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
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