

**HARRISVILLE BOROUGH
BUTLER COUNTY, PENNSYLVANIA**

ORDINANCE NO. 2-2009

**AN ORDINANCE OF HARRISVILLE BOROUGH, BUTLER
COUNTY, PENNSYLVANIA, AUTHORIZING THE ADOPTION
OF A LEASE AGREEMENT WITH PINE-HARRISVILLE
AUTHORITY.**

WITNESSETH:

WHEREAS, Grove City Borough ("Grove City") operates a Wastewater Treatment Plant (the "Treatment Plant") for the benefit of the citizens of Grove City Borough and for surrounding communities; and

WHEREAS, in order to comply with Department of Environmental Protection requirements, Grove City has prepared and approved an Official Act 537 Sewage Plan which provides, in part, for the rehabilitation of the Treatment Plant (the "Project") for treatment of sewage flows from Grove City, Harrisville Borough, and portions of Liberty, Pine, Springfield and Wolf Creek Townships; and

WHEREAS, Harrisville Borough (the "Municipality") collects, transmits and discharges wastewater into the Treatment Plant using the pipelines and related facilities of the Pine-Harrisville Authority (the "Authority"); and

WHEREAS, Grove City deems it necessary to borrow additional money to accomplish the above-mentioned Project and, to that end, has authorized and directed the issuance of its bonds, to be designated as "Grove City Borough General Obligation Bonds, Series of 2009" (the "Bonds"); and

WHEREAS, in order to secure the payment of the principal of, and interest on, the Bonds, Grove City has requested that the Municipality enter into (1) a new Wastewater Treatment Service Agreement, dated as of February 15, 2009, between Grove City and the Municipality, (2) a Guaranty Agreement, dated as of February 15, 2009, between Grove City and the Municipality and (3) a new Lease Agreement (the "Lease Agreement"), dated as of February 15, 2009, between the Municipality and the Authority, each of the foregoing agreements to have a term that is at least as long as the term of the Bonds; and

WHEREAS, the Municipality hereby desires to adopt this Ordinance authorizing its entry into the Lease Agreement.

NOW, THEREFORE, BE IT ORDAINED AND ENACTED by Harrisville Borough as to the following:

SECTION ONE
EXECUTION OF LEASE AGREEMENT

Pursuant to the adoption of this Ordinance, Harrisville Borough is hereby authorized to enter into the Lease Agreement with Grove City Borough. The Designated Officers of the Municipality are authorized and directed to execute and deliver the Lease Agreement, with such modifications and completions from **Exhibit A** as they shall, in their uncontroverted discretion, deem appropriate. For these purposes, "Designated Officers" shall mean and include, individually or jointly, the President or Vice President and Secretary of Borough Council (and their appropriate successors acting by reason of absence or other incapacity).

SECTION TWO
WASTEWATER TREATMENT SERVICE AGREEMENT

The Municipality does hereby approve the Lease Agreement substantially in the form set forth in **Exhibit A**, attached to this Ordinance and incorporated by reference herein.

HARRISVILLE BOROUGH ORDAINS AND ENACTS THIS ORDINANCE AND IT IS
HEREBY ORDAINED AND ENACTED INTO LAW BY THE HARRISVILLE BOROUGH COUNCIL
THIS 19TH DAY OF JANUARY, 2009.

ATTEST:

HARRISVILLE BOROUGH

Borough Secretary

President

This Ordinance is approved this ____ day of January, 2009.

Mayor

EXHIBIT A
FORM OF LEASE AGREEMENT

LEASE AGREEMENT

PINE-HARRISVILLE AUTHORITY,
LESSOR

TO

HARRISVILLE BOROUGH,
LESSEE

Dated as of February 15, 2009

LEASE AGREEMENT

Made and entered into as of February 15, 2009 (although actually executed and delivered on the date of the last acknowledgment appearing at the end hereof), by and between,

PINE-HARRISVILLE AUTHORITY, a body corporate and politic, organized and existing under the laws of the Commonwealth of Pennsylvania, having its principal office in the Township of Pine and County of Mercer in said Commonwealth (hereinafter called the "Authority"), as Lessor, party of the first part,

AND

HARRISVILLE BOROUGH, Butler County, Pennsylvania, a municipal corporation, organized and existing under and by virtue of the laws of the Commonwealth of Pennsylvania (hereinafter called the "Lessee"), as Lessee, party of the second part.

WHEREAS, the Authority is authorized by law to acquire, hold, construct, improve, maintain, operate, own, lease, either in the capacity of lessor or lessee, sewers and sewer systems or parts thereof; and

WHEREAS, the Authority presently operates and has heretofore acquired or constructed and presently operates certain sewer facilities located in portions of Butler and Mercer Counties, Pennsylvania (the "Current System"); and

WHEREAS, Grove City Borough ("Grove City") operates a Wastewater Treatment Plant (the "Treatment Plant") for the benefit of the citizens of Grove City Borough and for surrounding communities; and

WHEREAS, in order to comply with Department of Environmental Protection requirements, Grove City has prepared and approved an Official Act 537 Sewage Plan which provides, in part, for the rehabilitation of the Treatment Plant (the "Project") for treatment of sewage flows from Grove City, Harrisville Borough, and portions of Liberty, Pine, Springfield and Wolf Creek Townships; and

WHEREAS, Lessee collects, transmits and discharges wastewater into the Treatment Plant using the pipelines and related facilities of the Authority; and

WHEREAS, Grove City deems it necessary to borrow additional money to accomplish the above-mentioned Project and, to that end, has authorized and directed the issuance of its bonds, to be designated as "Grove City Borough General Obligation Bonds, Series of 2009" (the "Bonds"); and

WHEREAS, in order to secure the payment of the principal of, and interest on, the Bonds, Grove City has requested that the Lessee enter into (1) a new Wastewater Treatment Service Agreement, dated as of February 15, 2009, between Grove City and the Lessee, (2) a Guaranty Agreement, dated as of February 15, 2009, between Grove City and the Lessee and (3) a new Lease

Agreement (the "Lease Agreement"), dated as of February 15, 2009, between the Lessee and the Authority, each of the foregoing agreements to have a term that is at least as long as the term of the Bonds; and

WHEREAS, the Lessee hereby desires to enter into the Lease Agreement, and all things necessary to make the Lease Agreement, upon execution by the Lessee and by the Authority, a valid, binding and legal obligations of the Lessee and the Authority, have been duly done and performed.

NOW, THEREFORE, this Lease Agreement witnesseth that for and in consideration of One Dollar (\$1) lawful money of the United States of America paid by each of the parties hereto to each of the other parties hereto at or before the ensealing and delivery of these presents, the receipt of which is hereby acknowledged, and for and in consideration of the respective obligations of the parties hereinafter set forth, the parties hereto, intending to be legally bound hereby, do covenant and agree as follows:

PART ONE DEFINITIONS

The terms defined in this Part One shall, for all of the purposes of this Lease Agreement, and all leases supplemental hereto hereafter entered into in accordance with the provisions hereof, have the meanings specified, unless the context clearly otherwise requires:

Administrative Expenses:

"Administrative Expenses", when used with reference to the Authority, shall mean the compensation and expenses paid to or incurred in behalf of the officers and members of the Board of the Authority, including the premiums on fidelity bonds, the compensation and expenses paid to or incurred in behalf of counsel for the Authority, the Consulting Engineer and the Independent Public Accountant for services rendered in connection with the Sewer System and the fees and expenses of any authorized depositaries.

Authorized Depositary:

"Authorized Depositary" shall mean any incorporated bank or trust company doing business in the Commonwealth of Pennsylvania, which is insured by the Federal Deposit Insurance Corporation or by any other agency of the United States of America performing functions similar to the Federal Deposit Insurance Corporation (provided such an agency shall be in existence), which has a combined capital and surplus of not less than One Million Dollars (\$1,000,000).

Authority Fiscal Year:

"Authority Fiscal Year" shall mean the annual period beginning on January 1 of each year, and shall also mean the period from the actual execution of the Lease until December 31, 2009.

Capital Additions:

"Capital Additions" shall mean new or additional property, which the Lessee or the Authority has authority to construct or acquire (including, without limiting the generality of the foregoing, lands, rights of way, easements and similar interests in real property and all buildings, laboratories, improvements, tunnels, syphons, filters, flow meters, grit chambers, comminutors, chemical feeders, interceptors, sluices, canals, machinery, outfall sewers, tanks, vats, pipes, pipe lines, service pipes, sewage treatment works and systems, tanks, shops, structures, pumping stations, fixtures, ejector stations, engines, boilers, pumps, meters, and transportation and other equipment) any and all additions, extensions and betterments to real or fixed property of the Authority, which new or additional property, additions, extensions and betterments shall be hereafter constructed or otherwise

acquired by the Lessee or the Authority and which shall be used or useful in connection with the Sewer System of the Authority.

Consulting Engineer:

“Consulting Engineer” shall mean a person who is engaged in the engineering profession, who is a registered professional engineer under the laws of the Commonwealth of Pennsylvania, who has a favorable reputation for skill and experience in supervising the construction and operation of sewer systems, who is in fact independent (although such person may be regularly retained by the Lessee or the Authority). If such person be an individual, such person shall not be a member of the Board of the Authority, an officer or employee of the Authority, a member of the Governing Body, or an elected or appointed officer of the Lessee. If such person be a co-partnership or corporation, such person shall not have a partner, director, officer or substantial stock holder who is a member of the Board of the Authority, an officer or employee of the Authority, a member of the Governing Body or an elected or appointed officer of the Lessee.

Debt Ordinance:

“Debt Ordinance” shall mean the ordinance authorizing the issuance of the Bonds enacted by Grove City Borough on January 19, 2009.

Receipts and Revenues:

“Receipts and Revenues” shall mean all rates, fees, rents and charges established or to be established, levied and collected in connection with, and all other receipts and revenues of whatever kind or character arising from the operation of the Sewer System or any part thereof; provided, however, that said term shall not include any fee or charge established, levied and collected by the Lessee or Authority from persons for the privilege of making service connections to the Sewer System.

Sewer System:

“Sewer System” shall mean and include as of any particular time: (i) the Current System; (ii) all Capital Additions then constructed or otherwise acquired; (iii) all other tangible property, fixed or moveable, then owned or operated by the Authority and used in the rendering of sewer service; and (iv) all franchises used or useful to the Authority at such particular time in rendering of sewer service by the Authority.

Supplemental Lease Agreement:

“Supplemental Lease Agreement” shall mean any supplemental Lease Agreement hereafter executed and delivered by the Lessee to the Authority in accordance with the provisions hereof.

PART TWO
LEASE OF A PORTION OF THE SEWER SYSTEM

The Authority agrees to lease and hereby does lease to the Lessee and the Lessee agrees to lease and hereby does lease from the Authority, the Lessee portion of the Sewer System for the term and upon the conditions hereafter set forth in this Part Two, consisting of the parts and parcels of real property described in the schedule attached hereto and marked Schedule “A”, and the buildings and equipment erected, constructed and situated thereon or which may hereafter be erected, constructed and situated thereon and all other property of the Authority real, personal and mixed now owned or hereafter acquired by the Authority and used or useful in connection with the furnishing of sewer service to the Lessee including, without limiting the generality of the foregoing, lands, rights of way, easements and similar interests in real property and alt buildings, laboratories, improvements, tunnels, syphons, filters, flow meters, grit chambers, comminutors, chemical feeders, interceptors,

sluices, canals, machinery, outfall sewers, tanks, vats, pipes, pipe lines, service pipes, sewage treatment works and systems, shops, structures, pumping stations, fixtures, ejector stations, engines, boilers, pumps, meters and other equipment.

ARTICLE I

DATE OF POSSESSION DATE OF TERMINATION

As of the execution of this Lease Agreement, the Lessee shall be entitled to possession of the entire Lessee portion of the Sewer System.

This Lease Agreement shall terminate on December 1, 2040; provided, however, that if the Lessee shall execute and deliver to the Authority any Supplemental Lease Agreement providing for payments of rental by the Lessee to the Authority on any date after said December 1, 2040, the term of this Lease Agreement shall end as provided in such Supplemental Lease Agreement.

ARTICLE II

OPERATION AND MAINTENANCE OF THE SEWER SYSTEM

The Lessee during the term of this Lease Agreement shall continuously operate the Lessee portion of the Sewer System in an efficient and economical manner and will keep and maintain said portion in a state of good repair without cost to the Authority and will pay all costs and charges necessary for such maintenance and repair and will replace all equipment and furnishings from time to time as may be necessary, and will return the said portion to the Authority at the termination of this Lease Agreement in the condition in which it was received by it, reasonable wear and tear and acts of God and the public enemy alone excepted. It is understood that this provision applies to all repairs, major as well as minor, without exception.

The Lessee shall comply with all lawful acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to the operation, repair and maintenance of the Lessee portion of the Sewer System and will give prompt written notice to the Authority of any substantial loss or damage to said portion resulting from any cause whatsoever.

ARTICLE III

RATES AND CHARGES

The Lessee covenants that it has enacted and will keep in full force and effect during the term of this Lease Agreement an ordinance or ordinances providing for the payment of reasonable sewer rates and other charges for use of the facilities of the Lessee portion of the Sewer System and for services to be rendered by the Lessee. Said sewer rates and other charges shall be sufficient, after making due and reasonable allowances for prompt payment discounts to consumers, contingencies and a margin of error in the estimates, to insure at all times sufficient funds to cover (I) the payment of the reasonable, proper and necessary costs of operation and maintenance of said portion including, without limiting the generality of the foregoing, administrative, engineering, legal, auditing and

insurance expenses, payments to pension or retirement funds, taxes and the costs of such Capital Additions which, in the opinion of the Consulting Engineer, shall be necessary to maintain, preserve and keep every part of the said portion in good condition, repair and working order and (ii) the rental payments provided for under this Lease Agreement, as the same may from time to time be supplemented, including taxes, if any, levied or assessed against the Authority by reason of its operation or ownership of said portion representing the additional rentals payable under Article VI hereof.

The Lessee covenants that it has enacted and will keep in full force and effect during the term of this Lease Agreement an ordinance requiring all owners of improved property abutting on or adjoining or adjacent to the Lessee portion of the Sewer System or adjoining any street in which a sewer is laid, to connect with said sewer and that said ordinance will impose fines or penalties or otherwise provide for the enforcement of said ordinance as may be permitted by law.

Should the Receipts and Revenues from the Lessee portion of the Sewer System be insufficient to enable the Lessee to meet its obligations under the foregoing provisions of this Article III, the Lessee covenants that it will increase the sewer rates and charges or otherwise adjust the same so that the Receipts and Revenues shall be sufficient for such purpose. The Lessee further covenants to enforce said ordinance or ordinances and the collection of such sewer rates and charges and, in the event they are not paid, to take all necessary steps to reduce them to liens and to enforce collection of the liens or to enforce collection in any other manner permitted by law.

ARTICLE IV

OTHER AVAILABLE CURRENT REVENUES OF THE LESSEE

The Lessee covenants that, if in any year the Receipts and Revenues from the Lessee portion of the Sewer System shall have been insufficient to enable the Lessee to meet the requirements of Article III hereof, it will provide from other available current revenues of the Lessee within the limitations prescribed by law an amount, which, when added to the Receipts and Revenues of said portion collected by the Lessee, will be sufficient to enable the Lessee to meet its obligations under this Lease Agreement as the same may from time to time be supplemented.

ARTICLE V

SEGREGATION OF RECEIPTS AND REVENUES OF THE SEWER SYSTEM AND OTHER CURRENT REVENUES

The Lessee shall deposit all Receipts and Revenues from the Lessee portion of the Sewer System, all other moneys received under the ordinance or ordinances referred to in Article III hereof, and any moneys appropriated out of the current revenues of the Lessee pursuant to Article IV hereof, in an account (hereinafter called the "Authority Sewer System Fund") separate and distinct from all other accounts of the Lessee, which shall be established with an Authorized Depository. All moneys in said Fund shall be used by the Lessee solely for the purposes of meeting its obligations under this Lease Agreement. The Lessee shall withdraw from the said Fund from time to time such amounts as shall be necessary to meet said obligations.

ARTICLE VI

RENTAL

The Lessee shall pay to the Authority, as rentals hereunder, on each June 15 and December 15, beginning June 15, 2009, to and including December 1, 2040, the sum of (a) \$1,000 and (b) any additional funds required to meet the Lessee's obligations hereunder. In addition to the rental provided for in the preceding paragraph the Lessee shall pay to the Authority all connection charges received by the Lessee during the period of construction of any Capital Additions. Said charges shall be paid to the Authority upon receipt by the Lessee.

Such rentals shall constitute net rentals and shall be received and enjoyed by the Authority, as net sums, and the Lessee shall pay any and all charges which might diminish such sums in such manner that such rentals may be received and enjoyed by the Authority without diminution thereof for any reason whatsoever. Without limiting the generality of the foregoing, the Lessee shall assume the payment of, and shall punctually and faithfully pay, as if the Lessee were primarily liable for the same, all taxes and assessments including income, profits, property or excise taxes, which may during the term of this Lease Agreement be levied or assessed by the Federal, State or any municipal government against the Authority upon, or by reason of the payment or receipt of, the rental payments herein agreed to be paid by the Lessee to the Authority, or upon this Lease Agreement, or upon the Lessee portion of the Sewer System, or upon any franchises, businesses, transactions, income, earnings, receipts, gross or net, or otherwise of the Authority in connection with said portion, for the payment or collection of which taxes or assessments the Authority would otherwise be liable or accountable under any lawful authority whatever by reason of its ownership of, or its earnings, profits or receipts from, or the leasing of, said portion.

Such rentals shall continue to be payable at the times and in the amounts herein specified, irrespective of whether or not any or all of the structures or improvements upon the demised premises shall have been wholly or partially destroyed, and there shall be no abatement of any rental by reason thereof.

ARTICLE VII

[RESERVED]

ARTICLE VIII

NO PRIOR CHARGE ON REVENUES

The Lessee covenants and agrees that during the term of this Lease Agreement it will not create any charges on the Receipts and Revenues derived from the Lessee portion of the Sewer System prior to the obligations of the Lessee under this Lease Agreement without the Authority's written consent.

ARTICLE IX

NO COMPETITION

The Lessee covenants and agrees that during the term of this Lease Agreement it will not construct or permit or join in the construction of sewer facilities which will compete with the Lessee portion of the Sewer System.

ARTICLE X

RECORDS, AUDITS, REPORTS AND BUDGETS

The Lessee covenants that it will keep accurate records of the Receipts and Revenues derived from the operation of the Lessee portion of the Sewer System and of the expenses of operation and maintenance thereof. The Lessee further covenants that, with respect to each fiscal year of the Lessee beginning with the fiscal year of 2009, it shall cause a complete audit to be made of such receipts, revenues and expenses by the Independent Public Accountant, the cost of which audit shall be paid out of moneys in the Authority Sewer System Fund.

The Lessee covenants that it will employ a Consulting Engineer to perform such duties as are imposed on the Consulting Engineer by the provisions of this Lease Agreement. It shall be the duty of the Consulting Engineer to file with the Lessee on or before November 1, 2009 and on or before November 1 of each year thereafter during the term of this Lease Agreement, a report setting forth

- (a) his advice and recommendation as to:
 - (i) the proper maintenance, repair and operation of the Lessee portion of the Sewer System during the next fiscal year of the Lessee;
 - (ii) the Capital Additions that should be made during said fiscal year to keep the said portion in good condition, repair and working order; and
 - (iii) any necessary or advisable revision of the sewer rates and charges; and
- (b) his estimate for said fiscal year of the amounts of money that should be expended to comply with the recommendations set forth in said report; and
- (c) his estimate of the Receipts and Revenues to be derived during said fiscal year from the operation of the said portion; and
- (d) his report to compliance by the Lessee with its covenants concerning insurance under Article XI hereof and his advice and recommendations as to the Lessee's future obligations thereunder.

A copy of said report shall also be filed with the Authority. The fees and expenses of said Consulting Engineer shall be payable out of the moneys in the Authority Sewer System Fund. The aforesaid report of the Consulting Engineer shall be used by the Lessee as the basis for the preparation of that part of the budget for the next succeeding fiscal year of the Lessee appertaining to the Lessee portion of the Sewer System. Upon adoption of the budget a copy thereof shall be filed with the Authority.

ARTICLE XI

INSURANCE

To the extent that such insurance shall be reasonably obtainable, the Lessee will insure and keep insured all the property of the Lessee portion of the Sewer System which is of a character usually insured by persons operating properties of a similar nature in a responsible insurance company or companies authorized and qualified under the laws of the Commonwealth of Pennsylvania to assume the risks thereof against loss or damage thereto by fire or other hazards to the extent that such properties are usually insured by persons operating properties of similar nature in the same or similar localities.

The amount of such insurance in each case and the provisions of each insurance policy shall be subject to the approval of the Consulting Engineer, and the insurer issuing each such policy shall be subject to the approval of the Trustee. All such policies shall be for the benefit of the Lessee and the Authority, as their interests shall appear.

The proceeds received under said policies shall be used for the repair of the Sewer System.

The Lessee will maintain public liability insurance, property damage and workmen's compensation insurance in respect of the Lessee portion of the Sewer System in such amounts and containing such terms and provisions as shall be approved by the Consulting Engineer.

ARTICLE XII

EXAMINATION OF INSURANCE POLICIES

All insurance policies covering the Lessee portion of the Sewer System, shall be open to the inspection of the holders of the Bonds and their representatives at all reasonable times. Any appraisal or adjustment of any loss or damage and any settlement or payment of indemnity thereof which may be agreed upon between the Lessee and/or the Authority and any insurer, shall be subject to the written approval of the Consulting Engineer.

ARTICLE XIII

[RESERVED]

ARTICLE XIV

CAPITAL ADDITIONS

If the Lessee shall at any time deem it necessary or advisable that the Authority construct or otherwise acquire Capital Additions, the Lessee shall forthwith file with the Authority the following:

- (a) A copy of a resolution of its Governing Body, certified by the secretary of the Lessee, requesting that the Authority construct or otherwise acquire such Capital Additions; and
- (b) A certificate of the Consulting Engineer to the effect that such Capital Additions

are necessary or advisable to preserve, develop or improve the Lessee portion of the Sewer System or to maintain adequate service to the public.

If the Authority shall notify the Lessee that it has arranged to issue and sell bonds or notes ("Financing Obligations") in the approximate amount so specified for the purpose of paying all or part of the cost of such Capital Additions, the Lessee shall execute and deliver to the Authority a Supplemental Lease Agreement complying with the applicable provisions of Article XV hereof; provided, however, that the Lessee shall only enter such Supplemental Lease Agreement if the estimated current revenues of the Lessee available for rental payments and other obligations to be assumed thereunder are sufficient to meet the requirements set forth in Article XV hereof. Promptly upon the sale of such Financing Obligations and the receipt by the Authority of the proceeds thereof, the Authority will proceed with the construction or other acquisition of such Capital Additions.

ARTICLE XV

SUPPLEMENTAL AGREEMENTS OF LEASE

Each Supplemental Lease Agreement executed and delivered by the Lessee to the Authority in accordance with the provisions of Article XIII or Article XIV hereof in connection with the issue by the Authority of Financing Obligations shall contain the following provisions:

(a) Subject to the provisions of paragraph (b) of this Article XV, the Lessee will pay to the Authority, during the term of such Supplemental Lease Agreement, beginning not later than December 15 of the first fiscal year of the Lessee following the issuance of such Financing Obligations and ending on the June 15 or December 15, as the case may be, which immediately precedes the last maturity date of such Financing Obligations, as additional annual rentals in addition to the rentals payable under this Lease Agreement and each Supplemental Lease Agreement theretofore executed, specified net amounts which shall be at least equal to the sum of (i) any yearly increase in the Administrative Expenses of the Authority which will result from the issue of such Financing Obligations and (ii) one hundred ten percent (110%) of the lesser of the average annual debt service requirements or the current debt service requirements on the Financing Obligations;

(b) Such additional rentals shall be paid in semi-annual installments on June 15 and December 15;

(c) Such additional rentals shall constitute net rentals and shall be received and enjoyed by the Authority as net sums, and the Lessee shall pay any and all charges against or which might diminish such sums in such manner that such additional rentals may be received and enjoyed by the Authority without diminution thereof for any reason whatsoever. Without limiting the generality of the foregoing, the Lessee shall assume the payment of, and shall punctually and faithfully pay, as if the Lessee were primarily liable for the same, all taxes and assessments, including income, profits, property or excise taxes, which may during the term of such Supplemental Lease Agreement be levied or assessed by the Federal, state or any municipal government against the Authority upon, or by reason of the payment or receipt of, the rental payments therein agreed to be paid by the Lessee to the Authority, or upon such Supplemental Lease Agreement, or upon the Lessee portion of the Sewer System, or upon any franchises, businesses, transactions, income, earnings, receipts, gross or net, or otherwise of the Authority in connection with said portion, for the payment or collection of which taxes or assessments the Authority would otherwise be liable or accountable under any lawful authority whatever by reason of its ownership of, or its earnings, profits or receipts from, or the leasing

of said portion; and

(d) The Lessee's obligations under this Lease Agreement and each Supplemental Lease Agreement theretofore executed shall remain in full force and effect.

ARTICLE XVI

ADDITIONS TO SEWER SYSTEM

All property hereafter constructed or otherwise acquired by the Authority as a part of the Lessee portion of the Sewer System, and all Capital Additions and all repairs and maintenance in respect of that portion of the Sewer System hereafter made, whether by the Lessee or the Authority, shall be the property of the Authority and shall constitute a part of the Lessee portion of the Sewer System and shall be covered by this Lease Agreement.

ARTICLE XVII

[RESERVED]

ARTICLE XVIII

DEFAULT

If the Lessee shall default in the due and punctual payment of any rental due under this Lease Agreement or any Supplemental Lease Agreement and such default shall continue for a period of thirty days, or if the Lessee shall default in the due and punctual performance or observance of any of the other covenants, conditions, agreements or provisions contained in this Lease Agreement or in any Supplemental Lease Agreement on the part of the Lessee required to be kept, performed or observed, and any such default shall continue for a period of thirty days after written notice thereof shall have been given to the Lessee by the Authority, then, in either such event, the Authority shall have the right to terminate this Lease Agreement and each Supplemental Lease Agreement and to take over the operation of the Lessee portion of the Sewer System with the exclusive right to charge and collect sewer rates and charges therefrom and to take such other action as may be permitted in law, equity or otherwise.

ARTICLE XIX

REDELIVERY OF POSSESSION

Upon the termination of this Lease Agreement under the provisions hereof, either by reason of default or by the expiration of the term, the Lessee covenants it will deliver up peaceable possession of the Lessee portion of the Sewer System without delay upon demand made therefor by the Authority, in good order and repair.

ARTICLE XX

MISCELLANEOUS

If any provision of this Lease Agreement is held to be invalid or unenforceable by a Court of competent jurisdiction, the other provisions of this Lease Agreement shall remain in full force and effect and shall be liberally construed in order to effect the provisions of this Lease Agreement.

This Lease Agreement may be executed in as many counterparts as are deemed necessary and convenient, each of which is to be regarded for all purposes as an original, but such counterparts constitute but one and the same instrument.

This Lease Agreement is binding upon and will inure to the benefit of the Lessor, the Lessee and their respective successors and assigns, except that the Issuer may not voluntarily transfer or assign its rights hereunder.

The Lease Agreement is executed and delivered by the parties hereto with the intention that the laws of the Commonwealth of Pennsylvania govern its interpretation, application and enforcement.

IN WITNESS WHEREOF, Pine-Harrisville Authority has caused this Lease Agreement to be executed on its behalf by its Chairman or Vice Chairman and its Authority seal to be hereunto affixed and attested by its Secretary or its Assistant Secretary Treasurer, and Harrisville Borough has caused this Lease Agreement to be executed on its behalf by its designated officer and its municipal seal to be hereunto affixed and attested by its Secretary, all as of the day and year first above written but actually on the date of the last acknowledgement at the end hereof.

[SEAL]

PINE-HARRISVILLE AUTHORITY

By _____
Chairman

Attest:

Secretary

Attest:

HARRISVILLE BOROUGH

Borough Secretary

President

This Ordinance is approved this ____ day of January, 2009.

Mayor

SCHEDULE "A"