

ANIZDA Board Meeting Minutes
April 4, 2018
America On Wheels
1st Floor Conference Room/Theater
5 North Front Street, Allentown, PA

Attendees: Seymour Traub, Esq., Nelson Diaz, John Williams, Jr. Esq., Oldrich Foucek III, Esq., John Stanley, Esq., David Mickenberg

Board Staff: Jerome Frank (Solicitor), Steve Bamford (Executive Director), and Michelle Reid (Executive Assistant)

Presenters: JB Reilly, Jane Heft and Robert DiLorenzo of City Center Investment Corporation

Members of the media and public were present.

1. Call to Order

The meeting was called to order by S, Traub, Chairperson, at 5:00 p.m. A quorum was met and the meeting proceeded accordingly. In addition, a 6-member requirement to amend bylaws was also satisfied.

2. Approval of January 3, 2017 Meeting Minutes

A motion to approve the January 3rd meeting minutes was made by J. Williams, seconded by O. Foucek and unanimously approved.

3. Public Comment on all Matters to be Acted Upon—Members of the public were present but comments were deferred until matters were to be acted upon. Members of the media were present.

4. 2017 Year End Statement of Operational Revenue and Expenses – S. Bamford reviewed the statement. Revenues were less than 2% under budget. Expenses were almost \$360,000 under budget. The cost to establish the office was capitalized, not expensed.

5. Court Street Art Alley public improvement project – Resolution R2018-147

- a. JB Reilly introduced one of two public improvement projects that City Center Investment Corporation is facilitating on City of Allentown property proposing to utilize ANIZDA debt service supported by excess NIZ revenue available for public improvements. J. Heft and R. DiLorenzo presented the project details. The project entails public improvements at and along Court Street between N. Sixth Street and N. Law Street to enhance and preserve the gateway to and from the Arts District by integrating seating and plantings for pedestrians going to and from Hamilton Street and the Allentown Art Museum, improve traffic flow and create a visually attractive space referred to as the Court Street Arts Alley at a cost

estimated to not exceed \$835,000. Doug Stewart, Director of Planning for the City of Allentown, spoke in support of the project.

- b. After opportunities for comment from the public present, a motion to approve Resolution R2018-147 was made by J. Stanley, seconded by D. Mickenberg and was unanimously approved.

6. Artswalk Hamilton St. Connection public improvement project – Resolution R2018-148

- a. JB Reilly discussed the second of two public improvement projects that City Center Investment Corporation is facilitating on City of Allentown property proposing to utilize ANIZDA debt service supported by excess NIZ revenue available for public improvements. J. Heft and R. DiLorenzo presented the project details. The project entails public improvements commencing at 615 W. Hamilton Street proceeding north to Court Street to enhance and preserve that gateway to the Arts District by integrating seating and plantings, improving the pathway, and straightening stairs for pedestrians going to and from Hamilton Street and the Allentown Arts Museum, improve and create a visually attractive space referred to as the Artswalk Hamilton Street Connection at a cost estimated to not exceed \$1,210,000. Doug Stewart, Director of Planning for the City of Allentown, spoke in support of the project.
- b. After opportunities for comment from the public present, a motion to approve Resolution R2018-148 was moved by J. Stanley, seconded by N. Diaz, and unanimously approved.

7. Change of Registered Address – Resolution R2018-149

- a. J. Frank explained that since ANIZDA's new office is established, the registered address needs to be changed with the PA Department of State.
- b. J. Williams moved to approve Resolution R2018-149, seconded by O. Foucek, and no public comment ensued. The resolution was unanimously approved.

8. Amendment to Bylaws – Resolution R2018-152

- a. J. Frank explained there is a discrepancy in the term of office for board members contained in the Economic Development Financing Law and ANIZDA's bylaws.
- b. A motion to approve Resolution R 2018-152 was made by J. Williams and seconded by D. Mickenberg. It was noted that six board members were needed for approval with regard to a change in bylaws. No public comment ensued. The resolution was unanimously approved.

9. Engagement of Barbacane Thorton & Company for 2017 Audit – Resolution R2018-150

- a. S Bamford requested approval of the engagement letter for the 2017 audit to be performed by Barbacane Thorton & Company commencing in April of 2018.
- b. J. Stanley moved to approve Resolution R2018-150, N. Diaz seconded, and upon no comment from the public was unanimously approved.

10. Consent for Change of Ownership and Control of Sacred Heart Hospital – Resolution R 2018-151

- a. S. Bamford reported that the Funding Agreement with Sacred Heart requires ANIZDA's consent to the change of ownership and control to St. Luke's University Health Network.
- b. O. Foucek moved to approve Resolution R2018-151, N. Diaz seconded and upon no comments from the public, the motion was approved. S Traub abstained.

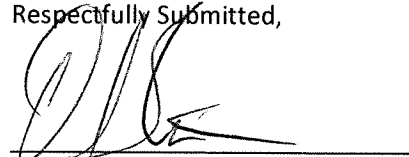
11. Executive Director Report

- a. Draft Guidelines & Procedures for Transfer and Replacement of Parcels dated February 15, 2018 were distributed to the board and public. S. Bamford summarized the draft document. The board discussed various provisions and public comment was received including from property owners or their representatives who currently own parcels in the NIZ. The comments were taken under advisement by the Authority.
- b. The Goody Clancy Proposal for Public Improvements Project Review Process dated March 8, 2018 was distributed for board review. S. Bamford summarized the proposal to assist ANIZDA in establishing a process to invest in public improvement projects. Action to be taken on the proposal at an upcoming board meeting.

A motion to adjourn the meeting was made, seconded and approved.

Next ANIZDA Board Meeting: Wednesday, May 2, 2018 at 5:00 PM in the First Floor Conference Room/Theater at America on Wheels, 5 N. Front Street, Allentown.

Respectfully Submitted,



Oldrich Foucek, Assistant Secretary

**ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE
DEVELOPMENT AUTHORITY**

RESOLUTION NO. R-2018-147

WHEREAS, the Allentown Neighborhood Improvement Zone Development Authority (the "Authority") is a public instrumentality of the Commonwealth of Pennsylvania and a body politic and corporate, and is authorized and empowered by the provisions of the Economic Development Financing Law of the Commonwealth of Pennsylvania, 73 P.S. 371 *et seq.*, as amended (the "Act") as an industrial development authority to acquire, hold, construct, improve, maintain, own, finance and lease projects and, among other things, to make loans to project applicants or project users and to provide alternative types of financing, including, but not limited to, standby loan commitments, guarantees, letters of credit and grants; and

WHEREAS, Article XIX-B of Pennsylvania's Fiscal Code, 72 P.S. Section 8901-B *et seq.* (the "NIZ Act") authorizes a contracting authority such as the Authority to create a Neighborhood Improvement Zone (defined below); and

WHEREAS, the City of Allentown, Lehigh County, Pennsylvania (the "City") qualifies as a "city" under the NIZ Act; and

WHEREAS, pursuant to a resolution adopted by the Authority on August 30, 2012, the Authority designated a neighborhood improvement zone within the City (the "NIZ"); and

WHEREAS, the Authority, based upon facts presented, has found that the development of the aforesaid NIZ will promote the public purposes of both the Act and the NIZ Act and be in the best interest of the people of the City; and

WHEREAS, the Authority has the power to finance projects for development and improvement within the NIZ in accordance with the Act and the NIZ Act; and

WHEREAS the Authority anticipates that excess NIZ Tax Revenues will be generated from within the NIZ over and above the amount required for debt service on the 2012 Arena Bonds and the amount contractually committed to the Commonwealth of Pennsylvania; and

WHEREAS the Authority desires to utilize a portion of the excess NIZ Tax Revenues for public improvements within the NIZ, and

WHEREAS the Authority by Resolution R2017-130 has implemented a Project Plan for Public Improvement Investments to fulfill the purposes of the Act and the NIZ Act and has entered into a Credit Facility to finance approved public improvement projects,

NOW, THEREFORE, BE IT RESOLVED by the Authority, as follows that:

- A. 1. As a Project proposed under and meeting the criteria of the Project Plan for Public Improvement Investments, the Authority hereby approves public improvements at and along Court Street between North Sixth Street east to N. Law Street in Allentown to enhance and preserve the gateway to and from the Arts District by integrating seating and plantings for pedestrians going to and from Hamilton Street and the Allentown Art Museum, improve traffic flow and create a visually attractive space referred to as the Court Street Art Alley (“the Project”), at a cost estimated to not exceed \$835,000.00, subject to review and approval, as required, of all related stakeholders such as the City of Allentown, the Commonwealth of Pennsylvania, the County of Lehigh and neighboring property owners, and
 2. The Executive Director shall prepare the Capital Additions Budget for the Project and all other documentation required to do the Project in accordance with the terms of the Master Trust Indenture dated September 15, 2012 between the Authority and The Bank of New York Mellon Trust Company, N.A., with advice of counsel;
- B. The Whereas clauses above are incorporated as part of this Resolution and the Project.
- C. The Chairperson or Vice Chairperson, Executive Director and the Secretary or any Assistant Secretary of the Authority are hereby authorized and directed to execute and attest, where deemed necessary, respectively, any related agreement and documents, and other documents to amend or correct any documents, and to take any and all such actions necessary, in the opinion of the Executive Director with the advice of counsel, to implement fulfillment of the purposes of this Resolution. and to consummate the transactions contemplated herein.
- D. The liability of the Authority under any and all of the documents relating to and executed to implement fulfillment of the purposes of this Resolution shall not constitute the general obligation of the Authority, and where appropriate, the documents, shall provide for other parties, to indemnify and hold harmless the Authority, and each member, officer, and employee of the Authority, from and against any and all claims, losses, damages or liabilities, joint and several, to which the Authority or any member, officer or employee of the Authority may become subject, insofar as such loss, claim, damage, or liability, or action in respect thereof, arises out of implementation of the

purposes of this Resolution, or is based upon any other alleged act or omission in connection with any document related thereto.

- E. All actions previously taken in furtherance of the purposes of this Resolution are hereby ratified. The officers of the Authority are hereby authorized to take such further actions to carry out the purposes of this Resolution.
- F. All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution, are, to the extent of such conflict, hereby repealed and this Resolution shall be in immediate effect from and after its adoption.

END OF RESOLUTION

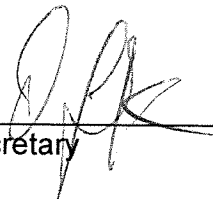
CERTIFICATION

Oldrich Foucek, III, Esq., Assistant

I, ~~Pedro L. Torres, Jr.~~, Secretary of the Allentown Neighborhood Improvement Zone Development Authority, do hereby certify that the foregoing is a true and correct copy of the Resolution R-2018-147 of the Board of Directors of the Authority passed at a duly convened meeting of said Board on the 4th day of April, 2018. Authority members present and voting were as follows:

<u>Vote</u>	<u>Yes</u>	<u>No</u>	<u>Abstain</u>
Seymour Traub, Esq.	✓		
Nelson A. Diaz	✓		
Gregory N. Dudkin	<i>absent</i>		
Oldrich Foucek, III, Esq.	✓		
David Mickenberg	✓		
Tiffany Polek	<i>absent</i>		
John Stanley, Esq.	✓		
Pedro L. Torres, Jr.	<i>absent</i>		
John Williams, Jr., Esq.	✓		

IN WITNESS WHEREOF, I hereunto set my hand and seal on this 4th day of April, 2018.


Secretary

**ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE
DEVELOPMENT AUTHORITY**

RESOLUTION NO. R-2018-148

WHEREAS, the Allentown Neighborhood Improvement Zone Development Authority (the "Authority") is a public instrumentality of the Commonwealth of Pennsylvania and a body politic and corporate, and is authorized and empowered by the provisions of the Economic Development Financing Law of the Commonwealth of Pennsylvania, 73 P.S. 371 *et seq.*, as amended (the "Act") as an industrial development authority to acquire, hold, construct, improve, maintain, own, finance and lease projects and, among other things, to make loans to project applicants or project users and to provide alternative types of financing, including, but not limited to, standby loan commitments, guarantees, letters of credit and grants; and

WHEREAS, Article XIX-B of Pennsylvania's Fiscal Code, 72 P.S. Section 8901-B *et seq.* (the "NIZ Act") authorizes a contracting authority such as the Authority to create a Neighborhood Improvement Zone (defined below); and

WHEREAS, the City of Allentown, Lehigh County, Pennsylvania (the "City") qualifies as a "city" under the NIZ Act; and

WHEREAS, pursuant to a resolution adopted by the Authority on August 30, 2012, the Authority designated a neighborhood improvement zone within the City (the "NIZ"); and

WHEREAS, the Authority, based upon facts presented, has found that the development of the aforesaid NIZ will promote the public purposes of both the Act and the NIZ Act and be in the best interest of the people of the City; and

WHEREAS, the Authority has the power to finance projects for development and improvement within the NIZ in accordance with the Act and the NIZ Act; and

WHEREAS the Authority anticipates that excess NIZ Tax Revenues will be generated from within the NIZ over and above the amount required for debt service on the 2012 Arena Bonds and the amount contractually committed to the Commonwealth of Pennsylvania; and

WHEREAS the Authority desires to utilize a portion of the excess NIZ Tax Revenues for public improvements within the NIZ, and

WHEREAS the Authority by Resolution R2017-130 has implemented a Project Plan for Public Improvement Investments to fulfill the purposes of the Act and the NIZ Act and has entered into a Credit Facility to finance approved public improvement projects,

NOW, THEREFORE, BE IT RESOLVED by the Authority, as follows that:

- A. 1. As a Project proposed under and meeting the criteria of the Project Plan for Public Improvement Investments, the Authority hereby approves public improvements on City of Allentown property commencing at 615 W. Hamilton Street proceeding north to Court Street in Allentown to enhance and preserve the gateway to the Arts District by integrating seating and plantings, improving the pathway, and straightening stairs for pedestrians going to and from Hamilton Street and the Allentown Art Museum, improve and create a visually attractive space, referred to as the Artswalk Hamilton Street Connection ("the Project"), at a cost estimated to not exceed \$1,210,000.00, subject to review and approval, as required, of all related stakeholders such as the City of Allentown, the Commonwealth of Pennsylvania, the County of Lehigh and neighboring property owners, and
 2. The Executive Director shall prepare the Capital Additions Budget for the Project and all other documentation required to do the Project in accordance with the terms of the Master Trust Indenture dated September 15, 2012 between the Authority and The Bank of New York Mellon Trust Company, N.A., with advice of counsel;
- B. The Whereas clauses above are incorporated as part of this Resolution and the Project.
- C. The Chairperson or Vice Chairperson, Executive Director and the Secretary or any Assistant Secretary of the Authority are hereby authorized and directed to execute and attest, where deemed necessary, respectively, any related agreement and documents, and other documents to amend or correct any documents, and to take any and all such actions necessary, in the opinion of the Executive Director with the advice of counsel, to implement fulfillment of the purposes of this Resolution. and to consummate the transactions contemplated herein.
- D. The liability of the Authority under any and all of the documents relating to and executed to implement fulfillment of the purposes of this Resolution shall not constitute the general obligation of the Authority, and where appropriate, the documents, shall provide for other parties, to indemnify and hold harmless the Authority, and each member, officer, and employee of the Authority, from and against any and all claims, losses, damages or liabilities, joint and several, to which the Authority or any member, officer or employee of the Authority may become subject, insofar as such loss, claim, damage, or

liability, or action in respect thereof, arises out of implementation of the purposes of this Resolution, or is based upon any other alleged act or omission in connection with any document related thereto.

- E. All actions previously taken in furtherance of the purposes of this Resolution are hereby ratified. The officers of the Authority are hereby authorized to take such further actions to carry out the purposes of this Resolution.
- F. All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution, are, to the extent of such conflict, hereby repealed and this Resolution shall be in immediate effect from and after its adoption.

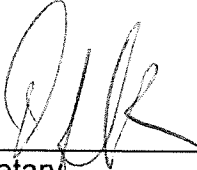
END OF RESOLUTION

CERTIFICATION

Oldrich Foucek, III, Esq., Assistant
 I, ~~Pedro L. Torres, Jr.~~, Secretary of the Allentown Neighborhood Improvement Zone Development Authority, do hereby certify that the foregoing is a true and correct copy of the Resolution R-2018-148 of the Board of Directors of the Authority passed at a duly convened meeting of said Board on the 4th day of April, 2018. Authority members present and voting were as follows:

<u>Vote</u>	<u>Yes</u>	<u>No</u>	<u>Abstain</u>
Seymour Traub, Esq.	✓		
Nelson A. Diaz	✓		
Gregory N. Dudkin	<i>absent</i>		
Oldrich Foucek, III, Esq.	✓		
David Mickenberg	✓		
Tiffany Polek	<i>absent</i>		
John Stanley, Esq.	✓		
Pedro L. Torres, Jr.	<i>absent</i>		
John Williams, Jr., Esq.	✓		

IN WITNESS WHEREOF, I hereunto set my hand and seal on this 4th day of April, 2018.



 Secretary

**ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE
DEVELOPMENT AUTHORITY**

RESOLUTION R-2018-149

BE IT RESOLVED, that the Allentown Neighborhood Improvement Zone Development Authority (the "Authority") hereby approves changing its registered address with the Pennsylvania Department of State to 5 N Front Street, Allentown, Pennsylvania 18102 and authorizes the Executive Director to take the necessary steps to complete the change.

CERTIFICATION

I, ^{*Oldrich Foucek, III, Esq., Assistant*} ~~Pedro Torres~~, Secretary of the Allentown Neighborhood Improvement Zone Development Authority, do hereby certify that the foregoing is a true and correct copy of the Resolution R-2018-149 of the Board of Directors of the Authority passed at a duly convened meeting of said Board on the 4th day of April, 2018. Authority members present and voting were as follows:

<u>Vote</u>	<u>Yes</u>	<u>No</u>	<u>Abstain</u>
Seymour Traub, Esq.	✓		
Nelson A. Diaz	✓		
Gregory N. Dudkin	<i>absent</i>		
Oldrich Foucek, III, Esq.	✓		
David Mickenberg	✓		
Tiffany Polek	<i>absent</i>		
John Stanley, Esq.	✓		
Pedro L. Torres, Jr.	<i>absent</i>		
John Williams, Jr., Esq.	✓		

IN WITNESS WHEREOF, I hereunto set my hand and seal on this 4th day of April, 2018.



 Secretary

**ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE
DEVELOPMENT AUTHORITY**

RESOLUTION NO. R-2018-150

BE IT RESOLVED, that the Allentown Neighborhood Improvement Zone Development Authority (the "Authority") hereby authorizes its Executive Director to enter into on behalf of the Authority the engagement letter with Barbacane, Thornton LLP, attached hereto as Exhibit "A", to perform the financial services for the Authority in accordance with the engagement letter for the calendar year ending December 31, 2017 at an estimated cost of \$26,900.00.


END OF RESOLUTION

CERTIFICATION

I, ^{Oldrich Foucek III, Esq., Assistant} ~~Pedro L. Torres, Jr.~~, Secretary of the Allentown Neighborhood Improvement Zone Development Authority, do hereby certify that the foregoing is a true and correct copy of the Resolution R-2018-150 of the Board of Directors of the Authority passed at a duly convened meeting of said Board on the 4th day of April, 2018. Authority members present and voting were as follows:

<u>Vote</u>	<u>Yes</u>	<u>No</u>	<u>Abstain</u>
Seymour Traub, Esq.	✓		
Nelson A. Diaz	✓		
Gregory N. Dudkin	<i>absent</i>		
Oldrich Foucek, III, Esq.	✓		
David Mickenberg	✓		
Tiffany Polek	<i>absent</i>		
John Stanley, Esq.	✓		
Pedro L. Torres, Jr.	<i>absent</i>		
John Williams, Jr., Esq.	✓		

IN WITNESS WHEREOF, I hereunto set my hand and seal on this 4th day of April, 2018.



Secretary

Barbacane, Thornton & Company LLP
200 Springer Building
3411 Silverside Road
Wilmington, Delaware 19810

T 302.478.8940
F 302.468.4001
www.btcpa.com

February 27, 2018

Mr. Steven Bamford
Executive Director
Allentown Neighborhood Improvement
Zone Development Authority
5 North Front Street
Allentown, PA 18102-5303

Dear Mr. Bamford:

We are pleased to confirm our understanding of the services we are to provide the Allentown Neighborhood Improvement Zone Development Authority ("ANIZDA") for the year ended December 31, 2017. We will audit the statement of net position as of December 31, 2017 and the statements, revenues, expenses, and changes in net position and cash flows for the year ended, including the related notes to the financial statements, which collectively comprise the basic financial statements of ANIZDA as of and for the year ended December 31, 2017. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement ANIZDA's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The ANIZDA management has elected to omit the management's discussion and analysis from its financial statements.

Audit Objective

The objective of our audit is the expression of an opinion as to whether your financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such an opinion. We will issue a written report upon completion of our audit of ANIZDA's financial statements. Our report will be addressed to the Board of Directors of ANIZDA. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add emphasis-of-matter or other-matter paragraphs. If our opinion is other than unmodified, we will discuss the reasons with you in advance.

If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

Audit Procedures – General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the

BARBACANE
THORNTON
& COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to ANIZDA or to acts by management or employees acting on behalf of the government.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with auditing standards generally accepted in the United States of America. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures – Internal Control

Our audit will include obtaining an understanding of ANIZDA and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of ANIZDA's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Other Services

We will also assist in preparing the basic financial statements of ANIZDA in conformity with accounting principles generally accepted in the United States of America based on information provided by you. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure to take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within ANIZDA from whom we determine if necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting ANIZDA involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting ANIZDA received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

You agree to assume all management responsibilities for financial statement preparation services and any other nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

With regard to using our auditor's report, you understand that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

During the course of our engagement, we will request information and explanations from management regarding, among other things, ANIZDA's operations, internal controls, future plans, specific transactions, and accounting systems and procedures. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management provide certain representations in a written representation letter. The procedures we will perform in our engagement and the conclusions we reach as a basis for our report will be heavily influenced by the written and oral representations that we receive from management. You agree that we shall not be responsible for any claim that may arise out of or relate to any of the written or oral representations relied upon by us in issuing our report to you.

In addition, you further agree to indemnify and hold us harmless from any claim, demand, or potential liability; and you agree to tender a defense (including providing counsel) on our behalf, reasonably acceptable to us, to defend against any claim, demand, or potential liability arising out of our services performed under this engagement asserted, brought, or commenced against us by any third party relating to or pertaining to any false or misleading representations by any officer, director, or member of your management team. If you fail to tender a defense, you agree to pay all of our costs and attorneys' fees incurred by us incident to defending against any such claim, demand, or potential liability asserted, brought, or commenced against us by any third party. Additionally, you agree to reimburse us for any settlement reached by us or any monetary award paid by us (unless you have tendered the defense required herein) in the event any such claim, demand, or potential liability is asserted, brought, or commenced against us by any third party.

You agree that any claim, dispute, or cause of action that may arise out of this engagement or relate, in any way, to this engagement, prior to any claim or cause of action being brought in any court or in any other proceeding, must first be brought to the attention of our Managing Partner by written notice ("Informal Dispute Notice"), and you agree to give the Managing Partner at least twenty (20) days after receipt of your Informal Dispute Notice to resolve any such claim or dispute ("Informal Dispute Procedure").

After the expiration of the Informal Dispute Procedure, you agree that any dispute not resolved must be submitted to mandatory mediation and that the parties will engage in the mediation process in good faith. The mandatory mediation process shall be initiated by a written demand given by either party to the other party in the engagement which describes the nature and basis of the dispute or disputes to be mediated and what relief and/or damages are sought. A mediation demand must be made within one hundred eighty (180) days after the Informal Dispute Notice. Mediation shall be conducted in accordance with the Commercial Mediation Rules of the American Arbitration Association existing as of the date of the mediation demand ("Mediation Rules"). The parties may agree to the selection of a mediator. However, if the parties are unable to agree to the selection of a mediator within twenty (20) days of the mediation demand (or such later time as the parties may mutually agree), such mediator shall be selected in accordance with the Mediation Rules. The Mediator selected must have a minimum of ten (10) years related experience. You shall advance the costs of the mediation, and we agree to reimburse you for one-half of such costs at the conclusion of the mediation process or as may otherwise be mutually agreed during the mediation process. The mediation shall be confidential.

Any court action or other litigation shall be conducted only within the County of Lehigh, Pennsylvania. Pennsylvania law shall apply irrespective of any conflicts of laws rules. You agree and consent to personal jurisdiction in the federal and state courts located in Lehigh County, Pennsylvania. The parties both agree to waive any right to a trial by jury in any dispute.

Any claim or litigation arising out of this engagement, except solely for any claims by us for payment of amounts due to us under our invoices, must be commenced one (1) year from the completion of the engagement, notwithstanding any statute of limitations or other statutory provision to the contrary. It is expressly understood that the completion of the engagement contemplated herein shall be deemed to have occurred upon delivery of our audit report to you. However, this period shall be deemed extended for ninety (90) days after the conclusion of the mediation process if the parties were engaged in the mediation process on the date that the period to commence any claim or litigation expires.

We shall not be liable for any, punitive, exemplary, or non-economic damages of any sort.

Other Matters

An auditor is required to be "independent" under applicable professional guidelines. If, at any time, our independence is questioned, challenged, or otherwise at risk, we reserve the right to immediately discontinue any further services until such time as such independence issue is resolved to our satisfaction. You agree that you shall have no claim against us for any breach of this agreement if we, in good faith, cease performing work under this engagement due to any issue of independence.

You agree, during the term of this engagement and for a period of six (6) months following the conclusion of this engagement, not to discuss with or otherwise solicit for employment, hire, and/or appoint any person employed by us without our prior written consent. This prohibition shall apply to each and all entities controlled by you or any of your management team.

The parties agree that no third-party beneficiaries are intended to be created by this engagement or by the work performed by us in connection with this engagement. However, without limiting the applicability of the foregoing, it is expressly understood that any person or entity claiming to be a third-party beneficiary of our services under this engagement shall be bound by all of the provisions of this engagement.

In the event we are required to respond to any subpoena, court order, or other legal process directing us to produce documents and/or testimony (deposition, grand jury, trial, or otherwise) related to knowledge or information we obtained and/or prepared related to, out of, or during the course of this engagement, you agree to compensate us for all time expended by us, in the same manner as set forth above in connection with such response and to reimburse us all costs incurred in connection with such response at our usual rates in effect at such time. We will notify you of the receipt of any such subpoena, court order, or other legal process, unless prohibited by law, by forwarding same to your last known address in our billing records. Unless we receive from you, at least a week before the response deadline in any such subpoena, court order, or other legal process, a court order quashing or other evidence satisfactory to us in our sole discretion that such response deadline is extended, we will respond to such subpoena, court order, or other legal process.

Engagement Administration, Price, and Other

With your prior approval, we may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information, and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash, or other confirmations we request and will locate any documents selected by us for testing. We will schedule the engagement based in part on deadlines, work conditions, and the availability of your key personnel. We will plan the engagement based on the assumption that your personnel will cooperate and provide assistance by performing tasks such as preparing requested schedules, retrieving supporting documents, and preparing confirmations. If, for whatever reason, your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase in price over our original price estimate.

The audit workpapers for this engagement is the property of Barbacane, Thornton & Company LLP and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to a regulator or its designee, a state agency providing direct or indirect funding, for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Barbacane, Thornton & Company LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies. ANIZDA agrees to compensate us for the time we expend in connection with such response and to reimburse us for all out-of-pocket costs incurred in that regard.

The audit workpapers for this engagement will be retained for a minimum of seven years after the report release date.

Steven N. Kutsuffakis, CPA is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. To ensure that Barbacane, Thornton & Company LLP's independence is not impaired under the AICPA *Code of Professional Conduct*, you agree to inform the engagement partner before entering into any substantive employment discussion with any of our personnel.

Our price for these services will be at our standard hourly rates plus out-of-pocket expenses. We estimate that our price for the above services will be \$26,900. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these services will be rendered each month as work progresses and are payable upon presentation. Interest is charged at a rate of 1½ percent per month on past due invoices. In accordance with our firm policies, work may be suspended if your account becomes 90 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination. The suspension or termination of our work may result in adverse consequences to you including your failure to meet deadlines imposed by governments, lenders, or other third parties. You agree that we will not be responsible for your failure to meet such deadlines, or for penalties or interest that may be assessed against you resulting from such failure. The above price is based on anticipated cooperation from

your personnel and the assumption that unexpected circumstances will not be encountered during the audit. The price does not include a single audit in accordance with the Uniform Guidance. If significant additional time is necessary, we will discuss it with you and arrive at a new price estimate.

You may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with you regarding the scope of the additional services and the estimated price. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

This engagement letter is contractual in nature and includes all of the relevant terms that will govern the engagement for which it has been prepared. The terms of this letter supersede any prior or contemporaneous oral or written discussions, negotiations, representations, promises, or commitments by or between the parties. Any modifications, changes, or additions to the terms set forth in this letter will only become effective if evidenced by a writing signed or transmitted by the party against whom such amendment or modification is sought to be enforced clearly indicating assent to such amendment or modification.

At this time, and for the period of this engagement, we certify that we are not employed by, contracting with or providing services for the City of Allentown or any Developer under agreement with ANIZDA.

We appreciate the opportunity to be of service to ANIZDA and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

/nrb

Enclosure

RESPONSE:

This letter correctly sets forth the understanding of ANIZDA.

Approved by _____
Steven Bamford, Executive Director

Date _____

**ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE
DEVELOPMENT AUTHORITY**

RESOLUTION NO. R-2018-151

WHEREAS, the Allentown Neighborhood Improvement Zone Development Authority (the "Authority") received a request from the Sacred Heart HealthCare System, Sacred Heart Hospital and SH Realty Corporation (the "Sacred Heart Group"), all parties to that certain Funding Agreement, Sacred Heart, dated July 29, 2014, to consent to the change in their ownership and control through an affiliation with St Luke's Health Network, d/b/a St. Luke's University Health Network to occur on March 1, 2018, and

WHEREAS the consent was needed by March 1, 2018 and since the Authority was not meeting timely for that deadline the Executive Director signed the consent on behalf of the Authority subject to subsequent ratification by the Authority of his action,

NOW, THEREFORE, the Authority hereby ratifies, confirms and approves the actions of the Executive Director on behalf of the Authority to sign the Consent to Transaction as set forth in the request letter, a copy of which is attached hereto as Exhibit "A".

END OF RESOLUTION

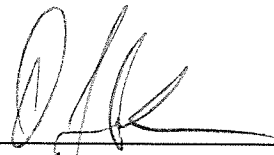
CERTIFICATION

Oldrich Foucek, III, Esq., Assistant

I, Pedro L Torres, Jr., Secretary of the Allentown Neighborhood Improvement Zone Development Authority, do hereby certify that the foregoing is a true and correct copy of the Resolution R-2018-151 of the Board of Directors of the Authority passed at a duly convened meeting of said Board on the 4th day of April, 2018. Authority members present and voting were as follows:

<u>Vote</u>	<u>Yes</u>	<u>No</u>	<u>Abstain</u>
Seymour Traub, Esq.			✓
Nelson A. Diaz	✓		
Gregory N. Dudkin	<i>absent</i>		
Oldrich Foucek, III, Esq.	✓		
David Mickenberg	✓		
Tiffany Polek	<i>absent</i>		
John Stanley, Esq.	✓		
Pedro L. Torres, Jr.	<i>absent</i>		
John Williams, Jr., Esq.	✓		

IN WITNESS WHEREOF, I hereunto set my hand and seal on this 4th day of April, 2018.



Secretary



421 Chew Street, Allentown, PA 18102
610-776-4500 • www.shh.org

February 22, 2018

VIA FEDERAL EXPRESS

Allentown Neighborhood Improvement Zone Development Authority
5 N. Front Street
Allentown, PA 18102
Attn: Steve Bamford, Executive Director

Re: Consent for the Pending Change of Ownership and Control of Sacred Heart HealthCare System, Sacred Heart Hospital of Allentown and SH Realty Corporation

Dear Mr. Bamford:

Sacred Heart HealthCare System ("SHHS"), Sacred Heart Hospital of Allentown ("SHH") and SH Realty Corporation ("SHRC") are parties to that certain Funding Agreement, Sacred Heart with the Allentown Neighborhood Improvement Zone Development Authority ("ANIZDA"), dated July 23, 2014 (the "Funding Agreement"). The Funding Agreement was entered into by the parties in connection with that certain Loan Agreement, dated July 29, 2014, among the Allentown Neighborhood Improvement Zone Development Authority, as Borrower, SHHS, SHH, and SHRC, as Guarantors, and National Penn Bank, as Lender (the "Loan Agreement"), relating to a loan of even date in the original principal amount of \$4,800,000.00. On December 26, 2017, Branch Banking and Trust Company, successor-in-interest to National Penn Bank under the Loan Agreement, assigned all of its right, title and interest as Lender under the Loan Agreement to Saint Luke's Hospital of Bethlehem, Pennsylvania ("St. Luke's").

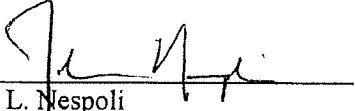
This letter serves as notice to the ANIZDA, in its capacity as Grantor under the Funding Agreement, that each of SHHS, SHH and SHRC (collectively, the "SH Entities") intends to undergo a change in direct ownership and control through an affiliation with St. Luke's Health Network, Inc. d/b/a St. Luke's University Health Network ("SLUHN"), whereby SLUHN will become the sole corporate member of SHHS and SHH, and SHH will become the sole corporate member of SHRC (collectively, the "Transaction"). Following the consummation of the Transaction, the SH Entities will continue to operate under the same legal entities and current tax identification numbers. No immediate changes are anticipated to the services offered by the SH Entities or to their service locations.

Pursuant to Article VII of the Funding Agreement, none of the SH Entities may undergo a change of ownership without the prior written approval of the ANIZDA, which approval may not be unreasonably withheld. St. Luke's, in its capacity as Lender under the Loan Agreement, has consented to the Transaction in accordance with Section 8(f) of the Loan Agreement. In light of the above, the SH Entities hereby respectfully request that the ANIZDA consent to the consummation of the Transaction for purposes of the Funding Agreement. If the same is agreeable to the ANIZDA, please have an authorized party sign where provided below and kindly return this letter to my attention at the address set forth above.

If you have any questions or require additional information, please contact Victoria Heller Johnson, Esquire, legal counsel to the SH Entities, at (610) 458-4980 or vjohnson@foxrothschild.com.

Allentown Neighborhood Improvement Zone Development Authority
RE: Consent to Pending Change of Ownership and Control of SHHS, SHH and SHRC
February 22, 2018
Page 2 of 2

Sincerely yours,



John L. Nespoli
President and Chief Executive Officer
Sacred Heart HealthCare System
Sacred Heart Hospital of Allentown
SH Realty Corporation

CONSENT TO TRANSACTION

The Allentown Neighborhood Improvement Zone Development Authority hereby consents to the consummation of the Transaction, as described in this letter.

By: _____
Name: _____
Title: _____

cc: Victoria Heller Johnson, Esquire, Fox Rothschild LLP
Bruce D. Armon, Esquire, Saul Ewing Arnstein & Lehr LLP

ALLENTOWN NEIGHBORHOOD IMPROVEMENT ZONE
DEVELOPMENT AUTHORITY

RESOLUTION NO. R-2018-152

WHEREAS, the Bylaws of the Allentown Neighborhood Improvement Zone Development Authority (the "Authority"), provide in Section 2.7(b) that the Board may amend its Bylaws in accordance with the terms thereof, and

WHEREAS the Authority desires to amend certain provisions in the Bylaws,

NOW, THEREFORE, BE IT RESOLVED by the Authority, that the Bylaws of the Authority initially approved as of April 12, 2012 be amended effective this date as follows:

1. **SECTION 1.3 Office of Authority** shall be amended to **delete** the phrase commencing on the second (2nd) line as follows:

"c/o City of Allentown, 435 Hamilton Street, Allentown, Lehigh County, Pennsylvania 18101, Attn: Director of Community and Economic Development."

and **substitute in its place** the phrase

"5 North Front Street, Allentown, Pennsylvania 18102, Attn: Executive Director".

2. **SECTION 2.1 Number; Term of Office** shall be amended to delete the phrase commencing on the third (3rd) line as follows:

"The term of office of each member of the Board shall be four years, commencing on the first Monday in January and expiring four years thereafter,..."

and substitute in its place the phrase

"The term of office of each member of the Board shall be five years commencing on the first day of January and expiring five years thereafter,..."

BE IT FURETHER RESOLVED that the end of term of office for each current member of the Board be adjusted to align with the amendment to the Bylaws Section 2.1 as follows:

Seymour Traub, Esq.	January 1, 2021
John Williams Jr., Esq.	January 1, 2023
Nelson A. Diaz	January 1, 2019
Tiffany Polek	January 1, 2021
Gregory N. Dudkin	January 1, 2020
David Mickenberg	January 1, 2022
John Stanley, Esq.	January 1, 2020
Pedro L. Torres, Jr.	January 1, 2022
Oldrich Foucek III, Esq.	January 1, 2019

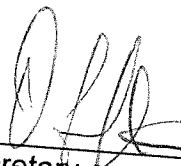
END OF RESOLUTION

CERTIFICATION

Oldrich Foucek III, Esq. Assistant
 I, ~~Pedro L. Torres, Jr.~~, Secretary of the Allentown Neighborhood Improvement Zone Development Authority, do hereby certify that the foregoing is a true and correct copy of the Resolution R-2018-152 of the Board of Directors of the Authority passed at a duly convened meeting of said Board on the 4th day of April, 2018. Authority members present and voting were as follows:

<u>Vote</u>	<u>Yes</u>	<u>No</u>	<u>Abstain</u>
Seymour Traub, Esq.	✓		
Nelson A. Diaz	✓		
Gregory N. Dudkin	<i>absent</i>		
Oldrich Foucek, III, Esq.	✓		
David Mickenberg	✓		
Tiffany Polek	<i>absent</i>		
John Stanley, Esq.	✓		
Pedro L. Torres, Jr.	<i>absent</i>		
John Williams, Jr., Esq.	✓		

IN WITNESS WHEREOF, I hereunto set my hand and seal on this 4th day of April, 2018.



 Secretary