

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

C. Alan Walker, in his capacity as  
Secretary for the Department of  
Community and Economic  
Development,

Petitioner,

v.

City of Harrisburg,

Respondent

No. 569 M.D. 2011

RECEIVED & FILED  
COMMONWEALTH COURT  
OF PENNSYLVANIA  
2013 DEC 20 P 3:46

**NOTICE OF FILING OF CERTAIN ADDITIONAL SUPPLEMENTAL  
EXHIBITS TO MODIFIED RECOVERY PLAN AND REQUEST FOR  
APPROVAL AND FINDING OF EFFICACY OF PLAN DOCUMENTS**

On August 26, 2013, William B. Lynch, in his capacity as the receiver for the City of Harrisburg, Pennsylvania (together with any predecessor or successor thereof, the “Receiver”), caused to be filed with the Court in the above-styled action the modified recovery plan for the City of Harrisburg (the “Harrisburg Strong Plan” or “Plan”) and also caused to be filed certain exhibits to the Plan (collectively referred to as the “Strong Plan Exhibit Book”). Thereafter, on September 19, 2013, the Receiver filed certain amended and supplemental exhibits to the Plan (the “First Supplemental Plan Documents”). On December 18, 2013,

the Receiver filed certain additional supplemental exhibits to the Plan (the “**Second Supplemental Plan Documents**”). Thereafter, the Receiver caused to be filed a third set of supplemental exhibits to the Harrisburg Strong Plan (the “**Third Supplemental Plan Documents**”) and a fourth set of supplemental exhibits to the Harrisburg Strong Plan (the “**Fourth Supplemental Plan Documents**”).

NOTICE IS HEREBY GIVEN that, through counsel, the Receiver hereby causes to be filed certain further additional supplemental exhibits to the Harrisburg Strong Plan, more fully identified below (the “**Fifth Supplemental Plan Documents**”). The documents and agreements submitted as part of the Strong Plan Exhibit Book, the First Supplemental Plan Documents, the Second Supplemental Plan Documents, the Third Supplemental Plan Documents, the Fourth Supplemental Plan Documents and the Fifth Supplemental Plan Documents may collectively be referred to herein as the “**Plan Documents.**”

In addition, in recognition and furtherance of this Court’s September 23, 2013 Order (“**Plan Approval Order**”) confirming the Plan, which approves the various key components of the Plan and provides, among other things, that the Receiver and/or the City of Harrisburg (“**City**”), including all elected and appointed officials, as applicable, are “authorized and required to take action necessary to effectuate” the various key components of the Plan, “including,

without limitation and as applicable, finalizing and executing any relevant agreements, resolutions, ordinances and any other necessary documentation”, Plan Approval Order at e.g. pp. 7-8, ¶¶ C-F, the Receiver respectfully asks the Court to approve the Fourth Supplemental Plan Documents, as executed and submitted to the Court, as compliant with and in furtherance of the Plan and to affirm the force and effect of the Fourth Supplemental Plan Documents as executed. A proposed form of order approving this request is attached hereto as **Exhibit A**.

The Fifth Supplemental Plan Documents are more specifically identified as follows:

A. **Paragon Industries & Supplies Settlement Agreement.** **Paragon Industries and Supplies, LLC (“Paragon”)** has asserted a claim for certain services in conjunction with the completion of the retrofit of the Incinerator.<sup>1</sup> A settlement of this claim has been reached, the terms of which are memorialized in a written settlement agreement (the “**Paragon Settlement Agreement**”). The Paragon Settlement Agreement is attached hereto as **Exhibit 35**. It shall be incorporated as **Exhibit 35** to the Harrisburg Strong Plan and included as **Exhibit 35** to the Strong Plan Exhibit Book. The

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<sup>1</sup> Capitalized terms not defined herein shall have the meaning ascribed to such terms in the Plan.

Paragon Contracting Settlement Agreement is submitted pursuant to Part Six, Section C.2.c of the Plan.

B. **Suburban Claimants Settlement Agreement.** Certain municipalities referred as the “**Suburban Claimants**” have asserted claims related to sewer rates charged by the City to the Suburban Claimants and the City’s use of those funds. A settlement of these claims has been reached, the terms of which are memorialized in a written settlement agreement (the “**Suburban Claimants Settlement Agreement**”). The Suburban Claimants Settlement Agreement is attached hereto as Exhibit 36. It shall be incorporated as Exhibit 36 to the Harrisburg Strong Plan and included as Exhibit 36 to the Strong Plan Exhibit Book. The Suburban Claimants Settlement Agreement is submitted pursuant to Part Six, Section E.4 of the Plan.

Respectfully submitted,

**McKenna Long & Aldridge, LLP**

Date: December 20, 2013

By:

*Joseph Krolikowski, by Helen J. ...*  
Joseph Krolikowski, Esq. *with express consent*  
Pennsylvania Bar No. 26300  
303 Peachtree Street, NE, Suite 5300  
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Mark Kaufman, Esq.  
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mkaufman@mckennalong.com  
schandler@mckennalong.com

**Attorneys for William B. Lynch, in his  
official capacity as Receiver for the City  
of Harrisburg**

1950年10月1日  
昭和二十五年十月一日

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

C. Alan Walker, in his capacity as  
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**[PROPOSED] ORDER APPROVING PLAN DOCUMENTS AND  
AFFIRMING EFFICACY OF PLAN DOCUMENTS**

AND NOW, this \_\_\_\_\_ day of December, 2013, upon consideration of the request by William B. Lynch, the Receiver for the City of Harrisburg (“Receiver”) in his Notice of Filing of Certain Amended and Supplemental Exhibits to Modified Recovery Plan and Request for Approval and Finding of Efficacy of Plan Documents (the “December 20 Notice of Filing”) in connection with which the Receiver submitted to the Court certain Fourth

Supplemental Plan Documents<sup>1</sup>, the Court hereby FINDS and CONCLUDES as follows:

A. The relief requested in the December 20 Notice of Filing is GRANTED.

B. In recognition and furtherance of this Court's September 23, 2013 Order ("Plan Approval Order") confirming the Harrisburg Strong Plan ("Plan"), which approves the various components of the Plan and provides, among other things that the Receiver and/or the City of Harrisburg ("City") are "authorized and required to take action necessary to effectuate" the various key components of the Plan, "including, without limitation and as applicable, finalizing and executing any relevant agreements, resolutions, ordinances and any other necessary documentation", Plan Approval Order at e.g. pp. 7-8, ¶¶ C-F, the Court hereby CONCLUDES and ORDERS:

1. in recognition and furtherance of the Plan Approval Order, the Fourth Supplemental Plan Documents are hereby APPROVED as compliant with and in furtherance of the Plan and the Plan Approval Order; and
2. in recognition and furtherance of the Plan and the Plan Approval Order, the Court hereby affirms the force and effect of the Fourth

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<sup>1</sup> Capitalized terms not defined herein shall have the meaning of such terms set forth in the December 20 Notice of Filing.



Supplemental Plan Documents, as executed and submitted to the  
Court.

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BONNIE BRIGANCE LEADBETTER,  
Judge

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

C. Alan Walker, in his capacity as  
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v.

City of Harrisburg,

Respondent

No. 569 M.D. 2011

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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that, through counsel, William B. Lynch, in his capacity as Receiver for the City of Harrisburg, caused true and correct copies of the **NOTICE OF FILING OF CERTAIN ADDITIONAL SUPPLEMENTAL EXHIBITS TO MODIFIED RECOVERY PLAN AND REQUEST FOR APPROVAL AND FINDING OF EFFICACY OF PLAN DOCUMENTS** to be served, via first class mail, postage prepaid upon the individuals identified on Exhibit A hereto at the addressees indicated on Exhibit A.

Dated: December 20, 2013

Respectfully submitted,

McKenna Long & Aldridge LLP

By: Joseph Krolkowski, by David Johnson  
Joseph Krolkowski, Esq. *with express consent*  
Pennsylvania Bar No. 26300  
303 Peachtree Street, NE, Suite 5300  
Atlanta, GA 30308  
Phone: (404) 527-4000  
Fax: (404) 527-4198  
jkrolkowski@mckennalong.com

Attorneys for William B. Lynch, in his official  
capacity as Receiver for the City of Harrisburg

EXHIBIT A

The Honorable C. Alan Walker  
 Department of Community and Economic  
 Development  
 Commonwealth Keystone Building  
 400 North Street, 4th Floor  
 Harrisburg, PA 17120  
 (866) 466-3972

The Honorable Linda Thompson  
 Mayor of the City of Harrisburg  
 Dr. Martin Luther King, Jr.  
 Government Center  
 10 North 2nd Street  
 Harrisburg, PA 17101  
 (717) 255-3040

The Harrisburg City Council  
 c/o Kirk Petroski, Chief City Clerk  
 Office of City Clerk/City Council  
 Dr. Martin Luther King, Jr. Government  
 Center  
 10 North Second Street, Suite 1 Lower  
 Level  
 Harrisburg, PA 17101  
 (717) 258-6500

Neil Anthony Grover  
 Attorney at Law  
 2201 N 2nd St  
 Harrisburg, PA 17110  
 (717) 260-9651  
*(Attorney for the Harrisburg City  
 Council)*

Kenneth W. Lee  
 Post & Schell, P.C.  
 17 North Second Street  
 12th Floor  
 Harrisburg, PA 17101  
 (717) 612-6035  
*(Attorneys for the Mayor of the City of  
 Harrisburg)*

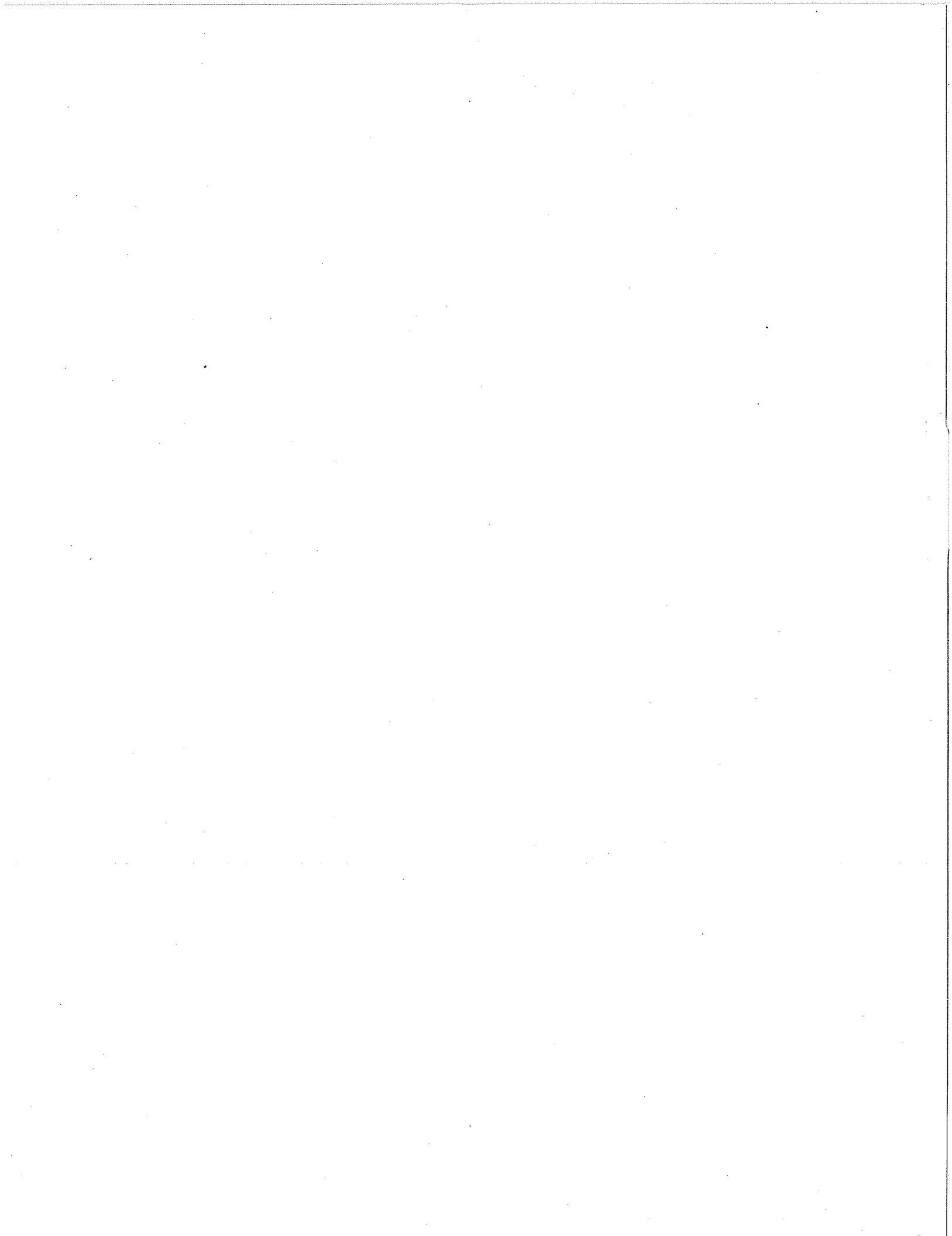
Brian Allen Kint  
 Cozen O'Connor  
 1900 Market St  
 Philadelphia, PA 19103  
 (215) 665-4686  
*(Attorneys for C. Alan Walker, DCED  
 Secretary)*

Scott T. Wyland  
 Salzmann Hughes PC  
 105 N. Front Street, Suite 205  
 Harrisburg, PA 17101  
 (717) 249-6333  
*(Attorneys for certain Suburban  
 Municipalities)*

Eric Louis Scherling  
 Cozen O'Connor  
 1900 Market St  
 Philadelphia, PA 19103  
 (215) 665-2042  
*(Attorneys for C. Alan Walker, DCED  
 Secretary)*

|  |  |
|--|--|
| <p>Jeffrey G. Weil<br/> Neal David Colton<br/> Stephen Aaron Miller<br/> Cozen O'Connor<br/> 1900 Market St<br/> Philadelphia, PA 19103<br/> (215) 665-2060<br/> <i>(Attorneys for C. Alan Walker, DCED Secretary)</i></p> | <p>Edward Lee Stinnett, II<br/> Salzmann Hughes PC<br/> 105 N. Front Street, Suite 205<br/> Harrisburg, PA 17101<br/> (717) 249-6333<br/> <i>(Attorneys for certain Suburban Municipalities)</i></p> |
| <p>Nevin J. Mindlin<br/> 2550 N. 3rd Street<br/> Harrisburg, PA 17110<br/> (717) 238-8705<br/> <i>(Debt Watch Harrisburg)</i></p>  | <p>Lee E. Morrison<br/> 420 Lamp Post Lane<br/> Camp Hill, PA 17011<br/> (717) 761-9090<br/> <i>(Attorney for Harrisburg City Council)</i></p>   |
| <p>Markian Roman Slobodian<br/> Law Offices of Markian R. Slobodian<br/> 801 N 2nd St<br/> Harrisburg, PA 17102—3213<br/> (717) 232-5180<br/> <i>(Attorneys for Ambac Assurance Corporation)</i></p>                       | <p>Marck Joachim<br/> Arent Fox LLP<br/> 1050 Connecticut Ave., NW<br/> Washington, DC 20036<br/> (202) 857-6018<br/> <i>(Attorneys for Ambac Assurance Corporation)</i></p>                         |
| <p>Howard B. Klein<br/> Law Office of Howard Bruce Klein, P.C.<br/> 1700 Market Street, Suite 3025<br/> Philadelphia, PA 19103<br/> (215) 972-1411<br/> <i>(Attorneys for David Unkovic)</i></p>                           | <p>Geoffrey R. Johnson<br/> Sprague &amp; Sprague<br/> 1110 Wellington Road<br/> Jenkintown, PA 19046<br/> (215) 490-7436<br/> <i>(Attorneys for Mark D. Schwartz)</i></p>                           |

|   |  |
|---|--|
| <p>Daniel L. Sullivan<br/> Saidis, Flower &amp; Lindsay<br/> Saidis Sullivan &amp; Rogers<br/> 26 W High St<br/> Carlisle, PA 17013<br/> (717) 243-6222<br/> <i>(Attorneys for County of Dauphin)</i></p>   | <p>Charles B. Zwally<br/> Ronald L. Finck<br/> Mette, Evans &amp; Woodside<br/> 3401 N Front St<br/> PO Box 5950<br/> Harrisburg, PA 17110<br/> (717) 232-5000<br/> <i>(Attorneys for County of Dauphin)</i></p>                         |
| <p>Paul M. Hummer<br/> Matthew M. Haar<br/> Saul Ewing LLP<br/> Centre Square West<br/> 1500 Market Street, 38th Floor<br/> Philadelphia, PA 19102-2186<br/> (215) 972-7777<br/> <i>(Attorneys for Assured Guaranty<br/> Municipal Corp.)</i></p> | <p>James S. Gkonos<br/> Saul Ewing LLP<br/> Centre Square West<br/> 1500 Market Street, 38<sup>th</sup> Floor<br/> Philadelphia, PA 19102-2186<br/> (215) 972-8667<br/> <i>(Attorneys for Assured Guaranty<br/> Municipal Corp.)</i></p> |
| <p>Daniel C. Miller<br/> Harrisburg City Controller<br/> City of Harrisburg<br/> 10 N. 2nd Street – Suite 403<br/> Harrisburg, PA 17101<br/> (717) 234-2250<br/> <i>(Pro se)</i></p>  |  |



## SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT is made this 17<sup>th</sup> day of December, 2013 by and among Paragon Industries & Supply, LLC ("Paragon"), The Harrisburg Authority ("THA"), the County of Dauphin ("County"), Assured Guaranty Municipal Corp. ("Assured Guaranty"), the City of Harrisburg ("City"), and Major General William Lynch, solely in his capacity as Receiver for and on behalf of the City of Harrisburg (including any predecessor or successor thereof, the "Receiver") (collectively, the "Parties").

WHEREAS, PARAGON entered into a contract with THA to perform certain services regarding the retrofit of the Harrisburg Resource Recovery Facility ("RRF"); and

WHEREAS, PARAGON asserts that THA failed to pay PARAGON the full amount of the charges for its services; and

WHEREAS, PARAGON asserts that THA is required to pay it in excess of \$123,580.03;

WHEREAS, the City of Harrisburg ("City") has been placed under receivership pursuant to 53 P.S. §11701. 703, and the Receiver wishes to resolve all claims that could impede a global settlement with the City's creditors;

WHEREAS, Assured Guaranty and the County are among a group of major creditors of the City (collectively, the "Major Creditors") that have agreed with the Receiver on a structure for a global settlement, the general terms of which are described in the Harrisburg Strong Plan filed by the Receiver on August 26, 2013 with the Pennsylvania Commonwealth Court presiding over the City Receivership proceedings (the "Plan");

WHEREAS, the Receiver, THA, Assured Guaranty, and the County have agreed to the terms and conditions of a sale by THA of the RRF to the Lancaster County Solid Waste



Management Authority ("LCSWMA"), pursuant to the terms set forth in the Plan (the "RRF Transaction");

WHEREAS, the Receiver, Assured Guaranty and the County have also negotiated and agreed to the terms and conditions of a lease and asset transfer agreement (the "Lease") by the Harrisburg Parking Authority and the City of certain parking garages and rights relating to on-street parking (the "Parking Assets") to the Pennsylvania Economic Development Financing Authority ("PEDFA") and the authorization by the City to PEDFA of certain rights to maintain and enforce on-street parking, pursuant to the terms set forth in the Plan (the "Parking Transaction"); and

WHEREAS, the Parties wish to settle and resolve the claims made by PARAGON as part of the global settlement and resolution of the financial distress of the City;

NOW THEREFORE, the Parties signatory hereto, intending to be legally bound, and for other good and valuable consideration agree, as follows:

1. This Agreement is contingent upon the closing and distribution of funds of both the RRF Transaction and the Parking Transaction;
2. Upon the closing and distribution of funds from the RRF Transaction and the Parking Transaction described above, PARAGON shall receive the sum of Forty Nine Thousand Four Hundred Thirty Two Dollars and One Cent (\$49,432.01) (the "Settlement Amount");
3. Upon the closing of both the Parking Transaction and the RRF Transaction, PARAGON shall release THA, the County, the City, the Receiver and Assured Guaranty as set forth in this paragraph 3. Effective upon PARAGON's receipt of the Settlement Amount pursuant to the terms of this Agreement, and strictly conditioned thereupon, PARAGON, on behalf of itself and, as applicable, affiliates, successors-in-interest, assigns, members, directors

officers, employees, agents and representatives do hereby forever, fully, and completely release, acquit and discharge THA, Assured Guaranty, the City, the Receiver and the County, and their respective elected and appointed officials, directors, officers, employees, agents, representatives, successors, heirs and assigns, and their respective heirs, executors, administrators and successors-in-interest, and each and every one of them, of and from all, and all manner of, claims, actions, and causes of action, suits, debts, obligations, promises, expenses, bills, interest, liens, liabilities, dues, accounts, bonds, covenants, contracts, agreements, costs, judgments, claims and demands whatsoever, in law or in equity, or otherwise, whether known or unknown, accrued or unaccrued, which PARAGON and its respective affiliates, successors-in-interest and assigns ever had, now has, or can, shall or may in the future have against THA, Assured Guaranty, the City, the Receiver and the County, and their respective elected and appointed officials, directors, officers, employees, agents, representatives, servants, successors, heirs and assigns, and their respective heirs, executors, administrators and successors-in-interest, and each and every one of them, for, or by reason of, or in connection with the RRF. Without limiting the generality of the foregoing, PARAGON acknowledges and agrees that receipt of the Settlement Amount satisfies all payment obligations, whether principal, interest, costs or otherwise, which may be due to it from THA or the City— past, present and future — arising from or related to the work performed by PARAGON on the RRF and that PARAGON will have no liens, claims or other rights against the RRF, LCSWMA or otherwise arising from matters prior to the RRF Transaction.

4. Upon the closing of both the Parking Transaction and the RRF Transaction, each of THA, the County, the City, the Receiver and Assured Guaranty shall release PARAGON as set forth in this paragraph 4. Effective upon payment and receipt of the Settlement Amount

pursuant to the terms of this Agreement, and strictly conditioned thereupon, THA, Assured Guaranty, the City, the Receiver and the County, each on behalf of themselves and, as applicable, their respective affiliates, successors-in-interest, assigns, members, directors officers, employees, agents and representatives do hereby forever, fully, and completely release, acquit and discharge, PARAGON and its respective affiliates, directors, officers, employees, agents, representatives, successors, heirs and assigns, and their respective heirs, executors, administrators and successors-in-interest, and each and every one of them, of and from all, and all manner of, claims, actions, and causes of action, suits, debts, obligations, promises, expenses, bills, interest, liens, liabilities, dues, accounts, bonds, covenants, contracts, agreements, costs, judgments, claims and demands whatsoever, in law or in equity, or otherwise, whether known or unknown, accrued or unaccrued, which THA, Assured Guaranty, the City, the Receiver and the County and their respective affiliates, successors-in-interest and assigns ever had, now has, or can, shall or may in the future have against PARAGON and its respective directors, officers, employees, agents, representatives, servants, successors, heirs and assigns, and their respective heirs, executors, administrators and successors-in-interest, and each and every one of them, for, or by reason of, or in connection with the RRF.

5. The Parties each warrant that they have not assigned, transferred, conveyed or otherwise disposed of any claim, demand, cause of action, obligation or liability set forth in this Agreement.

6. The parties each represent and warrant, on their own behalf, that they are authorized and empowered to execute this Agreement and that such execution is sufficient, pursuant to the terms hereof, to settle, compromise and release the claims and interests settled, compromised and/or released hereby.

7. Unless extended in writing by the parties hereto, this Agreement shall terminate on the earlier of (i) abandonment by the Receiver, or failure of the Receiver to obtain court approval of the Plan, (ii) the filing of bankruptcy by the City prior to the payment of the Settlement Amount, or (iii) the failure to consummate the terms of paragraphs 1 and 2 of this Agreement by March 1, 2014. Upon termination, the Parties shall have all claims and defenses as if this Agreement had not been executed.

8. This Settlement Agreement may be signed in counterparts, all of which shall constitute one agreement binding on all Parties.

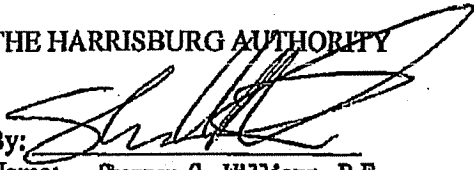
9. This Agreement and all matters arising out of or relating to this Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

10. Should any provision of this Agreement require interpretation, no party shall be considered the drafter of this Agreement, nor of any provision contained herein, for the purposes of any statute, case law, or rule of interpretation or construction, that would, or might cause, any provision to be construed or interpreted as against the drafter. The Parties acknowledge and agree that this Agreement is voluntarily entered into by the Parties as a result of arm's-length negotiations and that the Parties were represented by competent counsel in deciding to enter into this Agreement.

11. Nothing in this Agreement shall be construed against any party as an admission of liability, or of the admission of any fact, or as a concession of any matters relating to the disputes resolved hereby.

IN WITNESS WHEREOF, and intending to be legally bound hereby, the Parties have voluntarily set their hands and seals by their authorized representatives as of the date written above.

THE HARRISBURG AUTHORITY

By:   
Name: Shannon G. Williams, P.E.  
Title: Executive Director

WILLIAM LYNCH, SOLELY IN HIS  
CAPACITY AS RECEIVER FOR THE CITY  
OF HARRISBURG

By: \_\_\_\_\_  
Name: William Lynch  
Title: Receiver for the City of Harrisburg

THE COUNTY OF DAUPHIN,  
PENNSYLVANIA

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ASSURED GUARANTY MUNICIPAL  
CORP.

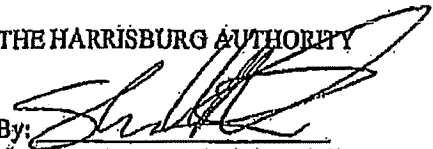
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

PARAGON INDUSTRIES & SUPPLY, LLC

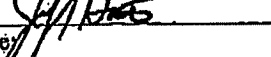
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IN WITNESS WHEREOF, and intending to be legally bound heroby, the Parties have voluntarily set their hands and seals by their authorized representatives as of the date written above.

THE HARRISBURG AUTHORITY

By:   
Name: Shannon G. Williams, P.E.  
Title: Executive Director

THE COUNTY OF DAUPHIN,  
PENNSYLVANIA

By:   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

WILLIAM LYNCH, SOLELY IN HIS  
CAPACITY AS RECEIVER FOR THE CITY  
OF HARRISBURG

By: \_\_\_\_\_  
Name: William Lynch  
Title: Receiver for the City of Harrisburg

ASSURED GUARANTY MUNICIPAL  
CORP.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

PARAGON INDUSTRIES & SUPPLY, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

IN WITNESS WHEREOF, and intending to be legally bound hereby, the Parties have voluntarily set their hands and seals by their authorized representatives as of the date written above.

THE HARRISBURG AUTHORITY

By: \_\_\_\_\_  
Name:  
Title:

WILLIAM LYNCH, SOLELY IN HIS  
CAPACITY AS RECEIVER FOR THE CITY  
OF HARRISBURG

By: William B. Lynch  
Name: William Lynch  
Title: Receiver for the City of Harrisburg

THE COUNTY OF DAUPHIN,  
PENNSYLVANIA

By: \_\_\_\_\_  
Name:  
Title:

ASSURED GUARANTY MUNICIPAL  
CORP.

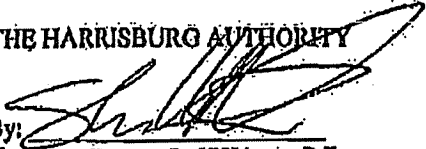
By: \_\_\_\_\_  
Name:  
Title:

PARAGON INDUSTRIES & SUPPLY, LLC

By: \_\_\_\_\_  
Name:  
Title:

IN WITNESS WHEREOF, and intending to be legally bound hereby, the Parties have voluntarily set their hands and seals by their authorized representatives as of the date written above.

THE HARRISBURG AUTHORITY

By:   
Name: Shannon G. Williams, P.E.  
Title: Executive Director

WILLIAM LYNCH, SOLELY IN HIS  
CAPACITY AS RECEIVER FOR THE CITY  
OF HARRISBURG

By: \_\_\_\_\_  
Name: William Lynch  
Title: Receiver for the City of Harrisburg

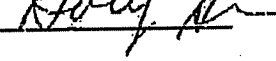
PARAGON INDUSTRIES & SUPPLY, LLC

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

THE COUNTY OF DAUPHIN,  
PENNSYLVANIA

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

ASSURED GUARANTY MUNICIPAL  
CORP.

By:   
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
HOLLY HORN  
CHIEF SURVEILLANCE OFFICER  
PUBLIC FINANCE



IN WITNESS WHEREOF, and intending to be legally bound hereby, the Parties have voluntarily set their hands and seals by their authorized representatives as of the date written above.

THE HARRISBURG AUTHORITY

THE COUNTY OF DAUPHIN,  
PENNSYLVANIA

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

WILLIAM LYNCH, SOLELY IN HIS  
CAPACITY AS RECEIVER FOR THE CITY  
OF HARRISBURG

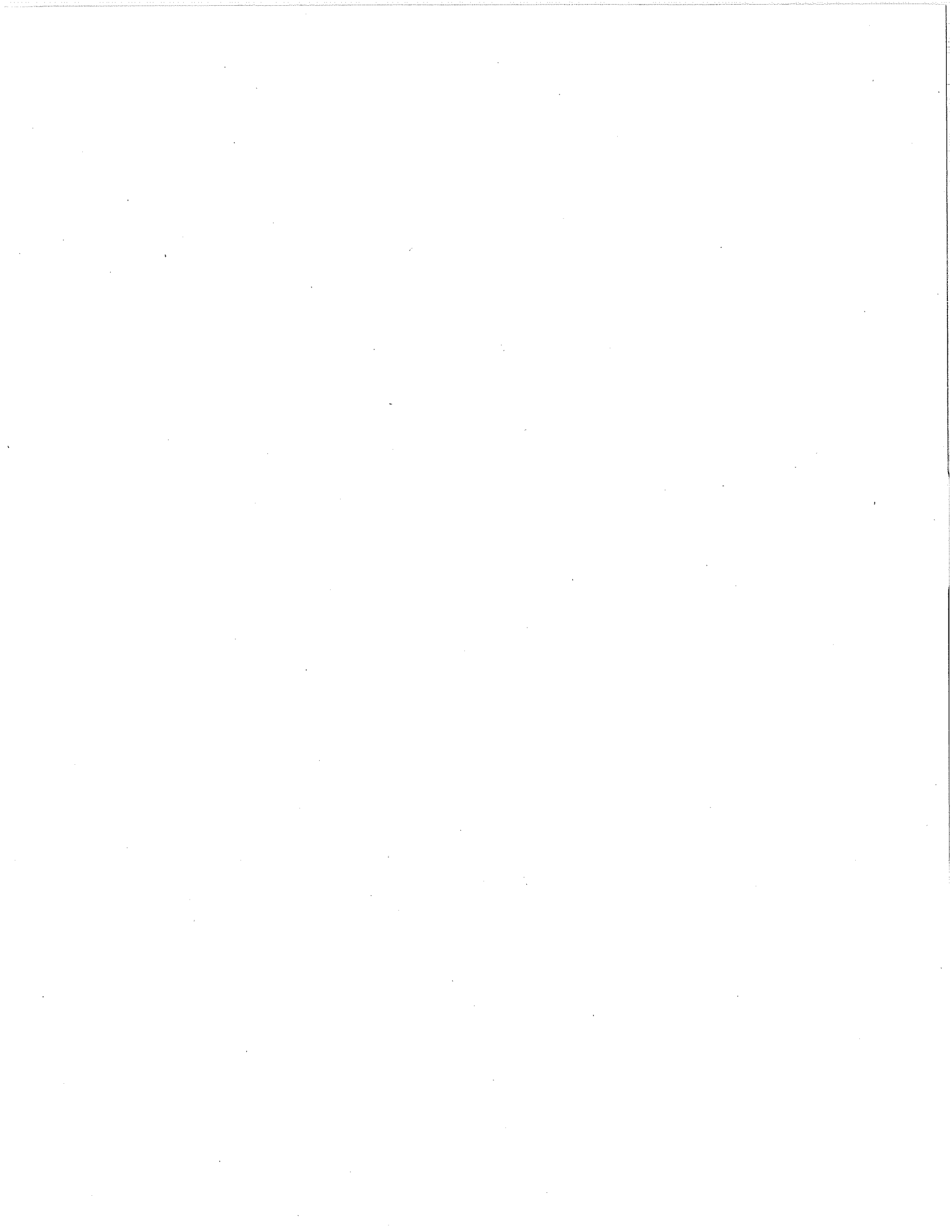
ASSURED GUARANTY MUNICIPAL  
CORP.

By: \_\_\_\_\_  
Name: William Lynch  
Title: Receiver for the City of Harrisburg

By: \_\_\_\_\_  
Name:  
Title:

PARAGON INDUSTRIES & SUPPLY, LLC

By: *Steven Kotesar*  
Name: *Steven Kotesar*  
Title: *President*



## SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT is made this \_\_\_\_ day of \_\_\_\_\_, 2013 (the "Agreement"), by and among WILLIAM LYNCH, SOLELY IN HIS CAPACITY AS RECEIVER FOR THE CITY OF HARRISBURG (including any predecessor or successor thereof, the "Receiver"), on behalf of the CITY OF HARRISBURG, a municipal corporation of the Commonwealth of Pennsylvania (the "City") and THE HARRISBURG AUTHORITY ("THA"), on the one hand, and the BOROUGH OF PENBROOK (hereinafter "Penbrook"), the BOROUGH OF PAXTANG (hereinafter "Paxtang"), the TOWNSHIP OF SUSQUEHANNA (hereinafter "Susquehanna"), the TOWNSHIP OF LOWER PAXTON (hereinafter "Lower Paxton"), TOWNSHIP OF SWATARA (hereinafter "Swatara"), SWATARA TOWNSHIP AUTHORITY (hereinafter "Swatara Authority"), LOWER PAXTON TOWNSHIP AUTHORITY (hereinafter "Lower Paxton Authority"), SUSQUEHANNA TOWNSHIP AUTHORITY (hereinafter "Susquehanna Authority"), the BOROUGH OF STEELTON (hereinafter "Steelton") and STEELTON BOROUGH AUTHORITY (hereinafter "Steelton Authority"), all of which are located in Dauphin County, Pennsylvania, on the other, all of which are hereinafter collectively known as the "Suburban Municipalities" (and, together with the City and THA, collectively, the "Parties").

WHEREAS, the City, the Suburban Municipalities and THA are parties to an intermunicipal agreement dated September 15, 1976 (hereinafter "Second Supplemental Agreement") that establishes a joint intermunicipal plan for providing sewage treatment whereby the Suburban Municipalities transmit raw sanitary sewage to THA's Advanced Wastewater Treatment Facility ("AWTF") which, until November 4, 2013 was operated by the City subject to a lease agreement; and

WHEREAS, Article V of the Second Supplemental Agreement provides the basis for the rates, charges, and payments required from the Suburban Municipalities to the City pursuant to the Second Supplemental Agreement; and

WHEREAS, the City set sewer rates for the Suburban Municipalities in amounts greater than that which would allow the City to recapture its immediate operating and capital costs and improperly took such excess rates into its general fund (the **"Suburban Sewer Overcharges and Transfers"**); and

WHEREAS, the City has been placed under receivership pursuant to 53 P.S. §11701.703, and such action is currently pending before the Pennsylvania Commonwealth Court (the **"Court"**), as Case No. 569 M.D. 2011 (the **"Case"**); and

WHEREAS, in the Case, the Suburban Municipalities asserted an aggregate claim of approximately \$25 Million against the City, based on the alleged Suburban Sewer Overcharges and Transfers since 2006 (the **"Suburban Claim"**); and

WHEREAS, the Receiver, in February of 2012, instructed the City to cease further use of certain funds collected from the Suburban Municipalities, freezing those funds (the **"Frozen Funds"**), until such time as issues with respect to the Suburban Sewer Overcharges and Transfers were resolved; and

WHEREAS, pursuant to the that certain Water, Wastewater and Stormwater Systems Transition Agreement (**"Transition Agreement"**), the City transferred, conveyed, assigned and delivered all of the City's right, title and interest in any property comprising the AWTF, that certain Sewer Revenue Trust Fund, and all other funds, other cash and cash equivalents that represent revenues generated by the operation of the AWTF including accounts receivables and

delinquencies to THA, all as more specifically set forth in the Transition Agreement and that certain Transfer Agreement Harrisburg Sewer Collection System; and

WHEREAS, the Parties wish to resolve all of the claims of the Suburban Municipalities relating to the AWTF, the Suburban Claim, the Suburban Sewer Overcharges and Transfers, the Second Supplemental Agreement and any other related documents and agreements up to and including March 31, 2012 (the "**Release Date**"), as part of the Receiver's plan for a resolution of the financial distress faced by the City, such plan having been filed with the Court on August 26, 2013 (as such plan may be subsequently amended or modified, the "**Harrisburg Strong Plan**") and, similarly, the Suburban Municipalities wish to resolve such issues between the Parties as of the Release Date;

NOW THEREFORE, in consideration of the premises and mutual promises, covenants and undertakings hereinafter contained, the Parties hereto each binding itself, its successors and assigns, and each representing that it is legally organized and has the proper legal authority to enter into this Agreement, and each intending by such representation to be legally bound to each other and to be legally bound hereunder, agree as follows:

1. **Settlement Payments:** Subject to the consummation and funding of both the Parking Transaction (as defined in the Harrisburg Strong Plan and as described therein) and the transaction related to the Incinerator (as defined in the Harrisburg Strong Plan and as such transaction is described therein) and subject to the terms of Paragraph 10 hereof, the City shall make the payments set forth on the payment schedule attached hereto as **Exhibit A** (the "**Settlement Payment Schedule**") which reflects the amounts due from the City as set forth in the Settlement Payment Schedule (each payment a "**Settlement Payment**," and such payments collectively are the "**Settlement Payments**"). Each Settlement Payment shall be paid by the

City, in immediately available funds, on the respective "Payment Date" set forth in the Settlement Payment Schedule (such dates defined herein individually as a "Payment Date" and collectively as the "Payment Dates"). The Suburban Municipalities' right to payment pursuant to the terms hereof shall replace and supplant the Suburban Municipalities' claim to payment for, by reason of and/or related to the AWTF, the Suburban Claim, the Suburban Sewer Overcharges and Transfers, the Second Supplemental Agreement and/or any other related documents and agreements and related to events occurring on or before the Release Date.

2. **Suburban Municipalities' Account:** In the event the City fails to remit a Settlement Payment on or before the applicable Payment Date (an "Event of Default"), then in that event, the Suburban Municipalities shall send notice of such Event of Default to the City ("Default Notice") pursuant to Paragraph 9 hereof, with copy to the City Finance Director. Should such Event of Default continue and not be cured within fifteen (15) business days of the date of such Default Notice (a "Triggering Event"), then, in that event, the City Finance Director shall deposit incoming tax revenues into a "lockbox" escrow account, administered by a third party ("**Suburban Municipalities' Account**"), in an amount sufficient to satisfy the missed Settlement Payment. The Suburban Municipalities' Account shall be established, paid for and maintained by the Suburban Municipalities. The Suburban Municipalities shall provide deposit instructions in any Default Notice.

3. **Release by the Suburban Municipalities:** Upon the payment by the City of the first Settlement Payment, the Suburban Municipalities shall release the City and the Receiver as follows: the Suburban Municipalities, on behalf of themselves and, as applicable and to the extent permitted by applicable law, their respective predecessors-in-interests, successors-in-interest, assignors, assigns, elected and appointed officials, agents, ratepayers, tax-payers,

residents and each of their respective heirs, executors, administrators, assigns and successors-in-interest, and each and every one of them (collectively the "Suburban Municipalities Releasing Parties") do hereby forever, fully, and completely waive, release, acquit and discharge THA, the City and the Receiver and, as applicable, their respective predecessors-in-interests, successors-in-interest, assignors, assigns, elected and appointed officials, directors, officers, members, employees, agents, advisors, consultants, professionals, representatives, servants, heirs, and each of their respective heirs, executors, administrators, assigns and successors-in-interest, and each and every one of them (the "THA/Receiver/City Released Parties"), of and from all, and all manner of, claims, actions, and causes of action, suits, debts, obligations, promises, expenses, bills, interest, liens, liabilities, dues, accounts, bonds, covenants, contracts, agreements, costs, judgments, claims and demands whatsoever, in law or in equity, or otherwise, whether known or unknown, accrued or unaccrued, which the Suburban Municipalities Releasing Parties ever had, now have, or can, shall or may in the future have against the THA/Receiver/City Released Parties for, by reason of and/or related to the AWTF, the Suburban Claim, the Suburban Sewer Overcharges and Transfers, the Second Supplemental Agreement and any other related documents and agreements and related to events occurring on or before the Release Date. Notwithstanding the generality of the foregoing, this release shall expressly not apply to the rights and obligations set forth in this Agreement.

4. **Release by THA, the Receiver and the City:** Upon the payment by the City of the first Settlement Payment, THA and the Receiver on behalf of the City shall hereby release the Suburban Municipalities as follows: THA, the Receiver and the Receiver on behalf of the City and, as applicable and to the extent permitted by applicable law, their respective predecessors-in-interests, successors-in-interest, assignors, assigns, elected and appointed

officials, agents and each of their respective heirs, executors, administrators, assigns and successors-in-interest, and each and every one of them (the "Receiver/City Releasing Parties") do hereby forever, fully, and completely release, acquit and discharge, the Suburban Municipalities and, as applicable, their respective predecessors-in-interests, successors-in-interest, assignors, assigns, elected and appointed officials, directors, officers, members, employees, agents, advisors, consultants, professionals, representatives, servants, heirs, and each of their respective heirs, executors, administrators, assigns and successors-in-interest, and each and every one of them (collectively the "Suburban Municipalities Released Parties") of and from all, and all manner of, claims, actions, and causes of action, suits, debts, obligations, promises, expenses, bills, interest, liens, liabilities, dues, accounts, bonds, covenants, contracts, agreements, costs, judgments, claims and demands whatsoever, in law or in equity, or otherwise, whether known or unknown, accrued or unaccrued, which Receiver/City Releasing Parties ever had, now has, or can, shall or may in the future have against the Suburban Municipalities Released Parties for, by reason of and/or related to the AWTF, the Suburban Claim, the Suburban Sewer Overcharges and Transfers, the Second Supplemental Agreement and any other related documents and agreements and related to events occurring on or before the Release Date. Notwithstanding the generality of the foregoing, this release shall expressly not apply to the rights and obligations set forth in this Agreement.

5. **Frozen Funds:** The Suburban Sewer Overcharges and Transfers for the period of time up to and including the Release Date are resolved by virtue of this Agreement. As such, to the extent any portion of the Frozen Funds are the result of or relate to such Suburban Sewer Overcharges and Transfers, they are satisfied by this Agreement and the Settlement Payments. The amount of the Frozen Funds that should properly be credited to the Suburban Claimants will



be determined and applied separate from and outside of this Agreement. As reflected in the Harrisburg Strong Plan, any such credit will be applied as part of the Suburban Claimants' prospective financial commitments to the comprehensive overhaul of THA's AWTF upgrade.

6. **No Conveyance:** The Suburban Municipalities and THA each represent and warrant that they have not assigned, transferred, conveyed or otherwise disposed of any claim, demand, cause of action, obligation or liability set forth in this Agreement. The City represents and warrants that it has not assigned, transferred, conveyed or otherwise disposed of any claim, demand, cause of action, obligation or liability set forth in this Agreement, other than its assignment, transfer and conveyance to THA.

7. **Authority:** The Parties represent and warrant that they are authorized and empowered to execute this Agreement and that such execution is sufficient, pursuant to the terms hereof, to settle, compromise, waive and release the claims and interests settled, compromised, waived and/or released hereby. Without limiting the generality of the foregoing, (i) the Suburban Municipalities represent and warrant that they are authorized and empowered to settle, compromise, waive and release the claims and interests settled, compromised, waived and/or released hereby for and on behalf of their respective residents, ratepayers, tax-payers and other Suburban Municipalities Released Parties and (ii) the Receiver represents and warrants, solely in his capacity as Receiver, that he in good faith believes that he is authorized and empowered to settle, compromise, waive and release the claims and interests of the City settled, compromised, waived and/or released hereby and that he will seek affirmation of such authority from the Court.

8. **Use of Settlement Payments:** The Suburban Municipalities represent and warrant that they will exercise the requisite level of care to ensure sound fiscal management of any and all Settlement Payments received pursuant to this Agreement in full compliance with

applicable law and that they will utilize such Settlement Payments for the benefit of their respective residents, ratepayers, tax-payers and other Suburban Municipalities Releasing Parties in satisfaction of the claims and interests settled, compromised, waived and/or released hereby.

9. **Notice:** Any notice, if any, given pursuant to or in connection with the terms of this Agreement shall be given as follows:

**To the Suburban Municipalities:**

Scott T. Wyland  
Salzmann Hughes, P.C.  
105 North Front Street  
Suite 205  
Harrisburg, Pennsylvania 17101

**To the City:**

City Solicitor  
10 North Second Street  
Harrisburg, PA 17101

With Copy in Like Manner to::

Business Administrator/Chief-of-Staff (COO)  
10 North Second Street, Suite 302  
Harrisburg, PA 17101

City Finance Director  
10 North Second Street  
Harrisburg, PA 17101

McKenna Long & Aldridge LLP  
303 Peachtree Street, NE  
Suite 5300  
Atlanta, Georgia 30308  
Attention: Mark S. Kaufman  
Fax: (404) 527-4198  
Email: mkaufman@mckennalong.com

Any such notice shall be in writing, signed by or on behalf of the party giving such notice and shall be delivered via the United States Mail, postage pre paid, certified with return receipt

requested and for over-night delivery, to the other party at the address of such other party set forth herein above or at such other address within the continental United States as such other party may designate by written notice specifically designated as a notice of change of address and given in accordance herewith. Such notice shall be deemed to have been properly given and shall be effective upon receipt thereof and the time period in which a response to any notice must be given, if any, shall commence on the date of receipt thereof.

10. **Termination:** Unless otherwise waived by the Parties, this Agreement shall terminate upon (i) the failure of the Receiver to obtain the entry of an order by the Court approving this Agreement and affirming the efficacy thereof as executed as compliant with and in furtherance of the September 23, 2013 Order of the Court approving the Plan; or (ii) the failure of the Receiver to cause the first Settlement Payment to be paid to the Suburban Municipalities on or before February 1, 2014. Upon termination, the Parties shall have all claims and defenses as if this Agreement had not been executed.

11. **Counterparts:** This Agreement may be executed in one or more counterparts, all of which together shall constitute one agreement and the signature pages from any counterpart may be appended to any other counterpart to assemble fully-executed counterparts. Counterparts of this Agreement also may be exchanged via electronic transmission and any signature so transmitted shall be deemed to be an original signature for all purposes.

12. **Governing Law:** This Agreement and all matters arising out of or relating to this Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

13. **Amendment:** No provision in this Agreement may be amended or modified, except by an agreement in writing signed by the Parties hereto or their respective successors-in-interest.

14. **Construction:** Should any provision of this Agreement require interpretation, the parties to this Agreement agree that the judicial body interpreting or construing such provision shall not apply any assumption that the terms of this Agreement shall be more strictly construed against any party because of the rule of construction that an instrument is to be construed more strictly against the drafting party, each party hereby acknowledging and agreeing that all parties to this Agreement and, as they each deemed necessary and appropriate, their respective attorneys have participated in the preparation of this Agreement.

15. **No Admission:** Nothing in this Agreement shall be construed against either party as an admission of liability, or of the admission of any fact, or as a concession of any matters relating to the disputes resolved hereby.

16. **Entire Agreement:** This Agreement constitutes the entire agreement between the Parties hereto.

17. **Binding Nature:** Subject to any provision to the contrary contained in this Agreement, this Agreement shall be binding upon the Parties hereto and any other person or entity for which any interests are released hereby and shall inure to the benefit of the Parties and any other person or entity provided a release hereby.

IN WITNESS WHEREOF, and intending to be legally bound hereby, the Parties have voluntarily set their hands and seals by their authorized representatives as of the date written above.

ATTEST:

Anne Morrow

RECEIVER FOR AND ON BEHALF OF  
THE CITY OF HARRISBURG

BY:

William B. Lynch

William B. Lynch

THE HARRISBURG AUTHORITY

BY:

BOROUGH OF PENBROOK

BY:

BOROUGH OF PAXTANG

BY:

TOWNSHIP OF SUSQUEHANNA

BY:

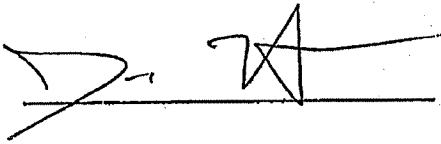
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TOWNSHIP OF SWATARA

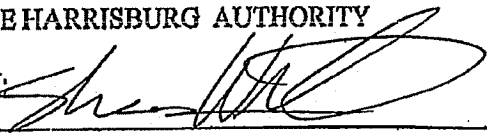
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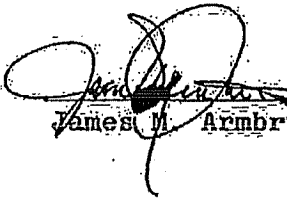
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James M. Armbruster

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THE HARRISBURG AUTHORITY

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BOROUGH OF PENBROOK

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Kevin M. Ramper

BOROUGH OF PAXTANG

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TOWNSHIP OF SUSQUEHANNA

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TOWNSHIP OF LOWER PAXTON

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BOROUGH OF PENBROOK

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BOROUGH OF PAXTANG

BY:

*John H. Nunnally, Sr.*  
President, Borough Council

TOWNSHIP OF SUSQUEHANNA

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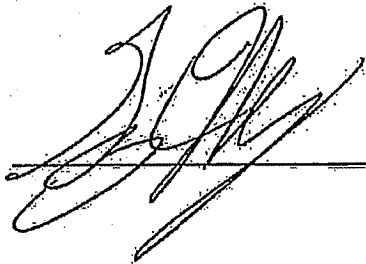
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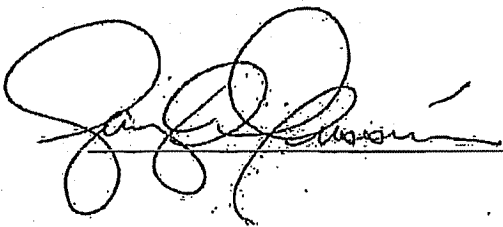
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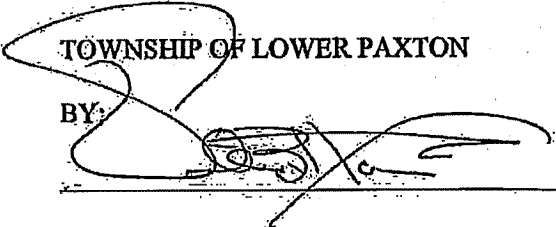
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THE HARRISBURG AUTHORITY

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BOROUGH OF PAXTANG

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TOWNSHIP OF SUSQUEHANNA

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TOWNSHIP OF LOWER PAXTON

BY:

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TOWNSHIP OF SWATARA

BY:

*Arthur D. May*  
President

*David C. Neen, Election*  
*Secretary*

*James G. Schreffler*  
Secretary

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SWATARA TOWNSHIP AUTHORITY

BY:

*James L. Spaw*

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LOWER PAXTON TOWNSHIP  
AUTHORITY

BY:

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STEELETON BOROUGH AUTHORITY

BY:

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THE BOROUGH OF STEELTON

BY:

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SUSQUEHANNA TOWNSHIP AUTHORITY

BY:

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**SWATARA TOWNSHIP AUTHORITY**

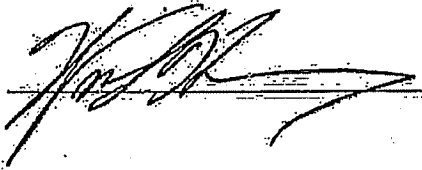
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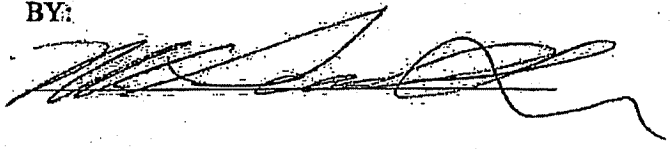
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**LOWER PAXTON TOWNSHIP  
AUTHORITY**

**BY:**



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**STEELETON BOROUGH AUTHORITY**

**BY:**

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**THE BOROUGH OF STEELTON**

**BY:**

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**SUSQUEHANNA TOWNSHIP AUTHORITY**

**BY:**

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SWATARA TOWNSHIP AUTHORITY

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AUTHORITY

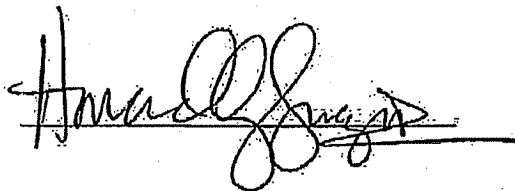
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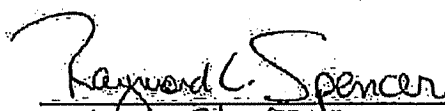
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STEELETON BOROUGH AUTHORITY

BY:

  
\_\_\_\_\_

  
Raymond C. Spencer  
Vice Chairman  
\_\_\_\_\_

THE BOROUGH OF STEELTON

BY:

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SUSQUEHANNA TOWNSHIP AUTHORITY

BY:

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SWATARA TOWNSHIP AUTHORITY

BY:

LOWER PAXTON TOWNSHIP  
AUTHORITY

BY:

STEELETON BOROUGH AUTHORITY

BY:

THE BOROUGH OF STEELTON

BY:

*David A. Neri, Steelton*

*Jeffrey Wright*

SUSQUEHANNA TOWNSHIP AUTHORITY

BY:

SWATARA TOWNSHIP AUTHORITY

BY:

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LOWER PAXTON TOWNSHIP  
AUTHORITY

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STEELETON BOROUGH AUTHORITY

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THE BOROUGH OF STEELTON

BY:

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SUSQUEHANNA TOWNSHIP AUTHORITY

BY:

*Paul M. ...*  

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*Paul M. ...*  

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**EXHIBIT A**

**SETTLEMENT PAYMENT SCHEDULE**

| <b><u>Date</u></b> | <b><u>Payment</u></b> |
|--------------------|-----------------------|
| December 30, 2013  | \$4,500,000           |
| April 15, 2014     | \$1,500,000           |
| April 15, 2015     | \$1,500,000           |
| April 15, 2016     | \$1,500,000           |
| April 15, 2017     | \$1,000,000           |
| April 15, 2018     | \$1,000,000           |
| April 15, 2019     | \$225,000             |