

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT is made this 18th day of June, 2013 between **MUNCY BOROUGH**, with an office at _____, Pennsylvania _____ (“Guarantor”), **WEST BRANCH REGIONAL AUTHORITY**, with a mailing address of _____, _____, Pennsylvania _____ (“Funding Recipient”), and the **PENNSYLVANIA INFRASTRUCTURE INVESTMENT AUTHORITY**, a body corporate and politic organized and existing under the laws of the Commonwealth of Pennsylvania, with an office at 22 South Third Street, Harrisburg, Pennsylvania 17101 (“Authority”).

W I T N E S S E T H

WHEREAS, the Funding Recipient and the Authority have executed a funding agreement dated this date, pursuant to which the Authority is obligated to make future advances to the Funding Recipient under the terms and conditions set forth therein (“Funding Agreement”), all of which are incorporated herein by reference, including all defined terms therein; and

WHEREAS, the Funding Recipient has executed and delivered to the Authority its debt obligation dated this date (“Debt Obligation”), payable to the order of the Authority in the stated principal sum of \$22,969,626.00, payable with interest and on the terms and conditions set forth therein, all of which are incorporated herein by reference; and

WHEREAS, in consideration of the Debt Obligation and as further security for the repayment thereof with interest as aforesaid, and as security for the due and timely performance by the Funding Recipient of all of the other provisions of the Funding Documents, the Authority has required the Funding Recipient to furnish the Project Collateral, including without limitation, this Guaranty; and

WHEREAS, in accordance with the terms and conditions of the Funding Documents, the Guarantor, the Funding Recipient and the Authority intend to enter into this agreement (“Guaranty Agreement”), as authorized by the Pennsylvania Local Government Unit Debt Act, as amended and reenacted 53 Pa.C.S. Sections 8001 et seq., (“Debt Act”), providing for the full and unconditional guarantee of repayment of the Debt Obligation in accordance with the terms and conditions of the Funding Documents and the pledge by the Guarantor of its full faith, credit and taxing power to discharge all of its obligations under this Guaranty Agreement.

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby, covenant and agree as follows:

A. GUARANTY

1. GUARANTY OF PAYMENT

Pursuant to the provisions of the Debt Act and this Guaranty Agreement, the Guarantor hereby

fully and unconditionally guaranties the payment, as and when due, of 46.0% of the full amount of each and every payment of the principal of, and interest on, the Debt Obligation.

2. GUARANTOR COVENANTS

In order to carry out the provisions of Section 1 hereof, the Guarantor covenants with the Funding Recipient and the Authority that it shall:

(a) Include amounts payable hereunder for each fiscal year in which such sums are payable in its budget for such year;

(b) Appropriate such amount from its general revenues for the payment of the amounts payable hereunder; and

(c) Duly and punctually pay or cause to be paid from such revenues, to the extent of its obligations hereunder; the amounts payable in respect hereof, at the dates and places and in the manner stated in Section 4 hereof, according to the true intent and meaning thereof.

For such budgeting, appropriation and payment, the Guarantor hereby pledges its full faith, credit and taxing power. This covenant shall be specifically enforceable, subject, as to the enforceability of remedies, to any applicable bankruptcy, insolvency, moratorium or other laws or equitable principles affecting the enforcement of creditors' rights generally. Nothing in this Section shall be construed to give the Guarantor any taxing power not granted by another provision of law. The Guarantor agrees that this covenant may be enforced against it by the Authority or its assigns or successors as provided in the Debt Act.

3. APPLICATION OF PAYMENT

The Authority agrees to cause all sums received pursuant to this Guaranty Agreement to be applied to payment of the principal of, and interest on, the Debt Obligation as provided in the Funding Documents.

4. GUARANTOR CREDIT

It is intended by the parties hereto that the Guarantor shall be required to pay to the Authority only that portion of the principal of, and interest on, the Debt Obligation due in any fiscal year as cannot be paid from funds applicable thereto, paid by the Funding Recipient to, or held by, the Authority pursuant to the Funding Documents, including moneys set aside for such purposes from the proceeds of the Debt Obligation for the payment of interest during construction or from the operation of the System. Therefore, the Guarantor shall be entitled, under this Guaranty Agreement, in each fiscal year, to a total credit equal in the aggregate to the amounts transferred by the Funding Recipient to the Authority or otherwise available to the Authority for application to payment of principal of, and interest on, the Debt Obligation in accordance with the terms of the Funding Documents. Accordingly, not less than fifteen (15) days prior to any interest or principal and interest payment date ("Payment Date") with respect to the Debt Obligation, the

Funding Recipient shall notify the Guarantor hereunder of any deficiency in moneys paid or to be paid to the Authority for payment of principal of and/or interest on the Debt Obligation on the next following Payment Date, and the Guarantor shall forthwith pay over to the Authority, not later than the day prior to such Payment Date, the amount required to make up 46.0% of such deficiency.

5. FUNDING RECIPIENT'S ESTIMATE OF AVAILABLE PROCEEDS

In order for the Guarantor to provide in its budget for payments due pursuant to this Guaranty Agreement, the Funding Recipient shall, at least thirty (30) days before the beginning of each fiscal year of the Guarantor, beginning with the first fiscal year commencing after the Settlement Date, cause to be delivered to the Guarantor an estimate, prepared and certified by the Funding Recipient's Consulting Engineers, of the proceeds to be received by the Funding Recipient from the operation of the System as well as other revenues and receipts which are anticipated to be available for payment of principal of and/or interest on the Debt Obligation on each Payment Date in such fiscal year and of any other moneys available to the Funding Recipient or Authority for such purpose.

6. MAXIMUM GUARANTEED AMOUNTS

The maximum amounts of principal and interest on the Debt Obligation guaranteed by the Guarantor are as set forth in Exhibit A, attached hereto and made a part hereof.

7. SURVIVAL OF GUARANTOR OBLIGATIONS

The obligations of the Guarantor hereunder are absolute, full and unconditional and shall remain in full force and effect until the Funding Recipient shall have fully and satisfactorily discharged all of its obligations under the Funding Documents, irrespective of the genuineness, validity, regularity, or enforceability of the Funding Documents, or of any termination thereof, and shall not be affected or impaired in any way by reason of:

a. Any failure of the Funding Recipient or the Authority to retain or preserve any rights against any person (including, in the case of the Authority, the Funding Recipient) or in any property, the inaccuracy of any estimates delivered to the Guarantor hereunder or of the calculation of the principal of, and interest on, the Debt Obligation;

b. The invalidity of any such rights which the Funding Recipient or the Authority may attempt to obtain;

c. The lack of prior enforcement by the Funding Recipient or the Authority of any rights against any person (including, in the case of the Authority, the Funding Recipient) or in any property; or

d. The dissolution of the Funding Recipient or of the Authority.

Nor shall the obligation of the Guarantor hereunder be affected in any way by any compromise, settlement, release, revival, extension, indulgence, change in or modification of any of the obligations or liabilities of the Funding Recipient under the Funding Documents (including, but not limited to, any modification, limitation, or discharge arising out of or by virtue of any bankruptcy, arrangement, reorganization or similar proceeding for relief of debts under federal or state law hereinafter initiated by or against the Funding Recipient), or any redelivery, repossession, surrender or destruction of the System located therein, in whole or in part. The Guarantor hereby waives any right to require, and the benefit of all laws now or hereafter in effect giving such Guarantor the right to require, any such prior enforcement as referred to in (c) above, and the Guarantor agrees that any delay in enforcing or failure to enforce any such rights shall not in any way affect its liability hereunder; and the Guarantor hereby waives all rights and benefits which might accrue to it by reason of any of the aforesaid bankruptcy, arrangement, reorganization, or similar proceedings and agrees that its liabilities hereunder for the obligations of the Funding Recipient under the Funding Documents shall not be affected by any modification, limitation or discharge of the liabilities of the Funding Recipient that may result from any such proceedings.

8. COSTS AND EXPENSES

The Guarantor further agrees to pay to the Authority, on demand, 46.0% of all costs and expenses, legal or otherwise (including counsel fees), which may be incurred in the enforcement of the Funding Documents or the liability of the Funding Recipient thereunder. No delay in making demand on the Funding Recipient for performance of any obligation thereunder shall prejudice the right to enforce such performance.

9. RIGHTS AND REMEDIES

a. No right or remedy conferred upon or reserved to the Authority under any of the Funding Documents, or with respect to this Guaranty or any Project Collateral, or now or hereafter existing at law or in equity or by statute or other legislative enactment, is intended to be exclusive of any other right or remedy, and each and every such right or remedy shall be cumulative and concurrent, and shall be in addition to every other such right or remedy, and may be pursued singularly, concurrently, successively or otherwise, at the sole discretion of the Authority, and shall not be exhausted by any one exercise thereof but may be exercised as often as occasion therefor shall occur. No act of the Authority shall be deemed or construed as an election to proceed under any one such right or remedy to the exclusion of any other such right or remedy; furthermore, each such right or remedy of the Authority shall be separate, distinct and cumulative and none shall be given effect to the exclusion of any other. The failure to exercise or delay in exercising any such right or remedy, or the failure to insist upon strict performance of any term of any of the Funding Documents, shall not be construed as a waiver or release of the same, or of any Event of Default thereunder, or of any obligation or liability of Guarantor thereunder.

b. The recovery of any judgment by the Authority and/or the levy of execution under any judgment upon any Project Collateral shall not affect in any manner or to any extent any security

interest under the Funding Agreement in such Project Collateral, or any rights, remedies or powers of the Authority under any of the Funding Documents or with respect to this Guaranty or any Project Collateral, but such security interest, and such rights, remedies and power of the Authority shall continue unimpaired as before. Further, the exercise by the Authority of its rights and remedies and the entry of any judgment by the Authority shall not affect in any way the interest rate payable hereunder or under any of the Funding Documents of any amounts due to the Authority but interest shall continue to accrue, on such amounts at the rate specified herein or in such Funding Document.

c. The guarantor hereby waives presentment, demand, notice of nonpayment, protest, notice of protest or other notice of dishonor, and any and all other notices in connection with any default in the payment of, or any enforcement of the payment of, all amounts due under the Funding Documents. To the extent permitted by law, the Guarantor waives the right to any stay of execution and the benefit of all exemption laws now or hereafter in effect. The guarantor further waives and releases all errors, defects and imperfections in any proceedings instituted by the Authority under the terms of any Funding Document or with respect to this Guaranty or any Project Collateral.

d. The guarantor agrees that the Authority may release, compromise, forebear with respect to, waive, suspend, extend or renew any of the terms of the Funding Documents or any Guaranty (and the Guarantor hereby waives any notice of any of the foregoing), and that the Funding Documents or this Guaranty may be amended, supplemented or modified by the Authority and the other signatory parties and that the Authority may resort to any Guaranty and any Project Collateral in such order and manner as it may think fit, or accept the assignment, substitution, exchange or pledge of any other Project Collateral or Guaranty in place of, or release for such consideration, or none, as it may require, all or any portion of any Project Collateral or any Guaranty, without in any way affecting the validity of any lien over or other security interest in the remainder of any such Project Collateral (or the priority thereof or the position of any subordinate holder of any security interest with respect thereto), or any rights which it may have with respect to any other Guaranty; and any action taken by the Authority pursuant to the foregoing shall in no way be construed as a waiver or release of any right or remedy of the Authority, or of any Event of Default, or of any liability or obligation of the Funding Recipient or the Guarantor, under any of the Funding Documents.

10. RIGHT OF SET-OFF

It is understood and agreed that the obligations of the Guarantor to make payments hereunder shall be absolute and shall not be subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach of the Funding Recipient of any obligation to it whether hereunder or otherwise, or out of any indebtedness or liability at any time owing to it by the Funding Recipient.

11. RIGHT OF REIMBURSEMENT

If in any fiscal year the total principal of, and interest on, the Debt Obligation due in such year shall be in excess of the total credit to which the Guarantor is entitled under Section 4 hereof and the Guarantor has accordingly paid over to the Authority such amount or amounts as are at that time required to fully discharge the obligation of the Guarantor in such fiscal year under this Guaranty Agreement, then the Funding Recipient agrees to reimburse the Guarantor from any of its moneys available for that purpose for the amounts so paid to the Authority; provided, however, that the Funding Recipient's Engineer shall first have certified that Funding Recipient's moneys intended to be used for such reimbursement will not be required within twelve (12) months to operate or make needed repairs to the System or for capital additions thereto necessary for the proper and efficient operation of the System.

12. FUNDING RECIPIENT COVENANTS

The Funding Recipient agrees:

a. To diligently and efficiently operate the System in a prudent and businesslike manner and, in connection therewith, to file the necessary reports and documents and take all necessary actions to assure the continued operation of the System, all in a timely manner; and

b. To provide for the proper and timely assessment of rates to the users, customers or those benefited by the operation of the System, or to generate receipts and revenues, as may be applicable, sufficient to pay operating costs thereof and the Funding Recipient's obligations under the Funding Documents, and to provide for the collection of such rates or revenues.

13. DEBT ACT APPROVAL

The Guarantor shall take all necessary actions to secure the approval of the Department of Community and Economic Development ("DCED") or its successor department, board or commission, to enter into this Guaranty Agreement, pursuant to requirements set forth in the Debt Act.

14. FUNDING RECIPIENT REPORTING AND RECORDS

The Funding Recipient shall cause to be delivered to the Guarantor copies of all such budgets, financial reports and other certificates and documents with respect to the operation of the System, including any amounts due and payable to the Authority pursuant to the terms of the Funding Documents, and shall permit the Guarantor reasonable access to the accounts and all records of the Funding Recipient.

15. SEVERABILITY

In the event that for any reason one or more of the provisions of this Agreement or their application to any person or circumstance shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all other respects and to such extent as may be permissible. In addition, any such

invalidity, illegality or unenforceability shall not effect any other provision hereof, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

B. MISCELLANEOUS

1. EXERCISE OF RIGHTS

The failure of the Authority to enforce or exercise any of its rights under this Guaranty Agreement at any time or times shall not be construed or deemed to be a waiver of any such right, and nothing contained in this Guaranty Agreement, nor anything done or omitted to be done by the Authority pursuant to this Guaranty Agreement, shall be deemed a waiver by the Authority of any of its other rights and remedies under this Guaranty Agreement or under any of the Funding Documents or at law or in equity. The right of the Authority to collect the indebtedness evidenced by the Debt Obligation and to enforce any security or collateral therefore may be exercised by the Authority, either prior to, simultaneously with, or subsequent to any action taken under this Guaranty Agreement.

2. SATISFACTION OF OBLIGATIONS

Upon payment in full of all of the indebtedness and all other sums payable under this Guaranty Agreement, the Debt Obligation and the other Funding Documents, this Guaranty Agreement shall become void and of no effect, but the affidavit, certificate, letter or statements of any officer of the Authority stating that any part of said indebtedness remains unpaid shall constitute conclusive evidence of the validity, effectiveness and continuing force of this Guaranty Agreement, and any person, firm or corporation may and is hereby authorized to rely thereon.

3. SUCCESSORS AND ASSIGNS

This Guaranty Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns, and the Authority shall have the right to enforce this Guaranty Agreement as provided in law or in equity for the benefit of its successors or assigns from time to time, if it so chooses.

4. NOTICES

All notices required or desired to be given to either of the parties hereunder shall be in writing and shall be deemed to have been sufficiently given for all purposes when presented personally to such party or sent by receipted mail via overnight courier, certified or registered mail, return receipt requested, or Electronic Postmark delivery through the United States Post Office to such party at its address set forth below:

Guarantor: Muncy Borough

and

West Branch Regional Authority

Authority: Pennsylvania Infrastructure Investment Authority
22 South Third Street
Harrisburg, Pennsylvania 17101
Attention: Executive Director

Such notice shall be deemed to be given when received if delivered personally or two (2) days after the date mailed if sent by certified or registered mail. Any notice of any change in such address shall also be given in the manner set forth above. Whenever notice is required, the party entitled to receive such notice may waive the requirement by notifying the party required to give the notice in writing.

5. AMENDMENT; MODIFICATION

No amendment, change, modification, alteration or termination of this Guaranty Agreement shall be effective unless in writing and signed by the parties hereto.

6. NUMBER; GENDER

Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Guaranty Agreement shall be used interchangeably in the singular or plural form and the use of any gender shall include all genders. The words "Guaranty Agreement", "Funding Agreement", "Debt Obligation" or "Funding Documents" shall include any supplements to or any amendments of or restatements of the Guaranty Agreement, Funding Agreement, Debt Obligation or Funding Documents.

7. COUNTERPARTS

This Guaranty Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, but such counterparts shall together constitute but one and the same Guaranty.

8. GOVERNING LAW

This Guaranty Agreement shall be construed in accordance with and governed in all respects by the laws of the Commonwealth of Pennsylvania.

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IN WITNESS WHEREOF, the Funding Recipient and the Guarantor have executed this Guaranty Agreement effective on the date first above written.

ATTEST:

MUNCY BOROUGH

Authorized Signatory

(SEAL)

ATTEST:

WEST BRANCH REGIONAL AUTHORITY

Authorized Signatory

(SEAL)