

**GENERAL MUNICIPAL AUTHORITY OF THE TOWNSHIP OF MANHEIM
FRIDAY, JANUARY 19, 2007 MINUTES**

The regular meeting of the General Municipal Authority of the Township of Manheim was held on Friday, January 19, 2007 at 7:30 a.m. at the Manheim Township Municipal Building, 1840 Municipal Drive, Lancaster, Pennsylvania. Authority members present were: J. Michael Flanagan, Gary R. Johnson, Ann M. Krissinger, James J. Lombardo and Edward J. Plakans. Also present were Solicitor William C. McCarty, Engineer G. Matt Brown, Finance Officer Valerie A. Calhoun, and Township Manager James M. Martin.

The meeting was temporarily chaired by Mr. McCarty in order to elect officers. Mr. McCarty said for the purposed of reorganization of the Board, they would elect officers under the Authorities Act. Mr. Flanagan moved and Mr. Johnson seconded to elect the following slate of officers: Chairman J. Michael Flanagan, Vice-Chairman Gary R. Johnson, Secretary Ann M. Krissinger, Treasurer Edward J. Plakans and Assistant Secretary/Treasurer James J. Lombardo. Motion carried unanimously.

Mr. Johnson moved to appoint Hartman, Underhill & Brubaker LLP as Solicitor, ARRO Consulting, Inc. as Engineer, Trout, Ebersole and Groff as Auditor, and James M. Martin as Recording Secretary. Seconded by Mr. Lombardo. Motion carried unanimously.

The minutes of the October 20, 2006 and the December 8, 2006 meetings were approved as presented on a motion by Mr. Plakans, seconded by Mr. Johnson. Motion carried unanimously.

The financial reports for October, November and December, 2006, were accepted on a motion by Mr. Johnson, seconded by Mr. Plakans. Motion carried unanimously.

After general discussion of the invoices, the following bills were approved for payment, on a motion by Mr. Lombardo, seconded by Mr. Plakans:

Hartman, Underhill & Brubaker LLP	\$958.67
ARRO Consulting, Inc.	549.75
Lancaster Newspapers	426.18

Motion carried unanimously.

Mr. Flanagan said that not on the agenda is the IFIP application about which the folks from High and their advisors are here. He said in order to bring everyone current, at the Authority's last special meeting, the full board authorized the Chair and the Vice Chair to sign an application which they found to their approval for the IFIP financing through the Commonwealth of Pennsylvania. He said they received a packet which he believes everyone has seen of an application that

**GENERAL MUNICIPAL AUTHORITY OF THE TOWNSHIP OF MANHEIM
FRIDAY, JANUARY 19, 2007 MINUTES**

had already been submitted to DCED, and he and Mr. Johnson did not find some of the things in that acceptable. He said that since that time, they have been working with their solicitor and through the High people to reach an agreement on a revised application that they would find acceptable. He said that two particular items that were not acceptable to the Chair and the Vice Chair were Exhibit 2, which is the debt statement, and he did not see anywhere in there an indemnity agreement, and both of those items were items that he and Mr. Johnson felt needed to be revised and included in there. Mr. Flanagan said that today they have a revised debt statement that they just got last night and also an indemnity agreement. He asked if everyone on the Board had gotten them. He said that mechanically speaking, since the Board has already passed a resolution authorizing the Chair and the Vice Chair to file an application, they don't really have to have any additional Board action. He said that, however, since they had a scheduled Authority meeting and since they just received this language, he and Mr. Johnson thought it would be prudent to have the whole Board look at it and make sure it's acceptable to all of them. He said he has a couple of questions for Mr. McCarty.

Mr. Flanagan said under the debt statement, this has been significantly revised and he appreciates that, and it has the non-recourse language that was near and dear to all of them, and he thanked him for including that. He said he is not a finance person and he understood from their last meeting how this would work if this loan was acquired from a bank, which is the specimen that they were shown the last time. He said he thinks everyone else is probably also up to speed on that, but what he doesn't quite understand is how this would work as a bond and in particular, his question is with a bond sold to the public, whether the public is going to purchase a bond that has no recourse to the issuing Authority. Mr. McCarty explained ... as far as the application goes, the initial application that they had done ... already had in it the option that this could be financed either by direct bank or by a bond issue, and when they put the option of a bond issue in that debt statement, the description, they then had to put all the other obligations that would go along with the bond issue in the way of costs. So ... reserved fund, which they wouldn't necessarily see, and they would not see for direct banking. But the bond issue they might, particularly ... not had the backing of somebody with ... which this would not have. So their sizing included a debt service reserve fund and also included the possibility of a bond insurance premium. Those things in all likelihood ... insurance premium ... debt service how they also ... They had sent mark-up that removed the possibility of all bond issue aspects ... sizing of this ... preliminarily submitted it, he thought they probably felt more comfortable leaving that option in. So they have done that and the revised version he has still has the bond issue as a possibility although ... actually pursue ... although it could. But it does have the ... put in and also a description as to the Authority ... non-recourse. Mr. Martin asked for a second to make sure this is recording. Mr. Flanagan said he hoped they got that. Mr. Flanagan said Mr. Martin will probably have job security for the rest of his life, because he's the only one that knows how to work this.

**GENERAL MUNICIPAL AUTHORITY OF THE TOWNSHIP OF MANHEIM
FRIDAY, JANUARY 19, 2007 MINUTES**

Mr. Flanagan said he and Mr. Johnson have some questions on the guarantee, which may be elementary questions. He said if this is done through the bank loan, are they going to need these three items they have on there – debt service reserve, bond insurance, cost of issuance? Mr. McCarty said in all likelihood, they would not have a debt service reserve although it's not inconceivable ... that somebody might want something similar to that as a ... backup fund that would provide a depositable money, that would be available to pay a debt service ... it's not uncommon to see that ... bond issues ... bond insurance he didn't think he'd ever seen ... there would be cost of issuance because ... financing ... comply with the process ... loan documentation and all the other documentation ... Mr. Flanagan said with regard to the debt service reserve fund, this would be a ten year bond or ten year loan, but what happens to the debt service reserve funds at the end of ten years? Mr. McCarty said if it were a bond issue ... ten-year ... retire the debt ... Mr. Flanagan said from a mathematical standpoint, the construction cost of ten is the actual amount of what the bond issue would be, and it's a million five on top of that for debt service, should the mathematics be eight million five and then one million five? He said the last payment is paid to the debt reserve fund. Mr. McCarty said the debt reserve fund exists while the debt is outstanding. Mr. Flanagan asked what happens to those funds after the last payment. Mr. McCarty said they are either used instead of new money coming in and making debt payments at the end of the term, they are either used directly to make the payments right out of the debt service ... or they're then freed up funds ... debt is paid off. Mr. Flanagan said as he understands it, what we really imply sitting there as a reserve fund and the last payments, if DCED does not give us ... that will be ... reserve fund and use that to pay off the final ... He asked if that makes sense. Mr. McCarty said he is not sure ... Mr. Flanagan said they are going to get a grant every year from the legislature, so what's contemplated here is a million five each year. Mr. McCarty said ... in there ... cause initially ... could be ... which adds to the whole ... amount ... submit this grant with that possible ... grant application ... High's representatives are here and have actually done at least one of these things ... bank loan, but he bets their application ... and they can tell us what happened ... as opposed to his guessing. Mr. Flanagan said he would like that guidance. He was sure they were more familiar with this than they were. He asked who would be the best person to describe mechanically how this money works. Mr. Flanagan acknowledged Mr. Steve Evans and asked him to explain this as elementary as possible.

Mr. Steve Evans said this will be coming from someone who has an elementary understanding of this himself. He said it is true as Bill points out, that the approach they have taken with this preliminary application is consistent with the guidance they have received from DCED and the steps that they took with prior IFIP applications that they have been involved with, and it is suggested that you give yourself the option to go private bank debt or bond. He said in every instance that they have fulfilled an application through financing, they've actually

**GENERAL MUNICIPAL AUTHORITY OF THE TOWNSHIP OF MANHEIM
FRIDAY, JANUARY 19, 2007 MINUTES**

done it through private bank debt, but they have kept the option open to do it through bond. He said in this case, one of their concerns is that the size of this particular application at plus or minus fifteen million dollars, might cause them to have to go to the bond market versus the bank market, because in the prior two applications, one was 3.6 million roughly and the other was 5.7 million, and one bank in each instance took that debt. He said they were thinking with the allocation of tax exempt funds that the banks can loan, there might be difficulty in having one lender be able to come up with fifteen million dollars. He said their thought was in this instance, you might do it by bond. He said back to Bill's point, he has checked with their financial advisors and has been told it might be difficult to market a non-recourse bond like this, but he has also been told you could do a private placement of it, although you might have to do it in two tranches because there might be a cap of ten million on any one tranche or part of the loan or the bond. He said that's the reason that they leave this in here, and then to Bill's point, as they have had it expressed to them by counsel and by their financial advisors, if you do do bond financing, you do have to place a debt reserve fund typically, and it's usually advisable to have, or the bank may require or the issuer of the bond may require, the bond insurance. He said as to the funds, whether it's debt or bond, the debt is actually paid by the project, and then DCED issues its annual grant to the Authority and the Authority reimburses the project that made the payment on the debt. He said at the end, as he understands it, and they have had some discussion about this, you have potentially, because you financed it through the bond, these costs of the bond issuance including the debt reserve fund. He said he is not exactly sure how that would work and he supposes that is something they would have to work out with DCED and the lender as to what the ultimate disposition of that might be. He said one might hope that at the end of the day, since it was included in the amount that was subject to the grant agreement, that you could utilize those funds for some other purpose and perhaps undertake more infrastructure transportation improvements; but he doesn't think they can answer that question now. He thinks that would be the lender and DCED that would make that final determination.

Mr. Flanagan asked if the Authority, become the applicant, would be requesting from DCED 15 million 496. Mr. Evans said that is correct, and what would happen is if they agreed with this amount, and quite frankly their experience has been there's a negotiation and ultimately there's a commitment letter that's issued that says we'll commit to grant on an annual debt service basis of the 15.6 or whatever the number is, and 14.9, we work out an understanding that this is the right number, and then you have a commitment letter that's issued to the Authority and to the project which they asked us both to sign, and then there's a negotiation of the grant agreement itself although there's not a lot of negotiation. He said they have their form and that's their form. He said there are components of it that you negotiate. He said that's actually signed by the Authority, not the project, why, he doesn't understand the difference between the commitment letter and the grant agreement, but that's the way they had done it. He said then,

**GENERAL MUNICIPAL AUTHORITY OF THE TOWNSHIP OF MANHEIM
FRIDAY, JANUARY 19, 2007 MINUTES**

of course, you go out together essentially and market to the banks for bank debt or you market to the bond market; in this case, probably private placement based on what they've been told. He said at that point, together through their counsel, we negotiate the documentation of the private bank debt or the bond, and at the end of the day, the note is signed or the bonds are provided through the Authority, but they're non-recourse to the Authority because the bank or the issuer of the bonds looks to the project to guarantee that payment and, in fact, make the payment, so that, for example, we are now in the process of the administration of one of these private bank loans, and when the payment is due, we make that payment, the project makes that payment; then they notify DCED through the Authority that it has been paid. He said DCED reviews all the paperwork, says fine, it has been paid, and then they issue the money to the Authority who then reimburses the project. Mr. Evans said the Authority really is always just the conduit of the funds; the obligation for the payment itself rests with the project. He said the bank as its security has, of course, the guarantee from the project its entity, but also has a mortgage on the project; and that's their ultimate security. Mr. Flanagan said ... the entire project ... Mr. Evans said in the case of the projects that they have worked on thus far and utilized this program, it's a second position; so for example on a project they recently did in Harrisburg, the life insurance company that's the primary lender has the first mortgage and Fulton Bank has the second, and the loan to value on the initial loan is roughly 75%. Mr. Flanagan said he had a little bit better understanding. Mrs. Krissinger said she didn't understand Mr. Evans' last statement. Mr. Evans said relative to the two mortgages, he was trying to demonstrate that there's significant security for the second mortgage that stands behind the first mortgage because the first mortgage is only of the value of 75% of the project; so if it were a 100 million dollar project, there would be 25 million dollars on the second to protect the 15 million dollar private bank loan; or arguably more, appraisals take place to protect the banks and that type of thing.

Mr. Flanagan asked about the proposed guarantor here, High/TCC GPLLC. Mr. Evans said it doesn't exist and what they did here, when they last met or prior to their last meeting, it was suggested that they offer the entity that they thought was the most appropriate entity at this time to enter into this indemnification and reimbursement agreement, which was High Family General Corp. which is an entity which is very much like the Authority, a conduit, that they use at High to trigger projects, and they had asked for the financials for that entity, and rather than enter into a situation where they would provide those financials subject to a non-disclosure agreement, they thought that this should be an open process, and even though they might be reluctant to share publicly the financials of High Family General Corp. because it goes beyond this project, they thought they would do what they typically do when they obtain land development approval and take down the land and form the partnership now and fund the general partner of that partnership with one million dollars so that they can disclose to the world that this is the entity, this is the assets it holds, they created the entity and they funded that entity with this one million dollars in order to stand behind the

**GENERAL MUNICIPAL AUTHORITY OF THE TOWNSHIP OF MANHEIM
FRIDAY, JANUARY 19, 2007 MINUTES**

indemnification and reimbursement agreement to the Authority for the application. He said that way they can go public with it so there is no challenge to what's standing behind the indemnification and the reimbursement agreement. He said it is a little premature typically for them to do this, but they are willing to do this and, in fact, if this is acceptable to the Authority, their counsel is prepared to take these steps, form it and fund it, probably within a week to ten days.

Mr. Flanagan said he is not comfortable with it; the guarantor here is an organization, an entity that hasn't even been created yet. He said they are told that it's going to be funded with one million dollars to pay off an obligation of ten million. Mr. Evans said this entity at this point in time is to stand behind this indemnification and reimbursement agreement for those related costs and liabilities of the Authority for simply filing the application itself; and ultimately the project will stand behind the debt. Mr. Flanagan asked if the bank loan is issued, will it be guaranteed by High/TCC GP? Mr. Evans said that just as that entity will stand behind any obligations ultimately to the Authority, it will also stand behind any obligations of the project to the bank, but the bank also has the project with a mortgage, so that part of it, this entity, is relatively insignificant to the bank; it's the general partner that controls the asset which grants the mortgage to the bank or the bond issuer.

Mr. Johnson asked if there would be any other assets in this entity than this million dollars. Mr. McCarty mentioned the title holder. Mr. Evans said the LP, the partnership, would be the titleholding partnership and as such, it would grant the mortgage to the bank, so it's the facilitator of the security for the ultimate debt; today it's the one million dollar funded entity to stand behind the costs and expenses and other related liabilities of the Authority simply by filing an application. Mr. Flanagan said he lost him; he all of a sudden went from High/TCCC to the LP and asked who the LP will be. Mr. Evans said Lancaster TCCC (which is The Crossings at Conestoga Creek) LP will be the title holding partnership and this GP is the general partner of that partnership, so this GP that they offered you is the GP that will control the asset the title holding partnership which will be provided to the bank as its security for the loan. Mr. Flanagan said the bank gets a second. Mr. Evans said the bank will get a second, that's right.

Mr. Johnson said he was OK with that as far as the application process goes. Mr. Flanagan said but he was not ... the entity is. Mr. Johnson said if there's a guarantee of the 15 million dollars, if an entity is guaranteeing that, and that entity is this general partner on behalf of the limited partnership, that doesn't give him as a banker any kind of confidence in the ability of that guarantor to make any kind of a payment really, because you don't know what other obligations, what other liabilities there would be, what cash flow requirements there would be of that limited partnership. He said we don't know what stands between the guarantee. Mr. Evans said it would be the asset; the general partner of the title holding entity would sign the obligation to the lender which would pledge the asset as security for the debt. Mr. Flanagan said if this is a guarantor, why can't

**GENERAL MUNICIPAL AUTHORITY OF THE TOWNSHIP OF MANHEIM
FRIDAY, JANUARY 19, 2007 MINUTES**

they just give them a real High company that has assets that they can say okay, we have a guarantor here. Mr. Evans said it is just a matter of filling out a couple of registration documents and put a million dollars in it. Mr. Flanagan said for a \$15 million dollar loan. Mr. Evans said no, for the indemnification and reimbursement agreement for the filing of the application at this point in time, which seems to be an awful lot of money for reimbursing Bill, and he can't image Bill is going to charge a million dollars to do this work. Mr. McCarty said ... ultimately, when they get to actual financing, the Authority's issuing non ... they understand ... and that was the only thing that would be acceptable ... non-recourse financing, so ... like the other transactions that ... described at a special board meeting ... where their only obligation effectively was to pass on the grant money ... was that there would be an agreement on the developer's part, in this case it was another separate ... stand behind ... separate ... and the Authority's only obligation ... but simply non-recourse ... if they did a bond issue ... they're solicitors for two state Authorities ... they are non-recourse ... obligations effectively are ... School Districts, Intermediate Units ... for the higher ed side colleges and universities ... Mr. Flanagan said so they don't really have to have a real concern about the guarantor. Mr. McCarty said but Mr. Johnson's concerns are exactly the concerns that the bankers ... make this ... banks ... creditor ... Mr. Flanagan said it's really the bank or the bond purchasers ... to accept or not. Mr. McCarty said or ... to actually sell the bond ... reserve fund ... bond insurance to explain this ... but it's adequate ... non-recourse ... you're only obligation ... they also have to then describe ... that is as they described it ... discussions with ... and asked if that was correct. Mr. Evans said it was. Mr. Flanagan asked if there was something he wanted to add; he saw him ... Mr. Evans said no, Sean was basically just showing him the documentation that was the approach they took, he was confirming to him that what he was saying was correct. Mr. Flanagan said great minds think alike. Mr. Johnson said he's good with that but it's this million dollars that is set aside and could a provision be added as to what those funds can be used for and only with regard to expenses ... have a million dollars out there and they were providing that ... guaranteeing ... this application, that that be the only use of those funds ... Mr. Evans said he thinks they would have a problem with that because the reason that they offered that entity with that dollar amount is that typically when they pursue a project like this, they create an entity like this entity and fund it with a million dollars, to address any and all issues like this that might arise. He said in fact it was suggested at this juncture -- why should we go ahead and fund it with a million dollars, why don't we just fund it with a hundred thousand dollars or whatever might be a reasonable amount of money to cover what risks there might be in filing an application or to cover expenses. He said they felt like let's go ahead and form the entity, let's fund it to its fullest extent so we aren't doing this over time and we can accordingly have it established, so he thinks they have a problem with that because there might be some other need of that entity. Mr. Johnson said he was OK on that, he was just thinking forward a little bit ... the application, if they were really upset about something that happened in there, in the application process, they could simply refuse to sign ... Mr. Evans said they

**GENERAL MUNICIPAL AUTHORITY OF THE TOWNSHIP OF MANHEIM
FRIDAY, JANUARY 19, 2007 MINUTES**

were going to have a commitment letter, that's something they have to give consideration to accept it and sign and then ultimately the grant agreement. Mr. Lombardo said the cost of issuance, that is, and that reflects the cost of the solicitor's time to file the application. Mr. Evans said it covers all soft costs related to the issuance – solicitors' fees. Mr. Lombardo said that \$434,000 is, if they go the bond route, is the cost of working on bonds as well as the cost of the application... Mr. Evans said it's all of the costs because the project absorbs all of the costs whether they're the bank's costs, the Authority's costs, the project's costs. Mr. Lombardo said if that is a true figure, at the end of all this process ... fund a million dollars, what happens to the ... and what happens to the ... Mr. Evans said quite frankly, the way they structure their partnerships, this general partner will always have assets of a million dollars; it isn't going to go away; it's going to be the general partner of the limited partnership that's the title holder partnership of the asset. He said the only way it would ever go away would be if they sold it, they wouldn't control it, but they've indicated to this community that's never their intent. Mr. Lombardo said so that will stay for the life of the project. Mr. Evans said based on the partnership agreements that they've entered into on these types of projects in the past, which is the template if you will that they intend to utilize this time, that's their intent and that's why they are willing to go ahead and do it now because if they aren't doing it now, they're going to do it in three months or nine months or twelve months. He said they'll just do it now and they'll move a million dollars into it. Mr. Lombardo said that's why they didn't want to be restricted to ... Mr. Evans agreed and said other reasons they might need to use it.

Mr. Flanagan said he wanted to hear that the Authority is not in any way at risk for anything. He thought they were going to get a guarantee from a real High company with assets, but what he is hearing here is they're going to have an LP form with a million dollars net in there. Mr. McCarty said he would make it ... Mr. Flanagan make it three ... Mr. McCarty said again it was his understanding that what they're proposing ... that would stand behind ... indemnity ... application ... indemnity ... they are indemnifying ... Mr. Flanagan said that same company appears though in the debt statement. Mr. McCarty said ... in Level 2 if the commit letter comes through and you decide to do this, you can step out of this at any point ... and you decide to do the financing, which accompanies ... the financing structure is to be ... now the ... same end ... would be effective guarantors ... of the obligation ... the debt ... structure ... recourse ... monetary ... assets might be ... funds that they have funded ... that doesn't necessarily mean ... from your point of view, what you want to make sure is that that ... the liability ... is only limited to ... submission ... there's another way ... A member of the audience asked what was the other ... Mr. McCarty said if they ... and this is more so with a bond issue ... bank loan ... if you do a tax exempt bond issue ... and he didn't mean to mention this to make this a horrible or a scary event, but if they do a tax exempt bond issue, that's now being publicly sold ... there will be a disclosure statement, offering statement, that is done with that issue ... official statement that's a public document, sold publicly ... placement

**GENERAL MUNICIPAL AUTHORITY OF THE TOWNSHIP OF MANHEIM
FRIDAY, JANUARY 19, 2007 MINUTES**

memorandum that will go to big investors ... \$5000 bond issue, so in that they have to make sure that it adequately, because the SEC looks at that disclosure document and their disclosure document ... even though they were non-recourse, and this is true with every ... saying the situation they have ... doesn't mean that these things don't happen, it just means that they have to be assured that it adequately describes what's going on ... can be done ... they just have to make sure ... it does not remove the south side situation ... the SEC says this is your disclosure document ... they have to be comfortable with ... adequately describes ... backup documentation ... effective guarantee obligation ... He said that since their last meeting, he has checked with the office and discovered that his firm occasionally does work for High. Mr. McCarty said he himself does not do work for High; he is not a land developer attorney, as they know; he is a municipal and finance attorney, for municipal situations. He said they are not representing them for this in any way, shape or form; they are only representing the Authority ... and they should know that. He assumed that there was no objection on either side of that, but he has since checked ... it would make him comfortable. A member of the audience thanked Mr. McCarty for that disclosure and said he had no ... Mr. McCarty said those were his three ... Mr. Flanagan said if he hears what Bill is saying, presently the only thing that's being guaranteed by High TCC GPLLC are the costs of the Authority for the application. Mr. McCarty said and for whatever liability there might be ... and apart from wild misrepresentation to the state about the project for what it's going to cost, or intentional acts during the process, that somehow gives them some advantage, it was hard to imagine ... as far as the application ... do something ... or do something not carefully thought out ... he would tell them right now they cannot ... expect if possible ... Mr. Flanagan asked if there is a separate new ... guarantee that takes place if they go for a bond issue to cover ... Mr. McCarty said that's what they describe to them ... which they saw in the other set of documents ... and with the indemnity, while currently not ... yet ... knowledge of that there would be a future ... guarantee ... other acceptable to the Authority ... that's the last paragraph ... Mr. Flanagan said with the current indemnity agreement that he got, it's an agreement by High TCC that's being executed by High Family General Corporation and asked if that was just not changed or is that the general partner. Mr. Evans said he and Sean haven't had a chance to talk about it, but it seemed to him that High Family General Corp, as he indicated a few minutes ago, is sort of a conduit entity that they use to launch projects. He said they could enter into this agreement with that entity now and what they are representing to the Authority is that they will direct their counsel to immediately register and form this entity and they will transfer the funds to that entity, and then they can provide some affirmation of this by that entity.

There were then some inaudible murmurings.

Mr. Evans said that Sean answered the question, and that is it's probably best that what they do is go ahead and have Sean immediately form this entity. He said they will change this document so that an authorized signatory of that entity

**GENERAL MUNICIPAL AUTHORITY OF THE TOWNSHIP OF MANHEIM
FRIDAY, JANUARY 19, 2007 MINUTES**

sign this agreement. That's probably the best way to do it; otherwise it's an agreement to do the formation and provide it and they might as well just do it. Mr. Flanagan said as he understands it, this particular indemnity agreement that they are entering into here is strictly for the application process, and there's going to be a separate and distinct indemnity agreement that's entered into when any financing takes place. Mr. Evans said he thinks what they will find is they will be negotiating a much more exhaustive indemnification and reimbursement agreement that would be executed and delivered at the time of the financing, which is what they have done in the past. And that's something they'll work on with their respective counsel, once they obtain a commitment and have a grant agreement or even while they're working toward that they could be doing that. Mr. Lombardo said so the entity that they're going to form is going to be funded by the million dollars, to cover liability and costs associated with the filing of the application. Mr. Evans agreed. Mr. Lombardo said and then they're going to form a second entity? Mr. Evans said no; they won't form a second entity, but this indemnification and reimbursement agreement might be best called "interim" because it only applies now to the application; but once you reach the point where there's going to be a funding through the issuance of a commitment letter and a grant agreement, and you're going to the banks or the bond community, then you're going to have an agreement that's going to govern everything going forward, so that's really going to be a much more exhaustive indemnification and reimbursement agreement because it's going to address the ultimate financing and the issuance and the use of the grant dollars. It will talk about how you do what we described before in terms of there will be a debt that we're responsible for, we'll pay the payments under the note, DCED will get evidence of that, they'll give the Authority the annual grant and then the Authority will pass it on to us. He said that agreement will cover all those logistical items as well as the ongoing reimbursement and indemnification issues. Mr. Flanagan said so it's the same entity? Mr. Evans said it will be the same entity, although what will happen is this entity is going to take its title holding partnership and pledge it in essence with a mortgage to back its obligation for the debt that the Authority is going to undertake non-recourse.

Mr. Lombardo said so there is only one entity that they are talking about? Mr. Evans said yes, this is the general partner of that entity. Mr. Lombardo said the first phase is the application and then the second phase to be developed, an agreement to handle the reimbursement. Mr. Evans said right, it will be much more exhaustive, it will be a document that will address all the issues that need to be addressed when they take those next steps. Mr. Lombardo asked if that was stated in this agreement, that there will be a second agreement to handle that or was that ... Mr. Evans said the paragraph 4 that Bill inserted in essence addresses that; it's sort of the forward statement, if you will, as to this entity is going to take the steps to provide those assurances that will be required by the Authority at the time we move forward with a grant from DCED, in form and substance acceptable to the Authority. He said this is the language that Bill drafted; they tweaked it a little bit by inserting this new entity; but this was Bill's

**GENERAL MUNICIPAL AUTHORITY OF THE TOWNSHIP OF MANHEIM
FRIDAY, JANUARY 19, 2007 MINUTES**

language where he's looking forward, saying yes, even though this is an interim agreement, you're agreeing now that when we get to this other juncture in this process, we're going to sit down again and we're going to deal with this matter again in a different way, a more comprehensive way.

Mr. McCarty said Mr. Evans did add the last sentence ... that the Authority ... he assumed there would be ... Mr. Evans said well that was a representation from each of them to each other.

Mr. Plakans said he guesses No. 3 also identifies that even if this is agreed to right now, if the debt financing then goes forward, you always have the ability to step back and say we're not comfortable with it and we can stop. Mr. Evans said that is correct; the intent is that if you're uncomfortable with any aspect of it, that we deal with it through the permanent, if you will, indemnification and reimbursement agreement and the other documentation between the lender and the bond issuer and the project and the Authority. Mr. Flanagan asked if they could get some type of financial documentation from this new Authority, of its least one million dollars in assets. Mr. Evans said sure, they can have an appropriate authorized signatory of that entity certify that those funds have been deposited in X, Y, Z, whatever, we elect to do with those million dollars; that's not a problem.

Mr. Flanagan said it is fortunate that they had a full Authority meeting today because he and Mr. Johnson have to sign it as representatives of the Authority, and he also wanted to make sure that everybody else was comfortable with what they were authorizing them to do. Mr. Johnson the million dollars is actually High's money. Mr. Evans said that was correct. Mr. Johnson said so any interest accrued would go back to High, not to the Authority. Mr. Evans said this million dollars will be the asset of that GP entity; they are not offering the earnings of that to anybody – there are no gifts here so to speak. Mr. Flanagan said on a larger scale, they voted for this, and it was represented in the text amendment process that said High would be advancing approximately 5 million dollars in order to get the road improvements designed and approved by PennDOT, and asked where that stands. Mr. Evans said they are in the process of working with the Township and with PennDOT to advance the scope of the project, the traffic impact study he thinks is about to be submitted to the Township; it's in draft form; and we are spending dollars under what's called this toll credit project where instead of a seven to ten year project if PennDOT were funding it, it's hopefully going to be just a multi-year project because we're funding it. Mr. Flanagan said the toll credit project would be the private developer, in this case, High, is going out and having an engineering firm in to engineer this road improvement. Mr. Evans said take all of the steps that otherwise PennDOT would be taking at public expense; we're doing it at private expense and once we form this entity, actually we will flow all those costs through this entity. Mr. Flanagan said that answers his questions and asked if

**GENERAL MUNICIPAL AUTHORITY OF THE TOWNSHIP OF MANHEIM
FRIDAY, JANUARY 19, 2007 MINUTES**

anyone had other questions. He said they don't have to have any formal action on this at this meeting because this is really just informational.

He asked if there was any public comment. There was none.

There being no further business, on a motion by Mr. Johnson, seconded by Mrs. Krissinger, it was moved to adjourn the meeting at 8:30 a.m. Motion carried unanimously.

The next meeting will be Friday, April 20, 2007 at 7:30 a.m.

Respectfully submitted,

James M. Martin
Manager-Secretary

**GENERAL MUNICIPAL AUTHORITY OF THE TOWNSHIP OF MANHEIM
FRIDAY, JANUARY 19, 2007 MINUTES**
