

CITY OF BETHLEHEM
INTER-DEPARTMENTAL CORRESPONDENCE

SUBJECT: Agreement of Sale
City of Bethlehem and Greenway Park, LP
6-12 W. 3rd Street

TO: Cynthia H. Biedenkopf, City Clerk

FROM: John F. Spirk, Jr., Esq., City Solicitor

DATE: October 31, 2013

Attached for Council's consideration is a resolution and associated Agreement of Sale for the sale of 6-12 W. 3rd Street to Greenway Park, LP. Also attached for review is the appraisal completed for the subject property.

Please place this matter on Council's agenda for appropriate action.

JFS,JR:csb

Copies To: John B. Callahan, Mayor
Joseph M. Kelly, Director, Community & Economic Development
Dennis E. Benner, Esq.

By: John F Spirk, Jr. / JFS

RESOLUTION NO. _____

BE IT RESOLVED by the Council of the City of Bethlehem that the Council makes the following findings of fact pursuant to Resolution 9939 as amended by Resolution No. 11,679 (Sale of City Owned Property):

1. The parcel of land located at 6-12 West 3rd Street, Second Ward, Northampton County, is more fully described and referenced in the Agreement of Sale attached hereto and the accompanying appraisal.

2. The parcel of land located at 6-12 West 3rd Street, Second Ward, Northampton County, is an unusual and unique parcel of real estate in such that the property was acquired by gift from the County of Northampton for the specific purpose of economic development.

3. Since the property was transferred to the City of Bethlehem the two corner properties at the intersection of Third Street and New Street were destroyed by fire.

4. As a result of the fire, the redevelopment of the corner of Third and New Street became a focus for redevelopment.

5. Greenway Park, LP is the legal or equitable owner of several strategic properties surrounding the subject parcel. It has proposed to develop the subject parcel as part of a mixed use project for restaurant, retail, office and potentially academic space. As it is an unusual and unique parcel of real estate gifted to the City for the specific purpose of economic development the City would be best served conveying said property to Greenway Park, LP for its proposed commercial office building and the redevelopment of the corner of Third and New Street. Attached is a rendering of the proposed project.

6. The agreement lays out certain milestones that Greenway Park, LP needs to meet to ensure the redevelopment project moves forward, which if not met is cause for terminating the sale.

7. Pursuant to the conditions set forth by the County of Northampton at the time it authorized the gift of the subject parcel to the City, the County shall receive one-half of the net proceeds of the sale of the property.

8. Due to the foregoing, the sale of the subject parcel owned by the City of Bethlehem justifies an alternative procedure for sale, as authorized in Section 10 of Resolution 9939, as amended, and the public welfare would be better served by an alternative sale procedure.

BE IT FURTHER RESOLVED that the Administration of the City is authorized to enter into an alternative procedure for the sale of the parcel of land located at 6-12 West 3rd Street, Second Ward, Northampton County, more fully described and referenced in the Agreement of Sale

attached hereto and the accompanying appraisal. Council concludes that a showing of good cause has been made to justify employment of an alternative sale procedure, and the Mayor and City Controller are authorized to execute any and all agreements and documents as are deemed necessary to implement the same.

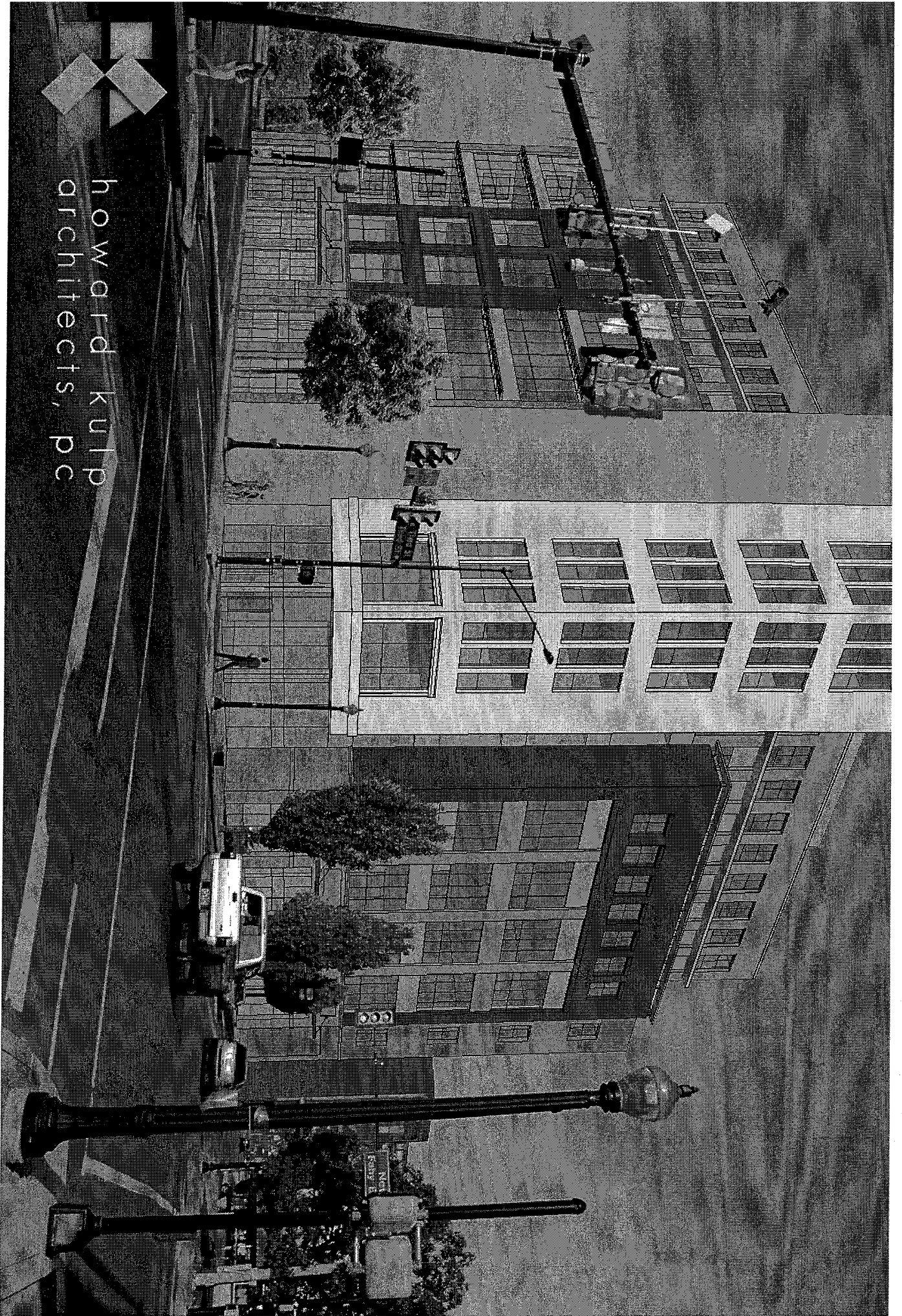
Sponsored by _____

ADOPTED by Council this _____ day of _____, 20__.

President of Council

ATTEST:

City Clerk



howard kulp
architects, pc



AGREEMENT OF SALE

CITY OF BETHLEHEM, with an address of 10 East Church Street, Bethlehem, PA 18018 ("SELLER") agrees to sell to **GREENWAY PARK, LP**, of 2005 City Line Road, Bethlehem, Pennsylvania, 18017 ("BUYER"), and BUYER agrees to purchase from SELLER, the real property herein called "property" or "premises", located in the City of Bethlehem, Northampton County, Pennsylvania, and as more fully described in **Exhibit "A"**, attached hereto.

1. Purchase Price. The Purchase Price for said property shall be Seventy Thousand Dollars (\$70,000.00), payable by BUYER to SELLER as follows:

a. Twenty percent (20%) of the Purchase Price, which is calculated to be Fourteen Thousand Dollars (\$14,000.00), by cash, attorney's check or certified check upon the SELLER's execution of this Agreement to be held by an escrow agent to be agreed upon by the parties ("Escrow Agent"), in a federally insured, interest account with interest paid to SELLER ("Initial Deposit").

b. The remaining balance of Fifty-Six Thousand Dollars (\$56,000.00) shall be paid to SELLER, by cash, title company check or certified check at the time of Settlement.

2. Conditions Precedent. BUYER's obligation to purchase the property is conditioned on the following:

a. BUYER shall have ninety (90) days from SELLER's execution of this Agreement, (the "Due Diligence Period") to examine the property and records related thereto to determine whether the property is suitable for BUYER's purposes. BUYER intends to develop the property as part of a mixed use project for restaurant, retail, office and academic space, and intends to submit all necessary plans pursuant thereto to the City in accordance with and pursuant to current City Ordinances and regulations. SELLER shall make available all information reasonably required by BUYER, except such information which is privileged or non-releasable pursuant to applicable law. In the event that BUYER determines in its sole opinion, during the Due Diligence Period that the property is not suitable for its purpose, BUYER shall have the right upon written notice to SELLER prior to the expiration of the Due Diligence Period, to terminate this Agreement, at which time this Agreement shall be null and void and Initial Deposit shall be returned to BUYER.

The parties agree that because of the location of the Premises, the aesthetic effect of the proposed commercial office building to be erected on the Premises is of importance to both Buyer and Seller. Therefore, Buyer and Seller agree to work together in developing an external appearance acceptable to both parties.

b. BUYER shall secure adequate financing for the project of which this property is a part from a financial institution, upon terms acceptable to BUYER, in BUYER's sole discretion, within a reasonable period of time, which shall be no less than 120 days from the execution of this Agreement. Nothing contained herein shall obligate BUYER to make any

specific efforts or to make any particular inquiries or applications with respect to financing. In the event BUYER fails to obtain adequate financing for the project, SELLER may terminate this Agreement. The parties may extend by mutual agreement in writing the time necessary to meet this contingency.

c. BUYER is obligated under this Agreement to secure the required permits, lot changes, zoning changes and any and all other land use approvals (the "Approvals") necessary to use and operate the Property according to its intended plans as a mixed-use building for restaurants, retail, office and academic uses. BUYER shall have a reasonable amount of time to obtain the Approvals from the appropriate entities, which shall be no less than 180 days from the execution of this Agreement. In the event BUYER fails to obtain the Approvals, SELLER may terminate this Agreement. In this event, BUYER shall forfeit its down payment. The parties may extend the time limit by mutual agreement in writing.

d. During the Due Diligence Period, BUYER shall obtain a "Phase I" Environmental Report at BUYER's expense and provide a copy of the same to SELLER. SELLER shall within that time frame fully cooperate with BUYER to allow for the "Phase I" Environmental Study to be completed. BUYER agrees to review and approve (as satisfactory to BUYER, in its sole discretion) such report (or disapprove the same in writing and thereby terminate the Agreement) within twenty (20) days thereafter. If disapproved, in writing, by BUYER, prior to the expiration of the Due Diligence Period, this Agreement shall be null and void, and all Deposits shall be returned to BUYER. If BUYER fails to obtain the report and review the same within the time frame set forth in this paragraph, then this condition shall be considered waived by BUYER.

e. In the event BUYER enters the premises for the purpose of conducting its due diligence, BUYER shall first supply SELLER with evidence of insurance listing SELLER as an additional insured and BUYER agrees to indemnify and hold SELLER harmless from any and all costs or liability incurred by reason of BUYER or BUYER's agent's entry on the premises, and should the settlement herein described be canceled for any reason not the fault of SELLER, BUYER agrees to repair immediately any damages caused to the premises due to BUYER's entry on the premises.

3. Settlement. Settlement under this Agreement shall be held within thirty (30) days of BUYER obtaining the necessary financing for this project, or within thirty (30) days of the City's unappealable final approval of the development plans for a mixed use building for restaurants, retail, office and academic space, whichever occurs later:

4. Title. Conveyance to BUYER shall be by quit claim deed. BUYER agrees to cause title to the premises to be searched and examined (at BUYER's sole cost), and to promptly deliver to Seller copies of any title report, abstract, tax search, departmental searches, survey and survey reading as soon as received but in any event within ninety (90) days of SELLER's execution of this Agreement together with a written statement by BUYER of any and all objections to or defects in SELLER's title. BUYER shall accept such title as a title insurance company will insure, subject only to the exceptions which shall not affect BUYER's use and operation of the property as a mixed use building for restaurant, retail, office and academic

space, and such other exceptions as a title insurance company, without special premium to BUYER, will omit as exceptions to coverage or will accept with insurance against collection out of or enforcement against the premises.

SELLER shall have the right to attempt to remedy any objection to or defect in title, and for such purpose shall be entitled to one or more adjournments of the Settlement, not to exceed ninety (90) days. Notwithstanding any other provisions of this Agreement, SELLER shall not be obligated to spend any money, take any measure to bring any action or proceeding to remove any objection to or defect in title. If for any reason SELLER is unable or unwilling to remove any objection to or defect in title, BUYER may elect to accept such title as SELLER may be able to convey subject to such objections and defects without any credit or liability on the part of SELLER or reduction of the Purchase Price. If BUYER shall not elect to accept title subject to such objections and defects, SELLER's only obligation shall be to direct and refund, without interest, any payments made by BUYER on account of the Purchase Price and expenses for title examination, whereupon this Agreement and all rights of BUYER hereunder shall terminate, and neither SELLER nor BUYER shall have any further claim against the other pertaining hereto.

As used herein, "BUYER's expenses for title examination" shall mean the reasonable expenses actually incurred by BUYER, other than attorneys' fees and for examination of title of the premises, not to exceed usual charges for similar services by a title insurance company where no policy is issued. In no event will the City be obligated to pay any expenses of or relating to the title examination.

5. Possession and Holdover. Delivery of possession of the property to BUYER shall be made immediately at Settlement, free and clear of all uses, tenants and occupancies whatsoever. SELLER agrees that during the term of this Agreement SELLER will not enter into any new leases without BUYER's prior written approval which approval may be withheld in BUYER's reasonable judgment.

6. Prorations. There shall be prorated between SELLER and BUYER on a per diem, fiscal basis, as of the date of Settlement, all real property taxes levied or assessed against the property as shown on the latest available tax bills, and all water, sewer, electricity, gas and other utility payments. Transfer taxes shall be paid by BUYER.

7. Brokers' Commissions. The parties hereto hereby represent that neither is represented by a broker, finder, or any other person or organization claiming a fee or a commission with respect to any transactions reflected in this Agreement. The parties hereby indemnify and hold harmless the other from and against any loss, liability or damage relating to the assertion of any claim inconsistent with this provision, including, but not limited to, the payment of any attorneys fees and costs incurred by the party against who said claim is made as a result of any act on the part of the other.

8. Expenses of Settlement. The expenses of the Settlement shall be paid in the following manner:

(a) The full cost of ascertaining status of title and securing a title insurance policy on the property shall be paid by BUYER.

(b) The cost of preparing, executing and acknowledging any deeds or other instruments required to convey title to BUYER in the manner described in this Agreement, shall be paid by BUYER.

(c) Any and all costs of recordation shall be paid by BUYER.

(d) Any and all costs of obtaining financing required hereunder shall be paid by BUYER.

(e) BUYER and SELLER shall each be responsible for their respective counsel fees.

9. Warranties of SELLER. SELLER hereby represents and warrants to BUYER as follows:

(a) SELLER is a municipal entity. However, notwithstanding anything to the contrary herein, this Agreement of Sale is subject to approval by City Council. In the event City Council fails to approve the Agreement, then the Agreement shall be null and void and neither party shall be liable to the other.

10. Warranties and Representation of BUYER. BUYER hereby represents and warrants to SELLER, to the best of BUYER's knowledge, as follows:

(a) BUYER is a Pennsylvania Limited Partnership duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania.

(b) BUYER has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. The execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action on the part of BUYER, and this Agreement has been duly executed and delivered by a duly authorized officer of BUYER. This Agreement constitutes the legal, valid and binding obligation of BUYER, enforceable in accordance with its terms, except to the extent that enforceability may be limited by federal and other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, and subject to equity principles governing the remedy of specific performance.

(c) The execution, delivery and performance of this Agreement by BUYER and the consummation of the transactions contemplated hereunder will not violate, with or without the giving of notice or the lapse of time or both, the articles of incorporation or by-laws of BUYER or any provision of law applicable to BUYER and will not conflict with, or result in the

breach or termination of any provision of, or constitute a default under, the articles of incorporation or by-laws of BUYER or any agreement, order, judgment or decree to which BUYER is a party of by which BUYER is bound.

(d) BUYER is not aware of any facts that prohibit BUYER from closing this Agreement in accordance with the terms hereof.

(e) The execution and delivery of this Agreement and the consummation of the transaction contemplated hereby will not result in any breach of the terms or conditions of, or constitute a default under, any instrument or obligation to or by which BUYER may be bound or affected, or violate any order, writ, injunction, or decree of any court in any litigation to which BUYER is a party, or violate any law.

11. SELLER's Obligations Before Settlement. All representations of both parties set forth in this Agreement and in written statements delivered to Buyer by Seller or to Seller by Buyer under this Agreement will be as true and correct on the date of Settlement as if they had been made on that date. Any changes in the representations or written statements of either party after the date of execution of this Agreement shall be promptly communicated to the other party. In the event of any material changes to the representations or written statements contained in this Agreement, this Agreement shall be null and void.

12. Intentionally Deleted.

13. SELLER's Duty of Maintenance and Repair. Between the date hereof and the date of settlement, SELLER agrees to maintain the property in its present condition, reasonable wear and tear excepted.

14. Pre-Settlement Inspection. BUYER reserves the right to make a pre-settlement inspection of the premises.

15. Default. Should BUYER fail to consummate the purchase of said property or fail to fulfill and perform any other terms or conditions of this Agreement, all Deposits and other sums paid by BUYER on account of the Purchase Price, whether acquired by this Agreement or not, shall be retained by SELLER as liquidated damages for such breach and this Agreement shall thereafter be null and void.

Should SELLER default by failing to comply with the terms and obligations of the Agreement for any reason other than BUYER's default, BUYER may at its option:

(1) Terminate this Agreement and obtain any and all Deposits made by BUYER on account of the purchase price or seek any other remedies provided by law.

16. Assignment of Agreement. This Agreement may not be assigned without the written consent of both parties.

17. Notice. Any notice required or permitted to be delivered hereunder shall be deemed received when sent by United States mail, postage prepaid, certified mail, return receipt requested, addressed to SELLER or BUYER, as the case may be, at the addresses set forth at the beginning of this Agreement.

18. Governing Law. This Agreement shall be construed under and in accordance with the laws of the Commonwealth of Pennsylvania.

19. Recording. This Agreement shall not be recorded in any public office or repository without first obtaining the written consent of both parties hereto.

20. Legal Construction. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions hereof, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

21. Prior Agreements Superseded. This Agreement constitutes the complete, final and exclusive agreement of the parties hereto and supersedes any prior understandings or written or oral agreements between the parties in connection with this subject matter. The Agreement and the terms and conditions herein may not be modified except by a writing and signed by all parties hereto.

22. Gender. Words of any gender used in this Agreement shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, and vice versa, unless the context requires otherwise.

23. Descriptive Headings. The descriptive headings used herein are for convenience only and are not intended to necessarily refer to the matter in sections which precede or follow them, and have no effect whatsoever in determining the rights or obligations of the parties.

24. Intentionally Deleted.

25. Time and Dates. All times and dates contained or referred to in this Agreement are agreed to be of the essence.

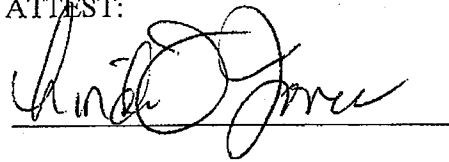
26. Miscellaneous. There are no contingencies other than those specifically listed herein, to the obligations, duties and performance of the parties hereto.

27. Escrow Agent. Escrow Agent shall hold the Deposits in escrow in an interest-bearing trust account until the earlier occurrence of (i) the provisions of Section 1 and 2, hereof; (ii) election by BUYER to terminate this Agreement by reason of a specific right of termination granted to BUYER under this Agreement by SELLER ("Termination") or (iii) breach of this Agreement by either Party. Escrow Agent shall release and pay over to SELLER the Deposits upon the earlier of (i) the provisions of Section 1 hereof, or (ii) BUYER's breach of or default under this Agreement, in the event of a Termination, the Deposits including all interest thereon

shall be released by Escrow Agent and paid to BUYER. The tax identification numbers of the Parties shall be furnished to Escrow Agent upon request. If, for any reason, the Settlement does not occur and either Party makes a written demand upon Escrow Agent for payment of the Deposits, Escrow Agent shall give written notice to the other Party of such demand. If Escrow Agent does not receive a written objection from the other party to the proposed payment within five (5) business days after the giving of such notice, Escrow Agent is hereby authorized to make such payment. If Escrow Agent does receive such written objection within such five (5) day period, Escrow Agent shall continue to hold such amount until otherwise directed by written instructions from the Parties to this Agreement or an Order of Court to which the issue has been submitted for determination. However, Escrow Agent shall have the right at any time to deposit the Deposits and interest thereon, if any, with the clerk of the Court. Escrow Agent shall give written notice of such deposit to SELLER and BUYER. Upon such deposit, Escrow Agent shall be relieved and discharged of all further obligations and responsibilities hereunder. The parties acknowledge that Escrow Agent is acting solely as a stockholder at their request and for their convenience, that Escrow Agent shall not be deemed to be the agent of either of the parties, and that the Escrow Agent shall not be liable for any act of omission of his part unless taken or suffered in bad faith in willful disregard of this Agreement or involving gross negligence. SELLER and BUYER shall jointly and severally indemnify and hold Escrow Agent harmless from and against all costs, claims, and expenses, including reasonably attorney's fees, incurred in connection with the performance of Escrow Agent's duties hereunder, except with respect to actions or omissions taken or suffered by Escrow Agent in bad faith, in willful disregard of this Agreement or involving gross negligence on the part of the Escrow Agent.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby, have hereunder set their hands and seals on this 28th day of October, 2013.

ATTEST:



ATTEST:

Robert A. Pfenning, Controller

GREENWAY PARK, LP

By: 

Dennis E. Benner, Manager-Member
MATADOR DEVELOPMENT
COMPANY, LLC, General Partner

CITY OF BETHLEHEM

By: _____

John B. Callahan, Mayor

EXHIBIT "A"

EXHIBIT "A"

ALL THAT CERTAIN message, tenement and lot or tract of land situate in the said City of Bethlehem, being premises commonly known and designated as Nos. 6, 8, 10, 10½, and 12 West Third Street, according to the present plan of City numbering, more particularly bounded and described as follows, to wit:

BEGINNING at a point in the south line of said West Third Street, said point being distant forty(40') feet westwardly from the intersection of the south line of West Third Street and the west line of South New Street, thence extending southwardly along line of land now or late of A. Hilderberger a distance of eighty-five (85') feet to a point in lands now or late of Drumbor Bingell Company, thence extending westwardly along the same distance of fifty-three and thirty one-hundredths (53.30') feet to a point, thence extending northwardly a distance of two (2') feet to a point, thence extending westwardly a distance of thirty-seven and thirty-seven one hundredths (37.37') feet to a point in the east line of land now or late of Louis Marcus, thence extending northwardly along the same distance of eighty-three (83') feet to the south line of West Third Street, thence extending eastwardly along the same distance of ninety and sixty-seven one hundredths (90.67') feet to the point, the place of BEGINNING.

BOUNDED on the north by said West Third Street, on the east by land now or late of A. Hilderberger, on the south by lands now or late of Drumbor Bingell Company, and on the west by land now or late of Louis Marcus.

BEING THE SAME PREMISES which The Azteca Mexican Society of Both Sexes by deed dated June 3, 1983 and recorded in the Office for the Recording of Deeds in and for Northampton County in deed book volume 650, page 72), granted and conveyed unto the Melvin Johnson.

LESS AND EXCEPTING from the aforementioned property, any and all tracts of land that may have been conveyed by prior Deeds and being recorded in the Office of the Recorder of Deeds of Northampton County.

THIS DEED is made, delivered, and accepted without warranty expressed or implied, or recourse whatever by or to the party of the first part its successors and assigns.

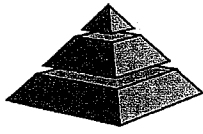
Affidavit Filed

ASSESSMENT DESIGNATION NO.:
JUDICIAL SALE NO.:

P6SE1A-10-6
P6SE1A-10-6 JBF
9110002497

Bethlehem Real Estate Stamp

VGL 883 PAGE 305



**Pyramid
Associates**

Real Estate Valuation and Consulting

APPRAISAL OF

**6-12 WEST 3RD STREET
CITY OF BETHLEHEM
NORTHAMPTON COUNTY, PENNSYLVANIA
PARCEL ID: P6SE1A 10 6 0204E**

PREPARED FOR

**CITY OF BETHLEHEM
10 EAST CHURCH STREET
BETHLEHEM, PA 18018**

PREPARED BY

PYRAMID ASSOCIATES

VALUATION DATE

JANUARY 30, 2012

PYRAMID FILE # P12-025

PYRAMID ASSOCIATES
REAL ESTATE VALUATION, LLC
Since 1979

LORENZO MISTICHELLI, MAI
PRESIDENT

DANIEL MISTICHELLI, MAI/SRA
VICE PRESIDENT

LAURA WHITAKER, SRA
VICE PRESIDENT

April 11, 2012

Ms. Carol Stoneback
Grants Coordinator
City of Bethlehem
10 East Church Street
Bethlehem, PA 18018

Re: 6-12 West 3rd Street
City of Bethlehem, PA
Parcel ID: P6SE1A 10 6 0204E

Dear Ms. Stoneback:

As requested, Pyramid Associates has inspected and appraised the above referenced property for the purpose of formulating an opinion of the "as is" market value. Briefly described, the subject of this report consists of rectangular-shaped vacant parcel comprising a total area of 0.176-acres currently utilized as the Community Maze Garden. The site is located on the south side of West Third Street between New Street and Riverside Drive. The subject neighborhood includes retail, office and residential. Also located in the subject neighborhood is the Fowler Family Southside Center - a community hub offering a wide range of educational opportunities; and The Banana Factory - a visual arts & education campus located in a re-imagined banana warehouse and distribution center and part of the Artsquest Organization. In addition, located to the rear of the site is the future South Bethlehem Greenway. The South Bethlehem Greenway is a linear park that follows the former Norfolk Southern rail line, from East 3rd Street nearly to Saucon Park. The trail parallels SR 412/Daly Ave./3rd St. for much of the way. Eventually the trail will run more than 3 miles between Union Station and Saucon Park. The trail passes the former Bethlehem Steel Corporation site, where steel stacks tower over the park's treetops. The South Bethlehem Greenway links neighborhoods with the city's business district.

The features approximately 94 feet of frontage along West Third Street and measures 85 feet along the west and east boundaries. The site is level at road grade and open. This area of the City is part of the redevelopment plan. The size is located in the CB - Commercial Business District.

Continued....

Ms. Stoneback
City of Bethlehem

Page 2

The appraisal will not take into consideration the possibility that the property may be contaminated with asbestos, PCB's, or any other toxic, hazardous or radioactive substance. The value reported will be exclusive of the cost to discover, encapsulate, remove, or render harmless such improvements due to treatment.

If the client has any concern that such substances may be on the property, the client should hire a qualified independent engineer or contractor to investigate the property. We cannot assume any responsibility for the discovery, analysis, or treatment of such substances, either on the subject or surrounding properties.

This report is subject to the Limiting Conditions, Certification and Special Assumptions contained herein. It has been made in conformity with, and is subject to, the Requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute.

The appraisal has been developed in a **Summary Format**, as this term is defined in Standards Rule 1 of USPAP. The accompanying report communicates the results of this appraisal, as defined in Standards Rule 2-2b of USPAP. Furthermore, it is prepared in compliance with the Uniform Standards of Professional Appraisal Practice, set forth by the Appraisal Standards Board of the Appraisal Foundation.

It is our conclusion that the "as is" market value of the Fee Simple Interest of the subject properties, as of January 30, 2012 was:

SEVENTY THOUSAND DOLLARS
(\$70,000)

Respectfully submitted,

PYRAMID ASSOCIATES REAL ESTATE VALUATION, LLC



Laura Whitaker, SRA
Vice President



Daniel Mistichelli, MAI
Vice President

Title Page
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ADDENDA

Additional Subject Photographs
Comparable Land Sales
Biographical Information

6-12 West 3rd Street
City of Bethlehem, PA

SUBJECT AERIAL PHOTOGRAPH



I, Laura Whitaker, SRA certify:

That I have personally inspected the subject property of this report.

We, Laura Whitaker, SRA and Daniel Mistichelli, MAI certify:

We have reviewed the analyses, conclusions, and opinions concerning the real estate contained in this appraisal report and fully concur with the Final Value Estimate herein expressed.

That all market data pertaining to the Final Value Estimate has been accumulated from various sources and, where possible, personally examined and verified as to details, motivation and validity.

The Appraisers have no present or contemplated future interest in the property appraised; and neither the employment to make the appraisal, nor the compensation for it, is contingent upon the appraised value of the property.

The Appraisers have no personal interest in or bias with respect to the subject matter of the appraisal report. The "Estimate of Market Value" in the report does not consider the race, color or national origin of the prospective owners or occupants of the properties in the vicinity of the property appraised.

The Appraisers have made an exterior inspection of all comparable sales and leases listed in the report. To the best of the Appraisers knowledge and belief, all statements and information in this report are true and correct, and the Appraisers have not knowingly withheld any significant information.

The Appraisers have not performed any services with respect to the subject property within the previous three years of this report.

All contingent and limiting conditions are contained herein (imposed by the terms of the assignment or by the undersigned) affecting the analyses, opinions and conclusions contained in the report.

This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of The Appraisal Institute.

All conclusions and opinions concerning the real estate that are set forth in the appraisal report were prepared by the Appraisers whose signatures appears on the appraisal report, unless indicated as "Review Appraiser". No change of any item in the appraisal report shall be made by anyone other than the Appraisers, and the Appraisers shall have no responsibility for such unauthorized change.

"The Appraisal Institute conducts a voluntary program of continuing education for its designated members. MAIs and SRAs who meet the minimum standard of this program are awarded periodic educational Certification. Laura Whitaker, SRA and Daniel Mistichelli, MAI are currently certified under this program.

No one provided significant professional assistance to the person(s) signing this report. (If there are exceptions, the name of each individual providing significant professional assistance must be stated.)

The analyses, opinions and conclusions were developed, and this report has been prepared in accordance with the standards and reporting requirements of the Federal Home Loan Bank Board.

The value reported in this appraisal assignment was not based on a requested minimum valuation, a specific valuation or an approval of a loan.

Our compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

The use of this report is subject to the requirements of The Appraisal Institute relating to review by its duly authorized representatives.

To the best of our knowledge and belief, the reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

The Appraisers have received the necessary education to competently value the subject property and are in compliance with the Competency Provision in the USPAP as adopted in FIRREA 1989, and have sufficient education and experience to perform the appraisal of the subject property.

The FIRREA-mandated Real Property State License/Certification Program became effective as of January 1, 1993. The law requires that all federally regulated financial institutions only hire state licensed or certified appraisers, as appropriate for any real estate appraisal that qualifies as a FIRREA transaction. Loans initiated for Fannie Mae or Freddie Mac are considered FIRREA transactions. As of the date of this appraisal, Laura Whitaker, SRA is duly Certified Real Estate Appraisers in the State of Pennsylvania, Certification # GA-000350L, expiration date June 30, 2013.

6-12 West 3rd Street
City of Bethlehem, PA

CERTIFICATION OF VALUE

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is our personal unbiased professional analyses, opinions and conclusions.

Laura Whitaker

Laura Whitaker, SRA
Vice President

Daniel Mistichelli

Daniel Mistichelli, MAI
Vice President

This appraisal is made expressly subject to the following conditions and stipulations:

1. No responsibility is assumed for matters that are legal in nature, nor is any opinion on the title rendered herewith. This appraisal assumed good title, responsible ownership, and competent management.
2. Except as noted, any liens or encumbrances, which may now exist, have been disregarded, and the property has been appraised as though free of indebtedness.
3. Except as noted, this appraisal assumes the land to be free of adverse soil conditions which would prohibit development of the property to its highest and best use.
4. This appraisal is of surface rights only, and no analysis has been made of the value or subsurface rights, if any.
5. The Appraisers assume no liability for structural conditions not visible through ordinary, careful inspection or through a review of the plans and specifications, if the structure is proposed. The Appraisers have made no inspection for toxic or carcinogenic materials nor has he observed any subsurface problems or hazardous water conditions. The Appraisers are not qualified to detect such substances. An expert in this field should be consulted if desired.
6. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the Appraiser or the bank with which he is connected, or any reference to the Appraisal Institute, or to the MAI designations) shall be disseminated to the public through advertising media, public means of communication without the prior written consent and approval of the undersigned.
7. This report has not dealt with any environmental issues other than those that may have been mentioned previously.
8. We are not responsible for any effects in value to the subject or any of the comparables due to contamination or pollution of the ground, air or water, from any cause, subsequent to or prior to the inspection, unless otherwise stated.
9. Should the client have concern over the existence of such substances on the property, the Appraiser considers it imperative for the client to retain the services of a qualified, independent engineer or contractor to determine the existence and extent of any hazardous materials, as well as the cost associated with any required or desirable treatment or removal thereof.

10. This appraisal may involve the Market Valuation of a federally related transaction. Therefore, we have followed FIRREA guidelines in our appraisal report.
11. According to the Board of Governors of the Federal Reserve System, properties classified as; (1) Residential property valued at \$1 million or higher, (2) Commercial properties valued at \$250,000 or higher, or (3) "Complex" residential or commercial properties, require the use of a State Certified appraiser. The subject property conforms to one or more of the above classifications. The use of State Certified appraisers is not required until January 1, 1993. Laura Whitaker, SRA and Daniel Mistichelli, MAI are certified in New Jersey.
12. This appraisal conforms to the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Board of Governors of the Federal Reserve System, under Title XI of the FIRREA 1989, and by the Appraisal Standards Board of the Appraisal Foundation, except that the departure Provision of the USPAP, covering non narrative appraisal assignments, shall not apply to federally related transactions. Further, this appraisal conforms to standards set by Regulation H and Regulation Y of the Board of Governors of the Federal Reserve System.

Special Assumptions (Or Considerations): The appraisal will not take into consideration the possibility that the property may be contaminated with asbestos, PCB's, or any other toxic, hazardous, or radioactive substance. The value reported will be exclusive of the cost to discover, encapsulate, remove, or render harmless such improvements due to treatment. If you have any concern that such substances may be on the property, you should hire a qualified independent engineer or contractor to investigate the property. We cannot assume any responsibility for the discovery, analysis, or treatment of such substances either on the subject or surrounding properties.

Property Location:	The subject property is located on the south side of West 3 rd Street between New Street and Riverside Drive, within the Southside of the City of Bethlehem, and is commonly known as The Community Maze Garden.
Legal Description:	Parcel ID: P6SE1A 10 6 0204E
Neighborhood:	The immediate subject neighborhood consists of retail, office, residential and multi-family dwellings. Located approximately ½ block west of the subject is the Fowler Family Southside Center and the Banana Factory. In addition, located behind the subject site is the future South Bethlehem Greenway.
Owner of Record:	Bethlehem City
Date of Value:	January 30, 2012
Property Rights Appraised:	Fee Simple
Highest and Best Use:	As Vacant – Commercial development
Site Data:	The subject property comprises of rectangular-shaped parcel comprising 0.176--acres. The site has 94 feet of frontage along West 3 rd Street and measures 85' along the east and west boundaries. The site is open, generally level and at road grade, and currently utilized as The Community Maze Garden. Drainage is adequate and follows the natural contour of the site. According to the FEMA Map 42095C Panel 0307D, dated April 6, 2001, the subject site is located in Zone X, (no shading). Flood insurance is not required.
2012 Assessment:	Land: \$50,600
2012 Mileage Rate:	\$70.17
2012 Tax Burden:	\$3,551
Value Conclusions:	
Cost Approach:	N/A
Sales Approach:	\$70,000
Income Approach:	N/A
Concluded Value:	\$70,000

Property Identification: The subject property is legally identified by the City of Bethlehem Parcel ID: P6SE1A 10 6 0204E and commonly known as 6-12 West 3rd Street, Bethlehem, PA.

Property Rights Appraised – The subject property consists of a 0.176-acre vacant. The Fee Simple Interest is therefore, appraised. The definition as defined by the Appraisal Institute, *The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, as follows:*

“Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by governmental powers of taxation, eminent domain, police power and escheat.”

Purpose of the Appraisal – The appraisal is being performed for the purpose of estimating the “as is” value of the real estate.

Intended User & Use of the Appraisal - The appraisal is prepared for use by *The City of Bethlehem*, its affiliates, assigns or electors and is to be used in assisting them in their decision process to facilitate the client with establishing a fair market value for acquisition. The site is classified by the City as an area in need of redevelopment and is part of the City’s redevelopment plan. *The report is prepared for the sole and exclusive use of the client and is not to be relied upon by any third parties for any purpose whatsoever without the express written consent of the appraiser whose signature appears on this report.*

Definition of Market Value - According to the Fifth Edition of *The Dictionary of Real Estate Appraisal*, published by the Appraisal Institute Market Value is defined as

the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

Buyer and seller are typically motivated;

Both parties are well informed or well advised, and acting in what they consider their own best interests;

A reasonable time is allowed for exposure in the open market;

Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

The price represents the normal consideration for the property sold unaffected special or creative financing or sales concessions granted by anyone associated with the sale.

Scope & Method of the Appraisal – The scope of this appraisal involved a physical inspection of the subject properties, as well as a cursory inspection of the immediate influencing area. Since the subject is vacant land, in valuing the subject property, only sales comparison approach was utilized. The subject's market place was researched for sales and listings of similar sized and zoned parcels. These properties are then compared to the subject site with adjustments considered for differences in location, lot size, topography, approvals and other physical characteristics. From the adjusted range a unit value can be selected and when applied to the subject results in a value of the land. This approach is the most common methodology when value vacant land.

Current Ownership and Sales History: The subject property is presently owned by Bethlehem City, who acquired the subject site in February 1992. There have been no transfers of title within the last five years.

Most Likely Buyer: The subject property consists of a 0.176-acre vacant commercial parcel with road frontage and access from West 3rd Street. The most likely buyer is believed to be an individual or developer who would develop the site with a commercial use, such as retail.

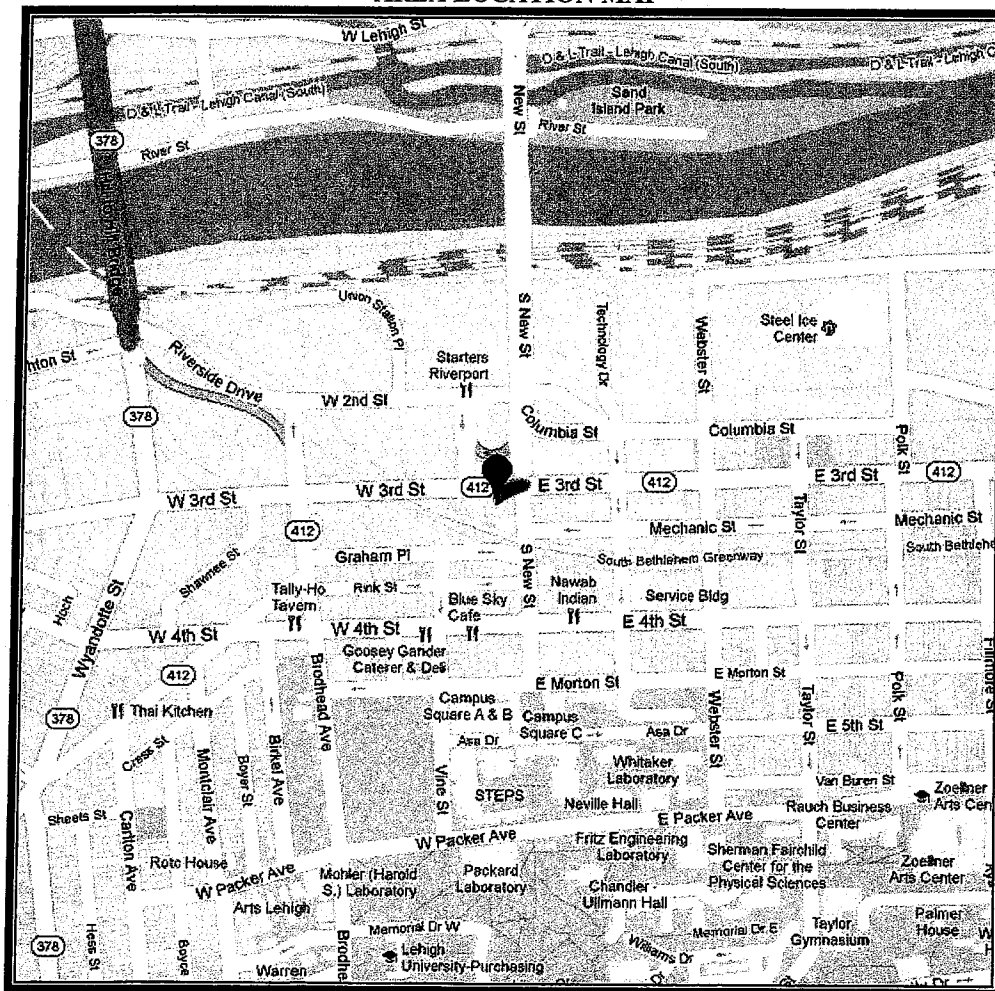
Reasonable Exposure Time: Reasonable Exposure Time is defined as "the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market." The value estimate reported herein is predicated upon an exposure period of not more than one year.

Marketing Period: Marketing Period is defined as "the time it takes an interest in real property to sell on the market subsequent to the date of an appraisal". The value conclusions reported herein assumes a marketing period of not more than one year and considers the limited number of these property types in the market place and presumption that economic conditions will continue to improve over the next 12 to 24 months.

City Overview

The City of Bethlehem is a densely developed urban/suburban community located in the south-central section of the Lehigh Valley MSA and lying within two separate counties including Lehigh and Northampton. Covering an area of 19.7 square miles and home to approximately 72,000 residents, Bethlehem is the largest municipality in the Lehigh Valley and most densely populated at 3,655 residents per square mile. The City lies immediately east of Allentown - the county seat of Lehigh County, the third largest city in Pennsylvania and core of the Allentown-Bethlehem-Easton metropolitan area. The outlying suburban communities of Bethlehem Township, Hanover, Lower Saucon and Salisbury Townships surround Bethlehem to the north, east and south. The majority of these communities have experienced tremendous growth in housing and population over the past decade, contributing to the economic vitality of the City.

AREA LOCATION MAP



As a result of it lying within two counties, Bethlehem is home to not one but two downtown sectors or CBD's – Central Business Districts. The Main Street area, which serves as the primary downtown sector contains unique shops and boutiques exhibiting a late 19th century appearance. The restoration of Victorian store facades adds to the overall ambiance of downtown and attracts both local visitors and visitors from afar. Across the Lehigh River, on Bethlehem's Southside, Third Street boasts the "Avenue of the Artists."

The history of growth for the City was clearly defined by and tied to the growth of Bethlehem Steel Company – a manufacturer at the forefront of the country's industrial revolution. Organized in the mid 1850's, at the height of its operation Bethlehem Steel and its subsidiary companies employed more than 30,000 workers and were instrumental in the development of some of the largest steel structures in the Country including the Empire State Building, Golden Gate Bridge, Lincoln and Holland Tunnels to name a few. The Company's Bethlehem plant represented the largest among many, covering over 1,800-acres and combined with several other plants, boasted the reputation as the largest individual steel plant in the United States.

Up until the early to mid 1970's Bethlehem Steel had a major economic impact on the City of Bethlehem and Pennsylvania. As a result of international competition, mainly from Japan, the Company began to lose market share and decline significantly in output and number of employees. Today, the former Bethlehem plant which closed in the mid 1990's contains more than 25 buildings and other structures dating back to 1863 – the majority of which are in a state of dilapidation. In 2003 Bethlehem Steel lost control of the former plant due to bankruptcy. Currently, there are several options for adaptive reuse, including a mixed-use plan anchored by a proposed National Museum of Industrial History, with other portions of the complex converted to new retail and industrial uses. The future of the site remained uncertain until the recent announcement of Lehigh Valley Industrial Park's purchase of 1,000-acres of the plant. Coupling this with the purchase of 550-acres of the property by Majestic Realty of California, the City is ready to reclaim this site and revitalize the land that housed the former economic engine that drove the community and region and restore it to its position as the driving force of the Lehigh Valley economy. Since 1998, Bethlehem has been a magnet for investment from outside developers, with more than \$1 billion in new investment.

Other developments that have occurred or are scheduled to occur include the redevelopment of the subject site known as the former Durkee Plant. The redevelopment of Martin Tower – the former headquarters building to Bethlehem Steel, situated across the street from the subject site underwent renovation for multi-tenant use and is now predominantly occupied by Dunn & Bradstreet. During the past six years several private redevelopments have occurred including the resurrection of the South Side retail district. Former warehouses have been turned into community arts centers, streetscapes have been transformed and Lehigh University has expanded onto former steel lands. City planners are proposing the creation of a new Keystone Innovation Zone in South Bethlehem to capitalize on the relationship between Lehigh University, Northampton Community College and Ben Franklin Technology Partners. The City's economic

development staff will continue to diligently work with private investors looking to bring new jobs and new investment anywhere into Bethlehem.

The proximity and accessibility to major transportation facilities such as the Lehigh Valley International Airport have given the City and its immediately surrounding towns a rapidly expanding industrial and commercial land use pattern.

Lehigh Valley International Airport is located just west of the City in neighboring Allentown. The airport is controlled by the Lehigh-Northampton Airport Authority. The construction of new Route 22 in the 1950's, stimulated commercial and industrial development along Airport Road. In addition to the influence of the airport and the road system on land development, purchase of large tracts of land on all sides of the airport by Bethlehem Steel and Lehigh Valley Industrial Park preempted a large portion of the area for industrial development.

In order to offer up-to-date facilities to meet increased demand for services and to take advantage of business opportunities, the airport has been upgraded, modernized, and expanded. These expansions of the airport have had extensive off-site effects in the surrounding towns.

The City's position as an employment and commercial center for the Lehigh Valley has been reinforced over the last two decades. Lehigh Valley Industrial Park, Inc. is home to over 400 businesses employing 20,000± people in seven parks located in Northampton and Lehigh Counties. The LVIP is a non-profit economic development corporation that is community owned and governed by a volunteer Board of Directors comprised of business executives, public officials and educational leaders. The mission statement of the LVIP since its inception in 1959 is to create jobs, expand tax revenue for our communities and diversify the local economy. Today, Lehigh Valley Industrial Parks I through V are fully built out. Lehigh Valley Industrial Parks I through VI have generated approximately \$12 million in annual property and payroll taxes. The newest park, LVIP VII at the Bethlehem Commerce Center is the largest land mass to be developed by LVIP, and is estimated to bring the employment total in the park system to more than 25,000 people upon its anticipated completion in 2015.

In summarizing, the City of Bethlehem is in the midst of economic revitalization fueled in part by the region's growing economy coupled with concerted efforts by City Planners to once again make Bethlehem a thriving economic base. The redevelopment of the former Bethlehem Steel plant will most certainly have the greatest impact on the City's economic prosperity. Although the redevelopment will occur over an extended time period, the fact that the property has been acquired by major developers coupled with the City's desire to redevelop this area of the City suggests that future change for the better is imminent.

The subject property consists of a rectangular-shape vacant parcel located on the south side of West 3rd Street between New Street and Riverside Drive. The site is legally identified as Parcel ID: P6SE1A 10 6 0204E and commonly known as 6-12 West 3rd Street, Bethlehem, Pennsylvania. The following describes the subject site is based on our physical inspection and review of the Tax Map.

- Size & Shape** The site features a rectangular-shaped parcel totaling 0.176-acres with 94 feet of road frontage along the eastbound lane of West 3rd Street, and measuring 85 feet along the east and west boundaries.
- Topography & Drainage** The site is level, open and at road grade and open. Drainage appears adequate following the natural contour of the site. According to the FEMA Map 42095C, Panel 0307D, dated April 6, 2001, the subject site is located in Zone X, (no shading). Flood insurance is not required.
- Soils** The Appraisers were not provided with a soils study or test boring results; therefore it is not possible to offer soil conclusions. Surrounding uses have been in existence for several years with no indications of soil insufficiency. Therefore, it is assumed soil capacity is sufficient.
- Street** West 3rd Street (aka Route 412) is a two-way ROW that runs the length of the city of Bethlehem in an east-west direction. The road is macadam paved, equipped with storm sewers, curbing and sidewalks.
- Access** The site is accessible from West 3rd Street.
- Utilities** The site is serviced with all public utilities.
- Nearby Uses:** The subject is located within a mixed-use neighborhood comprising of retail, commercial and residential uses. Approximately ½ block west of the subject is the Fowler Family Southside Center - a community hub offering a wide range of educational opportunities and the Banana Factory - a visual arts & education campus located in a re-imagined banana warehouse and distribution center and part of the Artsquest Organization.
- Comments:** The subject site is located within the southern region of the City of Bethlehem and enjoys frontage along West 3rd Street. In addition, the subject site is within close proximity to Lehigh University ASA Packer and Mountaintop Campuses and Sands Casino and the ArtsQuest Center. No adverse conditions were observed and surrounding uses complement the subject property.

The subject falls under the tax jurisdiction of the City of Bethlehem, Northampton County. The following depicts the subject assessments for the 2012 tax years.

Parcel	Assessment
P6SE1A 10 6 0204E	\$50,600

The subject's assessments are based on 50 percent of the County's Current Values, which in the subject's case is \$101,200. The County's current values are based on the 1995 revaluation. The County's 2012 Common Level Ratio is 33.6 percent. Applying this figure to the current value of \$101,200 suggests an equalized value of \$301,200, rounded. Based upon our estimate of value the subject is favorably assessed. The chart below illustrates the history of the mileage rate over the past five years:

Tax Rate History

Year	Mileage Rate	% Change
2007	62.26	n/a
2008	64.08	2.92
2009	66.20	3.31
2010	68.67	3.73
2011	70.17	2.18

Applying the 2011 mileage rate to the current assessments results in a 2011 tax burden of \$3,550. Note that the subject property is currently owned by the Bethlehem City and has an exempt status for tax purposes.

The subject parcel falls within the CB – Commercial Business District for the City. The principal permitted uses and bulk requirements of the zone are as follows:

Principal Permitted Uses:

- A. Single Family Attached Dwellings
- B. Multi-Family Dwellings
- C. Hotel, motor lodge and motel
- D. Retail and service use
- E. Bank, brokerage firm, insurance agency and other financial institutions
- F. Business and professional office
- G. Theater, auditorium, museum, library and other civic and cultural facilities
- H. Restaurant for sale and consumption of food and beverage without drive-in services
- I. Radio and television broadcasting studio and transmission towers
- J. Printing, newspaper publishing and bookbinding
- K. Governmental use and public utility installation
- L. Funeral homes
- M. Club organized for fraternal and social purposes and philanthropic institutions
- N. Meeting and banquet halls
- O. Office and studio
- P. Passenger terminal facility

Area & Bulk Requirements

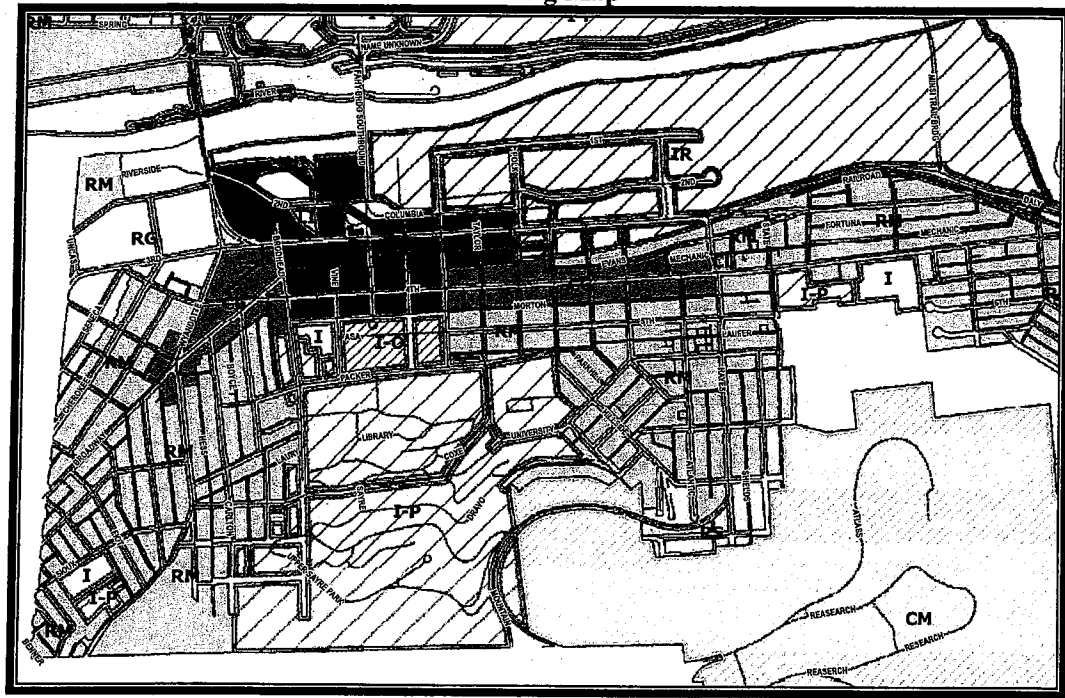
There are not Minimum Lot Size, lot width, front yard, rear yard and side yard requirement for developing the site with a mixed residential and commercial use or a commercial and business use. There is a maximum building coverage of 80 percent for these uses.

For Multi-family and single family uses the bulk requirements are as follows:

Minimum Lot Size (sf)	6,000
Minimum Lot Width	16''
Minimum Lot Front Yard	N/A
Minimum Rear Yard	20'
Minimum Side Yard	20'
Maximum Building Height (Stories/Ft)	3.5/45'
Maximum Building Coverage (%)	80

The subject site bulk areas appear to conform to a number of the permitted uses within the CB zone and could be developed with a number of the permitted uses.

Zoning Map



According to the Fifth Edition of *The Dictionary of Real Estate Appraisal*, published by the Appraisal Institute, highest and best use is defined as:

“The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability. Alternatively, the probable use of land or improved property – specific with respect to the user and timing of the use – that is adequately supported and results in the highest present value.”

There are typically two Highest and Best Use scenarios: The Highest and Best Use of the property as improved and the Highest and Best Use of the site as if vacant. In each case, the use must pass four "tests"; it must be physically possible, legally permissible, financially feasible and maximally productive.

Highest and Best Use As Vacant

In accordance with the definition of highest and best use, an analysis of legal and physical possibilities and financial feasibility is appropriate for the site as if vacant as of the effective date of appraisal.

Legally Possible: As noted in the *Zoning* analysis section, the subject parcel is located within the CB – Commercial Business district. This zone permits neighborhood commercial uses such as but not limited to banks, restaurants, mixed-use, offices and retail, as well as attached single family and multi-family uses. It is believed that the site could be developed, with any number of uses permitted by the CB District.

Physically Possible: All readily available information pertaining to the physical characteristics of the site including size, shape, access, topography and soil conditions have been considered. The site is a triangular sloping parcel, and although some development might be constrained, the site could be developed.

Financially Feasible: The determination of financial feasibility is dependent primarily on estimates of anticipated potential income from each possible use of the subject site. Given the location of the site and the neighborhood uses, commercial development is examined. Development of any proposal would be feasible if gross sale proceeds were sufficient to meet development costs and provide a reasonable profit threshold. Clearly, economic conditions do not justify development of any nature on a speculative basis at this time. Development of the subject parcel on a build-to-suit basis with a retail or office building would be the only conceivable scenario at this time. Interim hold would otherwise be recommended.

Maximally Profitable: Given the subject site's location and immediate surrounding area, the only maximally profitable use of the site is for commercial development. Development on a speculative basis however at this time is not recommended and interim hold of the site is considered appropriate.

Conclusion-As If Vacant: Based on our analysis, the highest and best use of the subject site as vacant is for interim hold for future development with a commercial uses such as retail or office development.

To estimate the market value of a property three approaches may be employed; the Cost Approach, Sales Comparison Approach and Income Capitalization Approach. Based upon the available data and property type, the appraiser may use any or all of these methods in rendering a value estimate.

Cost Approach

One of the major approaches to value is the Cost Approach, which is based upon the proposition that the cost to reproduce, or replace the improvements, is an indication of value. Inherent to this approach is the principle of substitution, which holds that no person will pay more for a property than the amount for which he can obtain, by purchase of a site and construction of a building, without undue delay, a property of equal desirability and utility.

In the application of the Cost Approach, the Appraiser first estimates either the reproduction cost-new, or the replacement cost-new, of all improvements. He then estimates, in dollars, the varying amounts of accrued depreciation, which is comprised of physical deterioration, functional obsolescence and economic obsolescence. The total depreciation is subtracted from the reproduction cost-new in order to arrive at a depreciated cost estimate. The depreciated cost estimate is then added to the land value to arrive at a total indicated value.

The Cost Approach is considered most useful when estimating the value of new or special use buildings. Since the subject is a vacant parcel of land, this approach is not applicable and therefore not presented.

Sales Comparison Approach

The Sales Comparison Approach is a method of estimating market value whereby a subject property is compared with comparable properties that have recently sold. Preferably, all properties are in the same market area. One premise of the Sales Comparison Approach is that the market will determine a price for the property being appraised in the same manner that it determines the prices of comparable, competitive properties. Essentially, the Sales Comparison Approach is a systematic procedure for carrying out comparative shopping. In this approach, the comparison is applied to the unique characteristics of real estate that cause its prices to vary.

This approach was determined to be the most applicable and creditable methodology in determining the value of the vacant parcel. Research produced a limited but sufficient number of land sales allowing presentation of this approach. This approach is most commonly used when valuing vacant land.

Income Capitalization Approach

The Income Capitalization Approach is a process in which the anticipated flow of future benefits is discounted to a present worth through the capitalization process. The Income Capitalization Approach is widely applied in appraising income-producing properties. Although vacant land

can conceivable generate income through a land lease, due to the unlikelihood of the property appealing to an investor seeking cash flow with this method, this approach is not applicable and not presented.

Reconciliation

The final step in the Appraisal Process is the reconciliation of the value indications into a single market value estimate. In the reconciliation or correlation, the Appraiser considers the relative applicability of each of the three approaches, examines the range between the value indications, and places major emphasis on the approach that appears to produce the most reliable solution to the specific appraisal problem. The purpose of the appraisal, the type of property, and the adequacy and reliability of the data are analyzed, and appropriate weight is given to each of the approaches to value.

In determining the market value of subject's vacant parcel, the subject's market was researched for similarly zoned and sized land sales. Although research did not produce an abundance of recent land sales, two sales and one listing were selected for comparison. The following chart summarizes the sales selected for comparison with a detailed description of each sales located in the *Addenda* of this report.

COMPARABLE LAND SALES

Location	Date of Sale	Size (Acres)	Sale Price
3542 Route 378, Lower Saucon Twp.	Dec-11	1.34	\$125,000
201 Thomas Street, Coopersburg Borough	Apr-11	0.612	\$65,000
1458 Stefko Blvd, City of Bethlehem	Available	0.225	\$114,500

Disqualified Sales: In addition to the above sales, the appraisers are aware of a sale located at Fritch Drive, Bethlehem Township. This sale comprises a 2.07-acre site located within the Nancy Run Industrial Park and sold in August 2011 for 325,000. The sale was purchased for the development of a rehabilitation center/halfway house. However, this sale, although considered, is not presented due to its larger lot size and location.

Property Rights Conveyed: All three sales were vacant land at the time of sale and transferred the fee simple interest. Listing one is also vacant and will transfer the fee simple interest. No adjustment is required for property rights conveyed.

Financing: All sales were cash to the seller with normal financing. No adjustment for financing is required.

Condition of Sale: All sales represent arms length transactions between willing buyers and sellers, requiring no adjustments for condition of sale.

Market Conditions: The sales transpired between April 2011 and December 2011, and are considered representative of current market conditions; no adjustments are required. A downward adjustment is processed to Listing one under the premise that the negotiated contract price will be below the current asking price.

Location – Sales one and two are located removed from the downtown business district that the subject site is located within. Modest upward adjustments are processed to these sales. Listing one is located along a major commercial artery within the City of Bethlehem, and is considered comparable to the subject's location. No adjustment is required to the listing for location.

Lot Size – Sales one and two are larger in overall lot size than the subject's lot size, requiring appropriate downward adjustments. The active listing is comparable to the subject in lot size requiring no adjustment.

Topography/Site Utility – The subject is a rectangular shaped site with a level and open topography. Sale one is generally rectangular in shape with a slope up from road grade. A modest upward adjustment is processed to this sale for topography. Sale two and the listing are comparable to the subject in terms of topography, shape and site utility; no adjustments were made to these sales.

Zoning – Each sale is considered comparable in zone to the subject. No adjustments are necessary.

Frontage – The subject and all sales have adequate frontage. No adjustments are required.

Utilities – Consistent to the subject property, all of the sales are serviced with public utilities; no adjustments are required.

The following chart illustrates the adjustment process.

Land Sales Adjustment Grid – 6-12 West 3rd Street, Bethlehem City, PA

Sale Location	Subject	Sale One	Sale Three	Listing One
	6-12 3rd Str Bethlehem City, PA	3542 Route 378 Lower Saucon Twp., PA	201 Thomas Street Coopersburg, PA	1458 Steffko Bethlehem City
Date of Sale		Dec-11	Apr-11	Available
Size/Acres	0.176	1.34	0.61	0.225
Shape/Topography	Rectangular/Level	Generally Rectangular/Slope	Gen. Rectangular/Level	Rectang/Level
Zoning	CB-Commercial Bus	GBL- General Business	I-Industrial	CG - Gen Com
Utilities	City Utilities	City Utilities	City Utilities	City Utilities
Sale Price		\$125,000	\$65,000	\$114,500
Adjustments				
Property Rights		0.0%	0.0%	0.0%
Adjusted Price		\$125,000	\$65,000	\$114,500
Financing		0.0%	0.0%	0.0%
Adjusted Price		\$125,000	\$65,000	\$114,500
Condition of Sale		0.0%	0.0%	0.0%
Adjusted Price		\$125,000	\$65,000	\$114,500
Market Conditions		0.0%	0.0%	-5.0%
Adjusted Price		\$125,000	\$65,000	\$108,775
Adjustments				
Location		5.0%	10.0%	0.0%
Lot Size		-20.0%	-5.0%	0.0%
Topography/Shape		5.0%	0.0%	0.0%
Zoning		0.0%	0.0%	0.0%
Frontage		0.0%	0.0%	0.0%
Utilities		0.0%	0.0%	0.0%
Total % Adjustments		-10.0%	5.0%	0.0%
Adjusted Price		\$112,500	\$68,250	\$108,775
Minimum	\$68,250			
Maximum	\$112,500			
Median	\$108,775			
Mean	\$96,508			
Selected Unit Value	\$70,000			

Following adjustments the sales indicate a range in unit value from \$68,250 to \$112,500, with a mean of \$96,508 and a median of \$108,775. Based upon the adjusted range, and given equal weight to all sales, due to the subject's site size, a value estimate toward the lower end of the range is considered reasonable. Then estimated market value of the subject is \$70,000.

The market value of the subject property, identified as 6-12 West 3rd Street, City of Bethlehem, via the Sales Comparison Approach, as of January 30, 2012, was:

SEVENTY THOUSAND DOLLARS
\$70,000

Reconciliation is the integral part of the appraisal process whereby the various analyses are reviewed for their accuracy, appropriateness, and quantity of evidence to arrive at a single value estimate for the subject property. In this instance, only the Sales Comparison Approach was considered appropriate to the valuation of the subject unit, and is the only approach presented. The value indications are as follows:

Cost Approach	N/A
Sales Comparison Approach	\$70,000
Income Capitalization Approach	N/A

In the reconciliation process, the Appraiser reviews the report to insure that the data used, analytical techniques, and logic employed, are valid, realistic and consistent. Furthermore, the Appraiser re-examines the findings to make certain that all meaningful market evidence has been considered. The approaches utilized in this report must be examined to arrive at a final value estimate. The Appraiser weighs the relative significance and applicability of each value indication and relies most heavily on that which is most appropriate to the purpose of the appraisal. The reconciliation is based on several criteria that enable the Appraisers to form a meaningful defensible conclusion about the final value estimate. The final conclusion of the reconciliation is based on the appropriateness, the accuracy, and the quality of the evidence in the entire appraisal.

The Cost Approach begins with an estimation of land value and an estimate of reproduction or replacement cost new. Depreciation from all causes is then estimated and subtracted from the estimate of reproduction or replacement cost new. The cost approach is most applicable where the structure is new or nearly new, represents the highest and best use of the land, and is not subject to substantial functional or economic obsolescence. In this instance, the subject consists of a vacant parcel; therefore, this approach was eliminated.

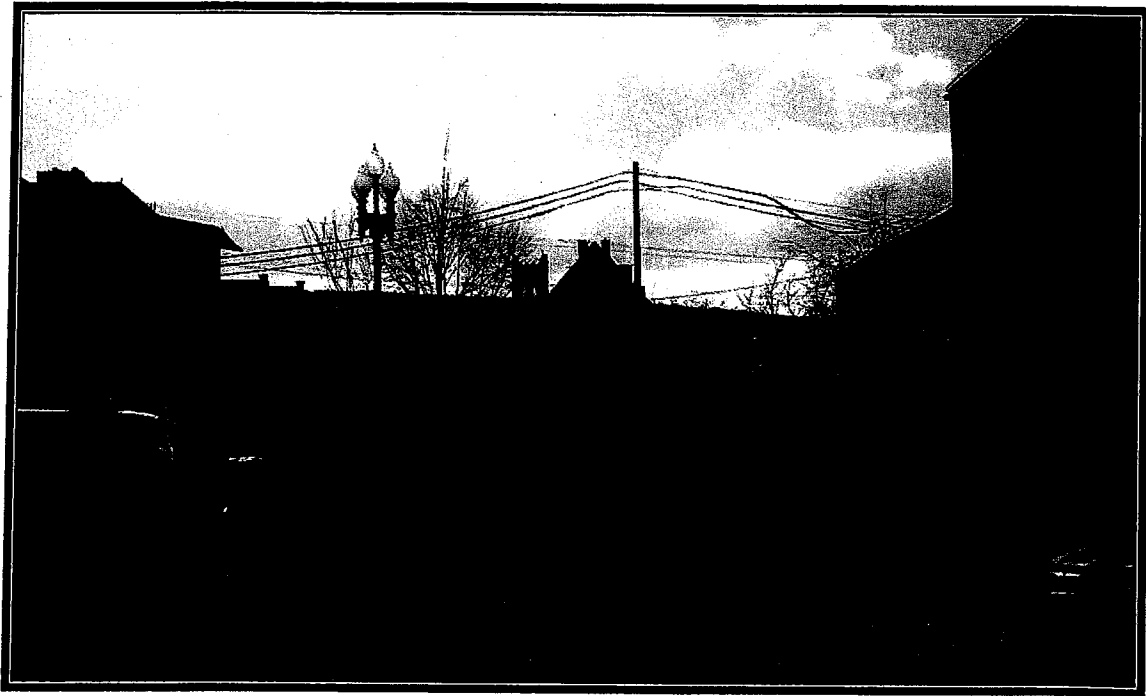
The accuracy of the sales comparison approach depends on an active market. While research did not produce an abundance of recent land sales, the market did provide a sufficient number of sales and listings considered applicable for comparison. The sales were compared to the subject property with adjustments considered for differences in location, physical characteristics, zoning, etc. Following adjustments the sales provide a tight range in unit value from which a value estimate can be selected for the subject site. This approach is considered most applicable and meaningful when appraising vacant land.

The Income Capitalization Approach generally starts with an estimate of gross income and subtracts the appropriate vacancy rate and expenses directly related to the operation of the real estate to derive the net operating income. Given the subject property is vacant land and not currently generating income, this approach was not presented.

The Appraisers have carefully considered each approach and its strengths and weaknesses, all available information pertaining to the subject property and all factors affecting value. As a result, the Appraisers have reconciled the estimate of market value, placing all weight on the sales comparison approach.

The "as is" market value of the Fee Simple Interest of the subject property, as of January 30, 2012, was:

SEVENTY THOUSAND DOLLARS
(\$70,000)



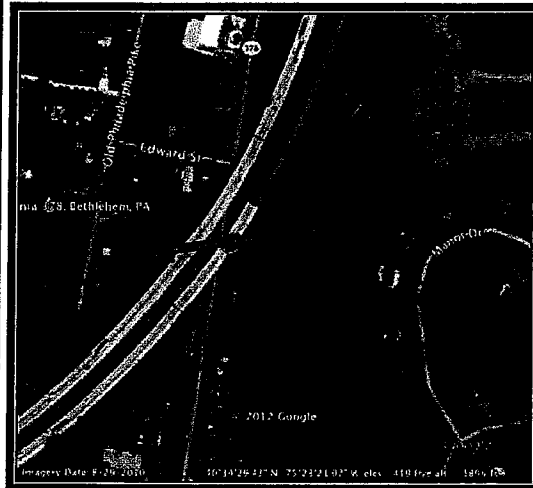
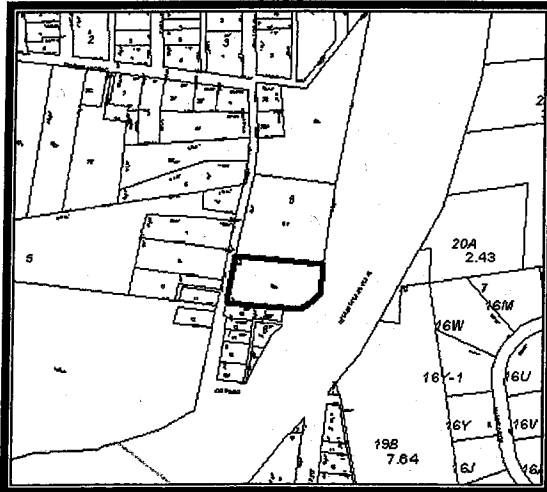
View of subject site



West view of West 3rd Street

Land Sale Number One

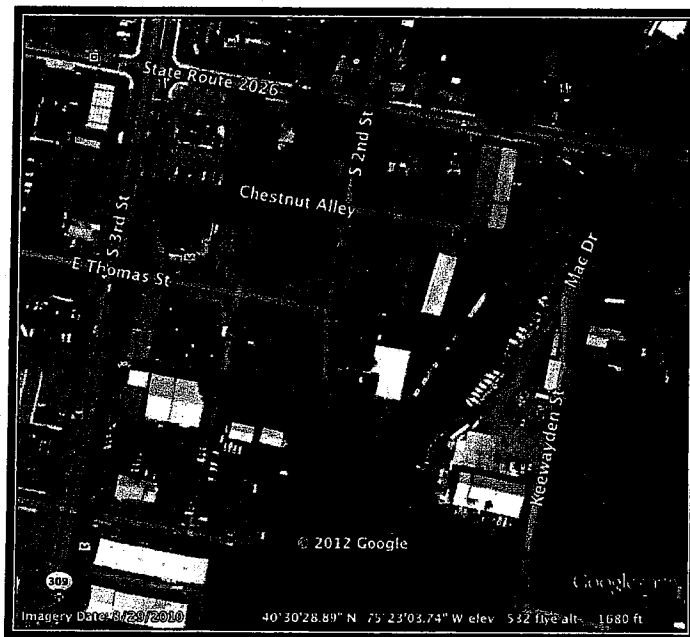
Location 3542 Route 378, Lower Saucon Township
Northampton County, Pennsylvania
Parcel ID: Q6SW3 6 7 0719; Q6SW3 6 19B 0719; Q6SW3 6 14 0719;
Q6SW3 6 15 0719
Date of Sale December 29, 2011
Consideration \$125,000
Property Rights Fee Simple
Grantor GTW Dish Garden Distributors
Grantee KBH Real Estate Holding LLC
Book/Page 2012-1/006888
Lot Size 1.34 acres
Zoning GB2 – General Business
Utilities All public
Verification Tax Records/Deed/LoopNet



Comments: This sale consists of a four adjoining lots totaling 1.34-acres of vacant land located along the southbound lane of Route 378 at the I-78 overpass. The main lot is general rectangular with the balance of the lots slightly irregular in shape. The site is located within the general business zone district of the Township. Neighborhood uses include vacant land, retail, office and intermixed older residential dwellings. There are currently no permits pending for the site. No prior sale within the last three years is recorded.

Land Sale Number Two

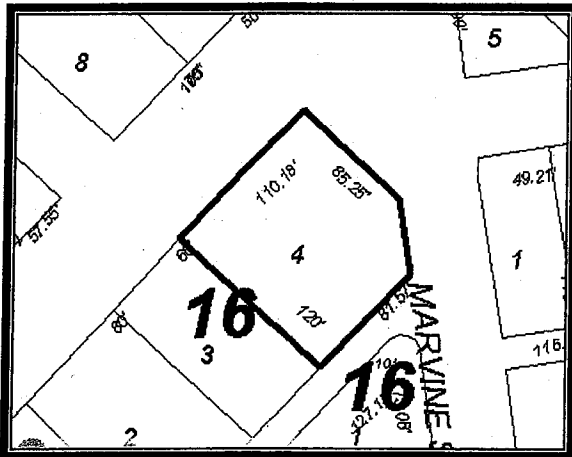
Location	201 Thomas Street, Coopersburg Borough Lehigh County, Pennsylvania
Parcel ID:	642366088804
Date of Sale	April 28, 2011
Consideration	\$65,000
Property Rights	Fee Simple
Grantor	James & Miriam Recco
Grantee	Bedral LP
Book/Page	2011-1/16110
Lot Size	0.612 acres
Zoning	I- Industrial
Utilities	All public
Verification	Tax Records/MLS/Frank Schiaffo – listing agent w/ ReMax Central



Comments: This sale consists of a 0.612-acre site located at the corner of Thomas Street and S. 2nd Street within Coopersburg Borough. The site is within close proximity to Routes 206 and 309. The site is wooded and slightly sloping at road grade. No prior sale within the last three years is recorded.

Land Listing Number One

Location	1458 Stefko Boulevard, City of Bethlehem Northampton County, Pennsylvania
Parcel ID:	N7SW1D 16 4 0204
Date of Sale	Available
Asking Price	\$114,500
Property Rights	Fee Simple
Grantor	Corgam LLC
Grantee	N/A
Lot Size	0.225 acres
Zoning	CG- General Commercial
Utilities	All public
Verification	Tax Records/MLS/David Benner – listing agent w/ Premeir Choice Real Estate



Comments: This sale consists of a 0.225-acre site located at the corner of Stefko Boulevard and Marvin Street. The site was improved with a medical office building that was destroyed by fire. The property has been on the market for approximately 3 months with a starting asking price of \$139,900 that was just reduced to \$114,500. According to the listing agent there was one contract that fell through. The site is generally level, rectangular in shape and at road grade. No prior sale within the last three years is recorded.

BIOGRAPHICAL INFORMATION

LAURA WHITAKER, designated as a SRA member with the Appraisal Institute since 1992, is currently a candidate for the MAI designation. In addition to her 16 years of real estate appraising experience, Laura has also worked as a mortgage loan officer and a real estate sales person.

Ms. Whitaker holds a Bachelor of Arts degree from Trenton State College. Having been with the firm for ten years, Laura has completed a diverse array of appraisal assignments. Property types include single-family and multi-family residential, office buildings, industrial properties, retail properties and hotels, as well as appraisals of vacant land and subdivision analysis for purposes of financing, tax appeals, condemnation, and estate planning.

Ms. Whitaker has also worked for Larson Financial Resources, Inc. (LFR). As a staff appraiser for LFR, she conducted market analysis, pro-forma analysis and appraisals of income-producing properties throughout several states. Prior to LFR, Ms. Whitaker was a staff appraiser with American Appraisal Associates located in Princeton, New Jersey, where she performed market analysis of commercial properties throughout the Mid Atlantic and northeastern regions of the country.

EDUCATION

Trenton State College, 1987 - Bachelor of Arts
Laboratory Institute of Merchandising, 1982 - Associate of Science

PROFESSIONAL AFFILIATIONS

SRA Member Appraisal Institute
MAI Candidate Appraisal Institute
New Jersey State Certified Appraisal License # RG-00802
Pennsylvania State Certified Appraisal License # GA-000350-L
Florida State Certified Appraisal License # RZ-0002391
New Jersey State Licensed Real Estate Agent

BIOGRAPHICAL INFORMATION

DANIEL MISTICHELLI is a designated member of the Appraisal Institute having an MAI designation as of 1994 and having been employed in the real estate industry since 1986.

Mr. Mistichelli has been involved in real estate valuation of various investment properties throughout the United States. Throughout his career he has appraised and prepared due diligence for apartment buildings, office and industrial properties, retail centers and hotels.

EDUCATION

Columbia University, 1995 - Master of Science, Real Estate Development

San Jose State University, 1986 - Degree, Bachelor of Science

Somerset County Vocational Institution, 1980 - Diploma, Construction Technology

PROFESSIONAL AFFILIATIONS

MAI Member of the Appraisal Institute

SRA Member of the Appraisal Institute

New Jersey State Certified Appraisal License #42RG-00046000

New York State Certified Appraisal License #46000033817

New Jersey State Licensed Real Estate Agent

