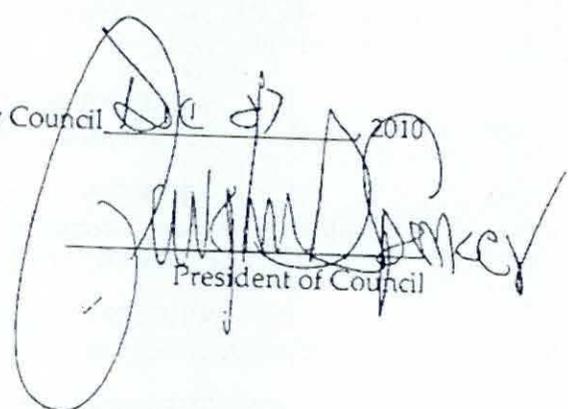


RESOLUTION NO. 129 2010

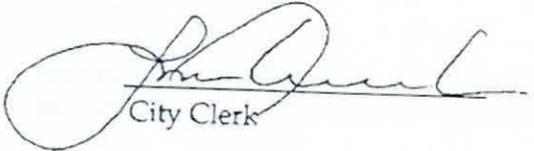
THE COUNCIL OF THE CITY OF READING HEREBY RESOLVES AS FOLLOWS:

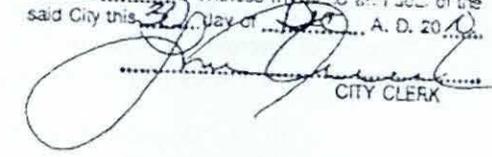
Authorizing the Mayor of the City of Reading to execute the attached addendum to the Lease Operating Agreement between the Reading Area Water Authority (RAWA) and the City of Reading.

Adopted by Council

Dec 27, 2010

President of Council

Attest:


City Clerk

I, LINDA A. KELLEHER, City Clerk of the City of Reading, Pa., do hereby certify that the foregoing is a true and correct copy of the original Resolution passed by the Council of the City of Reading, on the 27 day of Dec, A. D. 2010. Witness my hand and seal of the said City this 30 day of Dec, A. D. 2010.

CITY CLERK

2

**SECOND ADDENDUM TO THE TO LEASE OPERATING AGREEMENT
BETWEEN THE CITY OF READING, PENNSYLVANIA AND
THE READING AREA WATER THE AUTHORITY**

THIS SECOND ADDENDUM, dated this 30th day of DECEMBER 2010 ("Addendum Date") (the "Second Addendum"), is hereby agreed upon by the City of Reading, Berks County, Pennsylvania ("City"), and the Reading Area Water Authority ("Authority"), and hereby amends the Lease and Operating Agreement between the City and the Authority dated May 20, 1994, effective June 1, 1994, as supplemented in January 1995 and amended in October 1997.

RECITALS

A. WHEREAS, the Authority has been incorporated pursuant to an ordinance of the Council of the City and is existing under the provisions of the Act of Assembly approved May 22, 1945, P.L. 382, as amended and supplemented, known as the "Municipality Authorities Act of 1945" (the "Act");

B. WHEREAS, the City leases its Water System to the Authority pursuant to the terms of the Original Amended Lease (hereinafter defined);

C. WHEREAS, the parties mutually desire to enter into this Second Addendum to facilitate the transfer of certain personnel employed by the City and rendering services to, for and on behalf of the Authority pursuant to the terms of the Original Amended Lease; and

D. WHEREAS, the parties desire to address certain financial issues associated with the Original Amended Lease.

NOW, THEREFORE, the Authority and the City, in consideration of the agreements, conditions and covenants herein contained, each intending to be legally bound, hereby, covenant and agree as follows:

(1) Definitions. Unless otherwise defined herein, all capitalized terms used in this Second Addendum shall have the meanings ascribed to them in the Original Amended Lease.

(a) All references in this Second Addendum or the Original Amended Lease to the "Lease" or "herein" or "hereunder" or other similar terms shall mean the Original Amended Lease, as amended by this Second Addendum.

(b) "Original Amended Lease" shall mean the collective agreement by and between the City and the Authority as evidenced by the Lease and Operating Agreement between the City and the Authority dated May 20, 1994, effective June 1, 1994, as supplemented in January 1995 and amended in October 1997.

(2) Transfer of Personnel.

(a) Management Employees. The City hereby authorizes the Authority to directly employ all of its management employees. The Authority shall hire and employ the Distribution System Superintendent, the Distribution System Engineer and the Lake and Forestry

Superintendent on or about January 7, 2011. The Authority shall hire "first level supervisors" as soon as reasonably practicable, but not later than April 1, 2011.

(b) AFSCME Employees. The City hereby authorizes the Authority to negotiate with American Federation of State, County and Municipal Employees Union ("AFSCME") to employ all rank and file personnel required for the operation and maintenance of the Water System. Conditioned upon successful negotiation of a collective bargaining agreement between the Authority and AFSCME, the City will eliminate all rank and file positions related to the operation and maintenance of the Water System on a date mutually agreed upon by the City and the Authority, but not later than June 30, 2011.

(c) Employment Obligation. Upon the Authority's employment of each employee, the Authority shall be deemed such person's employer and have the sole responsibility for the payment of all employee taxes, compensation, wages, benefits, contributions, insurance, and like expenses for such employees. The Authority shall indemnify and hold harmless City from and against all liability and loss growing out of or related occurrences happening after the Addendum Date in connection with all employee claims or grievances, federal, state and local taxes or contributions imposed as required under employment insurance, social security and income tax laws for all employees transferred from the City's employment to the Authority's employment after the Addendum Date. The City recognizes and agrees that, pursuant to 53 Pennsylvania Statutes Section 39374.2, former City employees who become Authority employees have certain rights to elect to continue to participate in the City's Officer and Employee Retirement System. The Authority and City shall comply with applicable laws with regard to any employee making such an election.

(d) Reduction to Lease Payment. Upon the employment by the Authority of each employee, the lease payment shall be reduced by the Operational Expenses and Administrative Expenses directly attributed to the City's employment of such employee for the period following such employment.

(3) Lease Payments.

(a) 2010 Lease Payment. The Authority agrees that the Financing Fee component of the Original Amended Lease for calendar year 2010 shall be FOUR MILLION TWO HUNDRED SEVENTY THOUSAND DOLLARS (\$4,270,000). In addition to amounts heretofore paid, the Authority shall make an additional installment payment towards the Financing Fee component of the Original Amended Lease in the amount of TWO HUNDRED FIFTY THOUSAND DOLLARS (\$250,000) within ten (10) business days of the Addendum Date. The FOUR MILLION TWO HUNDRED SEVENTY THOUSAND DOLLARS (\$4,270,000) Financing Fee shall be used when calculating any reconciliation of the 2010 Lease payments.

(b) 2011 Lease Payment. The Authority agrees that the Financing Fee component of the Original Amended Lease for calendar year 2011 shall be FIVE MILLION SEVEN HUNDRED TWENTY THOUSAND DOLLARS (\$5,720,000). The FIVE MILLION SEVEN HUNDRED TWENTY THOUSAND DOLLARS (\$5,720,000) Financing Fee shall be used when calculating any reconciliation of the 2011 Lease payments.

(c) Subsequent Lease Payments. All lease payments due after the 2011 calendar year shall be calculated and paid in accordance with the terms of the Original Amended Lease.

(4) Additional Payments.

(a) Act 47 Recovery Plan. Each party will negotiate in good faith and use its commercially reasonable efforts to reach an agreement as to an additional fee payable to the City from the Authority for the 2012, 2013 and 2014 calendar years as set forth in the City's Act 47 Plan.

(b) Payment for Restriction on City's Ontelaunee Township Property. The Authority shall pay the City ONE MILLION TWENTY THOUSAND DOLLARS (\$1,020,000), within thirty (30) calendar days of the Addendum Date in exchange for the restrictions set forth in Section (5).

(c) Meter Surcharge Payment. The Authority shall pay the City ONE MILLION SEVEN HUNDRED THOUSAND DOLLARS (\$1,700,000), which shall be due and payable to the City each billing period during the 2011 calendar year in equal monthly installments in accordance with Article VI of the Original Amended Lease.

(5) Restrictions to the City's Ontelaunee Township Property. Except in the exercise of its Take-Back Powers (hereinafter defined) or with the Authority's prior written approval, which shall not be unreasonably withheld, the City shall not voluntarily convey or transfer any property interest in the approximately one hundred twenty (120) acre parcel of land located in Ontelaunee Township, Berks County, Pennsylvania owned by the City during the term of the Lease and shall record an appropriate document in the Berks County Recorder of Deeds Office evidencing such restriction.

(6) Take-Back Powers. The City shall retain all rights and powers by operation of law, including, but not limited to, the Municipalities Authorities Act, 53 Pa. C.S.A 5622, to require the Authority to convey the water system to the City upon assumption by the City of the obligations incurred by the Authority with respect to the water system (the "Take-Back Powers"). Except as provided below, the Authority shall not take any actions which will hinder, limit or interfere with the City's Take-Back Powers, including, but not limited to, entering into any agreement, contract, loss obligation, bond, trust indenture or pledge that contains terms that limit, directly or indirectly, or attempt to limit the City's Take-Back Powers. Notwithstanding the foregoing, the City acknowledges that in the exercise of its responsibilities to operate and maintain the Water System, of necessity the Authority will routinely enter into transactions, including the issuance of debt, the employment of personnel pursuant to collective bargaining agreements and other transactions that may have the affect of increasing the obligations of the Authority with respect to the Water System that the City will need to assume to exercise its Take Back Powers. There is no intent to restrict the Authority's ability to operate and maintain the water system by entering into such transactions so long as such transactions are entered on commercially reasonable terms, are necessary for the efficient operation of the Water Systems, and were entered with no intent to hinder, limit or interfere with the City's exercise of its Take Back Powers.

IN WITNESS WHEREOF, the City of Reading, Berks County, Pennsylvania has caused this Second Addendum to be executed in its name and on its behalf by its Mayor and its official seal to be affixed hereunder and attested by its City Clerk, and the Reading Area Water Authority has caused this Agreement to be executed in its name and on its behalf by its Chairperson or Vice Chairperson and its corporate seal to be affixed hereto and attested by its Secretary or Assistant Secretary, all as of the day and year first above written.

City of Reading

Reading Area Water Authority

By: [Signature]
Mayor

By: [Signature]
Chairperson

Attest: [Signature]
City Clerk

Attest: [Signature]
ASST. Secretary

Seal:

Seal:

2/7/08 - copy given to Keith Mooney, Esquire, per his inquiry. KM is working on an Agreement for the Redevelopment Authority re: this same nature.

5/17/11 - copy delivered^{alh} to Pat Beisswanger, Risk & Safety officecks

Draft No. 1

Draft date: October 23, 1997

Introduced by: Council President Hoh

Date introduced: October 27, 1997

RESOLUTION NO. 76-97

APPROVING THE ATTACHED ADDENDUM TO THE LEASE AND OPERATING AGREEMENT BETWEEN THE CITY OF READING AND THE READING AREA WATER AUTHORITY.

THE COUNCIL OF THE CITY OF READING HEREBY RESOLVES AS FOLLOWS:

The attached Addendum to the lease and operating agreement between the City of Reading and the Reading Area Water Authority is hereby approved and the Mayor is hereby authorized and directed to execute same on behalf of the City of Reading.

Passed Council November 24, 1997

Vand A. Hoh
President of Council

Attest:

[Signature]
City Clerk

**ADDENDUM TO THE LEASE AND OPERATING AGREEMENT
BETWEEN THE CITY OF READING, PENNSYLVANIA AND THE
READING AREA WATER AUTHORITY**

THIS ADDENDUM, dated this 31st day of October, 1997, is hereby agreed upon by the City of Reading, Berks County, Pennsylvania ("City"), and the Reading Area Water Authority ("Authority"), does hereby amend the Lease and Operating Agreement between the City and the Authority dated May 20, 1994, effective June 1, 1994.

The parties hereto agree as follows:

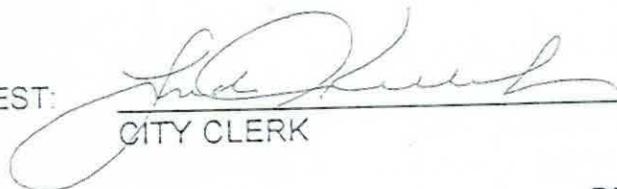
1. The City Public Works Director shall report to the Authority Board and shall make recommendations to the board on issues as detailed in Section 3.03(g) of the Lease Agreement. In general, the Director of Public Works shall advise the Water Authority Board on policy development for and general direction of the water system. The Authority Executive Director shall remain responsible for the daily operations of the water system and the Authority Board shall remain responsible for policy, development and the general direction of the water system.
2. The Authority Board shall set water rates.
3. The Authority shall secure financing for repairs and improvements which may become necessary for the successful operation of the water system.
4. The City Public Works Director and the Authority Executive Director shall recommend long term goals and strategies for the future of the water system to the Authority Board.
5. The employees who are responsible for the day-to-day operation of the water system shall will remain employees of the City. However, the operational employees will report on a daily basis to the Authority Executive Director.
6. To achieve the full benefit of operational efficiency, the Authority Executive Director and the City Public Works Director shall prepare a facilities audit of the water system. The Authority Executive Director shall consult with the City Public Works Director concerning the daily operations, engineering, repairs, maintenance and improvements to the water system.
7. The Authority Executive Director will establish a close working relationship with the City Director of Finance to remain aware of expenditure and revenue issues. This will allow the billing and financial reporting of the Authority to be compatible with the City's billing and financial reporting system under the control of the City Department of Finance.

8. The general policy and implementation of these amendments will be reviewed on an ongoing basis. This review process will be done through meetings with representatives from the Authority, City Council and members of the City administration. This review process shall take place no later than March of each year.

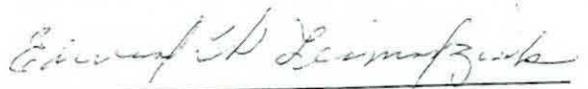
IN WITNESS WHEREOF, the City of Reading, Berks County, Pennsylvania has caused this Addendum to be executed in its name and on its behalf by the Mayor of the City of Reading and its official seal to be affixed hereto and attested to by the City Clerk. The Reading Area Water Authority has caused this Addendum to be executed in its name and on its behalf by its Chairman or Vice Chairman and its corporate seal to be affixed hereto and attested by its Secretary or Assistant Secretary, all as of the day and date first written above.

CITY OF READING

By: 
MAYOR

ATTEST: 
CITY CLERK (SEAL)

READING AREA WATER AUTHORITY

By: 
CHAIRMAN

ATTEST: 
SECRETARY (SEAL)