

**Asset Transfer of the Harrisburg Parking Authority's Parking System  
Summary Of Proposed Terms  
September 12, 2013**

*This Summary of Proposed Terms ("Term Sheet") is intended as an outline and does not purport to list or fully set forth all of the terms, conditions, covenants, warranties and other provisions that will be contained in an asset transfer agreement (the "Transfer Agreement") and other definitive documentation (together with the Transfer Agreement, the "Transaction Documents") for the proposed acquisition transaction (the "Transaction") contemplated hereby. The Transaction summarized in this Term Sheet is expressly qualified by and made subject to, among other conditions, the preparation and execution of the Transaction Documents in form and substance satisfactory to the Receiver ("Receiver") for the City of Harrisburg ("City") and the Harrisburg Parking Authority ("HPA", and together with City, the "Transferor"), on the one hand, and Pennsylvania Economic Development Financing Authority (the "Transferee"), on the other hand, which documentation will include provisions in addition to those set forth below. This Term Sheet is not intended to, and shall not, create a binding legal obligation on any of the parties, and if there is a discrepancy between this Term Sheet and the Transaction Documents, the terms of the Transaction Documents will control.*

*On October 10, 2012, the Receiver selected the Harrisburg First Team as the party to begin exclusive negotiations for the asset transfer. The Harrisburg First Team is comprised of the individual firms Guggenheim Securities LLC, an affiliate of Guggenheim Partners ("Guggenheim"), Piper Jaffray & Co. ("Piper"), AEW Capital Management, L.P. ("AEW") and Standard Parking Corporation's subsidiary Standard Parking SP Plus Municipal Services ("Standard"). Each firms' involvement is specified solely as provided herein.*

*Concurrently with the Transaction, the City anticipates entering into a settlement agreement (the "Settlement Agreement") with Dauphin County, Pennsylvania (the "County"), and Assured Guaranty Municipal Corp. ("AGM") (the County and AGM in their capacities as creditors of the City, the "RRF Creditors") with respect to certain obligations of the City related to bonds issued by The Harrisburg Authority to finance its Resource Recovery Facility. HPA and the City contemplate application of the net proceeds of the Transaction (after defeasance and/or satisfaction of existing HPA bond indebtedness and other obligations and payment of costs and expenses related to the Transaction), for the benefit of the City with a portion of such proceeds being used to pay certain amounts to the RRF Creditors pursuant to the Settlement Agreement. AGM and the County will be providing credit enhancement for certain of the bonds anticipated to be issued by the Transferee as part of the Transaction. In their capacities as credit enhancers for certain bonds, AGM and the County are sometimes referred to as the "Credit Enhancers."*

**Transfer and Modernization Agreement Terms<sup>1</sup>**

**Overview of the Transaction**

The Acquired Assets will be transferred to PEDFA - a governmental entity. The Transferee will issue tax-exempt bonds (the "Bonds") in one or more series to finance the acquisition of the Acquired Assets. The Transferor will enter into an agreement ("Transfer Agreement") with

<sup>1</sup> The terms of the Transaction are still being reviewed by various parties, are subject to minor modification and revision, and may be supplemented in the course of review, negotiation and underwriting.

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PEDFA setting forth the terms of the Transaction and the transfer of the Parking Assets. The Parking Assets consist of a leasehold interest in the lands and the improvements thereon comprising the off-street Parking Assets and the rights to use such lands and improvements to operate a parking system for the public benefit and a license and the delegation of the rights and powers to operate the on-street parking meters. Such delegation does not include enforcement powers.

The Transaction will be structured as an acquisition of a capital asset for federal income tax purposes and will be structured as a lease/license for state law purposes. THE OBLIGATIONS OF PEDFA UNDER THE TRANSACTION DOCUMENTS ARE NOT OBLIGATIONS OF THE COMMONWEALTH OF PENNSYLVANIA AND WILL BE NON-RECOURSE TO PEDFA AND LIMITED TO THE PARKING REVENUES.

Pursuant to the Transfer Agreement, PEDFA will enter into a lease with the HPA<sup>2</sup> having a stated term of 40 years<sup>3</sup> for the garages and the parking lots (the "Lease") and a license and franchise (the "Franchise") with the City for the parking meters and having the same term as the Lease. The Franchise will delegate to PEDFA the right to collect parking violation revenues, set hours of operation, and set rates and fines. Upon repayment of all obligations with respect to the Bonds and the Indenture, and agreements with other parties<sup>4</sup> and expiration or termination of the Transfer Agreement, Lease and Franchise, pursuant to the Lease and Franchise, the Parking Assets will revert to the City (as to the parking meters) and the HPA or its successor (as to all of the other assets) in accordance with the terms of the Lease and the Franchise.

Pursuant to the Lease, HPA will transfer rights to set rates and collect off-street parking revenues to PEDFA. Pursuant to the Franchise, the City will transfer to PEDFA rights to set rates and collect revenues for the parking meters. Initial rate adjustments are described below. PEDFA may provide for certain of its functions under the Transaction Documents (including the Franchise) to be performed by one or more qualified designees.

In order to maintain qualified management throughout the terms of the Lease and Franchise, PEDFA or its qualified designee will enter into an Asset Management Agreement with AEW as the initial Asset Manager, subject to qualified management agreement restrictions. As the Asset Manager, AEW will enter into, with the approval of PEDFA, a Parking Management Agreement with Standard as the initial Operator, also subject to qualified management agreement restrictions. The Commonwealth Department of General Services ("DGS") to which the Enforcement Powers are delegated will immediately enter into a contract with the initial Operator (Standard) for Standard to perform the functions of issuing citations and booting and towing vehicles. The Asset Management Agreement and the Parking Management Agreement will provide long term operating and maintenance standards for the Parking Assets. PEDFA will also enter into an agreement with a qualified designee pursuant to which PEDFA will delegate to the qualified designee, and the qualified designee will undertake to perform, certain administrative and approval functions of PEDFA under the Transaction Documents.

<sup>2</sup> The City presently has title to certain garages and lots that will be transferred to HPA to permit all garages and lots to be subject to one Lease agreement.

<sup>3</sup> The term will be subject to extension if the bonds and other obligations of PEDFA have not been paid at the end of the 40 years. In addition, the term may be shortened by "turbo" redemption of the bonds and other obligations payable under the Indenture being fully redeemed and satisfied prior to the stated maturities.

<sup>4</sup> The City (Transferors) contemplates assigning part of its rights to future payments in the Transaction to the RRF Creditors. The Transaction Documents will permit such assignments and direction to the Bond Trustee to make payments from agreed upon portions of the Transferors' stream of future payments directly to the RRF Creditors.

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	<p>PEDFA will issue Parking Revenue Bonds (the "<u>Bonds</u>") to fund:</p> <ul style="list-style-type: none"> <li>• Upfront payment of the cash portion of the Purchase Price to the Transferor<sup>5</sup>;</li> <li>• Initial contribution to a Capital Reserve Account;</li> <li>• Debt service reserve fund (cash funding will not be required if there is a debt service surety policy issued);</li> <li>• Reasonable operating reserves;</li> <li>• Premiums for property-related insurance;</li> <li>• Issuance, negotiation and diligence costs and underwriting fees; and</li> <li>• Other mutually agreed amounts.</li> </ul> <p>The Transfer Agreement will provide for payment of the balance of the Purchase Price in the form of a note (the "<u>Note</u>") to the Transferor over time. The Note will specify the expected amount of principal payments in each Fiscal Year.</p>
<b>Parking Assets</b>	<p>10 parking garages with approximately 7,813 total spaces, 5 parking lots with approximately 1,306 spaces and parking meters assigned to approximately 1,250 metered parking spaces (final numbers and locations to be verified) throughout the Central Business District and adjoining areas of the City ("<u>Parking Assets</u>").</p> <p>Possible exclusions: City Island garage/lot, Mulberry/Dewberry Lot</p>
<b>Acquired Assets</b>	<p>The Parking Assets and associated assets (together the "<u>Acquired Assets</u>") consisting of:</p> <ul style="list-style-type: none"> <li>• The Parking Assets;</li> <li>• Rights to collect enforcement fines and revenues (excluding adjudication fees and penalties);</li> <li>• All tangible and intangible property related to the operation of the Parking Assets, excluding furniture, office equipment, computers, supplies and other items used by the HPA in its administrative capacity and not used directly with any of the transferred Parking Assets and excluding air space rights over existing garages and parking lots which may be negotiated for at a future date;</li> <li>• All easements, licenses, permits, authorizations, and approvals appurtenances, and any other property rights utilized in or necessary for the operation of the Parking Assets;</li> <li>• Existing leases with respect to Parking Assets;</li> <li>• Existing contracts with respect to Parking Assets;</li> <li>• Certain accounts receivable; and</li> <li>• All other assets necessary and appropriate for the operation of the Parking Assets.</li> </ul>
<b>Objectives</b>	<p>The objectives of the Transaction and PEDFA's management and operations under the underlying documents are as follows:</p> <ul style="list-style-type: none"> <li>• Provide upfront and ongoing consideration to HPA, City and others</li> <li>• Operate and manage parking system so as to generate sufficient net revenues to fund all scheduled debt service, reserve deposits, other obligations under the Indenture, and Note payments</li> <li>• Provide affordable customer rates while utilizing appropriate urban and regional planning best practices with respect to parking and traffic management</li> </ul>

<sup>5</sup> HPA will use a portion of the Purchase Price for the defeasance and/or satisfaction of the Existing Debt.

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	<ul style="list-style-type: none"> <li>• Provide a high level of customer service and updated technology where cost-effective</li> <li>• Cooperate with City efforts to manage traffic and assure the effectiveness of the residential permit parking system</li> <li>• Insure long term operational flexibility for changing market dynamics, best practices, and technologies</li> <li>• Work with citizens and local businesses in support of specific customer parking needs</li> </ul>
<p><b>Operation of Acquired Assets</b></p>	<p>Pursuant to the Transfer Agreement, Transferor will enter into the Lease with PEDFA to lease the off-street parking assets to PEDFA and to grant to PEDFA the rights to operate an off-street parking system for the public benefit. The City will grant the Franchise to PEDFA to operate the on-street parking system for the public benefit. Such grant does not include enforcement. PEDFA will implement the Lease and Franchise by contracting (directly or through its qualified designee) with AEW as initial Asset Manager (and having AEW contract with Standard as initial Operator). PEDFA may contract with a qualified designee to perform PEDFA's owner/lessee functions and to perform its functions under the Franchise.</p> <p>Enforcement powers will include the power to issue parking citations (for non-moving violations), and the power to boot and tow vehicles (the "<i>Enforcement Powers</i>"). The Enforcement Powers will be delegated by the City to DGS and DGS will contract with AEW or Standard to perform certain of the enforcement functions.</p>
<p><b>Disposition of Liabilities</b></p>	<p>The following liabilities will not be transferred as part of the transaction and PEDFA will be indemnified by the Transferor with respect to the following items:</p> <ol style="list-style-type: none"> <li>1. Existing HPA debt with associated liens on the Acquired Assets (the "<i>Existing Debt</i>").</li> <li>2. Pre-existing environmental liabilities, including but not limited to the current existence of, or prior events associated with, asbestos, underground conditions, Parking Assets operations, etc. Harrisburg First will commission an environmental review of the Parking Assets to assess pre-existing conditions.</li> <li>3. Any existing payroll-related liabilities, including severance payment, accrued vacation, sick time, pension and other post-employment benefits ("<i>OPEB</i>").</li> <li>4. Third party obligations unrelated to the Parking Assets, including Civil War Museum parking lot maintenance obligations and Penn National garage operations obligations.</li> <li>5. Pending claims and litigation and other HPA liabilities not specifically assumed. Indemnity against claims not specifically assumed.</li> <li>6. Existing labor agreements.</li> <li>7. Contracts and amounts due for repair or construction work, except to the extent expressly assumed.</li> <li>8. Other agreed upon items.</li> </ol>
<p><b>Conditions Precedent</b></p>	<p>The following conditions must be satisfied to issue the Bonds and close the Transaction:</p> <ol style="list-style-type: none"> <li>1. Subject to certain limitations and exceptions, the HPA, City, and City agencies will agree not to compete with or impair the operations of the Parking Assets and the meters within the Non-Compete Area for garages, lots, and meters during the terms of the Lease and the Franchise.</li> <li>2. Terms of the Transfer Agreement and the forms of the Lease and Franchise to be</li> </ol>

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	<p>consistent with:</p> <ol style="list-style-type: none"> <li>a. economic assumptions used in Harrisburg First's cash flow projections;</li> <li>b. tax treatment for a governmental purpose tax-exempt acquisition financing;</li> <li>c. minimum enforcement standards for on-street meters and enforcement functions conducted by personnel employed by the Operator; and</li> <li>d. other items identified in the due diligence process.</li> </ol> <ol style="list-style-type: none"> <li>3. PEDFA agreeing to act as issuer of the Bonds and enter into the Transfer Agreement, Lease, Franchise, Trust Indenture, Leasehold Mortgage, Bond Purchase Agreement, and other necessary documents.</li> <li>4. HPA and AFSCME negotiating a transition agreement providing for a modification of the existing collective bargaining agreement with respect to Article 29 acceptable to the Receiver and the Operator. Employees of the Operator may be represented by AFSCME under one or more CBA's to be negotiated by the Operator after closing. Operator will offer employment to an agreed upon number of HPA employees on terms consistent with transition terms being negotiated between HPA and AFSCME. The Operator will also be offering employment to certain current City enforcement personnel on similar terms. Such similar agreements, if any, as may be appropriate with the City employee AFSCME bargaining unit will also be a condition precedent.</li> <li>5. Completion of independent reviews of the Parking Assets for structural condition, environmental pre-conditions, and financial feasibility.</li> <li>6. PEDFA's rights under the Lease and the lien of the Leasehold Mortgage will be subject only to such title encumbrances as are satisfactory to Harrisburg First and PEDFA. The lien of the Leasehold Mortgage will be insured as a first lien by a title company doing business in the Commonwealth of Pennsylvania so as to insure the liens created thereby in an amount not less than the principal amount of the Bonds.</li> <li>7. Adoption of City resolutions and ordinances necessary to implement and/or authorize the transfer of City-owned garages and lots to HPA, and the Transfer Agreement, Lease and the Franchise (including initial and subsequent rate increases, Advisory Committee, meter additions, on street signage, initial and subsequent citation rate increases, free parking, residential permit expansions, zoning changes, etc.<sup>6</sup>), and the enforcement delegation to DGS (including issuing citations, booting and towing and contracting with Standard to perform certain functions).</li> <li>8. The liens on the Acquired Assets associated with the Existing Debt will be satisfied and removed as a condition precedent to the closing so that the Acquired Assets are conveyed free and clear of liens, pledges of parking revenues, covenants, encumbrances and other similar restrictions, other than permitted exceptions agreed to by PEDFA.</li> <li>9. Applicable requirements and conditions of AGM and/or the County to provide credit enhancement must be satisfied as a condition to closing.</li> <li>10. Expiration of all appeal periods applicable to necessary court and governmental approvals.</li> </ol>
<p><b>Transition Period Covenants</b></p>	<p>The City and HPA will cooperate in due diligence activities.</p> <p>HPA will operate the Parking Assets in a manner consistent with past practice, the Exclusive Negotiation Agreement between the Receiver and Harrisburg First, and HPA's standstill</p>

<sup>6</sup> To be reviewed and revised as appropriate

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	<p>arrangements with the Receiver.</p> <p>Satisfactory completion, with evidence of payment in full, of any existing repairs, contracts or work orders (including Walnut Street work) and escrow for payment for any incomplete work.</p> <p>HPA will provide advance notification of changes in contracts, employment, rates, parking taxes, capital improvements and change orders.</p> <p>Casualty loss prior to closing.</p> <p>No encumbrances, except those permitted.</p>
<b>Reps and Warranties</b>	Customary
<b>Upfront Payment and Use of Proceeds</b>	<p>The up-front portion of the purchase price (the "<u>Purchase Price</u>") will be funded from the proceeds of the Bonds.</p> <p>Bond proceeds will also fund a reasonably required debt service reserve fund (unless a debt service reserve fund surety policy is issued or no debt service reserve fund is required to market the particular series of bonds), a deposit to the Capital Reserve Account, working capital, capitalized interest and costs of issuance.</p> <p>Defeasance of HPA's existing bond indebtedness (the "<u>Existing Debt</u>") will be funded with a portion of the Purchase Price. The remainder of the Purchase Price will be used in accordance with the Receiver's Recovery Plan as approved by the Commonwealth Court.</p>
<b>Parking Rates and Policy</b>	<p>Off-Street rates – No off-street rate increases until January 1, 2014. Thereafter, the off-street schedule for monthly and transient rate increases is shown in Appendix B Initial Parking Rate Schedule.</p> <p>On-Street – No on-street rate increases until January 1, 2014. Thereafter, the on-street meter rates are shown in Appendix B Initial Parking Rate Schedule.</p> <p>On-Street Hours – Current meter hours are 9 hours each Monday through Friday.<sup>7</sup> PEDFA will have the right to expand meter operation up to 11 hours each weekday and Saturday (meters will not be operated on Sundays and holidays) for the first five years of the Transfer Agreement. Thereafter, PEDFA will have the right to operate meters during a longer period.</p> <p>Enforcement Powers – DGS will be granted rights to enforce all non-moving violations observed in metered areas and in relevant areas with residential permit parking and will contract with the Operator to perform the functions to carry out the enforcement. On or before closing, meter violation rates will be set at \$30/citation with a \$20 late payment fee (up from \$14 citation currently with an \$11 penalty for late payers).<sup>7</sup> Increases in meter violation citation rates will be adjusted to increases in 60-minute meter rates, such that such citation rates do not fall below 10 times the 60-minute meter rate within the CBD. Revenues associated with adjudication (other than the basic citation fine) will be retained by the City.</p> <p>The City will delegate to DGS the right to tow or boot vehicles with multiple offenses or unpaid bills and collect associated revenues (net of any third party costs).</p> <p>Parking Policy within Non-Compete Area – PEDFA's qualified designee or AEW will work with the City to identify new residential permit parking areas (e.g. north of Forster), and DGS will have the right to enforce parking violations in relevant residential permit parking areas.</p>

<sup>7</sup> See Appendix B.

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	<p>PEDFA will retain the ability to adjust rates as appropriate based on market demand fluctuations over time and in accordance with Appendix B Initial Parking Rate Schedule. PEDFA will have the right to increase rates above those permitted in Appendix B Initial Parking Rate Schedule, but only to the extent necessary to meet the Rate Covenants. PEDFA's ability to reduce overall rates (but not individual rates) will be restricted if such reduction would impair its ability to meet the Rate Covenants and in the event of a bond default or breach of debt service coverage ratio covenants.</p>
<b>Advisory Committee</b>	<p>One representative of each of PEDFA or its qualified designee, the Asset Manager, the Operator, HPA, the City's Mayor, the City Council, and DGS, so long as the Commonwealth Lease is in effect, shall comprise the Advisory Committee. The Advisory Committee shall review annually and provide input with respect to the following:</p> <ul style="list-style-type: none"> <li>• Proposed expansion or contraction of system or operations</li> <li>• Contractual compliance with the Franchise and other agreements</li> <li>• Residential permit parking</li> <li>• Enforcement</li> <li>• Technology and capital improvements</li> <li>• Operating Standards</li> <li>• Rates and budgets</li> <li>• Community relations and outreach</li> </ul> <p>The Advisory Committee shall act in an advisory role to PEDFA (or its designee) in its operation of the Parking Assets.</p>
<b>System Maintenance Standard</b>	<p>The System Maintenance Standard will be to maintain operating standards to keep the parking garages, lots and meters in good condition and repair throughout the life of the Lease and Franchise.</p>
<b>Adverse Action Events</b>	<p>The City and HPA will covenant not to take, and PEDFA will have the right to injunctive or other relief with respect to events constituting breaches of, the Non-Compete Covenant and the Non-Impair Covenants.</p> <p><i>"Non-Impair Covenants"</i> will include actions or omissions by the City, or HPA that breach covenants with respect to the following actions or occurrences:</p> <ul style="list-style-type: none"> <li>• Reducing number or changing location of metered spaces (see exception to City Non-Compete)</li> <li>• Street closures and bagging exceeding an agreed-upon level of historical street closures</li> <li>• Increases in parking taxes</li> <li>• Discriminatory laws, taxes, or fees</li> <li>• Actions that are principally borne by the Parking Assets and/or the Franchise and will have a material adverse effect on the Parking Assets and/or the Franchise</li> <li>• Other potential events to be determined</li> </ul>
<b>City Non-Compete Covenant</b>	<p>The City, on behalf of itself and all City agencies, and HPA will covenant not to construct or operate competing garages or lots (or permit construction of new garages or lots) or new meters outside of Parking Assets and within the Non-Compete Area (<i>"Non-Compete</i></p>

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	<p><u>Covenant</u>”).</p> <p>Permitted exceptions are :</p> <ul style="list-style-type: none"> <li>• Parking related to new or renovated facilities will be exempted to the extent each newly created parking space is offset by a corresponding increase in occupancy in the Non-Compete Area related to the new facility</li> <li>• Street closures that do not exceed an agreed-upon level of historical street closures</li> <li>• Relocating parking meters from existing locations if the relocated metered space produces at least 90% of the gross revenue of the original space during the first six full calendar months following relocation, as compared to the same prior six month period from the previous calendar year, after adjustment for any differential in parking meter rates</li> <li>• HPA parking assets excluded from the Transaction</li> </ul>
<b>Third Party Governmental Approvals to Effectiveness</b>	<p>Commonwealth Court OAG Commonwealth General Counsel HPA PEDFA City of Harrisburg (including ordinances regarding Franchise) City Council Secretary of Community and Economic Development</p>
<b>Modifications</b>	<p>PEDFA, after consultation with the Advisory Committee, may make such modifications in hours and scope of operations to reflect best practices in parking management and changing conditions in the City of Harrisburg.</p>
<b>Lease</b>	
<b>Parties</b>	<p>HPA and PEDFA.</p>
<b>Leased Premises</b>	<p>The Leased Premises consists of the underlying ground, together with any and all rights, powers, licenses, easements, rights of way privileges, franchises, and any and all interest in property, real, personal or implied existing thereon on the date of the Lease including the garages and the parking lots.</p> <p>The Lease will provide rights to operate the off-street parking system and the obligation to maintain the garages at the System Maintenance Standard.</p>
<b>Permitted Uses</b>	<p>Sole and exclusive use of the Parking Assets for the parking of motor vehicles, and other ancillary uses, provided that the exclusivity of the on-street metered parking spaces will be subject to limited use by the City in the exercise of its police powers.</p>
<b>Term</b>	<p>From commencement, the term of the Lease shall extend for 40 years.</p>
<b>Rent and Licensing Fee</b>	<p>Base rent and franchise fee - \$1/year. Additional rent under the Lease in the amount of \$500,000/year escalating at inflation for the first six years (the "<u>Additional Lease Rent</u>").</p>

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<b>Additional Consideration</b>	<p>The City will be paid monthly a senior payment from revenues (the Senior Payment as described below in Bond Structure and Terms). In addition, payment of the balance of the Purchase Price ("<i>Additional Consideration</i>") remaining after payment of cash from the upfront proceeds will be made pursuant to the terms of the Note and the Indenture from Surplus Revenues. The Transferor shall be paid payments as part of the Purchase Price in the form of payments on the Note from a share of Surplus Revenues (defined below).</p> <p>Payments on the Note shall only be payable to the extent there are Surplus Revenues available to pay Additional Consideration as set forth in the Bond Indenture or in the event the Indenture is no longer in effect, provided Surplus Revenues are available. PEDFA shall not be in default under the Lease, the Franchise, or the Note if Surplus Revenues are not available to pay any Additional Consideration.</p>
<b>Parking Assets Residual</b>	<p>The Parking Assets Residual will comprise the Acquired Assets, as they exist at the end of the Lease and Franchise terms, and the remaining capital balances in the accounts held for the benefit of the Parking Assets including the Capital Reserve Account, as defined below.</p>
<b>Franchise<sup>8</sup></b>	
<b>Parties</b>	<p>City of Harrisburg and PEDFA.</p>
<b>Term</b>	<p>The term of the Franchise shall be the same as the term of the Lease.</p>
<b>Hours</b>	<p>Current meter hours are 9 hours each Monday through Friday. Under the Franchise, PEDFA will have the right to expand meter operation up to 11 hours each weekday and Saturday (meters will not be operated on Sundays and Holidays) for the first five years of the Transfer Agreement. Thereafter, PEDFA will have the right to operate meters during a longer period.</p>
<b>Other Terms</b>	<p>The Franchise will grant PEDFA rights to operate the on-street parking system, including the obligation to maintain the parking meters. The Franchise will delegate to PEDFA the exclusive right to collect and receive revenue from associated citations (exclusive of adjudication fees and penalties). The Franchise will provide citation rates to be raised to \$30 for meter violations (and \$20 for late payments) and for PEDFA to raise future citation rates for meter violations so that citation rates for meter violations at all times equal or exceed 10 times the 60-minute rate at CBD meters.</p> <p>The City will also agree with PEDFA to minimize other parking restrictions (e.g. permits, designated zones) and interruptions in service (e.g. temporary street closures, bagging events, special events) that have potential to materially adversely impact meter revenues, subject to certain exceptions. PEDFA and the City will agree to cooperate to support and maintain an effective residential parking permit system in the Non-Compete Area.</p> <p>The City will agree to continue to maintain the associated asphalt, striping (to be discontinued where appropriate), sidewalks etc. and provide clear access to meters, payment kiosks and associated spaces including snow removal.</p>
<b>Other Contracts</b>	

<sup>8</sup> To be reviewed and structured to minimize bankruptcy risk.

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<b>Bond Purchase Agreement</b>	PEDFA will enter into a Bond Purchase Agreement with Guggenheim Securities, LLC and Piper and/or a loan agreement with a Guggenheim affiliate.
<b>Asset Management Agreement</b>	<p>PEDFA or its qualified designee will enter into an <i>"Asset Management Agreement"</i> with the AEW or a subsidiary of AEW (sometimes referred to as AEW or <i>"Asset Manager"</i>), as the initial Asset Manager, subject to qualified management agreement restrictions. AEW will have on-going asset level management responsibilities as the counterparty to the Asset Management Agreement. AEW will act as the portfolio and asset manager directing moderate- to long-term strategic planning with direct oversight of the Operator responsible for day-to-day operations. Under the Asset Management Agreement, Asset Manager will be responsible for setting budgets, procuring third party experts, interfacing with PEDFA and its qualified designee, procuring certain insurance, and managing the Parking Assets capital plan. Under certain circumstances, the Credit Enhancers will have the right to require replacement of the Asset Manager.</p> <p>A portion of the Asset Manager fee may be payable only if certain conditions are met. The portion of the Asset Manager fee subject to performance standards will be the maximum portion permitted under applicable tax considerations. The performance standards will be provided in the Asset Management Agreement.</p>
<b>Parking Management Agreement</b>	<p>AEW will enter into a Parking Management Agreement with (Standard Parking SP Plus Municipal Services, or "Standard"), as the initial Operator, subject to qualified management agreement restrictions. Standard will have day-to-day on-street and off-street property-level as the initial Operator under the Parking Management Agreement. Under certain circumstances, the Credit Enhancers will have the right to require replacement of the Operator.</p> <p>A portion of the Operator fee may be payable only if certain conditions are met. The portion of the Operator fee subject to performance standards will be the maximum portion permitted under applicable tax considerations. The performance standards will be provided in the Parking Management Agreement.</p>
<b>AGM Bond Insurance</b>	<p>AGM will issue a municipal bond insurance policy and/or a debt service reserve fund surety policy to the Bond Trustee for the benefit of the holders of one or more series of the Enhanced Bonds. Pursuant to the Bond insurance policy, AGM will guarantee the timely payment of scheduled interest and principal on such series of Enhanced Bonds.</p> <p>PEDFA and AGM will enter into an Insurance and Reimbursement Agreement pursuant to which PEDFA will agree to reimburse AGM for payments made under the Bond insurance policy or the debt service reserve fund surety policy, plus interest, solely from Parking Revenues. THE OBLIGATIONS OF PEDFA UNDER THE INSURANCE AND REIMBURSEMENT AGREEMENT ARE NOT OBLIGATIONS OF THE COMMONWEALTH OF PENNSYLVANIA AND WILL BE NON-RECOURSE TO PEDFA AND LIMITED TO THE PARKING REVENUES AND THE ACQUIRED ASSETS. The Insurance and Reimbursement Agreement, the Indenture and the Intercreditor Agreement will address AGM's conditions to issuance of the Bond insurance policy, including notice and approval rights with respect to operations, budgets and other matters, and its rights and remedies in the event of default or breach of covenants.</p>
<b>County Guaranty</b>	The County will provide a guaranty to the Bond Trustee for the benefit of the Bondholders of one or more series of the Enhanced Bonds. The guaranty will guarantee the timely payment of scheduled interest and principal on such series of Enhanced Bonds.

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	<p>PEDFA and the County will enter into a Reimbursement Agreement pursuant to which PEDFA will agree to reimburse the County for payments made under the guaranty, plus interest, solely from Parking Revenues. THE OBLIGATIONS OF PEDFA UNDER THE REIMBURSEMENT AGREEMENT ARE NOT OBLIGATIONS OF THE COMMONWEALTH OF PENNSYLVANIA AND WILL BE NON-RECOURSE TO PEDFA AND LIMITED TO THE PARKING REVENUES AND THE ACQUIRED ASSETS. The Reimbursement Agreement, the Indenture and the Intercreditor Agreement will address the County's conditions to issuance of its guaranty, including notice and approval rights with respect to operations, budgets and other matters, and its rights and remedies in the event of default or breach of covenants.</p>
<p><b>Intercreditor Agreement</b></p>	<p>AGM, the County, DGS, the Bond Trustee, and PEDFA, will enter into an Intercreditor Agreement providing for the respective rights and remedies of the parties in the event of a bond default or a default under the Insurance and Reimbursement Agreement and/or the Reimbursement Agreement.</p>
<p><b>Bond Structure and Terms</b></p>	
<p><b>Bonds</b></p>	<p>PEDFA will pay the up-front portion of the Purchase Price set forth in the Transfer Agreement, and fund required capital reserves, debt service reserves, reasonable operating reserves, working capital, capitalized interest, premiums for insurance, and costs of issuance, negotiation and due diligence from proceeds of the Bonds.</p> <p>Initial Capital Reserve balances will be determined from the results of the Independent Engineer's review, Standard's recommendations, and applicable tax law limitations.</p> <p>Two or more series of bonds will be issued pursuant to an indenture (the "<u>Indenture</u>") – the Commonwealth Parking Lease Secured Revenue Bonds (the "<u>Commonwealth Lease Bonds</u>") and two or more series of enhanced Parking System Revenue Bonds (the "<u>Enhanced Bonds</u>"), (and together the Commonwealth Lease Bonds and the Enhanced Bonds are the "<u>Bonds</u>"). It is expected that the Bonds will achieve minimum investment grade ratings.</p> <p>In addition, Harrisburg First acknowledges a potential need to monetize a portion of the Surplus Revenues to provide additional up front proceeds, and subject to credit structure and internal review, may agree to either place or buy such obligations.</p>
<p><b>Security</b></p>	<p>The Bonds will be secured by:</p> <ul style="list-style-type: none"> <li>• A first lien Leasehold Mortgage for the benefit of the trustee under the Indenture ("<u>Bond Trustee</u>") (on behalf of the Bondholders) on PEDFA's interest in the Parking Assets (the "<u>Leasehold Mortgage</u>") but not the parking meters or metered spaces;</li> <li>• Assignment to the Bond Trustee (on behalf of the Bondholders) of certain rights of PEDFA under the financing documents, the Lease, the Franchise, the Asset Management Agreement, and the Parking Management Agreement;</li> <li>• First lien on Revenues generated by the Parking Assets, including parking meters and the Commonwealth Lease;</li> <li>• First lien on parking meter and other enforcement revenues (exclusive of adjudication); and</li> <li>• Funds held under the Indenture, including operating and capital reserves set aside at closing and additional amounts accumulated over time, including redemption funds.</li> </ul>

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<b>Debt Service Reserve Fund or Surety</b>	A surety and/or an amount funded from the Bonds may be held as a debt service reserve fund on behalf of the Commonwealth Lease Bonds and the Enhanced Bonds. Such amount would be drawn to address shortfalls in debt service payments due to Bondholders. In the final year of the Bond term, debt service reserve funds (other than any surety) will be used instead of Revenues to make debt service payments on the Bonds.
<b>Operating Reserve</b>	Up to 4 months of operating expenses, funded out of bond proceeds.
<b>Revenues</b>	<p><i>"Pledged Revenues"</i> will consist of:</p> <ul style="list-style-type: none"> <li>• Parking Assets revenue (net of parking taxes or PILOT payments), including revenues from the Commonwealth Lease (<i>"Commonwealth Lease Revenues"</i>)<sup>9</sup></li> <li>• Parking meter revenues,</li> <li>• Enforcement revenues,</li> <li>• Insurance proceeds,</li> <li>• Condemnation awards,</li> <li>• Asset sales proceeds,</li> <li>• Interest earnings, and</li> <li>• Licensing fees, rents, advertising and other miscellaneous revenues.</li> </ul>
<b>Lock Box</b>	All Pledged Revenues will be deposited into a <i>"Lock Box"</i> under the control of the Bond Trustee on behalf of the owners of the Bonds ( <i>"Bondholders"</i> ). The Indenture will govern disbursements pursuant to flow of funds and capital funds requisition procedures. The Bond Trustee will hold all indenture-created funds.
<b>Flow of Funds</b>	<p>From the Lock Box, parking taxes (or the equivalent payments in lieu of taxes), if not segregated from revenues before deposit to the Lockbox, will be paid to the City by the Operator as received and when due.</p> <p>From the Lockbox, Commonwealth Lease Revenues (but no other Revenues) will flow on a monthly basis in the following order of priority:</p> <ul style="list-style-type: none"> <li>• Monthly installments of debt service on the Commonwealth Lease Bonds</li> <li>• Replenish debt service reserve fund/surety for Commonwealth Lease Bonds</li> </ul> <p>Remaining funds from the Commonwealth Lease Revenues after the above transfers, together with other Revenues, will be distributed from the Lockbox on a monthly, semi-annual, or annual basis (as required by the Indenture) in the following order of priority<sup>10</sup>:</p> <ul style="list-style-type: none"> <li>• Operating expenses, including Base Management Fees (unbudgeted operating expenditures above a predetermined level will need approval from PEDFA or its qualified designee)</li> <li>• Monthly installments of debt service on the Enhanced Bonds and other amounts due under the Indenture</li> <li>• Additional Lease Rent and Senior Payment to the account of City</li> </ul>

<sup>9</sup> Including revenues from the operation, management, and enforcement services that may be performed by Standard for DGS on Commonwealth-owned or leased parking facilities (not a part of the Parking Assets) under consideration

<sup>10</sup> Subject to revision based on negotiation among parties, bond counsel review, underwriting review, initial sizing of capital reserves, determination of terms of credit enhancement, and rating agency review.

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	<ul style="list-style-type: none"> <li>• Performance Management Fees</li> <li>• Operating reserve replenishment</li> <li>• Replenishment of Enhanced Bonds debt service reserve fund or surety</li> <li>• Funding of Capital Reserve Account (in the amount described below)</li> </ul> <p>The remaining revenues at this point are referred to as "<u>Capital Reserve Test Revenues</u>". In each Operating Year in which the Capital Reserve Account balance is below its required level, it will be funded up to the required balance from a maximum of 75% of the Capital Reserve Test Revenues. The remaining balance of Capital Reserve Test Revenues (which may be 100% of Capital Reserve Test Revenues if no funding is required under the Capital Reserve Fund Requirement), provided the Prospective Rate Covenants are satisfied, will be distributed as:</p> <ul style="list-style-type: none"> <li>• Payment of amounts due under the AGM Insurance and Indemnity Agreement and/or the County Guaranty, as appropriate</li> </ul> <p>The remaining revenues at this point are referred to as the "<u>Redemption Available Revenues</u>". Amounts necessary to fund any mandatory redemptions, and, if available under certain debt service coverage ratio tests, amounts that PEDFA may determine to set aside for optional redemptions will be:</p> <ul style="list-style-type: none"> <li>• Deposited into the Redemption Fund to be used for mandatory and optional redemptions as provided in the Indenture</li> </ul> <p>The remaining revenues at this point are referred to as "<u>Surplus Revenues</u>" and will be allocated to payments of Additional Consideration under the Note up to the principal amount payable each year (or prior unpaid principal amounts) under the Note.</p> <p style="padding-left: 40px;">Revenues each year in excess of the payments due under the Note are "<u>Excess Revenues</u>" and will be distributed to PEDFA.</p> <p>Amounts designated as payable to the Transferor or City under the Note may be subsequently assigned to others, subject to applicable securities laws, and it is contemplated that the Settlement Agreement may include such an assignment.</p>
<p><b>Senior Payment</b></p>	<p>A "<u>Senior Payment</u>" from Pledged Revenues in the amount of \$1,500,000 per year, escalating at inflation, to the City.</p>
<p><b>Annual Operating Budget</b></p>	<p>On or before each Operating Year, PEDFA or its qualified designee shall cause to be prepared and shall adopt an operating budget for management of the Parking Assets for the Operating Year (the "<u>Operating Budget</u>"). PEDFA will cause the Asset Manager to develop an Operating Budget that meets the requirements set forth below.</p> <p>The Operating Budget shall show in reasonable detail:</p> <ul style="list-style-type: none"> <li>A. Annual debt service on Commonwealth Lease Bonds</li> <li>B. Amounts necessary to replenish the debt service reserve fund or surety for Commonwealth Lease Bonds</li> <li>C. Operating Expenses</li> </ul>

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	<ul style="list-style-type: none"> <li>D. Projected operating reserve cash flows</li> <li>E. Base and Performance Management Fees</li> <li>F. Annual debt service on Enhanced Bonds</li> <li>G. Additional Lease Rent Payments and Senior Payment</li> <li>H. Amounts necessary to replenish the Enhanced Bonds debt service reserve fund or surety</li> <li>I. Amounts necessary to pay amounts due under the AGM Insurance and Indemnity Agreement and/or the County Reimbursement Agreement, as applicable</li> <li>J. Amounts projected to be expended from the Annual Capital Budget, amounts necessary to fund the current Operating Year's deposit into the Capital Reserve Account, and budgeted Capital Expenditures</li> <li>K. Projected Capital Reserve Test Revenues</li> <li>L. Projected Redemption Available Revenues</li> <li>M. Projected Surplus Revenues</li> <li>N. Projected Excess Revenues</li> </ul> <p>The Operating Budget shall be developed such that estimated Revenues are expected to meet the Rate Covenants. PEDFA may amend the Operating Budget at any time, subject to certain restrictions.</p>
<b>Annual Capital Budget</b>	<p>On or before each Operating Year, PEDFA shall adopt a capital budget for management of the Parking Assets for such Operating Year (the "<i>Annual Capital Budget</i>"). The purpose of the Annual Capital Budget will be to ensure the Long Term Capital Plan is implemented and that sufficient funds are made available to do so. The Annual Capital Budget shall show in reasonable detail:</p> <ul style="list-style-type: none"> <li>A. expected sources of moneys to fund the Long Term Capital Plan, including currently available funds, proceeds of Additional Bonds, if any, issued for capital purposes, the current year's Capital Reserve Deposit, the Capital Reserve Account balance, and if needed, schedules for meeting the Capital Reserve Account Requirement, and reasonable expectations of Redemption Available Revenues, Surplus Revenues, and Excess Revenues projected to be generated</li> <li>B. budgeted Capital Expenditures projected for the current Operating Year.</li> </ul> <p>PEDFA may amend the Capital budget at any time, subject to certain limitations.</p>
<b>Capital Reserve Account and the Capital Reserve Account Requirement</b>	<p>The Capital Reserve Account will be created to fund initial and on-going capital needs of the Parking Assets during the life of the Lease and the Franchise. The account will also maintain a minimum balance equal to the property insurance deductible. This fund will be pledged to the Bond Trustee for the benefit of the Bondholders.</p> <p>At closing, a portion of the proceeds of the Bonds will be set aside in a sum to cover initial upgrades and modernization of the System. This amount will be determined based on the Independent Engineer's Review, input from Standard and applicable tax law.</p> <p>The "<i>Capital Reserve Account Requirement</i>" will be the amount needed in the current Operating Year, certified by the Independent Engineer to be sufficient, together with deposits to the Capital Reserve Account from Surplus Revenues reasonably projected to be available in the future, to fund the Long Term Capital Plan, plus the amount of uninsured exposure (including deductibles).</p>
<b>System</b>	<p>Subject to the sufficiency of funds in the Capital Reserve Account, PEDFA will be required to</p>

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<b>Maintenance Standard</b>	maintain the Parking Assets in compliance with the System Maintenance Standard throughout the life of the Lease and Franchise. The System Maintenance Standard will be an Operator responsibility, subject to the sufficiency of funds in the Capital Reserve Account, in the initial and each subsequent Parking Management Agreement.
<b>Long Term Capital Plan</b>	<p>A "<u>Long Term Capital Plan</u>" will be prepared, based on physical assessments of the Parking Assets by an Independent Engineer, covering projected Capital Expenditures for repair, renovation and replacement of the Parking Assets in each of the next 10 years in order to maintain all aspects of the Parking Assets to the System Maintenance Standard. The physical assessment will be updated at least every 5 years by an Independent Engineer.</p> <p>The initial Long Term Capital Plan will be incorporated into the Lease and will be revised at least every three to five years thereafter. The Asset Manager will retain an Independent Engineer and will prepare the Long Term Capital Plan – with input from the Independent Engineer - as the level of capital expenditures projected in each of the next 10 years to be needed to maintain all aspects of the Parking Assets to the System Maintenance Standard. Consistent with the Rate Covenants, the Long Term Capital Plan will also certify the expected sources of moneys to fund the Long Term Capital Plan, including currently available funds in the Capital Reserve Account, proceeds of Additional Bonds and reasonable expectations of revenues projected to be generated. The Long Term Capital Plan will specify the required deposit to the Capital Reserve Account in the current year ("<u>Current Year's Capital Reserve Deposit</u>"), in order to satisfy the Capital Reserve Account Requirement.</p>
<b>Rate Covenants</b>	<p><u>Current Year Rate Covenant.</u> In each Operating Year, PEDFA will set, charge, modify as needed, and collect rates for parking facilities and collect other revenues generated by or associated with the Parking Assets ("<u>Current Year Rate Covenant</u>") such that:</p> <ol style="list-style-type: none"> <li>1. Revenues shall be sufficient to pay: <ol style="list-style-type: none"> <li>A. Operating Expenses,</li> <li>B. Replenishment of the Operating Reserve</li> <li>C. Base and Performance Management Fees</li> <li>D. Annual debt service on Commonwealth Lease Bonds</li> <li>E. Additional Lease Rent payments and Senior Payment</li> <li>F. Replenish debt service reserve fund/surety for Commonwealth Lease Bonds</li> <li>G. Annual debt service on Enhanced Bonds and other amounts due under the Indenture</li> <li>H. Replenish Enhanced Bonds debt service reserve fund or surety</li> <li>I. The amount necessary to fund the Current Year's Capital Reserve Deposit into the Capital Reserve Account, including actual Capital Expenditures</li> </ol> </li> </ol> <p>AND</p> <ol style="list-style-type: none"> <li>2. Revenues less Operating Expenses (including payment of all amounts in the flow of funds waterfall that are senior to debt service on the Enhanced Bonds) shall equal or exceed 1.20<sup>11</sup> times Enhanced Bonds debt service,</li> </ol> <p>In the event Revenues are insufficient to meet the tests in both 1 and 2 above, PEDFA shall implement a rate increase or other actions reasonably projected to meet such tests.</p> <p><u>Prospective Rate Covenant.</u> Prior to the beginning of each Operating Year, PEDFA or its qualified designee, together with the Asset Manager, will cause to be prepared a projection</p>

<sup>11</sup> Subject to final underwriting review.

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	<p>that covers a 10-year period. Such projections will project revenues based on existing rates and operating costs, with adjustments for increases in revenues and expenses based on estimated market conditions at such time. The result will be an estimate of Net Revenues. The projections will take into account estimates of the Rate Covenant in each year ("<u>Prospective Rate Covenant</u>"), including actual debt service and projected Capital Expenditures based on the Long Term Capital Plan. The calculation will show the Capital Reserve Balance at the end of the 10-year period.</p> <p>In the event the projections show that either that the Current Year Rate Covenant will not be met in the current Operating Year or the Prospective Rate Covenant will not be met in any forecast year, or the Capital Reserve Account balance is less than the Capital Reserve Account Requirement at the end of any year in the 10-year period, PEDFA shall set and charge rates, as needed, collect other revenues generated by the Parking Assets and take other actions as necessary to either meet the Current Year Rate Covenant or bring the projected Capital Reserve Account balance to a level equal to the Capital Reserve Account Requirement. In addition, if the Prospective Rate Covenant is not projected to be met in any forecast year, no distributions may be made of Redemption Available Revenues, Surplus Revenues or Excess Revenues and all remaining revenues will be deposited into the Debt Service Reserve Fund or other fund as required by the Indenture until such time as the Prospective Rate Covenant is projected to be met in all forecast years.</p>
<b>Additional Bonds</b>	<p>No additional bonds shall be permitted except (a) refunding for debt service savings on the Enhanced Bonds; (b) refunding for debt service savings on the Commonwealth Lease Bonds; (c) capital expenditures subject to agreed upon conditions and debt service tests; and (d) other additional bonds subject to agreed upon conditions and debt service tests, but in most instances, only with the consent of the Credit Enhancers.</p>
<b>Insurance</b>	<p>Insurance will be required for the full replacement cost of the Parking Assets. An insurance consultant will set forth the recommended insurance program at closing and again every five years and determine the Full Replacement Cost of the Parking Assets. Insurance companies will have minimum ratings from AM Best of "A-."</p>

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<b>KEY FINANCIAL ASSUMPTIONS</b>	
<p>The following assumptions underscore the proposed purchase price. These assumptions remain subject to due diligence and verification by independent parties, as indicated.</p>	
<b>Gross Revenues</b>	<p>The following factors are the basis for revenue estimates:</p> <ol style="list-style-type: none"> <li>1. Monthly Parking               <ol style="list-style-type: none"> <li>a. Utilization</li> <li>b. Parking Rates</li> </ol> </li> <li>2. Transient Parking               <ol style="list-style-type: none"> <li>a. Utilization</li> <li>b. Parking Rates</li> </ol> </li> <li>3. On-Street Meter Parking               <ol style="list-style-type: none"> <li>a. Utilization</li> <li>b. Meter Rates</li> </ol> </li> <li>4. Enforcement Revenues</li> <li>5. Other Revenues</li> <li>6. Parking Taxes</li> </ol>
<b>Commonwealth Parking Lease</b>	<p>PEDFA will enter into a 30-year<sup>12</sup> initial term parking lease agreement ("<u>Commonwealth Lease</u>") with the Commonwealth Department of General Services ("<u>DGS</u>") to provide parking for approximately 4,600 passes to Commonwealth employees at the Parking Assets.<sup>13</sup> Option to renew for 10-year extension at 90% of then market parking rates with scheduled increases or inflation factor.</p> <p>The Parking Rate will be as follows:</p> <ul style="list-style-type: none"> <li>• 2014: \$140 / mo / pass [one pass = access to one unreserved space]</li> <li>• 2015: \$150 / mo / pass</li> <li>• 2016: \$165 / mo / pass</li> <li>• 2017: \$180 / mo / pass</li> </ul> <p>increasing each year thereafter by an agreed upon annual adjustment</p>
<b>Operating Expenses</b>	<p>The Harrisburg First financial model assumes:</p> <p>Payroll and related expenses reflect new wages at no less than 90% of current HPA wages, and an assumed reduction in benefits.</p> <p>Operator headcount at closing is expected to be up to 56 full time and part time positions (including enforcement personnel), based on the Separation Package described below. After 12 months, the Operator will maintain a headcount at least 31 full time equivalent positions for a specified period of time.</p>

<sup>12</sup> Subject to final agreement.

<sup>13</sup> A separate agreement between Standard and DGS may be entered into providing for the operation, management and maintenance of additional parking facilities owned, leased or managed by DGS or the Commonwealth.

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	<p>Other operating expenses are projected in line with Standard's experience managing and operating similar sized off-street and on-street parking assets and other real estate assets. Utilities expense was based on the 2010 financial statement data, increased by 3% per annum for a three-year period to adjust to 2013 levels.</p>
<b>Labor Matters</b>	<p>Final labor matters will be structured to ensure Operator is not characterized as a successor to HPA for collective bargaining purposes.<sup>14</sup></p> <p>All existing payroll-related liabilities (pension, OPEB, accrued vacation, unemployment, sick leave) of HPA employees will be fully satisfied or provided for at closing from existing HPA funds.</p> <p><u>Separation Package.</u> All or a portion of HPA bargaining unit employees will be offered a separation package for employees who are not hired by the Operator, payments for which will occur at closing using proceeds deducted from the Purchase Price or from existing HPA funds.</p> <p><u>Transition Period and new employment terms.</u> HPA and AFSCME will enter into a Transition Agreement that will make Article XXIX (Bargaining Unit Work) of the existing collective bargaining agreement inapplicable for the Transaction, confirm that the existing collective bargaining agreement will be inapplicable to Operator after closing, and add agreed upon terms that Operator will offer post-closing to HPA employees it hires. The Operator will offer employment to current HPA bargaining unit employees for specified positions based on weekly hours currently worked in those positions, and to City employees for parking enforcement officer positions. Any HPA employees who are not hired by Operator will be provided a separation package by HPA. The new terms of employment offered by Operator will include wages at no less than 90% of current wages for 12 months after closing, maximum employee contributions of 10% of health, prescription, dental, and vision insurance premiums for 12 months after closing. It is expected that the new employees hired by Operator will negotiate with respect to a collective bargaining agreement with Operator.</p> <p><u>Post-Transition Period.</u> After 12 months following closing, Operator may reduce headcount to 31 full time equivalent positions and will be required to maintain that minimum headcount for a specified period of time.</p>
<b>Existing Leases</b>	<p>Existing leases for the Parking Assets are identified on Appendix A. As other leases are identified, Harrisburg First will adjust revenues and expenses to reflect their contract terms, as appropriate.</p>
<b>Capital Investment Assumptions</b>	<p>The schedule of capital investments is based on the level of capital improvements projected by the Independent Engineer, initially Desman, for garages plus the level of meter and garage technology improvements and future replacements as determined by Standard. Desman's initial report covers the physical conditions (structural, architectural, mechanical and electrical) and associated projected capital expenditures associated with each of the ten garages, and off-street surface lots and excluded garage equipment and on-street meters. In an important conclusion (different than CDM Smith), Desman projected that none of the garages will require a full replacement during the term. Desman capital expenditure projections (in 2013 dollars) were escalated by 3% per year for inflation.</p>

<sup>14</sup> To the extent necessary, the same issues will need to be addressed with respect to enforcement workers presently employed by the City who will be offered enforcement positions by Standard.

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	<p>Standard projected the cost of on-street meter improvements and upgrades as well as garage technology upgrades (including flexible card access). On-street meters were assumed to be replaced with multi-station meters within the CBD and individual meters outside of the CBD. Meter and garage technology were assumed to be replaced every ten years. Capital expenditure projections for meter and garage technology replacements were escalated by 3% per year for inflation</p>
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**Appendix A  
HPA Existing Leases and Operating Agreements by Asset**

[To be determined at the conclusion of due diligence]

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**Appendix B  
Initial Parking Rate Schedule**

**Monthly Unreserved Rates by Garage**

	Locust	Market Sq	River	Chestnut	City Island	Fifth	H Univ	Seventh	South	Walnut
<b>Category</b>	High	Medium	Medium	High		High	Medium	High		High
<b>HPA Rate</b>	\$155	\$155	\$155	\$155	\$75	\$155	\$155	\$155	\$155	\$155
<b>1/1/14 Rate</b>	175	170	165	175	100	170	170	170	170	175
<b>1/1/15 Rate</b>	185	180	170	185	105	180	180	180	180	185
<b>1/1/16 Rate</b>	195	190	185	195	115	190	190	190	190	195
<b>1/1/17 Rate</b>	200	195	190	200	120	195	195	195	195	200

**Monthly Reserved Rates by Garage**

	Locust	Market Sq	River	Chestnut	City Island	Fifth	H Univ	Seventh	South	Walnut
<b>Category</b>	High	Medium	Medium	High		High	Medium	High		High
<b>HPA Rate</b>	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200

In the future, PEDFA monthly reserved rates will be 135% of the corresponding unreserved monthly rate, rounded to the nearest \$5/ month.

**Monthly Unreserved Rates by Lot [TBD]**

	Mulberry/ Dewberry	10 <sup>th</sup> Street	Mulberry
<b>HPA Rate</b>	NA	NA	\$95
<b>1/1/14 Rate</b>	TBD	TBD	100
<b>1/1/15 Rate</b>			105
<b>1/1/16 Rate</b>			115
<b>1/1/17 Rate</b>			120

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**Transient Rate Categories by Garage**

	Locust	Market Sq	River	Chestnut	City Island	Fifth	H Univ	Seventh	South	Walnut
<b>Category</b>	High	Medium	Medium	High	City Island	High	Medium	High	South	High

**Transient Rates**

Hours	HPA		1/1/14 Rates				1/1/15 Rates			
	All	City Island	High	Medium	South	City Island	High	Medium	South	City Island
0.50			\$3.00	\$3.00	\$3.00		\$3.00	\$3.00	\$3.00	
2.00	\$5.00		7.00	7.00	5.00		8.00	8.00	6.00	
3.00	7.00		9.00	9.00	7.00		10.00	10.00	8.00	
4.00	8.00		11.00	11.00	8.00	\$5.00	12.00	12.00	9.00	6.00
5.00	9.00									
10.0			18.00	16.00	16.00		20.00	18.00	18.00	
11.0	16.00									
24.0	20.00	\$5.00	25.00	20.00	20.00	10.00	25.00	20.00	20.00	12.00

**Transient Rates by Lot [TBD]**

	Mulberry/Dewberry	10 <sup>th</sup> Street	Mulberry
<b>HPA Rate</b>	NA	NA	Only monthlies
<b>1/1/14 Rate</b>			

**Meter Rates**

Minutes	HPA		1/1/14 Rates	
	CBD	Other	CBD	Other
10	\$0.25			
15		\$0.25	\$0.75	
30				\$0.75
60	1.50	1.00	3.00	1.50

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Current Hours: Rates are in effect Monday – Friday, 8:00 am to 5:00 pm.

New Hours: PEDFA will have the right to expand meter operation up to 11 hours each weekday and Saturday (meters will not be operated on Sundays and Holidays) for the first five years of the Transfer Agreement. Thereafter, PEDFA will have the right to operate meters during a longer period.

**Meter Enforcement**

	<b>Meter Violation</b>	<b>Late Payment</b>
<b>City Rate</b>	<b>\$14</b>	<b>\$11</b>
<b>Initial Rate</b>	<b>\$30</b>	<b>\$20</b>

Permitted Escalation of Parking Rates

Beyond the rates specified above, PEDFA can increase rates in each rate category (e.g. monthly unreserved) up to the greater than 3% or CPI per annum (the “Annual Cap”). Allowable rate increases are cumulative, whether or not the full inflation-related allowance is taken in any year.

It is critical that the Operator, Asset Manager, and PEDFA be allowed to operate under a dynamic framework that provides for the ability to adjust rates at different garages at different intervals, allows for the creation and collapsing of rate categories, and allows for price differentiation between transient and monthly (reserved, for example) categories.

The greater of 3% or CPI per annum cap applies on an average system-wide basis. For monthly garage rates, average rate means the arithmetic average of monthly rates at all garages. For transient garage rates, average rate means the arithmetic average of the all rates at all garages, provided that PEDFA is allowed to expand or collapse rate subcategories (e.g., deleting the 3-4 hour rate, or adding an 8-10 hour rate) so long as the average rate is within the Annual Cap. For meter rates, average rate in a given area (e.g., CBD, non-CBD) means the arithmetic average of the highest per hour charges in the area.

Monthly rates will be rounded to the nearest \$5 per month. Transient rates will be rounded to the nearest \$1.00 per period. Meter rates will be rounded to the nearest \$0.25 per period.

PEDFA will have the right to raise future citation rates for meter violations so that citation rates for meter violations at all times equal or exceed 10 times the corresponding 60-minute rate at CBD meters. Citation rates will be rounded to the nearest \$5.

Note: the above rate schedules (and related averages) do not apply to any individual negotiated parking arrangements or contracts, such as the Commonwealth Parking Lease or valet parking.