

**Further Clarification on Guarantor for Fireside Park Apartments Acquisition
Via E-mail – September 4, 2012**

Date: 09/04/2012 02:36 PM
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I understand that I have not provided enough information to you to explain the nature of the guarantee Rockville Housing Enterprises (RHE) is requesting from the City of Rockville and, worse, I may have used language that suggested that RHE is seeking a loan guarantee.

The loan from Citibank is non-recourse, which means no personal guarantee is required. The asset is 100% collateral for the loan. However, in a non-recourse loan, the lenders will require an industry standard carve out guarantee. This provision is there to protect the bank from fraud, misrepresentation, bankruptcy, and environment issues. This guarantee should not impact the City of Rockville's balance sheet or credit rating since they do not have to carry this on their books as a liability.

This guarantee is not a loan guarantee. It is there to prevent owners from doing something illegal because they have no recourse, just an insurance provision to protect the lender. The City of Rockville, as it already does, can monitor RHE very closely to make sure no fraud has occurred. As RHE is the housing authority for the City of Rockville, the Mayor and Council appoint the Rockville Housing Enterprises Board of Commissioners who have the fiduciary responsibility to ensure that no fraud, malfeasance, or mismanagement occurs in the operation of the agency's programs. Should the Mayor and Council suspect or determine that there is fraud, malfeasance, or mismanagement at RHE, they have the responsibility to step in, end the terms of the Commissioners, and ensure that any misconduct ceases or is prosecuted, as appropriate. In addition to the Board report, which includes management and financial status reports, that RHE currently submits to the City of Rockville each month, RHE would be happy to provide additional reports as required by the City of Rockville to simplify the City's monitoring responsibility related to the guarantee RHE is requesting.

Brian Kim of Cornerstone Development, RHE's consultant for the Fireside acquisition, will be calling you later today in case you have additional questions or wish to discuss the nature of the guarantee we are requesting.