

of the Western Artifacts Auctions to satisfy the debt of the City of Harrisburg to Metro Bank; and,

2. The Coordinator is authorized to disburse the Residual Proceeds from the Western Artifacts Auctions to the City to fund traffic control system upgrades, road repair, street paving and other related improvements.

BY THE COURT:

BONNIE BRIGANCE LEADBETTER,

Judge

Community and Economic Development (“DCED”), C. Alan Walker (the “Secretary”), by and through his undersigned counsel and hereby requests that this Honorable Court approve nunc pro tunc the disbursement of proceeds from the sale of Western Artifacts and approve the utilization of the residual proceeds from the Western Artifacts auctions for certain critical traffic control equipment upgrades in the City of Harrisburg (the “City”).

I. INTRODUCTION

1. By Order dated June 3, 2013 this Honorable Court granted the Motion of William B. Lynch, Court-appointed Receiver for the City of Harrisburg (the “Receiver”) for Approval of the Sale of the Western Artifacts with further direction that the Receiver refrain from any use or application of the auction proceeds pending further approval of this Court.

2. Two auctions were held by Guernsey Auction Company (“Guernsey”) to sell the assets of Western Artifacts (the “Auctions”). The first was held July 15 – 21, 2013, and netted proceeds of \$2,415,198.97. The proceeds from the first auction were paid to the City in increments over a period of time, ranging from August 28, 2013 – June 9, 2014.

3. The second auction took place in New York October 8 – 9, 2013, and netted proceeds of \$188,566.88, which were paid to the City on February 13, 2014.

4. The total gain realized as a result of the Auctions was \$2,603,765.85.
5. On September 23, 2013, this Court confirmed the modified recovery plan for the City of Harrisburg (“Harrisburg Strong Plan”) submitted by the Receiver, pursuant to § 703(e) of Act 47.
6. The Harrisburg Strong Plan intended that the proceeds of the Auctions be used to satisfy a secured debt owed to Metro Bank as a result of the City’s guaranty of a loan made to the Redevelopment Authority of the City of Harrisburg on or about December 29, 2006.
7. On September 17, 2013, the Receiver filed a Motion with this Court to approve disbursements from the Auctions to Metro Bank (the “Receiver’s Motion”). The Receiver’s Motion requested approval to disburse an amount up to \$2,476,127.66, which was the outstanding balance at the time of filing.
8. The Receiver’s Motion recognized that the entire outstanding balance could not be satisfied at the time of its filing, as Auctions were not yet complete.
9. On October 8, 2013, this Court authorized the Receiver to disburse to Metro Bank a total of \$2,476,127.66, inclusive of \$2,431,146.40 in principal and \$44,981.26 in interest, to satisfy the City’s obligation.
10. On October 15, 2013, the City disbursed \$2,088,066.25 to Metro Bank, the Auctions’ proceeds available on that date. The disbursement was first applied to interest, leaving an unpaid principal balance of \$388,061.41.

11. On December 17, 2013, Guernsey paid \$302,132.72 to the City, as an incremental payment of the proceeds from the first auction.

12. On December 19, 2013, the City disbursed the entire \$302,132.72 to Metro Bank to further pay down the principal, as this Court authorized by the Order of October 8th. The December 19th payment was applied first to interest, in the amount of \$6,520.79, leaving an unpaid principal balance of \$92,449.48.

13. On February 13, 2014, the City received payment of the proceeds from the second auction, in the amount of \$188,566.88.

14. On February 25, 2014, this Court ordered that the Receivership of the City be terminated on March 1, 2014.

15. Also in the February 25, 2014 Order, this Court directed that the Secretary appoint a Coordinator in accordance with section 221 of Act 47 to be authorized and directed to oversee the ongoing implementation of the Harrisburg Strong Plan, effective March 1, 2014.

16. Frederick A. Reddig was appointed by the Secretary as Coordinator pursuant to the Court's February 25, 2014 Order.

17. Pursuant to this Court's February 25, 2014 Order, the Coordinator is the successor to the Receiver for all purposes relating to the Harrisburg Strong Plan and agreements attendant thereto and the Coordinator was further authorized and directed, as contemplated by the Harrisburg Strong Plan's provisions, to perform

all functions and responsibilities in the Harrisburg Strong Plan otherwise designated for performance by the Receiver.

18. On March 17, 2014, the City paid the outstanding balance of \$94,087.40 to Metro Bank. The payment was inclusive of \$92,449.48 principal, \$1,480.92 interest and a satisfaction fee of \$157.00.

19. On June 9, 2014, the City received a final payment from Guernsey of \$25,000.00, the last of the Auction proceeds.

20. Presently, a residual balance of \$119,479.48 remains from the Auctions (the "Residual Proceeds"). The Residual Proceeds belong to the City, however, pursuant to the June 3, 2013 Order, they may not be disbursed without this Court's approval.

21. Pursuant to this Court's Order of February 25, 2014, jurisdiction over the enforcement of the Order of September 23, 2013, confirming the provisions of the Harrisburg Strong Plan, and any subsequent modifications thereto, was expressly retained by this Court.

II. RELIEF SOUGHT – THAT THIS HONORABLE COURT GRANT APPROVAL NUNC PRO TUNC OF THE ADDITIONAL INTEREST PAYMENTS THAT WERE REQUIRED TO SATISFY THE CITY'S DEBT TO METRO BANK.

22. The averments of paragraphs 1 through 21 are incorporated herein by reference as if set forth in full.

23. The Receiver's Motion intended to seek authorization to satisfy the City's debt to Metro Bank in full.

24. The Receiver's Motion recognized that satisfaction of the City's debt could not be completed upon approval of the Motion, but rather, would continue over an unidentified period of time.

25. This Court approved the Receiver's Motion and authorized payment, in full, of the City's then-outstanding debt to Metro Bank.

26. Neither the Receiver's Motion nor the Court's Order contemplated interest that would accrue on the outstanding principal balance that remained unpaid after the Court's Order.

27. Upon information and belief, the City understood the Court's Order as authorization to satisfy its obligation to Metro Bank. As a result of this belief, the City paid to Metro Bank \$8,158.71 in excess of what the Court authorized on October 8, 2013 (the "Additional Payments"). The Additional Payments were comprised of post-Order interest and a satisfaction fee.

28. The Harrisburg Strong Plan identified the satisfaction of the City's obligation to Metro Bank as the primary purpose of the Auctions.

29. The Additional Payments were necessary to satisfy the City's debt to Metro Bank.

30. Had the City refrained from making the Additional Payments, interest would have continued to accrue, further curtailing the financial benefit realized by the City as a result of the Auctions.

WHEREFORE, for the reasons more fully set forth above, the Coordinator for the City of Harrisburg hereby requests that this Honorable Court approve nunc pro tunc the Additional Payments to further effectuate the Harrisburg Strong Plan.

III. RELIEF SOUGHT – THAT THIS HONORABLE COURT GRANT APPROVAL OF THE UTILIZATION OF THE RESIDUAL PROCEEDS FROM THE AUCTIONS TO BE USED FOR CERTAIN TRAFFIC CONTROL EQUIPMENT UPGRADES AND OTHER RELATED IMPROVEMENTS.

31. The averments of paragraphs 1 through 30 are incorporated herein by reference as if set forth in full.

32. The City has set as a priority to protect the health, safety and welfare of the citizens of Harrisburg. To that end, a recent assessment of the City's roads has shown that the City is in dire need of traffic control system upgrades, road repair, street paving and other related improvements ("Traffic Upgrades").

33. On October 1, 2014, Mayor Eric Papenfuse (the "Mayor") requested that the Residual Proceeds be made available to the City to contribute to the funding of the much needed Traffic Upgrades. The Mayor's request is attached hereto as Exhibit "A."

34. The Coordinator supports the Mayor's intended use of the Residual Proceeds as it is a critical public safety issue and bears on the City's ability to provide necessary and vital services.

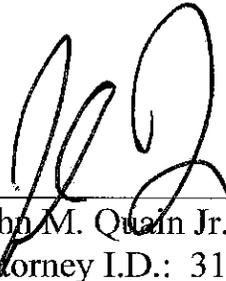
WHEREFORE, for the reasons more fully set forth above, the Coordinator for the City of Harrisburg hereby requests that this Honorable Court approve the use of the Residual Proceeds from the Auctions to fund the City's much needed Traffic Upgrades.

Respectfully submitted,



Christopher C. Houston
Attorney I.D.: 36502
Governor's Office of General Counsel
Department of Community and
Economic Development
400 North Street, Plaza Level
Harrisburg, PA 17120
(717) 720-7328
(717) 772-3103 (fax)
chouston@pa.gov

Attorney for the Coordinator

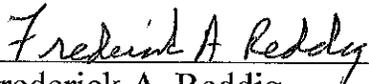


John M. Quain Jr.
Attorney I.D.: 311983
Governor's Office of General Counsel
Department of Community and
Economic Development
400 North Street, Plaza Level
Harrisburg, PA 17120
(717) 214-5300
(717) 772-3103 (fax)
jquain@pa.gov

Attorney for the Coordinator

Verification

I, Frederick A. Reddig, Act 47 Coordinator for the City of Harrisburg, hereby verify that the statements made in the foregoing document are true and correct to the best of my knowledge, information and belief. I understand that the statements made herein are made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsifications to authorities).



Frederick A. Reddig
Coordinator – City of Harrisburg

EXHIBIT A



Office of Mayor Eric Papenfuse
MLK Government Center
10 N. Second St.
Harrisburg, PA 17101

October 1, 2014

Mr. Fred Reddig
Coordinator for the City of Harrisburg
Department of Community & Economic
Development
Commonwealth Keystone Building
400 North Street, 4th Floor
Harrisburg, PA 17120

Dear Fred:

Under the Strong Plan framework our management team has worked tirelessly to restore the City's financial and operational stability. Our guiding principle has been to protect the health, safety, and welfare of our citizens. Part of that responsibility has been to assess the 90 or so miles of City roads. This has been a significant undertaking requiring substantial planning and coordination.

One source of potential funding for much-needed transportation-related upgrades would be the roughly \$94,000.00 in artifacts proceeds that the City presently has set aside in accordance with an order issued by the Commonwealth Court in the course of Receivership. I understand that, to make use of those funds, we need the Court's approval. Accordingly, I am requesting that an application be filed with the Commonwealth Court to secure the release of those funds for City use.

Harrisburg would greatly benefit from devoting this particular source of funding to traffic control system upgrades, a long-neglected undertaking that complements our coordinated efforts with the Department of Transportation in road repair, street paving, and related improvements.

If you require anything additional information to facilitate this application, please let me know immediately.

Sincerely,

Eric Papenfuse, Mayor

Cc: Wanda Williams, City Council President

Certificate of Service

I, John M. Quain Jr., hereby certify that on this day I served the foregoing document upon the persons and in the manner indicated below, which service satisfies the requirements of Pa. R.A.P. 121:

Service by first class mail addressed as follows:

Neil Anthony Grover
10 North Second Street
Suite 402
Harrisburg, PA 17101
(717)255-3065
Solicitor, City of Harrisburg

Scott T. Wyland
Salzmann Hughes PC
105 N. Front Street, Suite 205
Harrisburg, PA 17101
(717)249-6333
Attorneys for certain Suburban Municipalities

Markian Roman Slobodian
Law Offices of Markian R. Slobodian
801 N. 2nd Street
Harrisburg, PA 17102-3213
(717)232-5180
Attorneys for Ambac Assurance Corporation

Ronald L. Finck
Mette, Evans & Woodside
3401 N. Front Street
P.O. Box 5950
Harrisburg, PA 17110
(717)232-5000
Attorneys for County of Dauphin

Paul M. Hummer
Saul Ewing LLP
Centre Square West
1500 Market Street, 38th Floor
Philadelphia, PA 19102-2186
(215) 972-7777
Attorneys for Assured Guaranty Municipal Corp.

James S. Gkonos
Saul Ewing LLP
Centre Square West
1500 Market Street, 38th Floor
Philadelphia, PA 19102-2186
(215)972-8667
Attorneys for Assured Guaranty Municipal Corp.

Edward Lee Stinnett, II
Salzmann Hughes PC
354 Alexander Spring Road, Suite 1
Carlisle, PA 17015
(717)249-6333
Attorneys for certain Suburban Municipalities

Mark Joachim
Arent Fox LLP
1050 Connecticut Avenue, NW
Washington, DC 20036
(202)857-6018
Attorneys for Ambac Assurance Corporation

Charles B. Zwally
Mette, Evans & Woodside
3401 N. Front Street
P.O. Box 5950
Harrisburg, PA 17110
(717)232-5000
Attorneys for County of Dauphin

Matthew M. Haar
Saul Ewing LLP
Centre Square West
1500 Market Street, 38th Floor
Philadelphia, PA 19102-2186
(215) 972-7777
Attorneys for Assured Guaranty Municipal Corp.

Joseph Krolikowski
McKenna Long & Aldridge LLP
303 Peachtree Street, Suite 5300
Atlanta, GA 30308
Phone: (404)527-4000
Fax: (404)527-4198
*Attorneys for Fredrick A. Reddig, in his official capacity as Coordinator for the
City of Harrisburg*

Thurbert Baker
McKenna Long & Aldridge LLP
303 Peachtree Street, Suite 5300
Atlanta, GA 30308
Phone: (404)527-4000
Fax: (404)527-4198
*Attorneys for Fredrick A. Reddig, in his official capacity as Coordinator for the
City of Harrisburg*

Gregory Brow
McKenna Long & Aldridge LLP
303 Peachtree Street, Suite 5300
Atlanta, GA 30308
Phone: (404)527-4000
Fax: (404)527-4198
*Attorneys for Fredrick A. Reddig, in his official capacity as Coordinator for the
City of Harrisburg*

Mark Kaufman
McKenna Long & Aldridge LLP
303 Peachtree Street, Suite 5300
Atlanta, GA 30308
Phone: (404)527-4000
Fax: (404)527-4198

*Attorneys for Fredrick A. Reddig, in his official capacity as Coordinator for the
City of Harrisburg*

Dated: _____

10/23/14



John M. Quain Jr.
Attorney I.D.: 311983
Christopher C. Houston
Attorney I.D.: 36502
Governor's Office of General Counsel
Department of Community and
Economic Development
400 North Street, Plaza Level
Harrisburg, PA 17120
(717) 214-5300
(717) 720-7328
(717) 772-3103 (fax)
jquain@pa.gov
chouston@pa.gov

Attorneys for the Coordinator