

**Agreement between
The City of Racine and
The Racine Mutual Housing Association
Regarding Loan Payment Forbearance**

The City of Racine (the "City") has entered into a number of loan agreements with the Racine Mutual Housing Association (the "RMHA") related to properties owned by the RMHA. A list of those loans is provided as Attachment A. The RMHA has requested that the City agree to forego all payments required under the notes and other documents related to those loans for a period of one year commencing on April 1, 2009. The intent of this forbearance is to provide the RMHA with an opportunity to address certain operational matters which have impacted its cash flow and its ability to continue to provide services to the residents of its properties. This agreement is intended to establish the terms of such forbearance and the obligations of the RMHA during the forbearance period.

Duties of the City

The City hereby grants a forbearance of all payment obligations under the loan notes and other documents related to all loans shown on Attachment A for the period commencing on April 1, 2009 and extending until March 31, 2010. Further, the City agrees to forgive all interest and penalties, which might be owed under the notes and agreements for the forbearance period. All other obligations of the parties shall remain in effect under the terms of the notes and other loan documents.

City agrees to have a non-voting representative at each regularly scheduled RMHA meeting. The city representative would be present for discussion regarding city issues. He/she would be dismissed from the meeting when personnel, tenant, or strategic issues are discussed.

Duties of RMHA

The RMHA shall undertake the following during the forbearance period:

1. *Quarterly Reporting*

The RMHA shall report to the City its progress during the forbearance period on a quarterly basis. The first report shall be due on July 21, 2009 for the period ending June 30, 2009 and subsequent reports shall be due on the 21st day following the end of each calendar quarter. Matters addressed shall include, but not be limited to the following :

- a. Operating statement for the most recent month and year to date with a comparison to the operating budget for the same periods;
- b. Balance sheet as of the end of the applicable quarter;
- c. Occupancy report that shows occupied and vacant units, the current contract rent and the target rent as of the end of the quarter;
- d. Unit turnover report;

- e. Rent collection status including summary of rents receivable amounts at the end of the quarter;
 - f. Summary of collection actions and evictions during the quarter;
 - g. Bad debt write offs for the quarter;
 - h. Account payable balance at the end of the quarter – with aged payables;
 - i. Capital repair expenditures during the quarter;
 - j. Properties listed for sale during the quarter;
 - k. Properties during the quarter;
 - l. Comparison of occupancy, cash collections, rent receivable balance, and payables balance to target operating goals set under 3. below.
2. *Policy Update*
Update and implement policies by June 30, 2009 to address the following:
- a. Tenant selection criteria including background screening and process for verifying record of capacity to meet rental obligations;
 - b. Standard collection procedures; and
 - c. Rent standards based on local market benchmarks for each unit type.
3. *Operating Goals*
The RMHA shall set operating goals by June 30, 2009 for each quarter from July 1, 2009 through March 31, 2010. The goals shall include targets for at least the following:
- a. Occupancy – based on physical occupancy at the end of each quarter;
 - b. Cash Collections – cash rent plus past due rent payments collected during the quarter;
 - c. Rent Receivable Balance – at end of the quarter; and
 - d. Payables Balance – at end of the quarter.
4. *Inspection Report*
The RMHA shall prepare an inspection report for all properties it owns that identifies current capital repair needs. The report shall also note anticipated capital repair needs over a 5 year period. Such report shall be narrative in nature and represent the best estimate of such needs prepared internally by the RMHA. The report shall be submitted to the City not later than July 31, 2009.
5. *Stabilization and Recapitalization Plan*
The RMHA shall prepare a plan by December 31, 2009 for the stabilization and recapitalization of the organization. The plan shall address at least the following matters:
- a. Operations on positive cash basis over long term;
 - b. Capital replacement and upgrade needs over 5 year period;
 - c. Capital borrowing plan to recapitalize organization and address current capital deficits (accounts payable, deferred improvements and working capital);

- d. Replacement reserve funding for continuing capital replacement needs;
- e. Property disposition plan including assumptions regarding sale or retention of current holdings;
- f. Underwriting requirements of new lender(s) and plan to reach all required benchmarks; and
- g. Modifications to City loans.

Modification of Agreement

Either party to this agreement may request modification at any time in writing to the other party. Approval of such requests will not be reasonably withheld.

Requests shall be submitted to:

City of Racine
Department of City Development
730 Washington Avenue
Racine, WI 53403

Racine Mutual Housing Association
822 Park Avenue
Racine, WI 53403

ATTACHMENT A

**Loans from the City of Racine to
The Racine Mutual Housing Association**

Property	Note Date	Amount	Rate	Payment	Balance 3/31/2009
61 Riverside		-	0%	-	-
428 Cliff		\$12,000	3%	\$111.18	\$7,568.90
709 N Memorial		\$65,000	5%	\$428.97	\$31,844.57
		\$10,000	5%	\$66.00	\$5,486.73
		\$9,200	3%	\$63.63	\$7,090.09
818 St. Patrick		\$13,600	5%	\$89.75	\$5,238.57
821 Villa		\$55,000	5%	\$362.98	\$26,993.18
822 Park		\$19,540	5%	\$149.93	\$7,256.15
912 17th St.		-	0%	-	-
1022 N Memorial		\$22,000	3%	\$200.07	\$20,280.72
1232 Marquette		-	0%	-	-
1236 S Memorial		\$30,000	5%	\$197.99	\$10,644.28
1332 Hamilton		-	0%	-	-
1422 Marquette		\$15,000	5%	\$98.99	\$4,218.45
1512 May		\$21,646	0%	\$100.63	\$6,853.73
1518 Ann		\$20,800	5%	\$139.33	\$8,855.47
1620 Liberty		\$30,975	3%	\$245.99	\$22,456.74
		\$5,000	3%	\$39.71	\$4,190.22
1643 Villa		-	0%	-	-
1709/11 W 6th		\$21,500	5%	\$144.01	\$9,155.55
		\$20,207	5%	\$184.02	\$10,612.70
1716 Winslow		\$8,343	3%	\$79.42	\$5,162.03
1814 Villa		-	0%	-	-
Total		\$379,811		\$2,702.60	\$193,908.08