

RESOLUTION NO. 152-2007

A RESOLUTION AUTHORIZING THE EXTENSION OF THE \$2.5 MILLION FLOAT LOAN TO THE READING REVITALIZATION PROJECT WHICH IS ADMINISTERED BY OUR CITY-READING, INC.

WHEREAS, by Resolution No. 111-2006, the City of Reading authorized a \$2.5 million float loan of Community Development Block Grant funds to Our City-Reading, Inc., to be utilized in funding efforts of the Reading Revitalization Project; and

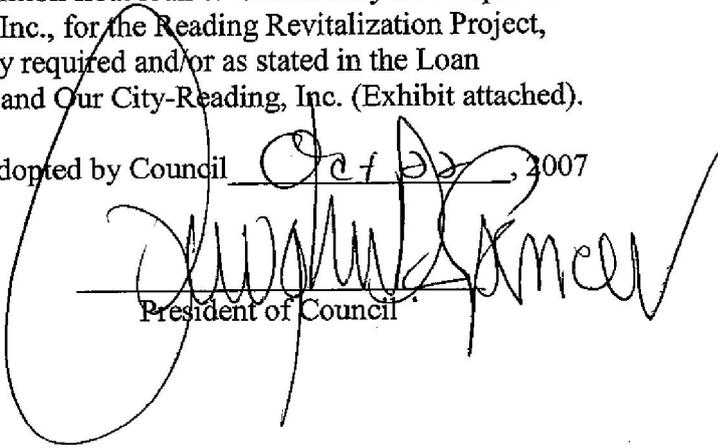
WHEREAS, the City of Reading has determined it is in the City's best interests to extend the term of said float loan under certain enumerated terms including but not limited to repayment of the float loan within thirty (30) days of demand for payment; and

WHEREAS, the City of Reading is desirous of extending said float loan.

NOW, THEREFORE, THE COUNCIL OF THE CITY OF READING HEREBY RESOLVES AS FOLLOWS:

That the Mayor of the City of Reading is authorized to execute any and all documents required to extend the \$2.5 million float loan of Community Development Block Grant funds to Our City-Reading, Inc., for the Reading Revitalization Project, under the terms and conditions previously required and/or as stated in the Loan Agreement between the City of Reading and Our City-Reading, Inc. (Exhibit attached).

Adopted by Council Oct 22, 2007

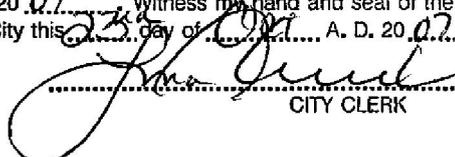

President of Council

Attest:


City Clerk

(Law)

I, LINDA A. KELLEHER, City Clerk of the City of Reading, Pa., do hereby certify, that the foregoing is a true and correct copy of the original Resolution passed by the Council of the City of Reading, on the 22nd day of Oct, A. D. 20 07. Witness my hand and seal of the said City this 24th day of Oct, A. D. 20 07.


CITY CLERK

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**LOAN AGREEMENT
BETWEEN
CITY OF READING
AND
OUR CITY-READING, INC.**

This loan agreement (the "Loan Agreement") is entered into as of the 20th day of October, 2007, by and between THE CITY READING, a municipal corporation organized and existing under the laws of the Commonwealth of Pennsylvania with offices at City Hall, 815 Washington Street, Reading, Pennsylvania 19601-3690 (the "City").

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OUR CITY-READING, INC., a Pennsylvania Not-For-Profit Corporation, which is an approved 501(c)(3) corporation in accordance with the Internal Revenue Code of 1986, as amended, with its offices at 4500 Perkiomen Avenue, Reading, Pennsylvania 19606-0516 ("OCR").

WITNESSETH:

WHEREAS, the parties have entered into a Grant Agreement for OCR to be the recipient of Community Development Block Grant Funds ("CDBG Funds") from the City for a Community Development Block Grant ("CDBG") assisted activity, which authorizes the acquisition of abandoned intercity housing in the City ("Property") and the rehabilitation of the Properties into residential units which will be sold to persons who qualify in accordance with HUD Guidelines as low and moderate income persons (the "Project"); and

WHEREAS, pursuant to HUD Regulations applicable to CDBG assisted activities as set forth in 24 C.F.R. Part 91, the City can draw down \$2.5 Million from its existing programs of the City's CDBG Funds that do not immediately need the CDBG Funds for their Project and loan the CDBG

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Funds to OCR in accordance with the HUD Regulations applicable to float loans and lend the CDBG Funds to OCR for CDBG assisted activities in accordance with the HUD Regulations (the "Float Loan"); and

WHEREAS, the City desires OCR to commence its approved Project immediately which will provide affordable housing stock to persons who qualify as low and moderate income persons in accordance with the HUD Regulations; and

WHEREAS, the City desires to herein provide for interim financing through the City's line item entitled "Float" in its CDBG FFY 2007 budget, in reliance upon the loan to OCR being paid in full within one (1) year from the issuance of the Float Loan with interest at the rate of one-half of one ($\frac{1}{2}$ %) percent per annum being paid in arrears monthly.

NOW, THEREFORE, in consideration of the foregoing premises which constitute a material part of this Agreement and the mutual covenants, conditions and promises contained herein, and intending to be legally bound, the parties for themselves, their successors and assigns, do hereby mutually agree as follows:

1. City shall lend OCR Two Million Five Hundred Thousand (\$2,500,000.00) Dollars with interest at the rate of one-half of one ($\frac{1}{2}$ %) percent per annum to be paid monthly in arrears, the Float Loan, which will be available to be drawn down in full by OCR on October 20, 2007 for the purposes set forth in the Grant Agreement that establishes the terms and conditions for the Project in accordance with HUD Regulations. The Float Loan shall mature and be payable in full with all principal and any accrued interest one (1) year from the date of this Loan Agreement. OCR has the right to make partial prepayments on the Float Loan in any amount or to pay the Float Loan in full

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at any time without penalty.

2. All or part of the principal amount of the Float Loan and all accrued and unpaid interest shall be payable by OCR ON DEMAND thirty (30) days after the date of receipt that written demand is made by City provided that the conditions set forth herein have been met ("Demand Notice"). City agrees that as a condition precedent for it to make demand for payment of all or part of the principal amount as set forth in the Demand Notice, that the amount of the Demand is required by the City to fund approved projects in its CDBG budget and that the funds required for those projects were utilized to fund the Float Loan. The Demand Notice must identify the project, that the funds required for the project(s) to be funded was utilized to fund the Float Loan and that the amount of the Demand Notice is necessary to fund that specific project.

3. The Loan shall be evidenced by a Demand Note, in the form of Exhibit A attached hereto and made a part hereof (the "Demand Note"). The Demand Note shall provide for monthly payments of interest at the rate of one-half of one ($\frac{1}{2}$ %) percent per annum with the first payment of interest to be due and payable on November 20, 2007 and the 20th day of each month thereafter, with the principal and all accrued interest thereon, if any, to be paid in full on October 20, 2008 (the "Payment Dates"). City will issue to OCR a monthly invoice for the payment of interest monthly with the final invoice to be issued for the payment of principal and interest to be paid on October 20, 2008 (the "Invoice"). The Invoice will be issued to OCR, ATTENTION Mr. Albert R. Boscov, 4500 Perkiomen Avenue, Reading, Pennsylvania 19607-0516 at least ten (10) days prior to the Payment Date and will set forth the Payment Date, amount to be paid and the name and address of the Payee to whom the payment is to be made. In the event that after receipt of the Invoice, Payment is not

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made by OCR on the Payment Date, OCR shall not be in default of its obligation to make Payment until City issues written notice to OCR, ATTENTION: Mr. Albert Boscov, 4500 Perkiomen Avenue, Reading, Pennsylvania 19606-0516, certified mail, return receipt, that payment of the Invoice has not been received and that unless payment of the Invoice is made within ten (10) days after receipt of the written notice (the "Cure Period") that a default will be declared by the City and as Beneficiary of the Letter of Credit issued by Sovereign Bank, presentment for payment will be made by City against the Letter of Credit

4. Repayment of the Demand Note shall be secured by a Standby Pay Irrevocable Letter of Credit issued by Sovereign Bank, 3 Friends Lane, 2nd Floor, Newtown, Pennsylvania 18490 to the City (the "Letter of Credit"), a copy of which is attached hereto as Exhibit B, permitting City as Beneficiary to draft at sight with the documentation required by the Letter of Credit issued by Sovereign Bank, up to an aggregate amount of Two Million Five Hundred Thousand (\$2,500,000.00) Dollars, provided that the conditions precedent for a Demand Notice to be issued as required by Article 2 hereof have been met or that the Cure Period as set forth in Article 3 hereof has expired (the "Draw"). OCR shall separately pay the interest monthly.

5. As a condition precedent for the City to make a Draw against the Letter of Credit, the Cure Period as set forth in Article 3 must have expired with no payment having been made by OCR, or the Demand Notice as set forth in Article 2 has been issued and OCR has not made payment as required.

6. OCR contracts, covenants and agrees with City that it will expend the funds from the Float Loan only in accordance with all applicable HUD regulations and/or guidelines.

7. City agrees that if a Draw is made upon the Letter of Credit pursuant to the Demand Notice or at the termination of a Cure Period, it shall look to the Letter of Credit exclusively and that

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City will not seek any recourse or take any action against OCR or its officers and directors.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be signed in their respective names the day and year first above written.

ATTEST:

CITY OF READING

CITY CLERK

BY: _____
THOMAS MCMAHON, MAYOR

APPROVED AS TO FORM:

BY: _____
CITY SOLICITOR

ATTEST:

OUR CITY-READING, INC.

WALTER WOOLWINE, SECRETARY

BY: _____
ALBERT R. BOSCOV, PRESIDENT