ENTITIES
of
Durham Housing Authority

- Development Ventures Incorporated

(and)

- Edgemont Elms Housing, Inc.
Development Ventures
Board of Directors’ Report

AGENDA

FOR

REGULAR MEETING FOR THE BOARD OF DIRECTORS

December 20, 2017

Thomas Niemann, Chair
Anthony Scott, President
I. CALL TO ORDER
   ♦ Roll Call
   ♦ Establish Quorum

II. PUBLIC HEARING(S)
   ♦ General Comments from the Public

III. CHANGES TO THE AGENDA
   ♦ None

IV. APPROVAL OF MINUTES OF THE BOARD OF COMMISSIONERS
   ♦ Regular Board Meeting held on November 20, 2017

V. RESOLUTIONS FOR APPROVAL
   1. Resolution Authorizing Mechanics and Farmers Bank Line of Credit and Conversion of Edgemont Elms PHA Units to RAD Units

VI. INFORMATION ITEMS
   None

VII. CLOSED SESSION
    None

VIII. ADJOURNMENT
IV. Approval of Minutes
MINUTES OF REGULAR MEETING
DEVELOPMENT VENTURES INCORPORATED
330 EAST MAIN STREET
DURHAM, NORTH CAROLINA
November 20, 2017

AGENDA ITEM I
Call to Order
The regular meeting was called to order by the Chair, Thomas M. Niemann, at 6:33 p.m.

Present:
Daniel C. Hudgins
Thomas M. Niemann
Robert “Bo” Glenn
Gloria M. Nottingham
Patrice Y. Nelson
Steve Schewel, City Council Liaison

Conference In:
Larry Yon, II

Absent:
George K. Quick

Staff Present:
Anthony Scott, CEO
Barbara Newman
Sabrina Sinegal
Meredith Daye
Elvert Dorsey
Pamela Davis
Denita Johnson
Charles Lyons
Doris Jackson

Also Present:
Eric Pristell, Attorney, The Banks Law Firm

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

AGENDA ITEM II – PUBLIC HEARING(S)
• General Comments from the Public
There were none.
AGENDA ITEM III – CHANGES TO THE AGENDA  
• There were none.

AGENDA ITEM IV – APPROVAL OF THE MINUTES  
• Approval of the Minutes of the Board of Commissioners’ Regular Meeting held on October 26, 2017

  Motion: Commissioner Hudgins; Seconded: Commissioner Glenn;  
  Approved: Unanimously

AGENDA ITEM V – PRESENTATIONS  
• There were none.

AGENDA ITEM VI – BUSINESS REPORT  
• There were none.

AGENDA ITEM VII – GENERAL BUSINESS ACTION ITEMS (COMMITTEE REPORTS)  
• There were none.

AGENDA ITEM VIII – RESOLUTIONS FOR APPROVAL  
• There were none.

AGENDA ITEM IX – INFORMATION ITEMS  
• There were none.

AGENDA ITEM X – CLOSED SESSION  
• There was none

AGENDA ITEM XI -- ADJOURNMENT  
The meeting was adjourned at 6:34 p.m.

  Motion: Commissioner Glenn; Seconded: Commissioner Nottingham;  
  Approved: Unanimously
Chair

(SEAL)

Secretary
V. Resolutions for Approval
WHEREAS, Development Ventures Incorporated ("DVI") is a North Carolina non-profit corporation and an instrumentality of the Housing Authority of the City of Durham ("DHA");

WHEREAS, DVI’s mission is to provide affordable housing to low and moderate income persons in Durham County, North Carolina;

WHEREAS, DVI is fulfilling its mission by engaging in various real estate development activities including but not limited to the acquisition, improvement and renovation of real property;

WHEREAS, DVI desires to secure private financing to further its mission;

WHEREAS, in order to assist DVI in furthering its mission, Mechanics and Farmers Bank has agreed to loan DVI, through a secured revolving line of credit, an amount of up to the lesser of $750,000 or 80% of the appraised market value Edgemont Elms Apartments (the “Project”), located at 301 South Elms Street, Durham, North Carolina, consisting of fifty-seven (57) total units, forty-one (41) of which are market rate units and sixteen (16) of which are public housing units;

WHEREAS, the loan is proposed to be secured by the Project and other pledged collateral;

WHEREAS, Edgemont Elms Apartments is owned by Edgemont Elms Housing, Inc., a North Carolina non-profit corporation and instrumentality of DHA;

WHEREAS, the terms of the proposed Mechanics and Farmers Bank loan are specifically described in Exhibit A, attached hereto and incorporated into this resolution by reference (the “Mechanics and Farmers Loan”); and

WHEREAS, in connection with the closing of the Mechanics and Farmer’s Loan, the sixteen (16) public housing units of the Project ("PHA Units") will be converted from public housing to project-based Section 8 pursuant to the Rental Assistance Demonstration (“RAD”) Program.

NOW THEREFORE, BE IT RESOLVED BY DVI, THROUGH ITS BOARD OF DIRECTORS, AS FOLLOWS:

1. That the Mechanics and Farmers Loan is hereby approved and authorized.
2. The conversion of the PHA Units to the RAD Program is hereby approved and authorized.

3. That the Chairman and President (including his designees, if any) are hereby authorized, empowered and directed to do any and all other acts, and to execute, approve and deliver any and all documents, not inconsistent with this resolution which they, in their discretion, deem necessary or appropriate in order to consummate the transaction contemplated by this resolution, including, without limitation, the full execution of all documents (including but not limited to a promissory note, deed of trust, assignment of leases, assignment of developer fees, guaranty and all RAD and RAD related documents) to close the Mechanics and Farmers Loan and to convert the PHA Units to the RAD Program.

4. That all motions, orders, resolutions and parts thereof in conflict with this resolution are hereby repealed and all other acts of the Chairman and President (including his designees, if any) that are in conformity with the purposes and intent of this resolution are hereby ratified, confirmed and approved.

This resolution shall be effective as of the 12th day of December, 2017.
RECORDING OFFICER'S CERTIFICATION

I, Barbara M. Newman, Secretary/Treasurer of Development Ventures Incorporated, DO HEREBY CERTIFY that attached is a true and complete copy of the resolution adopted by the Board of Directors of Development Ventures Incorporated at a regular meeting duly called and held on December 20, 2017, and that said proceedings of such meeting are recorded in the minutes of said Board.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of Development Ventures Incorporated this the 20th day of December, 2017.

By: Development Ventures Incorporated

______________________________
By: Barbara M. Newman,
Secretary/Treasurer

(Affix Corporate Seal)
EXHIBIT A

Mechanics and Farmers Loan Commitment Letter dated December 12, 2017

(see attached)
December 12, 2017

Mr. Anthony Scott
Chief Executive Officer
Durham Housing Authority
330 E. Main Street
Durham, North Carolina 27701

Re: Line of Credit

Dear Mr. Scott:

On behalf of Mechanics and Farmers Bank ("Bank"), I am pleased to inform you of the terms and conditions approved for the loan referenced above:

**Borrower:** Development Ventures Incorporated (DVI)

**Guarantor(s):** Guaranty of Durham Housing Authority (DHA). With respect to DHA, its liabilities under the guaranty shall be limited as follows: The Bank agrees that it shall not have any legal right to or recourse against any: (a) Public housing project of DHA; (b) "Operating receipts" of DHA (as such term is defined in DHA's Consolidated Annual Contributions Contract (the "DHA ACC") with HUD); (c) Public housing operating reserve of DHA reflected in DHA's annual operating budget and required under the DHA ACC; (d) Public housing or Section 8 funded asset management fees earned by DHA, or any other asset management fees earned by DHA that are later deemed by HUD to be restricted (e.g. re-federalized); (e) DHA projects converted from public housing to Section 8 rental assisted projects under the HUD Rental Assistance Demonstration ("RAD") program; (f) Section 8 subsidies payable from HUD to DHA for a RAD project; or (g) Public housing operating reserves that are or will be transferred to RAD projects as reserves for such RAD projects. With respect to (a) through (d) above, DHA's obligations hereunder shall be subject to the DHA ACC, and DHA shall have no obligation to take any action hereunder violating the DHA ACC or causing any of DHA's public housing assets or projects to become encumbered. In addition, the Borrower shall be under no obligation to take any action which would adversely affect its status as an organization tax-exempt under Internal Revenue Code Section 501(c)(3).

It is understood that the remaining DHA assets available to support this guarantee are Edgemont Elms Apartments (defined hereinafter) replacement reserve funds currently on deposit with the Bank. The remaining income streams available to support this guarantee are market rate rents from market rate units at Edgemont Elms Apartments and Goley Point Apartments (located at 115 N. Goley Street, Durham NC, 111 N. Goley Street, Durham NC, 110 N. Goley Street, Durham NC, 1406 Morning Glory Avenue, Durham NC, and 118 Blackhall...
Street, Durham NC.). Also, unrestricted asset management fees of DHA are available to support this guarantee.

**Purpose:** The loan proceeds may be used by the Borrower to fund pre-development expenses associated with affordable housing development projects, approved in writing in advance by the Bank, and to provide short term working capital to DVI.

**Loan Type:** Secured Revolving Line of Credit.

**Amount:** The maximum principal amount to be outstanding under this commitment will not exceed $750,000.00 or 80% of the appraised market value of the Collateral, whichever is less.

**Interest Rate:** Variable at a rate equal to the Prime Rate plus 1.5% per annum to change as and when prime changes. The "Prime Rate" is the prime rate of interest as published in the Wall Street Journal. Currently, the Wall Street Journal Prime Rate is 3.50% Prime rate.

*Interest will be computed on the basis of a 360-day calendar year.*

**Repayment Terms:** Fourteen (14) consecutive interest only payments due monthly and one (1) final payment of all outstanding principal and accrued interest due fifteen (15) months from the date of the promissory note.

**Term:** Maturity date is fifteen (15) months from the date of the promissory note.

**Collateral:** This loan will be secured by a 2nd lien deed of trust on the property and improvements located at 301 South Elm Street, Durham, NC 27701 (commonly known as "Edgemont Elms Apartments").

**Commitment Fee:** A commitment fee of $1,875.00 will be charged for this loan. The fee is non-refundable and payable upon acceptance of this loan commitment.

**Deposit Accounts:** M&F offers a wide array of other banking services, and we would appreciate your on-going consideration of our depository services. We believe you will find that M&F Bank is quite responsive, offering a complete line of banking products to serve your needs, including internet-based banking, bill pay, cash management and merchant accounts services.

The primary deposit checking account for Development Ventures Incorporated (DVI) will be maintained at M & F Bank.

**Documentation Preparation Fee:** A loan documentation preparation fee of $250.00 will be charged for this loan and collected at closing.
Any and all other fees associated with closing this loan, to include but not limited to attorney, appraisal, title insurance, property insurance and recording fees will be the responsibility of the Borrower.

Request for Advances: Borrower will submit a written request for any and all advances. Each request for an advance is subject to the Bank’s approval and the approval is at the Bank’s sole discretion. The Bank may require up to three (3) days from receipt of such request to fund advances. Prior to processing any advance, all required financial covenants and servicing requirements must be in compliance, in addition to required documentation (see "Documentation Requirements.")

Appraisal: The Bank will require a commercial appraisal of the real estate and improvements located at 301 South Elm Street, Durham, NC, 27701. The appraisal must be performed by a certified appraiser selected from the Bank’s qualified appraiser’s list. This appraisal must be found satisfactory and assigned to the Bank by the originating institution.

Note: Promissory Note in an amount up to $750,000.00 with the terms indicated in the “Interest Rate,” “Repayment Terms” and “Late Charges” sections of this commitment.

Assignment of Leases, Rents and Profits: The Bank requires an Assignment of Leases, Rents and Profits on the property located at 301 South Elm Street, Durham, NC, 27701.

Assignment of Developer Fees: The Bank requires an Assignment of any and all unpledged Developer Fees which are due and payable to the Borrower.

Late Charges: The Bank will assess a late charge of 4% of the unpaid balance of any payment 15 days or more past due.

Financial Covenants: Until the loan is repaid in full, you will be obligated to maintain the following financial condition:

- Maintain an overall Global Debt Service Coverage Ratio (GDSCR), beginning December 31, 2017, and tested annually thereafter, of not less than 1.10:1. Global Cash Flow is defined as the combined total cash flow of the Borrower, Guarantor(s) (excluding DHA cash flow from operating receipts as defined under the DHA ACC ), and all related business entities, herein defined as the “Global Entity”. Cash flow is defined as Net Cash from Operations. The GDSCR is computed by dividing the Global Cash Flow by the scheduled principal and interest payments, plus any distributions/dividends paid to parties outside the “Global Entity” and all debt obligations of the “Global Entity.”
Financial Information:

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:

- Borrower, Guarantor and Edgemont Elms Housing, Inc. shall submit quarterly internally prepared financial statements to include the income statement, balance sheet and all supporting schedules within 30 days of each quarter and.
- On an annual basis, not later than September 30, Borrower and Guarantor shall submit audited financial statements prepared by a Certified Public Accountant according to generally accepted accounting principles.
- On an annual basis, not later than 30 days after fiscal year end, Edgemont Elms Housing, Inc. shall submit a Rent Roll for Edgemont Elms Apartments.

You will immediately inform us of any material changes in your financial condition and of any actual or threatened litigation which might substantially affect your financial condition.

If the Borrower does not adhere to the financial covenants or financial reporting requirements, the Bank will, first provide the Borrower with at least ten (10) days prior written notice to cure such default. If the financial covenant or financial reporting requirement default has not been cured within the ten (10) day period; the Bank may increase the interest rate by 3.00% (3.00 percentage points) which shall accrue on the outstanding principal balance of the loan. Additionally, the Bank may increase the required periodic payment amount in order to maintain the same loan amortization schedule.

Documentation Requirements:

In addition to the execution and delivery of definitive documentation for the Loan, including all such instruments and agreements as the Bank may determine are necessary for each specific development project, Borrower shall submit true copies of the following executed documents:

- Partnership Agreement
- Approved final development project budget
- Construction/Permanent Loan Agreement
- Construction Contract – AIA Documents (to include completion, draw and monthly progress schedules)
- Predevelopment expense schedule
- Developer’s fee schedule

As the predevelopment lender, the Bank may require all project related documents and reports associated with predevelopment funding that are required by the respective construction lenders, investors and other project financing parties.
Environmental Data Base Review: At its sole discretion, the Bank may require evidence which it deems satisfactory including an environmental inspection report prepared by an environmental engineer approved by the Bank. This report must indicate that all real and personal property securing the loan is free of hazardous, toxic, or dangerous waste, substances, or material as such are defined in any governmental law, regulation, or ruling applicable to environmental conditions or listed as such by the Environmental Protection Agency. The cost of securing this satisfactory evidence is to be paid by the Borrower. Following the review of any such report, the Bank may require additional testing at your expense. The Bank will not be required to fund the loan, if the property is subject to any existing or threatened contamination. The Bank has or will have completed its review of the environmental assessment before closing.

Borrowing Authorization: Prior to closing, the Borrower must furnish the Bank with a properly executed borrowing resolution.

Survey: A current or existing survey from a registered land surveyor or civil engineer which complies with the current minimum detail requirements for land title survey as adopted by the American Land Title Association, the American Congress on Surveying and Mapping and the National Society of Professional Surveyors showing the boundary lines of the Property plus any set back lines, improvement, subservient and dominant easements, right-of-ways and streets. The Survey must contain the surveyor’s seal and certificate to the Bank that no structure on adjacent property encroaches on the Property surveyed and that no structure on the Property surveyed encroaches on any adjacent property. The survey must contain a certification by the surveyor that the premises as describe in the survey do not constitute an illegal subdivision of land under applicable county or city ordinances.

An existing survey may be utilized only if it is acceptable to the title insurance company and issuance of a title insurance policy that bears no exceptions as to survey.

Title Insurance: The Bank is to be furnished a mortgagee title insurance policy issued by a company acceptable to the Bank with said company being licensed to do business in North Carolina. The policy shall be in the amount of the loan insuring the Bank’s second lien position. The title insurance policy must insure that those signing the deed of trust have a marketable fee simple interest in the property and that our deed of trust constitutes a valid and enforceable second lien upon the property. The policy shall contain no exceptions objectionable to the Bank including, but not limited to, unfilled Materialmen’s and Mechanic’s liens, matters of survey, taxes, etc. A copy of all recorded restrictions, easements, rights-of-way, etc., must be furnished to the Bank.

Flood Insurance: If the property is located in a designated flood hazard area, a flood insurance policy will be required with the Bank listed as mortgagee. If
the property is not currently located in a designated flood hazard area, but is later identified as such, Borrower will be responsible for acquiring flood insurance and maintain coverage for as long as there is a balance on the loan.

A flood certification on the real property has been obtained from CBC Innovis. The cost of this report is $10.00 and shall be borne by the Borrower.

Hazard Insurance: Borrower is required to provide and maintain hazard insurance coverage with a company licensed to do business in North Carolina with the policy amount being sufficient to avoid co-insurance liability and equal to the total replacement value.

Mortgagee Clause: Any and all policies should list the Bank as mortgagee with the clause to show as follows:

M&F Bank
Attn: Loan Operations
ISAOA/ATIMA
2634 Durham – Chapel Hill Blvd.
Durham, NC 27707

Due on Sale Clause: The Deed of Trust will contain a "due-on-sale" clause which authorizes the Bank to accelerate the indebtedness if you sell or transfer the property or any interest in the property to an outside party without our prior written consent.

Legal Opinion: The Bank shall require a legal opinion from your 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 Board action; (iii) the financing statements and deed of trust referred to in the section titled "Collateral" constitute a valid and prior second lien on all property, furnishings and fixtures.

Survival of Documents: In the event of any conflict between the terms and conditions of this commitment and the loan documents, the terms and conditions of the loan documents shall be controlling.

Loan Agreement: This commitment shall constitute a loan agreement between the Borrower, Guarantor(s) and the Bank.

Modification: The provisions of this commitment can only be waived, modified or amended in writing by an authorized officer of the Bank.

Adverse Change: This loan amount is based upon the financial information provided and an estimated value of the collateral. If, prior to closing, there is a material adverse change in your financial condition or affairs of your
business, we may rescind this commitment, in which case we will have no further obligation to fund the loan.

This commitment to lend will expire on December 27, 2017, if not accepted in writing by that date, and if the loan does not close within ninety (90) days from the date you execute this commitment, our commitment to lend will terminate. To acknowledge acceptance, please return a signed copy of this letter to me.

We hope these conditions will be satisfactory to you and we look forward to providing this financing to you. Please give me a call at 919-313-3601 if you have any questions or concerns.

Sincerely,

Travis C Rouse
Senior Vice President
Senior Commercial Lender

The foregoing terms and conditions are hereby accepted and agreed upon this 12 day of December, 2017.

BORROWER:

Development Ventures Incorporated

By: ____________________________

Anthony Scott, President

GUARANTOR(S):

Durham Housing Authority

By: ____________________________

Anthony Scott, Chief Executive Officer

[date]
Edgemont Elms Housing, Inc.
November 20, 2017
Edgemont Elms Housing, Inc.

Board of Commissioners

Thomas M. Niemann, Chairman
Daniel C. Hudgins
George K. Quick
Patrice Y. Nelson
Gloria M. Nottingham
Larry Yon, II
Robert Glenn

City Council Liaison
Jillian Johnson

President
Anthony Scott

Agenda

November 20, 2017
Order of Business

I. CALL TO ORDER
   ♦ Roll Call
   ♦ Establish Quorum

II. PUBLIC HEARING(S)
   ♦ General Comments from the Public

III. CHANGES TO THE AGENDA
   ♦ None

IV. APPROVAL OF MINUTES OF THE BOARD OF COMMISSIONERS
   ♦ None

V. RESOLUTIONS FOR APPROVAL
   1. Resolution Authorizing Mechanics and Farmers Bank Line of Credit and Conversion of Edgemont Elms PHA Units to RAD Units

VI. INFORMATION ITEMS
   None

VII. CLOSED SESSION
   None

VIII. ADJOURNMENT
V. Resolution(s) for Approval
EDGEMONT ELMS HOUSING, INC.

RESOLUTION AUTHORIZING MECHANICS AND FARMERS BANK LINE OF CREDIT &
CONVERSION OF EDGEMONT ELMS PHA UNITS TO RAD UNITS

WHEREAS, Development Ventures Incorporated ("DVI") is a North Carolina non-profit corporation and an instrumentality of the Housing Authority of the City of Durham ("DHA");

WHEREAS, DVI's mission is to provide affordable housing to low and moderate income persons in Durham County, North Carolina;

WHEREAS, DVI is fulfilling its mission by engaging in various real estate development activities including but not limited to the acquisition, improvement and renovation of real property;

WHEREAS, DVI desires to secure private financing to further its mission;

WHEREAS, in order to assist DVI in furthering its mission, Mechanics and Farmers Bank has agreed to loan DVI, through a secured revolving line of credit, an amount of up to the lesser of $750,000 or 80% of the appraised market value Edgemont Elms Apartments, located at 301 South Elms Street, Durham, North Carolina, consisting of fifty-seven (57) total units, forty-one (41) of which are market rate units and sixteen (16) of which are public housing units;

WHEREAS, the loan is proposed to be secured by Edgemont Elms Apartments and other pledged collateral (the "Collateral");

WHEREAS, Edgemont Elms Apartments is owned by Edgemont Elms Housing, Inc., a North Carolina non-profit corporation and instrumentality of DHA;

WHEREAS, the terms of the proposed Mechanics and Farmers Bank loan are specifically described in Exhibit A, attached hereto and incorporated into this resolution by reference (the “Mechanics and Farmers Loan”); and

WHEREAS, in connection with the closing of the Mechanics and Farmer’s Loan, the sixteen (16) public housing units of the Project ("PHA Units") will be converted from public housing to project-based Section 8 pursuant to the Rental Assistance Demonstration ("RAD") Program.
NOW THEREFORE, BE IT RESOLVED BY EDGEMONT ELMS HOUSING, INC., THROUGH ITS BOARD OF DIRECTORS, AS FOLLOWS:

1. That the Mechanics and Farmers Loan is hereby approved and authorized.

2. That subject to HUD approval, the pledge of the Collateral for the Mechanics and Farmers Loan is hereby approved and authorized.

3. The conversion of the PHA Units to the RAD Program is hereby approved and authorized.

4. That the Chairman and President (including his designees, if any) are hereby authorized, empowered and directed to do any and all other acts, and to execute, approve and deliver any and all documents, not inconsistent with this resolution which they, in their discretion, deem necessary or appropriate in order to consummate the transaction contemplated by this resolution, including, without limitation, the full execution of all documents (including but not limited to a promissory note, deed of trust, assignment of leases, assignment of developer fees, guaranty and all RAD and RAD related documents) to close the Mechanics and Farmers Loan and to convert the PHA Units to the RAD Program.

5. That all motions, orders, resolutions and parts thereof in conflict with this resolution are hereby repealed and all other acts of the Chairman and President (including his designees, if any) that are in conformity with the purposes and intent of this resolution are hereby ratified, confirmed and approved.

This resolution shall be effective as of the 12th day of December, 2017.
RECORDING OFFICER’S CERTIFICATION

I, Barbara M. Newman, Secretary/Treasurer of Edgemont Elms Housing, Inc., DO HEREBY CERTIFY that attached is a true and complete copy of the resolution adopted by the Board of Directors of Edgemont Elms Housing, Inc. at a regular meeting duly called and held on December 20, 2017, and that said proceedings of such meeting are recorded in the minutes of said Board.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of Development Ventures Incorporated this the 20th day of December, 2017.

By:   Edgemont Elms Housing, Inc.

__________________________________
By:   Barbara M. Newman,
Secretary/Treasurer

(Affix Corporate Seal)
EXHIBIT A

Mechanics and Farmers Loan Commitment Letter dated December 12, 2017

(see attached)
December 12, 2017

Mr. Anthony Scott
Chief Executive Officer
Durham Housing Authority
330 E. Main Street
Durham, North Carolina 27701

Re: Line of Credit

Dear Mr. Scott:

On behalf of Mechanics and Farmers Bank ("Bank"), I am pleased to inform you of the terms and conditions approved for the loan referenced above:

Borrower: Development Ventures Incorporated (DVI)

Guarantor(s): Guaranty of Durham Housing Authority (DHA). With respect to DHA, its liabilities under the guaranty shall be limited as follows: The Bank agrees that it shall not have any legal right to or recourse against any: (a) Public housing project of DHA; (b) "Operating receipts" of DHA (as such term is defined in DHA’s Consolidated Annual Contributions Contract (the "DHA ACC") with HUD); (c) Public housing operating reserve of DHA reflected in DHA’s annual operating budget and required under the DHA ACC; (d) Public housing or Section 8 funded asset management fees earned by DHA, or any other asset management fees earned by DHA that are later deemed by HUD to be restricted (e.g. re-federalized); (e) DHA projects converted from public housing to Section 8 rental assisted projects under the HUD Rental Assistance Demonstration ("RAD") program; (f) Section 8 subsidies payable from HUD to DHA for a RAD project; or (g) Public housing operating reserves that are or will be transferred to RAD projects as reserves for such RAD projects. With respect to (a) through (d) above, DHA’s obligations hereunder shall be subject to the DHA ACC, and DHA shall have no obligation to take any action hereunder violating the DHA ACC or causing any of DHA’s public housing assets or projects to become encumbered. In addition, the Borrower shall be under no obligation to take any action which would adversely affect its status as an organization tax-exempt under Internal Revenue Code Section 501(c)(3).

It is understood that the remaining DHA assets available to support this guarantee are Edgemont Elms Apartments (defined hereinafter) replacement reserve funds currently on deposit with the Bank. The remaining income streams available to support this guarantee are market rate rents from market rate units at Edgemont Elms Apartments and Goley Point Apartments (located at 115 N. Goley Street, Durham NC, 111 N. Goley Street, Durham NC, 110 N. Goley Street, Durham NC, 1406 Morning Glory Avenue, Durham NC, and 118 Blacknall.
Street, Durham NC.). Also, unrestricted asset management fees of DHA are available to support this guarantee.

**Purpose:**
The loan proceeds may be used by the Borrower to fund pre-development expenses associated with affordable housing development projects, approved in writing in advance by the Bank, and to provide short term working capital to DVI.

**Loan Type:**
Secured Revolving Line of Credit.

**Amount:**
The maximum principal amount to be outstanding under this commitment will not exceed $750,000.00 or 80% of the appraised market value of the Collateral, whichever is less.

**Interest Rate:**
Variable at a rate equal to the Prime Rate plus 1.5% per annum to change as and when prime changes. The "Prime Rate" is the prime rate of interest as published in the Wall Street Journal. Currently, the Wall Street Journal Prime Rate is 3.50% Prime rate.

*Interest will be computed on the basis of a 360-day calendar year.*

**Repayment Terms:**
Fourteen (14) consecutive interest only payments due monthly and one (1) final payment of all outstanding principal and accrued interest due fifteen (15) months from the date of the promissory note.

**Term:**
Maturity date is fifteen (15) months from the date of the promissory note.

**Collateral:**
This loan will be secured by a 2nd lien deed of trust on the property and improvements located at 301 South Elm Street, Durham, NC 27701 (commonly known as "Edgemont Elms Apartments").

**Commitment Fee:**
A commitment fee of $1,875.00 will be charged for this loan. The fee is non-refundable and payable upon acceptance of this loan commitment.

**Deposit Accounts:**
M&F offers a wide array of other banking services, and we would appreciate your on-going consideration of our depository services. We believe you will find that M&F Bank is quite responsive, offering a complete line of banking products to serve your needs, including internet-based banking, bill pay, cash management and merchant accounts services.

The primary deposit checking account for Development Ventures Incorporated (DVI) will be maintained at M & F Bank.

**Documentation Preparation Fee:**
A loan documentation preparation fee of $250.00 will be charged for this loan and collected at closing.
Any and all other fees associated with closing this loan, to include but not limited to attorney, appraisal, title insurance, property insurance and recording fees will be the responsibility of the Borrower.

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Borrower will submit a written request for any and all advances. Each request for an advance is subject to the Bank’s approval and the approval is at the Bank’s sole discretion. The Bank may require up to three (3) days from receipt of such request to fund advances. Prior to processing any advance, all required financial covenants and servicing requirements must be in compliance, in addition to required documentation (see “Documentation Requirements.”)

Appraisal:
The Bank will require a commercial appraisal of the real estate and improvements located at 301 South Elm Street, Durham, NC, 27701. The appraisal must be performed by a certified appraiser selected from the Bank’s qualified appraiser’s list. This appraisal must be found satisfactory and assigned to the Bank by the originating institution.

Note:
Promissory Note in an amount up to $750,000.00 with the terms indicated in the “Interest Rate,” “Repayment Terms” and “Late Charges” sections of this commitment.

Assignment of Leases, Rents and Profits:
The Bank requires an Assignment of Leases, Rents and Profits on the property located at 301 South Elm Street, Durham, NC, 27701.

Assignment of Developer Fees:
The Bank requires an Assignment of any and all unpledged Developer Fees which are due and payable to the Borrower.

Late Charges:
The Bank will assess a late charge of 4% of the unpaid balance of any payment 15 days or more past due.

Financial Covenants: Until the loan is repaid in full, you will be obligated to maintain the following financial condition:

- Maintain an overall Global Debt Service Coverage Ratio (GDSCR), beginning December 31, 2017, and tested annually thereafter, of not less than 1.10:1. Global Cash Flow is defined as the combined total cash flow of the Borrower, Guarantor(s) (excluding DHA cash flow from operating receipts as defined under the DHA ACC ), and all related business entities, herein defined as the “Global Entity”. Cash flow is defined as Net Cash from Operations. The GDSCR is computed by dividing the Global Cash Flow by the scheduled principal and interest payments, plus any distributions/dividends paid to parties outside the “Global Entity” and all debt obligations of the “Global Entity.”
Financial Information:

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:

- Borrower, Guarantor and Edgemont Elms Housing, Inc. shall submit quarterly internally prepared financial statements to include the income statement, balance sheet and all supporting schedules within 30 days of each quarter end.
- On an annual basis, not later than September 30, Borrower and Guarantor shall submit audited financial statements prepared by a Certified Public Accountant according to generally accepted accounting principles.
- On an annual basis, not later than 30 days after fiscal year end, Edgemont Elms Housing, Inc. shall submit a Rent Roll for Edgemont Elms Apartments.

You will immediately inform us of any material changes in your financial condition and of any actual or threatened litigation which might substantially affect your financial condition.

If the Borrower does not adhere to the financial covenants or financial reporting requirements, the Bank will, first provide the Borrower with at least ten (10) days prior written notice to cure such default. If the financial covenant or financial reporting requirement default has not been cured within the ten (10) day period; the Bank may increase the interest rate by 3.00% (3.00 percentage points) which shall accrue on the outstanding principal balance of the loan. Additionally, the Bank may increase the required periodic payment amount in order to maintain the same loan amortization schedule.

Documentation Requirements:

In addition to the execution and delivery of definitive documentation for the Loan, including all such instruments and agreements as the Bank may determine are necessary for each specific development project, Borrower shall submit true copies of the following executed documents:

- Partnership Agreement
- Approved final development project budget
- Construction/Permanent Loan Agreement
- Construction Contract – AIA Documents (to include completion, draw and monthly progress schedules)
- Predevelopment expense schedule
- Developer's fee schedule

As the predevelopment lender, the Bank may require all project related documents and reports associated with predevelopment funding that are required by the respective construction lenders, investors and other project financing parties.
Environmental Database Review:
At its sole discretion, the Bank may require evidence which it deems satisfactory including an environmental inspection report prepared by an environmental engineer approved by the Bank. This report must indicate that all real and personal property securing the loan is free of hazardous, toxic, or dangerous waste, substances, or material as such are defined in any governmental law, regulation, or ruling applicable to environmental conditions or listed as such by the Environmental Protection Agency. The cost of securing this satisfactory evidence is to be paid by the Borrower. Following the review of any such report, the Bank may require additional testing at your expense. The Bank will not be required to fund the loan, if the property is subject to any existing or threatened contamination. The Bank has or will have completed its review of the environmental assessment before closing.

Borrowing Authorization:
Prior to closing, the Borrower must furnish the Bank with a properly executed borrowing resolution.

Survey:
A current or existing survey from a registered land surveyor or civil engineer which complies with the current minimum detail requirements for land title survey as adopted by the American Land Title Association, the American Congress on Surveying and Mapping and the National Society of Professional Surveyors showing the boundary lines of the Property plus any set back lines, improvement, subservient and dominant easements, right-of-ways and streets. The Survey must contain the surveyor’s seal and certificate to the Bank that no structure on adjacent property encroaches on the Property surveyed and that no structure on the Property surveyed encroaches on any adjacent property. The survey must contain a certification by the surveyor that the premises as describe in the survey do not constitute an illegal subdivision of land under applicable county or city ordinances.

An existing survey may be utilized only if it is acceptable to the title insurance company and issuance of a title insurance policy that bears no exceptions as to survey.

Title Insurance:
The Bank is to be furnished a mortgagee title insurance policy issued by a company acceptable to the Bank with said company being licensed to do business in North Carolina. The policy shall be in the amount of the loan insuring the Bank’s second lien position. The title insurance policy must insure that those signing the deed of trust have a marketable fee simple interest in the property and that our deed of trust constitutes a valid and enforceable second lien upon the property. The policy shall contain no exceptions objectionable to the Bank including, but not limited to, unfilled Materialman’s and Mechanic’s liens, matters of survey, taxes, etc. A copy of all recorded restrictions, easements, rights-of-way, etc., must be furnished to the Bank.

Flood Insurance:
If the property is located in a designated flood hazard area, a flood insurance policy will be required with the Bank listed as mortgagee. If
the property is not currently located in a designated flood hazard area, but is later identified as such, Borrower will be responsible for acquiring flood insurance and maintain coverage for as long as there is a balance on the loan.

A flood certification on the real property has been obtained from CBC Innovis. The cost of this report is $10.00 and shall be borne by the Borrower.

Hazard Insurance: Borrower is required to provide and maintain hazard insurance coverage with a company licensed to do business in North Carolina with the policy amount being sufficient to avoid co-insurance liability and equal to the total replacement value.

Mortgagee Clause: Any and all policies should list the Bank as mortgagee with the clause to show as follows:

M&F Bank
Attn: Loan Operations
ISAOA/ATIMA
2634 Durham – Chapel Hill Blvd.
Durham, NC 27707

Due on Sale Clause: The Deed of Trust will contain a "due-on-sale" clause which authorizes the Bank to accelerate the indebtedness if you sell or transfer the property or any interest in the property to an outside party without our prior written consent.

Legal Opinion: The Bank shall require a legal opinion from your 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 Board action; (iii) the financing statements and deed of trust referred to in the section titled "Collateral" constitute a valid and prior second lien on all property, furnishings and fixtures.

Survival of Documents: In the event of any conflict between the terms and conditions of this commitment and the loan documents, the terms and conditions of the loan documents shall be controlling.

Loan Agreement: This commitment shall constitute a loan agreement between the Borrower, Guarantor(s) and the Bank.

Modification: The provisions of this commitment can only be waived, modified or amended in writing by an authorized officer of the Bank.

Adverse Change: This loan amount is based upon the financial information provided and an estimated value of the collateral. If, prior to closing, there is a material adverse change in your financial condition or affairs of your
business, we may rescind this commitment, in which case we will have no further obligation to fund the loan.

This commitment to lend will expire on December 27, 2017, if not accepted in writing by that date, and if the loan does not close within ninety (90) days from the date you execute this commitment, our commitment to lend will terminate. To acknowledge acceptance, please return a signed copy of this letter to me.

We hope these conditions will be satisfactory to you and we look forward to providing this financing to you. Please give me a call at 919-313-3601 if you have any questions or concerns.

Sincerely,

Travis C Rouse
Senior Vice President
Senior Commercial Lender

The foregoing terms and conditions are hereby accepted and agreed upon this 12 day of December, 2017.

BORROWER:

Development Ventures Incorporated

By: __________________________

Anthony Scott, President

GUARANTOR(S):

Durham Housing Authority

By: __________________________

Anthony Scott, Chief Executive Officer

[date]