

401
Final copy of 10/1/1998

**SECOND
REVISED AND RESTATED
RENTAL REHABILITATION PROGRAM PROMISSORY NOTE**

TOTAL AMOUNT: \$250,000.00

DATE: December 7, 1998

FOR VALUED RECEIVED, Smyser Street Apartments Limited Partnership or assign (hereafter the "BORROWER") promises to pay to the order of the City of York, Pennsylvania (hereafter the "LENDER") or its successors and assigns the principal sum of Two Hundred Fifty Thousand and 00/100 Dollars (\$250,000.00) payable at 1 Marketway West, York, PA 17401-1231, Bureau of Housing Services, or at such other place as may be designated by LENDER.

This Note evidences a loan by the LENDER to the BORROWER for the exclusive purpose of rehabilitating, preserving and/or enhancing the residential real estate containing (or to contain) 21 dwelling units for rent located at 201 North Penn Street (hereafter the "PROJECT"). The rehabilitation, preserving and/or enhancing of the above-identified property shall be referred to herein as the "PROJECT").

Security

This Note is secured by a second Mortgage lien of even date herewith in favor of the LENDER, as Mortgagee, on the above-identified property, the terms of which are hereby incorporated by reference.

The full face amount of this Mortgage and Note plus payment of one percent (1%) simple interest per year shall become due and payable on the first day of the month occurring sixteen (16) years after the date of the Note. At that time, in lieu of payment, the LENDER shall extend the loan conditions subject to: (a) a satisfactory review of the PROJECT'S history including, but not limited to, the overall management and compliance with the terms and conditions of the Note and other Agreements; and (b) the BORROWER'S agreement to extend the original loan conditions for an additional fifteen (15) years. At that time, the accrual of interest shall cease and provided that BORROWER fulfills such conditions during the extend period, LENDER shall forgive 1/15 of the accrued interest per year and delay maturity on this Note until twenty (20) years after the end of such additional fifteen (15) year period. All other loan terms and conditions during the additional fifteen (15) year period shall remain the same and in full effect.

Non-Conversion Agreement

The BORROWER agrees not to convert the dwelling units in the PROJECT to condominium ownership or to any form of cooperative ownership wherein rents are not affordable to lower income householders (as these terms "affordable" and "lower income households" may be defined by the LENDER).

Non-Discrimination

The BORROWER agrees not to discriminate against or deny occupancy to any tenants or prospective tenant by reason of their receipt of, or eligibility for, housing assistance, under any Federal, State or local housing assistance program; and not to discriminate against or deny occupancy to any tenant or prospective tenant by reason that the tenant has a minor child or children who will be residing with them, unless the PROJECT is to be one reserved for elderly tenants.

Affirmative Marketing Procedures

The BORROWER agrees to comply with the following affirmative marketing procedures for all units vacant after rehabilitation: BORROWER will notify the Housing Council of York and the York Housing Authority of the availability of any vacant unit; will be responsible for renting the vacant unit(s) without regard to race, color, religion, handicap, sex or national origin of the tenant, and will include the Equal Housing Opportunity logo type or slogan on all solicitations for the unit(s). The BORROWER will be required to keep records of affirmative marketing actions, such as copies of notifications to the Housing Council, Housing Authority, and any solicitations. If applicable, the BORROWER will prominently display in all offices in which sale or rental activities take place, the Fair Housing Poster, and will maintain a nondiscriminatory policy in recruiting from all groups for staff and instructing this staff in the policy of nondiscrimination and fair housing. During the annual performance review for each participant, it will be determined if there have been any vacancies, and if so, documentation will be required to be submitted regarding compliance with the above procedures. Confirmation will be obtained from the Housing Council and Housing Authority. If the BORROWER has not met the requirements, the BORROWER will be given a warning and be required to notify LENDER each time there is a vacancy. If by the next review the BORROWER still has not complied, the BORROWER will be advised that funds received from the program will have to be repaid according to the terms of this Note.

Default

The occurrence of any of the following events shall constitute a default hereunder, and shall, at the option of the LENDER, render the entire unpaid balance of this Note and all other liabilities of the BORROWER to the LENDER immediately due and payable without notice or demand to the BORROWER or any endorser or guarantor: (a) nonpayment of any payment hereunder when due and payable; (b) failure of the BORROWER to perform any agreement herein or in any other instrument, agreement or writing given to the LENDER; (c) insolvency, bankruptcy, assignment for the benefit of creditors, or any other act of insolvency under State or Federal law, by the BORROWER or the institution of any bankruptcy, insolvency, arrangement, debt adjustment, or receivership proceedings in which the BORROWER is alleged to be insolvent or unable to pay its debts as they become due; (d) the LENDER, in good faith, believes that the prospect of payment hereunder has been impaired; (e) entry of any judgment in any court of competent jurisdiction against the BORROWER.

Remedies

Upon the occurrence of any default hereunder, the LENDER shall have all rights and remedies with respect to this Note and the collateral as provided herein and as provided for by law, including, without limitation, the Pennsylvania Uniform Commercial Code, and all such rights and remedies shall be cumulative. To the extent permitted by law, upon default, the LENDER shall have the immediate right of set-off against all money owned by the LENDER to the BORROWER or any endorser or guarantor.

Warrant to Confess Judgment

The BORROWER hereby irrevocably authorizes and empowers the Prothonotary or Clerk or any attorney of any court of record in Pennsylvania or elsewhere to appear for and confess judgment against it for the full amount of this Note, together with interest thereon, and together with fees of counsel in the amount of ten percent (10%) or \$300.00, whichever is greater, of the foregoing, and all costs of suit, releasing all errors and waiving rights of appeal. If a copy hereof, verified by affidavit, shall have been filed in such proceeding, it shall not be necessary to file the original as a warranty of attorney. The BORROWER hereby waives the right to any stay of execution and the benefit of all exemption laws hereafter in effect. No single exercise of this warrant and power to confess judgment shall be deemed to exhaust this power, whether or not such exercise shall be held by any court to be invalid, voidable or void, but this power shall continue undiminished and hereunder shall have been paid in full.

Assignment/Assumption

This Note may be assigned and/or assumed PROVIDED that any and all terms and conditions shall remain in full force and effect for any assignee or successor to the BORROWER and such assignee or successor shall assume all duties and obligation of the BORROWER as described herein, AND PROVIDED, that any successor(s) to or assignee(s) of the BORROWER shall grant for the benefit of the LENDER a Mortgage for the PROJECT describing terms and conditions both like unto those entered by the BORROWER and acceptable to the LENDER, AND PROVIDED FURTHER that any subordination of this Note to additional liens or encumbrances of the assignee or successor to the BORROWER shall be only upon the written consent of the LENDER. Such additional liens and encumbrances shall extend to and include any contract for deed, land contract, or other agreement between the BORROWER and its successor or assignee.

Nonwaiver

Any forbearance by the LENDER with respect to any of the terms and conditions of this Note in no way constitutes a waiver of any of the LENDER'S rights or privileges granted hereunder.

Notices

Any written notice or payment of one party to the other shall be addressed to the parties as follows:

To the LENDER:

The City of York
Bureau of Housing Services
1 Marketway West, 3rd FL
York, PA 17401-1231

To the BORROWER:

Smyser Street Apartments
Limited Partnership
PFG Capital Corporation,
General Partner,
3601 Concord Road
York, PA 17402

The BORROWER, or the successor in the event of the dissolution of the Partnership, shall notify the LENDER of the name and address of any successor to or assignee of the BORROWER. The BORROWER reserves the right to repay at any time all or any part of the balance of this Note without the payment of penalties or premiums.

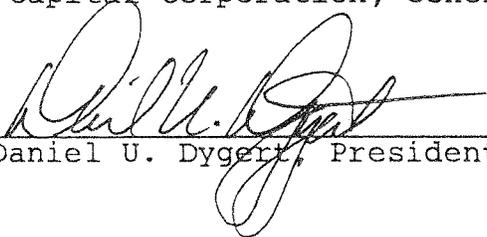
If suit is instituted by LENDER to recover on this Note, the BORROWER agrees to pay all costs of such collection, including reasonable attorney's fees of ten percent (10%) or \$300.00, whichever is greater, and court costs.

Upon satisfactory completion of all terms and conditions of this Note by the BORROWER or upon payment of any and all balance due, the BORROWER shall be entitled to release and satisfaction of this Note by the LENDER.

IN WITNESS WHEREOF and agreement herewith the BORROWER has executed this Note.

Smyser Street Apartments Limited Partnership

By: PFG Capital Corporation, General Partner

By: 
Daniel U. Dygert, President

ATTEST:


(Assistant) Secretary

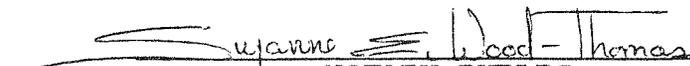
COMMONWEALTH OF PENNSYLVANIA

ss:

COUNTY OF YORK

On this 7th day of December, 1998, before me a Notary Public, the undersigned officer, personally appeared **Daniel U. Dygert**, who acknowledged himself to be the President of PFG Capital Corporation, a Pennsylvania Corporation and General Partner of **Smyser Street Apartments Limited Partnership**, and that as such officer, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the Corporation by himself as such officer.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.


NOTARY PUBLIC

Notarial Seal
Suzanne E. Wood-Thomas, Notary Public
Springettsbury Twp., York County
My Commission Expires Oct. 6, 2001