

HARRISBURG INCINERATOR DEBT
RESTRUCTURING PROPOSAL

May 26, 2010

In order to fully address the financial insolvency of the Resource Recovery Facility, The Harrisburg Authority, by and through its Board, hereby proposes and recommends the following Restructuring Plan:

1. That the Bondholders, through Assured Guaranty, contribute – by forgiving and foregoing debt – the sum of \$130 million of the principal owed them.
2. That Dauphin County contribute the sum of \$50 million, through solely assuming the \$34 million Bear Sterns obligation and adding another \$16 million to the settlement fund for debt service.
3. That the City of Harrisburg contribute the sum of \$50 million to put toward Incinerator debt service payments.
4. That The Harrisburg Authority contribute the sum of \$90 million to the repayment of debt service, the creation of appropriate capital and operational reserve funds, a contingency fund and expense payments.
5. That Covanta, as the Operator of the Incinerator, contribute – by forgiving and foregoing debt – the sum of \$7.5 million of construction loan repayments, with the reduced lump sum balance due on their loan being repaid as part of the restructuring.
6. That the outside professional advisors hired by the Authority, the County and the City, including (1) those who facilitated the financial, legal and mechanical entry into or oversight of any aspect of the 2003 Incinerator project, which improperly proceeded without a performance bond and inadequate oversight, and (2) those same or other professional advisors who facilitated the incurrence of unpayable new debt in 2007, all collectively contribute – either through professional liability or E&O insurers, or independently – a combined \$7.5 million toward the repayment of debt obligations.