Budget, the Senate Finance Committee the Assembly Ways and Means Committee and the Office of the State Comptroller in accordance with the Corporation's Guidelines.

SECTION I

INVESTMENTS

POLICY, PROCEDURES, REPORTING AND CONTROL GUIDELINES

OF

THE NEW YORK

LOCAL GOVERNMENT ASSISTANCE CORPORATION

Dated July 24, 2007

**As last amended by Resolution No. 2007-14
on July 24, 2007**

NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION INVESTMENT GUIDELINES

INTRODUCTION

Pursuant to the Exclusive Agent Agreement between the New York Local Government Assistance Corporation ("Corporation" or "LGAC") and the Comptroller, the Corporation has delegated the responsibility of investing the Corporation's monies to the Comptroller. In addition, various investment restrictions and procedures are contained in the Corporation's Bond Resolutions.

These guidelines refer to various officers and employees of the Office of the State Comptroller. Each of such officers and employees designated in these Guidelines shall be deemed to be acting on behalf of LGAC when performing duties described in the Guidelines with respect to LGAC investments.

STATEMENT OF POLICY

The basic guide for the investment of monies held on behalf of or in the custody of the New York Local Government Assistance Corporation is the "prudent person rule". The "rule" provides that fiduciaries are required to exercise the same diligence and prudence in the care and management of other people's money as they would their own. In addition, the rule provides that investments should be made in such a manner so as to seek a reasonable income while preserving capital.

Beyond the "prudent person rule," the investment of LGAC monies is made in accordance with Section 98a of the State Finance Law, by the various Bond Resolutions of LGAC, the Payment Agreement between the Corporation and the Director of the Budget, and the provisions of Part 201.3 of Title Two of the New York Code of Rules and Regulations (Part 201.3) as promulgated on March 29 2006.

INVESTMENT OBJECTIVES

The objectives of the investment program for LGAC monies are:

1. To safeguard the principal as the primary objective;
2. To obtain the maximum yield consistent with safety of principal;
3. To develop a portfolio which will emphasize quality, flexibility, diversity (where possible), and marketability; and
4. To maintain the tax-exempt status of LGAC's debt.

INVESTMENT STANDARDS

These objectives have been implemented through the development of the following standards which, while subject to continual review, provide the criteria against which investment decisions must be judged.

- A. Statutory - No investment of LGAC monies may be made unless it is an Authorized Investment. However, the converse is not to be inferred. The fact that there is authorization for a particular type of investment is not sufficient ground for making such an investment. Fiduciary judgment is essential and will be exercised in all cases.

B. Administrative - Procedures are maintained to ensure that:

1. Only high grade securities are purchased;
2. Every purchase or sale is in accordance with the Bond Resolutions, the investment policies adopted by the Board of Directors, and Part 201.3 as promulgated on March 29, 2006;
3. Every purchase or sale is approved by an authorized officer of the Corporation or the Comptroller.

AUTHORIZED INVESTMENTS

The Comptroller is authorized to invest monies that are on deposit with the Trustee in the following funds held under each Resolution:

Local Assistance Payment Fund
Operating Fund
Cost of Issuance Account
Rebate Fund
Subordinated Payment Fund
Debt Service Fund (restricted to authorized investments stated below)
Capital Reserve Fund (restricted to authorized investments stated below)

Accounts and sub-accounts within each of the foregoing funds or temporary accounts for the payment of costs of issuance or capitalized interest may from time to time be established in accordance with a Series Resolution or upon the direction of the Corporation.

The Corporation and the Comptroller agree that monies in the Local Government Assistance Tax Fund (restricted to 1, 3, and 4 below) will be held in the custody of the Comptroller and the Commissioner of Taxation and Finance and will be kept separate and not commingled with other monies and will be invested in Debt Service Fund Investments pursuant to the Resolutions. In accordance with the Bond Resolutions, to the extent such funds are not so invested, the Comptroller will, upon receipt, deliver such monies to the Trustee.

A. To the extent permitted by law, the following are the Authorized Investments for the Capital Reserve Fund.

1. Any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America including inflation index securities and Treasury Strips issued by the Federal Reserve Bank;
2. Direct and general obligations of New York State, provided that the rating thereon shall not be less than the rating on the Corporation's Bonds, each as established by Fitch Ratings, Moody's Investors Service and Standard & Poor's, if and to the extent that such firms continue to maintain a rating on the Corporation's Bonds and on such obligations of the State;
3. Certificates of deposit, whether negotiable or non-negotiable, issued by any bank or trust company having a combined capital and surplus of at least \$50,000,000 organized under the laws of any state of the United States of America or any national banking association (including the Corporation's Trustee), which certificates of deposit are fully insured by the Federal Deposit Insurance Corporation or fully secured by such securities as are described in paragraph (1) above, but in any event collateralized to the level required by each

of the rating agencies referred to in paragraph (2) if and to the extent such firms maintain a rating on the Corporation's Bonds;

4. Any Purchase and Sale of Securities (simultaneous purchase of a permitted investment with an agreement to sell it back to the seller) ("PSS") with any bank or trust company organized under the laws of any state of the United States of America and authorized to do business in the State of New York or any national banking association (including the Corporation's Trustee) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York with respect to any one or more of the securities described in paragraph (1) above;
5. General obligation bonds and notes of any state other than New York State and, to the extent permitted by law, general obligation bonds and notes of any political subdivision of the State or any state, provided that such bonds and notes receive the highest rating from each of Fitch Ratings, Moody's Investors Service and Standard and Poor's, if and to the extent that such firms continue to maintain a rating on the Corporation's Bonds and on such bonds and notes.

B. The following are Authorized Investments for the Debt Service Fund.

To the extent permitted by law, and to the extent the securities are legal investments for the Corporation, the Authorized Investments for monies in the Debt Service Fund are as described in (1), (3), and (4) under Authorized Investments for the Capital Reserve Fund.

C. Monies on deposit in any other funds or accounts held by the Trustee as listed above may be invested pursuant to Section 98a of the State Finance Law.

DIVERSIFICATION REQUIREMENTS

In order to safeguard principal from imprudent risks, it is the policy of LGAC, where possible, to diversify a portfolio among the investment instruments which it may legally and prudently hold and also among investment firms with which it transacts business. However, since LGAC is legally limited in the type of securities it may invest in, the opportunity to diversify among investments is very limited. The terms of each investment will be consistent with LGAC's cash liquidity requirements. The term of Repurchase Agreements will be for periods no longer than ninety days.

QUALIFYING INVESTMENT BANKERS AND BROKERS

- A. An approved list of financial institutions shall be established for each type of investment based on applicable law, bond resolutions and upon the qualifications of investment bankers, brokers, agents, dealers and other investment advisors and agents which transact business with LGAC. In addition a list shall also be maintained of approved security broker/dealers selected by creditworthiness. All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:
 1. Audited financial statements;
 2. Proof of National Association of Securities Dealers (NASD) certification;
 3. Proof of state registration;
 4. Completed broker/dealer questionnaire (Exhibit C)
- B. To ensure safety of principal, the Comptroller has established criteria, consistent with the Bond Resolutions, applicable law, and Part 201.3 as promulgated on March 29, 2006, for

qualifying investment bankers, brokers, agents, and dealers ("Authorized Investment Bankers and Brokers") with whom LGAC may transact investments. These criteria are:

1. From the list of recognized reporting government securities dealers, the Deputy Comptroller responsible for the daily investment operation designates the Authorized Investment Bankers and Brokers eligible for PSS investments.
2. As market conditions and the financial viability of the reporting government securities dealers changes, the Short Term Investment Officers are responsible for revising the lists of Authorized Investment Bankers and Brokers.

If it is necessary to use a banker or broker that is not an Authorized Investment Banker and Broker under the above criteria, then a written waiver must be signed by an authorized officer of the Corporation permitting such an investment. (See Exhibit A for authorized waiver.)

DEALER LIMITATIONS

Each recognized Authorized Investment Banker and Broker is restricted as to the total dollar amount of outstanding PSS investments which may be placed with them at any point in time. Such restrictions are based on the size and quality of the Authorized Investment Banker or Broker as well as the Short Term Investment Officer's judgment concerning the ability of the various Authorized Investment Banker and Broker to effectively engage in the quantity and quality of required investments. In no event shall the total amount of such investments exceed the designated dollar limitation established by the Comptroller or an authorized officer. It is the responsibility of the Short Term Investment Officer to revise the dollar limitations as market conditions and the financial viability of the Authorized Investment Banker and Broker change.

If circumstances arise where it becomes necessary to exceed the designated dollar amount authorized, a written waiver must be signed by an authorized officer of the Corporation or its designee permitting such an investment. (See Exhibit B for authorized waiver.)

PURCHASE AND SALE OF SECURITIES ("PSS")

It is the Comptroller's policy to regard a Repurchase Agreement as a simultaneous purchase of a permitted investment with an agreement to sell it back to the seller (a "PSS"). The term and yield of the PSS is fixed at the time that offers are being sought from an Authorized Investment Banker or Broker. The Comptroller concurs with the recommendation of the Federal Reserve Bank of New York and the Association of Primary Dealers regarding repurchase agreements and marks to market the securities purchased under a PSS. The custodian of any securities purchased under a PSS shall not be the same party that is selling the securities to the Corporation. A custodial bank shall be a member of the Federal Reserve Bank or maintain accounts with member banks to accomplish book-entry transfer of securities to the credit of the public authority.

A properly executed Master Repurchase Agreement must be on file with the Comptroller and the Trustee in a form approved by the Deputy Comptroller for Pension Investment and Cash Management before entering any PSS transaction. As in any purchase of securities, the Corporation's Trustee or other fiscal agent is instructed not to release the funds to the seller until the securities have been delivered according to the Cash Management Unit's (CMU) instructions. The Master Repurchase Agreement shall include:

- 1) The events of default which would permit the purchaser to liquidate the pledged collateral;
- 2) The relationship between parties to the agreement, which shall ordinarily be purchaser and seller;

- 3) Procedures which ensure that the public authority obtains a perfected security interest in the securities which are the subject of the agreement;
- 4) The method of computing margin maintenance requirements and providing for timely correction of margin deficiencies or excesses. Specific guidelines regarding margin maintenance shall be established, taking into consideration:
 - i) the type of collateral or purchased security;
 - ii) the maturity of the collateral or purchased security;
 - iii) the method by which additional margin will be maintained; and
- 5) Circumstances, if any, under which substitution of securities subject to the agreement shall be permitted.

INVESTMENT DECISION PROCESS

To ensure that the Comptroller exercises his fiduciary responsibility on behalf of the LGAC for each investment transaction, the following decision making process has been established:

1. The Comptroller appoints the Deputy Comptroller of Pension Investment and Cash Management and empowers the Deputy Comptroller with the ability to buy and sell securities on behalf of the Comptroller and to execute all agreements, instruments, documents and papers with the like power and effect as if the Comptroller had executed these documents in the performance of his statutory duties for LGAC.
2. The Deputy Comptroller formulates an overall investment strategy, and disseminates the approved investment strategy to the Investment Officers at monthly staff meetings in writing as minutes of the meeting and orally, and confirmed in writing, as required by changing economic and market conditions and resulting strategy. Copies of all such correspondence are provided to the Compliance Officer.
3. The Investment Officers implement the approved investment guidelines, making minor adjustments within the broader strategy as market conditions change, in the execution of their daily investment transactions commensurate with appropriate legal statutes, Bond Resolutions and policy considerations.
4. A legal opinion is obtained from LGAC's General Counsel when necessary.

INVESTMENT PROCEDURES

The following investment procedures have been established to ensure that the Corporation's investment policy has been implemented and that the objectives and standards of the portfolios under management are met.

A. Cash Position

1. Debt Management Staff, within the Office of Budget and Policy Analysis, will provide the Investment Officer with written instructions regarding the investment of all LGAC monies. Instructions will include both the amount to be invested and the term of the investment.
2. To assist Debt Management Staff in determining the current cash position of LGAC Funds, an Investment Officer will generate a report, from the investment

management system, detailing all LGAC maturing investments for the upcoming week. The report will include both maturing principal and any interest earnings.

B. Solicitation of Offerings/Bids

1. Based on the amount of funds, the duration of the availability of funds, the legal framework of the funds and LGAC's investment strategy, the Investment Officers solicit competitive offerings/bids from the approved list of Authorized Investment Bankers and Brokers.
2. As offerings/bids are solicited, the Investment Officers record them on their daily offering/bid sheets.
3. Once offerings/bids have been received from all interested Authorized Investment Bankers and Brokers, the Investment Officers determine which offering or offerings/bid or bids: (i) meets the maturity requirements of the funds; (ii) provides the greatest rate of return; (iii) fulfills the Corporation's investment strategy; (iv) provides collateral, if required, that meets the legal list of acceptable collateral and is in an amount sufficient to protect the amount of the investment; and (v) does not exceed the imposed Authorized Investment Banker and Broker limitation. (Note: If the Authorized Investment Banker and Broker limitation is exceeded, the Investment Officer must obtain a waiver signed by an authorized officer of the Corporation.)
4. Because of the limited timeframe in which an investment decision must be made, the Investment Officers decide which of the offerings/bids to accept.
5. The Investment Officers confirm the winning offering/bid telephonically with the appropriate Authorized Investment Banker or Broker and issue delivery instructions.
6. All investment transactions are entered in the internally maintained investment management system.
7. After the winning offering/bid is telephonically confirmed with the Authorized Investment Banker or Broker, the Investment Officer prepares an Investment Purchase and/or Sales Record.
8. The Investment Records are transferred to CMU staff who complete the processing of the trade to include notifying the Trustee via telefax of all trades.

C. Collateralization

The Corporation's financial interest in investments requiring security or collateralization must be fully secured or collateralized. The collateral shall be limited to obligations having the same or higher rating than the ratings of the obligations permissible for the Corporation's direct investments. The collateral shall be segregated in the Corporation's name and shall be in the custody of the Corporation or a third party custodian. The custodian shall be a member of the federal reserve system. The Custodian must have prior authorization from the public authority to deliver obligations and collateral. The Corporation shall not accept a pledge of a proportionate interest in a pool of collateral. For demand deposits, time deposits and certificates of deposit, collateralization is required for amounts over and above Federal Deposit Insurance Corporation coverage. The market value and the accrued interest of the collateral shall equal the value of the investment and any accrued interest at all times. The recorded value of the collateral shall be compared with the current market values (mark-to-market) at the time of initial investment, and thereafter at least monthly (or more often if the Corporation determines that volatile

market conditions exist), to be certain that the value of the collateral continues to be equal to the value of the investment plus accrued interest. The mark-to-market reviews shall use “bid” price from one constant source. The Corporation, in its discretion, may determine that it is desirable to require collateralization in excess of the market value at the time of the purchase. There shall be a written agreement (or agreements) which, among other things, specifies the circumstances under which collateral may be substituted and provides that the custodian is holding the securities solely for the benefit of the Corporation and that the custodian makes no claim thereto.

D. Investment Management Reporting

Staff of the Division of Pension Investment and Cash Management shall prepare reports to assist in the management of the Corporation’s investments. These reports shall include but not be limited to:

1. Current Portfolio by type of security (As Requested).
2. Income Projection Report (Weekly) - Interest received by type of security.
3. Earned Income Summary (As Requested) - Shows interest received and interest earned by security as well as the investment yield for a given period of time.
4. Broker Report (As Requested) - Breakdown of all trades by Authorized Investment Bankers and Brokers.
5. General Journal (As Requested) - Listing in chronological order of all trades by settlement date along with a summary of purchases, sales and maturities by type of security.

E. Internal Controls

1. The Deputy Comptroller for Pension Investment and Cash Management shall establish and maintain an internal control structure designed to ensure that LGAC’s investment assets are protected from loss, theft or misuse. The internal controls shall include procedures to address:
 - (i) Control of collusion;
 - (ii) Separation of transaction authority from accounting and recordkeeping;
 - (iii) Custodial safekeeping;
 - (iv) Avoidance of physical delivery securities;
 - (v) Clear delegation of authority to subordinate staff members;
 - (vi) Confirmation of transactions for investments and wire transfers;
and
 - (vii) Wire transfer agreements.
2. All investments will be registered in LGAC’s name if in book entry form or delivered to LGAC’s Corporate Trustee.
3. Whenever possible, investments will be made in book-entry form to avoid physical delivery of securities.
4. Those members of the Comptroller’s staff authorized to invest monies of the Common Retirement Fund and State funds (the “Investment Officers”) are also authorized to execute trades or direct the Trustee to execute trades on behalf of the Corporation.

5. On a daily basis, the sheets listing all offerings/bids received by the Investment Officers are reviewed and approved by either the Deputy Comptroller for Pension Investment and Cash Management, the Assistant Comptroller (Bureau of Equity and Fixed Income Investments) or the Director of Equity and Fixed Income Investments.
6. After the winning offering/bid is telephonically confirmed with the Authorized Investment Banker or Broker, an Investment Purchase and/or Sales Record is prepared by an Investment Officer. These Records will also be reviewed and initialed by either the Deputy Comptroller for Pension Investment and Cash Management, the Assistant Comptroller (Bureau of Equity and Fixed Income Investments) or the Director of Equity and Fixed Income Investments by the close of the business day.
7. All transactions are reported by the CMU to the Trustee, where the Fund's investments settle. The Trustee will not fund the investments unless the delivered securities conform to CMU's instructions.
8. All transactions are reviewed by the Division's Compliance Officer.
9. An annual inventory of all securities is conducted by an independent accounting firm. Other more specialized audits are performed throughout the year by internal auditors and independent auditors.
10. In accordance with Section 2925(3)(c) of the Public Authorities Law, all investments of LGAC funds must be made pursuant to a written contract except as provided below. Such written contract shall cover the matters set forth in items (1) through (4) of section 201.3 (c)(3)(ii)(F) of the Comptroller's regulations as promulgated on March 29, 2006. However, written contracts are not practical, nor is it a regular business practice to enter such contracts for permitted investments other than PSS's, and this requirement is hereby waived for permitted investments other than PSS's.

F. Procedures for Permitted Investments

All investments purchased by the Corporation must be delivered to its' Custodian against payment. In any purchase of securities, the Corporation's Custodian is instructed not to release funds to the seller until the securities are delivered according to instructions issued by the Corporation. In the case of investments that require collateral, the collateral must be delivered to the Custodian, deposited in a separate account in the name of the Corporation, be rated at least as high as securities approved for purchase by the Corporation and marked to market at the time of initial investment, and thereafter at least monthly (or more often if the Corporation determines that volatile market conditions exist), by the CMU to be certain that the value of the collateral is at least equal to the amount of the investment plus any accrued interest. In the event that collateral falls below the value of the investment plus accrued interest, additional collateral will be required from the seller to meet any deficiency. Custodial banks shall be required to report monthly or more frequently on activity occurring in the public authority's custodial account. There shall be at least monthly verifications of both the principal amount and the market values of all investments and collateral. Appropriate listings shall be obtained from the custodian and compared against the public authority's records.

In the case of Repurchase Agreements, the Corporation enters into signed agreements with its approved Dealers. The agreements cover delivery of securities, passage of

title and the value of the securities that must be maintained throughout the life of the investment, starting at 102 percent of the value of the investment plus accrued interest and going no lower than 100 percent and no higher than 104 percent.

CONFLICTS OF INTEREST

The Corporation and the Office of the State Comptroller are committed to honoring the highest professional standards of conduct. To this end, all employees of the Division of Pension Investment and Cash Management and the staff of the Bureau of Debt Management within the Office of Budget and Policy Analysis are provided with Policies and Procedures regarding professional standards of conduct. These Policies and Procedures are intended to prevent insider trading and the misuse of material non-public information and confidential information. All employees must also submit securities transaction disclosure forms on a semi-annual basis. These disclosure forms are filed with and reviewed by the Assistant Comptroller (Bureau of Equity and Fixed Income Investments) to assure compliance with the Policies and Procedures.

REQUIRED REPORTS

Internal Management Reporting

In accordance with Section 2925(5) of the Public Authorities, the Deputy Comptroller for Pension Investment and Cash Management, in conjunction with the Treasurer of the Corporation, shall cause to be prepared and filed with the Corporation's board of directors a quarterly report on any new investments, the inventory of existing investments and the selection of investment bankers, brokers, agents, dealers, or auditors.

Reporting to Oversight Agencies

Annually, in accordance with Sections 2925(6) and 2925(7) of the Public Authorities Law, and Part 201.3 as promulgated on March 29, 2006, the Corporation shall prepare:

1. an Investment Report for approval by the Board which shall include the following:
 - a) the Corporation's Investments Policy, Procedures, Reporting and Control Guidelines;
 - b) Amendments to the Guidelines since the last investment report;
 - c) an explanation of the Guidelines and Amendments;
 - d) the results of the annual independent audit of investments;
 - e) the investment income record of the Corporation; and
 - f) a list of the total fees, commissions or other charges paid to each Authorized Investment Banker or Broker, including Trustee fees, since the last Investment Report.

The Investment Report shall be submitted to the Division of the Budget and copies thereof shall be submitted to the Office of Budget and Policy Analysis of the Office of the State Comptroller, the Senate Finance Committee and the Assembly Ways and Means Committee. Copies of the Investment Report shall also be made available to the public upon reasonable request.

Performance Evaluation and Audit

The Corporation shall annually engage its financial statement auditor to perform an audit of investments to determine whether: the Corporation complies with its own investment policies; investment assets are adequately safeguarded; adequate accounts and records are maintained which accurately reflect all transactions and report on the disposition of Corporation investment assets; a system of adequate internal controls is maintained; the Corporation complied with the applicable laws, regulations, the State Comptroller's investment guideline requirements set forth in Part 201.3 as promulgated on March 29, 2006 and such public authority accounting directives as may be issued by the State Comptroller. The audit of investments shall be designed, to the extent practical, to satisfy both the common interests of the Corporation and the public officials accountable to others.

A written audit report shall be prepared presenting the results of the annual independent audit of all investments and shall include:

- (1) a description of the scope and objectives of the audit;
- (2) a statement attesting that the audit was conducted in accordance with generally accepted government auditing standards;
- (3) a description of any material weaknesses found in the internal controls;
- (4) a description of all non-compliance with the Corporation's own investment policies as well as applicable laws, regulations, the State Comptroller's investment guideline requirements for public authorities, and such public authority accounting directives as may be issued by the State Comptroller;
- (5) a statement of positive assurance of compliance on the items tested; and
- (6) a statement on any other material deficiency or finding identified during the audit not covered in (5) above.

Financial Statements

The Corporation's annual basic financial statements, which are required to be prepared in conformance with accounting principles generally accepted in the United States of America (GAAP), shall contain all note disclosures on deposits with financial institutions and investments required by the Governmental Accounting Standards Board (GASB) for the period covered by the basic financial statements. GASB has issued numerous Statements, Interpretations and Technical Bulletins establishing and clarifying investment reporting and disclosure requirements. The Corporation shall review and apply these standards and guidance as appropriate and in compliance with the requirements of Part 203.1 as promulgated on March 29, 2006 and public authority accounting directives as may be issued by the State Comptroller.

Exhibit A

Short Term Investment
Officer

Comptroller
(Deputy Comptroller)

Waiver of Qualifying
Investment Banker/
Broker

You are hereby authorized to transact an investment with (name of banker/broker) for the purchase/sale of (type and amount of investment) even though such banker/broker does not meet the established criteria.

This authorization is limited to (type and amount of investment) on (date), and any future investments with (name of banker/broker) will require a new authorization.

Comptroller
(Deputy Comptroller)

Exhibit B

Short Term Investment
Officer

Comptroller
Deputy Comptroller

Waiver of Dealer
Limitation

You are hereby authorized to exceed the \$_____ limitation which has been place on (name of banker/broker) for the purchase of (amount and type of investment) for the (name of portfolio) on (date).

This authorization is limited to (amount and type of investment), and any future investments with (name of banker/broker), which exceeds its \$_____ limit, will require a new authorization.

Comptroller
(Deputy Comptroller)

Brokerage Survey

1. Firm Identification

Name of Brokerage Firm _____

Name and Address of
Contact Person _____

Telephone Number of
Contact Person _____

2. Net Capital (To be completed by all competing firms)

Dollar Amount of Firm's Net Capital* _____

(*Note: Please provide a copy of the firm's most recently audited Statement of Financial Condition. The Statement should include the firm's net capital requirements in accordance with the Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934. Also, include the Computation of Net Capital for Brokers and Dealers from the Statement.)

3. Asset Coverage

Domestic Equity (To be completed by those firms competing for equity brokerage services)

Indicate the number of institutional equity traders _____ and salespeople _____ employed by the firm.

Indicate, with a check mark, the type of domestic equity trades the firm executed with institutional investors over the past twelve months.

Listed _____ Over the Counter _____

Fixed Income (To be completed by those firms competing for fixed income brokerage services)

Indicate the number of institutional fixed income traders _____ and salespeople _____ employed by the firm.

Indicate, with a check mark, the type of fixed income trades executed by the firm with institutional investors over the past twelve months.

Treasury _____ Corporate _____ Agency _____ MBS _____ ABS _____

TIPS _____

Short Term - (To be completed by those firms competing for short term brokerage services)

Indicate the number of institutional short-term traders _____ and salespeople _____ employed by the firm.

Indicate, with a check mark, the type of short term trades executed by the firm with institutional investors over the past twelve months.

Overnight Repo _____ Term Repo _____ Commercial Paper _____

US Treasury Bills _____ Agency Discounts _____

Is your firm recognized by the Federal Reserve Bank of New York as a reporting, primary government securities dealer? _____

4. Clientele (To be completed by all competing firms)

For all three asset categories, indicate the number of public and private pension fund and state treasury clients the firm executed trades with over the past twelve months. (Note: Provide the number of clients and not the number of accounts.)

Domestic Equity _____ Fixed Income _____ Short term _____

SECTION II

**EXPLANATION OF THE CORPORATION'S INVESTMENT GUIDELINES (as
reapproved by the Board pursuant to resolution 2007-14)**

The "Investments Policy, Procedures, Reporting and Control Guidelines" of the New York Local Government Assistance Corporation most recently reapproved by the Board pursuant to resolution 2007-14, are based on the principles and precepts of investment safety and control contained in the Office of the State Comptroller's "Investment Guidelines for Public Authorities" as revised on March 29, 2006. The Corporation's Guidelines contained in Section I are the Corporation's Investment Guidelines which are currently in effect.

The Guidelines set forth the Corporation's statement of policy regarding the investment of corporate funds and the objectives of such investments. By the Guidelines, the Corporation's Directors have determined that the basic guide for the investment of corporate funds shall be the "prudent person rule" as further limited by statute, the Corporation's Bond Resolutions and the Payment Agreement between the Corporation and the Director of the Budget.

As indicated in the Guidelines, the Corporation's objectives for its investment program are to:

1. safeguard the investment principal from any imprudent risks as a primary objective;
2. obtain the maximum yield consistent with safety of principal;
3. develop a portfolio which will emphasize quality, flexibility, diversity, where possible, and marketability; and
4. maintain the tax-exempt status of the Corporation's debt.

There have been no amendments to the investment guidelines since they were last approved.

SECTION III

**NEW YORK LOCAL GOVERNMENT ASSISTANCE
CORPORATION**

INVESTMENT ACTIVITY

FISCAL YEAR ENDED MARCH 31, 2008

The New York Local Government Assistance Corporation received a total of \$14,242,790.12 in interest on its investments during the fiscal year ended March 31, 2008. Interest income for the Corporation's 2007-08 fiscal year was derived as follows:

<u>Fund or Account</u>	<u>Total Interest Income</u>
Capital Reserve Funds	\$ 10,763,471.05
Debt Service Funds	3,344,742.09
Operating Fund	134,576.98
	<u>\$ 14,242,790.12</u>

Interest received on the Debt Service Funds and the Capital Reserve Funds was used to meet a portion of the Corporation's debt service requirements during the period April 2, 2007 through March 31, 2008.

The Corporation had cash and investments with a reported value in the Corporation's Financial Statements for the fiscal year ending March 31, 2008 of \$526.8 million, \$266.1 million of which represented amounts required for its April 1, 2008 debt service and swap payments. The investments held by the Corporation included U.S. Treasury Notes and Repurchase Agreements which are backed by U.S. Treasury Bills and/or U.S. Treasury Notes. A listing of the Corporation's invested assets by Fund is shown in Attachment A to this Report.

The Corporation utilized the services of six qualified dealers for investment transactions during the 2007-08 fiscal year. All investments were awarded based on the highest yield to the Corporation.

The Corporation paid its trustee bank \$29,070 in fees related to investment transactions during the Corporation's 2007-08 fiscal year.

DEALER**SECURITIES PAR****(Dollars in Millions)**

UBS	\$ 2,697.6
Bear Stearns	1,290.0
Lehman Brothers	462.9
CS First Boston	437.5
Morgan Stanley	330.2
Goldman Sachs	<u>13.1</u>
	\$ 5,231.3

ATTACHMENT A

**INVESTMENT PORTFOLIO OF THE
NEW YORK LOCAL GOVERNMENT ASSISTANCE CORPORATION
As of March 31, 2008**

<u>SERIES</u>	<u>FUND</u>	<u>COST</u>	<u>INVESTMENT</u>
1991A	Capital Reserve	\$16,296,355.86	Treasury Notes
1991B	Capital Reserve	\$17,873,367.97	Treasury Notes
1991C	Capital Reserve	\$15,016,534.92	Treasury Notes
1991D	Capital Reserve	\$25,497,410.16	Treasury Notes
1992A	Capital Reserve	\$11,537,003.91	Treasury Notes
1992C	Capital Reserve	\$10,184,475.00	Treasury Notes
1993A	Debt Service Accounts	\$3,584,000.00	Repurchase Agreements
1993A	Capital Reserve (a)	\$62,580,000.00	Repurchase Agreements
1993D	Capital Reserve	\$19,575,165.04	Treasury Notes
1994A	Capital Reserve	\$6,220,828.13	Treasury Notes
2003A	Capital Reserve	\$49,978,096.09	Treasury Notes
2004A	Capital Reserve	\$10,602,427.50	Treasury Notes
2007A	Cost of Issuance	\$230,000.00	Repurchase Agreements
	Operating Fund	<u>\$4,091,000.00</u>	Repurchase Agreements
	Total Investments	<u>\$253,266,664.58</u>	

(a) The assets of the variable interest rate Capital Reserve Fund are combined for investment purposes.

SECTION IV

**NEW YORK LOCAL GOVERNMENT ASSISTANCE
CORPORATION**

**INDEPENDENT AUDITORS' REPORT ON
INVESTMENTS**

MARCH 31, 2008



KPMG LLP
515 Broadway
Albany, NY 12207

Independent Accountants' Report on Investment Compliance

Board of Directors
New York Local Government Assistance Corporation:

We have examined the New York Local Government Assistance Corporation's (Corporation) compliance with Section 201.3 of Title Two of the Official Compilation of Codes, Rules, and Regulations of the State of New York during the year ended March 31, 2008. Management is responsible for the Corporation's compliance with those requirements. Our responsibility is to express an opinion on the Corporation's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Corporation's compliance with specified requirements.

In our opinion, the Corporation complied, in all material respects, with the aforementioned requirements during the year ended March 31, 2008.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Corporation's compliance with Section 201.3 of Title Two of the *Official Compilation of Codes, Rules, and Regulations of the State of New York* and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Corporation complied with the aforementioned requirements and not for the purpose of expressing an opinion on the internal control over compliance with those requirements or other matters; accordingly, we express no such opinion. The results of our tests disclosed no matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management of the Corporation, the New York State Legislature, the New York State Office of the State Comptroller, the New York State Division of the Budget, and the New York State Authority Budget Office and is not intended to be and should not be used by anyone other than those specified parties.

KPMG LLP

June 12, 2008