

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON JUNE 3 AND 4, 2014

Pursuant to the call of the Chairman and notice duly given, the meeting of the Committee of the Whole and the regular meeting of the Commissioners of the Virginia Housing Development Authority (the "Authority") were held on June 3 and 4, 2014 at the Authority's offices at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMISSIONERS PRESENT:

Kermit E. Hale, Chairman
Timothy M. Chapman, Vice Chairman
William C. Shelton
Jacqueline T. Black
Marjorie N. Leon
Charles McConnell
Douglas R. Fahl
H. Richard Ashe
James Hyland
Sarah Stedfast

COMMISSIONER ABSENT:

Manju Ganeriwala

OTHERS PRESENT:

Susan F. Dewey, Executive Director
J. Judson McKellar, Jr., General Deputy
Donald L. Ritenour, Deputy of Programs
Arthur N. Bowen, Managing Director of Rental Housing
Janet Wigglesworth, Managing Director of Information Technology Services
Barbara Blankenship, Managing Director of Human Resources
Tammy Neale, Chief Learning Officer
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
Russ E. Wyatt, General Auditor
Paul M. Brennan, General Counsel
Patrick J. Carey, Managing Director of Finance
J. Michael Hawkins, Managing Director of Community Outreach
Llewellyn C. Anderson, Director of Executive Services
Patrick Gluesing, Assistant Deputy Director of Programs
Dale Wittie, Director of Rental Housing
Michele G. Watson, Director of Homeownership Programs
James M. Chandler, Director of Low Income Housing Tax Credit Programs
Melody S. Barackman, Controller
Fred Bryant, Deputy General Counsel
Ron Reger, Risk Manager
Neal Rogers, Director of Compliance and Asset Management

Tarik Claiborne, Tidewater Regional Portfolio Manager
Carol Jackson, Assisted Housing Regional Portfolio Manager
Joy Bolling, Central VA Regional Portfolio Manager
Jeremy Kahl, Northern VA Regional Portfolio Manager
Frances Stanley, Research and Policy Analyst
Linda Evans, Budget and Risk Management Analyst
Marco Howard, Desktop Support Analyst
Paul Prousalis, Desktop Support Analyst
Julia Perkinson, Loan Origination Coordinator
Sarah Thompson, Legal Specialist
Ciara Anderson, Program Support Trainee – Rental Housing
Kristina Armistead, Senior Claims/Recovery Officer
Frances Avery, Senior Multi-Family Accountant
Jackie Bowen, Single Family Records Analyst
Venus Brooks, General Accountant
Rick Doll, Database Analyst
Amy Dugger, Senior Program Compliance Officer
Tricia Flood, Human Resources Specialist
Sandra Garrett, Foreclosure/Bankruptcy/Claims Supervisor
Jackie Gibbs, Team Lead – ServiceCentral
Dorothy Harris, Program Compliance Specialist
Gabrielle Harrison, Program Support Trainee – IT/BS
Michelle Hatchett, Delegated Commitment Coordinator
Michelle Jackson, Executive Assistant
Shamone James, Escrow Administration Lead
Micah Kemp, Program Support Trainee – Homeownership
Sherry Long, Project Manager
Bonnie McRae, Senior Executive Assistant
Katrina Minor, Program Support Trainee – HR and OD&L
Cindy Puller, Senior Systems Administrator
Najla Roberts, ITIL Service Management Specialist
Yessica Romero, Program Support Trainee – Finance
Rebecca Rowe, Strategic Markets Analyst
Brooke Scott, Program Liaison
Doris Taylor, Document Control Supervisor
Melissa Waller, Rental Housing Collections Officer
Mario Wells, Program Support Trainee – Community Outreach
Shelley Woods, Loan Originator
Joe Feasor, Finance Manager
J. Kyle Howard, Assistant Director of Network Operations
David Kohan, Network Services Manager
Kathy Natale, Assistant Director of Business Systems
Richard Taylor, Government Affairs Liaison
Buddy Fountain, REO Manager
Joe Bass, Senior Counsel
Tamara Jones, Legal Specialist
Ann Brown, Senior Copywriter

Chairman Hale called the meeting of the Committee of the Whole to order at 3:02 p.m. on June 3, 2014. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Shelton who joined the meeting in progress as noted below and thereafter remained present during the meeting.

Chairman Hale noted that the meeting was the last Board meeting for Mr. Ritenour and Mr. Wyatt and thanked them for their many years of service to the Authority.

Ms. Dewey advised the Board on (i) staff changes to the leadership of the Homeownership Division and the Information Technology Services Division that will be effective July 1, 2014 and (ii) the completion of interviews for the General Auditor position.

Mr. Chandler made a presentation on how the Authority's Qualified Allocation Plan distributes low-income housing tax credits among the various pools of the Plan. Mr. Chandler then presented the final 2014 tax credit application rankings and advised the Board on certain developments in the rankings that may receive comments during the public comment period. Commissioner Shelton joined the meeting during this discussion.

Mr. Rogers presented and discussed with the Commissioners the Authority's Certified Management Agent Program. Mr. Rogers described the reasons for implementing the program; the application process; and the current state of the program. Mr. Rogers then reported on the merger of the asset management department and the compliance department in January 2013 to form the Compliance and Asset Management Department and the benefits that have resulted from the new structure. Mr. Rogers also introduced the Regional Portfolio Managers in the Department to the Board.

Mr. Carey and Ms. Dewey made a presentation on the Authority's proposed annual budget for fiscal year 2015. During this presentation, the Commissioners and the staff discussed the following matters: (1) the significant financial drivers affecting the proposed budget; (2) a comparison of the fiscal year 2014 budget, the fiscal year 2014 projected budget and the proposed fiscal year 2015 budget, (3) a summary of the major components of the budget projected for fiscal year 2014 and budgeted for fiscal year 2015, including the projections and estimates affecting the net interest margin, the dollar amount of loans and the number of units of production in the Authority's single family and multi-family loan programs since 2008, the dollar amount of single family and multi-family mortgage loan assets since 2008, the net interest margin trend since 2008; (4) the programmatic expenses included in the proposed budget in comparison to the fiscal year 2014 projected expenses - including the amounts for the loan loss provision and for loan losses and expenses, the net operating income and expenses and capital improvement expenditures for owned multi-family properties, the housing assistance payments and administrative fees for the Housing Choice Voucher Program, the grants and program training expenses, the finance and mortgage servicing expenses, and the ancillary fee income - and the programmatic expenses trend since 2008; (5) the administrative expenses included in the proposed budget in comparison to the fiscal year 2014 projected expenses - including the amounts for compensation and benefits, facilities and equipment, ongoing technology, technological and other projects, marketing and business partner support, professional development and business travel, other expenses, and capital outlays - the administrative expenses trend since 2008; (6) the depreciation expense and capital expenditures included in the

proposed budget in comparison to the fiscal year 2014 projected expense and expenditures and the depreciation expense trend since 2008; (7) the excess revenues since fiscal year 2005; (8) the accounting treatment of financing adjustment factor (FAF) funds and its potential impact on future budgets; (9) the bond ratings of the Authority by Standard & Poor's in April 2013 in comparison to the ratings of other state housing finance agencies and by Moody's Investor Service in November 2013, a summary of remarks by Standard & Poor's and Moody's Investor Service on the Authority in late 2013, comparisons of excess revenues, net assets and loan production with other state housing authorities; and (10) the community support activities of the Authority. On motion duly made and seconded, a resolution entitled "Resolution - Adoption of 2015 Fiscal Year Operating Budget" dated June 4, 2014 in the form attached hereto, was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Ms. Wiglesworth, Mr. Carey, and Ms. Blankenship presented a report on compensation of the Authority staff. This report included the following: a review of the Board of Commissioners' policy on compensation; a comparison of the Authority's financial status and operations with those of other state housing finance authorities, state headquartered financial institutions, and state universities and authorities; and key accomplishments of the Authority in fiscal year 2014. Mr. Carey then presented recommendations for the combined pool for staff merit and bonuses.

Chairman Hale, on behalf of the Executive Committee, reported on the recommendations of the Executive Committee and the Operations Committee to approve the combined pool of \$2,300,000 to be allocated between staff merit increases and bonuses as the Executive Director shall determine. On motion duly made and seconded, a resolution to approve the combined pool for staff merit and bonuses as recommended by the Operations Committee and the Executive Committee and to revise the 2015 fiscal year operating budget to include the portion of the pool representing the amount of merit increases to be determined by the Executive Director, was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Chairman Hale noted that the meeting was the last Board meeting for Commissioner Black and thanked her for her service to the Authority.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 6:19 p.m. on June 3, 2014.

Chairman Hale called the regular meeting of the Board of Commissioners to order at approximately 10:34 a.m. on June 4, 2014. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

No members of the public requested an opportunity to make any comments during the public comment period of the meeting.

The minutes of the retreat and regular meeting of the Commissioners held on April 6-8, 2014 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

The resolution entitled “Resolution in Recognition and Appreciation of Thirty Years of Service by Julia A. Perkinson” dated June 4, 2014, was read by Mr. Reger, and on motion duly made and seconded, was approved in the form attached hereto by the affirmative vote of each of the Commissioners noted above as present at the meeting.

The resolution entitled “Resolution in Recognition and Appreciation of Thirty Years of Service by Sarah K. Thompson” dated June 4, 2014, was read by Mr. Reger, and on motion duly made and seconded, was approved in the form attached hereto by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Chairman Hale, on behalf of the Executive Committee, reported that the Committee had received and considered a staff report and recommendation on compensation and reviewed the agendas for the committee meetings of the meeting of the Board of Commissioners.

Commissioner Leon, on behalf of the Audit Committee, reported that the Committee had received a presentation from KPMG on its plan for the audit of the Authority’s fiscal year 2014 financial statements. Commissioner Leon summarized the reports received and considered by the Committee on the Authority’s monthly financials and budget comparisons for the period ended April 30, 2014, the status of the internal audit schedule, reports and recommendations, and the Authority’s enterprise risk management activities.

Commissioner Leon, on behalf of the Operations Committee, summarized the staff reports that had been received and considered by the Committee on (i) the salient features of the Authority’s proposed Rental Housing Bonds, 2014 Series B-Non-AMT; (ii) the recent activities sponsored by the Organizational Development and Learning Division, including the graduation of twenty-nine Associates from the Emerging Leadership Program; (iii) the status of the Project Management Office’s portfolio of projects, including the status of the headquarters renovations and the single family solution suite project, and (iv) compensation of the Authority staff.

Chairman Hale, on behalf of the Committee of the Whole, reported that the Committee had received and discussed staff reports on (i) low-income housing tax credits, including the distribution of credits pursuant to the Qualified Allocation Plan, the final 2014 rankings, and discussion items for changes to the Qualified Allocation Plan for 2015; (ii) the responsibilities and processes of the Compliance and Asset Management Department; and (iii) compensation of the Authority staff. Chairman Hale next reported that in the meeting of the Committee of the Whole, the Board had approved the resolution approving the combined pool for staff merit and bonuses as recommended by the Operations Committee and the Executive Committee and the Authority’s operating budget for fiscal year 2015, as revised to include the portion of the pool representing the amount of merit increases to be determined by the Executive Director.

Commissioner Fahl, on behalf of the Programs Committee, reported as follows: (i) the Committee had received and discussed a staff report on proposed changes to the Qualified Allocation Plan for the federal low-income housing tax credits for calendar year 2015, and it was the consensus of the Committee that the staff be authorized to proceed with the public forum to receive comments on the proposed changes; (ii) the Committee had reviewed the staff reports that had been received and considered by the Committee on the Authority’s programs and outreach and marketing activities; and (iii) the Committee had received and discussed a staff

report on the final rankings for reservations of the federal low-income housing tax credits in 2014, and the Committee recommended that the staff be authorized to proceed with the reservations of tax credits to developments that ranked high enough to receive credits in their respective pools, all the developments in Tier One At-Large Pool, Oyster Point- Brighton Apartments from the Local Housing Authority Pool, and Brookland Park Plaza and Warrenton Manor Apartments from the Tier Two At-Large Pool. On motion duly made and seconded, a resolution to authorize the staff to proceed with the reservations of tax credits in accordance with the recommendation of the Committee was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. It was also the consensus of the Commissioners that staff contact the applicants that will not receive an reservation of credits and explore other opportunities to advance their proposed developments.

Commissioner Shelton reported on recent activities of the Department of Housing and Community Development, including the following: the completion and filing of the Consolidated Plan Action Plan to become effective July 1, 2014; administrative responsibilities involving the Virginia Housing Trust Fund; the Governor's announcement of a decline in the overall homelessness in the Commonwealth of 7.9% in the last year, with a 10.8% decrease in family homelessness and 14% decrease in veterans homelessness; and a symposium on veterans homelessness to be held on June 9, 2014.

Chairman Fahl, on behalf of the Executive Committee, reported that the Committee recommended that Commissioner Hale be nominated for Chairman and Commissioner Chapman be nominated for Vice Chairman at the August Board meeting.

Ms. Dewey presented her report on operations in which she advised the Commissioners of the following matters: the successful completion of the Emerging Leader Program; the 40th anniversary of employment at the Authority for Mr. Ritenour and Ms. Watson; the development of an application that can indicate Authority's investment in each U.S. congressional district, which was demonstrated by Ms. Stanley; an update on the status of GSE reform; the submission of a response to the notice of funding availability for the HUD Section 811 program by the Department of Behavioral Health and Developmental Services, with assistance from the Department of Housing and Community Development and the Authority; the success of the Authority's Charity Golf Tournament held on May 22, 2014; the upcoming HAND awards luncheon on June 16, 2014; and the Governor's Housing Conference in Norfolk on October 29-31, 2014.

Chairman Hale reiterated that the meeting was the last Board meeting for Commissioner Black and thanked her again for her service to the Authority.

There being no further business, the meeting was adjourned at approximately 11:25 a.m.

Kermit E. Hale, Chairman

Paul M. Brennan
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE
HELD ON JUNE 3, 2014

Pursuant to the call of the Chairman and notice duly given, the meeting of the Executive Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on June 3, 2014 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMITTEE MEMBERS PRESENT:

Kermit E. Hale, Chairman
Timothy M. Chapman
Douglas R. Fahl
Marjorie N. Leon

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Donald L. Ritenour, Deputy of Programs
Paul M. Brennan, General Counsel
J. Judson McKellar, Jr., General Deputy
Barbara Blankenship, Managing Director of Human Resources
Janet Wigglesworth, Managing Director of Information Technology Services
Patrick Carey, Managing Director of Finance

Chairman Hale called the meeting of the Committee to order at approximately 12:30 p.m. on June 3, 2014. All of the members of the Committee listed above as present at the meeting were present at that time and remained present throughout the meeting.

The minutes of the meeting of the Committee held on February 4, 2014 were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Ms. Dewey explained the formation of the compensation committee. Ms. Wigglesworth, Mr. Carey, and Ms. Blankenship presented a report on compensation of the Authority staff. This report included a review of the Board of Commissioners' policy on compensation and a comparison of the Authority's financial status and operations with those of other state housing finance authorities, state headquartered financial institutions, and state universities and authorities. Mr. Carey then presented recommendations for the combined pool for staff merit and bonuses. It was the consensus of the Committee to recommend to the Operations Committee approval of a combined pool of \$2,300,000 to be allocated between staff merit and bonuses as the Executive Director shall determine.

The Commissioners and staff reviewed and discussed the agendas for the meetings of the Committee of the Whole, the Audit Committee, the Operations Committee, the Programs Committee, and the Board of Commissioners.

Ms. Dewey discussed with the members of the Committee the process for nominations of the Chairman and Vice Chairman of the Board of Commissioners. On motion duly made and seconded, a resolution to recommend the nominations of Commissioner Hale for Chairman of the Board of Commissioners and Commissioner Chapman for Vice Chairman of the Board of Commissioners was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

There being no further business, the meeting was adjourned at approximately 1:31 p.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE PROGRAMS COMMITTEE
HELD ON JUNE 3, 2014

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Programs Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on June 3, 2014 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMITTEE MEMBERS PRESENT:

Douglas R. Fahl, Chairman
William C. Shelton
James E. Hyland
Kermit E. Hale
H. Richard Ashe

OTHER COMMISSIONERS PRESENT

Marjorie N. Leon
Jacqueline T. Black
Timothy M. Chapman
Charles McConnell
Sarah Stedfast

OTHERS PRESENT:

Susan F. Dewey, Executive Director
J. Judson McKellar, Jr., General Deputy
Donald L. Ritenour, Deputy of Programs
Arthur N. Bowen, Managing Director of Rental Housing
Janet Wigglesworth, Managing Director of Information Technology Services
Barbara Blankenship, Managing Director of Human Resources
Tammy Neale, Chief Learning Officer
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
Russ E. Wyatt, General Auditor
Paul M. Brennan, General Counsel
Patrick J. Carey, Managing Director of Finance
J. Michael Hawkins, Managing Director of Community Outreach
Llewellyn C. Anderson, Director of Executive Services
Michele G. Watson, Director of Homeownership Programs
James M. Chandler, Director of Low Income Housing Tax Credit Programs
Melody S. Barackman, Controller
Fred Bryant, Deputy General Counsel
Brian Matt, Public Relations Manager
Frances Stanley, Research and Policy Analyst
Ron Reger, Risk Manager
Pat Gluesing, Assistant Deputy Director of Programs

Richard Taylor, Government Affairs Liason
Greta Harris, Better Housing Coalition
Ann Morgan, Restoration of Petersburg Community Development Corporation
Howard Myers, Councilman, City of Petersburg
Adam Stockmaster, T.M. Associates, Inc.
William Johnson, III, City Manager, City of Petersburg
J. Todd Graham, The Cameron Foundation
Candice Streett, Virginia LISC
Cynthia Martin, Restoration of Petersburg Community Development Corporation
Lynn McAteer, Better Housing Coalition
Robert Diggs, Restoration of Petersburg Community Development Corporation
Ron Johnson, Restoration of Petersburg Community Development Corporation
Tom Johnston, Franklin Johnston Group
Steve Cooper, Franklin Johnston Group
Wendell Franklin, Franklin Johnston Group
David Embree, Esq., Williams Mullen
Larry Murphy, Restoration of Petersburg Community Development Corporation

The meeting of the Programs Committee was called to order by Chairman Fahl at approximately 9:00 a.m. All of the members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Hyland who joined the meeting in progress as noted below and thereafter remained present during the meeting.

On motion duly made and seconded, the minutes of the meeting of the Committee held on February 5, 2014 were approved by the affirmative vote of each of the members of the Committee then present at the meeting.

Mr. Chandler presented a report on proposed changes to the low-income housing tax credit Qualified Allocation Plan for 2015. Mr. Chandler noted that the public forum regarding these changes will be held on July 17, 2014 at Virginia Housing Center. It was the consensus of the Committee that the staff be authorized to proceed with the public forum to receive comments on the proposed changes. Commissioner Hyland joined the meeting during this presentation.

Ms. Watson presented a report on new loan reservations for the period July 1, 2013 to March 31, 2014. Ms. Watson noted that FHA loan production was down 33%, likely due to the increase in mortgage insurance premiums, resulting in lower single-family loan production to both lower income households and minority households.

Mr. Gluesing presented reports on the status of delinquencies and foreclosures in the homeownership loan portfolio. Mr. Gluesing advised the Committee the single family delinquency for month end April 2014, was 10.7% a drop of 2.2% from the same time last year. Mr. Gluesing reported that delinquency rates in the Ginnie Mae portfolio continue to be below Ginnie Mae thresholds.

Mr. Wittie presented a report on multi-family loan production for the period April 1, 2014 to May 15, 2014, listing one development consisting of 80 units had been approved for a mortgage loan in the principal amount of \$1.45 million. Mr. Wittie also noted two other developments, The Greens at VA Center Commons and Angelwood at Caroline, that just missed being included in his report and details of these developments will be included in his next report.

Mr. Bowen presented a report on the status of delinquencies and foreclosures in the multi-family portfolio. Mr. Bowen noted that the percentage of loans delinquent is trending down since the foreclosure sale of the RPJ Housing portfolio.

Mr. Bowen presented a report on the status of the disposition of the multi-family developments owned by the Authority. Mr. Bowen noted the recent acquisition of Jefferson School Lofts in March and that proposals for purchase have already been submitted to VHDA and that Heritage Commons is under contract for sale.

Mr. Hawkins presented the consolidated Community Outreach Board Report describing the Authority's activities in homeownership education, the Housing Choice Voucher program marketing and REACH. Mr. Hawkins noted impact of VHDA programs on the revitalization of two communities: (i) the Madison Heights community in Newport News a recipient of a Mixed-use/Mixed-income Planning Grant Initiative that resulted in an VHDA loan for the Lofts on Jefferson Avenue, two low-income housing tax credit developments and 135 single family loans that received support from the Community Homeownership Revitalization Program; and (ii) Bristol's efforts in revitalizing public housing units with low-income housing tax credits and VHDA financing, as well as participation in the Division's revitalization training course.

Mr. Chandler presented a report on the final rankings for reservations of the low income housing tax credits in 2014 and recommended reservations of tax credits for the developments having scores high enough to receive tax credits in each of the pools, the developments in the Tier One At-Large Pool, and Oyster Point – Brighton Apartments from the Local Housing Authority Pool, which would have scored high enough to receive a reservation of credits if moved to the Tier One At-Large Pool. Commissioner Fahl opened the discussion for public comment.

Nine members of the public requested an opportunity to make comments during the public comment period of the meeting. Ms. Harris, Ms. Martin, Ms. Streett, Mr. Johnson, Mr. Graham, Mr. Myers and Mr. Diggs spoke in favor of reserving low income housing tax credits to Claiborne Square Phase II Apartments. Mr. Stockmaster spoke in favor of reserving low income housing tax credits to Warrenton Manor Apartments. Mr. Johnston spoke in favor of reserving low income housing tax credits to Quill Apartments.

Upon conclusion of the public comment, Commissioner Fahl asked if there was a motion from the Committee to recommend to the Board that the staff proceed with reservations of tax credits as recommended by the staff. On motion duly made and seconded, the Committee's motion to recommend to the Board that the staff proceed with reservations of tax credits as recommended by the staff was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting. Commissioner Fahl then asked if there was a motion to reserve excess tax credits from the New Construction Pool to Brookland Park Plaza

and Warrenton Manor Apartments, the two highest ranking developments in the Tier Two At-Large Pool. On motion duly made and seconded, the Committee's motion to recommend to the Board that the staff proceed with reservations of tax credits to Brookland Park Plaza and Warrenton Manor Apartments was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting. Commissioner Fahl asked if there were any other motions from the Committee to recommend to the Board that the staff proceed with reservations of tax credits to any other developments in the Tier Two At-Large Pool. Hearing no other motions, Commissioner Fahl concluded the discussion on tax credits.

There being no further business, the meeting was adjourned at 10:23 a.m.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE AUDIT COMMITTEE
HELD ON JUNE 3, 2014

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Audit Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on June 3, 2014 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, VA 23060.

COMMITTEE MEMBERS PRESENT:

Marjorie N. Leon, Chairman
Jacqueline T. Black
Timothy M. Chapman
Charles McConnell
Sarah Stedfast

COMMITTEE MEMBER ABSENT:

Manju Ganeriwala

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Barbara Blankenship, Managing Director of Human Resources
Janet Wiglesworth, Managing Director of Information Technology Services
Tammy Neale, Chief Learning Officer
Patrick J. Carey, Managing Director of Finance
Judson McKellar, General Deputy
Melody Barackman, Controller
Russ E. Wyatt, General Auditor
Llewellyn C. Anderson, Director of Executive Services
Ron Reger, Risk Manager
Bonnie McRae, Senior Executive Assistant
Donna Craver, KPMG
Rasheeda Perry, KPMG

The meeting was called to order at 1:40 p.m. on June 3, 2014. The members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting, except Commissioners Black and Chapman who joined the meeting in progress as noted below and thereafter remained present during the meeting.

On motion duly made and seconded, the minutes of the meeting of the Committee held on February 5, 2014 were approved by the affirmative vote of each of the members of the Committee then present at the meeting. Commissioner Chapman entered the meeting following approval of such minutes.

Ms. Barackman introduced members of the KPMG audit team, who presented the plan for the audit of the Authority's financial statements for fiscal year 2014.

Ms. Barackman reported on the Authority's monthly financials and budget comparison for the period ending April 30, 2014. Commissioner Black entered the meeting at this time. In her report, Ms. Barackman stated that excess revenues were \$90.7 million, surpassing the budget by \$28.4 million, that programmatic expenses were \$27.8 million better than budget, that administrative expenses were under budget by \$5.3 million, and that net assets totaled \$2.6 billion.

Mr. Wyatt reported on the status of the internal audit schedule, reports and recommendations. In the report, he indicated that there were no adverse reports issued since the last committee meeting and no control concerns that were previously reported to the Audit Committee that have not been successfully addressed by management.

Mr. Reger reported on his efforts regarding enterprise risk management at the Authority. He indicated there is consensus that the largest potential impact on the Authority would be from reputational risk.

There being no further business, the meeting was adjourned at 2:10 p.m. on June 3, 2014.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE OPERATIONS COMMITTEE
HELD ON JUNE 3, 2014

Pursuant to the call of the Committee Chairman and notice duly given, the meeting of the Operations Committee of the Board of Commissioners of the Virginia Housing Development Authority (the "Authority") was held on June 3, 2014 at the Virginia Housing Center, 4224 Cox Road, Glen Allen, Virginia.

COMMITTEE MEMBERS PRESENT:

Marjorie N. Leon, Chairman
Jacqueline T. Black
Timothy M. Chapman
Charles McConnell
Sarah Stedfast

COMMITTEE MEMBER ABSENT:

Manju Ganeriwala

OTHER COMMISSIONERS PRESENT

Kermit E. Hale
Douglas R. Fahl

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Barbara Blankenship, Managing Director of Human Resources
Patrick J. Carey, Managing Director of Finance
J. Judson McKellar, Jr., General Deputy
Janet Wigglesworth, Managing Director of Information Technology Services
Tammy Neale, Chief Learning Officer
Russ E. Wyatt, General Auditor
Llewellyn C. Anderson, Director of Executive Services
Melody Barackman, Controller
Bonnie McRae, Senior Executive Assistant

The meeting of the Operations Committee was called to order by Committee Chairman Leon at approximately 2:10 p.m. on June 3, 2014. All of the members of the Committee listed above as being present at the meeting were present at that time and remained present throughout the meeting.

On motion duly made and seconded, the minutes of the meeting of the Committee held on February 5, 2014 were approved by the affirmative vote of each of the members of the Committee noted above as present.

Mr. Carey presented the salient features for the sale and issuance of an estimated \$35,000,000 of the Authority's tax-exempt Rental Housing Bonds. In his report, Mr. Carey

advised the Committee that the bonds are expected to bear fixed interest rates and have a final maturity in 30-35 years, and that the proceeds of the bonds are expected to be used to finance mortgage loans for up to four multi-family developments.

Ms. Neale reported on professional development, employee engagement and organizational development work by the Organizational Development and Learning Division since the February meeting of the Committee. Ms. Neale also noted that there are twenty-nine Associates that will be graduating from the Emerging Leaders Program at the June board meeting, and that the Leadership Development Program will be offered later this year.

Ms. Wiglesworth reported on the status of the Project Management Office portfolio of programs and projects. In her report, Ms. Wiglesworth discussed with the Committee Members the status of the headquarters renovations and the single family solution suite project.

Ms. Wiglesworth, Mr. Carey, and Ms. Blankenship presented a report on compensation of the Authority staff. This report included a review of the Board of Commissioners' policy on compensation and a comparison of the Authority's financial status and operations with those of other state housing finance authorities, state headquartered financial institutions, and state universities and authorities. Mr. Carey then presented recommendations for the combined pool for staff merit and bonuses. It was the consensus of the Committee to recommend to the Board of Commissioners approval of a combined pool of \$2,300,000 to be allocated between staff merit and bonuses as the Executive Director shall determine.

There being no further business, the meeting was adjourned at approximately 2:45 p.m. on June 3, 2014.