

ACT 47
RECEIVER STATUS REPORT
MAY 11, 2012

Section No. 11
Exhibit No. 50

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COMMONWEALTH COURT
OF PENNSYLVANIA
2012 MAY 11 P 1:59

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

C. ALAN WALKER, in his capacity as :
Secretary for the Department of Community :
and Economic Development, :
: :
Petitioner :
: Docket No. 569 MD 2011
v. :
: :
CITY OF HARRISBURG, :
: :
Respondent :

STATUS REPORT

AND NOW, comes Petitioner, C. Alan Walker, Secretary of Community and Economic Development, Commonwealth of Pennsylvania, to provide a Status Report in the above-referenced action as directed by the Honorable Bonnie Brigance Leadbetter in her Order dated April 26, 2012. In compliance with Judge Leadbetter's Order of April 26, 2012, it is averred as follows:

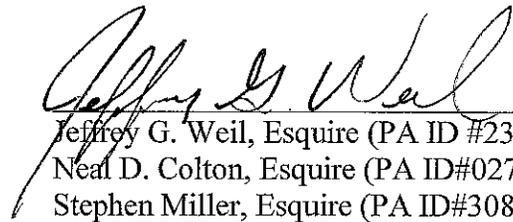
1. The information requested by this Honorable Court regarding the activities of Mr. Frederick Reddig since his designation as acting administrator of the Office of the Receiver for the City of Harrisburg is attached hereto as Exhibit "A" and incorporated herein by reference as if set forth in full, including meeting minutes of the Municipal Financial Advisory Committee

established under Section 711 of the Municipalities Financial Recovery Act, 53 P.S. § 11701.711, and asset monetization status summaries prepared by McKenna Long & Aldridge, LLP. No written reports have been provided by the Office of the Receiver to the said Committee prior to the date of the filing of this Status Report.

2. A Petition for Appointment of Receiver for the City of Harrisburg was filed this morning with this Honorable Court at the request and on behalf of Secretary Walker pursuant to the provisions of Subsections 702 and 705(c) of Act 47 as amended, 53 P.S. § 11701.702 & 705(c), requesting this Honorable Court's appointment of Major General William B. Lynch, USAF, Ret. to fill the vacancy in the Office of the Receiver and to act as the Receiver for the City of Harrisburg. In accordance with the directive of Governor Corbett, Mr. Reddig's designation as temporary acting administrator of the Office of the Receiver shall expire concurrently with the appointment of the new Receiver for the City of Harrisburg.

Respectfully submitted,

COZEN O'CONNOR



Jeffrey G. Weil, Esquire (PA ID #23902)
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Attorneys for the Commonwealth of Pennsylvania
and the Secretary for the Department of Community
and Economic Development

Dated: May 11, 2012

EXHIBIT

“A”

Date: May 11, 2012
To: The Honorable Bonnie Brigance Leadbetter
From: Fred Reddig, Acting Administrator for the Office of the Receiver
Re: Update on Receiver's Plan Implementation

I am pleased to provide the Court with an update on the status of the implementation of the Receiver's Recovery Plan as confirmed by the Court on March 9, 2012. Since the resignation of Receiver David Unkovic on March 30 and the designation of DCED and myself to oversee the continued implementation of the confirmed recovery plan on April 11, I have continued to move the recovery process forward.

This memo supported by several attachments will provide the Court with a summary of the actions that have occurred since Mr. Unkovic's resignation.

Municipal Financial Recovery Advisory Committee

Pursuant to the provisions of Section 711 of Act 47, I have convened semi-monthly meetings of the Municipal Financial Recovery Advisory Committee. Meetings were held on April 11 and 25 with another scheduled for May 16. The meetings were attended by the 4 members designated in the Act, Mayor Linda Thompson, Council President Wanda Williams, David Black of the Harrisburg Regional Chamber (Governor's appointee), Fred Lighty (Dauphin County designee for Commissioner Jeffrey Haste) and myself. At each meeting an update of the status of the implementation of the Receiver's plan was provided and questions were answered. A public comment period was also provided for. Minutes of the meeting of April 11 are attached. The minutes of the meeting of April 25 are on the agenda of the meeting of May 16 for approval.

Cash Flow

The Office of Receiver continues to closely monitor cash flow as part of the implementation of the confirmed plan and the Emergency Action Plan. The City received \$11,368,121 in revenue for March and ended the month with a cash balance of \$5,229,541. This positive balance is the result of tax revenues that have been received and the fact that the March debt service payment on certain General Obligation bonds was not made. This positive balance will be the highest cash balance the City will have and will be drawn down in subsequent months as the bulk of the City's tax revenues are received in the early part of the year. It is estimated that the City will continue to have a positive operating balance thru late summer and then begin to experience a deficit. A second major debt payment on General Obligation bonds is due in mid September and a decision will need to be made closer to that time as to the City's ability to make that payment. Efforts continue to monitor City expenditures including the review of payables on a bi-weekly basis prior to the City making payments and the review of all position vacancies. Requests to fill vacancies are submitted to the Office of the Receiver and approval is required by the Office prior to positions being filled. To date only limited requests have been approved when properly supported as critical to providing necessary and vital services.

Operational Issues

The Receiver previously engaged the Novak Consulting Group to assist with both the development and implementation of the Receiver's Plan. The Office of the Receiver has continued to work with the Novak Team to further implementation efforts. Weekly status conference calls have been held since the confirmation of the Plan.

Implementation efforts have focused on key priorities that are the most time sensitive.

The most significant accomplishment in the last month has been the hiring and appointment of a Chief Operating Officer. Ricardo Mendez-Saldivia started work on April 23 and has taken an active role in administering day to day City operations. I have had an in-depth meeting with him to review the confirmed recovery plan and he has expressed his full support to working aggressively on its implementation.

Active negotiations are underway with two of the three collective bargaining units with the initial focus on the Police and Fire bargaining units. The Office of the Receiver has engaged labor counsel to work with the City's labor counsel on collective bargaining matters. Although the Scranton Supreme Court case is now a limiting factor the dialog with the bargaining units has been constructive to date though no proposed agreements have been reached. It is critical that significant cost containment of labor contracts be achieved as labor represents almost 70% of the City's operating budget.

Since plan confirmation, the Novak Team has met with the Department Directors for all City departments to review priorities and initiate implementation activities consistent with the Recovery Plan confirmed by the Court on March 9, 2012.

Asset Monetizations

The Receiver had previously engaged McKenna Long and Aldridge LLP (MLA) and Public Resource Advisory Group (PRAG) to assist with the monetization of the Resource Recovery Facility, the Parking Facilities and the management of the water and sewer operations. The Receiver had also appointed three individuals to the Screening and Evaluation Teams (SET) for each of the three assets. A very detailed procurement process was established for each of the three assets. The process was designed to be open to all potential offers and to maximize the value of the assets. Each of these processes has continued to move forward since the Receiver's resignation. A summary of the actions that have occurred with each of the three asset monetizations is attached. The Office of the Receiver recognizes that prior to settlement on any of the monetizations that the Recovery Plan will be revised and amended and will be brought back to the Court for review and confirmation.

In light of the filing of the Petition for Appointment of Receiver this date by the Secretary of DCED, and in accordance with Governor Corbett's directive, my service as temporary acting administrator of the Office of the Receiver shall expire concurrently with this Honorable Court's appointment of the new Receiver for the City of Harrisburg.

MFRAC MEETING MINUTES

MINUTES

MUNICIPAL FINANCIAL RECOVERY ADVISORY COMMITTEE FOR THE CITY OF HARRISBURG

April 11, 2012

8:30 a.m.

Council Chambers

Present: Fred A. Reddig, Acting Administrator, Facilitator

Mayor Linda Thompson

Wanda Williams, City Council President

David Black, President & CEO, Harrisburg Regional Chamber & CREDC

Fred W. Lighty, Esquire (Alternate), Dauphin County Board of Commissioners

Anne Morrow (Recording Secretary)

Opening Statement

Fred A. Reddig, Acting Administrator, opened the meeting by reading a statement addressing the steps that have been taken by Governor Corbett and are in place in the wake of the unexpected resignation of David Unkovic as Receiver for the City of Harrisburg.

Reports

Mr. Reddig stated that meetings of the Municipal Financial Recovery Advisory Committee will be held the 2nd and 4th Wednesday of every month starting at 8:30 a.m. in the Council Chambers at City Hall. The schedule for these meetings will be reviewed once a new Receiver is in place. Until such time, the current schedule for these meetings will continue. These meetings follow the Sunshine Act. To view the current schedule of the meeting dates go to the Receiver website www.pa.gov/harrisburgreceiver. Click on the "Municipal Financial Recovery Advisory Committee" button.

The role of the Municipal Financial Recovery Advisory Committee is outlined in the Act 47 statute in section 711. The charge of the Committee is to meet at least twice a month to give recommendations to the Receiver on the implementation of the Recovery Plan. The Committee would terminate its existence upon the expiration of the Receiver provisions of Act 47.

Mr. Reddig stated it is the Commonwealth and the Governor's intent to move the Receiver's Plan implementation process forward and we have continued to do that in the wake of Mr. Unkovic's unexpected resignation. There are teams of professionals that were put in place by Mr. Unkovic as Receiver to work both on the operational side of the City government as well as on the monetization of certain City assets. The teams that are engaged are continuing those processes under the confirmed Plan.

The Receiver is not a formal member of the Committee. The Committee members are to provide recommendations to the Receiver on the implementation of the plan. Mr. Reddig asked for discussion by the Committee members on how they would prefer to run today's meeting and subsequent meetings.

Recommendations:

1. Mr. Black recommended once a Receiver is in place it would be appropriate for the Receiver to Chair the Committee since this is an Advisory Board. If it's necessary to have someone else other than the Receiver to Chair the Committee, Mr. Black suggested that one of the City representatives, either the Mayor or Council President, could Chair in the interim. Mr. Black noted he wasn't sure if it was absolutely necessary to have a Chair.

Mayor Thompson concurred and did not feel it was necessary to have a Chair for the committee.

Mrs. Williams and Mr. Lighty both agreed.

2. The goal for the Committee meetings is to provide updates on the implementation of the Receiver's Plan, be made aware of any impediments to implementation that occur, provide recommendations involving the implementation of the plan and communicate to the community on how the Recovery Plan is being implemented.

Mr. Black asked for an update on the processes for the evaluation of proposals for the management of the water/sewer systems and the monetization of the incinerator and parking facilities.

Mr. Reddig stated all three of the processes have moved to the second stage. The initial Statements of Qualifications (RFQ) were submitted for each of the monetization initiatives. The firms that met the initial qualifications were then asked to submit formal proposals. That has occurred for three initiatives within the last week. There are evaluation teams in place, designated by the Receiver, who are dealing with each of the monetization efforts. The teams consist of professionals from McKenna Long & Aldridge LLC, Public Resources Advisory Group, Pennsylvania Economy League, DCED and the Receiver's designees. These teams have just started the review process of the proposals that have been received.

Mrs. Williams asked when and how City Council will get updates on the progress of the review of the water/sewer management, incinerator and parking facilities proposals.

Mr. Reddig stated the Receiver's website provided information on the proposals and referred Mrs. Williams to the website at, www.pa.gov/harrisburgreceiver. The site has been updated to include information on the monetization of the assets and who is qualified. It will be further updated as implementation activities occur. Mr. Reddig offered to provide ongoing communication to the City regarding the implementation progress as had previously been done by Mr. Unkovic. We would likewise believe once the new Receiver is in place that they will continue this process as well.

Mr. Reddig stated the Receiver's website will be a good source of information regarding the implementation of the Plan as well as information from the Advisory Committee meetings.

CONCERNS:

- Not everyone has access to the internet
- Some kind of communication should be provided to the residents

It was agreed by the Advisory Committee that the residents of Harrisburg can attend Advisory Committee meetings and the meetings can be covered on Channel 20.

3. Mr. Black reiterated that the Governor is moving forward and working expeditiously to select an individual to fill the vacancy in the Office of the Receiver for the City of Harrisburg. Once that takes place there will be more discussions at these meetings.

Mayor Thompson commended Mr. Reddig and the Department of Community and Economic Development in their leadership role with the City. She also thanked the Governor and his staff in supporting the City during the interim until a new Receiver is in place.

PUBLIC COMMENTS:

Les Ford, resident of Harrisburg

- Mr. Ford expects the same degree of accessibility, independence and integrity from the new Receiver as was displayed by Mr. Unkovic.
- Mr. Ford asked the committee to reevaluate the purpose and the execution of the Emergency Plan given that we have suffered this setback with Mr. Unkovic's resignation.
- Mr. Ford also asked the committee to reevaluate the Emergency Plan vs the Recovery Plan.
- Mr. Ford said there is an increased need for emphasis on the former plan.

Neil Grover, resident of Harrisburg and Debt Watch Harrisburg

- Mr. Grover asked if the minutes of the meeting would become available?
- Mr. Grover emphasized he participated in the preliminary hearing for the Recovery Plan and Judge Leadbetter's order made it clear that as the process moves forward, a commitment was made to the court that the plan to address assets would come back to her before being implemented. Mr. Grover wants to be sure this action will take place going forward with the new Receiver. This is also Debt Watch Harrisburg's point of view.

Bill Cluck, resident of Harrisburg and is also a Board member of The Harrisburg Authority

- Regarding the Harrisburg Authority, he asked who is negotiating with the creditors?
- Who is talking to the county about taking a hair cut?
- Who is talking to the county about ceasing the needless litigation?
- Who is talking to the City about stopping the in-fighting and litigation?
- Who is evaluating the bids that are coming in? I know there is a team of professional in place but who are the clients?
- Who is actually going to negotiate with the selected entity or entities that will need to be negotiated with?
- There's a rumor going around that the Receiver's budget has been cut. Mr. Cluck would like the public to be informed as to the status of the funding for the Office of the Receiver.
 - How much has been spent of state taxpayer's money?
 - How much has been spent of city taxpayer's money?
 - What's the anticipation moving forward on where the money is going to come from and the cost?

- At the beginning of the meeting Mayor Thompson said things have been blocked. What initiatives have the Mayor attempted to take and what has been blocked and by whom?
- In order to better inform the public there's a list of recommendations that the Act 47 Plan listed in the Appendix. The Receiver's Plan didn't have an appendix but it can be put together. The public should see a chart of the list of initiatives – the acronym, the numbers, who's responsible and what is the latest status.
 - An example could be a big poster board at City Hall in the lobby or it could be on the website. It should be something the public can all go to. Within that list I would like to know the priorities. Here's an example:
 - COO is at the top of the list
 - A lawyer or maybe two lawyers
 - An Accountant

Mr. Cluck said after that there are 100 to 150 initiatives that should be listed.

Mayor Thompson responded to Mr. Cluck's questions. Mayor Thompson said she doesn't know if the city or the state can stop the in-fighting though she wishes it would stop. Mayor Thompson doesn't feel they have any control over it. It's unfortunate that it continues to perpetuate.

As far as "blocking" certain actions Mayor Thompson stated it's public knowledge that the City issued an RFP for professional services to sell the artifacts. Mr. Unkovic was very much involved with that process. Mr. Unkovic reviewed the contract of the selected bidder. He made some changes to the contract and then signed off on it. The City moved forward with all the appropriate signatures for the contract. The Controller has refused to sign the contract. This is an initiative of the Receiver's Plan that was blessed by everyone involved. Mr. Miller continues to deny the administration the legal process that we have in place to have the artifacts assessed and identified. Guernsey's, the firm that received the contract, has said that every week the process is delayed is costing the City the opportunity to move forward with a professional process for auctioning the artifacts.

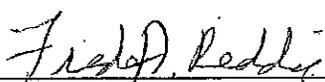
Mayor Thompson said the Business Administrator has been hired and will be starting on April 23, 2012. The City has posted the hiring of one of the positions Mr. Unkovic had approved in the law bureau, which is the Assistant Lawyer. This position is being advertised now. The Senior Accountant is also being advertised. We have already pulled that advertisement because we received some very good candidates. Interviews will begin in about a week for those positions. We are about to hire a Grant Writer as we have identified two top candidates that have gone through the interview process. Investigations are now being conducted on their backgrounds and that's going to determine who is selected.

Mayor Thompson continued by saying the professional teams have met with the Department Directors. The recovery team has already identified the initiatives we are working on.

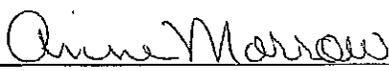
Union negotiations are also moving forward. The recovery team continues to monitor, with Fred's leadership, plan implementation and things continue to move forward. There are still some critical positions that need to be approved in Public Works. We're working back and forth with DCED in getting those positions filled.

She closed by saying the City is not waiting for a new Receiver. They are still moving forward and are in touch with DCED on a daily basis.

Approved this 11th day of April 2012.



Facilitator – Fred A. Reddy, Acting Administrator



Secretary – Anne Morrow

ASSET MONETIZATION STATUS SUMMARIES

McKenna Long & Aldridge^{LLP}

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MEMORANDUM

To: Fred A. Reddig, Acting Administrator for the Office of the Receiver for the City of Harrisburg

From: McKenna Long & Aldridge LLP

Date: May 10, 2012

Re: Summary of the Status of Procurement Regarding the Harrisburg Resource Recovery Facility.

The following is a chronological summary of the progress made with respect to monetizing Harrisburg's Resource Recovery Facility:

In the latter part of January, a Request for Qualifications ("RFQ") was developed for the purchase, long-term lease, or entry into a strategic transaction (the "Transaction") for Harrisburg's Resource Recovery Facility and related property (the "HRRF"). This RFQ was developed by the Office of the Receiver (the "Receiver") and its counsel McKenna Long and Aldridge ("MLA"), in conjunction with The Harrisburg Authority ("THA") and its advisors, including Klehr Harrison Harvey Branzburg LLP, Goldberg Katzman, P.C., CDM Smith (technical advisor), and Public Resources Advisory Group ("PRAG") (financial advisor) and issued on February 7, 2012. A list of 40 potentially interested parties was developed by the Receiver, THA, and their advisors. The potentially interested parties received a copy of the RFQ, which was also posted on the web sites of the Office of the Receiver and THA. Further interest was generated by the advisors to the Office of the Receiver through a series of contacts and phone calls.

THA created a web-based data room ("electronic data room"), into which it posted documents, data, information, contracts and other materials for review by prospective bidders. Each prospective bidder was required to execute and deliver a Confidentiality Agreement prior to being provided access to the electronic data room.

A set of procurement guidelines was established to protect the integrity of the procurement process and the confidentiality of the proposers' submissions. A screening and evaluation team (referred to herein as the "SET") was established by the Receiver to assist the Office of the Receiver in evaluating the bids and to provide input to help the Receiver make a final selection. For the HRRF, the SET is comprised of Shannon G. Williams, Interim Executive Director of THA, Joseph Boyle, of the Pennsylvania Economy League and David E. Black, President and

CEO of the Harrisburg Regional Chamber and Capital Region Economic Development Corporation. Each member of the SET executed and delivered a confidentiality agreement, and then was also given access to the electronic data room. In addition to the SET, the Office of the Receiver is receiving legal advice from MLA, and receiving and reviewing input from THA and its team of advisors.

The RFQ established a Preliminary Procurement Schedule for the HRRF transaction. See Exhibit A, attached hereto. In accordance with that schedule, a pre-submission meeting was held on February 14th. Questions from potential interested parties were received on or prior to February 17th. A summary of the pre-submission meeting and the written responses to the questions received were posted for all potentially interested parties to review on February 23, 2012. Five statements of qualification (“SOQs”) were submitted on or before March 5, 2012.

The SET reviewed the SOQs and recommended to the Receiver that four proposers be deemed qualified to participate in the second phase of the selection process. On March 20, 2012, the Receiver determined based upon his review of information available to him, that four proposers were qualified to proceed to the next stage of the process. The names of these Selected Interested Parties were posted to the web sites of the Office of the Receiver and of THA.

The initially-appointed Receiver, David Unkovic, resigned from his position on March 30, 2012.

A site visit was scheduled by THA for Selected Interested Parties to inspect the HRRF and ask questions of the operators. The site visit was conducted on April 2, 2012.

On or before April 9, 2012, THA received proposals and terms sheets in accordance with Section 3.2 of the RFQ (the “Term Sheets and Proposals”) to pursue the Transaction from Cambridge Project Development, Inc. & Energy Investors Funds (“Cambridge”), Interstate Waste Services, and Lancaster County Solid Waste Management Authority (“LCSWMA”). One of the four Selected Interested Parties elected not to submit a proposal. The names of these three firms were posted on the web site of the Office of the Receiver and THA.

In a letter, dated April 10, 2012, Governor Tom Corbett temporarily assigned the responsibility of administering the Office of the Receiver to the Department of Community and Economic Development. The Secretary of Community and Economic Development subsequently assigned Frederick Reddig, Executive Director of the Governor’s Center for Local Government Services, to fulfill the temporary assignment of administering the Office of the Receiver. Mr. Reddig was charged with monitoring the ongoing implementation of the Recovery Plan confirmed by the Court and meeting with the Municipal Financial Recovery Advisory Committee to receive feedback on the implementation of the Recovery Plan. In this task, Mr. Reddig has been strictly guided by the Recovery Plan and has taken no action not prescribed by the Court-confirmed Recovery Plan.

The SET reviewed and convened to discuss the Term Sheets and Proposals and reported their views to the Office of the Receiver. By letter dated April 20, 2012, and based upon input from the SET, the Office of Receiver informed Interstate Waste Services that the Office of the

Receiver had determined that Interstate Waste Services' term sheet did not qualify Interstate Waste Services to continue in the solicitation process.

In consultation with the various advisors to the Transaction, the SET recommended that the Receiver obtain, and the Receiver requested, additional information to assist in evaluating the two remaining Term Sheets and Proposals. This additional information, which includes significant financial information and projections, was received within the last two weeks. This information has been provided to the SET and the Office of the Receiver, and it is being reviewed as well as by various advisers. The information received from the Selected Interested Parties includes comprehensive operating models with many detailed assumptions requiring review and analysis.

On May 4, 2012, the remaining two Selected Interested Parties, Cambridge and LCSWMA, were notified by memorandum that the SET would be meeting shortly and that, "while there is not currently a Receiver, the SET and the advisors are continuing with the plan that was submitted by the Office of the Receiver and approved by the Court." See Exhibit B, attached hereto. The remaining Selected Interested Parties were also advised that the Office of the Receiver would provide an update to the preliminary schedule in the near future.

The SET convened a meeting on May 7, 2012 and reviewed the responses received from LCSWMA and Cambridge pertaining to questions formulated from their initial proposals. The SET determined that it will reconvene upon receipt of further information from the Office of the Receiver pertaining to key policy issues which will inform the analysis of the responses received from LCSWMA and Cambridge. The SET has also requested input from the Board of THA and protocols are being implemented to facilitate that input.

Exhibit A

Initial Schedule for Request for Qualifications To Purchase, Long-Term Lease, or Otherwise Enter into a Strategic Transaction For The Harrisburg Authority's Resource Recovery Facility and Related Property dated February 7, 2012

Activity	Date
Issue RFQ	February 7, 2012
Open Electronic Data Room for Preliminary Due Diligence	February 8, 2012
Pre-submission Meeting with Seller for Q&A	February 15, 2012
Final Date for Receipt of Proposers' Questions Regarding RFQ	February , 2012
Final Date for Response to Questions from Potentially Interested Parties	February 24, 2012
Final Date for Receipt of SOQs	March 5, 2012
Selection of Qualified Proposers	March , 2012
Identify and Notify Selected Qualified Proposers	March 19, 2012
Final Date for Receipt of Submissions by Selected Qualified Proposers	April 9, 2012
Begin Negotiations with Selected Qualified Proposers	April 16, 2012
Selection of Successful Selected Qualified Proposer	May 4, 2012
Execute Final Agreement	June 11, 2012
Close Transaction Including Funding	June 15, 2012

Exhibit B

The Harrisburg Authority

Memorandum

To: Selected Interested Parties/Qualified Proposers – To Purchase, Long-Term Lease, or Otherwise Enter Into a Strategic Transaction for the Harrisburg Authority's Resource Recovery Facility and Related Property

CC: Office of the Receiver for the City of Harrisburg

From: Shannon G. Williams, Interim Executive Director

Date: May 4, 2012

Re: RFP Process

Thank you for submitting a response to the questions that were presented to your team aimed at clarifying your proposal relating to the Request for Qualifications to Purchase, Long-Term Lease, or Otherwise Enter into a Strategic Transaction for the Harrisburg Authority's Resource Recovery Facility and Related Property ("RFQ").

Advisors to the Office of the Receiver have been compiling the information and providing analytical and legal support to screening and evaluation team members (the "SET"). The SET is currently scheduled to meet this Monday, May 7, 2012 to continue its analysis of the information provided.

We also wanted to confirm that while there is not currently a Receiver, the SET and the advisors are continuing with the plan that was submitted by the Office of the Receiver and approved by the Commonwealth Court. We intend to have an update to the preliminary schedule provided in Section VIII of the RFQ and more information to you in the near future.

Thank you again for your continuing interest in this transaction.

McKenna Long & Aldridge^{LLP}

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MEMORANDUM

To: Fred A. Reddig, Acting Administrator for the Office of the Receiver for the City of Harrisburg

From: McKenna Long & Aldridge LLP

Date: May 10, 2012

Re: Summary of the Status of Procurement Regarding the Harrisburg Parking Resources.

The following is a chronological summary of the progress made with respect to monetizing the assets of the Harrisburg Parking Authority:

A Request for Qualifications (“RFQ”) was developed in the latter part of January and issued on February 10, 2012, for the purchase, long-term lease, or entry into a strategic transaction (the “Transaction”) related to the assets of the Harrisburg Parking Authority (the “Parking Assets”). A list of more than 140 potentially interested parties was developed by the Office of the Receiver (the “Receiver”) and its counsel McKenna Long and Aldridge (“MLA”), in conjunction with Harrisburg Parking Authority and its advisors, CDM Smith (technical advisor), and Public Resources Advisory Group (“PRAG”) (financial advisor). The potentially interested parties received a copy of the RFQ, which was also posted on the web site of the Office of the Receiver. Further interest was generated by the advisors to the Office of the Receiver through a series of contacts and phone calls.

A web-based data room (“electronic data room”) was created by MLA, into which documents, data, information, contracts and other materials were posted for review by prospective bidders. Each prospective bidder was required to execute and deliver a Confidentiality Agreement prior to being provided access to the electronic data room.

A set of procurement guidelines was established to protect the integrity of the procurement process and the confidentiality of the proposers’ submissions. A screening and evaluation team (referred to herein as the “SET”) was established by the Receiver to assist the Office of the Receiver in evaluating the bids and to provide input to help the Receiver make a final selection. For the Parking Assets, the SET is comprised of Grant Holland, CDM Smith, Jim LaRocco, co-founder of Integrity Parking Systems, LLC and Mathew P. Domines, Department of Community and Economic Development. Each member of the SET executed and delivered a confidentiality agreement, and then was given access to the electronic data room. In addition to the SET, the

Office of the Receiver is receiving legal advice from MLA, and technical and financial advice from CDM Smith, PRAG and HPA staff.

The RFQ established a Preliminary Procurement Schedule for the Parking Asset transaction. See Exhibit A, attached hereto. In accordance with that schedule, questions from potential interested parties were required to be submitted on or prior to February 20th and written responses to those questions were posted for all potentially interested parties to review. Fourteen statements of qualification ("SOQs") were submitted on or before March 12, 2012.

The SET reviewed the SOQs and its report to the Receiver supported the determination that twelve proposers be deemed qualified to participate in the second phase of the selection process. On March 20, 2012, the Receiver determined based upon his review of information available to him, that twelve proposers were qualified to proceed to the next stage of the process. The names of these Selected Interested Parties were posted to the web site of the Office of the Receiver.

The initially-appointed Receiver, David Unkovic, resigned from his position on March 30, 2012.

On or before April 2, 2012, the Office of the Receiver received nine proposals and terms sheets in accordance with Section 3.2 of the RFQ (the "Term Sheets and Proposals") to pursue the Parking Asset Transaction. The names of these nine firms were posted on the web site of the Office of the Receiver.

In a letter, dated April 10, 2012, Governor Tom Corbett temporarily assigned the responsibility of administering the Office of the Receiver to the Department of Community and Economic Development. The Secretary of Community and Economic Development subsequently assigned Frederick Reddig, Executive Director of the Governor's Center for Local Government Services, to fulfill the temporary assignment of administering the Office of the Receiver. Mr. Reddig was charged with monitoring the ongoing implementation of the Recovery Plan confirmed by the Court and meeting with the Municipal Financial Recovery Advisory Committee to receive feedback on the implementation of the Recovery Plan. In this task, Mr. Reddig has been strictly guided by the Recovery Plan and has taken no action not prescribed by the Court-confirmed Recovery Plan.

Site visits were scheduled by HPA for Selected Interested Parties to inspect the Parking Assets and ask questions of the operators. The site visits were conducted on April 16, 2012 and April 17, 2012.

The SET convened to review and discuss the Term Sheets and Proposals. Questions were raised by members of the SET and advisors, and the SET, PRAG and MLA assisted the Office of the Receiver in requesting additional information to assist in evaluating the Term Sheets and Proposals. This additional information, which includes significant financial information and projections, was received within the last two weeks. This information has been provided to the SET and the Office of the Receiver, and it is being reviewed as well as by various advisors. The information received from the SIPs includes comprehensive operating models with many detailed assumptions requiring review and analysis.

On May 3, 2012, a message was sent out to the nine Selected Interested Parties notifying them that the SET would be meeting shortly and that, “while there is not currently a Receiver, the SET and the advisors are continuing with the plan that was submitted by the Office of the Receiver and approved by the Court.” (See Exhibit B, attached hereto). SIPs were also advised that the Office of the Receiver would provide an update to the preliminary schedule in the near future.

The SET met again on May 4, 2012 for several hours and concurred that PRAG and MLA should further develop the possible structures for the transaction and clarify issues and questions raised with respect to certain SIP responses. The SET provided specific questions and issues that it would like to be explored further. In order to begin to answer the questions raised by the SET, advisors are in the process of setting meetings, which should begin the week of May 14th.

Exhibit A
Initial Schedule for Request for Qualifications Related to the
Assets of The Harrisburg Parking Authority dated February 10, 2012

Issue Parking RFQ	February 9, 2012
Open Electronic Data Base for Preliminary Due Diligence	February 15, 2012
Receive Questions from Potentially Interested Parties	February 20, 2012
Respond to Questions from Potentially Interested Parties	February 27, 2012
Final Date for Receipt of SOQs	March 12, 2012
Identify Selected Interested Parties	March 16, 2012
Final Date for Receipt of Section 3.2 Submissions by Selected Interested Parties	March 30, 2012
Additional Due Diligence and Negotiations with Selected Interested Parties	March 31 – April 26, 2012
Select Successful Selected Interested Party	April 27, 2012
Execute Final Agreement and submittal of all required deposits/financial assurances	June 1, 2012
Close Transaction Including Funding	June 15, 2012

Exhibit B

From: Reddig, Frederick [mailto:freddig@pa.gov]
Sent: Thursday, May 03, 2012 2:50 PM
To: SIPs
Subject: Harrisburg Parking Assets

Thank you for submitting a response to the request for clarifications provided to your firm relating to the Request for Qualifications Related to the Assets of the Harrisburg Parking Authority ("RFQ").

Advisors to the Office of the Receiver have been compiling the information and providing analytical and legal support to screening and evaluation team members (the "SET"). The SET is currently scheduled to meet this Friday, May 4, 2012. At that time, the committee is expected to be charged with reporting relative strengths and weaknesses of proposals to the Office of the Receiver. The Office of the Receiver is expected to use all available information to narrow the list of potential parties with whom the Office of the Receiver intends to negotiate.

We also wanted to confirm that while there is not currently a Receiver, the SET and the advisors are continuing with the plan that was submitted by the Office of the Receiver and approved by the Court, however, the time frame for evaluation and review of the proposals for parking will be extended beyond the initial schedule. We hope to have a schedule and more information to you in the near future.

Thank you again for your continuing interest in this transaction.

Fred A. Reddig

Executive Director
Governor's Center for Local Government Services
and
Acting Administrator for the Office of Receiver
for the City of Harrisburg
Department of Community & Economic Development
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Confidentiality Notice: This electronic communication is privileged and confidential and is intended only for the party to whom it is addressed. If received in error, please return to sender.

McKenna Long & Aldridge^{LLP}

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MEMORANDUM

To: Fred A. Reddig, Acting Administrator for the Office of the Receiver for the City of Harrisburg

From: McKenna Long & Aldridge LLP

Date: May 10, 2012

Re: Summary of the Status of Procurement Regarding the Harrisburg Water, Wastewater and Stormwater Systems.

The following is a chronological summary of the progress made with respect to entering into an agreement to manage and/or operate The Harrisburg Authority's Water, Wastewater and Stormwater Systems:

A Request for Qualifications ("RFQ") was developed in the latter part of January and issued on February 7, 2012, to manage and/or operate The Harrisburg Authority's Water, Wastewater and Stormwater Systems (the "Transaction"). A list of potentially interested parties was developed by the Office of the Receiver (the "Receiver") and its counsel McKenna Long and Aldridge ("MLA"), and The Harrisburg Authority ("THA") and its advisors. The potentially interested parties received a copy of the RFQ, which was also posted on the web sites of the Office of the Receiver and THA.

THA created a web-based data room ("electronic data room"), into which it posted documents, data, information, contracts and other materials for review by prospective bidders. Each prospective bidder was required to execute and deliver a Confidentiality Agreement prior to being provided access to the electronic data room. Meetings and telephone calls to City of Harrisburg (the "City") water and sewer staff were conducted in order to identify the documents and information in the City's possession that would be needed for the electronic data room.

A set of procurement guidelines was established to protect the integrity of the procurement process and the confidentiality of the proposers' submissions. A screening and evaluation team (referred to herein as the "SET") was established by the Receiver to assist the Office of the Receiver in evaluating the bids and to provide input to help the Receiver make a final selection. For this transaction, the SET is comprised of Shannon G. Williams, Interim Executive Director of THA, Fred Reddig, the Executive Director of the Governor's Center for Local Government Services, Department of Community and Economic Development and Vaughn Gower, member of the board of another Pennsylvania water authority and former CFO of a health care system. Each member of the SET executed and delivered a confidentiality agreement, and then was given

access to the electronic data room. In addition to the SET, the Office of the Receiver is receiving legal advice from MLA, and technical and financial advice from Herbert, Rowland & Grubic, Inc. (Engineer to THA), PRAG and City staff.

The RFQ established a Preliminary Procurement Schedule for the Transaction. See Exhibit A, attached hereto. In accordance with that schedule, questions from potential interested parties were required to be submitted on or prior to February 17th and written responses were posted for all potentially interested parties to review. Five statements of qualification (“SOQs”) were received on or before March 5, 2012. The Office of the Receiver and THA posted the names of the parties who submitted SOQs on their web sites. The parties were Aqua America, Inc., CH2M Hill, Pennsylvania American Water, U.S. Facilities, Inc. and United Water.

The SET reviewed the SOQs and recommended to the Receiver that four of the proposers be deemed qualified to participate in the second phase of the selection process. On March 20, 2012, the Receiver determined based upon his review of information available to him, that four proposers were qualified to proceed to the next stage of the process. The names of these Selected Interested Parties (“SIPs”) were posted to the web sites of the Office of the Receiver and THA. Those firms were, Aqua America, Inc., CH2M Hill, Pennsylvania American Water, and United Water Environmental Services, Inc. and Kohlberg Kravis Roberts & Co., L.P.

THA retained the services of Arcadis to develop a baseline model that could be used to project rates, revenues and expenses and implementation of a capital improvement plan. This baseline is intended to be used to compare what the SIPs are offering to the status quo, and to aid in negotiations.

The initially-appointed Receiver, David Unkovic, resigned from his position on March 30, 2012. In a letter, dated April 10, 2012, Governor Tom Corbett temporarily assigned the responsibility of administering the Office of the Receiver to the Department of Community and Economic Development. The Secretary of Community and Economic Development subsequently assigned Frederick Reddig, Executive Director of the Governor’s Center for Local Government Services, to fulfill the temporary assignment of administering the Office of the Receiver. Mr. Reddig was charged with monitoring the ongoing implementation of the Recovery Plan confirmed by the Court and meeting with the Municipal Financial Recovery Advisory Committee to receive feedback on the implementation of the Recovery Plan. In this task, Mr. Reddig has been strictly guided by the Recovery Plan and has taken no action not prescribed by the Court-confirmed Recovery Plan.

A message was sent out to the four Selected Interested Parties notifying them of revisions to the preliminary schedule set forth in Section 4.2 of the RFQ (See Exhibit B, attached hereto.) The revisions project execution of a final agreement by June 30, 2012 and closing on a date after June 30th to be agreed upon in the final agreement. As stated in the RFQ, it was pointed out to the SIPs that these new projected dates are subject to further adjustment.

The short-term plan is to collect and add additional documents to the electronic data room for access by the SIPs and conduct a site visit for the SIPs. The water and waste water process has been hampered by challenges in assembling information requested by the SIPs, most importantly audited financial statements. The Receiver is working with THA to identify additional resources to accelerate obtaining the needed audited financial statements, which are also required by the Commonwealth and the Receiver for other purposes and will be needed by the credit markets.

Exhibit A

Initial Schedule for Request for Qualifications To Manage and/or Operate The Harrisburg Authority's Water, Wastewater, and Stormwater Systems dated February 7, 2012

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

Exhibit B

The Harrisburg Authority

Memorandum

To: Selected Interested Parties/Qualified Proposers – To Manage and/or Operate
The Harrisburg Authority's Water, Wastewater, and Stormwater Systems

CC: Office of the Receiver for the City of Harrisburg

From: Shannon G. Williams, Interim Executive Director

Date: May 1, 2012

Re: RFP Process

In connection with the Request for Qualifications ("RFQ") to Manage and/or Operate The Harrisburg Authority's Water, Wastewater, and Stormwater Systems, this is to advise that the preliminary schedule set forth in Section 4.2 of the RFQ which calls for execution of a final agreement by June 11, 2012 and closing by June 15, 2012 is revised to project execution of a final agreement by June 30, 2012 and closing at a date after June 30 to be determined. These new projected dates are subject to further adjustment, however, in accordance with the RFQ.

Additionally, this is a reminder of the requirement in Section 3 of the RFQ that all communications in connection with the RFQ be made to the Interim Executive Director of The Harrisburg Authority, Shannon Williams, ONLY and that any other communications may result in elimination from the RFQ process.

