

EDGEMONT ELMS HOUSING, INC.

AGENDA, MINUTES AND RESOLUTION

FOR

REGULAR MEETING OF THE BOARD OF DIRECTORS

OCTOBER 27, 2011

**Thomas M. Niemann
Chairman**

**Dallas J. Parks
Chief Executive Officer**

EDGEMONT ELMS HOUSING, INC.

MEMORANDUM

TO: Board of Directors

FROM: Thomas M. Niemann, Chairman

SUBJECT: Regular Meeting Held October 27, 2011

DATE: October 18, 2011

OFFICERS: Chairman – Thomas M. Niemann; Vice Chairman – David J. Haley;
Secretary – Dallas J. Parks; Assistant Secretary – Brenda B. Edwards

A regular meeting of Edgemont Elms Housing, Inc. will be held immediately following the regular meetings of the Board of Commissioners of the Housing Authority of the City of Durham, the Board of Director of Development Ventures Incorporated, and the Quarterly meeting of Learning Assistance, Inc. on Thursday, October 27, 2011, at the Central Office of the Durham Housing Authority, located at 330 East Main Street, Durham, North Carolina.

AGENDA

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I. Call to Order	
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EXECUTIVE SESSION

MINUTES OF REGULAR MEETING
 EDGEMONT ELMS HOUSING, INC.
 330 EAST MAIN STREET
 DURHAM, NORTH CAROLINA
 JULY 27, 2011

AGENDA ITEM I

Call to Order

The regular meeting was called to order by the Chairman, Thomas M. Niemann, at 7:01 p.m.

Present:

David J. Haley
 Gloria M. Nottingham
 George K. Quick
 John S. Ramsey (via conference call)
 Isaac A. Robinson

Absent:

Barbara F. Lofton

Staff Present:

Dallas J. Parks	Clintess Johnson
Jeff Causey	Shannon McLean
Brenda Edwards	Willie "Sonny" McMahand
Vickie Ellis	Sabrina Sinegal

Also Present:

Joy Jones, The Banks Law Firm
 Eric Pristell, The Banks Law Firm

A quorum was present, and due notice had been published.

AGENDA ITEM II

Comments from the Public

There were none.

AGENDA ITEM III
Additions to the Agenda

There were none.

AGENDA ITEM IV
Deletions from the Agenda

There were none.

AGENDA ITEM V
Action Items

ACTION 1 – Minutes – Board of Directors Regular Meeting Held June 22, 2011

On motion of Isaac Robinson, seconded by George Quick, the minutes of the regular meeting, held June 22, 2011, were approved as distributed.

ACTION 2 – Board to Consider and Approve Resolution Approving Modification of Loan with City of Durham for Edgemont Elms Housing, Inc.

After review, discussion and consideration, the chairman introduced the following resolution:

RESOLUTION NO. 3

RESOLUTION APPROVING MODIFICATION OF LOAN WITH THE CITY OF DURHAM FOR EDGEMONT ELMS HOUSING, INC.

WHEREAS, the Housing Authority of the City of Durham, through related entities, constructed the Edgemont Elms multi-family residential community in 1989 using a variety of funding sources, including a second mortgage provided by the City of Durham; and

WHEREAS, in the intervening years ownership of the Edgemont Elms community has transitioned to Edgemont Elms Housing, Inc., a unit of the Housing Authority of the City of Durham; and

WHEREAS, staff has worked with representatives from the City of Durham to modify the outstanding loan; and

WHEREAS, the City of Durham has agreed to modify the terms of the loan to defer payments until January 2014, and when payments resume to charge an interest rate of 2.0% on the balance outstanding for a term of ten years with a maturity date of January 1, 2024; and

WHEREAS, staff has reviewed the proposed loan structure and terms and determined that they would be advantageous and beneficial to the financial position of Edgemont Elms Housing, Inc.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors finds as follows:

1. That the proposed modifications to the outstanding loan comprising the second mortgage for Edgemont Elms are accepted;
2. That the Chairman, Chief Executive Officer and other appropriate staff of the Housing Authority of the City of Durham are authorized to execute all contracts or other documents necessary to effectively modify the loan with the City of Durham; and
3. That this resolution shall take effect immediately.

Done this 27th day of July 2011.

George Quick moved that the foregoing resolution be adopted as introduced and read, which motion was seconded by John Ramsey and unanimously carried by the Board. The “Ayes” and “Nays” were as follows:

AYES

NAYS

David J. Haley
 Thomas M. Niemann
 Gloria M. Nottingham
 George K. Quick
 John S. Ramsey
 Isaac A. Robinson

None

The chairman thereupon declared said motion carried and said resolution adopted.

There being no further business before the meeting, it was on motion duly made and seconded adjourned at 7:05 p.m.

Chairman

ATTEST:

(SEAL)

Secretary

EDGEMONT ELMS HOUSING, INC.

MEMORANDUM

TO: Board of Directors

FROM: Dallas J. Parks, President

DATE: October 27, 2011

SUBJECT: Resolution Approving Modification of Loans with Mechanics & Farmers Bank for Edgemont Elms Housing, Inc.

I. STATEMENT OF ISSUE

During an April 2011 Board meeting, a resolution was approved authorizing modifications to the first mortgage loans on Edgemont Elms with Mechanics & Farmers Bank. In the process of executing the modifications, outside counsel for Mechanics & Farmers Bank has requested a clarification of the language in the adopted resolution. This resolution is presented to make the requested change.

II. BACKGROUND

During the closing process for the loan modification for the first mortgages at Edgemont Elms with Mechanics & Farmers Bank, the outside counsel for Mechanics & Farmers Bank noted some ambiguous language in the adopted resolutions. They have requested new language be added to more clearly indicate that Edgemont Elms Housing, Inc., is the successor corporation to Edgemont Elms Limited Partnership. The proposed resolution includes this conforming language.

III. RECOMMENDATION

It is recommended that the Board of Directors considers and approves the resolution authorizing the modification and extension of the existing loans as set forth in the letter dated February 15, 2011, or subsequent modified offers, from M&F Bank.

RECORDING OFFICER'S CERTIFICATION

I, Dallas J. Parks, the duly appointed Secretary of Edgemont Elms Housing, Inc., do hereby certify that this resolution was properly adopted at a regular meeting of the Board of Directors of Edgemont Elms Housing, Inc., held on October 27, 2011.

(SEAL)

BY: _____
Dallas J. Parks, Secretary

RESOLUTION NO. _____

RESOLUTION APPROVING MODIFICATION OF LOANS WITH MECHANICS & FARMERS BANK FOR EDGEMONT ELMS HOUSING, INC.

WHEREAS, the Housing Authority of the City of Durham, through related entities, constructed the Edgemont Elms multi-family residential community in 1989 using a variety of funding sources, including a first mortgage funding jointly by Mechanics & Farmers Bank and Mutual Savings and Loan Association; and

WHEREAS, in the intervening years Mechanics & Farmers Bank acquired Mutual Savings and Loan Association; and

WHEREAS, Edgemont Elms Housing, Inc., is a North Carolina non-profit corporation formerly known as Edgemont Elms Limited Partnership prior to a State of North Carolina conversion on December 30, 2005; and

WHEREAS, staff has worked with representatives from Mechanics & Farmers Bank to merge and restructure the outstanding loans that comprise the first mortgage on the property; and

WHEREAS, Mechanics & Farmers Bank has proposed to restructure the loans as outlined in Attachment A to this Resolution; and

WHEREAS, staff has reviewed the proposed loan structure and terms and determined that they would be advantageous and beneficial to the financial position of Edgemont Elms Housing, Inc.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors finds as follows:

1. That the proposed modifications to the outstanding loans comprising the first mortgage for Edgemont Elms, as set forth in Attachment A, are accepted;
2. That the Chairman, Chief Executive Officer and other appropriate staff of the Housing Authority of the City of Durham are authorized to execute all contracts or other documents necessary to effectively accept the proposal submitted by Mechanics & Farmers Bank and to enter into the new loan agreement;
3. That this resolution shall take effect immediately.

Done this 27th day of October 2011.

Attachment A



2634 Durham-Chapel Hill Boulevard (27707-2800)
P. O. Box 1932
Durham, NC 27702-2829
(919) 683-1521
Fax: (919) 687-7821
www.mfbonline.com

February 15, 2011

Mr. Dallas Parks Executive Director
Edgemont Elms Housing Inc.
300 E. Main Street.
Durham, North Carolina 27701

RE: Modification Request to loan account(s) 11004075 & 991192000

Dear Mr. Parks:

This letter is a follow up to your request for a modification, extension, and renewal of the repayment terms on the loan(s) in the name of Edgemont Elms Housing, Incorporated. The management of Mechanics and Farmers Bank (The Bank) have met and agreed on the following modification and renewal terms:

Borrower: Edgemont Elms Housing, Incorporated

Type of Loan: Real Estate Term Loan

Loan Amount: Up to \$445,300.00

Purpose and Use of Funds: No new funds shall be disbursed with this modification/extension

Interest Rate: Fixed at 6.25% per annum

Loan Term: The interest only term shall be thirty five (35) months. Interest shall be computed on the basis of a 360-day calendar year.

Repayment Terms: Interest shall be due and payable in thirty five (35) payments ranging from \$2,396.58 to \$2,164.65 with one remaining payment of all unpaid principal and accrued interest due at maturity.

Collateral: This loan will be secured by a 1st lien Deed of trust on the land and improvements located at 301 S. Elm Street. Durham, NC, 27701. We will also be secured by an assignment of leases, rents, and profits.

Commitment Fee: \$0

Auto Draft: The bank will require auto debit for this monthly loan payment; if not, the interest rate shall increase by 25 basis points on the loan.

Appraisal: The bank will require a commercial appraisal of the property and improvements located at 301 S. Elm Street. Durham, NC 27701. The appraisal must satisfy all applicable regulatory standards. You will bear all cost of the appraisal. We may require you to remit the estimated cost of the appraisal prior to the time we order the appraisal. If the actual cost of the appraisal is greater than the amount you remit, you will pay the difference to us prior to the loan closing.

We're here for you.

The bank will require an appraisal "recertification of value" following the completion of renovations to the real estate and improvements located at 301 S. Elm St. Durham, NC 27701. The appraisal must satisfy all applicable regulatory standards.

Both appraisals must indicate a market value of at least \$686,000.00. The appraisal must be performed by a certified appraiser selected from the Bank's qualified appraiser's list. This appraisal must be found satisfactory to the Bank.

Flood Hazard

Certification: A flood certification on the real property must be obtained from Mortgage Management Services, Inc. The cost of this report is \$16.50 and shall be borne by the Borrower. If the property is located in a special flood hazard area, a flood insurance policy will be required with the Bank listed as mortgagee.

Legal Opinion: The Bank shall require a legal opinion from Borrower's counsel stating that: (i) the loan documents are valid and enforceable according to their terms under applicable laws and regulations; (ii) the loan and the execution of the several documents required in connection therewith have been authorized by all necessary corporate action on the Borrower's behalf; (iii) the deed of trust referred to in the section titled "Collateral" constitute a valid and prior first lien on all property, furnishings and fixtures.

Other conditions and requirements:

Prior to execution of the modification agreement, the bank is to be furnished with the following:

- A copy of the original note and all amendments to the agreement by and between Edgemont Elms Housing, Inc. and The City of Durham.
- A copy of the original note and all amendments to the agreement by and between Edgemont Elms Housing, Inc. and The North Carolina Housing Finance Agency (NCHFA).
- A copy of the award letter from the approving federal agency in charge of management for Replacement Housing Factor (RHF) Funds granting permission to utilize funds in an amount of \$700,000.00 or greater towards the renovation/modernization/repair of the improvements located at 301 S. Elm Street. Durham, NC 27701.
- A copy of the internally prepared financial statements for the operating period ended December 31, 2010 including Income Statement and Balance Sheet for Edgemont Elms Housing Inc.
- A copy of the award letter from HUD granting permission to use Turn Key Three funds in the amount of \$1.6 million or greater towards the renovation/modernization/repair of the improvements located at 301 S. Elm St. Durham, NC
- Resolution providing authority to modify and extend the loan with M&F Bank.
- A copy of the 2013 Pro Forma.
- Executed subordination agreement from the City of Durham.
- Executed subordination agreement from the North Carolina Housing Finance Agency.
- On a quarterly basis or upon request by the bank you will submit written updates on the construction progress.

Financial covenants: Until the loan is repaid in full, you will be obligated on a continuing basis to provide the bank with such information concerning your financial affairs as we may request from time to time including but not limited to the following:

- On an Annual basis the borrower shall remit an updated rent roll.
- Within 10 days of receipt but no later than September 30 annually the borrower shall deliver copies of the audited financial statements for the Durham Housing Authority to the bank. (The audit must break out the financial performance of Edgemont Elms Housing Inc.) The audit must be prepared by a CPA and according to generally acceptable accounting principles.
- Within 30 days following each quarter end you will deliver to us your internally prepared financial statements to include Income Statement and Balance Sheet.
- Maintain a Debt Service Coverage Ratio (DSCR), tested annually, of not less than 1.10:1. Debt Service Coverage is calculated as earnings before interest, taxes, depreciation, and amortization divided by the current portion of long term debt plus interest expense.

Modification: The provisions of this commitment can only be waived, modified, or amended in writing by an authorized officer of the bank. This commitment to modify the terms of the loans to Edgemont Elms Housing, Incorporated will expire on March 15, 2011. To acknowledge acceptance, please return a signed copy of this letter to me on or prior to the expiration date.

We hope these conditions will be satisfactory to you and we look forward to providing this financing to you.

Sincerely,

Queron Smith
Senior Vice President / City Executive

The foregoing terms and conditions are hereby accepted and agreed upon this ____ day of _____, 2011.

Edgemont Elms Housing Inc.

By: _____
Chairman

By: _____
Vice Chairman

By: _____
Executive Director