

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE
AND THE REGULAR MEETING OF THE COMMISSIONERS
HELD ON MAY 15 AND 16, 2006

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 May 15 and 16, 2006 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

Douglas R. Fahl, Chairman
Jay Fisette, Vice Chairman
John P. McCann
Edward L. McCoy
Charles McConnell
William C. Shelton
Gerald W. Hopkins
Terri M. Ceaser
Yvonne T. Allmond
J. Braxton Powell

COMMISSIONER ABSENT:

Jack Loeb, Jr.

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Donald L. Ritenour, Managing Director of Development
Thomas A. Dolce, Managing Director of Servicing and Compliance
Arthur N. Bowen, Managing Director of Finance and Administration
Barbara Blankenship, Managing Director of Human Resources
Janet W. Butler, Managing Director of Information Technology Services
Tammy N. Taylor, Managing Director of Organizational Development and Learning
Russ E. Wyatt, General Auditor
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
Paul M. Brennan, Deputy General Counsel
John F. Hastings, Director of Multi-Family Development Programs
Michele G. Watson, Director of Homeownership Programs
James M. Chandler, Director of Low Income Housing Tax Credit Programs
J. Michael Hawkins, Director of Community Housing
Llewellyn C. Anderson, Business Planning Analyst
M. Gary Murray, Controller
Linda K. Evans, Budget and Risk Management Analyst
Joseph K. Feasor, Business Performance Analyst
Clarence Wilson, Procurement Manager

Chairman Fahl called the meeting of the Committee of the Whole to order at 2:45 p.m. on May 15, 2006. The Commissioners listed above as present at the meeting were present at that time, except Commissioner Powell and Vice Chairman Fisette who joined the meeting in progress as noted below and thereafter remained present during the meeting and except Commissioners McCoy who was not present during the meeting of the Committee on May 15, 2006.

Mr. Bowen presented a report on the Authority's proposed annual budget for fiscal year 2007. After the commencement of this report, Commissioner Powell joined the meeting. During this presentation, the Commissioners and the staff discussed the following: the fiscal year 2007 budget process; the Authority's fiscal year 2007 critical issues; the loan production and mortgage loan asset balances in fiscal year 2006; the revenues and expenses in fiscal year 2006; the loan production and mortgage loan asset balances projected for fiscal year 2007; and the revenues and expenses included in the proposed budget for fiscal year 2007.

The Commissioners then considered an increase in the maximum number of full-time employees previously authorized by the Board of Commissioners. After a discussion of this issue, it was the consensus of the Commissioners that the concept of a "maximum number of employees" be eliminated, provided that the staff continue to inform the Commissioners prior to any future major hiring initiatives. Following this discussion, Vice Chairman Fisette joined the meeting.

Mr. Ritenour then presented a report on the REACH program allocations for fiscal year 2007. Mr. Ritenour summarized the REACH allocations in fiscal year 2006, described new programs for the 2007 REACH allocation, and compared fiscal year 2006 allocations to fiscal year 2007 allocations for the programs that would continue in fiscal year 2007. Mr. Ritenour noted that REACH subsidy for fiscal year 2007 would be redistributed among programs depending on usage or program performance. The Commissioners then discussed the amount of the REACH subsidy.

Mr. Chandler presented a report on the final rankings for reservations of the 2006 federal low-income housing tax credits. Mr. Chandler summarized issues that arose as a result of appeals and challenges since the release of the preliminary rankings and discussed the King's Highway Project which will serve persons with disabilities, a critical issue identified by the Authority.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 6:35 p.m. on May 15, 2006.

Chairman Fahl called the regular meeting of the Board of Commissioners to order at approximately 11:05 a.m. on May 16, 2006. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner McCann who joined the meeting in progress as noted below and thereafter remained present during the meeting.

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

On motion duly made and seconded, the minutes of the retreat meeting and the regular meeting of the Commissioners held on March 19-21, 2006 were approved by the affirmative vote of each of the Commissioners then present at the meeting.

Mr. Bowen presented a report on the Authority's operating statement for the period ended March 31, 2006 and quarterly unaudited financial statements for the period ended March 31, 2006.

Chairman Fahl then recognized the Virginia Housing Coalition, the Community Housing Partners Corporation, and the Home Builders Association of Virginia for their years of service to housing in Virginia. Commissioner Hopkins moved approval of the resolutions entitled "Resolution in Recognition and Appreciation of the Twenty-Fifth Anniversary of Virginia Housing Coalition", "Resolution in Recognition and Appreciation of the Thirtieth Anniversary of Community Housing Partners Corporation" and "Resolution in Recognition and Appreciation of the Fiftieth Anniversary of Home Builders Association of Virginia" each dated May 16, 2006, in the forms attached hereto. This motion was seconded by Commissioner McConnell and was approved by the affirmative vote of each of the Commissioners then present at the meeting.

On behalf of the Executive Committee, Chairman Fahl reported that the Committee discussed executive compensation and reviewed research and benchmark data provided by the staff and that the Committee will make a recommendation to the Board on the salary of the Executive Director at the next meeting.

On behalf of the Committee of the Whole, Chairman Fahl reported that the Committee reviewed the proposed budget for fiscal year 2007. Commissioner Hopkins moved approval of the resolution entitled "Resolution – Adoption of Operating Budget – Fiscal Year 2007" dated May 16, 2006 in the form attached hereto. This motion was seconded by Commissioner Powell and was approved by the affirmative vote of each of the Commissioners then present at the meeting. Commissioner Fahl reported that the Committee had discussed the 2007 REACH allocations and would review the usage of REACH subsidy at the 2007 January Board meeting. Chairman Fahl also reported that the Committee received a staff report on the final rankings for reservations of the 2006 federal low-income housing tax credits.

Commissioner McConnell, on behalf of the Programs Committee, reported on the final rankings of the Authority for reservations of the 2006 federal low-income housing tax credits. Commissioner McConnell advised the Commissioners that the staff would respond to a public comment made at the meeting of the Committee as to the ranking of Heritage at Coliseum in the at-large pool. Mr. Ritenour presented the recommendation of the staff that the Commissioners select King's Highway Project for a reservation of tax credits from the at-large pool. On motion duly made and seconded, the final tax credit rankings for reservations of 2006 federal low-income housing tax credits and the

recommendation to reserve 2006 federal low-income housing tax credits for King's Highway Project were approved by the affirmative vote of each of the Commissioners then present at the meeting. Commissioner McConnell next reported that the Committee had reviewed and discussed staff reports on the following matters: the homeownership and multi-family loan production; the single family and multi-family loan delinquencies; an update on the Housing Choice Voucher Program; an update on the REACH program for fiscal year 2006 and the allocation of REACH subsidy in fiscal year 2007; the proposed use of funds held by the Authority's subsidiary Housing for Virginia, Inc.; and an update on the servicing by the Authority of single-family loans made to Authority employees.

On behalf of the Audit/Operations Committee, Chairman Fahl reported that the Committee had received and discussed reports from Mr. Wyatt on the status of the internal audit schedule and internal audit reports and had reviewed, and recommended approval of, the VHDA Audit Committee Charter. Commissioner Powell moved approval of the VHDA Audit Committee Charter in the form attached hereto. This motion was seconded by Commissioner McCoy and was approved by the affirmative vote of each of the Commissioners then present at the meeting. Commissioner Fahl reported that the Authority had received proposals from four firms to serve as the Authority's independent auditors and that the firms of KPMG and Cherry, Bekaert & Holland had been selected for interviews. Chairman Fahl advised the Commissioners that the Committee had reaffirmed the Internal Audit Charter. Chairman Fahl next reported that the Committee had received and discussed the following: reports from Ms. Blankenship on the Authority's benefits for fiscal years 2006 and 2007 and the Authority's employee turnover rate; a report from Mr. Bowen on the Authority's retirement plans and the results of an internal survey of employees to determine their satisfaction with those plans; and the salient features of the Authority's proposed Rental Housing Bonds, 2006 Series B-AMT, and Commonwealth Mortgage Bonds, 2006 Series D-AMT and E. Commissioner Fahl reported that the Committee had considered, and recommended approval of, a proposed resolution that would declare the Authority's intent to issue tax-exempt bonds and use the bond proceeds to reimburse expenditures for proposed repairs and improvements to Deerwood Apartments. Commissioner McCoy then moved approval of the resolution entitled "Declaration of Official Intent to Reimburse Expenditures with Proceeds of Bonds for Deerwood Apartments" dated May 16, 2006, in the form attached hereto. This motion was seconded by Commissioner Allmond and was approved by the affirmative vote of each of the Commissioners then present at the meeting.

Commissioner Shelton then gave a presentation to the Board on the status of Virginia Community Capital, Inc. Commissioner McCann joined the meeting during this presentation.

Ms. Dewey's presented her report on operations in which she advised the Commissioners of the following matters; (i) the Authority's submission to the Secretary of Commerce and Trade of a request for an executive order by the Governor to continue the Authority's authorization to allocate and administer the federal low-income housing tax credits; (ii) a reception that was held on May 1 hosted by AHC, AHOME and the

Northern Virginia Affordable Housing Alliance thanking the Authority for its increased presence in northern Virginia; (iii) the attendance by Mr. Clarence Wilson at the Governor's SWAM Construction Forum and the Authority's efforts to expand procurement outreach; (iv) the Authority's first Affordable Housing Fair to be held June 10 at the Hampton Roads Convention Center; (v) the new logo and promotion of the Granting Freedom Program; (v) the Authority's marketing efforts on Hispanic radio stations; and (vi) the Virginia Housing Coalition 25th Anniversary Dinner to be held on June 22, 2006, in Richmond, the NCSHA Annual Conference to be held on September 16–19, 2006, in San Francisco, the upcoming Board meetings on July 31 – August 1, 2006, September 26–27, 2006, and November 20–21, 2006, and the Governor's Housing Conference to be held on November 29 – December 1, 2006, in Norfolk.

Chairman Fahl then noted that Commissioner Ceasar is not seeking another term as a commissioner of the Authority, and, on behalf of the Board, Chairman Fahl expressed appreciation for her work on the Board.

There being no further business, the meeting was adjourned at approximately 12:30 p.m.

Douglas R. Fahl, Chairman

J. Judson McKellar, Jr.
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE PROGRAMS COMMITTEE ON MAY 16, 2006

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 was held on May 16, 2006, at 601 South Belvidere Street, Richmond, Virginia.

COMMITTEE MEMBERS PRESENT:

Charles McConnell, Committee Chairman
Terri M. Ceaser
William C. Shelton
Jay Fissette
Gerald W. Hopkins

OTHER COMMISSIONERS PRESENT

Douglas R. Fahl
Yvonne T. Allmond
J. Braxton Powell

COMMITTEE MEMBER ABSENT:

Jack Loeb, Jr.

OTHERS PRESENT:

Susan F. Dewey, Executive Director
Donald L. Ritenour, Managing Director of Development
Thomas A. Dolce, Managing Director of Servicing and Compliance
Arthur N. Bowen, Managing Director of Finance and Administration
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications
Janet Butler, Managing Director of Information Technology Services
Barbara Blankenship, Managing Director of Human Resources
Russ Wyatt, General Auditor
Paul M. Brennan, Deputy General Counsel
Michele G. Watson, Director of Homeownership Development Programs
John F. Hastings, Director of Multi-Family Development Programs
James M. Chandler, Director of Low Income Housing Tax Credit Programs
Sharon B. Fairburn, Housing Choice Voucher Program Director
J. Michael Hawkins, Director of Community Housing
Llewellyn C. Anderson, Strategic Planner
Barry Merchant, Policy Analyst
M. David Jester, President, Marlyn Development
Kristy Rose, Marlyn Development
Gary Weiler, Marlyn Development
Michael J. Quinan, Christian Barton, LLP
Edward L. Petrini, Christian Barton, LLP
Mark D. Kinser, Unlimited Construction, Inc.

The meeting of the Committee was called to order by Committee Chairman McConnell at approximately 9:07 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.

On motion duly made and seconded, the minutes of the meeting of the Committee held on March 21, 2006 were approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Chairmen McConnell opened the floor for public comments on the proposed reservations of federal low-income housing tax credits. Mr. Quinan distributed selected portions of the Authority's Qualified Allocation Plan and the 2006 Preliminary Rankings and presented comments that the ranking of a multi-family development known as Heritage at Coliseum Central Project was not in accordance with the Authority's Qualified Allocation Plan. Mr. Jester provided information about Marlyn Development Corporation, reviewed the merits of Heritage at Coliseum Central Project, and distributed letters of support for the project. Upon the conclusion of these comments, Commissioners Fahl, Allmond and Powell left the meeting to attend the Audit/Operations Committee meeting. Commissioner Fisette asked staff if the ranking of Heritage at Coliseum Central Project was proper and consistent with the ranking of similarly situated projects in the past. Mr. Brennan confirmed the ranking was proper and consistent with past rankings. Commissioner Hopkins moved that the Committee recommend approval of the final rankings as presented. This motion was seconded by Commissioner Shelton and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting. Commissioner Hopkins added that he hoped Marlyn Development Corporation would work with staff under the Authority's other lending programs to fund Heritage at Coliseum Central Project.

Ms. Watson presented the homeownership bi-monthly production report. Ms. Watson commented that loan production continues to be high and that reservations for the month of May are estimated to be \$175 million. Ms. Watson also commented that the delay between the time the loans are closed and the time the Authority receives the loan documentation creates inaccurate data in the bi-monthly report and suggested a new reporting schedule in which closed loan production would be reported quarterly and reports on reservations would be provided in the interim.

Mr. Bowen reported to the Committee that the Authority was exploring possible uses for the assets of the Authority's subsidiary, Housing For Virginia, Inc., which had had grown to approximately \$500,000. Mr. Bowen noted that a possible use of the funds would be to support The Housing Virginia Campaign, a nonprofit organization committed to educating the public on the benefits of affordable housing to communities. The staff was requested to present to the Committee a plan on The Housing Virginia Campaign's anticipated uses of the donation and to consider ways to take advantage of publicity as to the use of these funds.

Mr. Hastings reviewed the multi-family bi-monthly production report and

commented that although multi-family loan production was low in the report, production in the first two weeks of May has already matched the production of March and April and that multi-family loan production should improve with the release of the tax credit rankings. Mr. Ritenour noted that an estimated 70% of multifamily financing was supported with REACH subsidy dollars.

Mr. Dolce presented reports on the status of delinquencies and foreclosures in the homeownership and multifamily loan servicing portfolios. Mr. Dolce noted that homeownership and multifamily delinquencies decreased slightly. Mr. Dolce also presented an update on the Housing Choice Voucher Program in which he stated that current leasing is at 95.3%. In addition, with regard to assistance provided to Hurricane Katrina victims, Mr. Dolce noted that 106 households with housing choice vouchers have leased housing units and 91 households are in search of a unit.

Mr. Ritenour presented the FY07 Recommended REACH Allocation Report reflecting subsidy allocations to existing and new programs. Following a brief discussion, the Committee requested a midyear review of the programs utilizing REACH subsidy. Mr. Ritenour also advised the Committee that he did not foresee the Authority using REACH to make loans in a second or third lien position because the flexibility of REACH would enable the Authority to combine funds to fund the entire project.

Mr. Ritenour reported to the Committee that the Authority agreed to make single family loans to employees on the understanding that SunTrust Mortgage would originate and service such loans. He explained that, due to the uniqueness of the Authority's single family Flex program, the servicing of such loans has been transferred from SunTrust Mortgage to the Authority, although SunTrust Mortgage will continue to originate such loans.

There being no further business, the meeting was adjourned at 10:25 a.m.

Minutes of the Meeting of the Audit/Operations Committee Held on May 16, 2006

The meeting of the Audit/Operations Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on May 16, 2006 at the offices of the Virginia Housing Development Authority, 601 S. Belvidere Street, Richmond, Virginia.

Committee Members Present Douglas R. Fahl, Acting Chairman
Edward L. McCoy
J. Braxton Powell
Yvonne Toms Allmond

Others Present Arthur N. Bowen, III, Managing Director of Finance & Administration
Tammy N. Taylor, Managing Director of Organizational Development and Learning
Barbara Blankenship, Managing Director of Human Resources
Janet Butler, Managing Director of Information Technology Services
Russ E. Wyatt, General Auditor
Michelle S. Edmonds, Sr. Executive Assistant

Meeting Called to Order The meeting was called to order at 9:40 a.m. All of the members of the Committee noted above as being present at the meeting were present at that time and remained present throughout the meeting.

Approval of the Minutes Commissioner Powell moved approval of the minutes of the meeting of the Audit/Operations Committee dated March 21, 2006. Commissioner Allmond seconded this motion. This motion was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Internal Audit Update The General Auditor reviewed the updated schedule of audits with the Committee and reported that audits in progress include the: 1) Investments Department (including the Real Time Application System); 2) Housing Choice Voucher Program (including the ECS Application System); 3) MF Compliance Department (including the Federal Tax Credit Monitoring, the State Tax Credit Program, and the MDS Application System); and 4) Annual Confirmations (including the MF Loan Programs, SF Loan Programs, Investments). The General Auditor then reported that no audit reports have been issued since the last meeting.

The General Auditor reported the following with regard to the status of two audit issues that are not yet fully resolved.

1. Human Resources. Audit recommended that Human Resources develop and document departmental operating policies and procedures. A tech-writer has been hired and is currently working on this project. June 30, 2006 is the targeted date for completion.

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Internal Audit Update (cont'd)

2. SF Home Ownership Department of Development. Audit reported that reservation fees and associated late charges were not being invoiced and collected in accordance with established policy regarding the timing of such payments. Audit reported that management had indicated that VHDA's timeline for receiving reservation fees and assessing late charges was inappropriate for some of the new VHDA lending programs that take longer to close and, as a result, wanted to study the issue and establish a new VHDA reservation fee policy. The General Auditor reported that a team was established to study this issue, however, due to the extraordinary loan volume, the project has been temporarily tabled until December 31, 2006. Commissioner Fahl stated his concerns that this issue has not been addressed and asked the General Auditor to follow up with SF Originations management.

Audit Charter

McGuire Woods was asked to review the Audit Charter and they made a number of recommendations, some of which could be classified as "wordsmithing" and others that were substantive. The General Auditor reviewed these changes with the Committee. After discussion of the changes, Commissioner McCoy moved that the Committee recommend approval to the Board. Commissioner Powell seconded this motion. This motion was approved by the affirmative vote of each of the Commissioners then present at the meeting.

External Auditor RFP

The General Auditor reported that proposals have been received from four accounting firms in response to our RFP from independent auditors wishing to perform VHDA's annual audit. The General Auditor indicated that the four proposing firms included: KPMG, Clifton, Gunderson, Cherry, Bekaert & Holland and Brown, Edwards & Company. The General Auditor further reported that based on the objective analysis of the proposals received, the selection committee, consisting of the General Auditor, VHDA's controller and Commissioners Allmond and McCann, had decided to interview KPMG and Cherry, Bekaert & Holland. The General Auditor indicated that the interviews would be scheduled for June 14, 2006.

Internal Audit Charter

The General Auditor then asked for the Committee to reaffirm the Audit Division Charter, which has not changed. Commissioner Allmond moved for reaffirmation of the Internal Audit Charter and the motion was seconded by Commissioner Powell. This motion was approved by the affirmative vote of each of the Commissioners then present at the meeting.

Human Resources

Tammy Taylor introduced Barbara Blankenship to the Committee. As a follow up to a request in March, Barbara Blankenship provided an overview of total compensation for the past two years compared to 2006. Barbara will provide an

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Human Resources
(cont'd)

Update on plans for the 2007 benefits at the August meeting. Barbara also provided a report showing voluntary and involuntary turnover rates for the past several years. VHDA continues to experience below average turnover rates with increases in FY '02 and FY '06 due to restructuring of the Housing Choice Voucher Program and Information Technology Services division. Tammy Taylor was asked to explain her new role with the Committee which she did.

Retirement Plan Update

As a follow up to a question raised at the January meeting, Art Bowen, Managing Director of Finance & Administration, gave an overview of VHDA's retirement plans, including investment options and vesting schedules. An internal survey of VHDA associates was undertaken, the results of which Mr. Bowen reviewed with the Committee.

VHDA offers three plans:

1. 401(A) – defined contribution plan which is fully funded by VHDA. 6% of employee's compensation.
2. 401(K) – the plan includes contributions made by the employee and VHDA.
3. 457 Deferred Compensation Plan – fully funded by the employee.

With respect to the vesting provisions and vesting options, research gathered shows favorably a seven year graduating vesting provision on the 401(A) plan. 15% of other firms researched reveal vesting at 6-8 years. Only 10% of firms have immediate vesting. Given today's environment, seven years may be too long but immediate vesting is not the best option. VHDA will look at the possibility of changing to a five year vesting period. Regarding the 401(K) plan, it appears that that VHDA's immediate vesting schedule is well within industry standards and staff recommends no changes to such schedule. Staff also investigated the possibility of combining the 401(A) and 401(K) plans but the practical aspects would be prohibitive. Management would still need to track two separate plans.

Regarding the number of investment options, internal survey results appear to suggest that the majority of staff are comfortable with the current array of 71 investment options, though this is relatively high to the industry average of 18. Having this number of investment options effectively balances the competing interests and desires of all employees. A common thread through the internal survey responses mention that more education and understanding of our retirement options is very much needed. Accordingly, management will take steps to provide more education in this area and this will be VHDA's focus going forward.

Salient Features

Art Bowen presented the salient features for an upcoming Rental Housing Bond issue to be issued in June or July, up to \$80 million tax-exempt bonds, expected to be rated Aa1/AA+. Art also presented the salient features for an upcoming

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Salient Features (cont'd) Commonwealth Mortgage Bond issue to be issued in June or July, up to \$650 million tax-exempt bonds, expected to be rated Aaa/AAA. A portion of the bond issues will be sold long-term with the balance of the issue sold on a variable rate, short-term basis then remarketed on a long-term, fixed rate basis so proceeds are used to make mortgage loans.

Declaration of Official Intent Art Bowen summarized a resolution declaring VHDA's official intent to issue tax-exempt bonds to reimburse itself for up to \$3 million in repair and improvement expenses related to VHDA's foreclosure on the Deerwood Apartments in Lynchburg. The Internal Revenue Code requires a declaration of official intent in instances where the proceeds of tax-exempt bonds will be used to reimburse an issuer for expenditures already incurred.

Controller Art Bowen advised the Committee that the controller, Gary Murray, will be retiring effective 12/31/06. Gary will continue to work part-time at VHDA to assist a new controller with transition. Interviews for this position will begin May 17, 2006.

Adjournment There being no further business, Commissioner Fahl adjourned the meeting at 10:45 a.m.

Arthur N. Bowen, III
Managing Director of Finance &
Administration

John P. McCann
Chairman

Minutes of the Meeting of the Executive Committee Held on May 15, 2006

The meeting of the Executive Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on May 15, 2006 at VHDA, 601 S. Belvidere Street, Richmond, Virginia.

Committee Members Present Douglas R. Fahl, Chairman
Jay Fiset, Vice Chairman
John P. McCann, Audit/Operations Committee Chairman
Charles McConnell, Programs Committee Chairman

Others Present Susan Dewey, Executive Director
Arthur N. Bowen, III, Managing Director of Finance & Administration
Tammy N. Taylor, Managing Director of Organizational Development and Learning
Barbara K. Blankenship, Managing Director of Human Resources

Meeting Called to Order Commissioner Fahl called the meeting to order at approximately 6:45 p.m. All of the members of the Committee noted above as being present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Fiset who left the meeting following the discussion by the Committee of the current compensation philosophy noted below.

Recap of the Purpose of the Meeting The purpose of meeting was to discuss and plan executive compensation. The Committee was led by Chairman, Doug Fahl. Commissioner Fahl clarified the purpose of the discussion and expressed a desire for the Committee to reach consensus on the compensation philosophy and its application for the senior executives. He reiterated that Ms. Taylor had been asked by the Committee to provide comparative data.

Review of comparative Data Art Bowen reviewed and clarified the non-compensation comparisons between VHDA and peer housing finance authorities. Barbara Blankenship clarified VHDA compensation administration guidelines and practices. Ms. Taylor reviewed the comparable compensation data and the process for reviewing the performance of the Executive Director. Mr. Bowen then left the meeting.

Discussion and Decisions The Committee discussed the current compensation philosophy and its application. The Committee reached consensus to:

- 1) Continue recognizing the annual performance of the Executive Director and award compensation through a combination of increase to base pay, an auto

- allowance and bonus; and
- 2) Continue recognizing the annual performance of senior managers and award compensation. The Committee provided general guidelines on how to slow down base pay where needed.

Next Steps

Ms. Taylor will work with Commissioner Fahl to solicit feedback from the full Board on Ms. Dewey's performance for Fiscal Year 05-06, compile the data and facilitate the review and compensation process at the July Executive Committee meeting.

Commissioner Fahl will provide a report on Ms. Dewey's performance and related compensation decision in an Executive Session of the full Board on August 1.

Adjournment

There being no further business, Commissioner Fahl adjourned the meeting at approximately 8:30 p.m.