

PENN SQUARE REDEVELOPMENT AGREEMENT

THIS AGREEMENT, dated this 14th day of November, 2014, is by and between THE CITY OF READING, a municipal Corporation with offices at 815 Washington Street, Reading PA 19601 (the "City") and OUR CITY READING, INC. ("OCR"), a Pennsylvania non-profit corporation with offices at 4500 Perkiomen Avenue, Reading, PA 19606.

R E C I T A L S:

A. The City is the owner certain buildings (the "Buildings") situated on Penn Street, Reading, PA between 4th Street and 5th Street, Reading, PA that was acquired August 13, 2013 for the amount of \$2,614,408.84.

B. The City has made the redevelopment of the Buildings (the "Project") a priority in recognition of the importance of such redevelopment to higher and better uses than currently exist for the general improvement of the Penn Street downtown corridor.

C. OCR is a community and economic development non-profit, exempt from taxation under Section 501(c)(3) of the Internal Revenue Code, and has a strong track record of developing, leasing and managing both commercial and residential properties within the City of Reading, PA.

D. The parties acknowledge that their working in concert will enhance the success of the Project, and upon such acknowledgement agree to do so to achieve those ends, all upon the following terms and conditions.

NOW, THEREFORE, upon the foregoing and other good and valuable consideration, the receipt and sufficiency of which the parties here acknowledge, it is agreed, as follows:

1. Funding. The U.S. Department of Housing and Urban Development ("HUD") approved a certain Application for the Revitalization of Ricktown, which is nine-square block area once named "Ricktown" for the large land holdings of the Rick family, which included factories and other commercial properties. HUD subsequently approved the extension of the Ricktown Project to include the Penn Street corridor which includes the Project. The requirement of this approval required the following funding arrangements:

Source	Amount
Brownfield Economic Development Initiative ("BEDI") Grant	\$750,000
HUD Section 108 loan ("108 Loan")	\$1,500,000
State funding	\$80,000
Other leveraged debt, inclusive of Building acquisition costs	\$1,855,000
Historic tax credit equity	\$500,000
Total	\$4,685,000

2. Development; Uses. The Buildings shall generally be redeveloped for economic development purposes, such as for lease to third parties for mixed-commercial uses, including retail, restaurant, office, and work/live residential units for artists and other entrepreneurs and as an incubator for business development (the "Uses").

3. Duties and Responsibilities of the City. The City agrees that its general duties shall include its responsibility for:

(a) Holding fee title to the Buildings; and

(b) Leasing the Buildings, anticipated to a Master Tenant ("Master Tenant") to avail the Project of the opportunity to generate historic tax credit ("HTC") equity. The lease to Master Tenant would be on such terms as are mutually acceptable to the City and Master Tenant, but to include (i) adherence to the "safe harbor" terms contained in Revenue Procedure 2014-12; (ii) a term of at least 40 years; and (iii) the partners of which shall be:

(1) MT Manager, LP ("MT Manager"), as general partner to the extent of a 1% interest, and will make a Section 168(h)(6)(F)(ii) election to be taxed as a for profit entity to avoid tax exempt use prohibitions under HTC rules; and

(2) A for profit third party entity or person as limited partner to the extent of a 99% interest (the "Investor Partner") who makes a cash equity capital contribution Penn Master Tenant attributable to HTCs.

4. Duties and Responsibilities of OCR. OCR agrees that its general duties (which may be carried out through MT Manager, if HTC equity is generated to the Project) shall include its responsibility for:

(a) Soliciting bids from general contractors, architects and/or engineers, as applicable, with respect to the renovation and construction work respecting the Buildings and the overall Project (the "Work") and cause Penn Master Tenant to undertake and complete all qualified rehabilitation expenditures with respect to the Work;

(b) Securing financing commitments and negotiating the loan documents for any needed debt financing respecting the Project (the "Debt Financing"), as well as any commitments and negotiations related to the HTCs, if applicable, or any other funding as needed to undertake the Work with respect to the Project, which Debt Financing shall be non-recourse to the City, OCR, Master Tenant and MT Manager;

(c) Retaining a general contractor, architect and/or engineer, as applicable, whose bid is competitive and who exhibits the capability of undertaking the Work in a timely, workmanlike and cost managed manner in order to avoid cost overruns;

(d) Complying with all and any HUD Regulations applicable to the Work, whether related to the BEDI, the 108 Loan or otherwise;

(e) Negotiating all leases of the renovated Buildings to third parties ("End Users") for the Uses set forth in Section 2 above. Rental rates and lease terms should be negotiated, to the extent possible, to provide gross rental revenue that supports gross operating expenses and debt service. In carrying out its leasing responsibilities, a third party leasing agent may be retained; PROVIDED, the leasing fee shall be no greater than market rates applicable in the Reading, PA area;

(f) Managing the overall day-to-day management of the Buildings, for an administrative fee equal to 5% of gross operating revenue, plus reasonable out-of-pocket costs incurred as necessary and appropriate in the context of such management functions; HOWEVER, such fee may be payable to a third party agent retained to provide such management functions; PROVIDED, the retention of a third party manager must be by written management agreement which shall provide (among other terms) for a management fee of no more than five percent (5%) of gross operating revenue, plus reasonable out-of-pocket costs incurred as necessary and appropriate in the context of such management functions; AND PROVIDED FURTHER, no management fee shall be due with respect to any Building (or portion thereof) leased to a third party tenant pursuant to a lease agreement requiring the tenant to be responsible for all maintenance and repair of the leased premises.

5. EDA Grant. OCR and City, in accordance with the adopted City's revitalization plan, will apply for a \$3,000,000 Grant from the Economic Development Administration of the U.S. Department of Commerce (the "EDA Application") with respect to Project. Such application shall be prepared and coordinated by Community Initiatives Development Corporation ("CIDC") pursuant to that certain contract between the City and CIDC (the "CIDC Contract"). The City hereby agrees to amend the CIDC Contract to permit CIDC to retain Triad Associates as a sub-contractor in connection with the preparation of the EDA Application, should such retention be necessary or required.

6. Anchor Building Grant. OCR and city, in accordance with the adopted City's revitalization plan, will apply for a \$500,000 Grant from the Pennsylvania Department of Community and Economic Development ("DCED") in support of the keystone community designation. The Application will be prepared by the Downtown Business Improvement District and the City's Community Development Department.

7. Miscellaneous Provisions.

(a) The parties acknowledge that this Agreement does not necessarily reflect all of its agreements respecting the Project, and that other aspects or phases of the Project may arise that would be the subject of other, separate agreement(s), or an amendment hereof.

(b) This Agreement may not be amended other than by a writing signed by both parties.

(c) No omission or delay by either party in exercising any right or remedy under this Agreement will be construed to be a waiver of any right or remedy.

(d) All notices under this Agreement shall be given to or made upon the respective parties hereto by either hand-delivery, certified U.S. mail, return receipt requested, or via overnight delivery with a nationally recognized courier, to the addresses set forth in the preamble to this Agreement.

(e) This Agreement is governed by the laws of the Commonwealth of Pennsylvania.

(f) This Agreement may be executed simultaneously in two (2) or more counterparts, each of which when so executed shall be deemed an original hereof and all of which together shall constitute one and the same instrument.

(g) This Agreement is binding upon the parties, and their respective successors and assigns.

(h) Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or enforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction

8. Authorizations. Upon execution of this Agreement upon approval hereof by the City Council for the City of Reading, the Mayor is authorized, empowered and directed to:

(a) make a CDBG working capital loan in the amount of \$300,000 with respect to the Project for 10 year term, interest only at 1% per annum for 10 years and a balloon in the 10th year;

(b) apply for an additional working capital loan facility with respect to the Project from the HUD Section 108 program in an amount not to exceed \$250,000; and

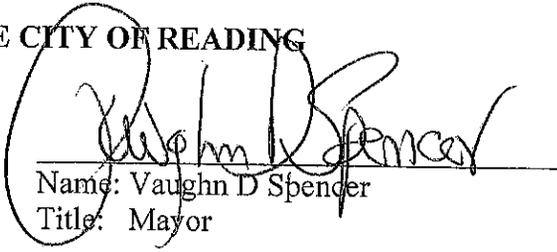
(c) execute and deliver, on behalf of the City, such documents and instruments, and take such action as are deemed necessary or required in order to consummate the transactions contemplated hereby, including partnership agreements, loan and grant documents and flow of grant funds into the Project on such terms and conditions deemed necessary, appropriate or required for the purposes contained herein and on terms consistent with the terms hereof, with the signature of the Mayor to be conclusive evidence of the authority of the Mayor to execute and deliver this Agreement and do all things to carry out this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have hereto caused this Penn Square
Redevelopment Agreement to be executed on or about the date first written above.

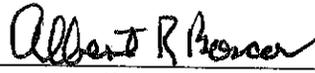
THE CITY OF READING

By:


Name: Vaughn D Spender
Title: Mayor

OUR CITY READING, INC.

By:


Name: Albert R. Boscov
Title: Chairman