

EXHIBIT 1

Parsonage Cottage Working Group Report to BET 12/15/15

On December 7, 2015, the Parsonage Cottage Working Group held its sixth and final public meeting. The Working Group voted 4-0 to approve a refinancing of two loans made by the Town in connection with the renovation of Parsonage Cottage in the mid 1990's. Defined terms in this Report are as set forth in the Parsonage Cottage Working Group Report approved at the December 1, 2015 meeting of the Working Group, which is attached.

The financial terms of the original financing and proposed refinancing are as follows:

Original Terms:

Town Loan

Principal: \$1,148,324

Maturity: 30 years

Amortization: equal monthly payments, starting April 1997

Interest rate: 6%

Effective Date: August 9, 1995

CDBG Loan

Principal: \$675,000

Maturity: 30 years

Amortization: equal monthly payments, starting April 1997

Interest rate: 4%

Effective Date: August 9, 1995

Refinancing Terms:

Town Loan

Principal: \$674,691

Maturity: 22 years

Amortization: equal monthly payments

Interest rate: 1%

Effective Date: January 1, 2016

CDBG Loan

Principal: \$348,548

Maturity: 22 years

Amortization: equal monthly payments

Interest rate: 0%

Effective Date: January 1, 2016

The proposed refinancing will reduce debt service by \$71,314.70 per year, bringing the debt service down to \$50,020.66 per year. At meetings of the Working Group, the Housing Authority identified \$50,000/year in debt service as the level needed to finance capital improvements at Parsonage Cottage with cash flow. The effective date of the refinancing will be January 1, 2016. Please see also the attached Term Sheet for the refinancing.

In addition to a refinancing of the Town Loan and the CDBG Loan, the Working Group is proposing that the parties reaffirm covenants contained in the 1995 Agreements and agree to minor revisions to help clarify certain covenants and improve language. Please see also the attached Term Sheet for the refinancing.

In addition, the Working Group suggests allowing renegotiation of the two loans in three specific instances, which will help the Housing Authority deal with risks identified during the Working Group sessions. These instances include: a) a material adverse change in the Medicaid reimbursement rate for Parsonage Cottage residents, b) a material deficit in the long term capital reserve or c) the CDBG program ceases to exist. Please see also the attached Term Sheet for the refinancing.

The original application for this matter came to the Board of Estimate and Taxation on September 23, 2013 as CD-3. At that meeting the BET voted 12-0-0 to postpone a decision on this application until a working group, appointed by the BET Chair, could resolve outstanding questions. At the December 15, 2015 meeting, the Working Group will move to amend CD-3 with the recommendations summarized above.

Respectfully submitted,

Marc Johnson and Mary Lee Kiernan
Working Group Co-Chairs

EXHIBIT 2

To: Housing Authority Town of Greenwich

From: BET Parsonage Cottage Working Group

Date: December 7, 2015

Re: Parsonage Cottage Refinancing Alternative #1 – Summary of Key Terms

Financial Terms:

Maturity: 22 Years

Issue Date: effective 1/1/16

Amortization: level paid monthly

Interest: 0% on CDBG Loan and 1% on Town Loan

Covenants Continued from 1995 Agreements:

1. Parsonage Cottage will continue as a licensed home for the aged providing supportive housing and related services to low and moderate income seniors for the remainder of the term of the lease and at least 80% of the residents must be low and moderate income seniors to ensure continued compliance in meeting the National Objective under the CDBG Program guidelines as per HUD regulations;
2. Any excess cash flows after operating costs and payment of debt service shall be used as follows: a) for working capital repairs and long term maintenance; b) to fund current capital improvements; c) to fund a long term capital reserve fund, with both current capital improvements and funding of the long-term capital reserve limited to \$70,000 per year; and d) payment of management fees under the current Management Agreement. Any excess cash flow remaining after use for the foregoing items shall then be used for long term capital reserves and/or prepayment of principal on debt;
3. There will be no additional liens taken by any party in respect of the lease of Parsonage Cottage except mechanics liens;
4. There will be no transfer of the lease by the Partnership and new partners, limited or general, may not invest in the Partnership without the written consent of the Town;
5. No additional third party loans, leases, licenses, operating agreements, or other similar agreements may be entered into by the Partnership or its limited or general partners in respect of the Partnership outside the normal course of operating a licensed home for the aged and maintaining the Parsonage Cottage property;
6. The Housing Authority will provide to the Town an annual updated capital plan;
7. The Housing Authority will provide annual reporting of financial information in respect of Parsonage Cottage, the Partnership and the Town Hall Annex Corporation that is satisfactory to the Comptroller, including, but not limited to, a) annual reporting on activity in the capital reserve for Parsonage Cottage maintained by the Partnership b) annual audited financial statements of both the

Partnership and its general partner, Town Hall Annex Corporation, as was previously required by the Operating Agreement, and c) any federal or state tax returns filed by the Partnership or the Town Hall Annex Corporation;

8. All notice provisions of all documents will be updated to require that notices shall be sent to the First Selectman and the Comptroller;
9. At any time either or both the CDBG loan and the Town loan may be paid off with 30 days written notice and without penalty; and
10. If there is any material change in the Current Management Agreement dated January 1, 2013, the Housing Authority and the Partnership shall notify the Town and seek its approval.

Additional Agreements:

1. The Town and HATG agrees to renegotiate the above financial terms in good faith if a) there is a material adverse change in the Medicaid reimbursement rate for Parsonage Cottage residents, b) there is a material deficit in the long term capital reserve or c) the CDBG program ceases to exist.

EXHIBIT 3

Report of BET Parsonage Cottage Working Group for December 1, 2015 Meeting

At the September 24, 2013 meeting of the BET, the Parsonage Cottage Working Group consisting of Marc Johnson and Mary Lee Kiernan as co-chairs, as well as Leslie Tarkington and Bill Finger, was created at the request of the BET Chairman.

The purpose of this Working Group was to review the CD-3 application by the Housing Authority made to the BET in September of 2013 and make a recommendation to the full BET.

The Housing Authority's application requested the complete forgiveness of a loan made by the Town to the Parsonage Cottage Senior Residence Limited Partnership (the "PC Partnership") using CDBG funds. This loan was extended in connection with a complex (leveraged tax partnership) financing of the renovation of a Town property, Parsonage Cottage, undertaken by the Town and the Housing Authority in the mid 1990's. The agreements entered into in 1995 to accomplish this tax benefit financing included a 99-year lease from the Town to the PC Partnership, loan agreements, an operating agreement, a partnership agreement and a management agreement (the "1995 Agreements").

This financing also included three other elements: a second Town loan, made with general fund dollars, a loan from a generous group of private individuals, made through a 501(c)(3) fundraising board, and a large equity investment by two low-income housing tax credit (LIHTC) investors made through contributions to the PC Partnership in return for 99.9% limited partnership interests. The Town Hall Annex Corporation ("THAC"), a non-profit corporation that has the same board of directors as the Housing Authority, was the .1% general partner of the PC Partnership.

When the Housing Authority sought forgiveness of the CDBG loan from the Town in 2013, the Housing Authority stated that it intended to pay off the second Town loan by obtaining a commercial loan secured by the lease on Parsonage Cottage; that the Housing Authority was assured the forgiveness of its loan from the private fundraising board, which has since occurred; and that the Housing Authority was in the process of buying out the LIHTC investors. Documents indicate that the Housing Authority bought out the LIHTC credit investors for approximately \$161,000 in December of 2012. This set of transactions originally proposed by the Housing Authority in connection with the CDBG loan forgiveness is illustrated in **Exhibit A**.

The Working Group began with a review of the 1995 Agreements with the assistance of the Comptroller, the CDBG Administrator and the Law Department. It became immediately clear that while the original funding of the renovation of Parsonage Cottage with a syndicate of funders such as this is unusual for Greenwich, this complex form of financing is not unusual for affordable or supportive housing projects around the state or nationally. In addition, these loans created an unusual measure of oversight by the Town over the operation and maintenance of Parsonage Cottage that is greater than the oversight typically exercised by the Town over any other local Housing Authority facility.

The Working Group kept several guiding principles and questions in the forefront of our work, including:

1. How does the Town continue to maintain an excellent facility providing appropriate care for the low to moderate-income residents of Parsonage Cottage?
2. What is the most prudent and responsible way to finance future capital improvements needed at Parsonage Cottage?
3. How do the Town honor the intention of the original transaction, governing documents and generous donors, which was to set up an operation that could fund any potential capital improvements at Parsonage Cottage out of its own cash flow, without extra infusions from either a) the declining federal grant of CDBG funds allocated to many local nonprofits or b) the Town's general fund?

The Working Group conducted four public meetings in October and November 2013, and in February and May 2014. Representatives of the Housing Authority were invited and attended these meetings. Extensive minutes of these meetings are available on the Town's website and have been provided to the full BET. These minutes are attached as **Exhibit B**.

At the first Working Group meeting in October 2013, we learned from the Housing Authority that a refinancing that would reduce the annual debt service on the Town and CDBG loans from approximately \$130,000 to below \$50,000 would enable the Housing Authority to improve cash flows and fund anticipated capital improvements and repairs to Parsonage Cottage. Financing capital items with a capital reserve funded by cash flow was required by the 1995 Agreements, but the Working Group learned that this capital reserve had not been established by the PC Partnership. The Working Group also proposed enforcement of the covenants in the original loan agreements, such as the capital reserve. The Working Group requested documents and financial information that any bank would require in connection with a refinancing. In a letter dated November 25, 2013 ("First Offer Letter"), the Working Group formally proposed a refinancing of both the Town and CDBG loans to achieve the level of cash flow requested by the Housing Authority. The First Offer Letter is attached as **Exhibit C**.

In addition, at the first Working Group meeting and in First Offer Letter sent to the Housing Authority, the Law Department pointed out that the purchase of the 99.9% limited partnership interests of the LIHTC investors by the Housing Authority was done without notice to the Town and constituted a technical event of default to both Town loans, triggering cross defaults in the associated lease and operating agreements. This represented a different approach to the unwinding of LIHTC financings. Usually creditors and other parties to the original LIHTC financing are alerted when the tax credits are about to expire. Typically, the general partner (operator) works with the creditors and the property owner to either 1) refinance if cash flow or renovations are needed, or 2) terminate the partnership vehicle, which is only needed to attract LIHTC investors, and enter into new operating and/or lease agreements.

Since the first meeting of the Working Group, the Housing Authority has not agreed to this generous refinancing proposal. The details of this proposal were further discussed

and refined at subsequent public meetings of the Working Group, which reflected substantial progress, in our view. The Working Group proposed to: refinance the Town Loan from 6% to 1% and the CDBG Loan from 4% to 0%, extend the maturity of both loans by 13 years, continue the same level amortization payments, and the Working Group added the ability to refinance should the daily reimbursement rate on Medicaid move unfavorably. The proposed deal, with these additional details, was again committed to writing in a letter to the Housing Authority dated May 22, 2014 ("Second Offer Letter") and discussed with the Housing Authority at public meetings held in February 2014 and May 2014. The Second Offer Letter is attached as Exhibit D.

The Second Offer Letter from the Working Group also listed outstanding documents and key unanswered questions. One important issue was whether the Housing Authority was owed or had waived a management fee of over \$1million that the Housing Authority indicated it was owed under the 1995 Agreements. However, the copy of the original Management Agreement from 1995 has not been provided. A new Management Agreement dated January 1, 2013 was provided to the Town with a letter from the Housing Authority dated December 13, 2013 and is attached as Exhibit E. The new Management Agreement is a contract between the PC Partnership, which is now 100% owned by the Housing Authority, as "Owner," and the Housing Authority as "Agent." Under the new Management Agreement, the Housing Authority is compensated with a management fee of 6% of gross rents. All Parsonage Cottage employees are Housing Authority employees. The Housing Authority also allocates a percentage of its management personnel costs across its portfolio of properties. Distributions of equity cash flow are not part of the fee or compensation of the Housing Authority.

In addition, the Second Offer Letter also made an alternative offer to the Housing Authority, which was to remove the for-profit limited partnership structure that was created solely for the purpose of housing the equity investment from the LIHTC investors, revise all the 1995 Agreements, and send out a request for proposals for the operation of Parsonage Cottage to the Housing Authority and any other interested operators. This could be achieved contractually with a master exit agreement. The Law Department has noted that the Housing Authority is legally required under the 1995 Agreements to assist with any transition in the operation of Parsonage Cottage.

The Housing Authority continued to refuse to accept the refinancing offer, and the Working Group asked the Law Department to both consider legal issues associated with the refinancing and assist with negotiations. Town Attorney Wayne Fox and Assistant Town Attorney Aamina Ahmad held discussions with the Housing Authority's legal counsel with the hopes of reaching an agreement. However, no agreement was reached.

As a next step, the Law Department advised that under the 1995 Agreements, the Town had the right to inspect the financial books and records of the PC Partnership and the THAC upon proper notice. This had also been discussed with the Housing Authority at public meetings of the Working Group. The Law Department, members of the Working Group and the Comptroller developed a list of requested documents that had not been received from the Housing Authority, as well as questions that had not been adequately answered by the Housing Authority that were needed for the Town to make a

responsible refinancing offer. The BET decided to engage the Town's auditor, McGladrey, to conduct this review, which began in the summer of 2015. The scope of the review was sent to the Housing Authority by the Law Department in advance of the visit by McGladrey.

The results of McGladrey's review are being made available to the Housing Authority and this report is attached as **Exhibit F**. McGladrey was unable to obtain all the requested documents or answer all the questions raised by the Working Group. In particular, the status of the large "unpaid" management fee remains unclear. The McGladrey report also noted that the K-1 partnership distribution schedules that accompany the PC Partnership tax returns indicated a distribution of \$216,876 to the Housing Authority in 2013. The McGladrey auditor asked for additional information about this distribution, but no details or explanations were provided to the auditor. The Comptroller has recently asked again for more information about this distribution. The Housing Authority responded that this was a taxable, non-cash event, but no further details have been provided.

In connection with the McGladrey review, the Working Group has also asked the Law Department whether the purchase by the Housing Authority of the 99.9% limited partnership interest in the PC Partnership, giving 100% ownership of the PC Partnership to the Housing Authority, when the PC Partnership still holds the 99 year lease on Parsonage Cottage, requires municipal improvement status approval.

In November 2015, the BET was asked to approve a CDBG grant for the purchase of a new boiler for Parsonage Cottage. The boiler is among the capital items that should be financed out of cash flow according to the 1995 agreements. The BET voted to approve funding for the boiler and condition the grant on the resolution of the issues raised by the Working Group. It should be noted that CDBG funding for the boiler will not be available for almost a year. If the refinancing offer had been accepted when made in November 2013, the Housing Authority would have the funds to purchase a boiler immediately.

Since the Budget Committee and the BET voted to approve funding for the boiler with the condition, the Housing Authority has provided the Town with the following previously requested information:

- 1) A detailed and long term plan for capital needs at Parsonage Cottage
- 2) The 2014 audit and tax return for the PC Partnership
- 3) The 2014 audit and tax return for THAC

At the December 1, 2015 meeting, the Working Group intends to make a final recommendation to the BET for the BET to vote on at the BET's December 15, 2015 meeting. In terms of procedure following the BET's vote, the Law Department has advised the Working Group that whatever the BET recommends for resolution of these issues, whether the resolution is the proposed refinancing or otherwise, the resolution will have to go back to the Board of Selectmen and then to the RTM for approval. Withdrawal of the original application does not represent a viable option for two

reasons: 1) the Law Department has advised that the Housing Authority's buyout of the LIHTC investors represents a technical default of both the CDBG and Town loans, and this requires resolution; and 2) the question of how to prudently finance future capital improvements at Parsonage Cottage would remain unresolved. The Working Group has set forth these procedural steps in writing to the Housing Authority, and the Working Group stands ready to work with the Housing Authority in order to achieve a conclusion of this matter for the benefit of Parsonage Cottage.

Respectfully submitted,

Marc Johnson and Mary Lee Kiernan
Co-Chairs of BET Parsonage Cottage Working Group

EXHIBIT 4

**TOWN OF GREENWICH
BOARD OF ESTIMATE AND TAXATION
PARSONAGE COTTAGE WORKING GROUP
MINUTES – Town Hall Meeting Room, 1st Floor, Town Hall**

Tuesday, October 8, 2013

Committee: Marc V. Johnson, Mary Lee Kiernan, Leslie Tarkington,
Bill Finger

Board: Michael Mason, BET Chairman, Robert Brady, Randall Huffman

Others: Peter Mynarski, Comptroller; George Yankowich, Housing Authority
Chairman; Anthony Johnson, Housing Authority Executive Director;
Penny Lore, Director, Parsonage Cottage Senior Residence; Princess
Erfe, Community Development Administrator; Aamina Ahmad, Assistant
Town Attorney; Alma Rutgers, CDAC Chair; Christopher Von Keyserling,
CDAC Vice Chair; Ed Krumeich, former BET Member.

The meeting was called to order at 8:40 A.M.

**1. Review Questions about the Community Development Block Grant (CDBG)
loan forgiveness and related transaction**

Ms. Kiernan welcomed everyone and recounted the history of the Community Development Block Grant (CDBG) and Town Loans for the renovation of Parsonage Cottage, along with the tax credit partnership created to help finance the renovation, and the reasons for the request to forgive the CDBG Loan contained in the CD-3 application. Ms. Kiernan stated that around 1995 there was an effort put together financing to renovate the Parsonage Cottage, which was in disrepair. Ms. Kiernan said that there was a need to raise approximately \$4.6 million from different sources to renovate the building. The financing sources were a CDBG grant, a potential Town appropriation and private donations, all converted into three loans in order to create losses in a limited partnership vehicle. The CDBG Loan was principal and interest for \$675,000 at 4%, the Town Loan was principal and interest for \$1,148,324 at 6%, and the private donations "Fundraising Board" loan was interest only at \$1,000,000, with interest re-granted back each year. Additional funding of \$1.7 million in equity came from two investors interested in utilizing federal tax loss credits. In addition, these transactions were part of a 99 year leasing agreement in respect of the Parsonage Cottage building between the Town of Greenwich and the Parsonage Cottage Senior Residence Limited Partnership (the "Partnership"). Ms. Kiernan added that according to the Housing Authority, the tax credit financing arrangement had exceeded a fifteen-year compliance period and the investors have been expressing a desire to be bought out by the Housing Authority for an amount approximating \$170,000. Ms. Kiernan distributed a schematic of the 1995 financing and the set of transactions proposed in CD-3.

Ms. Kiernan then proceeded to explain the current process whereby the Housing Authority has been asking for forgiveness of the CDBG loan in an effort to clean up their balance sheet and to assist in obtaining additional financing from a banking institution to pay off the Town loan. Ms. Kiernan explained the process began with approvals by the Community Development Advisory Committee and the Board of Selectman to forgive the

CDBG loan to the Town. The item went before the BET Budget Committee and the item was approved 4 to 0, subject to release upon receipt by the Board of Estimate and Taxation of a letter from the Housing Authority stating their intent, that if they succeed in refinancing their debt, the proceeds go to repayment of the Town of Greenwich loan. When the item was presented to the full BET on September 24, 2013, a number of questions and requests for additional information arose. As a result, the BET voted 12 to 0 to defer the item and Chairman Michael Mason appointed a four person working group consisting of the members present today.

Ms. Kiernan stated that the question that underlies all the transactions in CD-3 is: what is the best way to finance new capital improvements to this important Town facility? She noted that the Housing Authority estimates that capital improvements over the next five years total somewhere in the range of \$600,000 to \$900,000. Ms. Kiernan laid out a variety of options and areas of further discussion before the Working Group, consisting of the following:

- Loan forgiveness – forgive the CDBG Loan, forgive the Parsonage Cottage Fund Raising Board Loan, refinance the Town Loan with a local commercial bank, which would take a senior security (leasehold mortgage) interest, and have the Housing Authority buy out the limited partners. This scenario is the CD-3 application.
- Loan modification – modify the CDBG loan and the Town loan to allow for a lower annual debt service and/or tie debt service to available cash flows or the ability to pay by the Parsonage Cottage operations.
- Town financing of capital projects performed by Parsonage Cottage or have the Town finance the capital projects through its own bonding program at a better rate than a commercial bank would offer.
- Use of capital reserves required in the Operating Agreement and by regulation.
- Obtain additional new capital through resyndication of an additional tax credit arrangement.

Ms. Erfe provided a compilation of all the questions and requests made in connection with this application since last spring.

Mr. Marc Johnson asked Housing Authority officials who would be driving the process through the Representative Town Meeting (RTM). Mr. Yankowich answered that the Housing Authority would drive the process in conjunction with the First Selectman, Peter Tesel.

Mr. Finger had a number of questions involving general expenses, forgiving Housing Authority management fees, benchmarking headcount with other similar operations and controlling operating expenses. Housing Authority officials explained how they reclassify expenses in order to get reimbursements, how the daily reimbursement rate was set when the renovation occurred, stated that their staffing was reasonable, stated that the state reviewed their expenses closely, and promised additional requested data on the allocation of HATG overhead to Parsonage.

Ms. Tarkington asked if the Parsonage Cottage workers were unionized. Ms. Lore said no.

Ms. Kiernan asked about the payor mix. Ms. Lore informed the Working Group that the payor mix was 20% private pay and 80% Medicaid reimbursements.

Mr. Mason told Housing Authority officials that in order for them to be successful with the RTM they would have to create an educational program to ensure passage of their item.

Mr. Anthony Johnson addressed one of the options presented by Ms. Kiernan. He offered that the requested financing would be too small to attract new tax credit investors and make the deal work. He said that the financing would have to be at least \$20 million and that their needs are too small.

Mr. Yankowich explained that the repayment of the Town loan was a carrot to encourage forgiveness of the CDBG loan.

Ms. Tarkington asked if Housing Authority officials could provide the original Title Policy. Mr. Anthony Johnson responded that he would look for it. Ms. Tarkington noted that according to the Assessor, the fair market value of the property was \$9.6 million. Mrs. Tarkington also asked whether the parcel was divided between Nathaniel Witherell and Parsonage Cottage, and who pays the Parsonage sewer taxes.

Mr. Finger and Ms. Tarkington asked questions about insurance maintained on Parsonage. Ms. Erfe noted that CDBG recipients delivered insurance certificates each year, but the Housing Authority should still deliver insurance certificates to the Town Treasurer in respect of Parsonage on an ongoing basis, even if there is no CDBG grant in a particular program year. Mr. Anthony Johnson stated that the Town was not named on the property insurance and the Town is named on the liability insurance. The members agreed that there is an outstanding question about whether all insurance levels are adequate today.

Ms. Kiernan asked if the Lease Purchase Option to move the lease from the Partnership to the general partner, Town Hall Annex Corporation, was ever exercised. Mr. Anthony Johnson said that the answer was no.

Ms. Ahmad advised the Working Group that the options need to be narrowed down and she informed Housing Authority officials that the Partnership Agreement is still missing and was required for the Town's review to move forward.

Mr. Finger presented a number of options. He stated that we need to address the original request to forgive the CDBG Loan. In addition, he presented options to modify the CDBG and Town Loans. Mr. Yankowich stated that the loan modifications would have to be reduced to approximately \$50,000 of debt service annually to work.

Mr. Anthony Johnson stated that the Housing Authority had already used leasehold mortgage financing on a town 99 year lease property as security for a commercial bank loan in connection with the Town Hall Annex entity.

Ms. Kiernan asked Ms. Ahmad what is required of the Town to modify the loans. Ms. Ahmad answered that they would need something in writing with the newly structured loan repayments. Ms. Kiernan mentioned the need for standard covenants to be included in these loan modification documents as suggested by the HUD representative.

Mr. Mynarski asked about the reserves noted in the Housing Authority's audit. Mr. Yankowich explained that these could not be used for capital improvements and they did not have the capital reserves required in the Operating Agreement.

At this point, Mr. Mynarski advised the Working Group, that he felt the best avenue was to restructure both of the loans internally to avoid third party lending fees. The Working Group collectively agreed to look at this alternative and instructed Mr. Mynarski to work with the Town's Financial Advisor with several scenarios to get the annual debt service on the loans payments down to \$50,000 annually. Ms. Ahmad stated that this approach was simpler, but would still require RTM approval. Ms. Ahmad further stated that the loan forgiveness or modifications could not be separated from the rest of the contemplated transactions. Ms. Tarkington asked Ms. Ahmad if this should be reviewed by tax counsel.

Ms. Kiernan stated that BET members, including the Budget Committee, had remaining questions about the buyout of the limited partners and the valuation of their interests. In order to answer these questions, both the Partnership Agreement and the Partnership's tax return with K-1 schedules were needed, and these can be requested under the Operating Agreement.

Ms. Kiernan asked Ms. Ahmad if there were any regulatory issues to be resolved. Ms. Ahmad said she would review the Certificate of Need in light of the proposed transactions. Mr. Yankowich stated that the State DSS opined that the proposed transactions would have no effect on reimbursements. Ms. Ahmad stated that there would need to be a representation by DSS or counsel saying that all regulatory requirements were met and that the transactions would have no adverse impact on reimbursement rates.

Mr. Brady asked whether a term sheet from the commercial bank was provided and the answer was no, just a letter of interest. Mr. Brady expressed concern with the use of the leasehold on a Town property as collateral and preferred internal refinancing of the loans by the Town. Mr. Brady asked a further question about the MI status of this lease and whether changing the use of this lease to collateral would require Planning and Zoning approval. Ms. Ahmad stated that this would need to be reviewed.

2. Review Document Requests

Based on the overall discussions held between the Working Group, Housing Authority officials and BET members, the following documents and information requests remain outstanding:

- Partnership Agreement and amendments or side letters
- Partnership tax returns with K-1 Schedules
- The answer to Bill Finger's question about allocation of the Housing Authority Town of Greenwich overhead to Parsonage Cottage
- Audited financials of the Town Hall Annex Corporation required by paragraph 6, page 4 of the Operating Agreement
- Leslie Tarkington's requests relating to the title insurance policy required at closing and sewer taxes.

3. Review process and timeline

Ms. Kiernan explained the requested materials listed above be forwarded to Mr. Mynarski. Upon adequate receipt, the Working Group will reconvene at a date to be determined.

4. Adjournment

The meeting adjourned at 10:53 A.M.



Peter Mynarski, Recording Secretary

Mary Lee Kiernan & Marc V. Johnson, Co-Chairs of
the Working Group

**TOWN OF GREENWICH
BOARD OF ESTIMATE AND TAXATION
PARSONAGE COTTAGE WORKING GROUP
MINUTES – Town Hall Meeting Room, 1st Floor, Town Hall**

Wednesday, November 06, 2013

Committee: Marc V. Johnson, Mary Lee Kiernan, Leslie Tarkington,
Bill Finger

Board: Michael Mason, BET Chairman; Jeff Ramer, BET

Others: Peter Mynarski, Comptroller; George Yankowich, Housing Authority
Chairman; Anthony Johnson, Housing Authority Executive Director;
Princess Erfe, Community Development Administrator; Aamina Ahmad,
Assistant Town Attorney

The meeting was called to order at 4:40 P.M.

1. Approval of October 8, 2013 Meeting Minutes

On a motion by Ms. Tarkington, seconded by Mr. Johnson, the Working Group voted 4 to 0 to approve the October 8, 2013 minutes, as amended.

2. Review Diligence and Document Requests

Ms. Kiernan reported that the Housing Authority had recently informed the Town that on October 18, 2013, the Housing Authority purchased the 99.9% limited partnership interests of the Parsonage Cottage Senior Residence L.P. ("Partnership") for \$161,016 from Edison Capital.

Ms. Kiernan invited Ms. Ahmad to give the Working Group an update on the Law Department's review of this sale and the documents received in connection with the original application for the Town of Greenwich to forgive the Parsonage Cottage CDBG Loan. Ms. Ahmad explained that what appeared to be a simple, straightforward request to forgive a loan was actually a very complicated package deal and required an extended effort on the part of the BET Working Group and the Law Department to reconstruct and reconcile the events that occurred years ago up to the present time. Ms. Ahmad stressed that the Working Group wanted to ensure a reasonable and appropriate due diligence effort is made in connection with this application, which has required a substantive number of requests for information and documents to Housing Authority officials. The goal of the Working Group is to create a complete and presentable package of materials for the BET and subsequently the Board of Selectman and the Representative Town Meeting (RTM) to review that will assist the Housing Authority in an effort to fund future capital improvements at Parsonage Cottage.

Ms. Ahmad explained that the recent sale of the interests of the limited partners in the Partnership to the Housing Authority presented concerns for the Working Group. Ms. Ahmad stated that this transaction was a "reorganization" under the Loan Agreements and constituted a technical default of the Town Loan and the CDBG Loan. Ms. Ahmad assured Housing Authority officials that although this technical default authorizes the

Town to call these loans, the Town does not want to take this action. Mr. Yankowich explained that while the tax filings and the Assignment of Limited Partnership Interest contract reflect a transfer in December, 2012, the sale was effective when the parties agreed to a price as determined by auditors, which occurred on October 18, 2013. Mr. Yankowich further acknowledged that Edison Capital's public filings should reflect that this sale took place in 2013 and not 2012.

At the request of the Working Group and in preparation for this meeting, Ms. Ahmad prepared a draft letter from the Working Group to the Housing Authority with 1) a final set of informational and document requests from the Working Group needed to complete the due diligence and 2) a recommendation that the BET offer to modify both the Town Loan and the CDBG Loan instead of forgiving the CDBG Loan. Ms. Ahmad provided the draft document to the Working Group prior to this meeting and it was edited by each member of the Working Group. This draft letter was distributed to the Housing Authority at the meeting and reviewed in detail with the Housing Authority.

The Working Group reviewed the various document requests that have not yet been answered by the Housing Authority, including: the current partnership agreement reflecting the Housing Authority and the Town Hall Annex Corporation as limited partner and general partner, respectively; exhibits to the prior Partnership Agreement with the Edison Capital limited partners, including the Management Agreement with the Housing Authority or any successor management agreement; the current audited financial statements for the Town Hall Annex Corporation required to be delivered under paragraph 6(b) of the Operating Agreement; and a confirmation that the recent reorganization does not impact the Certificate of Need for Parsonage Cottage, its license or its contract for State reimbursements.

During the discussion regarding document requests, Mr. Yankowich confirmed that the partnership vehicle would remain in place as the lessee and operator of Parsonage Cottage. Mr. Yankowich and Mr. Tony Johnson said that they no longer had the exhibits to the partnership agreement, including the management agreement. Mrs. Ahmad explained that a new management agreement would be needed. Mrs. Tarkington requested the title policy back to 1995. Mr. Finger reported that Parsonage Cottage had not been billed and had not paid sewer taxes, and that various tax issues still needed to be analyzed and resolved.

During a discussion about the audited financial statements of the general partner, the Town Hall Annex Corporation, Mr. Yankowich and Mr. Tony Johnson stated that HUD regulations require that the Housing Authority do a blended audit of the Housing Authority with the Town Hall Annex Corporation instead of a separate audit of the Town Hall Annex Corporation, which is a non-profit entity. Mr. Yankowich and Mr. Johnson further stated that HUD regulations required that in the future, the Partnership audit must also be blended into the Housing Authority's audit. Ms. Kiernan requested these HUD regulations. Mr. Tony Johnson stated that the Housing Authority does five audits in total. Mr. Tony Johnson also stated that the Town Hall Annex Corporation owns 19 scatter-site units and manages the Town Hall Annex building on Havemeyer, which is also leased from the Town.

Mr. Mason emphasized the importance of cooperation between the parties, particularly with respect to document requests. Mr. Mason further reminded the Housing Authority of the complicated nature of the approval process moving forward, and that the BET is

seeking to support Parsonage Cottage and the capital improvements needed for this facility.

Ms. Tarkington expressed concerns with the taxable nature of the Partnership, the audit blending other entities and the need for a tax attorney to review the contemplated transactions, particularly if the Town offers a zero interest loan modification or loan forgiveness.

Mr. Marc Johnson expressed concerns that the Housing Authority may take management fees before there is cash flow that might go to capital improvements.

The Working Group explained that they favored recommending a modification of both the Town Loan and the CDBG Loan such that the total annual debt service of the Partnership totaled no more than \$50,000 and provided that the Loan Modification documents contained standard covenants. These covenants were reviewed with the Housing Authority. Mr. Yankowich stated that he would speak to the board of Commissioners of the Housing Authority. There was consensus between the Working Group and the Housing Authority that the agreement of the Commissioners was needed before the BET could vote on this recommendation. The Working Group promised that a final draft of the letter would be delivered soon.

The discussions with Mr. Anthony Johnson and Mr. Yankowich concluded and they left the meeting at 6:08 PM.

3. Review Draft of Working Group Recommendations

At this point, the Working Group members methodically went through each of the edits to the draft document prepared by Ms. Ahmad in order to reach a consensus on a final edited version of the letter to be sent to the Housing Authority. Included in this document was the proposal to modify the Town Loan and the CDBG Loan as an alternative to the original request to forgive the CDBG Loan.

Mr. Mynarski noted that insurance levels on Parsonage Cottage were low and would need to be adjusted.

The Working Group agreed that following the delivery of such letter, the Working Group should monitor whether the Housing Authority responds to the remaining information and documentation requests and also, if the alternative to the original request for loan forgiveness was acceptable to the Housing Authority Commission.

4. Adjournment

The meeting adjourned at 6:40 P.M.



Peter Mynarski, Recording Secretary



Mary Lee Kiernan & Marc V. Johnson, Co-Chairs of
the Working Group

**TOWN OF GREENWICH
BOARD OF ESTIMATE AND TAXATION
PARSONAGE COTTAGE WORKING GROUP**

MINUTES – Parks & Recreation Conference Room, 2nd Floor, Town Hall

Friday, February 21, 2014, 2:30 P.M.

Committee: Mary Lee Kiernan, Leslie Tarkington, Bill Finger,
(Marc Johnson, absent)

Board: Michael Mason, BET Chairman

Others: Peter Mynarski, Comptroller, George Yankowich, Housing Authority Chairman,
Anthony Johnson, Housing Authority Executive Director, Princess Erfe,
Community Development Administrator, Aamina Ahmad, Assistant Town
Attorney, Christopher von Keyserling

The meeting was called to order at 2:37 P.M.

1. Approval of November 6, 2013 Meeting Minutes

Prior to the approval of the minutes, Mr. Yankowich wanted to amend the minutes to reflect what he thought he said regarding Assignment of the Limited Partnership Interest in December 2012. Mr. Finger told Mr. Yankowich that the minutes properly state what was said at the November 6, 2013 meeting. However he could enter into today's meeting a clarification on what he meant. Mr. Yankowich agreed and stated that the reference to Edison Capital's public filings should reflect a sale of the LP interests in 2013. Mr. Yankowich also asked that the minutes of today's meeting reflect that the Town is in possession of the title policy with for Parsonage Cottage.

On a motion by Mr. Finger, seconded by Ms. Tarkington, the Working Group voted 3 to 0 to approve the November 6, 2013 minutes (Mr. Johnson was absent).

2. Review of Process to Date and Open Issues

Ms. Kiernan briefly reviewed the process to date beginning with the formation of the Parsonage Cottage Working Group in September; the Working Group meetings held in October and November; the letter sent from the Working Group to the Housing Authority of the Town of Greenwich (HATG) dated November 25, 2013, noting that several of the document requests in this letter are still outstanding; the response letter from the HATG dated December 13, 2013, noting that one of the requested documents, the new Management Agreement, was attached, the postponement of several Working Group meetings this month due to weather; and the additional response letter from the HATG dated today, February 21, 2014, and emailed to the Working Group this morning. The Committee agreed to address this new response letter from HATG under Item #4 below.

3. Law Department Review of Regulatory Questions

Ms. Kiernan asked Ms. Ahmad and Mr. Mynarski for an update on their analysis of the HATG statement in the HATG letter of December 13, 2012 that a loan modification proposal would

have a negative impact on the Parsonage Cottage reimbursement rate in the future. Ms. Ahmad stated she spoke with a representative of the State Department of Social Services rate setting office. She said the State DSS sent her the Rate History Report for Parsonage Cottage. In addition, the State DSS stated that the proposed loan modifications would impact the reimbursement rate, but can't project the impact. The State DSS recommended that the Town contact an actuary who specializes in rate setting for residential care homes and gave Ms. Ahmad a contact person. Mr. Mynarski said that he did contact this person, George Thomas. Mr. Thomas works for the Accounting Firm of Blum and Shapiro and said he is interested in performing such an analysis, but could not start until early March 2014.

Ms. Ahmad and Ms. Kiernan also asked whether the application for renewal of the Certificate of Need that Parsonage Cottage provided to the State was accurately completed because the form indicated "renewal" instead of "change of ownership." It was agreed that Ms. Ahmad would contact the State DSS to ask this question.

4. Review of Financing Options

The Committee decided to review the February 21, 2014 HATG response letter, which contains counter-proposals to the November 25, 2013 letter by the Working Group as follows:

- "Propose to refinance the Town Loan at 1% amortized over 27 years; and, if there is not BET Board support to forgive the CDBG Loan, propose to refinance the CDBG Loan at 0% over 27 years." There was a discussion as to why HATG was proposing different interest rates for the two loans. Mr. Yankowich responded that the CDBG Loan has federal dollars as a source of funding and the Town Loan is taxpayer's money, and he thought it would be fairer to the taxpayers to keep an interest rate, although low, for the Town Loan. It was decided that Mr. Mynarski would redo the amortization for each loan as indicated with an effective date staying at January 1, 2014.
- "At any time either or both loans may be paid off with no prepayment notice or penalty; effective date of the refinance will be January 1, 2014." Ms. Kiernan noted that prepayment was already permitted, but that this new HATG proposal inserted a "without notice" provision. The only change proposed by the Working Group was to omit "no prepayment notice" and substitute "30 days" in reference to a notice time period.
- "After the year 2027, the parties agree that the Town Loan may be refinanced as part of a recapitalization either by the Town or by other financing source." The Working Group was concerned about what "or by other financing source" meant. Ms. Kiernan stated that the security interest that a commercial bank might require in the lease of Parsonage Cottage would be problematic for both the BET and the Representative Town Meeting (RTM). The Working Group then proposed adding "approved by the Town" after "other financing source."
- "Without prior Town approval, there will be no transfer of the lease, no new partners (limited or general) may invest in the Partnership." There was an extended discussion on what this language meant, as well as questions about the partially executed lease assignment and which entity was now the lessee. It was agreed that Ms. Kiernan would come up with new language that everyone could be happy with.

- "HATG agrees to provide the annual audited financial statements which include the operations of Parsonage Cottage that are prepared in the normal course of business by HATG. HATG will also provide monthly balance sheet and income statement for Parsonage Cottage, as available. These will be paper copies or electronic copies." Financial disclosure remains an area of disagreement between the Working Group and HATG officials. Ms. Kiernan cited the requirement in the Operating Agreement, dated August 9, 1995 in Section 6 (b) that both the Partnership and the Town Hall Annex Corporation (the general partner of the Partnership) provide "annual audited financial statements" to the Town Comptroller, which requirement provides appropriate disclosure on Partnership distributions and financial results to the Town. Ms. Kiernan further noted that the Town Hall Annex Corporation is not a single purpose entity, further complicating the disclosure of financial results. In addition, Ms. Kiernan noted that the Town Hall Annex Corporation reported substantial profit in its 2011 Form 990 (federal tax form for non-profit entities), but does not provide detail on the sources of this profit.

Ms. Kiernan again requested that the HATG provide the Working Group separate audits of the Partnership and the Town Hall Annex Corporation, as stated in the Working Group letter dated November 25, 2013. Mr. Yankowich stated that there was a separate audit conducted up until 2012. He added that with the issuance of the Single Audit Act, they are no longer required to provide a separate audit of the general partner, and that soon the audits of the Partnership and the Town Hall Annex Corporation would be "blended." Ms. Kiernan noted that an auditor would still be required to conduct a substantial audit each year when the Town Hall Annex Corporation completes its Form 990. Both Mr. Yankowich and Mr. Anthony Johnson continue to firmly state they will not comply with the Working Group's request for a separate audit.

The Working Group agreed that Ms. Ahmad would review the regulations cited by Mr. Yankowich that direct a "blended" audit.

- "So long as the loans are in effect, HATG will use any excess operating cash flow, up to \$70,000 per year, for the purposes of: funding capital repairs and improvements, funding of long term capital reserves, funding of working capital reserves, or funding of emergency repair reserves." Ms. Kiernan asked Mr. Yankowich to explain the cap of \$70,000. Mr. Yankowich responded that the number was an approximation of the difference between the old debt service and the new debt service if the two loans were modified. Ms. Kiernan commented that this proposed provision to cap off the excess cash flows that remain with the Parsonage Cottage building and the lack of detail as to the use of any cash flow beyond the cap needs further review.

Ms. Kiernan also asked if HATG had found the old Management Agreement with Parsonage Cottage. Mr. Johnson and Mr. Yankowich both stated its whereabouts is unknown. A discussion ensued regarding prior management fees under the old Management Agreement. Mr. Johnson stated that they had been "waived," but then conceded that these fees still appear as payable to HATG on the Partnership's audit. Ms. Kiernan asked how the auditor calculated the management fee payable when the old management agreement was unavailable. Mr. Yankowich stated that auditor provides a sheet with the calculation and Ms. Kiernan asked Mr. Yankowich to provide this sheet to the Working Group.

- "The Town agrees that this refinancing shall not diminish the HATG need to seek additional local, state, and federal grants or funding for operations and capital

improvements in its normal course of operations, and that no approval (other than via CDBG process) by the Town shall be required to apply or receive such funds." The Working Group reminded the HATG officials that they could not provide any assurances with respect to public funding. Mr. Yankowich expressed concerns about restrictions on fundraising and the Working Group did not have any issues with a provision that the proposed refinancing will not restrict fundraising efforts. Ms. Tarkington recommended adding a phrase regarding charitable contributions.

- "There is no need for additional affordability covenants as they are a condition of the Special Permit #1711, MI # 420 and #421 and a continuing reporting obligation (until 2027) of the LIHTC. Each have different definitions." The Working Group had questions about the affordability covenants in this proposal. Ms. Kiernan noted that the affordability requirement that 80% of Parsonage Cottage units be used as low-income housing was stated in the prior partnership agreement and there should be no issue with restating this requirement in the new loan agreement and the new partnership agreement. The Working Group again asked the HATG officials for a copy of the new Partnership Agreement and there was no response. Mr. Finger requested that Ms. Ahmad get further clarity on the affordability covenants for this property from Planning and Zoning and report back to the Working Group.
- "This will be an amendment to the existing Notes and Loan Agreements and all other terms and conditions of the Note and Loan Agreement remain unchanged and in effect." Ms. Kiernan and Ms. Ahmad commented that this section needs to be determined by the respective lawyers representing the Town and the HATG.

At 4:15 p.m., Mr. Finger excused himself from the meeting due to a prior commitment.

The Working Group then returned to the November 25, 2013 letter from the BET Chairman and the Working Group to the HATG, which provided a list of outstanding information requests and loan modification recommendations. Ms. Kiernan directed everyone to the 6 informational requests detailed on page 2 of the aforementioned letter.

Ms. Erfe agreed to review the requirement that HATG provide HUD/CDBG-level of detail with respect to future capital improvements at Parsonage Cottage.

The Working Group discussed appropriate levels of insurance for Parsonage Cottage and Mr. Mynarski stated that he would ask the Risk Manager to review this issue.

Ms. Kiernan reiterated that Ms. Ahmad will contact the State of Connecticut on the issue of the Certificate of Need (CON) and the reapplication detailing new partners for the Parsonage Cottage. Specifically, Ms. Ahmad will seek written confirmation stating that the recent reorganization of the Partnership does not in any way impact the current CON for Parsonage Cottage, its license or its contract with the State for reimbursements.

Ms. Kiernan requested that Ms. Tarkington review item number 6 on any federal or state tax impact of the transactions including the partnership transfer and the loan restructurings.

The Working Group concluded that the Working Group and the HATG have reached a point where all of the information that has been requested has either been supplied or will not be supplied.

Finally, Ms. Kiernan said that Ms. Ahmad will look at the 80% requirement for low-income levels for Parsonage Cottage patients, as referenced above.

5. Next Steps

Next steps were reviewed above.

6. Adjournment

The meeting adjourned at 4:28 P.M.


Peter Mynarski, Recording Secretary


Mary Lee Kiernan & Marc V. Johnson, Co-Chairs of
the Working Group

**TOWN OF GREENWICH
BOARD OF ESTIMATE AND TAXATION
PARSONAGE COTTAGE WORKING GROUP**

MINUTES – Mazza Conference Room, 1st Floor, Town Hall

Tuesday, May 13, 2014

Committee: Marc Johnson, Mary Lee Kiernan, Leslie Tarkington, Bill Finger,

Board: Michael Mason, BET Chairman, Nancy Weissler

Others: Peter Mynarski, Comptroller, George Yankowich, Housing Authority Chairman, Anthony Johnson, Housing Authority Executive Director, Princess Erfe, Community Development Administrator, Aamina Ahmad, Assistant Town Attorney, Louis P. Pittocco, Housing Authority Legal Representation, Peter Tesel, First Selectman

The meeting was called to order at 3:07 P.M.

1. Approval of February 21, 2014 Meeting Minutes

Upon a motion by Mr. Finger, seconded by Mr. Tarkington, the Working Group voted 3-0-1 to approve the February 21, 2014. Mr. Johnson was absent for the February 21, 2014 meeting and abstained.

2. Review Draft Response Letter

Ms. Kiernan started by giving all in attendance an update on the proceedings of the Working Group to date. Ms. Kiernan stated that this was the fourth meeting of the Working Group. The Working Group previously held three meetings; on October 8, 2013, November 6, 2013 and most recently February 21, 2014. Ms. Kiernan said that the Working Group sent a November 25, 2013 letter to The Housing Authority of the Town of Greenwich (HATG) with a request for additional information and a loan modification offering. The HATG responded to the November 25th letter with a December 13, 2013 letter. In addition, HATG responded with a February 2014 letter response. Ms. Kiernan concluded by saying The Working Group reviewed the February HATG response in detail and made a Town and Community Development Block Grant (CDBG) loan modification offer which is detailed in a draft May 13, 2014 letter to the HATG which will be covered in detail at this meeting.

Ms. Kiernan informed everyone that she would proceed by going over in detail the May 13, 2014 letter drafted by the Working Group and distributed to everyone at this meeting. Ms. Kiernan directed everyone's attention to the second paragraph on page 2 of the letter and methodically went through each sentence. The substance of the paragraph details the Town and HATG entering into various agreements in respect of the Parsonage Cottage property in approximately 1995, the subsequent purchase by HATG of the 99% limited partnership interests from Edison Capital without the required consent of the Town and who should benefit from the future equity cash flows that may result from the future operations of Parsonage Cottage. More specifically, Ms. Kiernan stated that since the tax credits to Edison Capital had been fully utilized and HATG had purchased the 99% partnership interests without the consent of the Town, that it basically constituted a technical default, and this was also the opinion of the Law Department and the

Working Group. She told HATG officials that the original intent was for only the limited partners to receive the equity cash flow for the Partnership in order to utilize these tax credits and it was never intended in the original 1995 agreements for the HATG and its affiliate, the Town Hall Annex Corporation, to assume 100% ownership. Ms. Kiernan said that it is the recommendation of the Parsonage Cottage Working Group that Parsonage Cottage, not HATG, benefit from the future equity cash flows that may result from the operation of Parsonage Cottage. This goal is intrinsic in the two alternative offers provided to HATG in the draft May 13, 2014 letter.

Mr. Tony Johnson strongly expressed disagreement with the content of the paragraph, supported by Mr. Yankowich and HATG legal counsel Mr. Pittocco. Mr. Tony Johnson argued that he could present cases of other Housing Authorities in similar arrangements assuming ownership rights at the conclusion of tax credit arrangements. Ms. Kiernan countered by stating she could also present cases to support the Working Group's case detailed in this letter that align with housing markets similar to Greenwich where housing facilities are full or almost full. Mr. Finger, in support of Ms. Kiernan, added that this particular arrangement between the Town and HATG was different than those cases Mr. Tony Johnson may present because of the loans made by the Town. Mr. Pittocco attempted to soften the technical default aspect by stating HATG had a similar situation with the Town Hall Annex Corporation, which was approved by the State of Connecticut. Mr. Finger countered that deal did not involve Town loans and the special rights of the Town as senior secured creditor. The substance of the discussions centered on the argument of whether or not the HATG purchase of the limited partnership interests constituted a technical default and who should benefit from any future cash flows. Ms. Kiernan, with support of the Town of Greenwich Law Department, concluded that under HATG reorganization involving Parsonage Cottage that one or more defaults have occurred, triggering cross defaults under other related agreements. Mr. Pittocco and HATG officials expressed disagreement that reorganization did in fact, occur.

As the discussion continued, the Working Group members collectively wanted to assure HATG officials that it was not the preference to exercise Alternative #2 to eliminate the Partnership Structure in light of what appeared to be a situation of technical default. The Working Group repeatedly stressed to HATG officials they wanted to work with them to the benefit of Parsonage Cottage and its residents, and to provide for the appropriate financing of future capital needs of Parsonage Cottage.

Ms. Kiernan continued working through the draft May 13th letter. Under Alternative #1, Ms. Kiernan repeated the previous offer of modifying the Town loan to a 27 year maturity, effective January 1, 2014, and an interest rate of 1%. The CDBG loan would have a 27 year maturity, be effective January 1, 2014 and have an interest rate of 0%.

Ms. Kiernan then presented the Working Group's final documentation request of four categories detailed in the draft May 13th letter, which were documentation requests made repeatedly since the first meeting of the Working Group in October. She stressed that non-compliance would result in the loan modification offering not being recommended to the full Board of Estimate and Taxation by the Working Group. Mr. Tony Johnson, in reference to the audit requirement, stated he had no problems with the audit requirements from the original agreements or if the Town would like to audit the Town Hall Annex Corporation. However, he stated HATG is trying to hold expenses down and offered that the Town would have to pay for any audit expenses. Ms. Kiernan questioned the amount of any additional audit expenses in light of the fact that HATG already audits these operations, evidenced by tax filings. Ms. Kiernan asked Mr. Tony Johnson if HATG would share the cost of audit services currently provided to the Town Hall Annex Corporation.

Mr. Marc Johnson asked about how long HATG was waiving Management Fees for the Parsonage Cottage. Mr. Tony Johnson said he didn't remember, but estimated that it was approximately four years.

Ms. Kiernan directed the attention of all to the ten covenants detailed on page four in the draft May 13th letter. She stated the Working Group recommends the continuance of these covenants contained in the 1995 Agreements and, in addition, the proper allocation of equity cash flows to fund the capital needs of Parsonage Cottage, as set forth in covenant number two. HATG officials, led by Mr. Yankowich, strongly objected to covenant number two as being too vague. There was an extended debate on the definition of future equity cash flows from Parsonage Cottage and how they should be handled. The debatable issues were concluded by everyone agreeing to a better definition of cash flows and a rewrite of covenant number two.

Mr. Yankowich also questioned the reasonableness of covenant number six, requiring "The Housing Authority will provide to the Town the same level of detail in respect of capital improvements to Parsonage Cottage that the town requires in connection with the annual CIP process". Working Group members assured Mr. Yankowich this request was not onerous and that they would set a threshold on the size of the capital project to be reported likely similar to that required of other Town Departments.

Ms. Kiernan alerted HATG officials that there were three additional items that needed to be addressed as follows:

- The Town of Greenwich's Risk Manager has reviewed insurance levels at Parsonage Cottage and determined that certain levels of insurance need to be increased and references to the original limited partners need to be omitted from current and future policies.
- The issue of Parsonage Cottage paying the sewer taxes is still outstanding and needs to be addressed. Ms. Tarkington explained this issue to HATG officials and answered questions about sewer taxes on entities with similar Town leases.
- Any modified loan documents need to continue indemnifications provided by HATG to the Town in the 1995 Agreements and reflect the recent reorganization of the Partnership.

Ms. Kiernan stated she was hopeful that everyone can come to mutual agreements on Alternative #1 and hopefully not exercise Alternative #2. The consensus of all in attendance was not to exercise the second option, Alternative #2: Eliminate the Partnership Structure and it was not discussed in any detail as listed in the draft May 13th letter.

3. Next Steps

The Working Group agreed that the next steps are to clean up the document, as discussed, and then send it to HATG and wait for their response. HATG also requested that the Working Group create a term sheet that outlines the terms of Alternative #1 and provide this to HATG.

There was general agreement that after HATG responds with acceptance to the Working Group requests and agreement on Alternative #1 (Loan Modifications), the matter will be forwarded to

the full BET with appropriate documentation. After BET approvals, the matter will be referred back to the Board of Selectman and ultimately to the Representative Town Meeting (RTM).

Upon a motion by Mr. Marc Johnson, seconded by Mr. Finger, the Working Group agreed to modify the draft May 13, 2014 letter, as discussed and send it to HATG. The motion carried 4 to 0 in favor.

4. Adjournment

Upon a motion by Mr. Finger, seconded by Mr. Marc Johnson, the Working Group voted 4 to 0 to adjourn the meeting at 4:16 P.M.



Peter Mynarski, Recording Secretary



Mary Lee Kiernan & Marc V. Johnson,
Co-Chairs of the Working Group

**TOWN OF GREENWICH
BOARD OF ESTIMATE AND TAXATION
PARSONAGE COTTAGE WORKING GROUP**

Workshop Minutes - Mazza Conference Room, 1st Floor, Town Hall
Tuesday, December 1, 2015

Committee: Marc Johnson, Mary Lee Kiernan, Leslie Tarkington, Bill Finger,

Board: Michael Mason, BET Chairman, John Blankley, Sean Goldrick, Jeffrey Ramer, Nancy Weissler

Others: Peter Mynarski, Comptroller, George Yankowich, Housing Authority Commissioner, Anthony Johnson, Housing Authority Executive Director, James Boutelle, Housing Authority Commissioner, Princess Erfe, Community Development Administrator, Aamina Ahmad, Assistant Town Attorney, Christopher Von Keyserling, Penny Lore, Director, Parsonage Cottage Senior Residence, Alma Rutgers, CDAC Chairperson, Beth Krumeich, 2016 BET Candidate, Jim Lash, 2016 BET Candidate, Nancy Brown, former Community Development Administrator

The meeting was called to order at 11:02 A.M.

Approval of May 13, 2014 Meeting Minutes

On a motion by Ms. Tarkington, seconded by Ms. Kiernan, the Working Group voted 4-0-0 to approve the May 13, 2014 meeting minutes.

Mr. Johnson welcomed the attendees and summarized the historical sequence of events leading to the establishment of the Working Group by the BET in September of 2013 in order to familiarize the audience with what had already taken place. He further summarized the efforts of the Working Group since inception, specifically reviewing the two refinancing offers made by the Working Group to the Housing Authority in November 2013 and May 2014 bringing debt service down to the level requested by the Housing Authority, which were rejected. Mr. Johnson added that the meeting would follow the BET meeting format of inviting speakers to make presentations to provide the Working Group with information for its recommendation to the Budget Committee, BET, Board of Selectmen and the RTM, but cautioned that the meeting was not a public hearing.

Review and Approval of RSM US LLP Operational Review

Mr. Johnson asked Ms. Kiernan to provide further background on the results and outstanding questions of the Operational Review undertaken by RSM US LLP (formerly known as McGladrey) dated November 1, 2015.

Ms. Kiernan reviewed the Law Department's advice that a review of two entities, the Parsonage Senior Residence L.P. and its general partner, the Town Hall Annex Corporation, was authorized by the 1995 Operating Agreement. The Working Group asked the Housing Authority about several issues raised by the Operational Review, including the waiving of Parsonage Cottage Management Fees; a distribution to the Greenwich Housing Authority reported in the

2013 K-1 partnership distribution schedule; the Law Department's conclusion that notice and consent was required for a change in the ownership of the partnership; and the cash flow issues relevant to capital project needs anticipated over several different time horizons..

On a motion by Mr. Finger, seconded by Ms. Tarkington, the Working Group voted 4-0-0 to accept and approve the RSM US LLP Report.

Review and Approval of Report of BET Parsonage Cottage Working Group

Mr. Johnson summarized the information in the Working Group report. Ms. Kiernan commented that there had been four public meetings with the Housing Authority and dialogue with the Law Department to facilitate resolving a variety of outstanding issues. Speaking for the Housing Authority Commission, Mr. Yankowich asked that a copy of his written rebuttal to the comments contained in the RSM US LLP Operational Review and further questions posed by the Working Group be attached to the Minutes of the meeting. Mr. Yankowich distributed his written comments to the Working Group and others.

On a motion by Ms. Tarkington, seconded by Mr. Finger, the Working Group voted 4-0-0 to approve the Report of the BET Parsonage Cottage Working Group.

Discussion of HATG Modification of Loans

Mr. Yankowich explained that the Housing Authority agreed with the financial terms proposed by the Working Group's 2014 offer letter, but rejected the offer because of offer letter's covenants and conditions. The Working Group commented that the covenants and conditions were contained in the 1995 Agreements and discussed with the Housing Authority at the Working Group's meetings. The Working Group and the Housing Authority reviewed each of the covenants and conditions, making progress on reaching resolution of these issues. A definition of excess cash flow and the authorized uses of excess cash flow were reviewed in detail by the parties. Further discussion ensued regarding the capital plan and cash flow needs at Parsonage Cottage. The parties acknowledged that the capital plan for Parsonage Cottage presented by the Housing Authority was originally five years and now extended to 27 years. Responding to a comment made by Mr. Yankowich that there would likely be cash flow deficits in years 8-10, Mr. Finger pointed out that whether the two loans were modified or one was modified and the other forgiven, there were still cash flow issues currently projected in years 8-10. Ms. Tarkington reviewed the sewer tax issue with the Housing Authority. Ms. Kiernan reviewed the Working Group's offer to renegotiate the loans if Medicaid rates moved unfavorably. The members of the Working Group also discussed the impact of the CDBG loan modification or forgiveness, which would reduce the amount of federal HUD funds allocated to organizations in the community. Ms. Tarkington spoke to the importance of the CDBG funding to the Housing Authority, and whether loan forgiveness or partial forgiveness for the Parsonage Cottage loans should be considered. Also, she commented on the importance of providing to Parsonage Cottage a financing package that the majority of the BET members would support.

Next Steps

Mr. Johnson polled the members of the Working Group for their thinking on the Housing Authority requests and suggested that the Working Group meet again for further discussion prior to the Budget Committee meeting of December 8th. It was also decided that Mr. Johnson

and Ms. Kiernan would meet to update the previous offer for loan modification, since that offer had now become stale with a start date of January 1, 2014.

Adjournment

On a motion by Ms. Kiernan, seconded by Mr. Finger, the Working Group voted 4 to 0 to adjourn the meeting at 1:20 P.M.


Catherine Sidor, Recording Secretary


Mary Lee Kiernan & Marc V. Johnson, Co-Chairs of
the Working Group

**TOWN OF GREENWICH
BOARD OF ESTIMATE AND TAXATION
PARSONAGE COTTAGE WORKING GROUP**

**Workshop Minutes - Cone Room, 2nd Floor, Town Hall
Monday, December 7, 2015**

Committee: Marc Johnson, Mary Lee Kiernan, Leslie Tarkington, William Finger

Board: Michael Mason, BET Chairman, Jeffrey Ramer, Nancy Weissler

Others: Peter Mynarski, Comptroller, George Yankowich, Housing Authority Commissioner; Princess Erfe, Community Development Administrator, Aamina Ahmad, Assistant Town Attorney, Christopher Von Keyserling, Member CDAC Commission; Alma Rutgers, CDAC Chairperson, Beth Krumeich, 2016 BET Candidate

The meeting was called to order at 3:06 P.M.

Mr. Johnson welcomed attendees and commented that during the last meeting, the Working Group had tentatively agreed that a properly financed Parsonage Cottage, which could be achieved by improving its Cash flow, was the objective of the discussion; and, secondly that it was timely to clarify and improve language in the Partnership Agreement and Covenants governing the 1995 outstanding loans.

Approval of December 1, 2015 Meeting Minutes

On a motion by Ms. Tarkington, seconded by Ms. Kiernan, the Working Group voted 4-0-0 to approve the December 1, 2015 Meeting Minutes with the attachment of the RMS US LLP Operational Report and written Response to the Report prepared by Mr. Yankowich.

Discussion of HATG Modification of Loans

Mr. Johnson circulated a list of revised Covenants which typically accompany loan financing agreements, and a discussion began about the possibility of refinancing the current CDBG loan of \$675,000 at 4% interest rate (effective August 9, 1995 maturing in 30 years), to \$348,548 with a 0% interest rate (effective January 1, 2016 maturing in 22 years). He proposed that the second loan, from TOG, of \$1,148,324 with an interest rate of 6% effective in 1995, be reduced to \$674,691 at 1% interest rate maturing in 22 years.

The refinancing modifications were offered to reduce the collective debt service payments of the two loans by \$71,314.70 per year, to \$50,020.66 per year. This was an amount identified by the Housing Authority as the level needed to finance capital improvements at Parsonage Cottage with cash flow.

The Working Group offered a Refinancing Alternative with the following summary of Key Terms:

Financial Terms:

Maturity: 22 Years

Issue Date: effective 1/1/16

*Meeting of the Board of Estimate and Taxation Budget Committee Parsonage Cottage Working Group
December 7, 2015 – Subject to Approval*

Amortization: level paid monthly

Interest: 0% on CDBG Loan and 1% on Town Loan

Covenants Continued from 1995 Agreements:

1. Parsonage Cottage will continue as a licensed home for the aged providing supportive housing and related services to low and moderate income seniors for the remainder of the term of the lease and at least 80% of the residents must be low and moderate income seniors to ensure continued compliance in meeting the National Objective under the CDBG Program guidelines as per HUD regulations;
2. Any excess cash flows after operating costs and payment of debt service shall be used as follows: a) for working capital repairs and long term maintenance; b) to fund current capital improvements; c) to fund a long term capital reserve fund, with both current capital improvements and funding of the long-term capital reserve limited to \$70,000 per year; and d) payment of management fees under the current Management Agreement. Any excess cash flow remaining after use for the foregoing items shall then be used for long term capital reserves and/or prepayment of principal on debt;
3. There will be no additional liens taken by any party in respect of the lease of Parsonage Cottage except mechanics liens;
4. There will be no transfer of the lease by the Partnership and new partners, limited or general, may not invest in the Partnership without the written consent of the Town;
5. No additional third party loans, leases, licenses, operating agreements, or other similar agreements may be entered into by the Partnership or its limited or general partners in respect of the Partnership outside the normal course of operating a licensed home for the aged and maintaining the Parsonage Cottage property;
6. The Housing Authority will provide to the Town an annual updated capital plan;
7. The Housing Authority will provide annual reporting of financial information in respect of Parsonage Cottage, the Partnership and the Town Hall Annex Corporation that is satisfactory to the Comptroller, including, but not limited to, a) annual reporting on activity in the capital reserve for Parsonage Cottage maintained by the Partnership b) annual audited financial statements of both the Partnership and its general partner, Town Hall Annex Corporation, as was previously required by the Operating Agreement, and c) any federal or state tax returns filed by the Partnership or the Town Hall Annex Corporation;
8. All notice provisions of all documents will be updated to require that notices shall be sent to the First Selectman and the Comptroller;
9. At any time either or both the CDBG loan and the Town loan may be paid off with 30 days written notice and without penalty;
10. If there is any material change in the Current Management Agreement dated January 1, 2013, the Housing Authority and the Partnership shall notify the Town and seek its approval.

Additional Agreements:

1. The Town and HATG agree to renegotiate the above financial terms in good faith if a) there is a material adverse change in the Medicaid reimbursement rate for Parsonage Cottage residents, b) there is a material deficit in the long term capital reserve or c) the CDBG program ceases to exist.

Next Steps

The Working Group proposed that all parties agree to minor revisions to help clarify certain covenants and improve the language in the Operating and Loan Agreements.

On a motion by Ms. Tarkington, seconded by Mr. Finger, the Working Group voted 4-0-0 to approve the Terms & Conditions as discussed in the Working Group meeting.

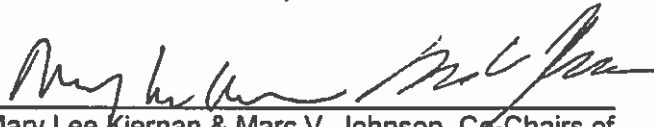
Adjournment

On a motion by Ms. Kiernan, seconded by Ms. Tarkington, the Working Group voted 4 to 0 to adjourn the meeting at 4:20 P.M.



Catherine Sidor, Recording Secretary

The following members of the Working Group recognize that there may not be another meeting. Therefore, we state that we have reviewed and accepted the aforementioned minutes:



Mary Lee Kiernan & Marc V. Johnson, Co-Chairs of
The Working Group & Leslie Tarkington & William Finger

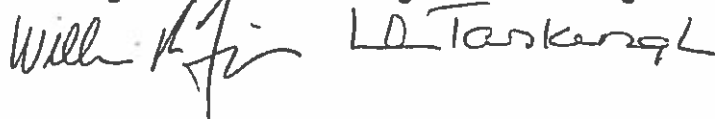


EXHIBIT 5

OPERATING AGREEMENT

THIS AGREEMENT (the "Agreement") is entered into this 9th day of August, 1995, by and between THE TOWN OF GREENWICH (the "Town"), PARSONAGE COTTAGE SENIOR RESIDENCE LIMITED PARTNERSHIP (the "Partnership") and THE HOUSING AUTHORITY OF THE TOWN OF GREENWICH ("HATG") for the renovation and operation of Parsonage Cottage as a licensed Home for the Aged ("HFA").

W I T N E S S E T H:

WHEREAS, the Partnership has prepared a Project Narrative, Floor Plans and a Site Layout, attached as Exhibit A to the Loan Agreement (and collectively referred to herein as the "Plan"), setting forth certain proposed alterations and improvements to Parsonage Cottage (the "Renovation");

WHEREAS, HATG has formed Town Hall Annex Corporation (the "Corporation") as a not-for-profit corporation to serve as the general partner of the Partnership and such not-for-profit corporation has qualified as an exempt organization under Section 501(c)(4) of the United States Internal Revenue Code;

WHEREAS, the Town shall loan \$1,148,324 to the Partnership by the Partnership exclusively for construction of the Renovation substantially in accordance with the Plan (the "Loan");

WHEREAS, on February 28, 1994, the Department of Social Services of the State of Connecticut issued a certificate of need

("CON") to the Town to renovate and expand Parsonage Cottage to establish a forty-bed HFA contingent upon a maximum total capital cost of \$2,548,324; the Town will attempt to obtain a modification of the CON based on the increased total capital costs;

WHEREAS, the Town intends to transfer the CON as modified to the Partnership; and

WHEREAS, the Partnership intends to execute a contract with the State Department of Social Services to provide services under the Connecticut State Supplement for the Aged, Blind or Disabled as described in the CON (the "State Contract") and thereby be eligible to receive substantial subsidies from the State of Connecticut;

WHEREAS, on even date, the Town, the Partnership and the Corporation have entered into a loan agreement governing the Loan (the "Loan Agreement"); the Partnership has executed a promissory note (the "Note") binding itself to repay the Loan pursuant to the terms of the Note; and the Town and the Partnership have entered into a lease of the premises as described therein (the "Lease");

NOW, THEREFORE, the parties agree as follows:

1. The Town shall attempt to obtain a modification of the CON and shall assist in the transfer of the CON as modified to the Partnership. Upon execution of this Agreement and the Lease and Loan Documents, the Partnership and the Town shall immediately take all necessary steps to effectuate the transfer of the CON to the Partnership.

2. The Partnership shall renovate and operate Parsonage Cottage as an HFA in compliance with all applicable licenses, law, statutes, ordinances and regulations and in accordance with the Lease, Loan Agreement and Note.

3. The Town gives the Partnership permission to construct the Renovation substantially in accordance with the Plan. The Renovation shall be constructed at the Partnership's sole cost and expense, in a good and workmanlike manner, in accordance with all applicable requirements of law, and in accordance with the Lease, Note and Loan Agreement.

4. The Partnership and/or the Corporation shall require contractors constructing the Renovation to provide insurance of the types and in the amounts customarily required by the Town from contractors contracting with the Town for comparable construction work, and to indemnify the Town, its officers and employees against all costs, expenses, loss or damage resulting from or arising out of the construction of such improvements and alterations. The Partnership shall furnish to the Town certificates of each insurance policy or policies provided by the contractors in the form attached hereto as Exhibit A. The insurance policies shall name the Town as an additional insured, and shall be written by a company or companies authorized to do business in the State of Connecticut.

5. All alterations and improvements to Parsonage Cottage

shall remain upon and be surrendered with the Premises as part thereof at the expiration or termination of this Agreement. The Town shall have the right to oversee the Renovation in accordance with the Lease.

6. In furtherance of its responsibility to operate the HFA, the Partnership shall:

(a) permit the Town to review at any business hour upon reasonable notice true and complete copies of its partnership agreement, and minutes of all formal meetings of its partners;

(b) prepare and provide to the Town Comptroller annual audited financial statements of the Partnership and the Corporation within 90 days of the fiscal year end and provide to the Town Comptroller any other periodic statements or budgets summarizing revenue, earnings, indebtedness, and aggregate dollar amount of charitable donations as are prepared by the Partnership or the Corporation in the normal course of its business;

(c) permit the Town to inspect the financial books and records of the Partnership and/or the Corporation at any business hour upon reasonable notice; and

(d) consult with the Town, through the First Selectman, about legitimate recommendations and concerns of Town residents arising out of the operation of the HFA. The Partnership shall take such recommendations and concerns into consideration and shall take such reasonable action as shall be mutually

agreeable to the Partnership and the Town through the First Selectman.

7. The Town appropriated \$164,500 for architectural and related costs in connection with the development of plans for alterations and improvements to Parsonage Cottage. The Town appropriated an additional \$983,824, to be loaned to the Partnership for the Renovation subject to release by the Board of Estimate and Taxation upon the satisfaction of certain enumerated conditions. The appropriations described in this paragraph comprise the Loan.

8. The Town shall make the Loan to the Partnership subject to the terms and conditions of the Loan Agreement. The Partnership shall repay the Loan (\$1,148,324) in accordance with the Lease, Note and Loan Agreement.

9. The Partnership shall enter into the State Contract and shall take such actions as are necessary to maintain its license and to ensure that its residents receive state subsidies under the Connecticut State Supplement for the Aged, Blind or Disabled; the state subsidies received by the residents shall be used only for payments to the Town and for legitimate operating expenses, and repayment of the Loan shall have priority before any other lien.

10. The Partnership shall, to the extent permitted by applicable law, prefer admission to the HFA of Greenwich residents and their families.

11. It is anticipated that after an initial start-up period, the HFA will not operate at a deficit; any surplus shall be used to operate and maintain the HFA and to create a capital reserve for payment of operating and capital expenses of the HFA, including payment of any future deficits.

12. The Partnership shall establish and maintain a capital reserve which will be set aside and used to pay any ordinary and necessary expenses of the HFA; within three (3) years of operation, the capital reserve shall equal at least six (6) months' payments on the Loan and Lease; if the HFA operates without a deficit for three (3) consecutive years, the reserve may be reduced to Ten Thousand and No/100 Dollars (\$10,000.00).

13. The Partnership and the Corporation shall be maintained in good standing.

14. The Town shall have the right to terminate this Agreement in the event of a default by the Partnership as set forth below. The following events shall constitute a default:

a. Expiration of the time to cure any default under the Lease, Note or Loan Agreement;

b. Failure by the Partnership or the Corporation to obtain, or to require contractors engaged to construct the Renovation to obtain, insurance as required by this Agreement, the Lease, Note or Loan Agreement;

c. Failure to comply with or satisfy the terms and conditions of paragraph 6 this Agreement;

d. Failure to sign the State Contract, to maintain the HFA's license, or to qualify for subsidies to the HFA's residents under the Connecticut State Supplement for the Aged, Blind or Disabled as set forth in paragraph 9 of this Agreement;

e. Failure to establish and maintain a capital reserve in accordance with paragraphs 11 and 12 of this Agreement.

f. Failure to effectuate the transfer of the CON to the Partnership within three months from the execution of this Agreement and the Lease, Note and Loan Agreement unless the Town extends this three-month deadline upon good cause shown by the Partnership to the satisfaction of the Town.

In the event of such a default, if the TOWN shall serve upon the Partnership a written notice specifying the nature of the default and upon the expiration of thirty (30) days thereafter the Partnership shall have failed to remedy such default; or if such default or omission complained of is of a nature that the same cannot be completely cured or remedied within such thirty (30) day period, and the TOWN determines the Partnership shall not have diligently commenced curing such default within such thirty (30) day period and shall not thereafter with diligence and in good faith proceed to remedy or cure such default, then this Agreement shall at the TOWN's option and upon notice to the Partnership terminate and expire.

15. If this Agreement is terminated, the Partnership and the HATG shall cooperate fully in the transfer of the HFA, including the CON, any licenses, permits, contracts or other documents to the Town or its designee; it is the intention of the parties to operate the HFA during the transition period so as not to unduly disturb or disrupt the residents of the HFA and to preserve the right to continue as a licensed HFA after said transition period.

16. Notices required under this Agreement shall be sent by postage prepaid, certified mail to the respective parties at the following addresses:

(a) To the Town:

First Selectman
Town of Greenwich
Town Hall
101 Field Point Road
Greenwich, CT 06830

(b) To the Partnership:

Parsonage Cottage Senior Residence Limited
Partnership
c/o Town Hall Annex Corporation
Chairman of the Board of Directors
Parsonage Cottage Home for the Aged, Inc.
249 Milbank Avenue
Greenwich, CT 06830

The parties shall have the right to change their respective addresses for the purposes of this Agreement by at least five (5) days' written notice to the other party.

17. This Agreement is entire and complete and embodies all understandings and agreements between the parties. No representation, warranty, agreement or undertaking of any kind or nature has been made to either party to induce the making of this Agreement, except as is expressly set forth herein. The parties acknowledge that there is no other agreement, oral or written, existing between them. No oral statement or prior written matter outside of this Agreement shall have any force or effect.

18. No modification or waiver of any of the terms of this Agreement shall be valid unless in writing and duly executed by the parties hereto with the same formality as this Agreement.

19. This Agreement shall be construed and governed according to the laws of the State of Connecticut; and

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date set forth above.

THE TOWN OF GREENWICH

By: John B. Buzenoff
Its
Duly Authorized Agent

THE HOUSING AUTHORITY OF GREENWICH

By: Mr. W. C. Chacka
Its
Duly Authorized Agent

PARSONAGE COTTAGE SENIOR RESIDENCE
LIMITED PARTNERSHIP

By: Town Hall Annex Corporation,
Its general partner

By: 
Its
Duly Authorized Agent

STATE OF CONNECTICUT)
) ss: Greenwich
COUNTY OF FAIRFIELD)

Personally appeared THE TOWN OF GREENWICH, by John B. Marcey, Jr.
its First Selectman duly authorized agent, signer and sealer
of the foregoing instrument, and acknowledged the same to be
his/her free act and deed, and the duly authorized act and deed of
said entity, before me.

Charles Foster
Notary Public
Commissioner of the Superior Court
My Commission Expires: 3-31-98

STATE OF CONNECTICUT)
) ss: Greenwich
COUNTY OF FAIRFIELD)

Personally appeared THE HOUSING AUTHORITY OF GREENWICH,
by Don Mc Clellan its Chairman, duly authorized agent,
signer and sealer of the foregoing instrument, and acknowledged
the same to be his/her free act and deed, and the duly authorized
act and deed of said entity, before me.

Don Mc Clellan
Notary Public
Commissioner of the Superior Court
My Commission Expires:

STATE OF CONNECTICUT)
) ss: Greenwich
COUNTY OF FAIRFIELD)

Personally appeared PARSONAGE COTTAGE SENIOR RESIDENCE LIMITED
PARTNERSHIP, by Town Hall annex Corporation, its general partner,
by Don Mc Clellan its President, duly authorized agent,
signer and sealer of the foregoing instrument, and acknowledged
the same to be his/her free act and deed, and the duly authorized
act and deed of said entity, before me.

Don Mc Clellan
Notary Public
Commissioner of the Superior Court
My Commission Expires:

EXHIBIT 6

LOAN AGREEMENT

THIS AGREEMENT (the "Agreement") is entered into this 9th day of August, 1995, by and between THE TOWN OF GREENWICH (the "Town"), and PARSONAGE COTTAGE SENIOR RESIDENCE LIMITED PARTNERSHIP (the "Borrower"), to govern a loan by the Town to the Borrower of \$1,148,324 for the purpose of making improvements and alterations to a certain building now known as Parsonage Cottage located at 88 Parsonage Road, Greenwich, Connecticut, and certain land appurtenant thereto, as described in a lease of even date between the parties hereto (the "Premises").

W I T N E S S E T H:

WHEREAS, the Borrower has prepared a Project Narrative, Floor Plans and a Site Layout, a copy of each of which is annexed hereto and made part hereof as Exhibit A (and collectively referred to herein as the "Plan"), setting forth certain proposed alterations and improvements to the Premises (the "Renovation");

WHEREAS, the Town has appropriated and intends to loan to the Borrower \$1,148,324, to be used by the Borrower exclusively for construction of the Renovation substantially in accordance with the Plan (the "Loan");

WHEREAS, the Borrower has executed a promissory note of even date (the "Note") binding itself to repay the Loan pursuant to the terms of the Note;

WHEREAS, the total estimated cost of completing the Renovation and for start-up costs to begin operating Parsonage Cottage as a licensed Home for the Aged ("HFA") is \$4,510,000 (the "Development Budget");

WHEREAS, on February 28, 1994, the Department of Social Services of the State of Connecticut issued a certificate of need ("CON") to the Town to renovate and expand Parsonage Cottage to establish a forty-bed HFA contingent upon a maximum total capital cost of \$2,548,324; the Town will attempt to obtain a modification of the CON based on the increased total capital costs;

WHEREAS, the Housing Authority of the Town of Greenwich has formed Town Hall Annex Corporation (the "Corporation") as a not-for-profit corporation to serve as general partner of the Borrower and the Corporation has qualified as an exempt organization under Section 501(c)(4) of the U. S. Internal Revenue Code;

WHEREAS, the Borrower intends to execute a contract with the State Department of Social Services to provide services under the Connecticut State Supplement for the Aged, Blind or Disabled (the "State Contract") and thereby be eligible to receive substantial subsidies from the State of Connecticut;

WHEREAS, on even date the parties have entered into a lease of the Premises (the "Lease") and an operating agreement (the "Operating Agreement");

NOW, THEREFORE, the parties agree as follows:

1. The Town appropriated \$164,500 for architectural and related costs in connection with the development of plans for alterations and improvements to Parsonage Cottage. The Town appropriated an additional \$983,824, to be loaned to the Borrower for the Renovation subject to release by the Board of Estimate and Taxation upon the satisfaction of certain enumerated conditions. The appropriations described in this paragraph comprise the Loan.

2. The Town shall loan to the Borrower the principal amount of up to \$1,148,324, in accordance with this Agreement, the Note, Operating Agreement and Lease, subject to the following conditions:

a) periodic assurance by the Borrower to the Town that it has sufficient capital funds for the Renovation and for start-up of the HFA, in accordance with paragraph 5a herein;

b) the Borrower shall raise equity in a minimum amount of \$650,000 or such other amount as the State may require upon modification of the CON;

c) the Borrower shall expend available funds prior to the expenditure of the Loan on an as-needed basis;

d) the Loan shall be repaid first with other funding for the HFA to be subordinate thereto; and

e) the Borrower shall perform the Renovation within the Development Budget, unless the Town and the Borrower agree to

one or more amendments to the Development Budget.

3. Beginning the first month after a Certificate of Occupancy is issued for the Premises, the Borrower shall repay to the Town the principal sum of One Million One Hundred Forty-Eight Thousand Three Hundred Twenty-Four (\$1,148,324.00) Dollars with interest on the unpaid balance of the Loan at an annual interest rate of six (6%) percent as provided in the Note and Lease. Principal and interest payments shall be made in consecutive monthly payments and shall be paid by the tenth day of each month, with the balance of the indebtedness due and owing no later than thirty (30) years from such initial payment.

4. In the event that the Borrower or the Corporation borrows money or enters into any indebtedness other than the Loan, it shall promptly advise the Town in writing of the identity of the lender and the terms of such indebtedness. All indebtedness by the Borrower or by the Corporation shall be subordinate to the Loan. All creditors of the Borrower or the Corporation shall be apprised of the Loan and its preferred status, and all loan documents between the Borrower or the Corporation and other creditors shall refer to the Loan and state that such other indebtedness is subordinate to the Loan.

5. The Town shall periodically allot to the Borrower portions of the Loan at the sole discretion of the Town's Comptroller in accordance with the requisition process set forth in

this paragraph. As to those portions of the advances which are payable to the general contractor engaged by the Borrower to perform the Renovation, ten (10%) percent shall be retained by the Town until such time as fifty (50%) percent of the Renovation has been completed as determined by the Comptroller and the Comptroller has determined that the Renovation is being constructed in accordance with this Agreement. Advances following fifty (50%) percent completion of construction of the Renovation, as determined by the Comptroller, shall be made in accordance with the terms of this Agreement without withholding any additional retainage. However, the Town shall continue to withhold the previous ten (10%) percent retainage no longer than sixty-one (61) days after final acceptance by the Comptroller of all work covered by the construction contract. The Development Budget may be amended from time to time with the written consent of the Comptroller.

a. Requisitions for advances shall be submitted to the Comptroller (no more often than once a month); at least fifteen (15) business days prior to said advance, on forms prescribed by the Comptroller setting forth, in reasonable detail, the purposes for which such items are to be used, together with such other information and documents as may be required by the Comptroller. Each requisition shall be accompanied by a certification by the Borrower that at the time of the requisition: i) the Borrower has sufficient capital funds for the Renovation and for

the start-up of the HFA; ii) the Borrower has or will raise equity in a minimum amount of \$650,000 or such other amount as the State may require upon modification of the CON; iii) no other funds are available to pay the advance sought; and iv) the Renovation shall be completed within the Development Budget. Subject to satisfaction of the conditions of this Agreement, the Comptroller shall advance the requisitioned funds within fifteen (15) business days following submission of requisitions therefor.

b. Development costs for the Renovation may be incurred after the date of execution of this Agreement.

c. The Town shall, in accordance with the provisions of this Agreement, continue to advance to the Borrower funds out of the proceeds of the Loan as long as the Borrower is not in default hereunder or under the Lease, Note or Operating Agreement.

d. The Borrower shall deposit all proceeds of the advances on the Loan in a Connecticut bank approved by the Comptroller in a separate bank account entitled "Parsonage Cottage Renovation Account No. ____" (the "Renovation Account") and shall use the funds in said account solely for the payment of costs listed in the approved Development Budget and such additional costs chargeable to the allowance for contingencies as shall be approved by the Comptroller in writing.

e. The Borrower shall not mingle or commingle any proceeds of the Loan, or any other moneys obtained by it to meet the

cost of the Renovation, with any other funds of the Borrower from whatever source derived without the written approval of the Comptroller.

f. If the Borrower fails to comply with any provision of this Agreement or in the event the Borrower shall have made any material misrepresentation of fact in any certificate, report, statement or other document required to be submitted by it to the Town pursuant to this Agreement or the Lease, Note, or Operating Agreement, the Town shall have the right, in addition to the remedies set forth in the Lease, Note, or the Operating Agreement to direct any bank in which the Borrower maintains a Renovation Account to refuse to permit any withdrawals from such account until further notice from the Town. In any such event, the Town shall have the right to withdraw funds from any such account at such time as it may deem necessary and shall use any funds so withdrawn from the Renovation Account: (i) for the purposes for which the Renovation Account was established; or (ii) in the case of default as defined in Paragraph 10 hereof, retain any such funds so withdrawn.

g. The Borrower will, at or prior to opening the bank account referred to in subparagraph (d) above, enter into an agreement with the bank in which such account is to be opened setting forth the provisions of Subparagraph (f) above and other provisions as may be reasonably required by the Comptroller

including, but not limited to, the sending of duplicate bank statements to the Comptroller. Said agreement shall be approved by the Comptroller prior to the advance of any funds to the Borrower pursuant to this Agreement.

6. The Borrower and/or the Corporation shall cause the Renovation to be constructed substantially in accordance with the Plan, in a good and workmanlike manner, in accordance with all applicable requirements of law, and in accordance with the Lease and the Operating Agreement.

7. The Borrower and/or the Corporation shall require contractors constructing the Renovation to provide insurance of the types and in the amounts reasonably satisfactory to the Town to indemnify the Town and/or its officers and employees against all costs, expenses, loss or damage resulting from or arising out of the construction of the Renovation in accordance with the Operating Agreement.

8. All alterations and improvements completed as part of the Renovation shall remain upon and be surrendered with the Premises as part thereof at the expiration or termination of the Lease. The Town shall have the right to oversee the Renovation in accordance with the Lease.

9. a. The Renovation shall be completed no later than June 1, 1996.

b. The Renovation shall be carried out in an expeditious manner in order to meet the completion date specified in subparagraph (a) above.

c. The Borrower shall not abandon the construction of the Renovation.

d. The Comptroller may grant written extensions of the completion date, upon written request by the Borrower, when it is deemed in the best interest of the Town.

10. The Town shall have the right to terminate this Agreement in the event of a default as set forth below. The following events shall constitute a default:

a. Failure by the Borrower to satisfy any of the conditions in paragraph two of this Agreement;

b. Expiration of any time to cure any default under the Note, Lease or Operating Agreement;

c. Failure to obtain, or to require contractors engaged to construct the Renovation to obtain insurance as required in this Agreement, the Operating Agreement or the Lease;

d. Failure to make payments under the Loan in the manner set forth in paragraph 3 of this Agreement;

e. Failure by the Borrower or the Corporation to satisfy any of the requirements of paragraph 4 of this Agreement;

f. Failure to complete the Renovation as provided in paragraph 9 of this Agreement; or

g. Any material misrepresentation of fact in any certificate, report, statement, or other document required to be submitted by the Borrower to the Town pursuant to this Agreement, the Note, Lease or Operating Agreement.

In the event of such a default, if the TOWN shall serve upon the Borrower a written notice specifying the nature of the default and upon the expiration of thirty (30) days thereafter the Borrower shall have failed to remedy such default; or if such default or omission complained of is of a nature that the same cannot be completely cured or remedied within such thirty (30) day period, and the TOWN determines the Borrower shall not have diligently commenced curing such default within such thirty (30) day period and shall not thereafter with diligence and in good faith proceed to remedy or cure such default, then this Agreement shall at the TOWN's option and upon notice to the Borrower terminate and expire. The limitations of this paragraph shall not prohibit or restrict termination of the Lease.

11. Notices required under this Agreement shall be sent by postage prepaid, certified mail to the respective parties at the following addresses:

(a) To the TOWN:

First Selectman
Town of Greenwich
Town Hall
101 Field Point Road
Greenwich, CT 06830

(b) To the Borrower:

Parsonage Cottage Senior Residence
Limited Partnership
c/o Town Hall Annex Corporation
Chairman of the Board of Directors
88 Parsonage Road
Greenwich, CT 06830

The parties shall have the right to change their respective addresses by at least five (5) days' written notice to the other party.

12. This Agreement is entire and complete and embodies all understandings and agreements between the parties. No representation, warranty, agreement or undertaking of any kind or nature has been made to either party to induce the making of this Agreement, except as is expressly set forth herein. The parties acknowledge that there is no other agreement, oral or written, existing between them. No oral statement or prior written matter outside of this Agreement shall have any force or effect.

13. No modification or waiver of any of the terms of this Agreement shall be valid unless in writing and duly executed by the parties hereto with the same formality as this Agreement.

14. This Agreement shall be construed and governed according to the laws of the State of Connecticut.

15. Notwithstanding anything to the contrary in this and any other document executed by the Borrower, the Town

expressly agrees that the personal liability of the Borrower shall be strictly and absolutely limited to any revenues or other monies derived from the operation of the HFA, and no other property or assets of the Borrower or any partner of the Borrower (or any partner, joint venturer, officer, director, or employee or shareholder of any partner of the Owner) shall be subject to levy, execution or other enforcement procedure for the satisfaction of the remedies of the Town, or for any payment to be made under this Agreement or the Note, or for the performance of any of the covenants or warranties contained in this Agreement or the Note. In the event any suit is brought on the Note on behalf of the Town, any judgment in such suit shall constitute a lien on, and will be and can be enforced only against any revenues or other monies derived from the operation of the HFA, and not against the Borrower or any partner of the Borrower (or any partner, joint venturer, officer, director or employee or shareholder of any partner of the Borrower) and the terms of such judgment shall expressly so provide.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date set forth above.

THE TOWN OF GREENWICH

By: John Bullington Jr.
Its
Duly Authorized Agent

PARSONAGE COTTAGE SENIOR RESIDENCE
LIMITED PARTNERSHIP

By: Town Hall Annex Corporation,
Its general partner

By: Lee M. Chenier
Its Duly Authorized Agent

STATE OF CONNECTICUT)
) ss: Greenwich
COUNTY OF FAIRFIELD)

Personally appeared THE TOWN OF GREENWICH, by John B. Margenot Jr.
its ~~First Selectman~~ duly authorized agent, signer and sealer
of the foregoing instrument, and acknowledged the same to be
his/her free act and deed, and the duly authorized act and deed of
said entity, before me.

Charlene Foster
Notary Public
Commissioner of the Superior Court
My Commission Expires: 3-31-98

STATE OF CONNECTICUT)
) ss: Greenwich
COUNTY OF FAIRFIELD)

Personally appeared PARSONAGE COTTAGE SENIOR RESIDENCE LIMITED
PARTNERSHIP, by Town Hall Annex Corporation, its general partner,
by Joe McCluskey, its President, duly authorized agent,
signer and sealer of the foregoing instrument, and acknowledged
the same to be his/her free act and deed, and the duly authorized
act and deed of said entity, before me.

[Signature]
Notary Public
Commissioner of the Superior Court
My Commission Expires:

Rec'd
2/20/97

PROMISSORY NOTE

\$1,148,324

August 9, 1995
Greenwich, Connecticut

FOR VALUE RECEIVED, PARSONAGE COTTAGE SENIOR RESIDENCE LIMITED PARTNERSHIP, a Connecticut limited partnership with its principal place of business at 249 Milbank Avenue, Greenwich, Connecticut, the "Maker") promises to pay to the order of THE TOWN OF GREENWICH, a municipal corporation, (the "Holder"), at its principal office at 101 Field Point Road, Greenwich, Connecticut, or at such other place as Holder may from time to time designate, the principal sum of One Million One Hundred Forty-Eight Thousand Three Hundred Twenty-Four Dollars (\$1,148,324) with interest on the unpaid balance of this note, payable and charged monthly in arrears and computed on the basis of a three hundred and sixty (360) day year, and on 30 day months, at an annual rate of six percent (6%).

Principal and interest shall be payable in consecutive monthly payments of U. S. \$6,884.78 and shall be paid by the tenth day of each month beginning the first month after the issuance of a certificate of occupancy for the building now known as Parsonage Cottage, located at 88 Parsonage Road, Greenwich, Connecticut, on the premises more fully described in the lease between the parties of even date, (the "Premises") with the balance of the indebtedness due and owing no later than 30 years from such initial payment.

At the option of Holder, the entire unpaid principal and accrued interest thereon and all other sums which are owed by the terms and provisions of this note, with interest at the default rate from the time such sums become payable until payment in full shall at once become due and payable without notice or demand upon the occurrence at any time of any of the following events:

1. Default in the payment of any installment of principal or interest due hereunder.
2. Default in the payment of any installment of taxes or municipal assessment on the premises described in the lease between the parties of even date, (the "Premises"), or of the fire or other insurance premiums required to be provided pursuant to any other agreement between the Holder and Maker for a period of thirty (30) days after any of the same become due and payable, or failure to keep and perform any of the agreements or provisions contained in this note;

3. Transfer of, or any attempt to transfer, a portion or all of the legal or equitable title to the Premises. The term "transfer" as used herein shall include any sale, conveyance, transfer, gift or other disposition, whether voluntary, involuntary or by operation of law.
4. A merger, consolidation, division, recapitalization, liquidation, spin-off, or other corporate reorganization by the Maker other than as expressly permitted in this Note;
5. Any sale, assignment, conveyance, gift or other transfer of this Note to any corporation, partnership, maker, endorser, guarantor, or surety other than as expressly permitted in this Note; or
6. Any sale, assignment, conveyance, gift, or other transfer of the operation of a home for the aged at the Premises other than as expressly permitted in this Note.
7. The bankruptcy or insolvency of, the assignment for the benefit of creditors by, or the appointment of a receiver of any of the property of, any party liable for the payment of this Note, whether as maker, endorser, guarantor, surety or otherwise;
8. Default in the payment of any indebtedness due the Holder hereof or default in the performance of any other obligation to the Holder hereof by the undersigned or any other party liable for the payment hereof, whether as endorser, guarantor, surety or otherwise;
9. A pledge or mortgage of the Premises for the purpose of obtaining secondary financing.

Maker agrees to pay all taxes or duties assessed upon said sum against Holder or other owner of this note or the debt evidenced hereby and to pay all costs, expenses or attorney's fees incurred by Holder in any proceeding for collection of the debt evidenced hereby, or any litigation or controversy arising from or connected with this note.

In the event any payment due under the terms of this note is received by Holder more than fifteen (15) days after its due date, said payment shall be subject to a charge of five percent (5%) of the amount of said late payment. Interest after maturity or default shall be at a rate of three percent (3%) per annum greater than hereinabove provided until fully paid.

Maker reserves the right to prepay this note either in full or any part thereof without penalty.

THE UNDERSIGNED ACKNOWLEDGES THAT THIS TRANSACTION IS A "COMMERCIAL TRANSACTION" AS DEFINED IN CHAPTER 903a OF THE CONNECTICUT GENERAL STATUTES, AS AMENDED. THE UNDERSIGNED FURTHER ACKNOWLEDGES THAT PURSUANT TO SUCH SECTION IT HAS A RIGHT TO NOTICE OF AND TO A HEARING PRIOR TO THE ISSUANCE OF ANY "PREJUDGMENT REMEDY." NOTWITHSTANDING THE FOREGOING, THE UNDERSIGNED HEREBY WAIVES ALL RIGHTS TO SUCH NOTICE, JUDICIAL HEARING, OR PRIOR COURT ORDER IN CONNECTION WITH OBTAINING A PREJUDGMENT REMEDY BY THE HOLDER HEREOF IN CONNECTION WITH ANY SUIT ON THIS NOTE OR ANY EXTENSIONS OR RENEWALS OF THE SAME OR ANY DEFICIENCY THEREOF.

Presentment, protest and notice are hereby waived.

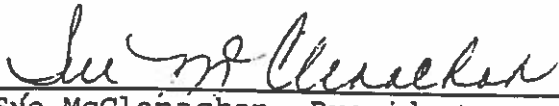
Notwithstanding anything to the contrary in this and any other document executed by the Maker, the Holder expressly agrees that the personal liability of the Maker shall be strictly and absolutely limited to any revenues or other monies derived from the operation by the Maker of a home for the aged on the Premises, and no other property or assets of the Maker or any partner of the Maker (or any partner, joint venturer, officer, director, or employee or shareholder of any partner of the Maker) shall be subject to levy, execution or other enforcement procedure for the satisfaction of the remedies of the Holder, or for any payment to be made under this Agreement or the Note, or for the performance of any of the covenants or warranties contained in this Agreement or the Note. In the event any suit is brought on the Note on behalf of the Holder, any judgment in such suit shall constitute a lien on, and will be and can be enforced only against any revenues or other monies derived from the operation by the Maker of a home for the aged on the Premises, and not against the Maker or any partner of the Maker (or any partner, joint venturer, officer, director or employee or shareholder of any partner of the Maker) and the terms of such judgment shall expressly so provide. The limitations of this paragraph shall not prohibit or restrict termination of the lease between the parties of even date.

Any notice to Maker provided for in this Note shall be given by mailing such notice to Maker at 249 Milbank Avenue, Greenwich, Connecticut 06830 or to such other address as Maker may designate by written notice to Holder. Any notice to Holder shall be given by mailing such notice by certified mail, return receipt requested, to Holder at 101 Field Point Road, Greenwich, CT 06830, directed to the attention of the Board of Selectmen, or at such other address as may have been designated by written notice to Maker.

This note shall be governed by and construed in accordance with the laws of the State of Connecticut.

PARSONAGE COTTAGE SENIOR RESIDENCE
LIMITED PARTNERSHIP

By: Town Hall Annex Corporation
Its general partner

By: 
Sue McClenahan, President

STATE OF CONNECTICUT)
) ss: Greenwich
COUNTY OF FAIRFIELD)

Personally appeared PARSONAGE COTTAGE SENIOR RESIDENCE LIMITED PARTNERSHIP, by Town Hall Annex Corporation, its general partner, by Gene McCreder its President, duly authorized agent, signer and sealer of the foregoing instrument, and acknowledged the same to be his/her free act and deed, and the duly authorized act and deed of said entity, before me.



Notary Public
Commissioner of the Superior Court
My Commission Expires:

EXHIBIT 7

LOAN AGREEMENT

THIS AGREEMENT (the "Agreement") is entered into this 9th day of August, 1995, by and between the TOWN OF GREENWICH (the "Town"), and PARSONAGE COTTAGE SENIOR RESIDENCE LIMITED PARTNERSHIP (the "Borrower"), to govern a loan by the Town to the Borrower of up to \$675,000 for the purpose of rehabilitation work in connection with the renovation of a certain building now known as Parsonage Cottage located at 88 Parsonage Road, Greenwich, Connecticut, and certain land appurtenant thereto, as described in a lease of even date between the Town and Parsonage Cottage Senior Residence limited partnership (the "Partnership").

W I T N E S S E T H:

WHEREAS, community development block grant funds have been committed to the Town for use in connection with the rehabilitation of the Premises;

WHEREAS, the Town intends to loan the aforementioned funds (the "CDBG Loan") to the Borrower;

WHEREAS, the Borrower has executed a promissory note of even date (the "Note") binding itself to repay the CDBG Loan pursuant to the terms of the Note;

WHEREAS, the Town and the Borrower have entered into a Loan Agreement, Promissory Note, Lease and Operating Agreement to govern a loan by the Town to the Borrower to renovate the Premises and to operate a home for the aged at the Premises (the "Town Loan");

NOW THEREFORE, the parties agree as follows:

1. The Town has been granted approval to receive up to \$675,000 in community development block grant funds in connection with the rehabilitation of the Premises.

2. The Town will loan to the Borrower the principal amount of up to \$675,000, subject to the following conditions:

(a) The Loan shall be made subject to the terms and conditions of this Agreement, the Note and the Community Development Block Grant General Agreement and general conditions (the "General Agreement").

(b) The Loan shall be subject to all requirements of the U.S. Department of Housing and Urban Development, including, but not limited to, the following:

i) the Loan may be used only as permitted in Section B1 of the Program Income Training Bulletin, Community Development Block Grant Entitlement Program, attached hereto and incorporated herewith as Exhibit 1 hereto;

- ii) the Loan may be used only for rehabilitation of the Premises;
 - iii) residency in the Premises by persons of low and moderate income persons, as defined by HUD, may not be less than 51% of total occupancy.
- (c) The Loan shall be subordinate to the Town Loan.
3. The Town shall periodically allot to the Borrower portions of the Loan upon receipt of certified requests for payment by the Borrower with adequate supporting documentation, as more specifically provided in the General Agreement. The Town shall not allot any portion of the Loan for an amount deemed by the Town to be ineligible, unreasonable, unnecessary, supported by inadequate documentation and/or reports, in violation of federal requirements (including the requirements of the General Agreement) and/or for services occurring outside the time of performance and/or the scope of services of the General Agreement.
4. Notices required under this Agreement shall be sent by postage prepaid, certified mail to the respective parties at the following addresses:

(a) To the Town:

First Selectman
Town of Greenwich
Town Hall
101 Field Point Road
Greenwich, CT 06830

(b) To the Borrower:

Parsonage Cottage Home for the Aged, Inc.
c/o Town Hall Annex Corporation
Chairman of the Board of Directors
88 Parsonage Road
Greenwich, CT 06830

The parties shall have the right to change their respective addresses by at least five (5) days written notice to the other party.

4. The Town shall have the right to terminate this Agreement in the event of a default as set forth below. The following events shall constitute a default:

- i) any default under the Note;
- ii) any default under the Loan Agreement and Promissory Note governing the Town Loan and the Lease and Operating Agreement, all of even date, between the Town and the Partnership;
- iii) failure by the Borrower to satisfy any of the conditions in paragraph two of this Agreement.

In the event of such a default, if the Town shall serve upon the Borrower a written notice specifying the nature of the default and upon the expiration of thirty (30) days thereafter the Borrower shall have failed to remedy such default; or if such default or omission complained of is of a nature that the same cannot be completely cured or remedied within such thirty (30) day period, and the Town determines the Borrower shall not have diligently commenced curing such default within such thirty (30) day period and shall not thereafter with diligence and in good faith proceed to remedy or cure such default, then this Agreement shall at the Town's option and upon notice to the Borrower terminate and expire.

5. This Agreement is entire and complete and embodies all understandings and agreements between the parties. No representation, warranty, agreement or undertaking of any kind or nature has been made to either party to induce the making of this Agreement, except as is expressly set forth herein. The parties acknowledge that there is no other agreement, oral or written, existing between them. No oral statement or prior written matter outside of this Agreement shall have any force or effect.

6. No modification or waiver of any of the terms of this Agreement shall be valid unless in writing and duly executed by the parties hereto with the same formality as this Agreement.

7. This Agreement shall be construed and governed according to the laws of the State of Connecticut.

8. Notwithstanding anything to the contrary in this and any other document executed by the Borrower, the Town expressly agrees that the personal liability of the Borrower shall be strictly and absolutely limited to any revenues or other monies derived from the operation of the HFA, and no other property or assets of the Borrower or any partner of the Borrower (or any partner, joint venturer, officer, director, or employee or shareholder of any partner of the Owner) shall be subject to levy, execution or other enforcement procedure for the satisfaction of the remedies of the Town, or for any payment to be made under this Agreement or the note, or for the performance of any of the covenants or warranties contained in this Agreement or the note. In the event any suit is brought on the note on behalf to the Town, any judgment in such suit shall constitute a lien on, and will be and can be enforced only against any revenues or other monies derived from the operation of the HFA, and not against the borrower or any partner of the Borrower (or any partner joint venturer, officer, director or employees or shareholder of any partner of the Borrower) and the terms of such judgment shall expressly so provide.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date set forth above.

THE TOWN OF GREENWICH

By: John Bellamy
Its Duly Authorized Agent

PARSONAGE COTTAGE SENIOR RESIDENCE
LIMITED PARTNERSHIP

By: Town Hall Annex Corporation,
Its general partner

By: Lee W. Clever
Its Duly Authorized Agent

STATE OF CONNECTICUT)

) ss.: Greenwich
COUNTY OF FAIRFIELD)

Personally appeared THE TOWN OF GREENWICH, by John B. Marcenot Jr., its First Selectman, duly authorized agent, signer and sealer of the foregoing instrument, and acknowledged the same to be his/her free act and deed, and the duly authorized act and deed of said entity, before me.

Charence Foster
Notary Public
Commissioner of the Superior Court
My Commission Expires: 3-31-98

STATE OF CONNECTICUT)

) ss.: Greenwich
COUNTY OF FAIRFIELD)

Personally appeared PARSONAGE COTTAGE SENIOR RESIDENCE LIMITED PARTNERSHIP, by Town Hall Annex Corporation, its general partner, by Paul McClure, its President, duly authorized agent, signer and sealer of the foregoing instrument, and acknowledged the same to be his/her free act and deed, and the duly authorized act and deed of said entity, before me.

Paul McClure
Notary Public
Commissioner of the Superior Court
My Commission Expires: 3-31-98



U.S. Department of Housing and Urban Development
Office of Community Planning and Development

April 1990

Program Income

Training Bulletin

Community Development Block Grant Entitlement Program

CDBG assistance to implement eligible activities.

- funds collected through special assessments that have been made to recover the non-CDBG portion of a public improvement.
- proceeds from the disposition by the grantee of real property that has been acquired or improved with CDBG funds when the disposition occurs after grant close-out for entitlement grantees. (See 570.505.)
- proceeds from the disposition of real property that has been acquired or improved with CDBG funds where the disposition occurs within a five year period (or more if so determined by the grantee) after the expiration of the agreement between the grantee and subrecipient for that specific agreement where the CDBG funds were provided for the acquisition or improvement of the subject property. (See 570.503(b)(8).)

Note that this list is not all-inclusive. Reference: 570.500(a)(2).

B. USE

1. Use of Program Income Received by Grantees.

The CDBG regulations permit grantees to retain program income received before grant close-out provided that the income is treated as additional CDBG funds subject to all applicable requirements governing the use of CDBG funds. The receipt and expenditure of program income must be recorded as part of the financial transactions of the CDBG program. Grantees are, however, required to substantially disburse such program income for eligible activities before additional CDBG funds are drawn down from the U.S. Treasury. If the program income is in the form of principal or interest repayments to a revolving loan fund, this income must also be substantially disbursed from the fund before additional grant monies are drawn down from the U.S. Treasury for the same activity.

2. Use of Program Income Received by Subrecipients.

The publication of the CDBG Final Rule in September, 1988 contained a requirement at 570.503 that grantees must sign a written agreement with subrecipients before disbursing any CDBG funds. The written agreement must include several items, one of them concerning program income. Specifically, the agreement must specify whether any program income received by the subrecipient is to be retained by the subrecipient or returned to the grantee. If the subrecipient is permitted to keep program income, the agreement must specify how it will be used. The provisions of the written agreement apply to such activities carried out with the program income. Further, the program income must be substantially disbursed before the grantee provides additional CDBG funds to the subrecipient. Program income on hand at the time of expiration of the agreement must be returned to the grantee along with accounts receivable that are attributable to the use of CDBG funds.

If the subrecipient owns property that was acquired or improved with CDBG funds in excess of \$25,000 and subsequently disposes of the property, the subrecipient is required to reimburse the grantee in an amount that is equal to the current fair market value of the property (minus any value attributable to non-CDBG funds that were involved in the acquisition or improvement, if applicable). The subrecipient, however, is only required to reimburse the grantee if the property disposition takes place during the five year period following the expiration of the agreement (or a longer period of time, if so designated by the grantee within the agreement).

Reference: 570.504(c) and 570.503(b).

3. Use of Program Income Received by Urban Counties.

Units of local government that are part of an urban county may retain program income at the discretion of the urban county. If the participating local government terminates its participation in the urban county, any program income derived from activities funded by the urban county belongs to the urban county. If, however, the unit of local government became an entitlement grantee, the urban county has the option of transferring the program income to the new grantee provided the local governmental unit uses the income in its own CDBG entitlement program. Appendix A contains additional information in the form of questions and answers on urban county program income.

Reference: 570.504(d).

C. REVOLVING LOAN FUND

1. Definition.

As defined at section 570.500(b), a revolving fund means a separate fund (with a set of accounts that are independent of other program accounts) established for the purpose of carrying out a specific activity which, in turn, generates payments to the fund for use in carrying out such an activity. An example is a revolving fund set up for financing housing rehabilitation loans. Loan repayments are paid into the fund and used to finance other rehabilitation loans.

Grantees, contractors, or subrecipients may administer a revolving fund. There may be any number of revolving funds in existence at a given time. Activities financed through revolving funds, like all activities, are subject to citizen participation requirements and must be included in the final statement.

2. Establishing a Revolving Account.

A revolving fund is typically established at the time the specific activity begins to generate program income, e.g. principal and interest received by the grantee from

Rec'd
2/20/97

PROMISSORY NOTE

\$675,000

August 9, 1995

Greenwich, Connecticut

FOR VALUE RECEIVED, PARSONAGE COTTAGE SENIOR RESIDENCE LIMITED PARTNERSHIP, with its principal place of business at 249 Milbank Avenue, Greenwich, Connecticut, (the "Maker"), promises to pay to the order of The Town of Greenwich, a municipal corporation, (the "Holder"), at its principal office at 101 Field Point Road, Greenwich, Connecticut, or at such other place as Holder may from time to time designate the principal sum of up to SIX HUNDRED AND SEVENTY-FIVE THOUSAND (\$675,000) DOLLARS with interest on the unpaid balance of this note, payable and charged monthly in arrears and computed on the basis of a three hundred and sixty (360) day year, and on 30 day months, at an annual rate of four percent (00.04%).

Principal and interest shall be payable in consecutive monthly payments of ~~326.50~~ U.S. dollars and shall be paid by the tenth day of each month beginning the first month after the issuance of a certificate of occupancy for the building now known as Parsonage Cottage, located at 88 Parsonage Road, Greenwich, Connecticut, on the premises more fully described in the lease between the Holder and the Maker, (the "Premises") with the balance of the indebtedness due and owing no later than 30 years from such initial payment.

At the option of Holder, the entire unpaid principal and accrued interest thereon and all other sums which are owed by the terms and provisions of this note, with interest at the default rate from the time such sums become payable until payment in full shall at once become due and payable without notice or demand upon the occurrence at any time of any of the following events:

1. Default in the payment of any installment of principal or interest due hereunder.
2. Default in the payment of any installment of principal or interest due under a promissory note between the Holder and the Maker for \$1,148,324 (the "Town Loan Note").
3. Default by the Maker in the payment of any installment of taxes or municipal assessment on the premises described in the lease of even date of the Premises, or of the fire or other insurance premiums required to be provided pursuant

to any other agreement between the Holder and the Maker for a period of thirty (30) days after any of the same become due and payable, or failure to keep and perform any of the agreements or provisions contained in the note between the Holder and Maker.

4. Transfer of, or any attempt to transfer by the Maker, a portion or all of the legal or equitable title to the Premises. The term "transfer" as used herein shall include any sale, conveyance, transfer, gift or other disposition, whether voluntary, involuntary or by operation of law.
5. A merger, consolidation, division, recapitalization, liquidation, spin-off, or other corporate reorganization by the Maker other than as expressly permitted in this note or the Town Loan Note.
6. Any sale, assignment, conveyance, gift or other transfer of this note to any corporation, partnership, maker, endorser, guarantor, or surety other than as expressly permitted in this note.
7. Any sale, assignment, conveyance, gift, or other transfer by the Maker of the operation of a home for the aged at the premises.
8. The bankruptcy or insolvency of, the assignment for the benefit of creditors by, or the appointment of a receiver of any of the property of the Maker, or any party liable for the payment of this note, whether as maker, endorser, guarantor, surety or otherwise.
9. Default in the payment of any indebtedness due the Holder hereof or default in the performance of any other obligation to the Holder hereof by the undersigned or any other party liable for the payment hereof, whether as endorser, guarantor, surety or otherwise.
10. A pledge or mortgage of the Premises by the Maker for the purpose of obtaining secondary financing.
11. Any use of the monies loaned under this note in a manner inconsistent with HUD requirements for use of CDBG program income.
12. Use of the loan proceeds for new construction.

13. Residency in the Premises by persons of low and moderate means, as defined by HUD, below 51% of total occupancy.

Maker agrees to pay all taxes or duties assessed upon said sum against Holder or other owner of this note or the debt evidenced hereby and to pay all costs, expenses or attorney's fees incurred by Holder in any proceeding for collection of the debt evidenced hereby, or any litigation or controversy arising from or connected with this note.

In the event any payment due under the terms of this note is received by Holder more than fifteen (15) days after its due date, said payment shall be subject to a charge of five percent (5%) of the amount of said late payment. Interest after maturity or default shall be at a rate of three percent (3%) per annum greater than hereinabove provided until fully paid.

Maker reserves the right to prepay this note either in full or any part thereof without penalty.

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Presentment, protest and notice are hereby waived.

Notwithstanding anything to the contrary in this and any other document executed by the Maker, the Holder expressly agrees that the personal liability of the Maker shall be strictly and absolutely limited to any revenues or other monies derived from the operation by the Maker of a home for the aged on the Premises, and no other property or assets of the Maker (or any partner, joint venturer, officer, director, or employee or shareholder of any partner of the Maker shall be subject to levy, execution or other enforcement procedure for the satisfaction of the remedies of the Holder, or for any payment to be made under this Agreement or the Note, or for the performance of any of the covenants or warranties contained in this agreement or the note. In the event any suit is brought on the note on behalf of the Holder, any judgment in such suit shall constitute a



U.S. Department of Housing and Urban Development
Office of Community Planning and Development

April 1990

Program Income

Training Bulletin

Community Development Block Grant Entitlement Program

Exhibit 1

CDBG assistance to implement eligible activities.

- funds collected through special assessments that have been made to recover the non-CDBG portion of a public improvement.
- proceeds from the disposition by the grantee of real property that has been acquired or improved with CDBG funds when the disposition occurs after grant close-out for entitlement grantees. (See 570.505.)
- proceeds from the disposition of real property that has been acquired or improved with CDBG funds where the disposition occurs within a five year period (or more if so determined by the grantee) after the expiration of the agreement between the grantee and subrecipient for that specific agreement where the CDBG funds were provided for the acquisition or improvement of the subject property. (See 570.503(b)(8).)

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Reference: 570.504(c) and 570.503(b).

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Grantees, contractors, or subrecipients may administer a revolving fund. There may be any number of revolving funds in existence at a given time. Activities financed through revolving funds, like all activities, are subject to citizen participation requirements and must be included in the final statement.

2. Establishing a Revolving Account.

A revolving fund is typically established at the time the specific activity begins to generate program income, e.g. principal and interest received by the grantee from

EXHIBIT 8

10/6/13 DRAFT OF BEFORE AND AFTER STRUCTURES FROM PROPOSED
PARSONAGE COTTAGE TRANSACTIONS

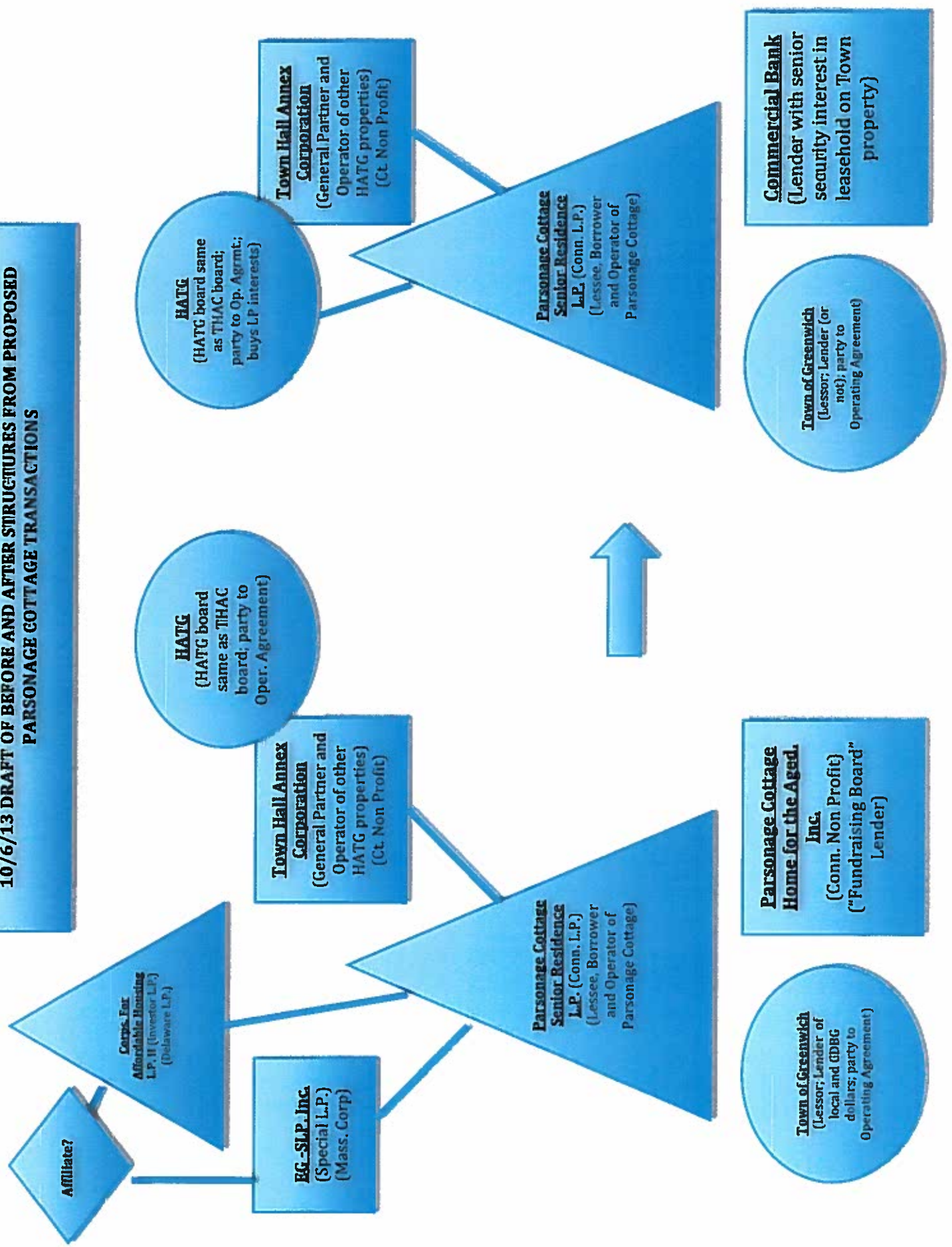


EXHIBIT 9

TOWN OF GREENWICH, CONNECTICUT

OPERATIONAL REVIEW

November 1, 2015

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RSM US LLP

One Church Street – 8th Floor
New Haven, CT 06510

T +1 203 773 1909
F +1 203 773 0591

www.rsmus.com

November 1, 2015

Board of Estimation and Taxation
Town of Greenwich
101 Field Point Road
Greenwich, Connecticut 06830

Attention: Town Of Greenwich Board of Estimate and Taxation:

We are pleased to submit the enclosed report of our operational review of certain accounts of Parsonage Cottage Senior Residence L.P. (the "Partnership") and its general partner, The Town Hall Annex Corporation (the "Corporation") as authorized by Section 6(c) of the Operating Agreement dated August 9, 1995, on behalf of the Town of Greenwich ("The Town"). The objectives of this engagement, as listed in the Parsonage Cottage BET Working Group Review Request, dated February 8, 2015 were to perform an operational review of the following:

A. Salary and employee benefits, miscellaneous operating expenses, other rent expense and food expense

In reference to page 7 of the Parsonage Cottage Senior Residence Limited Partnership Financial Statements for the year ending December 31, 2012 and the Statement of Operations, the Town would like to inspect the financial books and records of the Partnership (Section 6 (c) of the Operating Agreement) relative to two items. For example, the December 2012 financial statements have 1) Salaries and employee benefits expenses are listed as \$762,500. Please provide a detailed listing reconciling to the total of all of these expenses, including copies of all W-2 and/or 1099's associated with these expenses; 2) miscellaneous operating expenses are listed as \$479,925. Please provide a detailed listing reconciling to the total. Some of these items are self-explanatory, but a detailed listing of the \$415,204 (Other Rent Expense) would be helpful. A detailed listing should include an explanation of the expenses. This requirement should include the years ending in 2011, 2012 (referenced above) and 2013.

- In addition please provide the employee table of organization with positions (full and part-time), salaries and benefits of the Partnership and the Corporation, including W-2's and 1099's of both entities since 2011 to 2013.

- Food expense information in greater detail since 2011 to 2013.

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B. Management Fees

Any information related to management fees paid, owed or waived in connection with the operation of Parsonage Cottage since 1995, including a) minutes of any meetings of any affiliated entity such as HATG where these management fees are discussed; b) a detailed explanation of the management services provided for such fees and c) agreements, formal or informal, related to such Management Fees. It was stated and is anticipated that the accrued balance of \$1,136,870 of management fees would be forgiven/written off. Hopefully, this will be addressed in the year ending December 31, 2013 audits. If not, please explain why the accrual was not forgiven.

C. Partnership Distributions

Please provide a detailed listing of the Partnership distributions to all partners since creation of the Partnership, including after the buyout of the Edison limited partners and any agreements, formal or informal, with respect to the Partnership's operation and distributions after the buyout of the Edison limited partners.

D. Cash Flow Issues

a) In reference to the July 3, 2014 letter from Attorney Louis P. Pittocco, please provide the cash flow analysis that supports the statement, "There will be a cash flow problem in eight (8) to ten (10) years from now, as major exterior projects are undertaken".

b) Any other revenues received by the Partnership, the Corporation or HATG on behalf of Parsonage Cottage, including CDBG funds or donations from other organizations since inception, or expected to be received this year or next year;

c) Anticipated large capital projects at Parsonage Cottage in the next ten years (greater than \$25,000).

E. Low to Moderate Income Status

Information regarding the low to moderate income status of residents showing compliance with the requirement that 80% of the residents have low to moderate income status for the last two years.

F. Partnership Income Tax Returns

Please provide for the Partnership for the years 2011 to 2013 copies of the federal annual information return Form 1065, U.S. Return of Partnership Income or any similar Form and any Supplemental Forms, Schedules, or Amendments filed for these years with the IRS. In addition, please provide for the Partnership for the years 2011 to 2013 copies of similar annual information return Forms filed with the State of Connecticut Department of Revenue Services ("DRS"). If there has been or notice of any IRS or DRS audits during this period, please provide copies of the correspondence between the IRS and/or DRS and the Partnership. Please provide for the Corporation for the years 2011 to 2013 copies of the federal annual information return Form 990, Return of Organization Exempt from Income Tax, or 990-T, Exempt Organization Business Income Tax Return, or any similar Form and any supplemental Forms, Schedules, or Amendments filed for these years with the IRS. In addition, please provide for the Corporation for the years 2011 to 2013 copies of similar annual information return Forms filed with the DRS. If there has been or notice of any IRS or DRS audits or notice of revocation or reinstatement of tax exempt status during this period, please provide copies of the correspondence between the IRS and/or DRS and the Corporation.

The project work plan employed to meet the objectives of the operational review was as follows, as enumerated above:

A. Salary and employee benefits, miscellaneous operating expenses, other rent expense and food expense

Obtain the general ledger detail for Parsonage Cottage Senior Residence L.P. and sample the salaries and employee benefits and miscellaneous operating expenses. Obtain a detailed listing of other rent expense and sample. Also, obtain W-2's, employee chart and food expense detail.

B. Management Fees

Obtain the management fee agreement between Parsonage Cottage Senior Residence L.P. and the Town.

C. Partnership Distributions

Obtain a detailed listing of the Partnership distributions to all partners since the creation of the Partnership.

D. Cash Flow Issues

Review all support for cash flow statements, obtain support for the amounts of revenues expected to be received in the next year and inquire of any large capital projects (greater than \$25,000) in the next ten years and Parsonage Cottage.

E. Low to Moderate Income Status

Obtain a listing of all residents at the Cottage and sample applications to ensure compliance with the low to moderate income status.

F. Partnership Income Tax Returns

Obtain Partnership income tax returns for the year 2011, 2012 and 2013.

Findings/Results of Testing/Observations:

A. Salary and employee benefits, miscellaneous operating expenses, other rent expense and food expense

1. We obtained the general ledger detail for the above accounts and noted that it agreed to the audited financial statements for the years 2011, 2012 and 2013. No findings were noted.
2. We obtained the detail for salaries and employee benefits. For the 47 selections made from salaries and employee benefits, there was a total variance in the salary we calculated of \$19.02 for all years tested as compared to the salary from the payroll registers. There were 2 employee benefit checks selected, both of which had an invoice and matching check to vendor. No other findings were noted.

3. We obtained W-2's for years 2011, 2012 and 2013, along with payroll registers and sent to the Comptroller of the Town. It was noted that the W-2 totals for each year will not tie into the salary expense reported for each year. This is due to the fact that each salary is allocated amongst all the entities of the Housing Authority based on a percentage determined at the beginning of each year. It was also noted that relatives of the Executive Director of Parsonage Cottage were recipients of W-2's.
4. We obtained the detail for miscellaneous expenses. For the 38 selections made from miscellaneous operating expenses and other rent expense, there were 3 missing checks/invoices for which we could not obtain support for. There were also 3 invoices paid for which there was no formal approval sheet for that invoice to be paid. Upon inquiry, it was noted that in emergencies the approval sheet may not be completed. No other findings were noted.
5. We obtained the detail for food expenses. For the 8 selections for food expense, all amounts were to Creative Culinary Service. No findings were noted.

B. Management Fees

1. We requested the management agreement with Parsonage Cottage and the Town. We obtained the management fee agreement between THAC and the Town and sent to the Comptroller. The agreement does not relate to Parsonage Cottage.
2. We requested the minutes of any meetings where management fees were discussed, a detailed explanation of management services provided for such fees, and any agreements related to management fees. No minutes were obtained nor was an explanation of the services provided for such fees.
3. We requested an explanation as to why the management fee accrual was not forgiven. No explanation was given as to why the accrual was not forgiven. We cannot determine whether or not the accrued management fees should be forgiven.

C. Partnership Distributions

1. We requested a detailed listing of the Partnership distributions since inception. No support or documentation was given to support this request. Upon inquiry, the Housing Authority stated that they already provided the Town with the information in regards to this transaction.

D. Cash Flow Issues

1. We inquired about cash flow issues over the next 8-10 years. There was no support given to uphold the statement "There will be a cash flow problem in eight (8) to ten (10) years from now, as major exterior projects are undertaken". Upon inquiry, the Housing Authority stated that the only cash flow information was a yearly budget and the cash flow statements from the audited financial statements.
2. RSM US requested information on revenues since inception, or expected to be received this year. There was no support given for donations, CDBG funds or other revenues, expected or to be received this year of next year. Upon inquiry, the Housing Authority stated that the financial statements show what revenues are received each year.
3. RSM US inquired about any large capital projects in the next ten years. Upon inquiry, the Housing Authority stated there were no anticipated large capital projects at Parsonage Cottage in the next ten years (greater than \$25,000).

E. Low to Moderate Income Status

1. RSM US sampled 15 out of 40 tenants for 2011 and 2012 and all 40 for 2013. For all tenants selected, obtained applications (if applicable) for the years 2011, 2012 and 2013 and obtained income support for all tenants. Income support and applications were found in compliance with CT Housing Finance Authority Schedule of Maximum Affordable Rent and Income Limits. No findings were noted.

F. Partnership Tax Returns

RSM US requested and obtained income tax returns for THAC and Parsonage Cottage for the year 2011, 2012 and 2013 and sent to Comptroller. The K-1 partnership distribution schedules that accompany the Parsonage Cottage tax returns indicate a distribution of \$216,876 to the Housing Authority in 2013. The Housing Authority was asked for additional information about this distribution and prior distributions, but no details or explanations were provided.

We have appreciated the opportunity to assist you with this important project and are available to discuss it further at your convenience.

Sincerely,

RSM US LLP

Scott Bassett, CPA
Partner