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LEHIGH COUNTY AUTHORITY 1053 SPRUCE STREET • P.O. BOX 3348 • ALLENTOWN, PA 18106-0348  
610-398-2503 • FAX 610-398-8413  
email: service@lehighcountyauthority.org

March 27, 2013

Public Financial Management, Inc.  
c/o Scott Shearer  
One Keystone Plaza  
North Front & Market Streets  
Harrisburg, PA

Re: City of Allentown Water and Sewer Utility System Request for Bids

Dear City of Allentown:

Lehigh County Authority (the "Proposer") hereby submits the attached Proposal in response to the City of Allentown Water and Sewer Utility System Request for Bids (the "RFB") issued by the City of Allentown ("Allentown") on February 27, 2013, as amended.

The undersigned Proposer hereby unconditionally and irrevocably offers to enter into the Allentown Water and Sewer Utility System Concession and Lease Agreement (the "CLA") for identified water and sewer facilities owned and operated by Allentown. Capitalized terms not otherwise defined in this Proposal have the meanings set forth in Section 1.1 of the CLA.

The Proposer, by its undersigned duly-authorized representative, hereby covenants, certifies, represents, and warrants, as follows in connection with this Proposal:

1. **RFB and Addendum Acknowledgement.** The Proposer acknowledges receipt of the RFB and the following addenda to the RFB:

<u>Addendum No.</u>	<u>Date</u>
1	3/15/13
2	3/18/13

2. **Due Authorization.** The submittal of the Proposal has been duly authorized by, and in all respects is binding upon, the Proposer.

3. ***Completeness; Warranty as to Proposal Information.*** The Proposer has submitted all Proposal Forms and such Proposal Forms are a part of this Proposal. All information and statements contained in the Proposal are current, correct and complete, and are made with full knowledge that Allentown will rely on such information and statements in determining which Proposals are responsive and responsible, and in ultimately selecting the Proposal deemed most advantageous to Allentown and executing the Agreement.
4. ***Identity of Concessionaire.*** The Concessionaire will be the Proposer, provided that the Proposer may, prior to the execution of the Agreement pursuant to paragraph 8 below, create a subsidiary to be the Concessionaire (the “Subsidiary”), in which event the Subsidiary shall carry out all of the obligations of the Concessionaire under the Agreement from and after such execution.
5. ***Final Agreements.*** The Proposer agrees to enter into the Agreement in each case in the form identified as “Binding Proposal, Execution Copy” as posted in the Virtual Data Room for this Concession (except for filling in indicated blanks and completion of Schedules as provided therein).
6. ***Consideration.*** The amount of the Consideration that Proposer will pay pursuant to Section 2.1 of the Agreement will be the total set forth in Proposal Form 6.
7. ***Annual City Payment.*** The annual amount of money that Proposer will pay pursuant to Section 3.23 of the Agreement will be the total set forth in Proposal Form 6. The amount of the Annual City Payment shall be no less than \$500,000 and no more than \$2,500,000.
8. ***Selected Interest Rate.*** Pursuant to Section 2.2, the Proposer shall decide if the Consideration will be adjusted at closing due to fluctuations in the Selected Interest Rate in Proposal Form 6.
9. ***Credit Spread Fluctuation Interest Rates.*** Pursuant to Section 2.2, the Proposer shall decide if the Consideration will be adjusted at closing due to Credit Spread Fluctuation Interest Rates in Proposal Form 6.
10. ***Proposal Effective Period.*** This Proposal and offer shall remain in effect and irrevocable until 5:00 p.m. Eastern Daylight Savings Time on May 1, 2013, unless extended to 5:00 p.m. Eastern Daylight Savings Time on May 15, 2013 by Allentown or unless further extended by mutual consent of both Allentown and the Proposer (the “Termination Time”). If Allentown does not give written notice to the Proposer that Allentown is prepared to enter into the Agreement on or prior to the Termination Time, this offer and the terms of this Proposal shall terminate at the Termination Time and the Proposal Cash Deposit (as hereinafter defined) and all interest earned thereon or the Closing LOC shall be returned to the Proposer in accordance with the escrow agreement.
11. ***Agreement Execution.*** If at any time prior to the Termination Time, Allentown gives written notice to the Proposer, at the address specified below, that they are prepared to

enter into the Agreement with the Proposer, the Proposer will, within two Business Days of its receipt of such notice, execute and deliver the Agreement to Allentown.

12. **Cash Deposit/Proposal LOC.** In accordance with Section 2.3 of the Agreement, this offer set forth in the Proposal is secured by (i) a cash deposit in the amount of US \$0 (the “Proposal Cash Deposit”) which shall be deposited with the Escrow Agent as provided in the Escrow Agreement for Proposal Cash Deposit, and/or (ii) Closing LOC(s) in an amount of US \$10,000,000 issued by an appropriate institution in the form prescribed in Proposal Form 7. The Proposer’s offer must be secured by a combination of one or more (x) Letters of Credit or (y) Cash Deposit (each, a “RFB Deposit”), in the amount of Ten Million Dollars (\$10,000,000) (United States currency).
13. **Debarment.** Neither the Proposer, the Operator, nor any other member of Proposer’s project team is currently suspended or debarred from doing business with any governmental entity.
14. **Contract Disclosures.** Except as disclosed in Proposal Form 5, neither Proposer nor any member of Proposer’s team has entered into any arrangement with any person or entity involving a finder’s fee, fee splitting, firm affiliation or relationship with any broker-dealer, payments to consultants, lobbyists, or commissioned representatives or other contractual arrangements that could present a real or perceived conflict of interest.
15. **No Litigation.** There is no action, suit or proceeding, at law or in equity, before any court or similar governmental body, against the Proposer, wherein an unfavorable decision, ruling or finding would have a materially adverse affect on the ability of the Proposer to perform its obligations under the Agreement or the Concession contemplated hereby, or which, in any way, would have a materially adverse affect on the validity or enforceability of the obligations proposed to be undertaken by the Proposer, or any agreement or instrument entered into by the Proposer in connection with the Concession contemplated hereby.
16. **Certain Representations.** The Proposer represents and warrants that (1) Proposer has full power and authority to make this offer and submit this Proposal; (2) Proposer, or the Subsidiary, will have full power and authority to execute and deliver the Agreement pursuant to the terms hereof; (3) such actions do not and will not violate the terms of any of the Proposer’s or the Subsidiary’s organizational documents or any agreement binding upon it or the terms of any Applicable Law; (4) no further consent to this offer or Proposal or to the execution of the Agreement pursuant to the terms hereof is required to be obtained from any other Person or Governmental Authority; and (5) this offer and Proposal constitute, and the Agreement, if executed pursuant to the terms hereof, will constitute duly authorized, valid and legally binding obligations of the Proposer, or the Subsidiary, enforceable in accordance with their respective terms, except as may be limited by bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance or transfers, or other laws affecting creditor’s rights generally, and subject to general principles of equity (regardless of whether in law or in equity).

- 17. **Material Changes.** The Proposer has disclosed as an attachment to this Proposal all material changes from the information provided in the Proposer’s RFQ Response.
- 18. **Principal Contact.** The principal contact person who will serve as the interface between the Governmental Party and the Proposer for all communications is:

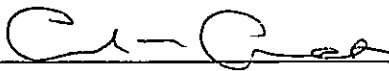
In addition to proposal forms 1 through 7, which are enclosed with this packet, the Proposer’s pension program explanation is included here as Exhibits A, per Allentown’s request.

NAME: Aurel M. Arndt  
 TITLE: General Manager  
 ADDRESS: Lehigh County Authority  
 PO Box 3348  
 Allentown, PA 18106  
 PHONE: 610-398-2503  
 FAX: 610-398-8413  
 EMAIL: aurelarndt@lehighcountyauthority.org

**Submitted by:**

Lehigh County Authority  
 Name of Proposer

Aurel M. Arndt  
 Name of Designated Signatory

  
 Signature

General Manager  
 Title

STATE OF PENNSYLVANIA

COUNTY OF LEHIGH



I, Aurel M. Arndt, a resident of the County of Lehigh, in the State of Pennsylvania, of full age, being duly sworn according to law, on my oath depose and say that:

- (1) I am the General Manager of Lehigh County Authority, organized under the laws of the state of Pennsylvania, the Proposer making the Proposal in response to City of Allentown Water and Sewer Utility System Request for Bids issued by the City of Allentown on February 27, 2013, as amended, and that I executed said Proposal with full authority to do so;
- (2) The pricing information set forth in this Proposal have been arrived at independently without collusion, fraud, consultation, communication, or agreement, for the purpose of restricting competition, as to any matter relating to such pricing information with any other Proposer or with any competitor;
- (3) Unless otherwise required by law, the pricing information which has been quoted in this Proposal has not been knowingly disclosed by the Proposer and will not knowingly be disclosed by the Proposer, directly or indirectly, to any other Proposer or to any competitor prior to execution of the Agreement; and
- (4) No attempt has been made or will be made by the Proposer to induce any other person or entity to submit or not to submit a Proposal for the purpose of restricting competition.

I, hereby affirm under the penalties of perjury that the foregoing statements are true.

Lehigh County Authority

Name of Proposer

Aurel M. Arndt

Name of Designated Signatory

Signature

General Manager

Title

State of Pennsylvania

County of Lehigh



On this 27<sup>th</sup> day of March, 2013, before me appeared Aurel M. Arndt, who is General Manager of Lehigh County Authority, a Municipal Authority of the Commonwealth of Pennsylvania, personally known to me to be the person described in and who executed this Non-Collusion Statement and acknowledged that she/he signed the same freely and voluntarily for the uses and purposes therein described.

In witness thereof, I have hereunto set my hand and affixed my official seal the day and year last written above.

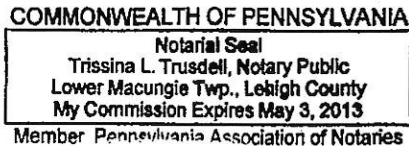
*Trissina L. Trusdell*

Notary Public in and for the State of Pennsylvania

*Trissina L. Trusdell*

(name printed)

(seal)



Residing at:

*OFFICE OF RECORD  
1053 Spruce Street  
Allentown PA 18106*



Commission Number:

*172999*

**Name of Proposer:** Lehigh County Authority

**Business Address:** PO Box 3348  
Allentown, PA 18106

**Legal Form of Proposer:** Municipal Authority

**State of Incorporation or Organization:** Pennsylvania

**If not organized in Pennsylvania, is Proposer authorized to do business in Pennsylvania?**  Yes  
 No

**List Names and Titles of All Principal Officers and Directors:**

Board of Directors:  
Asa M. Hughes, Chairman  
Thomas S. Muller, Vice Chairman  
Richard H. Bohner, Secretary  
Emrich M. Stellar Jr., Treasurer  
Brian C. Nagle, Assistant Treasurer  
Norma A. Cusick, Assistant Secretary  
Scott C. Bieber

Executive Staff:  
Aurel M. Arndt, General Manager  
Edward J. Bielarski, Chief Financial Officer

**Significant Equity Owners of the Proposer:** n/a

List the names, business addresses and percentage ownership interests of all Persons (individuals or entities) who own, directly or indirectly, 10% or more of the capital stock, units, partnership or membership interests, or other equity interests or securities of the Proposer (including options, warrants and other rights to acquire such equity interests) (the "Significant Equity Owners"). If none, please state "NONE." If one or more such Significant Equity Owner(s) of Proposer is an entity, then list the names and addresses of all Significant Equity Owners of such entity; if none, please state "None." This disclosure shall be continued until names and addresses of every Significant Equity Owners exceeding the ten percent ownership criteria of each entity listed has been identified. Additional pages may be attached.

<i>Name</i>	<i>Address</i>	<i>% Interest</i>
NONE	NONE	NONE

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If the Proposer is not the Operator, the Proposer must clearly identify the entity or entities who will serve as the Operator under the CLA. For the proposed Operator, please provide the following information.

1. **Name & Address of Proposed Operator:**

n/a – Proposer (Lehigh County Authority) will serve as Operator.

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2. **Operator's Primary Representative:**

n/a – Proposer (Lehigh County Authority) will serve as Operator.

3. **Operator Experience (if not previously provided in response to the RFQ):**

n/a – Proposer (Lehigh County Authority) will serve as Operator.

4. **Operator's References (if not previously provided in response to the RFQ):**

n/a – Proposer (Lehigh County Authority) will serve as Operator.

5. **Material Change:** Any change in condition (financial or otherwise), development, occurrence or circumstance that could be materially adverse to the Operator that has arisen after the date of the RFQ and which would have been responsive to the RFQ if such change, development, occurrence or circumstance had arisen prior to the Proposer's response to the RFQ.

NONE



Proposer hereby certifies that except as listed below, neither Proposer nor any member of Proposer’s team has entered into any arrangement with any person or entity involving a finder’s fee, fee splitting, firm affiliation or relationship with any broker-dealer, payments to consultants, lobbyists, or commissioned representatives or other contractual arrangements that could present a real or perceived conflict of interest. (If there are no such arrangements, please write NONE).

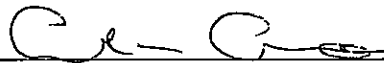
<i>Name of Person or Entity</i>	<i>Disclosure and Description of Arrangement</i>
NONE	NONE

Lehigh County Authority

Name of Proposer

Aurel M. Arndt

Name of Designated Signatory



Signature

General Manager

Title

The amount of the Consideration that Proposer offers to pay pursuant to Section 2.1 of the Agreement is the total of:

US \$205,000,000

Two Hundred Five Million United States Dollars

The Annual City Payment shall be no less than \$500,000 and no more than \$2,500,000. The amount of the Annual City Payment that Proposer offers to pay pursuant to Section 3.23 of the Agreement is:

US \$500,000

Five Hundred Thousand United States Dollars

Pursuant to Section 2.2, the Proposer shall decide if the Consideration will be adjusted at Closing due to fluctuations in the Selected Interest Rate and/or Credit Spread Fluctuation Interest Rates.

**Selected Interest Rate**  YES  NO

If Selected Interest Rate “Yes”, the Proposer hereby selects the Municipal Market Data (MMD) benchmark yield for AAA rated tax-exempt state general obligation bonds having a maturity of 30 years, as published by Thomson Reuters – Municipal Market Data as the Selected Interest Rate as defined in the Agreement.

**Credit Spread Fluctuation Interest Rates**  YES  NO

Lehigh County Authority

Name of Proposer

Aurel M. Arndt

Name of Designated Signatory



Signature

General Manager

Title