



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

OFFICE OF COMMUNITY PLANNING
AND DEVELOPMENT

NOV 05 2012

The Honorable Jill Boudreau
Mayor of Mount Vernon
910 Cleveland Avenue
Mount Vernon, WA 98723

Dear Mayor Boudreau:

Please be informed that the City of Mount Vernon's (hereafter, the "City") request for loan guarantee assistance under Section 108 of the Housing and Community Development Act of 1974, as amended, has been approved. Such assistance is to consist of the guarantee of notes or other obligations in the principal amount of \$1,000,000, plus interest thereon, which shall be issued to finance activities described in application B-12-MC-53-0020 for the PHASE II Downtown Flood Wall Protection Project.

This offer of commitment ("Commitment") is subject, however, to the conditions specified in Item 8 of the Funding Approval (Form HUD-7082).

The first condition provides that in the event the City fails to submit notes or other obligations for inspection and guarantee by the Secretary of Housing and Urban Development (HUD) before November 30, 2013, the Commitment will expire as of such date.

The second condition provides that the repayment schedule for the indebtedness evidenced by the notes or other obligations (the "Guaranteed Loan") must be acceptable to HUD.

The third condition provides that the City shall provide additional security for the Guaranteed Loan and such additional security must be acceptable to HUD. The additional security shall be identified in the Contract for Loan Guarantee Assistance ("Contract"), specified by 24 CFR §570.705(b)(1), which will be executed at the time the guaranteed obligations are issued. The City's application and other supporting material identify the following additional security for this Guaranteed Loan: the full faith and credit pledge of the City of Mount Vernon. In addition, the City will pledge Real Estate Excise Tax (REET) funds and general property tax revenues as additional security.

In addition, the Contract shall provide that HUD may use existing pledged grants to prepay (or defease) the Guaranteed Loan if HUD determines that the standard pledge of future Community Development Block Grant funds is insufficient to assure payment of amounts due thereunder. HUD reserves the right to require further security upon evaluation of the foregoing security arrangements and the City may substitute other collateral security for such arrangements, subject to HUD's approval of such substitution.

The fourth condition provides that prior to submitting notes or other obligations for inspection and guarantee by HUD, the City shall submit information required under Section 102(b) of the Department of Housing and Urban Development Reform Act of 1989 (42 U.S.C. 3531). This information shall be submitted on form HUD-2880 to HUD's Seattle Regional Office. A copy of Form HUD-2880 is enclosed for this purpose.

Please be aware that any amount of this commitment that is not received by the City as an Advance under the Guaranteed Loan by **September 30, 2018**, will be canceled in compliance with 31 USC 1552(a).

Please furnish us, at the address specified below, your timetable for execution of the activities described in your application. These activities will be financed through a public offering of Section 108 obligations. If you need funds prior to the next public offering, please notify HUD at the address below and instructions for obtaining interim financing will be provided.

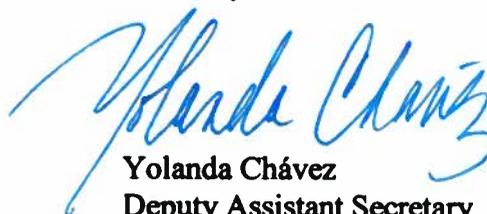
In addition to the special conditions cited above, the release of funds for the project to be carried out with loan guarantee assistance is conditioned upon compliance by the City with all applicable provisions of the HUD Environmental Review Procedures (24 CFR Part 58). The City is reminded that these Procedures include limitations on the commitment of HUD and non-HUD funds on an activity or project prior to HUD's approval of the request for release of funds and related certification of compliance with environmental requirements. Please refer to §58.22 for a description of the limitations and the entities to whom they apply.

Please execute the three enclosed copies of the Funding Approval (Form HUD-7082) and return two copies to the Department of Housing and Urban Development, Financial Management Division, Room 7180, 451 Seventh Street, S.W., Washington, D.C. 20410. One copy should be retained for your files. The Funding Approval amends the Grant Agreement authorized by HUD on April 4, 2012, under the Funding Approval for grant number B-12-MC-53-0020 to

include loan guarantee assistance. The Grant Agreement thereby incorporates this Funding Approval, the loan guarantee application, and Subpart M of the block grant regulations governing loan guarantees, as well as such agreements, schedules, and other documentation required for submission or execution in connection therewith.

If you have any questions with respect to this letter, please contact Paul D. Webster, Director, Financial Management Division at (202) 708-1871.

Sincerely,



Yolanda Chávez
Deputy Assistant Secretary
for Grant Programs

Enclosures