

**REQUEST FOR QUALIFICATIONS
To Manage and/or Operate The Harrisburg
Authority's Water, Wastewater,
and Stormwater Systems**

Issued: February 7, 2012

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*“Building A Stable Financial Future for
the City of Harrisburg, Pennsylvania”*

1. REQUEST FOR QUALIFICATIONS

1.1. Overview

Under the supervision and ultimate authority of the Receiver for the City of Harrisburg (“Receiver”), the Receiver, in consultation with the Harrisburg Authority (“THA”), desires to obtain the services of a party to manage and/or operate the Water System, the Wastewater System, the Stormwater System or all Systems together, all as defined below (the “Proposed Transaction”). The Water System refers to THA-owned, City of Harrisburg (“City”)-operated water supply, treatment and distribution system. The Wastewater System is comprised of (1) a separate sanitary and combined collection system which is owned by the City; and (2) a conveyance and advanced wastewater treatment facility which is owned by THA, all of which are operated by the City under various agreements between the City and THA. The Stormwater System is comprised of separate storm sewer systems (MS4) wholly-owned and operated by the City with some governing agreements with THA. Due to the close inter-relation of the Wastewater and Stormwater Systems, they are combined for the purposes of this RFQ as the “Sewer System.” The Water and Sewer Systems are described in more detail in Section 2 of this Request for Qualifications (“RFQ”). Potential business associates (“Interested Parties”) are encouraged to provide creative solutions involving different approaches to managing and/or operating the Water and Sewer Systems, either separately or as a single enterprise, that will fairly reward the successful party and maximize the value and return from the assets to the Receiver on behalf of the City. . The Receiver does not intend to sell or lease the assets.¹

The selection of a Proposed Transaction for closure will be conducted in a competitive, open and transparent manner. It is the intent of the Receiver to utilize the talents and institutional knowledge of THA during this process, recognizing the ultimate authority and necessity of the Receiver to make decisions that are timely and in accordance with his statutory responsibilities. In addition, the Receiver has responsibility to make decisions about various City, THA and Harrisburg Parking Authority assets and operational issues and intends to make a final decision on this RFQ by applying criteria that benefits the City of Harrisburg overall. The Receiver encourages communication from all stakeholders during this process to maximize the benefits of this transaction.

¹ No person has been authorized by the Receiver or THA to give any information other than information contained in this RFQ, and, if given, such other information should not be relied upon as having been authorized by the Receiver or THA. Except where otherwise indicated, all information contained in this RFQ has been provided by THA. The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness. The information contained herein is subject to change without notice, and neither the delivery of this RFQ or other information shall under any circumstances create an implication that there has been no change in the information set forth herein, or the other matters described herein since the date hereof or the earlier dates set forth herein as of which certain information contained herein is given. Information contained in this RFQ is subject to agreements, reports, or other documents that will be made available during due diligence for more complete information regarding the rights and obligations of parties and facts and opinions contained therein.

The Receiver, in consultation with THA, is requesting a statement of qualifications (“SOQs”) from Interested Parties to manage and/or operate the Water System, the Sewer System or both Systems together.

Time is of the essence in this process. Interested Parties responding to this RFQ must submit SOQs no later than 4:00PM Eastern Standard Time on March 5, 2012 . Interested Parties should be prepared to respond to subsequent communications on an accelerated schedule. Any transaction resulting from this RFQ is expected to close no later than June 15, 2012.

A voluntary pre-submission meeting will be held at the offices of City of Harrisburg – Bureau of Water at 100 Pine Drive, Harrisburg, PA 17103 at 2:00 p.m. on Wednesday, February 15. Any Interested Party that cannot attend the meeting is encouraged to provide contact information to Shannon G. Williams at the contact information below for the possible dissemination of supplemental information or addenda.

The Receiver in consultation with THA will review the ability and willingness of Interested Parties to manage and/or operate the Water System, the Sewer System or both Systems combined to make upfront payments and/or annual or other periodic payments during the term of the Proposed Transaction, to provide for the capital improvements which will be required during the life of the transaction (including, without limitation, replacing aging and obsolete distribution or conveyance systems, equipment and meters) and who are qualified to manage and/or operate the Water System, the Sewer System or both Systems combined in accordance with all applicable laws and permits, consistent with prudent service to the community and users of the Water and Sewer Systems, and to optimize value to the Receiver on behalf of the City.

The SOQ is the first part of a multi-step process. After SOQs are received from Interested Parties, those Interested Parties determined to satisfy the initial eligibility requirements and to be sufficiently qualified to participate in the second phase of this process (the “Selected Interested Party” or the “Selected Interested Parties”) will be identified. The Receiver will solicit advice from, and utilize the institutional knowledge, experience and expertise of, THA in this process while retaining the authority and responsibility to make timely decisions in accordance with its statutory responsibilities. It is currently contemplated that negotiations will be conducted directly with the Selected Interested Party or Parties to determine through that process a Proposed Transaction which is in the best interests of the Receiver on behalf of the City. Interested Parties can include partners as long as the collective partnership meets the requisite qualifications. It is contemplated that one or more Interested Parties will be selected to participate in the second phase of this process based on the strength of the SOQs. Financial capability will be an important factor in selecting Interested Parties as Selected Interested Parties.

In considering the matters set forth in this RFQ, Interested Parties must rely on their own examination of the matters set forth herein. Interested Parties should not construe the contents of this RFQ as legal, tax, investment, or accounting advice and each prospective investor is urged to consult with its own advisors with respect to legal, tax, regulatory, financial and accounting consequences of its potential bid in connection with the transaction.

At any time prior or subsequent to submission of the SOQs, a potentially Interested Party (subject to approval of the potentially Interested Party by the Receiver, in consultation with THA) may obtain access to due diligence information contained in an electronic data room upon execution and delivery to THA of a confidentiality agreement in the form attached hereto as Exhibit I. Access to the electronic data room shall be withdrawn for any potentially Interested Party that does not submit an SOQ by the deadline or is not selected as a Selected Interested Party. Per the executed confidentiality agreement, all copies of data subject to the confidentiality agreement shall be returned to THA or destroyed by the Party with a certification of destruction provided to THA promptly upon such party no longer participating in this RFQ process.

The Receiver, in consultation with THA, reserves the right to modify, add, or remove any information in the electronic data room at anytime and for any reason. By entering the electronic data room, an Interested Party or Selected Interested Party agrees that the Receiver, THA, and their agents or representatives shall not be held liable or responsible for the accuracy or completeness of any information provided by third parties that is being provided through the electronic data room or in this RFQ. Likewise, the Receiver, THA, and their agents and representatives do not guaranty the accuracy or completeness of any third party information provided through this RFQ or the electronic data room. Interested Parties and Selected Interested Parties will be expected to conduct their own due diligence and confirm the accuracy and completeness of such third party information on their own.

The Receiver reserves all rights available to him by law during this process including, without limitation, the right in his sole discretion to:

1. Reject all SOQs and Proposed Transactions, waive any irregularities, or not enter into any transaction at any time for any reason.
2. Terminate consideration or evaluation of any Proposed Transaction at any time, for any reason.
3. Suspend, discontinue and/or terminate discussions regarding confidentiality agreements, interim agreements and comprehensive agreements at any time prior to the authorized execution of such agreements by all parties for any reason.
4. Negotiate with a Selected Interested Party without being bound by any provision in a proposal for any reason.
5. Request and/or receive additional information regarding any SOQ or Proposed Transaction.
6. Revise, supplement, withdraw or cancel at any time all or any part of this RFQ for any reason and without prior notice.
7. Issue a request for submission in writing of further revisions and/or final provisions from Selected Interested Parties with respect to their Proposed Transaction for evaluation, further negotiation and/or selection by the Receiver, in consultation with THA.

Interested Parties and Selected Interested Parties acknowledge that they may not recover any costs that they may have incurred in preparing a SOQ or in connection with or related to negotiations as Selected Interested Parties and that they are without recourse as against THA, the City of Harrisburg, the Commonwealth of Pennsylvania, or the Receiver in responding to this RFQ and negotiating any transaction.

1.2. Overview of the Process

The overarching goal of a completed transaction is to provide the current and future customers of the Water and Sewer Systems safe, effective, clean and efficient Water and Sewer facilities while maximizing value and return to the Receiver on behalf of the City.

The closing of a Proposed Transaction for the Water System, the Sewer System or both Systems together is expected to be preceded by a stepped process. Beginning with issuance of this RFQ, potentially Interested Parties (subject to approval of the potentially Interested Party by the Receiver, in consultation with THA) may obtain access to the electronic data room to begin due diligence by executing and delivering a confidentiality agreement in the form attached hereto as Exhibit I. In a further step, those parties wishing to participate in this RFQ shall submit a SOQ containing the information called for by Section 3.1 below. From those SOQs, one or more parties will be selected as Selected Interested Parties. Those Selected Interested Parties shall have the option of pursuing additional due diligence through site visits and reasonable access to THA management and consulting engineers. Following a reasonable time for additional due diligence, the Selected Interested Parties may be required to submit the information set forth in Section 3.2 below. From that information, one or more Selected Interested Parties may be identified for negotiations. Following negotiations, Selected Interested Parties remaining through negotiations may be requested to submit in writing final provisions regarding their individual Proposed Transaction.

Subsequently, and consistent with closing any transaction pursuant to this RFQ by June 15, 2012, the Selected Interested Party and Proposed Transaction that provides the Receiver on behalf of the City the overall best value will be identified and steps undertaken to complete all documentation and close the Proposed Transaction by June 15, 2012. The Receiver is responsible for making decisions about various City assets and operational issues and the Receiver intends to reach final decisions with respect to this RFQ by applying criteria that benefits the overall operating revenues and debt structure of the City and THA.

1.3. Recent Events Concerning the City of Harrisburg

The City faces a financial crisis which has two root causes. First, the City guaranteed certain debt incurred by THA to finance its Resource Recovery Facility (“RRF”). THA has defaulted on this debt and the City has become liable to pay the debt, which exceeds the City’s ability to pay. Second, there is a structural deficit in the City’s annual operating budget.

1.4. Appointment of the State Receiver and Relationship to this Transaction

By Memorandum and Order dated December 2, 2011, the Commonwealth Court of Pennsylvania appointed David Unkovic as Receiver for the City of Harrisburg under Chapter 7 of Act 47. Under the statutory provisions of Chapter 7, which were added by the General Assembly in 2011, the Receiver is directed to formulate a recovery plan for the City, which is then submitted and confirmed by the Commonwealth Court. In accordance with the Commonwealth Court’s Order dated December 19, 2011, Mr. Unkovic must submit the recovery plan no later than February 6, 2012.

Among other items, the recovery plan may include the entry into agreements by the City or THA with respect to the Water System, the Sewer System or both Systems combined. After the recovery plan has been confirmed by the Commonwealth Court, the elected and appointed officials of the City and THA are obligated to undertake the acts set forth in the recovery plan. Mr. Unkovic is vested with the broad power to implement the recovery plan.

2. DESCRIPTION OF THE ASSETS AND HIGHLIGHTS OF THE TRANSACTION OPPORTUNITY

2.1. Overview and History of The Harrisburg Authority

THA is a body corporate and politic existing under the laws of the Commonwealth of Pennsylvania pursuant to the Municipality Authorities Act of 1945 (the "Act"). The Council of the City ("City Council") first created the Harrisburg Sewerage Authority in 1957 to finance improvements to the Wastewater System; in 1987 it became the Harrisburg Water and Sewer Authority. The Harrisburg Water and Sewer Authority was empowered to engage in, finance and construct public works projects relating to water treatment and conveyance systems as well as to finance improvements to the area's Advanced Wastewater Treatment Facility ("AWTF") and sewage conveyance system together with alterations and improvements to the major sewage collection facilities of the City. In 1990, the City Council changed the name of the Harrisburg Water and Sewer Authority to The Harrisburg Authority (the current THA), transferred the Water System from the City to THA, and modified its powers to include all those powers authorized for a general purpose municipal authority under the Act. The governing body of THA is a Board consisting of five members appointed by the Mayor of the City. THA currently provides water and sewer services to the Harrisburg community and surrounding communities. THA also owns the Harrisburg Resource Recovery Facility, a solid-waste incinerator located in the City which serves all of Dauphin County.

THA has approximately \$146,000,000 in aggregate principal amount of tax-exempt debt for the Water System outstanding. THA has approximately \$1,400,000 in aggregate principal amount of tax-exempt debt (as well as approximately \$2,500,000 in aggregate principal amount of taxable debt) for the Sewer System outstanding.

Presented below is summary information concerning the Water and Sewer Systems of THA and the City. Some pertinent information is available on THA's website, including:

- A. Meeting Minutes and Supplemental Information
- B. Annual and Monthly Operations Reports for the City's Bureaus of Sewage and Water
- C. 2011 Budgets for Water (City and THA)
- D. 2012 Budget for Water (THA) and Sewer (THA)
- E. Annual Financial Statements for 2002 through 2009 (2010 and 2011 in progress)
- F. Some Project Information including 2009 Act 537 Sewage Facilities Plan Update

Following execution of a confidentiality agreement, Interested Parties and Selected Interested Parties will have access to additional information, most of which will be available through an electronic data room.

The following information is based on the existing Water and Sewer Systems. Interested Parties are expected and required to perform independent due diligence on the Systems to arrive at an independent determination of matters relevant to a Proposed Transaction under this RFQ.

2.4. DESCRIPTION OF THE WATER SYSTEM

The Water System is owned entirely by THA. It utilizes two raw water supply sources: the DeHart Dam and Reservoir located in Rush Township, Dauphin County (primary water supply) and the Susquehanna River (secondary water supply). The DeHart Dam and Reservoir impounds water flowing through the valley in Clark Creek and twenty-three (23) smaller tributaries producing a body of water with a 650 acre water surface area that extends 4.5 miles upstream of the dam. The DeHart Dam and Reservoir collects from a 21.62 square mile drainage area consisting of forest land between the ridges of Peters and Stony Mountains with a six billion gallon storage capacity when full and a yield of 10.5 million gallons per day. The Water System currently draws about 8-9 million gallons of water per day but THA has a water allocation permit to draw up to 13.5 million gallons a day. The allocation permit is currently being reviewed by the Pennsylvania Department of Environmental Protection (“DEP”) for renewal and it is possible that the resulting allocation will be reduced.

The Susquehanna River has an average flow of 34,410 cubic feet per second and an approximate drainage area of 24,100 square miles upstream of the City. The river intake is a screened intake structure and a thirty-six inch diameter pipe; raw water flows by gravity through the river intake structure. The City typically gets most of its water from the DeHart Dam and Reservoir and rarely pulls from the Susquehanna River. THA has a permit to draw 15 million gallons of water per day from the Susquehanna River.

The Water System further includes a raw water transmission, treatment, and distribution system which presently serves approximately 66,500 residents in the City, the Borough of Penbrook, Dauphin County, Pennsylvania and parts of various outlying municipalities located in Dauphin County, Pennsylvania, including the Townships of Susquehanna, Swatara and Lower Paxton. The Water System serves approximately 21,000 residential, commercial, industrial and public customers with metered water service. The transmission system includes over twenty miles of forty-two inch diameter steel-reinforced concrete pipe which conveys water by gravity from the DeHart Dam and Reservoir to the City. The Water System’s distribution network includes more than 350 miles of cast-iron, ductile iron, and pre-stressed concrete cylinder pipe in various sizes and several finished water storage reservoirs with a combined capacity of 40,000,000 gallons. There are more than 1,690 fire hydrants and 3,450 valves in operation. Finally, THA’s Water System utilizes three pumping stations to convey water and maintain adequate distribution system pressure. The distribution system currently experiences a leakage rate of about 18-20%, which is within regulatory limits.

Currently an interconnection with United Water, Inc in Susquehanna Township is being constructed by a private developer that will be dedicated to THA for the provision of water service to that development. There are also five existing interconnections between THA’s Water System and the water system owned by United Water, Inc. which are used only as an emergency source of water for THA or United Water, Inc.

THA's Water System currently is operated and maintained by the City of Harrisburg through the City's Bureau of Water under a Management Agreement between THA and the City. The Bureau of Water is part of the City's Department of Public Works. The Management Agreement provides that THA shall fully compensate the City for all Operating Expenses actually incurred and expended by the City in managing, maintaining and operating the Water System. The City is responsible for billing customers for Water System service, collecting receipts and revenues of the Water System and attendant record keeping, employing and supervising personnel to manage, operate and maintain the Water System, purchasing all supplies and equipment in connection with the operation of the Water System and making periodic recommendations to THA concerning the operation and maintenance of the Water System. The terms and conditions of employment for certain of the City employees working on the Water System are established pursuant to a collective bargaining agreement between the City and Local 521 of the American Federation of State, County and Municipal Employees, District Council 90, effective January 1, 2007 through December 31, 2014. That agreement is currently being renegotiated. The City employees working on the Water System are dedicated and have provided long-term, valuable service to the City and to the System they operate and maintain and it is the preference of the Receiver that offerors provide with their response an explanation of plans concerning the utilization of existing City employees and that such employees overall not be negatively impacted by the implementation of your proposed Transaction.

Rates

THA is required to establish rates at a level sufficient to allow THA to pay the City's Direct Operating Expenses and General Administrative Charges, THA's administrative expenses, and debt obligations. The rate structure includes a Ready-to-Serve charge relative to tap size and a uniform rate based upon water consumption. Private fire protection charges are also collected. THA's existing rates for a 5/8" tap include a Ready-to-Serve charge of \$5.22 per month and consumption charge of \$5.75 per 1,000 gallons.

THA has the exclusive power and right, subject to court review on a customer's petition, to fix, alter, charge and collect reasonable and uniform rates and other charges in the area served by its facilities for the purpose of providing for the payment of the expenses of THA, the construction, improvement, repair, maintenance and operation of its facilities and properties, the payment of the principal of and interest on obligations and to fulfill the terms and provisions of any agreements made with purchasers or holders of any such obligations. The Management Agreement is currently set to expire on March 1, 2020, but is automatically renewable from year to year for additional one-year terms. However, either THA or the City, on or before September 1, 2019 or any year thereafter, can notify the other party in writing of the intent to terminate the Management Agreement as of the next succeeding March 1. The City Council has to agree to this termination. A Proposed Transaction may include termination of the Management Agreement. The Receiver under his authority may seek termination of the Management Agreement to allow for implementation of such a Proposed Transaction.

Revenues

Virtually all of the Water System revenues are generated from charges for water service and interest income. Approximately one-third of Water System revenue is provided by residential

customers. The Commonwealth is the largest single customer of the Water System by consumption, consuming over 250,000,000 gallons in 2007. Additional revenues are derived from timber harvests at the DeHart watershed and leases for cellular towers.

Regulations and Compliance

The Water System is regulated by the Federal Safe Drinking Water Act, enforced through laws and regulations administered by the DEP. These regulations set standards by which water may be withdrawn, treated, stored and distributed. The Water System facilities currently meet or exceed all primary water quality standards mandated through the Safe Drinking Water Act. THA is currently undertaking a Supervisory Control and Data Acquisition (“SCADA”) System Upgrade/Replacement project under a Consent Order and Agreement with the DEP.

It was necessary for THA’s 1994 Water Allocation Permit to be renewed in 2011. A renewal application was submitted to the DEP on July 6, 2011. The application requests retention of the Authority’s existing permitted withdrawals of 13,500,000 gpd from DeHart Reservoir and 15,000,000 gpd from the Susquehanna River. The application remains under DEP review.

In an effort to ensure operational efficiency and regulatory compliance, annual inspections of the DeHart Dam are performed by THA’s consulting engineer followed by a DEP on-site review. The most recent inspection by THA’s consulting engineer was completed on November 17, 2011 which revealed no major changes in the character or operation of the dam. DEP is currently reviewing calculations relative to the adequacy of the spillway which will be followed by their onsite inspection anticipated for Winter/Spring 2012.

2.7. DESCRIPTION OF THE SEWER SYSTEM

The Sewer System is owned by either THA or the City as follows:

- THA-owned assets: Conveyance System
Combined Sewer Overflow Permit
Advanced Wastewater Treatment Facility
Advanced Wastewater Treatment Facility Outfall Permit

- City-owned assets: Municipal Separate Storm Sewer System (MS4)
MS4 Outlet Permit
Separate Sanitary Sewer System
Combined Sewer Collection System (Sanitary and Stormwater)

The City operates those parts of the system it owns as well as those owned by THA under a number of lease agreements with THA. The City currently owns and operates the Stormwater System - a municipal separate storm sewer system (“MS4”) that discharges to the Paxton Creek, Spring Creek and/or the Susquehanna River under a City-held permit. The City also owns and operates the collection systems portion of the Sewer System – a separate sanitary sewer system as well as a combined stormwater and sanitary sewer system. This collection system contains over 100 miles of sanitary, separate storm, and combined sewers. The collection system includes

brick sewers in excess of 100 years old, as well as PVC and reinforced concrete pipe installed more recently. Flow within the collection system is mostly conveyed by gravity. The Bureau of Neighborhood Services within the City's Department of Public Works is responsible for the operation and maintenance of the collection systems.

THA owns the other portion of the Sewer System - a conveyance system that includes interceptors and pumping stations and an Advanced Wastewater Treatment Facility ("AWTF"). THA's conveyance system carries wastewater from the City-owned collection systems along with wastewater from surrounding communities to the AWTF where it discharges under a THA-held permit. THA's permit also includes regulation of combined sewer overflows ("CSOs") from the system. The City operates THA's conveyance system and the AWTF under a lease agreement. (DEP has recently advised THA that, upon the next issuance, they will require that the operating permits be issued under the City's name in acknowledgement of the terms of the lease.)

The Bureau of Sewerage in the City's Department of Public Works is responsible for operation of the conveyance system and the AWTF, which serves an estimated 122,000 people and is rated to process 37 million gallons per day.

As with the Water System, the terms and conditions of employment for certain of the City employees working on the Sewer System are established pursuant to a collective bargaining agreement between the City and Local 521 of the American Federation of State, County and Municipal Employees, District Council 90, effective January 1, 2007 through December 31, 2014. That agreement is currently being renegotiated. The City employees working on the Sewer System are dedicated and have provided long-term, valuable service to the City and to the System they operate and maintain and it is the preference of the Receiver that offerors provide with their response an explanation of plans concerning the utilization of existing City employees and that such employees overall not be negatively impacted by the implementation of your proposed Transaction.

Rates

The City of Harrisburg is required to set rates in accordance with the Sewer Revenue Indenture and Second Supplemental Agreement of Lease between THA and the City. The basis for establishing the sewer rates is the amount of revenue required to operate and maintain the system including THA's administrative expenses, pay the annual debt service including required coverage, and fund certain reserve accounts. The City has the exclusive power and right to charge and collect reasonable and uniform rates and other charges. Historically, these rates have been derived based upon recommendations of an independent study. The City and THA provide varying levels of sewer service, which can be broken down into the following customer classes:

- 1) Retail service to City customers;
- 2) Wholesale service to municipalities discharging into THA's conveyance system or AWTF in accordance with contractual terms.

The proportional share of costs for each of class differs based upon their facility usage. To properly appropriate charges between customer classes, the City, when developing its annual

budget, prepares an allocation of sewer system costs to the cost functions of Collection, Conveyance, Treatment and Customer, resulting in a tiered rate structure. Sewer charges for City customers are based upon metered water usage and customers in outlying municipalities are billed based upon a combination of water meter usage or estimates, if metered data is not available. Charges consist of a uniform rate for each Customer Class with no minimum or ready-to-serve fees. Current charges are as follows:

	City Customers	Suburban Customers Using Conveyance	Steelton Borough
Sewer Rate (Per \$1,000 gallons)	\$ 3.481	\$ 2.966	\$ 2.390

In addition to the sewer rate outlined above, City customers are billed an additional 15.0% for maintenance of the collection system. There is no separate stormwater fee.

Revenues

Sewer revenues include operating revenue from volume charges for City customers and surrounding municipalities and other sources of revenue from interest earnings, sale of electricity, sludge handling, lien collections on delinquent accounts and other miscellaneous revenue.

Approximately 43% of rate revenue comes from City customers, 52% from customers in outlying municipalities and 5% from sludge handling charges. It is estimated that 45% of City rate revenue is derived from residential accounts, 22% from commercial accounts, 3% from industrial accounts and 30% from institutional accounts. Similar to the water system, the Commonwealth of Pennsylvania is the sewer system’s largest single customer.

Sewer maintenance revenue received from City customers is distributed into a separate City account for the purpose of utilizing staff from other departments for monitoring of suspected trouble spots, along with cleaning and rebuilding of stormwater inlets.

Regulations and Compliance

The Sewer System is regulated by the Federal Clean Streams Law, enforced through laws and regulations administered by the DEP. These regulations set standards by which water may be treated and discharged.

THA’s NPDES permit renewal was issued by the DEP on December 4, 2009 with an effective date of January 1, 2010. Major changes in the renewed permit with regard to effluent limits are a reduction in Ammonia Nitrogen (NH₃-N) discharges in addition to total nitrogen (TN) and total phosphorus (TP) cap loadings as a result of the Chesapeake Bay Tributary Strategy. THA is working to meet the TN, TP and Ammonia Nitrogen (NH₃-N) limits as part of the proposed AWTF Improvements Project. The Project is based on the “build some, trade some” alternative selected in the Act 537 Plan approved by DEP on August 21, 2009. THA has hired a consulting engineering firm, which is in the process of completing project design.

DEP required THA to evaluate and make necessary modifications to the System's combined sewer overflows for the reduction and treatment of discharges from the conveyance system in the Susquehanna River and Paxton Creek. These modifications are currently outlined in THA's CSO Long Term Control Plan, approved by DEP on February 1, 2006. THA is in the process of creating a geographic information system (GIS) for the purpose of developing increased system mapping and modeling capabilities for further review of compliance alternatives.

The EPA has ordered the City of Harrisburg to implement a Municipal Separate Storm Sewer System (MS4) program which includes upgrades to the stormwater collection systems to comply with stormwater NPDES permit requirements. Implementation has commenced through the development of updated system mapping to be utilized in the application of program goals.

2.8. Highlights of the Transaction Opportunity

The Receiver, in consultation with THA, may contract out the management and/or operation of all or portions of the following assets:

1. The Water System
2. The Sewer System
3. The Water and Sewer Systems combined
4. All tangible and intangible property related to the operation of the Water or Sewer Systems, including, but not limited to, distribution, transmission, collection, or conveyance systems, treatment facilities, meters or other aspects of the Systems
5. All licenses, permits and authorizations necessary for operation of the Water and Sewer System, to the extent assignable

Proposers are strongly encouraged to provide creative solutions for the management and/or operation of the Water and Sewer Systems, either separately or as a single enterprise. Interested Parties and Selected Interested Parties may propose creative compensation schemes including, without limitation, upfront payments and/or sharing of future revenue streams. Interested Parties and Selected Interested Parties should consider that the goal of this RFQ is to generate value for the City through the efforts of the Receiver and THA to address both the City's current debt obligations and to put the City on a more secure financial footing for the long term. Selected Interested Parties are not expected to, but may agree to assume the existing liabilities of THA with respect to the Water System and Sewer System. Liabilities that the Selected Interested Party must assume as awardee will include, but are not limited to, any environmental liabilities arising from the Selected Interested Party's management and/or operation of the Water System, the Sewer System, or both Systems combined.

3. RFQ SUBMISSION REQUIREMENTS AND EVALUATION PROCEDURES AND CRITERIA

This RFQ is open to all parties able to provide the information set forth in Section 3.1. There will be no restriction on the number of parties that may pursue this transaction.

Any questions regarding this RFQ must be provided in writing by February 17, 2012 to:

Shannon G. Williams
Interim Executive Director / Engineering Director
The Harrisburg Authority
shannon.williams@hbgauthority.com

Parties interested in this RFQ MUST NOT contact any officials or related parties of THA, the Receiver, the City, the Commonwealth of Pennsylvania, or their advisors with regard to this opportunity, except for the Interim Executive Director of THA, provided that through THA and pursuant to an executed and delivered confidentiality agreement, Selected Interested Parties (after designation by the the Receiver, in consultation with THA) may have access to THA management and consulting engineers for the conduct of due diligence. All parties are advised that unauthorized contacts with officials or related parties of THA, Receiver, the City or the Commonwealth of Pennsylvania may result in elimination of a party from this RFQ process.

3.1. Submission Requirements for SOQs

The SOQ submitted by an Interested Party must contain the following elements:

- A. Cover Letter: The Interested Party must provide a cover letter of no more than two pages indicating its desire to be considered for the transaction and stating the official names and roles of all major participants, including the manager and/or operator.
- B. Table of Contents
- C. Executive Summary, including an outline of your concept for management and/or operation of the Water System, the Sewer System or both Systems combined.
- D. Contact Person: Provide a single contact person for all further communication relating to the SOQ. The contact person is to be the sole point of contact between the Interested Party and the Interim Executive Director of THA.
- E. Legal Structure: Identify the legal structure of the government, agency, authority, firm or consortium of firms making the SOQ (e.g., corporation, partnership, joint venture limited liability company, governmental entity, etc.).
- F. Organizational Structure: Identify the organizational structure for the project (manager and/or operator) and how each principal (e.g., major shareholder, member, partner, government, agency or authority) and major subcontractor in the structure fit into the overall team. If the Interested Party is organized as a consortium or similar entity, please identify each member and provide a description of each member. If a governance agreement for a consortium has been agreed, please provide a copy of that agreement. Otherwise, please provide an indicative description of the role and proportional financial interest of each consortium member. This description should identify the party with

controlling interest and the identity of each member expected to have more than a five percent interest in the consortium. With the consent of the the Receiver in consultation with THA, Interested Parties or Selected Interested Parties may add or delete consortium members prior to the completion of any transaction. In such instances, notification of changes should promptly be submitted to the Interim Executive Director of THA.

- G. Experience: Describe the experience of the firm or consortium providing the SOQ and the key principals involved in the Proposed Transaction. Relevant experience includes operations and maintenance experience with water, wastewater and/or stormwater facilities in North America of comparable or larger size and complexity. Describe the length of time in business, business experience, public sector experience, and other engagements of the firm or consortium.
- H. Key Personnel: Provide a listing of key personnel to be involved in due diligence, negotiation, financing, to the extent applicable, and the management and/or operation, their affiliation, roles and biographical background demonstrating their ability to undertake the roles assigned. If the Interested Party is organized as a consortium, please identify the key personnel for each member of the consortium.
- I. List of Advisors: Provide a complete list of all advisors, including, without limitation, legal, financial and technical professionals, consultants and other service providers to be used in the Proposed Transaction. This list must be updated throughout the course of the transaction process.
- J. Compliance with Regulatory Requirements: Provide record of compliance with environmental and OSHA regulations for comparable water, wastewater and/or stormwater facilities. Include a record of any relevant criminal investigation or conviction, material pending litigation, regulatory or civil enforcement action ordered, pending or settled at any local, state, or federal level.
- K. References: Provide at least three references from governmental units.
- L. Financial Capability: Discuss the necessity of raising funds to manage and/or operate the Water System, the Sewer System or both Systems combined and your capability to raise the funds needed including, if you intend to propose an immediate upfront payment or payments and/or annual or other periodic payments during the term of the Agreement, the source of such funds. If you propose to finance any portion of your Proposed Transaction, provide three years of audited financial statements and most recent rating agency reports, if available, in an appendix, and outline your proposed plan of finance. Discuss your financial capability to operate the Water System, the Sewer System or both Systems combined.
- M. Insurance: Provide evidence of your ability to obtain adequate insurance.

- N. Due Diligence: Outline any due diligence process that you may request.
- O. Procurement Schedule: Provide comments on the Procurement Schedule presented in Section 4.2, and your ability to comply with such Schedule.
- P. Conflicts of Interest: Discuss any conflicts of interest or potential or perceived conflicts of interest that may arise from your management and/or operation of the Water System, the Sewer System or both Systems combined, and how you would propose to resolve them.
- Q. Executed confidentiality agreement in the form attached at Exhibit I, if not previously provided.

3.2. Submission Requirements for Selected Interested Parties

Upon selection as a Selected Interested Party, each Selected Interested Party may be requested to provide the following which will form the bases for negotiations. The Receiver in consultation with THA reserves the right to request of all Selected Interested Parties any additional information believed to be relevant to successful negotiations. Timing and deadlines for such submissions will be subject to change. Previously designated Selected Interested Parties may be disqualified if such party failed to disclose material information or if any concerns arise with respect to its integrity or reputation.

- A. Detailed Term Sheet: Provide a detailed term sheet containing the key terms, conditions and assumptions for the management and/or operation of the Water System, the Sewer System or both Systems combined. All benefits to be derived should be described in detail. Discuss major uncertain items that may affect the price terms, including disposition of liabilities, permit assignment, and any other item or issue that could have an impact in excess of \$500,000.
- B. Upfront and/or Annual Payments: Based on the terms and assumptions in the detailed term sheet, provide an estimate of upfront and/or annual or other periodic payments during the term of the Proposed Transaction you would be prepared to make, which is subject to negotiation of the terms and conditions and the results of your due diligence. Also indicate the extent to which any of such payments are guaranteed and by whom and the nature of financial assurance that will stand behind the guaranty. For payments which are projected and not guaranteed, provide cash flows, sources and uses of funds and assumptions that support those projections.
- C. Operational Capabilities: Explain your technical approach to operating the Water System, the Sewer System or both Systems combined. This can include statements regarding operations and maintenance, capital improvements and updated technology and system efficiency.
- D. Labor: Describe your plan for supplying the labor needed to support your Proposed Transaction.

- E. Conceptual Approach: Based on the financial and technical approach, expand on the outline of the concept provided in the Executive Summary of your SOQ to provide a more detailed description of the structure of your Proposed Transaction..
- F. Cash Flow: Submit a financial model(s) that provides detailed lifecycle cash flows, including all fees, incentives, interest and cost of money charges and other payments which, directly or indirectly, will be paid to, or for the benefit of, the Selected Interested Party or any affiliate. As appropriate for your approach, include a description of secure handling, segregation and flow of system revenues (Water System, Sewer System or both Systems combined) between contracting parties, in a manner that will enhance any financings necessary.
- G. Disadvantaged Businesses/Small Businesses in Enterprise Zones: Describe participation or anticipated participation by small disadvantaged businesses or small businesses located in enterprise zones in your Proposed Transaction. Those programs are further defined in Sections 5.5 and 5.6 of this RFQ.
- H. Additional Information: From time to time, additional information as is deemed relevant and material may be requested.

3.3. Evaluation Procedures and Criteria for Selection of Party for Final Negotiations

Upon completion of any due diligence, submission of information under Section 3.2 and negotiations conducted with the Selected Interested Parties, Selected Interested Parties may be requested to submit in writing any final provisions regarding the Proposed Transaction. The results of the negotiations, the information provided by the Selected Interested Parties under paragraphs 3.1 and 3.2 of this RFQ, any final provisions with respect to the proposed transactions, and any other information the evaluators deem relevant to selection of the successful offeror will be reviewed and a determination made as to which Proposed Transaction presents the best overall value to the Receiver on behalf of the City considering such factors as:

Technical Capability

- a. Operations and Maintenance
- b. Management
- c. Customer service
- d. Plan for labor
- e. Experience in capital improvements and water or sewer technology
- f. Safety and security
- g. Transition planning and execution
- h. Track record in cost control, revenue enhancement and facility profitability
- i. Planned use of small disadvantaged and enterprise zone businesses

Financial Value and Capability

- a. The value of any proposed upfront payment, annual or other periodic payments during the term of the Proposed Transaction, capital improvements and/or service of residual debt.

- b. Ability to make any upfront payment, annual or other periodic payments during the term of the Proposed Transaction, capital improvements and/or service of residual debt
- c. Ability to raise financing without contingencies and evidence that any financing is supported by a recognized and reputable party
- d. Ability to produce adequate sources of operating capital for the Water System, the Sewer System or both Systems combined similar in size and scope to the Proposed Transaction (if applicable)

Technical Capability and Financial Value and Capability are of equal importance. A Proposed Transaction that is evaluated lower in Technical Capability but higher in Financial Value and Capability or a Proposed Transaction that is evaluated higher in Technical Capability but lower in Financial Value and Capability may be selected. As previously noted, the Receiver has the responsibility to make decisions about various City assets and operational issues and the Receiver intends to reach final decisions with respect to this RFQ by applying criteria that benefits the overall operating revenues and debt structure of the City and THA.

Information submitted by Interested Parties will be confidential, to the extent permitted by law. The Receiver and THA will take the position that information submitted by Interested Parties and Selected Interested Parties is “financial information of a bidder or offeror requested in an invitation for bid or request for proposals to demonstrate the bidder’s or offeror’s economic capability,” and that such information is exempt from disclosure under the Pennsylvania Right to Know Law. The Receiver and THA, however, cannot guarantee the success of the assertion of that exemption in response to a request for access to such information.

4. RFQ SUBMISSION INSTRUCTION AND SCHEDULE

4.1. Submission Instructions

An Interested Party’s SOQ must be delivered by 4:00 pm March 5, 2012 to the address shown below. An electronic copy of the SOQ, and all other written submissions in response to this RFQ, should be sent to shannon.williams@hbgauthority.com, with 2 hard copies to:

Shannon G. Williams
Interim Executive Director / Engineering Director
The Harrisburg Authority
212 Locust Street, Suite 302
Harrisburg, PA 17102
shannon.williams@hbgauthority.com

Receipt of each submission will be acknowledged to the Contact Person by e-mail.

4.2. Preliminary Procurement Schedule

The intent of this RFQ is to have a final, signed agreement in place and closed by June 15, 2012, although this date is subject to change. All other dates or deadlines indicated below are subject to change. Notice of changes to the below schedule will be provided to all Interested

Parties or Selected Interested Parties, as the case may be. Interested Parties and Selected Interested Parties should be prepared to respond to all communications on an expedited basis.

Issue RFQ and Begin to Receive Confidentiality Agreements from Potentially Interested Parties	February 7, 2012
Open Electronic Data Room for Preliminary Due Diligence	February 8, 2012
Pre-Submission Meeting	February 15, 2012
Final Date for Receipt of Questions Regarding the RFQ	February 17, 2012
Final Date for Response to Questions from Potentially Interested Parties	February 24, 2012
Final Date for Receipt of SOQs	March 5, 2012
Identify and Notify Selected Interested Parties	March 19, 2012
Final Date for Receipt of Section 3.2 Submissions by Selected Interested Parties	April 9, 2012
Begin Negotiations with Selected Interested Parties	April 16, 2012
Select Successful Selected Interested Party	May 4, 2012
Execute Final Agreement	June 11, 2012
Close Transaction Including Funding	June 15, 2012

5. ADDITIONAL RFQ PROVISIONS

5.1. Antbid-Rigging

Bid-rigging, collusion, or any other anticompetitive activity is prohibited under the Pennsylvania Procurement Act (62 Pa. Cons. Stat. § 562; 62 Pa. Cons. Stat. § 4501 *et seq.*).

5.2. No Suspension or Debarment.

By submitting the information called for by Section 3.1 (Interested Party) or 3.2 (Selected Interested Party) of this RFQ, the party submitting the information certifies that neither it nor those within its Organizational Structure (see Section 3.1) are under suspension or debarment by any governmental entity, instrumentality, or authority.

5.3 No Gratuities.

Interested Parties and Selected Interested Parties shall not offer, give, or agree or promise to give any gratuity to any representative of the Receiver or THA or to any other person at the direction or request of any representative of the Receiver or THA. “Gratuity” means tendering, giving or providing anything of more than nominal monetary value including, but not limited to, cash, travel, entertainment, gifts, meals, lodging, loans,

subscriptions, advances, deposits of money, services, employment, or contracts of any kind.

5.4 No Pecuniary Benefit.

An Interested Party or Selected Interested Party shall not, directly or indirectly, offer, confer, or agree to confer any pecuniary benefit on anyone as consideration for the decision, opinion, recommendation, vote, other exercise of discretion, or violation of a known legal duty by THA or the Receiver in connection with this RFQ

5.5 Disadvantaged Business Information

The Receiver in consultation with THA encourages participation by Small Disadvantaged Businesses as principals, consortium members or subcontractors/suppliers and by socially disadvantaged businesses as principals.

Small Disadvantaged Businesses are small businesses that are owned or controlled by a majority of persons, not limited to members of minority groups, who have been deprived of the opportunity to develop and maintain a competitive position in the economy because of social disadvantages. The term includes:

- a. Pennsylvania Department of General Services Bureau of Minority and Women Business Opportunities (BMWBO)-certified minority business enterprises (MBEs) and women business enterprises (WBEs) that qualify as small businesses; and
- b. United States Small Business Administration-certified 8(a) Small Disadvantaged Business concerns.
- c. Businesses that BMWBO determines meet the Small Business Administration criteria for designation as a Small Disadvantaged Business.

Small businesses are businesses in the United States that are independently owned, are not dominant in their field of operation, employ no more than 100 full-time or full-time equivalent persons and earn less than \$20 million in gross annual revenues (\$25 million in gross annual revenues for those businesses in the information technology sales or service business).

Socially disadvantaged businesses are businesses in the United States that BMWBO determines are owned or controlled by a majority of persons, not limited to members of minority groups, who are subject to racial or ethnic prejudice or cultural bias, but which do not qualify as small businesses. In order for a business to qualify as “socially disadvantaged,” the Contractor must include in its proposal clear and convincing evidence to establish that the business has personally suffered racial or ethnic prejudice or cultural bias stemming from the business person’s color, ethnic origin or gender.

A database of minority and women-owned businesses certified by the Bureau of Minority and Women Business Opportunities of the Pennsylvania Department of General Services is located at <http://www.dgsweb.state.pa.us/mbewbe/VendorSearch.aspx>.

A federal vendor database can be accessed at <http://www.ccr.gov> by clicking on *Dynamic Small Business Search* (certified companies are so indicated).

5.6 Information Concerning Small Businesses in Enterprise Zones

The Receiver in consultation with THA encourages participation by small businesses, whose primary or headquarters facility is physically located in areas the Commonwealth has identified as *Designated Enterprise Zones*, as principals, consortium members or subcontractors/suppliers and by socially disadvantaged businesses as principals.

The definition of headquarters includes, but is not limited to, an office or location that is the administrative center of a business or enterprise where most of the important functions of the business are conducted or concentrated and location where employees are conducting the business of the company on a regular and routine basis so as to contribute to the economic development of the geographical area in which the office or business is geographically located.

Small businesses are businesses in the United States that are independently owned, are not dominant in their field of operation, employ no more than 100 full-time or full-time equivalent persons and earn less than \$20 million in gross annual revenues (\$25 million in gross annual revenues for those businesses in the information technology sales or service business).

5.7 Confidential Information

In addition to any Confidential Information delivered to an Interested Party, clarifications, discussions or negotiations that have occurred or are occurring with an Interested Party or a Selected Interested Party regarding a Proposed Transaction, and the status of any such clarifications, discussions or negotiations, during the course of this RFQ process may be publically disclosed by an Interested Party or a Selected Interested Party only with the advance written consent of the Receiver in consultation with THA. A violation of this requirement of confidentiality may be cause for an Interested Party or Selected Interested Party's exclusion from this RFQ.

EXHIBIT I

Confidentiality Agreement

February __, 2012

[Insert name, address and contact of potential transaction party]

Ladies and Gentlemen:

In connection with your consideration of a potential operation and/or management transaction (the "Transaction") involving The Harrisburg Authority ("THA") and the City of Harrisburg (the "City")-owned and operated Water and Sewer Systems, and in furtherance of responses to Request for Qualifications No. XXXXX issued by the Receiver for the City of Harrisburg (the "Receiver") in consultation with THA, you have requested the right to review certain non-public information regarding THA and the Water and Sewer Systems (herein referred to as the "Confidential Information"). In consideration of our furnishing you with the Confidential Information, and as a condition to such disclosure, you agree as follows:

1. The Confidential Information will be used by you solely for the purpose of your evaluation of the desirability of your entering into a Transaction with the Receiver involving the Water System, the Sewer System, or the Systems combined, and for no other purpose.
2. You shall keep all Confidential Information secret and confidential and shall not, without the prior written consent of the Receiver, disclose it to anyone except to a limited group of your own employees, directors, officers, agents and outside advisors ("Representatives") who are actually engaged in, and need to know such Confidential Information to perform the evaluation referred to above, each of whom must be advised of the confidential nature of the Confidential Information and of the terms of this Agreement and must agree to abide by such terms. In any event, you agree to undertake reasonable precautions to safeguard and protect the confidentiality of the Confidential Information, to accept responsibility for any breach of this letter agreement by any of your Representatives, and at your sole expense to take all reasonable measures to restrain your Representatives from prohibited or unauthorized disclosure or uses of the Confidential Information.
3. Upon any termination of your pursuit of a Transaction with the Receiver or upon notice from the Receiver to you (i) you will either return or destroy (including, to the extent practicable, expunging all such Confidential Information from any computer, word processor or other device containing such information) the Confidential Information which is in tangible form, including any copies which you may have made, and you will destroy (including, to the extent practicable, expunging all such Confidential Information from any computer, word processor or other device containing such information) all abstracts, summaries thereof or references thereto in your documents, and certify to us in writing that you have done so, and (ii) neither you nor your Representatives will use any of the Confidential Information with respect to, or in furtherance of, your business, any of their respective businesses, or in the business of anyone else, whether or not in competition with the Receiver or THA, or for any other purpose whatsoever. No such termination will affect your obligations hereunder or those of your Representatives.

4. Confidential Information includes not only written information but also information transferred orally, visually, electronically or by any other means. Confidential Information includes all analyses, compilations, forecasts, studies or other documents prepared by you or your Representatives in connection with your pursuit of a Transaction. Confidential Information does not include any information which was publicly available prior to your receipt of such information or thereafter became publicly available (other than as a result of disclosure by you or any of your Representatives). Information shall be deemed “publicly available” if it becomes a matter of public knowledge or is contained in materials available to the public or is obtained by you or your Representatives from any source other than the Receiver, THA or the representatives of either, including, without limitation, the Receiver’s financial advisor for the Transaction; provided, that such source is not to your knowledge prohibited from disclosing such information by a legal, contractual or fiduciary obligation to the Receiver or THA and did not obtain the information from an entity or person prohibited from disclosing such information by a legal, contractual or fiduciary obligation to the Receiver or THA.

5. You understand that we have endeavored to include in the Confidential Information those materials which we believe to be reliable and relevant for the purpose of your evaluation, but you acknowledge that neither the Receiver nor THA nor the Receiver’s financial advisor nor any of their respective representatives make any representation or warranty, express or implied, at law or in equity, as to the accuracy or completeness of the Confidential Information, or any other information furnished to you, and you agree that such persons shall have no liability to you or any of your Representatives resulting from any use of the Confidential Information or such other information. You understand and acknowledge that you may not rely on the accuracy or completeness of the Confidential Information and that you may rely solely on those representations and warranties, if any, that are made to you in a definitive agreement regarding the Transaction when, as and if it is executed, subject to such limitations and restrictions as may be specified in such definitive agreement. You acknowledge that the Receiver and THA and their representatives shall be free to take such actions regarding any possible Transaction and the dissemination of Confidential Information that they, in their sole discretion, shall determine including, without limitation, negotiating with any other party and entering into a definitive transaction agreement with any other party without prior notice to you or any other person or discontinuing discussions or negotiations with you or any other party at any time for any reason or for no reason. You understand that the Confidential Information is not being furnished for use in an offer or sale of securities of THA or the City and is not designed to satisfy the requirements of federal or state securities laws in connection with any offer or sale of such securities to you.

6. In the event that you or any of your Representatives is requested in any proceeding to disclose any of the Confidential Information, you will provide the Receiver and THA with prompt prior written notice so that the Receiver and/or THA may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement. In the event that the Receiver and/or THA is unable to obtain such protective order or other appropriate remedy, you will furnish only that portion of the Confidential Information which you are advised by a written opinion of counsel is legally required, you will give the Receiver and THA written notice of the information to be disclosed as far in advance as practicable, and you will exercise your best efforts to obtain a protective order or other reliable assurance that confidential treatment will be accorded the Confidential Information so disclosed.

7. To the extent that any Confidential Information may include materials subject to the attorney-client privilege, work product doctrine or any other applicable privilege concerning pending or threatened legal proceedings or governmental investigations, you, the Receiver, and THA understand and agree that you, the Receiver and THA have a commonality of interest with respect to such matters and it is the Receiver's, THA's and your desire, intention and mutual understanding that the sharing of such material is not intended to, and shall not, waive or diminish in any way the confidentiality of such material or its continued protection under the attorney-client privilege, work product doctrine or other applicable privilege. All Confidential Information provided that is entitled to protection under the attorney-client privilege, work product doctrine or other applicable privilege shall remain entitled to such protection under these privileges, this agreement, and under the joint defense doctrine.

8. The fact that such Confidential Information has been delivered to you, that discussions or negotiations have occurred or are occurring with you regarding a possible Transaction, and the status of any such discussions or negotiations, are considered Confidential Information for purposes of this Agreement until such time as, and then only to the extent that, the Receiver or THA makes such information public.

9. Unless you consummate a Transaction with the Receiver, you agree that for a period of one year, you will not, directly or indirectly, solicit for employment or hire (a) any senior management or (b) any employee of THA or agents or representatives of the Receiver with whom you have had contact or who became known to you in connection with your evaluation of a possible Transaction. Such one-year period shall be measured from, and expire one year following, the later of (i) the date of this letter agreement or (ii) the date of last contact by you or any of your Representatives with any officer or employee for purposes hereof.

10. During the course of your evaluation, all inquiries and other communications are to be made directly to the Interim Executive Director of THA or to such representatives of THA as the Interim Executive Director of THA, with the approval of the Receiver, may specify to you. Accordingly, you agree not to directly or indirectly contact or communicate with any executive or other employee of THA concerning a possible Transaction, or to seek any information in connection therewith or about THA from such person, without the express written consent of the Interim Executive Director of THA with the approval of the Receiver.

11. Notwithstanding anything provided herein and any express or implied claim of exclusivity or proprietary rights, each party hereto hereby authorizes each other party hereto (and each of their representatives) to disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the Transaction contemplated hereby and all materials of any kind (including opinions and other tax analyses) that are provided to any of them relating to such tax treatment and tax structure. For purposes hereof, "tax treatment" means the purported or claimed U.S. federal income tax treatment of the Transaction and "tax structure" means any fact that may be relevant to understanding the purported or claimed U.S. federal income tax treatment of the Transaction.

12. Without impairing any other provision hereof, you will promptly advise the Receiver and THA of any prohibited disclosure or other breach of this Agreement.

13. You understand and agree that money damages would not be a sufficient remedy for any breach of this Agreement by you or your Representatives, and that Seller, its agents and representatives shall be entitled to specific performance and/or injunctive relief as a remedy for any such breach. Such remedy shall not be deemed to be the exclusive remedy for any such breach of this Agreement but shall be in addition to all other remedies available at law or in equity. You further agree that no failure or delay by the Receiver, THA or their representatives in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege under this Agreement.

14. Nothing in this Agreement shall impose any obligation upon you or us to consummate a Transaction or to enter into any discussion or negotiations with respect thereto.

15. Should any one or more of the provisions of this letter agreement be found to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby. In addition, if any provision of this letter agreement shall be found to be invalid, illegal or unenforceable under applicable law, such provision shall be deemed to be modified to the minimum extent necessary to make such provision legal, valid and enforceable.

16. This agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, applicable to contracts made and to be performed therein. The parties hereto irrevocably and unconditionally consent to and submit to the exclusive jurisdiction of, and venue in, the courts of the Commonwealth of Pennsylvania located in the City of Harrisburg, Pennsylvania and of the United States of America located in the City of Harrisburg, Pennsylvania for any actions, suits or proceedings arising out of or relating to this agreement and the transactions contemplated hereby.

REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK

If you are in agreement with the foregoing, please sign and return the enclosed copy of this letter which will constitute our agreement with respect to the subject matter of this letter as of the date first above written.

Very truly yours,

RECEIVER FOR THE CITY OF HARRISBURG

Name

Title

THE HARRISBURG AUTHORITY

Name

Title

AGREED AND ACCEPTED TO:
[Name of Interested Party]

By: _____

Its: _____