

## Summary of Asset Purchase Agreement

1. Assets and Liabilities being transferred include:
  - ⇒ Sewer Collection System; construction contracts related to remaining PennVest Projects; consulting engineer contract with EADS Group; Resource Development and Management Inc. – Johnstown’s billing and collection agreement.
  - ⇒ All PennVest Loans the City entered into with respect to the Sewer Collection System, **and** the Consent Order and Agreement between the City and Pennsylvania Department of Environmental Protection.
2. Excluded Assets include:
  - ⇒ Oil, gas and mineral rights; City’s rights to maintain public way; Stormwater System; Dump Site, Vac Jet Truck and Bulldozer; all cash on hand in the Sewer Revenue General Fund.
3. “Security deposit” due on signing of the Agreement = \$2,000,000.
4. Purchase price of \$23,500,000 + Accounts Receivable (≅ \$500,000) for a total of ≅ \$24,000,000.
5. Periodic payments may be due in the future (years 10-20) , if, but only if, the buyer’s operations meet certain metrics.
6. Conditions required to close include:
  - ⇒ City assigns all of the PennVest Loans and contracts to GJWA **and** PennVest consents.
  - ⇒ GJWA assumes DEP Consent Order,
  - ⇒ Bill of Sale and Deeds are delivered to GJWA, and
  - ⇒ GJWA closes on its bond financing in order to fund the remaining acquisition price.
7. Rate Freeze
  - ⇒ Monthly Rates of \$55 per month for residential users will be frozen for three years.
  - ⇒ If the GJWA is required to increase revenues during the first three years to avoid violating a bond covenant, they have the ability to impose minimum charges on multi-family buildings, and as a last resort could raise rates prior to the expiration of the three -year period. In absence of significant increase in expenses such as fines levied by DEP, this is unlikely.
  - ⇒ Rate Freeze does not include surcharges (which may be levied if property owners refuse to do work necessary to pass pressure tests) or extraordinary repair charges and the like.
  - ⇒ GJWA has agreed to send out a notice to all customers shortly after closing and not impose any surcharges [on property owners who have refused to do the work necessary to pass pressure tests] for at least one year after closing.
  - ⇒ After one year, because GJWA may be subject to steep fines they will be able to impose surcharges to induce compliance.
  - ⇒ Subsidies and JRA low interest loan program should make it less expensive to pressure test laterals and fix, if necessary rather than to pay surcharge.
8. Curb-to-curb paving will continue for duration of the Sewer Collection System overhaul.