

RESOLUTION NO. 2-2015

HARRISBURG REDEVELOPMENT AUTHORITY

WHEREAS, the Redevelopment Authority of the City of Harrisburg (the "Authority") adopted Resolution No. 28-1998 authorizing the issuance of its Federally Taxable Guaranteed Revenue Bonds, Series A of 1998 (the "Bonds"). On December 30, 1998, the Authority issued the Bonds in the original principal amount of \$6,920,525 pursuant to the terms and conditions of an Indenture of Trust, dated as of December 1, 1998 (the "Indenture") between the Authority and Fulton Bank, as trustee (the "Trustee"); and

WHEREAS, on November 24, 1998, the City of Harrisburg (the "City") enacted Ordinance No. 19 of 1998 (the "Guaranty Ordinance") approving the issuance of the Bonds by the Authority, and authorizing the City to execute and deliver its guaranty of the Bonds. On December 30, 1998, the City, the Authority and the Trustee entered into a Guaranty Agreement, dated as of December 1, 1998 (the "Guaranty") under which the City guaranteed to the Trustee and the Insurer, as subrogee, the full and prompt payment of the Debt Service on the Bonds; and

WHEREAS, upon the issuance of the Bonds and the execution and delivery of the Guaranty, the City and the Authority entered into a Reimbursement Agreement, dated as of December 1, 1998 (the "Reimbursement Agreement") under which the Authority agrees to pay to the City solely from the Revenues an amount equal to any amount paid by the City pursuant to the Guaranty; and

WHEREAS, the Financial Security Assurance, Inc., currently known as Assured Guaranty Municipal Corporation (the "Insurer"), issued its Municipal Bond Insurance Policy Number 24634-N with an effective date of December 30, 1998 (the "Insurance Policy"), pursuant to which the Insurer agreed to pay that portion of the scheduled payments of principal of or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of nonpayment by the Authority or the City pursuant to the Guarantee Agreement; and

WHEREAS, the proceeds of the Bonds were applied by the Authority to pay the cost of acquiring the City's real property interest under the Bell Ground Lease and the Bell Building (presently known as the Verizon Building) and under the Retail/Common Areas Lease (the "Project"). The Bonds are payable from and secured by, among other things, the Revenues receivable by the Authority from the Project and funds held by the Trustee pursuant to the terms of the Indenture; and

WHEREAS, the Verizon Building is presently leased to Verizon under a lease which terminates on February 29, 2016 (the "Verizon Lease"). The first maturity of the Bonds occurs on November 1, 2016 and continues semiannually thereafter on each May 1 and November 1 until November 1, 2033. Harristown Development Corporation ("HDC") has reached an agreement with the Department of General Services of the Commonwealth of Pennsylvania ("DGS") to lease the Verizon Building pursuant to a new lease agreement, Lease Number 14152201 executed on September 29, 2014 (the "DGS Lease") commencing in March 2016 after expiration of the Verizon Lease and expiring by its terms on February 28, 2033. The rentals obtained from the DGS Lease are expected to be the primary source of Revenues pledged to the payment of the Bonds and are not expected to be sufficient to cover all of the

Debt Service payable on the Bonds when due; and

WHEREAS, in accordance with the agreements between DGS and HDC, HDC and DGS will cooperate to finance the fit out of the space and an energy savings retrofit project. The financing of the retrofit project will be repaid by assignment by HDC of certain payments from DGS to the lender. HDC will enter into a lease agreement with the Authority that will enable HDC to pay to the Authority the revenues from the DGS lease; and

WHEREAS, on August 26, 2013, the Receiver for the City of Harrisburg filed with the Pennsylvania Commonwealth Court a recovery plan pursuant to Act 47 (the "Harrisburg Strong Plan") in order to implement various measures designed to resolve the City's financial distress. Pursuant to the order dated February 25, 2014, the Coordinator has been appointed to carry out the Receiver's obligations. The City and the Coordinator have requested the Insurer to enter into a Settlement Agreement (the "Settlement Agreement") to assist the City in the event that it must make payments under the Guaranty because the DGS Lease fails to generate Revenues sufficient to pay all of the Debt Service payable on the Bonds when due; and

WHEREAS, the Insurer has agreed to the forbearance levels set forth in the Settlement Agreement subject to the agreement of the City that the deferred amounts bear interest and are repayable as provided therein and that the Insurer is fully reimbursed by December 31, 2033; and

WHEREAS, the parties to the Settlement Agreement and their counsel engaged in good faith, arms' length settlement discussions regarding a consensual resolution of potential disputes between and among the parties to the Settlement Agreement arising out of or related to the Bonds, the Guaranty and the Insurance Policy; and

WHEREAS, as part of the negotiated settlement among the parties to the Settlement Agreement, the City shall enter into the Settlement Agreement, which will result in additional liquidity for the benefit of the City; and

WHEREAS, the Authority is a party to the Settlement Agreement as Issuer of the Bonds; and

WHEREAS, upon receipt of the express written consent of Assured Guaranty, the Authority and the Trustee for the Bonds shall be authorized to terminate the existing Investment Agreement with the Bank of America, N.A. that is maintained in the Debt Service Reserve Fund.

NOW, THEREFORE BE IT RESOLVED BY the Redevelopment Authority of the City of Harrisburg that the appropriate Officers are hereby authorized to execute (i) the **SETTLEMENT AGREEMENT** between the Authority and the parties listed therein, (ii) any Subordination and Non-Disturbance Agreements necessary and required, (iii) the Mortgage as required by the Settlement Agreement, (iv) a Consent and Assignment by and among AGM, Fulton Bank, N.A., HDC and the Authority, (v) the Master Lease for SO3 by and between HDC and HRA and (vi) such other documents as may be necessary and appropriate to carry out the terms of the Settlement Agreement, all in substantially the same form and substance as attached hereto, subject to approval by the Authority's counsel of any changes.

1-20-15

Date



Secretary