

COPY

MEMORANDUM

TO: File River Park Square Section 108 Loan

FROM: Stanley M. Schwartz, Assistant City Attorney

DATE: July 13, 1998

On this date I met with City Council Members Rob Higgins, Orville Barnes and Phyllis Holmes; including staff of Bill Pupo, Pete Fortin, Jim Sloane and Roy Koegen of Perkins Coie. The point of the meeting was to discuss three issues related to the Section 108 Loan Documents.

1. Cowles Publishing Guaranty.

It was agreed that the City would allow a release of unused escrow funds of Cowles Publishing but would not make a repayment of such funds used in the event of a foreclosure. Therefore, the loan documents will be changed to provide that City CDBG funds will first fund the escrow account in the amount of the then existing annual allocation provided that if such funds are not used in the year of funding then in a subsequent year City funds will again be deposited which will allow a release of the Cowles Publishing funds.

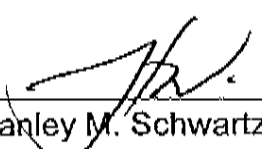
2. Parking Garage Profits.

The Parking Garage Document provides that Citizens Realty can take half of the profits after revenue and expense items are paid. It was suggested that this is not appropriate given that the ownership of the Garage will be lodged in a foundation and not Citizens. Council Member Barnes stated that this profit payment is really "variable ground rent" which is warranted given the asset the City is going to receive. I was instructed to ignore this provision, especially since it is unlikely that such funds (profits) will ever be realized.

3. "Bad Boy Provision."

This provision related to the representations of the Developer with respect to the project proformas. It was indicated that lenders frequently attempt to hold the developer jointly and severely liable including those behind the corporation for any intentional misrepresentation or fraud associated with proformas. I was instructed that this provision was not to be negotiated or included.

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Stanley M. Schwartz