

ORDINANCE #149

FIRST READING - July 14, 2004

SECOND READING - July 27, 2004

OF THE BOARD OF COMMISSIONERS OF THE COUNTY OF LACKAWANNA, PENNSYLVANIA, AUTHORIZING AND APPROVING A PROJECT OF THE AUTHORITY (HEREINAFTER DEFINED); AUTHORIZING AND DIRECTING THE INCURRENCE OF LEASE RENTAL DEBT, IN THE MAXIMUM AGGREGATE PRINCIPAL AMOUNT OF EIGHT MILLION DOLLARS (\$8,000,000) PURSUANT TO THE ACT OF THE GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA, APPROVED DECEMBER 19, 1996, ACT NO. 177, AS AMENDED, KNOWN AS THE LOCAL GOVERNMENT UNIT DEBT ACT (THE "DEBT ACT"); DETERMINING THAT SUCH DEBT SHALL BE INCURRED UNDER THE DEBT ACT AS LEASE RENTAL DEBT TO BE EVIDENCED BY A GUARANTY AGREEMENT OF THE COUNTY SECURING GUARANTEED SEWER REVENUE BONDS, SERIES OF 2004 (THE "2004 BONDS"), TO BE ISSUED BY LACKAWANNA RIVER BASIN SEWER AUTHORITY (THE "AUTHORITY") TO FINANCE A PROJECT OF THE AUTHORITY CONSISTING OF: (1) CURRENTLY REFUNDING THE AUTHORITY'S OUTSTANDING GUARANTEED SEWER REVENUE BONDS, SERIES OF 1994; (2) ADVANCE REFUNDING THE AUTHORITY'S OUTSTANDING GUARANTEED SEWER REVENUE BONDS, SERIES OF 2002; (3) ESTABLISHING THE NECESSARY RESERVES AND OTHER FUNDS UNDER THE INDENTURE; AND (4) PAYING THE COSTS AND EXPENSES ASSOCIATED WITH THE ISSUANCE OF THE 2004 BONDS; BRIEFLY DESCRIBING THE PROJECT FOR WHICH SUCH DEBT IS TO BE INCURRED; AUTHORIZING AND DIRECTING THE PROPER OFFICERS OF THE COUNTY: (A) TO PREPARE, TO CERTIFY AND TO FILE THE DEBT STATEMENT AND BORROWING BASE CERTIFICATE REQUIRED BY SECTION 8110 OF THE DEBT ACT; (B) TO THE EXTENT FEASIBLE, TO CAUSE TO BE PREPARED AND FILED, STATEMENTS REQUIRED BY SECTION 8026 OF THE DEBT ACT WHICH ARE NECESSARY TO QUALIFY ALL OF SUCH LEASE RENTAL DEBT FOR EXCLUSION FROM THE APPROPRIATE DEBT LIMITS AS SELF-LIQUIDATING DEBT; (C) TO EXECUTE, TO ATTEST, TO SEAL AND TO DELIVER, AS APPROPRIATE, A REIMBURSEMENT AGREEMENT AND A GUARANTY AGREEMENT; APPROVING THE FORM OF THE REIMBURSEMENT AGREEMENT AND THE GUARANTY AGREEMENT; SPECIFYING THE AMOUNT OF THE GUARANTY OBLIGATION OF THE COUNTY PURSUANT TO SUCH GUARANTY AGREEMENT AND THE SOURCES OF PAYMENT OF SUCH GUARANTY OBLIGATIONS; AUTHORIZING THE PROPER OFFICERS OF THE COUNTY TO TAKE ALL OTHER REQUIRED, NECESSARY OR DESIRABLE RELATED ACTION IN CONNECTION WITH SUCH PROJECT AND THE EXECUTION AND DELIVERY OF THE REIMBURSEMENT AGREEMENT AND THE GUARANTY AGREEMENT; PROVIDING FOR THE EFFECTIVENESS OF THIS ORDINANCE; PROVIDING FOR THE SEVERABILITY OF PROVISIONS OF THIS ORDINANCE; AND PROVIDING FOR THE REPEAL OF ALL INCONSISTENT ORDINANCES OR RESOLUTIONS OR PARTS OF ORDINANCES OR RESOLUTIONS.

WHEREAS, The County of Lackawanna, Pennsylvania (the "County") is a political subdivision of the Commonwealth of Pennsylvania (the "Commonwealth") and is a "local government unit" under provisions of the Act of the General Assembly of the Commonwealth, approved December 19, 1996, Act No. 177, as amended, reenacted and supplemented, from time to time, known as the Local Government Unit Debt Act (the "Debt Act"); and

WHEREAS, The Lackawanna River Basin Sewer Authority (the "Authority") is a body politic and corporate organized and existing under the Pennsylvania Municipality Authorities Act, Act 22 of 2001, as amended and supplemented, from time to time, of the Commonwealth; and

WHEREAS, The Authority has heretofore entered into a Trust Indenture, dated as of February 15, 1994 (the "Original Indenture"), with First Eastern Bank, N.A., predecessor trustee to The Fidelity Deposit and Discount Bank, as trustee (the "Trustee"), pursuant to which it issued its \$10,160,000 original aggregate principal amount Guaranteed Sewer Revenue Bonds, Series of 1994 (the "1994 Bonds");

WHEREAS, The Authority has heretofore entered into a First Supplemental Trust Indenture, dated as of August 1, 2002 (the "First Supplemental Indenture"), with the Trustee pursuant to which it issued its \$2,510,000 original aggregate principal amount Guaranteed Sewer Revenue Bonds, Series of 2002 (the "2002 Bonds"); and

WHEREAS, The Authority intends to issue its Guaranteed Sewer Revenue Bonds, Series of 2004 in the maximum aggregate principal amount of \$8,000,000 (the "Bonds" or the "2004 Bonds") under a Second Supplemental Trust Indenture (the "Second Supplemental Indenture", and together with the First Supplemental Indenture and the Original Indenture, the "Indenture"), with the Trustee; and

WHEREAS, The proceeds to be derived from the issuance and sale of the 2004 Bonds will be applied, together with other funds available or to be available to the Authority, for and towards a project (the "Project") which consists of the following: (i) currently refunding the outstanding 1994 Bonds; (ii) advance refunding the outstanding 2002 Bonds; (iii) establishing of necessary reserves and other funds under the Indenture; and (iv) paying of the costs and expenses associated with the issuance of the 2004 Bonds; and

WHEREAS, The Board of Commissioners of the County has determined that the Project is in the best interests of the County and its residents and desires to approve the Project and to request the Authority to undertake the Project; and

WHEREAS, The County, as an inducement to the Authority to undertake the Project and to authorize and to issue the 2004 Bonds, and as an inducement to initial purchasers and to any and all subsequent owners of the 2004 Bonds to purchase the 2004 Bonds, and to thereby achieve interest costs and other savings to the Authority and to the residents and taxpayers of the County and other users of the Authority's facilities, desires to enter into: (i) the Reimbursement Agreement (the "Reimbursement Agreement") with the Authority; and (ii) the Guaranty Agreement (the "Guaranty Agreement") with the Authority and the Trustee, all as permitted by and in accordance with the terms and conditions of the Debt Act.

NOW, THEREFORE, BE IT ENACTED AND ORDAINED, by the Board of Commissioners of the County, as follows:

Section 1. The County hereby authorizes and approves the Project and requests the Authority to undertake the Project. The County ratifies and confirms all action heretofore taken by the Authority in connection with the Project. The County authorizes and approves the issuance of the 2004 Bonds by the Authority and determines to incur lease rental debt in the maximum aggregate principal amount of \$8,000,000 by the execution and delivery of the Guaranty Agreement.

Section 2. The lease rental debt authorized to be incurred hereby is for the purpose of financing the Project.

Section 3. The County hereby finds and determines that the purpose of the Project is to, among other things, reduce the total debt service payable by the Authority over the life of the 1994 and 2002 Bond issues. The remaining realistic estimated useful life of the capital projects financed or refinanced by the 1994 Bonds range from 5 years to at least 15 years. The remaining realistic estimated useful life of the capital projects financed by the 2002 Bonds range from 5 years to at least 15 years.

Section 4. The maximum aggregate principal amount of the 2004 Bonds, payment of which is assured by the Guaranty Agreement, is \$8,000,000.

Section 5. The debt to be evidenced by the Guaranty Agreement shall be lease rental debt of the County.

Section 6. The Chairman or Vice Chairman of the Board of Commissioners and the Chief Clerk or Assistant Chief Clerk of the County are hereby authorized and directed to prepare, to certify, to acknowledge and to file the debt statement and the borrowing base certificate, as appropriate, required by Section 8110 of the Debt Act and to take any and all other action necessary at any time or from time to time in connection with carrying out the intent of the Ordinance or necessary to comply with the Debt Act.

Section 7. The Chairman or Vice Chairman of the Board of Commissioners and Chief Clerk or Assistant Chief Clerk of the County are hereby authorized and directed to execute, attest, seal and deliver the Guaranty Agreement and the Reimbursement Agreement, respectively, in the forms set forth on Exhibit "A" and Exhibit "B" hereto with such insertions, deletions and amendments as the officers of the County executing said documents and the Solicitor to the County shall deem necessary. The execution, attestation and delivery of the Guaranty Agreement and the Reimbursement Agreement by appropriate officers of the County shall constitute conclusive evidence of such approval.

Section 8. In the event that the County is obligated to make payments under the Guaranty Agreement, the maximum amounts required to be paid thereunder, from the general revenues of the County, are as set forth on Exhibit "C" hereto. Exhibit "C" is incorporated herein by reference with the same force and effect as if fully set forth in the text hereof. If at any time the County is required to make any payment under the Guaranty Agreement, proper officers of the County are hereby authorized and directed to do so.

Section 9. The County covenants to and with the Trustee for the owners, of the 2004 Bonds, the Authority and the registered owners, from time to time, of the 2004 Bonds that the County (a) shall include the amounts payable in respect of the Guaranty Agreement for each fiscal year in which such sums are payable in its budget for that year, (b) shall appropriate such amounts from its general revenues for the payment of such payment, and (c) shall duly and punctually pay or cause to be paid from any of its revenues or funds the amount payable in respect of the Guaranty Agreement, at the dates and place and in the manner stated in such Guaranty Agreement, and according to the true intent and meaning thereof. The County pledges its full faith, credit and taxing power for such budgeting, appropriation and payment in respect to the Guaranty Agreement. The covenant shall be specifically enforceable in accordance with the Debt Act.

Section 10. The Chairman or Vice Chairman of the Board of Commissioners and Chief Clerk or Assistant Chief Clerk of the County are authorized and directed, if necessary or desirable, to cause to be prepared and filed with the Department of Community and Economic Development of the Commonwealth of Pennsylvania, appropriate statements required by Section 8026 of the Debt Act which are necessary to qualify the lease rental debt of the County, which is subject to exclusion of self-liquidating debt, for exclusion from the appropriate debt limits as self-liquidating debt.

Section 11. The proper officers of the County are hereby authorized and directed to execute, attest and deliver any and all necessary or appropriate documents and to do any and all necessary or appropriate things in connection with the transactions hereby contemplated, including, without limitation, approving, if necessary, the Bond Purchase Proposal of RBC Dain Rauscher Inc. presented to the Authority.

Section 12. All ordinances and resolutions or parts thereof, insofar as the same are inconsistent herewith, are repealed hereby.

Section 13. The Ordinance shall become effective in accordance with the provisions of the Act.

Section 14. In the event any provision, section, sentence, clause or part of the Ordinance shall be held to be invalid, such invalidity shall not affect or impair any remaining provision, section, sentence, clause or part of the Ordinance, it being the intent of the County that the remainder of the Ordinance shall remain in full force and effect.

DULY ENACTED AND ORDAINED, this ____ day of July, 2004, by the Board of Commissioners of the County of Lackawanna, Pennsylvania, in lawful session duly assembled.

COUNTY OF LACKAWANNA
PENNSYLVANIA

By _____ Chairman

_____ Commissioner

_____ Commissioner

Attest: _____ Chief of Staff

(SEAL)

EXHIBIT "A"
GUARANTY AGREEMENT

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT, dated as of the ___ day of _____, 2004, but effective as of the date of execution and delivery hereof, by and among COUNTY OF LACKAWANNA, Pennsylvania, a political subdivision of the Commonwealth of Pennsylvania, as guarantor (the "County"), LACKAWANNA RIVER BASIN SEWER AUTHORITY, a body corporate and politic existing under the Municipality Authorities Act, Act 22 Of 2001, as amended and supplemented, of the Commonwealth of Pennsylvania (the "Authority") and THE FIDELITY DEPOSIT AND DISCOUNT BANK, Dunmore, Pennsylvania (the "Trustee").

WITNESSETH:

WHEREAS, The Authority has heretofore entered into a Trust Indenture, dated as of February 15, 1994 (the "Original Indenture"), with First Eastern Bank, N.A., predecessor trustee to The Fidelity Deposit and Discount Bank, as trustee (the "Trustee"), pursuant to which it issued its \$10,160,000 original aggregate principal amount Guaranteed Sewer Revenue Bonds, Series of 1994 (the "1994 Bonds"); and

WHEREAS, The Authority has heretofore entered into a First Supplemental Trust Indenture, dated as of August 1, 2002 (the "First Supplemental Indenture"), with the Trustee pursuant to which it issued its \$2,510,000 original aggregate principal amount Guaranteed Sewer Revenue Bonds, Series of 2002 (the "2002 Bonds"); and

WHEREAS, The Authority intends to issue its Guaranteed Sewer Revenue Bonds, Series of 2004 in the aggregate principal amount of \$_____ (the "Bonds" or the "2004 Bonds") under a Second Supplemental Trust Indenture, dated as of _____, 2004 (the "Second Supplemental Indenture", and together with the First Supplemental Indenture and the Original Indenture, the "Indenture"), with the Trustee; and

WHEREAS, The proceeds to be derived from the issuance and sale of the 2004 Bonds will be applied, together with other funds available or to be available to the Authority, for and towards a project (the "Project") which consists of the following: (i) currently refunding the outstanding 1994 Bonds; (ii) advance refunding the outstanding 2002 Bonds; (iii) establishing of necessary reserves and other funds under the Indenture; and (iv) paying of the costs and expenses associated with the issuance of the 2004 Bonds; and

WHEREAS, The Board of Commissioners of the County has determined, among other things, that the undertaking of the Project is in the best interests of the County and its residents; and

WHEREAS, The County, as an inducement to the Authority to undertake the Project and to authorize and issue its 2004 Bonds, and as an inducement to the initial and all future owners of the 2004 Bonds to purchase the 2004 Bonds and to thereby achieve interest costs and other savings to the Authority and the residents and taxpayers of the County and other users of the Authority's facilities, desires to enter into this Guaranty Agreement with respect to the 2004 Bonds, as permitted by and in accordance with the terms and conditions of the Debt Act (hereinafter defined); and

WHEREAS, The parties hereto desire to set forth the terms and conditions under and pursuant to which the 2004 Bonds shall be guaranteed by the County and related matters.

NOW, THEREFORE, in consideration of the mutual covenants and premises herein contained, and intending to be legally bound hereby, the parties agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Terms and Phrases. In addition to the terms and phrases which may be elsewhere defined in this Guaranty Agreement, terms and phrases defined in this Section 1.01, for all purposes of this Guaranty Agreement, as herein defined, shall have the meanings herein specified, unless the context clearly otherwise requires:

"Act" shall mean the Act of the General Assembly of the Commonwealth, known as the Municipality Authorities Act, Act 22 of 2001, as amended and supplemented.

"Board" shall mean, at any given time, the governing body of the Authority.

"Board of Commissioners" shall mean the governing body of the County.

"Commonwealth" shall mean the Commonwealth of Pennsylvania.

"Debt Act" shall mean the Act of the General Assembly of the Commonwealth, known as the Local Government Unit Debt Act, approved December 19, 1996, Act No. 177, as amended and supplemented, from time to time.

"Debt Service" shall mean, with respect to any Fiscal Year, the sum of the following: (a) amounts required to pay interest on, premium, if any, and principal of the 2004 Bonds (which is not to be paid from amounts on deposit in any sinking fund or account) during each Fiscal Year; and (b) amounts required to be deposited in such Fiscal Year to the credit of any sinking fund established for the 2004 Bonds.

"Debt Service Reserve Fund" shall mean the Debt Service Reserve Fund established for the owners of the 2004 Bonds under the Indenture.

"Fiscal Year" shall mean the fiscal year of the County as provided by laws of the Commonwealth.

"Gross Revenues" shall mean all Pledged Revenues (as such term is defined in the Indenture) of the Authority.

"Guaranty Agreement" shall mean this agreement and all modifications, alterations, amendments and supplements hereto made and delivered in accordance with the provisions hereof, which phrase sometimes is referred to in this document by use of such words as "hereto," "hereby," "herein," "hereof" or "hereunder."

"Reimbursement Agreement" shall mean the Reimbursement Agreement dated as of the date hereof between the County and the Authority and all modifications, amendments, extensions and substitutions therefor.

ARTICLE II

Representations and Warranties of the County

SECTION 2.01. Representations and Warranties. The County represents and warrants that:

- A. The County is a political subdivision of the Commonwealth;
- B. The County possesses all requisite power and authority under laws of the Commonwealth to enter into and to perform all the covenants and agreements set forth in this Guaranty Agreement;

C. The County has duly authorized all necessary action on its part to enter into this Guaranty Agreement, pursuant to proper and necessary official action of its Board of Commissioners in accordance with laws of the Commonwealth;

D. The County, in entering into this Guaranty Agreement, is acting in the public interest by assisting in providing modern, high quality sewer facilities at the lowest possible cost to the users of such facilities and the citizens and taxpayers of the County, and by assisting in the preservation and protection of the general health and welfare of inhabitants of the County and of the Commonwealth; and

E. The County, in entering into this Guaranty Agreement, is incurring lease rental debt pursuant to the terms and conditions of the Debt Act; and the County has taken all proper proceedings pursuant to the Debt Act and has obtained all approvals required to be obtained in connection with the execution and delivery of this Guaranty Agreement.

ARTICLE III

Covenants and Agreements of the Authority and the County

SECTION 3.01. Full and Prompt Payment. The County hereby guarantees, unconditionally and irrevocably, to the registered owners, from time to time, of the 2004 Bonds, the full and prompt payment of the Debt Service when and as such shall be due and payable, in accordance with the terms and conditions of this Guaranty. Nothing contained in this Agreement shall in any way be construed to imply that the County shall be or become liable or responsible for any other debt or obligation of the Authority.

SECTION 3.02. Costs, Fees, Expenses and Charges. Except as may be expressly provided herein or elsewhere, the County shall not be responsible or liable to the Authority or the Trustee for the payment of any other costs, fees, expenses or charges arising in connection with the issuance and sale of the 2004 Bonds, or the enforcement of any rights of the Authority against any other person.

SECTION 3.03. Manner of Payment. All payments required to be made by the County under this Guaranty Agreement shall be made in lawful money of the United States of America at the principal corporate trust office of the Trustee and at the times specified in the 2004 Bonds for the payment of Debt Service on the 2004 Bonds.

SECTION 3.04. Separate Causes of Action. Each and every default in payment of Debt Service shall give rise to a separate cause of action under this Guaranty Agreement; and separate suits may be instituted pursuant to this Guaranty Agreement, from time to time, as each cause of action shall arise.

SECTION 3.05. Amounts to be Included in Budget. The County covenants to and with the Trustee, the Authority and the registered owners, from time to time, of the 2004 Bonds that the County shall (a) include in its budget for each Fiscal Year in which Debt Service is payable on the 2004 Bonds (beginning with its 2004 Fiscal Year), an amount equal to the Debt Service on the 2004 Bonds for such Fiscal Year (which Debt Service has been guaranteed by the County and is payable pursuant to this Guaranty Agreement) less the amount on deposit in the Debt Service Reserve Fund (as hereinafter set forth) on December 15 of the immediately preceding Fiscal Year, and (b) appropriate such amounts from its general revenues for payment to the Trustee of its obligations hereunder, and (c) duly and punctually pay or cause to be paid from its sinking fund or any of its revenues or funds to the Trustee such amounts, at the times and in the manner provided for herein, at the principal corporate trust office of the Trustee or such other place as is designated by any owner of the 2004 Bonds, according to the true intent and meaning hereof. For such budgeting, appropriation and payment, the County pledges its full faith, credit and taxing power. As provided in the Debt Act, this covenant shall be enforceable specifically against the County.

In accordance with the terms and conditions of, and as set forth more fully in, the Second Supplemental Indenture, on or before December 1, 2004, and on or before December 1 of each Fiscal Year thereafter, the Trustee shall give written notice to the County of any deficiency which shall exist in the Debt Service Reserve Fund, and, unless the Authority shall satisfy such deficiency on or before December 15 of such Fiscal Year, the County forthwith shall include in its budget for the next succeeding Fiscal Year an amount equal to the difference between (a) the Debt Service to be paid on the 2004 Bonds for such Fiscal Year, and (b) the amount on deposit in the Debt Service Reserve Fund on such December 15.

At any time when payments are required to be made by the County hereunder, to the extent that sufficient money shall not be available in the County's then current budget, and if the County shall be unable to incur, lawfully, debt in the current Fiscal Year for the purpose of paying such debt service or to issue tax anticipation notes or otherwise to satisfy its obligations hereunder, the County shall include any amounts so payable in its budget for the next succeeding Fiscal Year and shall appropriate such amounts to the payment of such obligations and duly and punctually shall pay or shall cause to be paid the obligations incurred hereunder in the manner herein stated according to the true intent and meaning hereof, and for such budgeting, appropriation and payment the County does pledge its full faith, credit and taxing power. As provided in the Debt Act, this covenant shall be enforceable specifically against the County.

SECTION 3.06. Authority to Establish and Maintain Debt Service Reserve Fund. The Authority covenants and agrees to establish and maintain a Debt Service Reserve Fund as more fully set forth in the Second Supplemental Indenture. The Authority further covenants and agrees that it shall promptly (i) notify the County in writing (and cause the Trustee to notify the County) of any transfers or withdrawals which may be made from the Debt Service Reserve Fund for the purpose of making payment of Debt Service at any time due or to become due on the 2004 Bonds, and (ii) make up any deficiency in the Debt Service Reserve Fund (whether such deficiency arises from a withdrawal of monies for the payment of Debt Service on the 2004 Bonds, from a decrease in the value of investments held therein or otherwise) by a deposit with the Trustee of any available Authority cash, Gross Revenues, operating reserves or other monies of the Authority as soon as practicable after it becomes aware of such deficiency. In addition, in order to facilitate the budgeting of any deficiencies by the County, as provided in Section 3.05 hereof, the Authority agrees to cause the Trustee, in addition to the other requirements imposed on the Trustee, pursuant to the Indenture, on or before November 15 of each Fiscal Year, to value the Debt Service Reserve Fund in accordance with the provisions of the Indenture.

SECTION 3.07. Authority to Provide Certificate. The Authority covenants and agrees that on or before December 1, 2004 and on or before December 1 in each Fiscal Year thereafter, the Authority will prepare and deliver to the County an Officer's Certificate stating (i) the value of the Debt Service Reserve Fund, as calculated by the Trustee in accordance with the provisions of the Indenture (a copy of the Trustee's valuation shall be included with the Officer's Certificate), and (ii) either (a) that no deficiency exists in the Debt Service Reserve Fund and accordingly, in accordance with the provisions of this Guaranty Agreement, the County, in preparing its budget for the next succeeding Fiscal Year, need not include in such budget any part of Debt Service on the Bonds, or (b) that a deficiency exists in the Debt Service Reserve Fund in which event, such certificate should state the amount of such deficiency, should state that all other available monies in Funds created under the Indenture have been transferred to the Debt Service Reserve Fund, and either should explain, in reasonable detail, what steps the Authority intends to take to satisfy such deficiency by December 15 or should state that the County should include in its budget all or some portion of the deficiency in accordance with the terms and conditions hereof).

SECTION 3.08. Obligations of County Absolute and Unconditional. The obligations of the County under this Guaranty Agreement shall be absolute, irrevocable and unconditional, irrespective of any other agreement or instrument to which the County shall be a party, and shall remain in full force and effect until all Debt Service during each Fiscal Year in which the 2004 Bonds remain outstanding shall have been paid or shall have been provided for, and such obligations of the County shall not be affected, modified, diminished, or impaired upon the happening, from time to time, of any event, including, without limitation, any of the following (whether or not with notice to or the consent of the County in accordance with the provisions hereof) unless such notice or consent is required hereunder:

- A. The failure of the Authority otherwise to perform any obligation contained in this Guaranty Agreement or in any other agreement, for any reason whatsoever, including, without limiting the generality of the foregoing, the occurrence of an insufficiency of funds, negligence or willful misconduct on the part of the Authority or its agents, employees or independent contractors, legal action of any nature which shall prohibit the operations of the Authority, labor disputes, war, insurrection, natural catastrophe or laws, rules or regulations of any body, governmental or otherwise, having proper jurisdiction;
- B. The compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the Authority under the Indenture or the Reimbursement Agreement;
- C. The failure of the Authority or the Trustee to give notice to the County of the occurrence of a default under terms and provisions of this Guaranty Agreement, the Indenture or the Reimbursement Agreement;
- D. The validity, enforceability or termination of the Reimbursement Agreement or the Indenture;
- E. The failure of the Authority to make any payment to the County under the Reimbursement Agreement;
- F. The neglect or failure of the Authority and/or the Trustee to exercise or to preserve any rights or rights of action against any party, person or property;
- G. The failure of the Authority and/or the Trustee to have enforced, on prior appropriate occasions, any right or right of action against any party, person or property;
- H. The compromise, settlement, release, alteration, indulgence or any other change or modification of any obligation or liability of the Authority under the Reimbursement Agreement or the Indenture, regardless of the nature of such obligation or liability and regardless of the extent to which such obligation or liability shall have been modified, compromised or otherwise changed;
- I. The waiver of the payment, performance or observance by the Authority, the Trustee or the County of any obligations, covenants or agreements contained in the Reimbursement Agreement or this Guaranty Agreement;
- J. The extension of the time for payment of the Debt Service on the 2004 Bonds or any part thereof owing or payable under this Guaranty Agreement or of the time for performance of any other obligations, covenants or agreements under or arising out of the Indenture, the Reimbursement Agreement or this Guaranty Agreement;
- K. The waiver by the County, or the modification or amendment (whether material or otherwise) of any obligation, covenant or agreement of the Authority set forth in the Indenture or the Reimbursement Agreement;
- L. The taking of, or the omission to take, any action referred to in the Reimbursement Agreement, the Indenture or this Guaranty Agreement;

M. Any failure, omission or delay on the part of the Authority and/or the Trustee to enforce, to assert or to exercise any right, power or remedy conferred upon or vested in the Authority and/or the Trustee hereunder or under the Indenture or the Reimbursement Agreement, or to enforce, to assert or to exercise any other right or rights on the part of the Authority, the Trustee or any owner, at any time or from time to time, of the 2004 Bonds;

N. The voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or readjustments or other similar proceedings affecting the County or the Authority or any of the assets of either, or any allegation or contest of the validity of this Guaranty Agreement in any such proceeding;

O. The release or discharge of the County, to the extent permitted by law, from performance or observance of any obligation, covenant or agreement contained in this Guaranty Agreement, by operation of law;

P. The default or failure of the County fully to perform any of its obligations set forth in this Guaranty Agreement;

Q. Any failure by the Authority or the Trustee to comply with any of the covenants, agreements or undertakings set forth herein, in the Indenture or any breach by the Authority or the Trustee of any representation or warranty set forth herein or in the Indenture;

R. The voluntary or involuntary repossession or surrender of the System Facilities (as such phrase is defined in the Indenture).

SECTION 3.09. Obligations of County Not Affected by Bankruptcy, etc. The obligations of the County hereunder shall not be affected by any bankruptcy, arrangement of creditors, reorganization or other similar proceedings of the Authority or the County; and, to the extent applicable, the County specifically waives any right or benefit which could accrue to it by reason of any such proceeding and agrees that the same shall not affect the liability of the County hereunder, regardless of the effect that such proceedings may have with respect to the obligations of the Authority.

SECTION 3.10. Obligations of County Not Subject to Setoff, Counterclaim, etc. The obligations of the County hereunder shall not be subject to any setoff, counterclaim or defense resulting from any breach or any alleged breach by the Authority of any obligation to the County, whether said obligation arises under this Guaranty Agreement, the Reimbursement Agreement or from any other transaction between the Authority and the County, regardless of the nature of such transaction, or otherwise.

SECTION 3.11. Trustee Obligated to Proceed. In the event of a default in payment of Debt Service on the 2004 Bonds when and as the same shall become due and payable, whether at the stated maturity thereof or by acceleration, the Trustee shall be obligated to proceed hereunder directly against the County without proceeding against or exhausting any other remedies which it may have against the Authority or its assets.

The County agrees to pay all costs, fees and expenses, including, to the extent permitted by law, all court costs and reasonable attorney fees which may be incurred by the Trustee in enforcing or attempting to enforce this Guaranty Agreement against it, following any default on the part of the County hereunder, whether the same shall be enforced by suit or otherwise.

SECTION 3.12. Waiver of Notice of Reliance. The County expressly waives notice, in writing or otherwise, from the registered owners, at any time or from time to time, of any of the 2004 Bonds of their acceptance and reliance upon this Guaranty Agreement.

SECTION 3.13. Enforcement by Third Parties. This Guaranty Agreement is entered into by the County for the benefit of the Trustee, the owners, from time to time, of the 2004 Bonds, any successor trustee or trustees and their respective successors and assigns under the Indenture, all of whom shall be entitled to enforce performance and observance hereof by the County to the same extent as if they were parties signatory hereto.

SECTION 3.14. Separate or Cumulative Enforcement. Terms of this Guaranty Agreement may be enforced as to any one or more breaches, either separately or cumulatively.

SECTION 3.15. Payment by County.

a. So long as any 2004 Bonds shall be issued and outstanding and the Guaranty Agreement shall be in full force and effect, in the event that, on any February 15 or any August 15, the Trustee shall have transferred to the Debt Service Fund all available amounts in the Debt Service Reserve Fund and if the Trustee shall then determine that there still are not sufficient funds on deposit in the Debt Service Fund to pay principal of and interest on the 2004 Bonds on the next succeeding date upon which Debt Service is due, the Trustee shall immediately give written notice of such deficiency to the Authority and to the County, which notice shall specify the amount of the deficiency in such Fund, shall specify the balances in each Fund and account under the Indenture, shall specify in reasonable detail all deposits and transfers which have been made by the Authority during the immediately preceding eighteen month period and shall instruct the Authority to make deposit with the Trustee of the specified amounts no later than the next February 20 or August 20, as appropriate, so that the Trustee shall be able to make payments of principal and interest on the 2004 Bonds, as scheduled on the next date upon which Debt Service is due.

b. If on any February 20 or August 20, the Trustee shall determine that there shall not be sufficient funds in the Debt Service Fund to pay the Debt Service on the 2004 Bonds on the next succeeding March 1 or September 1, as appropriate, the County under the provisions of this Guaranty Agreement, shall promptly pay to the Trustee no later than next February 25 or August 25, as appropriate, an amount which, together with other monies available to the Trustee in the Debt Service Fund, will be sufficient to permit the Trustee to make such Debt Service payment on the 2004 Bonds on the next date upon which such Debt Service is due.

c. To the extent that it makes any payments of Debt Service on the Bonds, the County shall become subrogated to all right, title and interest of the Owners receiving such payments. To evidence such subrogation, the Trustee shall note the County rights as subrogee on the registration books of the Authority maintained by the Trustee.

SECTION 3.16. Discharge of Obligations. Anything contained in this Guaranty Agreement to the contrary notwithstanding, except as provided herein with respect to expenses incurred in connection with the enforcement hereof, the obligations of the County hereunder shall be satisfied in full and discharged when (a) the principal and interest on the 2004 Bonds have been paid or provided for as specified in the 2004 Bonds, and (b) the 2004 Bonds shall have been discharged in accordance with its terms.

If, as more fully set forth in the Indenture, the County deposits with the Trustee funds sufficient to pay its obligations under this Guaranty Agreement as same may arise from time to time, all liability of the County with respect to the particular payment of Debt Service under this Guaranty Agreement shall cease and be deemed to be satisfied. Thereafter, any claims of whatsoever nature hereunder with respect to such particular payment of Debt Service shall be restricted exclusively to the funds so deposited hereunder and the Trustee shall hold such funds in trust for the benefit of the owners of the 2004 Bonds.

ARTICLE IV

Miscellaneous

SECTION 4.01. Increased Obligations of County; Amendment. No amendment, change, modification, alteration or termination of the Indenture shall be effective which would in any way increase obligations of the County under this Guaranty Agreement, without obtaining the prior written consent of the County (such consent to be given by the County pursuant to an ordinance duly enacted by the Board of Commissioners). No amendment, change, modification, alteration or termination of the County's obligations hereunder shall be effective without the Trustee's consent if the effect of such amendment, change, modification, alteration or termination is to impair the security of the 2004 Bonds by changing the coverage of the County's guaranty obligation.

SECTION 4.02. Time When Obligations Arise. Obligations of the County hereunder shall arise absolutely, irrevocably and unconditionally when the 2004 Bonds shall have been issued, sold and delivered by the Authority.

SECTION 4.03. Authority to Punctually Perform. The Authority and the Trustee covenant with the County that each duly and punctually will perform every covenant and agreement undertaken by the Authority under the 2004 Bonds.

SECTION 4.04. Remedies of Authority. In the event of default by the County in the punctual discharge of its obligations hereunder, the Authority and the Trustee shall be entitled to exercise such remedies as are provided under the Debt Act, together with any other remedies which otherwise may be provided at law or in equity or by other statutes.

SECTION 4.05. Cumulative Remedies; Waiver. No remedy conferred upon or reserved to the Authority or the Trustee hereunder is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Guaranty Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised, from time to time, and as often as may be deemed expedient. In order to entitle the Authority and/or the Trustee to exercise any remedy reserved in this Guaranty Agreement, it shall not be necessary to give any notice, other than such notice as herein expressly may be required. In the event any provision contained in this Guaranty Agreement should be breached by any party and thereafter duly waived by the other party so empowered to act, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver, amendment, release or modification hereof shall be established by conduct, custom or course of dealing, but shall be established solely by an instrument, in writing, duly executed by the appropriate parties. Notwithstanding any other provision hereof to the contrary, no recourse shall be had for the payment of the principal of or interest on the 2004 Bonds, or for any claim based hereon or on the Ordinance of the County authorizing and approving the execution and delivery of this Guaranty Agreement, against any member, officer or employee, past, present, or future, of the County or of any successor body, as such, either directly or through the County or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, and all such liability of such members, officers or employees is released as a condition of and as consideration for the issuance of this Guaranty Agreement.

SECTION 4.06. Entire Agreement; Multiple Counterparts. This Guaranty Agreement constitutes the entire agreement, and superseded all prior agreements, and understandings, both written and oral, among the parties with respect to the subject matter hereof; and this Guaranty Agreement may be executed, simultaneously, in multiple counterparts, each of which counterparts, together, shall constitute but one and the same instrument.

SECTION 4.07. Severability. Provisions of this Guaranty Agreement shall be severable; and in the event of the invalidity or unenforceability of any one or more phrases, sentences, clauses, Articles, Sections or parts, in this Guaranty Agreement contained, such invalidity or unenforceability shall not affect the validity or enforceability of remaining portions of this Guaranty Agreement or any remaining parts thereof.

SECTION 4.08. Amendment. This Guaranty Agreement may be amended and/or supplemented, from time to time, by a written document duly signed by the parties hereto; provided, however, that no amendment and/or supplement shall be made which shall diminish or discontinue the obligations of the County hereunder.

SECTION 4.09. Choice of Law. This Agreement shall be construed in accordance with and shall be governed by laws of the Commonwealth.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound, pursuant to proper authorization of their respective governing bodies, have caused this Guaranty Agreement to be executed by its respective duly authorized officer or officers and to be attested by its respective duly authorized officer and its respective official or corporate seal to be affixed to this Guaranty Agreement, all as of the day and year first above written.

(SEAL)

Attest _____
Chief of Staff

COUNTY OF LACKAWANNA
PENNSYLVANIA

BY: _____
Chairman

Commissioner

Commissioner

Controller

Approved as to form and legality:

COUNTY SOLICITOR

Treasurer

LACKAWANNA RIVER BASIN SEWER
AUTHORITY

By: _____
Chairman

(SEAL)

Attest: _____
Chief of Staff

THE FIDELITY DEPOSIT AND
DSCOUNT BANK, as Trustee

By: _____
Authorized Officer

(SEAL)

Attest: _____
Authorized Officer

Date of Execution and Delivery: _____, 2004.



EXHIBIT "B"
REIMBURSEMENT AGREEMENT

REIMBURSEMENT AGREEMENT

THIS REIMBURSEMENT AGREEMENT dated as of this ____ day of _____, 2004, but effective as of the date of execution and delivery hereof, by and among the COUNTY OF LACKAWANNA, Pennsylvania (the "County"), being a political subdivision of the Commonwealth of Pennsylvania and LACKAWANNA RIVER BASIN SEWER AUTHORITY (the "Authority"), a body corporate and politic organized and existing under the Municipality Authorities Act, Act 22 of 2001, as amended and supplemented, of the Commonwealth of Pennsylvania (the "Act").

WITNESSETH:

WHEREAS, the capitalized terms used herein which are not defined herein shall have the meaning given them in the 2004 Bonds (hereinafter defined) or in the Guaranty (hereinafter defined).

WHEREAS, The Authority has heretofore entered into a Trust Indenture, dated as of February 15, 1994 (the "Original Indenture"), with First Eastern Bank, N.A., predecessor trustee to The Fidelity Deposit and Discount Bank, as trustee (the "Trustee"), pursuant to which it issued its \$10,160,000 original aggregate principal amount Guaranteed Sewer Revenue Bonds, Series of 1994 (the "1994 Bonds"); and

WHEREAS, The Authority has heretofore entered into a First Supplemental Trust Indenture, dated as of August 1, 2002 (the "First Supplemental Indenture"), with the Trustee pursuant to which it issued its \$2,510,000 original aggregate principal amount Guaranteed Sewer Revenue Bonds, Series of 2002 (the "2002 Bonds"); and

WHEREAS, The Authority intends to issue its Guaranteed Sewer Revenue Bonds, Series of 2004 in the aggregate principal amount of \$ _____ (the "Bonds" or the "2004 Bonds") under a Second Supplemental Trust Indenture, dated as of _____, 2004 (the "Second Supplemental Indenture", and together with the First Supplemental Indenture and the Original Indenture, the "Indenture"), with the Trustee; and

WHEREAS, The proceeds to be derived from the issuance and sale of the 2004 Bonds will be applied, together with other funds available or to be available to the Authority, for and towards a project (the "Project") which consists of the following: (i) currently refunding the outstanding 1994 Bonds; (ii) advance refunding the outstanding 2002 Bonds; (iii) establishing of necessary reserves and other funds under the Indenture; and (iv) paying of the costs and expenses associated with the issuance of the 2004 Bonds; and

WHEREAS, the County as an inducement to the Authority to authorize and issue the 2004 Bonds, and as an inducement to any and all registered owners of the 2004 Bonds to purchase such 2004 Bonds and to further enhance and ensure the marketability of the 2004 Bonds and thereby achieve interest costs and other savings to the Authority and to the users of the Authority's facilities, desires to execute and deliver its Guaranty Agreement, dated as of _____, 2004 (the "Guaranty") with respect to the payment of Debt Service on the 2004 Bonds all as permitted by and in accordance with the terms and conditions of the Local Government Unit Debt Act (the "Debt Act") of the Commonwealth of Pennsylvania (the "Commonwealth") and to enter into this Reimbursement Agreement in connection therewith; and

WHEREAS, the Board of Commissioners of the County is acting in the public interest by assisting in providing modern, high quality sewer facilities at the lowest possible cost to the users of such facilities and the citizens and taxpayers of the County, and by assisting in preserving and protecting the general health and welfare of the inhabitants of the County and of the Commonwealth of Pennsylvania (the "Commonwealth").

NOW, THEREFORE, intending to be legally bound hereby, the County and the Authority hereby agree as follows:

I. Execution and Delivery of Guaranty. Subject to the terms and conditions hereinafter set forth, the County hereby agrees to execute, attest, seal and deliver to the Trustee, on or before the date of issuance and delivery of the 2004 Bonds by the Authority, the Guaranty. The Guaranty, in the form approved by the Board of Commissioners of the County is incorporated herein by reference.

II. Reimbursement and Other Payments.

1. The Authority covenants and agrees that it shall pay to the County, on demand: (i) an amount equal to any amount at any time paid by the County to the Trustee under the Guaranty, plus an additional amount equal to any and all reasonable charges and expenses which the County may pay or incur in connection with making payments under the Guaranty or enforcing reimbursement hereunder; and (ii) interest on any such amounts from the date which such amounts accrue until payment in full, at an interest rate of 6% per annum.

2. All payments at any time made by the Authority to the County hereunder shall be made in lawful currency of the United States of America in immediately available funds in such manner and at such place as the County may direct.

III. Security. The Authority shall cause the Indenture to contain terms which provide that the County shall be subrogated to the rights of the Trustee and the owners of the 2004 Bonds in and to any and all funds and other security held by the Trustee for the payment of the 2004 Bonds, including without limitation, amounts which may be on deposit in the Debt Service Fund, the Revenue Fund and the Debt Service Reserve Fund created under the Indenture.

IV. Obligations Absolute. The obligations of the Authority under this Agreement shall be absolute, unconditional and irrevocable, and shall be fully performed strictly in accordance with the terms and conditions of this Agreement, under all circumstances whatsoever, including, without limitation, the foregoing: (i) any lack of validity or enforceability of the Guaranty, the 2004 Bonds or any other agreement or document relating thereto; (ii) any amendment or waiver of or any consent to or departure from the terms and conditions of the Guaranty, the 2004 Bonds or any documents relating thereto; or (iii) the existence of any claim, set-off, defense or other right which the Authority may have at any time against the Trustee (or any person or entities for whom the Trustee may be acting), the County or any other person or entity, whether in connection with this Agreement, the transactions described herein or any unrelated transaction.

V. Representations and Warranties. The Authority hereby represents and warrants as follows:

1. The Authority is a municipality authority duly organized and validly existing under the Act. Each of the individuals executing and delivering this Agreement, the Guaranty, the Second Supplemental Indenture, the 2004 Bonds and all related documents and instruments possesses full power and authority to execute and deliver such documents and such execution and delivery does not contravene the terms or provisions of any document, agreement or instrument to which the Authority or any of its properties or assets is or may be bound;

2. The execution, delivery and performance by the Authority of this Agreement, the Guaranty, the 2004 Bonds, the Second Supplemental Indenture and related documents and instruments have been duly authorized by all necessary action, do not contravene the provisions of the Articles of Incorporation or By-Laws of the Authority or of any other agreement or instrument binding on or affecting the Authority or any of its assets or properties, and do not result in or require the creation of any lien, security interest or other charge or encumbrance (other than pursuant to the Indenture, this Agreement, the Guaranty, or any other collateral security document or instrument executed and delivered at the closing held this day) upon or with respect to any of the Authority assets or properties;

3. No authorization, approval or other consent or action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Authority of this Agreement, the Guaranty, the Second Supplemental Indenture, the 2004 Bonds or any related document or instrument, except such as have been obtained;

4. This Agreement, the Guaranty, the Second Supplemental Indenture, the 2004 Bonds and any related document or instrument, executed and delivered by or on behalf of the Authority constitute the legal, valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms, subject, however, to the application by a court of general principles of equity and to the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting the enforcement of creditors' rights generally; and

5. There is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the Authority and, to the best of the knowledge of the Authority, there is no threatened action or proceeding against the Authority before any court, governmental agency or arbitrator which, in any case, may materially and adversely affect the financial condition or operations of the Authority or any other material contingent liability of any kind (which has not heretofore been disclosed to the County).

VI. Covenants of the Authority. So long as the Guaranty shall remain in full force and effect, or any amount is due and owing to the County under the provisions of this Agreement, the Authority covenants and agrees that it shall, unless the County shall have otherwise consented in writing:

1. Preservation of Existence. Preserve and maintain its due existence, and its right to do business and its good standing in the Commonwealth, and will maintain (and obtain) all licenses, permits and other authorizations necessary, proper or desirable for the ownership and operation of the System Facilities (as defined in the Indenture).

2. Compliance with Laws, Etc. Comply in all material respects with all applicable laws, rules, regulations and orders of any governmental authority the noncompliance with which would materially and adversely affect its operations or condition.

3. Keeping of Books. Keep proper, accurate and complete books of record and account, in which full and correct entries shall be made of financial transactions and the assets and operations of the Authority.

4. Guaranty Agreement. Observe, in all respects, its obligations under the Guaranty.

5. Sufficient Rates, Charges and Fees. Fix, charge and collect rates, charges and other fees upon the users of the System Facilities which will be sufficient during such Fiscal Year to pay Debt Service on the 2004 Bonds in each Fiscal Year and to pay all administrative costs of the Authority.

6. Consents Under Bond Documents. Obtain the consent of the County whenever the Authority is required to obtain the consent of the Trustee under the Indenture.

7. Repayment of Amounts Advanced. At any time after the County shall have paid to the Trustee such amount or amounts as at that time shall be required to pay Debt Service on the 2004 Bonds in accordance with the provisions of the Guaranty or shall have paid any costs, fees or expenses guaranteed thereby, to repay to the County the amount or amounts actually advanced by the County, together with interest on such amounts, all in accordance with the terms of this Agreement.

VII. Defaults and Remedies. Each of the following shall constitute an event of default hereunder ("Event of Default") unless waived by the County hereunder:

1. Failure by the Authority to make any payment of Debt Service when due and payable under the Indenture;

2. Failure by the Authority to perform or comply with any of the other terms or conditions contained in this Agreement, the Indenture, the 2004 Bonds, the Guaranty or any other document, instrument or agreement of the Authority to the County, and continuance of such failure uncured for 30 days after the Authority has knowledge that such failure has occurred, or such longer period to which the County may agree in the case of a default not curable by the exercise of due diligence within such 30 day period, provided that the Authority shall have commenced to cure such default within such 30 day period and shall complete such cure as quickly as reasonably possible with the exercise of due diligence;

3. Any of the representations or warranties of the Authority set forth in this Agreement, the Indenture or the Guaranty or in any other certificate, document, statement, instrument or agreement furnished to the County pursuant to the terms hereof or the Guaranty proves to have been materially false when made or the failure by the Authority to comply with the covenants made by the Authority in section VI hereof;

4. Any material provision of this Agreement, the Indenture or the 2004 Bonds shall at any time for any reason cease to be valid and binding on the Authority, or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Authority or any governmental agency or authority, or the Authority shall deny that it has any or further liability or obligation under this Agreement, the Indenture or the 2004 Bonds.

5. The Authority shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like for its property, or (ii) admit in writing its inability to pay its debts generally as they become due, or (iii) make a general assignment for the benefit of creditors, or (iv) be adjudicated a bankrupt or insolvent, or (v) commence a voluntary case under the United States Bankruptcy Code (or any successor to such code) or file a voluntary petition or answer seeking reorganization, an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against such corporation in any bankruptcy, reorganization or insolvency proceeding, or to take any action for the purpose of effecting any of the foregoing, or (vi) if without the application, approval or consent of the Authority, a proceeding shall be instituted in any court of competent jurisdiction, under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking an order for relief or an adjudication in bankruptcy, reorganization, dissolution, winding up, liquidation, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like or of all or any substantial part of the assets of the Authority or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested in good faith, the same shall (A) result in the entry of an order for relief or any such adjudication or appointment or (B) remain undismissed and unstayed for a period of 60 days.

If an Event of Default has occurred and is continuing the County may exercise, or cause to be exercised, any and all such remedies as it may have at law or in equity.

VIII. Amendments. No amendment, waiver or consent of any provision of this Agreement shall in any event be effective unless the same shall be in writing and executed by the County, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

IX. No Waiver; Remedies Cumulative. No failure on the part of the County to exercise, and no delay in exercising, any right hereunder or elsewhere shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder or elsewhere preclude any other or further exercise thereof or the exercise of any other right.

X. Continuing Obligation. This Agreement and the Guaranty are continuing obligations and shall: (i) be binding upon the Authority and the County and their respective successors and assigns; and (ii) inure to the benefit of and be enforceable by the Authority and the County and their respective successors and assigns; provided that the Authority may not assign all or any part of this Agreement without the prior written consent of the County.

XI. Indemnification. The Authority hereby indemnifies and holds harmless the County from and against any and all claims, damages, losses, liabilities, costs or expenses whatsoever which the County may incur (or which may be claimed against the County by any person or entity whatsoever) by reason of or in connection with the execution and delivery of, or payment or failure to pay under, the Guaranty; provided the Authority shall not be required to indemnify the County for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by: (a) the willful misconduct or gross negligence of the County; or (b) the County's willful failure to pay under the Guaranty. Nothing in this Section is intended to limit the Authority's reimbursement obligation contained in paragraph (a) of section II hereof.

XII. No Recourse. No recourse under or upon any obligation, covenant or agreement contained herein, in the Indenture or in the 2004 Bonds, or because of any indebtedness secured hereby shall be had against any past, present or future member, officer or employee of the Authority or the County or of any successor of the Authority or the County under any rule of law, statute or constitutional provision, or by enforcement of any assessment or by any legal or equitable proceeding or otherwise, it expressly being agreed and understood that the obligations of the Authority hereunder, and under the 2004 Bonds and elsewhere are solely corporate obligations of the Authority and that no personal liability whatsoever shall attach to or shall be incurred by such members, officers or employees of the Authority or of any successor of the Authority, or any of them, because of such indebtedness or by reason of any obligation, covenant or agreement contained herein, in the 2004 Bonds or elsewhere, or implied therefrom.

XIII. Conflicts. Insofar as possible the provisions of this Agreement shall be deemed complementary to the terms of the Guaranty but in the event of conflict the terms hereof shall control to the extent such are enforceable under applicable law, provided, however, that nothing herein contained shall limit or alter the County's obligations to the Trustee under the Guaranty.

XIV. Severability. If any provision hereof is found by a court of competent jurisdiction to be prohibited or unenforceable, it shall be ineffective only to the extent of such prohibition or unenforceability, and such prohibition or unenforceability shall not invalidate the balance of such provision to the extent that it is not prohibited or unenforceable, nor invalidate the other provisions hereof, all of which shall be liberally construed in favor of the County in order to effect the provisions of this Agreement.

XV. Governing Law. This Agreement shall be governed by, and construed in accordance with, the domestic internal laws (but not the law of conflicts of law) of the Commonwealth.

XVI. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

IN WITNESS WHEREOF, the Authority and the County have each caused this Agreement to be duly executed by its duly authorized officers, and its seal affixed hereon, and this Agreement delivered in its name as of the date first above written.

(SEAL)

COUNTY OF LACKAWANNA
PENNSYLVANIA

Attest _____
Administrative Director

BY: _____
Chairman

Commissioner

Commissioner

Controller

Approved as to Form:

Counsel to Lackawanna County

Treasurer

LACKAWANNA RIVER BASIN SEWER
AUTHORITY

By _____
Chairman

((SEAL))

Attest: _____
Secretary

Date of Execution and Delivery: _____, 2004

EXHIBIT "C"
MAXIMUM LEASE RENTAL OBLIGATIONS

LACKAWANNA RIVER BASIN SEWER AUTHORITY

Series of 2004

\$8 Million @ 8.0% Not to Exceed Numbers

Debt Service Schedule

<u>Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Total P+I</u>	<u>Fiscal Total</u>
09/01/2004	-	-	-	-	-
03/01/2005	-	-	320,000.00	320,000.00	-
09/01/2005	480,000.00	8.000%	320,000.00	800,000.00	1,120,000.00
03/01/2006	-	-	300,800.00	300,800.00	-
09/01/2006	520,000.00	8.000%	300,800.00	820,800.00	1,121,600.00
03/01/2007	-	-	280,000.00	280,000.00	-
09/01/2007	560,000.00	8.000%	280,000.00	840,000.00	1,120,000.00
03/01/2008	-	-	257,600.00	257,600.00	-
09/01/2008	605,000.00	8.000%	257,600.00	862,600.00	1,120,200.00
03/01/2009	-	-	233,400.00	233,400.00	-
09/01/2009	655,000.00	8.000%	233,400.00	888,400.00	1,121,800.00
03/01/2010	-	-	207,200.00	207,200.00	-
09/01/2010	705,000.00	8.000%	207,200.00	912,200.00	1,119,400.00
03/01/2011	-	-	179,000.00	179,000.00	-
09/01/2011	765,000.00	8.000%	179,000.00	944,000.00	1,123,000.00
03/01/2012	-	-	148,400.00	148,400.00	-
09/01/2012	825,000.00	8.000%	148,400.00	973,400.00	1,121,800.00
03/01/2013	-	-	115,400.00	115,400.00	-
09/01/2013	890,000.00	8.000%	115,400.00	1,005,400.00	1,120,800.00
03/01/2014	-	-	79,800.00	79,800.00	-
09/01/2014	960,000.00	8.000%	79,800.00	1,039,800.00	1,119,600.00
03/01/2015	-	-	41,400.00	41,400.00	-
09/01/2015	1,035,000.00	8.000%	41,400.00	1,076,400.00	1,117,800.00
Total	\$8,000,000.00	-	\$4,326,000.00	\$12,326,000.00	-

Yield Statistics

Bond Year Dollars	\$54,075.00
Average Life	6.759 Years
Average Coupon	8.0000000%
Net Interest Cost (NIC)	8.0000000%
True Interest Cost (TIC)	8.0000000%
Bond Yield for Arbitrage Purposes	8.0000000%
All Inclusive Cost (AIC)	8.0000000%

IRS Form 8038

Net Interest Cost	8.0000000%
Weighted Average Maturity	6.759 Years

8M @ 8% Not to Exceed | SINGLE PURPOSE | 7/ 1/2004 | 8:53 AM