

PLEDGE AND ASSIGNMENT OF TRUST ACCOUNTS

THIS PLEDGE AND ASSIGNMENT OF TRUST ACCOUNTS (this "Pledge Agreement") is made and entered into as of this [___] day of November, 2013 by and among the City of Harrisburg (the "City"), a Third Class City of the Commonwealth of Pennsylvania; the Lancaster County Solid Waste Management Authority ("LCSWMA"), a municipal authority incorporated under the Authorities Act of the Commonwealth; The Harrisburg Authority ("THA") a municipal authority incorporated under the Authorities Act of the Commonwealth; and _____ ("Lockbox Bank") a

Background

The City and THA entered into a Municipal Solid Waste Disposal Agreement on December 1, 1993. On September 16, 2013 the City Council approved an Assignment, Amendment and Restatement of the Municipal Waste Disposal Agreement to LCSWMA and an Asset Purchase Agreement under which LCSWMA will acquire the Susquehanna Resource Management Complex (formerly the Harrisburg Materials Energy and Resource Recovery Facility) from THA. It is anticipated that LCSWMA will acquire the Susquehanna Resource Management Complex (the "SRMC") on or about December 16, 2013 (the "Acquisition Date").

Pursuant to the Assignment, Amendment and Restatement of the Municipal Waste Disposal Agreement the City will continue to collect, directly or indirectly, all City solid waste and require its delivery to the SRMC. At present, the City collects with its own forces certain residential and commercial City solid waste and certain other commercial City solid waste is collected by private haulers under contract with the generators. The City is now in process of negotiating a Collection and Disposal Contract for residential and commercial solid waste collection and disposal services (the "Collection Contract") with a responsible private hauler ("Contracted Hauler"). The Collection Contract may begin in early 2014 (the "Contracted Hauler Start Date"). Until the Contracted Hauler Start Date the City will continue to collect residential City solid waste with the City's own forces.

Previously the City billed disposal and collection sanitation service fees (the "Sanitation Fees") with the sewer and water service fees (such billings are collectively the "Utility Bills") and deposited the collected Sanitation Fees into a segregated City account (the "City Sanitation Fee Account"). THA was paid for waste disposal services from the City Sanitation Fee Account. The City is entering into the arrangement with THA described in this paragraph (the "THA Agency") under which THA will become the City's agent with respect to water, sewer and sanitation utilities and as such will manage the billing, collection and disbursement of the monthly Sanitation Fees. On October 30, 2013, the City and THA approved a Transition Agreement under which their prior Conveyance and Treatment System Lease and Water Management Agreements were terminated, and the operation of the entire Combined Sewer System and of the Water System is transitioned from the City to THA. On October 30, 2013, the THA approved a the "Transfer Agreement", under which the City will transfer its sewer/wastewater/stormwater assets to THA and a Shared Services Agreement under

which the City and THA agree to provide services for each other related to the Combined Sewer System and to the Water System and it is anticipated that the City will approve those agreements shortly.

The THA Agency went into effect with respect to the billing by THA of residential and certain commercial waste customers on November 4, 2013 (the "Transition Date"), and with respect to commercial waste customers not currently served by the City prior to December 31, 2014. Following the Transition Date, THA will be responsible for the collection of the Utility Bills under the THA Agency and a Shared Service Agreement between the City and THA and the current functions of the City's Water Bureau and Operations and Revenue Bureau will become the responsibility of THA.

THA has entered into an agreement with the Lockbox Bank (the "Lockbox Bank Agreement") which provides, among other things, that the Lockbox Bank will implement a lockbox payment system on December 2, 2013 in order to meet the requirements of certain other creditors and LCSWMA under the Assignment, Amendment and Restatement of the Municipal Waste Disposal Agreement and the Addendum thereto (collectively, the "Waste Disposal Agreement") which is incorporated in this Pledge Agreement by reference as if set forth in full in this Pledge Agreement. Under the Lockbox Bank Agreement, the Lockbox Bank will be THA's collection agent for the Utility Bills. The Utility Bill revenues will be collected in a Lockbox Bank controlled trust account (the "Lockbox Account"). Under the THA Agency and the Lockbox Bank Agreement: (a) all Utility Bills will be handled by THA (directly or by the Lockbox Bank) and not by the City; (b) Utility Bill payments and collections will flow directly to the Lockbox Account and not to the City; and (c) after receipt of Utility Bill payments in the Lockbox Account, the Lockbox Bank will transfer receipts applicable to Water/Sewer services and receipts applicable to Sanitation services into separate and segregated bank accounts (the "Water/Sewer Trust Account" and the "Sanitation Trust Account" respectively).

After the Transition Date, THA will monthly bill to City solid waste generators the applicable Sanitation Fees, the Lockbox Bank will receive the collections in the Lockbox Account maintained and controlled by the Lockbox Bank on behalf of THA and then transfer the Sanitation Fees to a separate Sanitation Trust Account maintained and controlled by the Lockbox Bank on behalf of the City. After the Contracted Hauler Start Date, the Contracted Hauler will deliver all solid waste to LCSWMA and pay LCSWMA the applicable disposal fees as set forth in the Waste Disposal Agreement. The Contracted Hauler Collection Contract may provide that the fees to Contracted Hauler are paid directly from the Sanitation Trust Account so long as the Contracted Hauler is not in default of its obligations to LCSWMA.

Pursuant to the terms of the Waste Disposal Agreement, the City agreed to provide LCSWMA with security for all amounts owed under the Waste Disposal Agreement (the "City Obligations"). The City is required by the terms of the Addendum to the Waste Disposal Agreement to establish the Sanitation Trust Account at the Lockbox Bank to be used to hold all Sanitation Fees collected. The City has agreed, as security for the City Obligations, to assign and convey to LCSWMA, and to grant to LCSWMA, a security interest in and lien upon all of City's right, title and interest in and to the Sanitation Fees

and the Sanitation Trust Account maintained with Lockbox Bank in the name of the City. THA acknowledges that it will have no right, title or interest in the Sanitation Fees, the Sanitation Trust Account, or in the Lockbox Account.

NOW, THEREFORE, with the foregoing Background incorporated by reference, including but not limited to the terms defined in the foregoing Background, and intending to be legally bound, the parties agree as follows:

1. Lockbox Trust Account.

(a) Name of Lockbox Account. All Utility Bill collections shall be deposited in the Lockbox Account. The Lockbox Account is titled _____ Account and is designated as Account No. [_____] . The Lockbox Bank shall transfer the Sanitation Fee revenues daily from the Lockbox Account to the separate Sanitation Trust Account established for the benefit of LCSWMA, and after the Contracted Hauler Start Date, the Contracted Hauler. The Lockbox Bank shall transfer the Water/Sewer Service revenues from the Lockbox Account into the Water/Sewer Trust Account , also on a daily basis. The Lockbox Account shall not be held in the name of THA, which shall have no right, title or interest in the Lockbox Account or the Sanitation Fees.

(b) Assignment and Granting of Security Interest in Lockbox Account. The City and THA (the "Obligors") assign and convey to LCSWMA in common with the Contracted Hauler and the Sewer and Water creditors (LCSWMA, the Contracted Hauler and the Sewer and Water creditors are collectively the "Utility Creditors"), *pari passu*, as their interests may appear, and grant to the Utility Creditors, a security interest in and lien upon all of the Obligors' right, title and interest in and to the Lockbox Account and, except to the extent transferred to the Sanitation Trust Account or the Water/Sewer Trust Account, all proceeds in whatever form, now owned or hereafter held in the Lockbox Account including, without limitation, interest, income, distributions, cash and non-cash proceeds thereof and other income of whatever nature, paid or payable to the Obligors with respect to the Lockbox Account and all distributions with respect the Lockbox Account.

(c) No other Liens. The security interest and lien granted by the Obligors to the Utility Creditors in the Lockbox Account shall be free and clear of all other liens or security interests. The Obligors represent to LCSWMA that no other party maintains a security interest in the Lockbox Account other than the Utility Creditors.

(d) Security Agreement. This Pledge Agreement constitutes a security agreement under the Uniform Commercial Code as adopted in the Commonwealth of Pennsylvania and creates a security interest in the Lockbox Account including, without limitation, all replacements, additions, accessions and substitutions thereof. The Obligors shall execute, deliver, file and refile any financing statements or other security agreements as LCSWMA may require from time to time confirming the lien of this Pledge Agreement and the security interest hereby created with respect to the Lockbox Account, and the Obligors shall pay any costs or fees incurred in connection therewith. Without limiting the foregoing, the Obligors hereby irrevocably appoint LCSWMA as attorney-in-

fact for the Obligor to execute, deliver and file such instruments for and on behalf of the Obligor.

(e) No Release. Notwithstanding any partial release of the Lockbox Account or advances therefrom, until the City Obligations to LCSWMA are repaid in full, the terms hereof shall survive as a security agreement with respect to the balance of the Lockbox Account.

(f) Lockbox Account Funds Held in Trust for Utility Creditors. The Obligor and THA acknowledge and agree that any and all funds deposited in the Lockbox Account or in any replacement or substitute account or accounts therefor, are held in trust for the Utility Creditors, and the Obligor's right of access to, disbursement or withdrawal from the Lockbox Account or any replacement or substitute account or accounts therefor are subject to the terms of this Pledge Agreement and the Waste Disposal Agreement.

2. Sanitation Trust Account.

(a) Name of Sanitation Trust Account. The Lockbox Bank shall transfer the portion of the Utility Bill collections applicable to Sanitation Fees daily from the Lockbox Account to the Sanitation Trust Account. Payments in less than the full amount of a Utility Bill shall be prorated by the Lockbox Bank between the Water/Sewer Trust Account and the Sanitation Trust Account based on the amounts shown on the Utility Bill. The Sanitation Trust Account is titled Sanitation Trust Account and is designated as Account No. [_____]. The Sanitation Trust Account shall not be held in the name of THA, which shall have no right, title or interest in the Sanitation Trust Account.

(b) Assignment and Granting of Security Interest in Sanitation Trust Account. The City assigns and conveys to LCSWMA, and grants to LCSWMA a security interest in and lien upon, all of the City's right, title and interest in and to the Sanitation Trust Account and all proceeds in whatever form, now owned or hereafter held in the Sanitation Trust Account including, without limitation, interest, income, distributions, cash and non-cash proceeds thereof and other income of whatever nature, paid or payable to the City with respect to the Sanitation Trust Account and all distributions with respect to the Sanitation Trust Account.

(c) No Other Liens. The security interest and lien granted by the City to LCSWMA in the Sanitation Trust Account shall be free and clear of all other liens or security interests, except for *pari passu* liens and security interests granted by the City to the Contracted Hauler for waste collection services. The City represents to LCSWMA that no other party maintains a security interest in the Sanitation Trust Account other than LCSWMA and the Contracted Hauler.

(d) Security Agreement. This Pledge Agreement constitutes a security agreement under the Uniform Commercial Code as adopted in the Commonwealth of Pennsylvania and creates a security interest in the Sanitation Trust Account including, without limitation, all replacements, additions, accessions and substitutions thereof. The City shall execute, deliver, file and refile any financing statements or other security

agreements as LCSWMA may require from time to time confirming the lien of this Pledge Agreement and the security interest hereby created with respect to the Sanitation Trust Account, and the City shall pay any costs or fees incurred in connection therewith. Without limiting the foregoing, the City hereby irrevocably appoints LCSWMA attorney-in-fact for the City to execute, deliver and file such instruments for and on behalf of the City.

(e) No Release. Notwithstanding any partial release of the Sanitation Trust Account or advances therefrom, until the City Obligations to LCSWMA are repaid in full, the terms hereof shall survive as a security agreement with respect to the balance of the Sanitation Trust Account.

(f) Sanitation Trust Account Funds Held in Trust for LCSWMA. LCSWMA and the City acknowledge and agree that any and all funds deposited in the Sanitation Trust Account or in any replacement or substitute account or accounts therefor, are held in trust for LCSWMA, and the City's right of access to, disbursement or withdrawal from the Sanitation Trust Account or any replacement or substitute account or accounts therefor are subject to the terms of this Pledge Agreement and the Waste Disposal Agreement.

3. City Covenants Regarding Trust Accounts. With respect to the Sanitation Trust Account and the Lockbox Account (the "Trust Accounts"), from and after the date of this Pledge Agreement, until the Trust Accounts are fully disbursed in accordance with the terms of this Pledge Agreement, and the Waste Disposal Agreement, the City hereby covenants and agrees as follows:

(a) Except as may be permitted in this Pledge Agreement, and the Waste Disposal Agreement, the City shall not sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Trust Accounts, or create, incur or permit or suffer to exist any lien or option in favor of, or any claim of any person with respect to, all or any portion of the Trust Accounts or any interest therein. The City shall defend the right, title and interest of LCSWMA in and to the Trust Accounts against the demands and claims of all persons whomsoever.

(b) At any time and from time to time, upon the request of LCSWMA, and at the sole expense of the City, the City will promptly and duly execute and deliver such further instruments and documents and will take such further actions as LCSWMA may reasonably request for the purposes of obtaining or preserving the full benefits of this Pledge Agreement and of the rights granted herein.

4. Initial Funding of Sanitation Trust Account. On or before the Acquisition Date, the City shall transfer from the City Sanitation Account to the Sanitation Trust Account the Transfer Amount as defined in paragraph 2(b)(i) of the Addendum to the City Waste Disposal Agreement.

5. Payments from Sanitation Trust Account Prior to the Contracted Hauler Start Date. Until the Contracted Hauler Start Date, LCSWMA shall submit monthly City waste disposal fee statements to the Lockbox Bank and the City shall submit monthly

City waste collection fee statements to the Lockbox Bank. The Lockbox Bank shall first pay LCSWMA's monthly statement, and then, provided that the Sanitation Trust Account has a balance of not less than the Transfer Amount, the Lockbox Bank will then pay the City's waste collection fees.

6. Payments from the Sanitation Trust Account After the Contracted Hauler Start Date. After the Contracted Hauler Start Date, the Contracted Hauler may submit monthly statements for City collection and disposal fees, together with a certification executed by LCSWMA that all LCSWMA disposal fees owed by the Contracted Hauler have been paid when and as due, and so long as the Lockbox Bank receives LCSWMA's certification and has not received written notice from LCSWMA that the Contracted Hauler is in default of its disposal fee obligations to LCSWMA, then the Lockbox Bank shall pay Contracted Hauler's Collection Contract fees from the Sanitation Trust Account. If the Contracted Hauler, or any subsequent Collection Contract hauler, or the City (if the City is acting as hauler instead of a Contracted Hauler), defaults under its obligations to LCSWMA, then, upon notice, LCSWMA may require that the default of the Contracted Hauler, or the City, as applicable, be cured by payment from the Sanitation Trust Account ahead of the Contracted Hauler, or the City, as applicable. If the Lockbox Bank has received notice from LCSWMA that the Contracted Hauler is in default, together with a statement of unpaid LCSWMA disposal fees, then the Lockbox Bank shall not pay the Contracted Hauler statement, but shall instead pay to LCSWMA from the Lockbox Account an amount equal to the LCSWMA statement of unpaid disposal fees.

7. Sanitation Trust Account Minimum Balance. Prior to the Contracted Hauler Start Date, the Sanitation Trust Account minimum balance shall be the Transfer Amount. After the Contracted Hauler Start Date, the City and LCSWMA will from time to time jointly notify in writing the Lockbox Bank of the minimum amount which must be maintained in the Sanitation Trust Account to secure the City's obligations to Contracted Hauler and LCSWMA, including but not limited to any anticipated Shortfall Fee, as defined in the Waste Disposal Agreement. The Sanitation Account Trust shall also be security for the Shortfall Fee.

8. No Contracted Hauler. If the Contracted Hauler Start Date is delayed or does not occur, or if in the future the City determines to once again collect waste with the City's own forces, then the provisions of Section 5 above shall continue to apply.

9. Lien of Contracted Hauler. If the Contracted Hauler requires that the Contracted Hauler also be granted a lien upon the Sanitation Trust Account, then LCSWMA will agree to a *pari passu* lien upon the Sanitation Trust Account with the Contracted Hauler and will agree to an intercreditor addendum to this Pledge Agreement providing that LCSWMA and the Contracted Hauler have parity liens and, in the event of default by the City, will be paid from the Sanitation Trust Account as their interests may appear.

10. Term. As to the City and LCSWMA, the term of this Agreement is twenty years from the Acquisition Date. In the event the term of the THA Agency ends earlier than the twenty years, the City will select and retain another agent to replace THA. Upon

expiration of the Lockbox Agreement, THA will select another financial institution to act in the place of the Lockbox Bank.

11. Events of Default. Each of the following shall constitute an “Event of Default” by the respective party under this Pledge Agreement:

(a) Any party shall fail to perform any obligation under this Pledge Agreement after any applicable cure or grace period;

(b) In the case of the City, the City shall have breached or allowed a default to occur under the Waste Disposal Agreement, or the City shall have breached or allowed a default to occur under any of the agreements described as part of the THA Agency in the Background section to this Pledge Agreement, or the City or any creditor of the City attempts to foreclose, execute, seize, attach, levy upon or otherwise assert rights against any Trust Account;

(c) In the case of THA, THA shall have breached or allowed a default under to occur under any of the agreements described as part of the THA Agency in the Background section to this Pledge Agreement or the THA or any creditor of THA attempts to foreclose, execute, seize, attach, levy upon or otherwise assert rights against any Trust Account; or

(d) In the case of the Lockbox Bank, the Lockbox Bank shall have breached or allowed a default to occur under the Lockbox Agreement.

12. Remedies.

(a) If an Event of Default occurs as defined in this Pledge Agreement, a non-defaulting party may exercise all rights and remedies granted to it in this Pledge Agreement, or any agreement referenced in this Pledge Agreement, and LCSWMA may exercise any other rights and remedies of a secured party under the Pennsylvania Uniform Commercial Code including, but not limited to the foreclosure or execution upon, sale or other disposition of the Trust Accounts.

(b) If any person attempts to foreclose, execute, seize, attach, levy upon or otherwise assert rights against the Lockbox Account: (i) LCSWMA and/or the Contracted Hauler shall be entitled to require transfer to the Sanitation Trust Account a prorata amount of the Lockbox Account equal to the proceeds of the Sanitation Fees deposited in the Lockbox Account, less previous payments from the Lockbox Account to the Sanitation Trust Account; and (ii) any other Utility Creditor shall be entitled to require a transfer to the Water/Sewer Trust Account a prorata amount of the Lockbox Account equal to the proceeds of the Sewer and Water Fees deposited in the Lockbox Account, less previous payments from the Lockbox Account to the Water/Sewer Trust Account.

13. Power of Attorney. The City appoints LCSWMA and grants to LCSWMA an irrevocable Power of Attorney to act on behalf of the City with respect to the Trust Accounts including, but not limited to, executing and delivering any documents or

instruments required for the maintenance of the Trust Accounts and withdrawals therefrom pursuant to and in accordance with the terms of this Pledge Agreement or the Waste Disposal Agreement, to make payment of claims and/or expenses then due and payable with respect to the City Obligations.

14. Notices. Each notice or other communication required or deemed desirable hereunder shall be in writing, shall be sent by messenger or by registered or certified mail, shall be effective when received, and shall be sent to the relevant party at its address appearing in this Pledge Agreement or to such other address as a party may, by notice pursuant to this Section 14, designate from time to time.

15. Binding Effect. This Pledge Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their successors, trustees and assigns.

16. Indemnification. The City hereby agrees to fully indemnify and hold harmless LCSWMA and the Lockbox Bank and their respective officers, directors, attorneys, representatives, and employees from and against any claims, demands, liabilities, losses, costs, damages and expenses (including reasonable attorneys' fees and expenses) incident thereto, which may be asserted against or incurred by LCSWMA or the Lockbox Bank, or their respective officers, directors, and employees , whether with or without basis in fact or in law, arising out of, or with respect to any act or omission in connection with this Pledge Agreement.

17. No Modifications. This Pledge Agreement and the covenants, agreements, authorizations and directions contained herein, are irrevocable and cannot be changed, modified or terminated without the prior written consent of all the parties.

18. Counterparts. This Pledge Agreement may be executed in any number of counterparts, all of which together shall constitute one agreement.

19. Governing Law. This Pledge Agreement shall be governed by the law of the Commonwealth of Pennsylvania, without regard to conflict of laws principles.

IN WITNESS WHEREOF, the City, THA, LCSWMA and the Lockbox Bank have caused this Addendum to be executed in their respective names, have caused their respective corporate seals to be affixed to this Pledge Agreement, have caused this Pledge Agreement to be attested, all by their duly authorized officers and representatives, and have caused this Addendum to be dated as of the date and year first written above.

CITY OF HARRISBURG:

By: _____
Mayor

By: _____
City Controller

Attest: _____
President, City Council

APPROVED AS TO FORM & LEGALITY:

City Solicitor

LANCASTER COUNTY SOLID WASTE
MANAGEMENT AUTHORITY

Attest: _____
Secretary

By: _____
Chair

THE HARRISBURG AUTHORITY

Attest: _____
Secretary

By: _____
Chair

LOCKBOX BANK

Attest: _____

By: _____
authorized officer