

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE COMMITTEE OF THE WHOLE  
AND THE ANNUAL MEETING OF THE COMMISSIONERS  
HELD ON AUGUST 5 AND 6, 2008

Pursuant to the call of the Chairman and notice duly given, the meeting of the Committee of the Whole and the annual meeting of the Commissioners of the Virginia Housing Development Authority (the "Authority") were held on August 5 and 6, 2008 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

John P. McCann, Chairman  
Douglas R. Fahl, Vice Chairman  
Gerald W. Hopkins  
Jay Fisette  
Charles McConnell  
William C. Shelton  
J. Braxton Powell  
Jacqueline T. Black  
Nancy K. O'Brien  
Yvonne T. Allmond

COMMISSIONER ABSENT:

Edward L. McCoy

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  
Russ E. Wyatt, General Auditor  
Tammy Neale Taylor, Managing Director of Organizational Development and Learning  
Herb H. Hill, Jr., Managing Director of Policy, Planning, and Communications  
J. Judson McKellar, Jr., 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  
Patrick J. Carey, Finance Director  
Robert Halloran, Marketing Director  
Richard Rupertus, Assistant Director of ITS Operations  
Sheila Phillips, Assistant Director of Project Management  
Kathy Natale, Assistant Director of Business Systems

Michael Stoneman, Multi-Family Owned Property Portfolio Manager  
J. Michael Hawkins, Director of Community Housing  
Brenda Brophy, Development Officer Manager  
Brad Beaman, Development Officer  
Barry Merchant, Policy Analyst  
Melody S. Barackman, Controller  
Ronald A. Reger, Strategic Planner  
Scott Heiry, Business Intelligence Manager  
Barbara MacIver, Construction Loan Coordinator  
Louise Woods, Program Compliance Officer  
Emmy Harris, Senior Program Assistant  
Carol Hurdle, Architectural and Engineering Program Assistant  
Dennis Yeates, Senior Development Officer  
Scott Charnock, Senior Development Officer  
Thomas James, Treasury and Investment Manager  
Heather Shell, Multi-Family Analyst

Chairman McCann called the meeting of the Committee of the Whole to order at 2:06 p.m. on August 5, 2008. The Commissioners listed above as present at the meeting were present at that time, except Commissioners Fisetta and Black who joined the meeting in progress as noted below.

Ms. Dewey presented a report on the Authority's activities in support of the Foreclosure Prevention Task Force, including the foreclosure counselor training, the structure and location of and attendance at the mortgage clinics, the marketing and promotion of the clinics, the survey responses of the attendees of the clinics, the website developed for the Foreclosure Prevention Task Force, the sponsors of the clinics, the number of Authority staff that supported each of the clinics, the data collected about the attendees of the clinics, and the next steps being considered by the Foreclosure Prevention Task Force. The Commissioners commended the staff for their excellent work in promoting and organizing the clinics in a brief period of time. Following this presentation, Ms. Dewey reported on the status of pending federal legislation on foreclosure prevention and relief. During this report, Commissioners Fisetta and Black joined the meeting. Upon the conclusion of her report, Ms. Dewey showed a video of Governor Kaine's public service announcement developed by the Foreclosure Prevention Task Force.

Mr. Hill reported on the Authority's marketing activities. In this report, Mr. Hill discussed with the Commissioners the following: the marketing required to support the Authority's strategic goals and fulfill its public purpose; the marketing tools utilized by the Authority to achieve its strategic outcomes; the means by which the Authority makes the most efficient and effective use of its advertising dollars; and the techniques used by the Authority to measure the results of its marketing efforts. .

Ms. Butler, Ms. Natale and Ms. Phillips presented a report on the Authority's technology goals, processes and expenditures. In this report, Ms. Butler discussed the following matters with the Commissioners: the ITS Leadership Team; the technology,

programs and internal and external customers supported by ITS; the ITS Governance Board; the process for project approval; the relationship of the ITS Business Plan and the Authority's Strategic Plan; the business and technology initiatives in fiscal year 2008; the objectives and benefits of the Authority's project management system; and a review of the technology budget for fiscal year 2009. During this report, the Commissioners and Ms. Butler discussed the Commissioners' concern about the increase in the technology budget for fiscal year 2009 and the number of applications that ITS must maintain.

Mr. Bowen reported on the Authority's preliminary and unaudited financials for fiscal year 2008. In this report, Mr. Bowen advised the Commissioners that the excess revenues over expenses before GASB 31 adjustments total \$132.5 million which is less than the budgeted amount of \$150.16 million and noted the following principal factors: the provision for loan losses increased to \$21.24 million; bond interest expenses of \$335.05 was higher than budgeted; and mortgage loan income was less than budgeted due to lower loan production. Mr. Bowen then advised the Commissioners that the GASB 31 mark-to-market adjustment for the securities portfolio resulted in a \$59.77 million unrealized loss and explained that the adjustment was due primarily to declines in the market values of two mortgage backed securities based upon the more conservative of market values provided by two independent pricing services. Mr. Bowen indicated that at least a portion of the unrealized loss may be realized in fiscal year 2009. Mr. Bowen informed the Commissioners that KPMG will be reviewing the market values of these securities and providing its recommended market values which may affect the GASB 31 adjustment in the Authority's audited financials for fiscal year 2008.

Ms. Dewey reported on the Authority's organizational performance for fiscal year 2008. During this report, Ms. Dewey discussed with the Commissioners the principal accomplishments and challenges for each of the Authority's outcomes for its three strategic goals.

There being no further business, the meeting of the Committee of the Whole was recessed at approximately 6:20 p.m. on August 5, 2008.

The Committee of the Whole reconvened at approximately 8:40 a.m. on August 6, 2008. The Commissioners listed above as present at the meeting were present at that time, except Commissioner O'Brien who joined the meeting in progress as noted below and Commissioner Black who was not present at the meeting of the Committee on August 6, 2008.

Mr. Stoneman presented a report on the status of the multi-family developments owned by the Authority and the Authority's proposed disposition of those developments. During this report, Commissioner O'Brien joined the meeting.

There being no further business, the meeting of the Committee of the Whole was adjourned at approximately 9:32 a.m. on August 6, 2008.

Chairman McCann called the annual meeting of the Board of Commissioners to order at approximately 11:35 a.m. on August 6, 2008. The Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting, except Commissioner Fisetto who joined the meeting in progress as noted below and thereafter remained present until he left the meeting as noted below, except Commissioner Black who left the meeting as noted below, and except Commissioner Shelton 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 motions duly made and seconded, the minutes of the meeting of the Committee of the Whole and the regular meeting of the Commissioners held on May 5 and 6, 2008 were approved by the affirmative vote of each of the Commissioners then present at the meeting. At this point, Commissioner Shelton joined the meeting.

On motion duly made and seconded, the resolution entitled "Resolution in Recognition and Appreciation of the Twentieth Anniversary of the Central Virginia Housing Coalition" dated August 6, 2008, in the form attached hereto was approved by the affirmative vote of each of the Commissioners then present at the meeting. Following this action, Commissioner Fisetto joined the meeting.

Chairman McCann recognized Ms. Barbara MacIver and Ms. Louise Woods for their 30 years of service with the Authority. On motion duly made and seconded, the resolutions entitled "Resolution in Recognition and Appreciation of Thirty Years of Service by Barbara MacIver" and "Resolution in Recognition and Appreciation of Thirty Years of Service by Louise Woods" both dated August 6, 2008, in the forms attached hereto were approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Ms. Dewey presented a resolution to approve the proposed annual and regular meeting dates of the Board of Commissioners for calendar year 2009. On motion duly made and seconded, the resolution entitled "Resolution Establishing Regular and Annual Meeting Dates of the Board of Commissioners for Calendar Year 2009" dated August 6, 2008, in the form attached hereto was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

Chairman McCann, on behalf of the Committee of the Whole, advised the Commissioners as to the staff reports that were received and discussed by the Committee on the following matters: the Authority's activities in support of the Foreclosure Prevention Task Force; the status of pending federal legislation on foreclosure prevention and relief; the Authority's marketing activities; the Authority's technology goals, processes and expenditures; the Authority's preliminary and unaudited financials for fiscal year 2008; the Authority's organizational performance for fiscal year 2008; and the status

of the multi-family developments owned by the Authority and the Authority's proposed disposition of those developments.

Commissioner McConnell, on behalf of the Programs Committee, reported that the Committee had received and discussed a staff report on proposed changes to the Authority's Qualified Allocation Plan for the federal low-income housing tax credits and recommended that the staff proceed with such changes. Commissioner McConnell advised the Commissioners that, in response to the memorandum from Commissioner O'Brien, the Committee had directed that copies of the notification to the locality's chief executive officer be sent by the staff to the Mayor or Chairman of the Board of Supervisors of the locality and that the staff consider and, if appropriate, implement geographic cost and credit parameters for Charlottesville MSA. Commissioner McConnell moved that the staff proceed with the public notice and hearing to obtain public comment on the proposed changes to the Authority's Qualified Allocation Plan. This motion was seconded by Commissioner Fisette and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. Commissioner McConnell advised the Commissioners that the Committee had appointed a task force to be led by Commissioners Hopkins and Fisette that will consider and make recommendations on incentives to encourage "green" construction in Authority financed or assisted housing. Commissioner McConnell reported that the Committee had reviewed, and had recommended approval of, a resolution to approve and ratify the reservations of the 2008 federal low-income housing tax credits. On motion duly made and seconded, the resolution entitled "Resolution Approving and Ratifying Reservation of Federal Low-Income Housing Tax Credits" dated August 6, 2008, in the form attached hereto, was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. Commissioner McConnell next reported that the Committee had received and discussed a staff report on the Authority's mixed use, mixed income loan program and concurred with the staff's recommendations that no changes be made in the program requirements and guidelines and that proposed mixed use, mixed income developments continue to be evaluated individually with respect to the appropriate income limits and mix of housing and commercial space. Commissioner McConnell reported that the Committee had received and discussed staff reports on the status of homeownership and multi-family loan production and delinquencies. Commissioner McConnell reported that the Committee had received a staff report on the annual Section 8 Management Assessment Program Certification ("SEMAP Certification") for the Section 8 Housing Choice Voucher Program for 2008 and recommended approval of the resolution approving and authorizing the execution of the SEMAP Certification. Commissioner McConnell then moved approval of the resolution entitled "Resolution Approving Housing Choice Voucher Section 8 Management Assessment Program Certification" in the form attached hereto. This motion was seconded by Vice Chairman Fahl and was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting. Commissioner McConnell reported that the Committee had received and discussed a staff report on the status of the Authority's emerging markets outreach efforts and had been advised that Ms. Monique Johnson, a Community Housing Officer, had been selected by the Affordable Housing Finance magazine as one of 15 young housing leaders.

Commissioner Allmond, on behalf of the Audit Committee, reported that the Committee had received a presentation from KPMG on the status of its 2008 audit of the Authority's financial statements and had received and discussed a report from Ms. Barackman on the Authority's monthly financials and budget comparisons for the period ended June 30, 2008 and reports from Mr. Wyatt on the status of the internal audit schedule, the internal audit reports and recommendations, the status of the Authority's enterprise risk management activities, the performance of operational risk assessments, and the status of assurance activities other than routine cycle audits.

Commissioner Allmond, on behalf of the Operations Committee, reported that the Committee had received and discussed staff reports on the following matters: the status of funding of Retiree Health Care; the extension of the Authority's legal services contracts; the status of proposals for the Authority's employee benefits; the changes to the Authority's Business Model; the status of the bids and contractor selection for the proposed improvements to the Authority's headquarters and Southwest Virginia Housing Center. During this report, Commissioners Fisette and Black left the meeting.

Ms. Dewey's presented her report on operations in which she advised the Commissioners of the Board as to the following matters: the Board meeting dates for the remainder of calendar year 2008; the NCSHA Annual Conference on October 25-28; the Governor's Housing Conference on November 12-14; the additional bond allocation of approximately \$105 million received by the Authority on July 1<sup>st</sup> as a result of the legislation enacted in the 2008 Session of the General Assembly; the execution of the Memorandum of Understanding with the Department of Housing Community Development and the Virginia Small Business Financing Authority to provide for review and comments on requests for allocations of bond authority by the Governor; the request by Delegate Purkey for a presentation on August 18, 2008 to the House Finance Committee and other members of the General Assembly on Fannie Mae and Freddie Mac in comparison to the Authority; and an award received by the Authority from Richmond Habitat for Humanity. Mr. Bowen then advised the Commissioners as to the activities undertaken by the Authority's under its "Go Green" initiative. Commissioner Shelton and Ms. Dewey reported on the status of Virginia Community Capital and its proposed gap financing program. Commissioner McConnell noted that five development financed by the Authority had received 2008 Awards of Excellence from the Multifamily Housing Council of the Tidewater Builders Association.

At this point, the staff left the meeting. The Commissioners discussed the amount of the bonus pool to be approved for fiscal year 2008. Following this discussion, on motion duly made and seconded and approved by the affirmative vote of each of the Commissioners then present at the meeting, the Board of Commissioners convened in closed session to discuss and consider the performance and salary of Ms. Dewey in accordance with Section 2.2-3711.A.1 of the Code of Virginia. At the conclusion of the closed meeting, the Commissioners reconvened in an open meeting. Each Commissioner certified, by roll call vote, that to the best of his or her knowledge, only public business matters lawfully exempted from open meeting requirements under the Freedom of

Information Act and only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the closed meeting by the Commissioners.

Commissioner Allmond moved approval of a staff bonus pool for fiscal year 2008 in the amount of \$1,025,000. This motion was seconded by Vice Chairman Fahl and was approved by the affirmative vote of each of the Commissioners then present at the meeting. Chairman McCann commended the staff for its performance during fiscal year 2008, noting the activities in support of the Foreclosure Prevention Task Force, the bond financings completed in difficult markets, and the low foreclosure and loan losses due to sound underwriting and servicing practices, and he requested that a commendation letter to the staff be drafted for his signature.

Chairman McCann moved that Ms. Dewey be awarded an exceptional rating of 4.67 for her performance in fiscal year 2008 and that her compensation for fiscal year 2009 be approved. This motion was seconded by Commissioner Hopkins and was approved by the affirmative vote of each of the Commissioners then present at the meeting.

Chairman McCann declared the floor open for nominations for Chairman. Commissioner Fahl nominated Commissioner Hopkins, and Commissioner McConnell seconded the nomination. There being no further nominations, Commissioner Fahl moved that the floor be closed. This motion was seconded by Commissioner O'Brien and was approved by the affirmative vote of each of the Commissioners then present at the meeting. Commissioner Hopkins was elected Chairman by the affirmative vote of each of the Commissioners then present at the meeting. Commissioner Hopkins then assumed the chair and declared the floor open for nominations for Vice Chairman. Commissioner McCann nominated Commissioner Fahl, and Commissioner Allmond seconded the nomination. There being no further nominations, Commissioner O'Brien moved that the floor be closed. This motion was seconded by Commissioner McCann and was approved by the affirmative vote of each of the Commissioners then present at the meeting. Commissioner Fahl was elected Vice Chairman by the affirmative vote of each of the Commissioners then present at the meeting. Chairman Hopkins thanked Commissioner McCann for his leadership as Chairman and presented him with a gavel in appreciation for his services.

There being no further business, the meeting was adjourned at approximately 1:30 p.m. on August 6, 2008.

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Gerald W. Hopkins, Chairman

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J. Judson McKellar, Jr.  
Assistant Secretary

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEEING OF THE PROGRAMS COMMITTEE  
HELD ON AUGUST 6, 2008

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 August 6, 2008 at the office of the Authority, 601 South Belvidere Street, Richmond, VA 23220.

COMMITTEE MEMBERS PRESENT:

Charles McConnell, Committee Chairman  
Douglas R. Fahl  
Jay Fisette  
Jacqueline T. Black  
William C. Shelton  
Gerald W. Hopkins

OTHERS PRESENT:

Donald L. Ritenour, Managing Director of Development  
Thomas A. Dolce, Managing Director of Servicing and Compliance  
J. Judson McKellar, Jr., General Counsel  
Michele G. Watson, Director of Homeownership Programs  
John F. Hastings, Director of Multi-Family Development Programs  
James M. Chandler, Director of Low Income Housing Tax Credit Programs  
J. Michael Hawkins, Director of Community Housing  
Ronald A. Reger, Strategic Business Planner  
Brenda Brophy, Development Officer Manager  
Yolanda Dickerson, Executive Assistant  
Monique Johnson, Community Housing Officer

The meeting of the Programs Committee was called to order by Committee Chairman McConnell at approximately 9:44 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 Black 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 May 6, 2008 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 Authority's Qualified Allocation Plan for the federal low-income housing tax credits. During this presentation Commissioner Black joined the meeting. The members of the Committee and staff discussed a memorandum from Commissioner O'Brien regarding additional proposed revisions to the Qualified Allocation Plan. Upon the conclusion of the discussion of this

memorandum, it was the consensus of the Committee that copies of the notification to the locality's chief executive officer be sent by the staff to the Mayor or Chairman of the Board of Supervisors of the locality and that the staff consider and, if appropriate, implement geographic cost and credit parameters for Charlottesville MSA. Following this discussion, Commissioner Fisette moved that the Committee recommend that the staff proceed with the public notice and hearing to obtain public comment on the proposed changes to the Authority's Qualified Allocation Plan as recommended by the staff. This motion was seconded by Commissioner Fahl and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Chandler presented a resolution to approve and ratify the reservations of the 2008 federal low-income housing tax credits. Commissioner Hopkins moved that the Committee recommend approval of the resolution entitled "Resolution Approving and Ratifying Reservation of Federal Low-Income Housing Tax Credits" dated August 6, 2008. This motion was seconded by Commissioner Fisette and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Chandler next discussed certain changes to the federal low income housing tax credit program included in the recently enacted federal Housing and Economic Recovery Act of 2008 and reviewed his proposed letter to participants in the program describing the manner in which these changes would be addressed by the Authority in its administration of the Qualified Allocation Plan.

Mr. Ritenour reported on the Authority's mixed use, mixed income loan program and presented the staff's recommendations that no changes be made in the program requirements and guidelines and that proposed mixed use, mixed income developments continue to be evaluated individually with respect to the appropriate income limits and mix of housing and commercial space. Mr. Hawkins then presented a report on the status of two mixed use, mixed income developments, The Station at Potomac Yard and The Hancock. Following a discussion of these reports, it was the consensus of the Committee that the no changes be made in the requirements and guidelines for the mixed income, mixed use program and that proposed mixed use, mixed income developments continue to be evaluated individually as recommended.

Mr. Ritenour then recognized Ms. Johnson for her selection by the Affordable Housing Finance magazine as one of 15 young housing leaders

Ms. Watson presented a report on homeownership loan production in which she noted that the Authority expects to achieve the single family loan production goal for fiscal year 2009. Ms. Watson advised the Board that the Authority and People, Inc. of Southwest Virginia had entered into the Authority's first employer assisted housing agreement. Ms. Watson also noted that the Authority will continue to experience challenges in reaching the minority market production goals. Following Ms. Watson's report, Mr. Hastings presented the report on multi-family loan production for the months

of May and June. In this report, Mr. Hastings noted that 15 developments consisting of 341 units had been approved for mortgage loans in the total amount of \$12.8 million.

Mr. Dolce presented reports on the status of delinquencies and foreclosures in the homeownership and multifamily portfolios. Mr. Dolce noted that the overall delinquency rate for single family loans was 5.43% as of March 2008 and 6.42% as of June 2008 and that the overall delinquency rate for multi-family loans was 1.09% as of March 2008 and 1.23% as of June 2008. Mr. Dolce next reported on the annual Section 8 Management Assessment Program Certification (“SEMAP Certification”) for the Section 8 Housing Choice Voucher Program for 2008 and presented a resolution to approve and authorize the execution of the SEMAP Certification. Commissioner Fisette moved that the Committee recommend approval of the resolution entitled “Resolution Approving Housing Choice Voucher Section 8 Management Assessment Program Certification”. This motion was seconded by Commissioner Hopkins and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Hawkins presented the emerging markets outreach report for fiscal year 2008 and advised the Commissioners that updates on the Harvest Project and the Wealth Starts at Home College Tour will be presented at the November meeting of the Committee.

Commissioner Hopkins moved the appointment of a task force to be led by Commissioners Hopkins and Fisette that will consider and make recommendations on incentives to encourage “green” construction in Authority financed or assisted housing. This motion was seconded by Commissioner Fisette and was approved by the affirmative vote of each of the members of the Committee noted above as present at the meeting.

Mr. Hastings advised the Committee that five developments financed by the Authority had received Awards of Excellence from the Multifamily Housing Council of the Tidewater Builders Association.

There being no further business the meeting was adjourned at 11:28 a.m.

## Minutes of the Meeting of the Audit Committee Held on August 6, 2008

The meeting of the Audit Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on August 6, 2008 at the offices of the Virginia Housing Development Authority, 601 S. Belvidere Street, Richmond, Virginia.

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**Committee Members Present** Yvonne Allmond, Chair  
John P. McCann  
Nancy O'Brien  
Braxton Powell

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**Others Present** Susan F. Dewey, Executive Director  
Arthur N. Bowen, III, Managing Director of Finance & Administration  
Russ E. Wyatt, General Auditor  
Melody Barackman, Controller  
Michelle S. Edmonds, Sr. Executive Assistant  
Rob Churchman, KPMG  
Cathy Glass, KPMG

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**Meeting Called to Order** The meeting was called to order at 9:36 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 with the exception of Commissioner John McCann who joined the meeting in progress at 9:40 a.m. and Rob Churchman and Cathy Glass, who left the meeting after their presentation at approximately 9:45 a.m.

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**Approval of the Minutes** On motion duly made by Commissioner O'Brien and seconded by Commissioner McCann, the minutes of the Audit Committee meeting of May 6, 2008 were approved by the affirmative vote of each of the Commissioners then present at the meeting.

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**KPMG Presentation (FY 2008 Audit)** Rob Churchman and Cathy Glass of KPMG met with the Committee to update them on the audit process. Ms. Glass reported that interim fieldwork was conducted for two weeks in June and the audit team will be returning on August 11 for approximately four weeks of field-work. She noted that no deficiencies have been identified as a result of their tests of controls. Ms. Glass also reported that KPMG had performed test work over IT general controls at which time Commissioner O'Brien indicated that the number of applications reported to the Board on the previous day (400) seemed overwhelming. The General Auditor noted that of the 400 IT applications, only about 20 are core applications. Ms. Glass also indicated that KPMG is engaging one of their own securities pricing structure specialists to review the investment portfolio and obtain a pricing estimate independent of the two pricing estimates already obtained. Mr. Churchman reported that the final report is targeted for mid-September and a meeting with the Audit Committee has been scheduled for September 23<sup>rd</sup> to review the final results.

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**Report on  
Monthly  
Financials and  
Budget  
Comparisons**

Melody Barackman reviewed VHDA's balance sheet dated June 30. Total assets have grown to \$9.34 billion with net assets of \$2.04 billion or 22% of total assets. Debt ratio remains solid at 1.28. Excess revenues before GASB 31 adjustments for the month of June were \$3.2 million after considering the 4<sup>th</sup> quarter provision for loan loss and reduced values of REOs and other multifamily owned properties. Commissioner Allmond inquired as to how often appraisals are done on REO properties. Ms. Barackman noted that this is the first year that VHDA has received an appraisal on every property but the need for future appraisals will be evaluated annually on a property by property basis.

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**Internal Audit  
Report**

The General Auditor reported on the status of the audit schedule indicating that three audits had been completed since the last Committee meeting (Human Resources, Business Systems and the Windows Operating System). The General Auditor indicated that a clean report was issued to the Business Systems Department and standard reports with discussion items were issued to both Human Resources and the Windows Operating System area of ITS. The General Auditor also reported that there were no adverse reports issued since the last meeting. The General Auditor indicated that the following audits are in progress: (1) Year-end Confirmations, (2) Procurement; (3) SF Homeownership Department; and (4) Desktop Services. The General Auditor further reported that the Audit schedule is on track to be completed as planned.

The General Auditor further noted that there are no control concerns that were previously reported that have not been addressed by management.

The General Auditor then gave a status update of the Enterprise Risk Management Project indicating that management has been asked to self-assess their risks and controls and an automated system is being built to assist with this. It is anticipated that the automated system will be completed by the end of 2008 and a phased roll out will begin in the first quarter of 2009.

The General Auditor also discussed his risk assessment, which is updated annually, and activities performed other than routine cycle audits. The General Auditor reported that data gathered from the risk assessment and the assurance value provided by "non-audit" activities is used to plan and update the ongoing audit schedule. Based on the data gathered from the risk assessment and the value provided through "non-audit" activities, the General Auditor recommends that the current 5-year schedule be maintained with the exception of the addition of three new ITS audits, one in the current fiscal year, one next year and one the following year. The General Auditor indicated that these three audits were Project Management, Systems Development and Web Systems Development.

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**Building for the Future Update**

Art Bowen, Managing Director of Finance & Administration reviewed the status of the HQ Building Modernization Project, Phase I, indicating that RVA Inc. of Richmond has been selected as the contractor, submitting a bid well under the budgeted project amount, and that a contract is being finalized.

Mr. Bowen then reviewed the status of the Southwest Virginia Housing Center Project in Wytheville. Two bids were received for this project, but both bids were in excess of the budgeted amount. Discussions have been held with the low bidder and the architect, and VHDA has engaged an independent cost estimator to review the project specifications and the bid. A decision on contract award or re-bid will be made subsequent to this review.

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**Adjournment**

There being no further business, Commissioner Allmond moved for adjournment of the meeting at 10:34 a.m.

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Russ E. Wyatt  
General Auditor

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Yvonne Allmond  
Chairman

## **Minutes of the Meeting of the Operations Committee Held on August 6, 2008**

The meeting of the Operations Committee of the Board of Commissioners of the Virginia Housing Development Authority was held on August 6, 2008 at the offices of the Virginia Housing Development Authority, 601 S. Belvidere Street, Richmond, Virginia.

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**Committee Members Present** Yvonne Allmond, Chair  
John P. McCann  
Braxton Powell  
Nancy O'Brien

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**Others Present** Susan Dewey, Executive Director  
Arthur N. Bowen, III, Managing Director of Finance & Administration  
Barbara Blankenship, Managing Director of Human Resources  
Melody Barackman, Controller  
Russ Wyatt, General Auditor  
Janet Butler, Managing Director of Information Technology Services  
Tammy N. Taylor, Chief Learning Officer, OD&L  
Michelle S. Edmonds, Sr. Executive Assistant

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**Meeting Called to Order** The meeting was called to order at 10:34 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.

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**Approval of the Minutes** Commissioner O'Brien moved approval of the minutes of the meeting of the Operations Committee dated May 6, 2008. Commissioner McCann seconded this motion. This motion was approved by the affirmative vote of each of the Commissioners noted above as present at the meeting.

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**Retiree Health Care Funding** Barbara Blankenship, Managing Director of Human Resources, reviewed the results of the KPMG audit and associated changes in the FY 09 budget for retiree health care funding. For FY '09, the budget will increase to 4.5%, representing approximately \$189,000. AON Consulting will do a smaller study every year. VHDA currently has 51 retirees in the plan and four are surviving spouses.

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**Legal Services Contract** Art Bowen, Managing Director of Finance & Administration, noted that the Authority's existing legal services contracts with the law firms of Hunton & Williams (bond counsel), McGuire Woods (outside counsel), Harrell & Chambliss (outside counsel) and Hawkins, Delafield & Woods (special tax counsel for the Authority's bonds) will be extended for an additional year. The contracts, which

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**Legal Services Contract** (cont'd) expire September 30th, give the Authority the right to extend the term for two additional terms of one year each. The staff has in all respects been satisfied with the services performed by the firms and recommended the extension of the contracts.

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**Benefits RFP Process** Ms. Blankenship reviewed the 2009 Benefits RFP recommendations. An RFP was developed by AON Consulting and VHDA to solicit competitive bids for VHDA's Medical, Dental, FSA, EAP, Life & Disability and Vision plans. It is recommended that the medical and dental contracts be awarded to Anthem, the FSA contract to United Healthcare, the life and disability contract to Standard Insurance, award the EAP contract to Reach and the vision contract to NVA. Next steps are to communicate to associates, administrative decisions, contract negotiations, open enrollment period and will update the Committee in December 2008 and February 2009.

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**Business Model Update** Mr. Bowen reviewed recent updates to VHDA's Business Model and Operating Principles, indicating that VHDA is reviewing the document annually. Many of the changes are minor phrasing clarifications, and two changes are noteworthy. The first change states VHDA's willingness to accept less than full spread on its loans during difficult market conditions. The second change states that VHDA may need to take additional financial risks in its bond structures during difficult market conditions to the extent that such risk does not adversely affect VHDA's bond ratings. Both of these changes were made in response to the extreme market conditions we experienced in the past year.

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**Compensation** Ms. Blankenship reviewed bonus pool options for FY '08. Several options and charts were provided. The Committee then met privately with the Executive Director and Ms. Blankenship. In light of FY '08 net revenues, the Committee recommended a bonus pool of approximately \$1.025 million.

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**Adjournment** There being no further business, Commissioner Allmond adjourned the meeting at 11:30 a.m.

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

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Yvonne Allmond  
Chairman

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

MINUTES OF THE MEETING OF THE EXECUTIVE COMMITTEE  
HELD ON AUGUST 5, 2008

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 August 5, 2008 at the offices of the Authority, 601 South Belvidere Street, Richmond, Virginia.

COMMISSIONERS PRESENT:

John P. McCann, Chairman  
Charles McConnell  
Yvonne T. Allmond  
Douglas R. Fahl

OTHERS PRESENT:

Susan F. Dewey, Executive Director  
Barbara Blankenship, Managing Director of Human Resources

Chairman McCann called the meeting of the Committee to order at approximately 6:30 p.m. All of the Commissioners listed above as present at the meeting were present at that time and remained present throughout the meeting.

The Commissioners discussed the performance of the Authority in fiscal year 2008 and the amount of the bonus pool to be recommended for the Authority's staff. Following this discussion, it was the consensus of the members of the Committee to recommend approval of a staff bonus pool for fiscal year 2008 of \$1,025,000.

On motion duly made and seconded and approved by the affirmative vote of each of the Commissioners noted above as present at the meeting, the Executive Committee convened in closed session to discuss and consider the performance and salary of Ms. Dewey in accordance with Section 2.2-3711.A.1 of the Code of Virginia. At the conclusion of the closed meeting, the Commissioners reconvened in an open meeting. Each Commissioner certified, by roll call vote, that to the best of his or her knowledge, only public business matters lawfully exempted from open meeting requirements under the Freedom of Information Act and only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the closed meeting by the Commissioners.

There being no further business, the meeting was adjourned at approximately 8:15 p.m.

**HOUSING FOR VIRGINIA, INC.**

**MINUTES OF THE  
ANNUAL MEETING OF SHAREHOLDERS**

August 6, 2008

The 2008 annual meeting of the shareholders of HOUSING FOR VIRGINIA, INC. was called to order at the Virginia Housing Center, the principal office of the Company, 601 South Belvidere Street, Richmond, Virginia, on August 6, 2008, at approximately 5:00 p.m. (Richmond Time), by Thomas A. Dolce, President of the Company. Mr. Dolce announced that he would act as Chairman and Secretary of the meeting.

The Chairman announced that the stated purposes of the 2008 annual meeting of shareholders were: (1) to elect the full board of five directors for the ensuing year; and (2) to transact such other business as may properly come before the meeting.

The Chairman noted the attendance of the sole shareholder of the Company. He then declared that the 2008 annual meeting of shareholders had been duly convened and that a quorum of the shareholders was present at the meeting for the transaction of all business to come before the meeting.

The Chairman stated that it was in order to proceed to the election of directors. The Chairman then asked the sole shareholder of the Company to vote its choices in the election of directors.

Susan F. Dewey then identified herself as the Executive Director of the Virginia Housing Development Authority, the sole shareholder of the Company, and that as such she was authorized to vote all shares of common stock of the Company held by the Virginia Housing Development Authority. She then proceeded to vote all shares of

the common stock of the Company held by the Virginia Housing Development Authority for the nomination and election of each of the following persons as a director of the Company to serve until the next regular annual meeting of the shareholders of the Company or until his or her successor is elected and qualified: Susan F. Dewey, Donald L. Ritenour, Thomas A. Dolce, J. Judson McKellar, Jr., and Arthur N. Bowen, III.

The Chairman then declared that each of the director nominees was elected as a director of the Company to serve until the next regular annual meeting of the shareholders of the Company or until his or her successor is elected and qualified.

There being no further business to be conducted, the meeting was adjourned upon the vote of the holder of all the issued and outstanding common stock of the Company.

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Thomas A. Dolce  
Chairman and Secretary of the  
Meeting

**HOUSING FOR VIRGINIA, INC.**

**MINUTES OF THE  
ANNUAL MEETING OF THE BOARD OF DIRECTORS**

August 6, 2008

The 2008 annual meeting of the Board of Directors of HOUSING FOR VIRGINIA, INC. (the “Company”) was called to order at the Virginia Housing Center, the principal office of the Company, 601 South Belvidere Street, Richmond, Virginia, on August 6, 2008, at approximately 5:05 p.m. (Richmond Time), by Thomas A. Dolce, President of the Company. Mr. Dolce announced that he would act as Chairman and Secretary of the meeting.

The Chairman noted that three of the five members of the Board of Directors, Susan F. Dewey, J. Judson McKellar, Jr., and himself, were present at the meeting. He then declared that the 2008 annual meeting of Board of Directors had been duly convened and that a quorum of the directors was present at the meeting for the transaction of all business to come before the meeting.

The Chairman then stated that it was in order to proceed to the election of officers. On motion made, seconded and by the unanimous votes of Ms. Dewey, Mr. Dolce and Mr. McKellar, the following persons were elected as officers, each of whom shall serve until the next annual meeting of the Board of Directors or until his successor is and qualified:

Thomas A. Dolce	.	-	President
Arthur N. Bowen, III		-	Vice President and Treasurer
J. Judson McKellar, Jr.		-	Vice President and Secretary

There being no further business to be conducted, upon a motion duly made, seconded and unanimously carried, the meeting was adjourned.

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Thomas A. Dolce  
Chairman and Secretary of the Meeting