



County of Lackawanna

Lackawanna County
Administration Building
200 Adams Avenue
Scranton, Pennsylvania
18503

Certified Copy

Ordinance: 11-0245

File Number: 11-0245

Ordinance #210

Second Reading

General Obligation Note

Ordinance #210

First Reading: October 31, 2011

Second Reading: November 14, 2011

ORDINANCE #210

OF THE

BOARD OF COUNTY COMMISSIONERS

OF THE

COUNTY OF LACKAWANNA, PENNSYLVANIA

ENACTED NOVEMBER 14, 2011

AN ORDINANCE OF THE BOARD OF COMMISSIONERS OF THE COUNTY OF LACKAWANNA, PENNSYLVANIA, SETTING FORTH ITS INTENT TO ISSUE A GENERAL OBLIGATION NOTE, SERIES OF 2011, OF THE COUNTY IN THE PRINCIPAL AMOUNT OF TWENTY ONE MILLION DOLLARS (\$21,000,000) PURSUANT TO THE ACT OF THE GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA, 53 Pa.C.S. Chapters 80-82, as amended, reenacted and supplemented, KNOWN AS THE LOCAL GOVERNMENT UNIT DEBT ACT (THE "ACT"); FINDING THAT A PRIVATE SALE BY NEGOTIATION IS IN THE BEST FINANCIAL INTERESTS OF THE COUNTY; DETERMINING THAT SUCH 2011 NOTE SHALL EVIDENCE NONELECTORAL DEBT OF THE COUNTY; SPECIFYING THAT SUCH INDEBTEDNESS IS TO BE INCURRED TO PROVIDE FUNDS TO FINANCE A PROJECT OF THE COUNTY WHICH CONSISTS OF THE FOLLOWING: (1) FUNDING UNFUNDED DEBT OF THE COUNTY; and (2) funding the costs and expenses of issuance of the 2011 NOTE; SETTING FORTH THE REASONABLE ESTIMATED USEFUL LIFE OF THE PROJECT TO BE FINANCED BY THE 2011 NOTE; ACCEPTING A PROPOSAL FOR THE PURCHASE OF SUCH 2011 NOTE AT PRIVATE SALE BY NEGOTIATION; PROVIDING THAT SUCH 2011 NOTE, WHEN ISSUED, SHALL CONSTITUTE A GENERAL OBLIGATION OF THE COUNTY; FIXING THE DENOMINATION, DATED DATE, INTEREST PAYMENT DATES, INTEREST RATES, REDEMPTION PROVISIONS AND

PLACE OF PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SUCH 2011 NOTE; AUTHORIZING SPECIFIED OFFICERS OF THE COUNTY TO CONTRACT WITH THE PAYING AGENT FOR ITS SERVICES IN CONNECTION WITH THE 2011 NOTE; SETTING FORTH THE SUBSTANTIAL FORM OF THE 2011 NOTE EVIDENCING THE DEBT; AUTHORIZING EXECUTION AND ATTESTATION OF SUCH 2011 NOTE; PROVIDING COVENANTS RELATED TO DEBT SERVICE APPLICABLE TO SUCH 2011 NOTE TO THE EXTENT REQUIRED BY THE ACT AND PLEDGING THE FULL FAITH, CREDIT AND TAXING POWER OF THE COUNTY IN SUPPORT THEREOF; CREATING A SINKING FUND IN CONNECTION WITH SUCH 2011 NOTE, TO THE EXTENT REQUIRED BY THE ACT; DESIGNATING THE PAYING AGENT TO BE THE SINKING FUND DEPOSITARY; PROVIDING A COVENANT TO INSURE PROMPT AND FULL PAYMENT FOR SUCH 2011 NOTE WHEN DUE; SETTING FORTH REGISTRATION AND TRANSFER PROVISIONS WITH RESPECT TO SUCH 2011 NOTE; AUTHORIZING THE EXECUTION OF ONE OR MORE INVESTMENT AGREEMENTS BY SPECIFIED OFFICERS OF THE COUNTY (IF APPLICABLE) AND THE PURCHASE OF CERTAIN U.S. TREASURY OBLIGATIONS OR ANY OTHER SECURITIES OR INVESTMENTS IN CONNECTION WITH THE PROJECT; AUTHORIZING AND DIRECTING SPECIFIED OFFICERS OF THE COUNTY TO DO, TO TAKE AND TO PERFORM CERTAIN SPECIFIED, REQUIRED, NECESSARY OR APPROPRIATE ACTS TO EFFECT THE ISSUANCE OF THE 2011 NOTE, INCLUDING, WITHOUT LIMITATION, THE PREPARATION OF A DEBT STATEMENT AND BORROWING BASE CERTIFICATE, AND THE FILING OF SPECIFIED DOCUMENTS WITH THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT, ALL AS REQUIRED BY THE ACT; DECLARING THAT THE DEBT TO BE EVIDENCED BY SUCH 2011 NOTE, TOGETHER WITH ALL OTHER INDEBTEDNESS OF THE COUNTY, WILL NOT BE IN EXCESS OF ANY APPLICABLE LIMITATION IMPOSED BY THE ACT; AUTHORIZING PROPER OFFICERS OF THE COUNTY TO DELIVER THE 2011 NOTE UPON THE APPROVAL OF THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT; SETTING FORTH CERTAIN COVENANTS PRECLUDING THE COUNTY FROM TAKING ACTIONS WHICH WOULD CAUSE THE 2011 NOTE TO BECOME AN "ARBITRAGE BOND" OR A "PRIVATE ACTIVITY BOND" AS THOSE TERMS ARE USED IN THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AND APPLICABLE REGULATIONS PROMULGATED THEREUNDER; AUTHORIZING AND DIRECTING THE PREPARATION, EXECUTION AND DELIVERY OF ALL OTHER REQUIRED DOCUMENTS AND THE TAKING OF ALL OTHER REQUIRED ACTION; PROVIDING WHEN THIS ORDINANCE SHALL BECOME EFFECTIVE; PROVIDING FOR SEVERABILITY OF PROVISIONS; AND REPEALING ALL ORDINANCES OR PARTS OF ORDINANCES INSOFAR AS THE SAME SHALL BE INCONSISTENT HEREWITH.

WHEREAS, the County of Lackawanna, Pennsylvania (the "County"), is a home rule charter county operating under the Home Rule Charter and Optional Plans Law of the Commonwealth of

Pennsylvania (the "Commonwealth"); and

WHEREAS, the Board of Commissioners of the County (the "Board") has determined to issue its General Obligation Note, Series of 2011, in the principal amount of \$21,000,000 (the "2011 Note"); and

WHEREAS the project to be funded with the proceeds of the 2011 Note (the "Project") is as follows: (1) funding unfunded debt of the County; and (2) funding the costs and expenses of issuance of the 2011 Note; and

WHEREAS, by Order dated October 26, 2011, the County has received approval of the Court of Common Pleas of the County of Lackawanna, Pennsylvania, to fund its unfunded debt pursuant to Section 8130 of the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, PA.C.S. 53, Chapters 80-82, as re-enacted and amended (the "Act"); and

WHEREAS, it is necessary that the indebtedness of the County be increased for the purpose of funding the Project; and

WHEREAS, the proposed increase of debt, together with its nonelectoral indebtedness and its lease rental indebtedness presently outstanding, will not cause the limitations of the County, pursuant to constitutional and statutory authority, to be exceeded; and

WHEREAS, the County received a commitment letter for the financing of the Project (the "Commitment Letter"), which Commitment Letter is attached to this Ordinance as Exhibit "C", from the purchaser of the 2011 Note identified in the Commitment Letter (the "Purchaser"); and

WHEREAS, the County desires to formally approve the Project, to accept the Commitment Letter and to authorize the incurrence of nonelectoral debt under the Act, and the execution and delivery of the Commitment Letter.

NOW, THEREFORE, BE IT ENACTED AND ORDAINED by the Board of Commissioners of the County of Lackawanna, Pennsylvania, and it is hereby enacted by the Board of the County as follows:

SECTION 1. Authorization of the 2011 Note. The principal amount of the 2011 Note of the County proposed to be issued pursuant to this Ordinance and the Act will be \$21,000,000. The 2011 Note shall be issued for the purpose of financing the Project and shall be incurred as nonelectoral debt of the County.

SECTION 2. Approval of the Project; Determination of Useful Life of the Project. The County hereby approves the Project to be undertaken collectively consisting of providing funds for the following: (1) funding unfunded debt of the County; and (2) funding the costs and expenses of issuance of the 2011 Note.

It is hereby determined and declared that the estimated useful life of the project to be financed with the proceeds of the 2011 Note is at least 10 years. It is hereby certified that an aggregate principal amount of the 2011 Note at least equal to the realistic estimated cost of such project shall mature prior to the end of the useful life of such project.

Stated installments or maturities of principal of the 2011 Note will not be deferred beyond the later of one year after the estimated date for the completion of the construction portion of the Project, if any, or two years from the date of issuance of the 2011 Note.

The Board hereby finds and determined that the realistic cost estimates have been obtained for the costs of the Project from County officials, financial analysts, registered architects, professional engineers or other persons qualified by experience to provide such estimates.

SECTION 3. Approval of the 2011 Note; Terms of Repayment. The indebtedness to be incurred hereunder shall be evidenced by one general obligation note of the County, to be designated "County of Lackawanna, Pennsylvania, General Obligation Note, Series of 2011".

The 2011 Note will be issued in the principal amount of \$21,000,000, dated and bearing interest from the date of issue, at a maximum rate or rates of interest specified in the Commitment Letter, payable on the unpaid balance of the 2011 Note during the term of the 2011 Note. Interest is payable on the unpaid balance of the 2011 Note during its term until paid. The 2011 Note shall mature in installments of principal at the maximum tax-exempt rate or rates of interest as shown on the attached schedule hereinafter referred to as "Exhibit A-1". In accordance with the Commitment Letter, if the Note shall at any time be considered taxable, it shall mature in installments of principal and at the maximum taxable rate or rates of interest as shown on the attached schedule hereinafter referred to as "Exhibit A-2"

The County reserves the right to anticipate any or all installments of principal or any payment of interest at any time prior to the respective payment dates thereof, in accordance with the limitations as specified in the Commitment Letter, if any.

The Note is subject to extraordinary mandatory redemption by the County prior to maturity, as a whole or in part at any time, at 100% of the par amount thereof, plus accrued interest thereon to the date fixed for such extraordinary mandatory redemption to the extent that there are "available amounts" generated in the preceding fiscal year of the County as determined by the County under § 1.148-6(d)(3)(iii) of the regulations promulgated pursuant to the Internal Revenue Code of 1986, as amended. Such determination shall be made by the County at the end of each fiscal year of the County.

The principal and interest on the 2011 Note shall be payable at the office of the sinking fund depository selected for the 2011 Note as hereinafter provided.

SECTION 4. General Obligation Note of the County. The 2011 Note, when issued, will be a general obligation of the County. The County hereby covenants that (a) it shall include the amount of debt service on the 2011 Note for each fiscal year in which such sums are payable in its budget for that year; (b) it shall appropriate such amounts from its general revenues for the payment of such debt service; and (c) it shall duly and punctually pay or cause to be paid from its general revenues the principal of the 2011 Note and the interest thereon at the dates and places and in the manner stated in the 2011 Note according to the true intent and meaning thereof, and (d) for such proper budgeting, appropriation, and payment, the full faith, credit and taxing power of the County are hereby irrevocably pledged.

The maximum amounts which the County hereby covenants to pay in each of the fiscal years that the 2011 Note is outstanding on the basis of the maximum tax-exempt rate or rates of interest as specified in the Commitment Letter are shown on "Exhibit A-1" hereto. If necessary, the maximum amounts which the County hereby covenants to pay in each of the fiscal years that the 2011 Note is outstanding on the basis of the maximum taxable rate or rates of interest as specified in the Commitment Letter are shown on "Exhibit A-2" hereto

SECTION 5. Reserved.

SECTION 6. Covenants Regarding Use of Proceeds and Compliance with Tax Code Requirements. The County covenants to and with the registered owner of the 2011 Note that it will make no use of the proceeds of such issue or do or suffer any other action which, if such use or action had been reasonably expected on the date of issue of such 2011 Note, would cause the 2011 Note to be an "arbitrage bond" or a "private activity bond" as those terms are defined in Section 148 and Section 141 of the Code and the applicable regulations thereunder. The County further covenants that it will comply with the requirements of such Section 148 and Section 141 and with the regulations thereunder throughout the term of this issue. In addition, the Chairman or any other Commissioner of the Board, being the official(s) responsible for issuing the 2011 Note, attested by the Chief of Staff or Assistant Chief of Staff of the County, are hereby authorized and directed to execute and deliver, in the name and on behalf of the County, any and all documents or other instruments which Bond Counsel may reasonably request in connection with the providing of its opinion that the 2011 Note is not an "arbitrage bond" or a "private activity bond" within the meaning of Section 148 and Section 141 of the Code and the regulations promulgated thereunder, including, without limitation, a certificate dated the date of issuance and delivery of the 2011 Note, which certificate shall set forth the reasonable expectations of the County as to the amount and use of the proceeds of the 2011 Note.

SECTION 7. Form of 2011 Note. The form of the 2011 Note shall be substantially as shown on the attached "Exhibit B" with such changes as may be approved by the officers of the County executing such 2011 Note.

SECTION 8. Execution of the 2011 Note and Other Documents and Instruments: Delivery and Payment. The 2011 Note shall be executed in the name and under the corporate seal of the County by the Chairman or any other Commissioner of the Board, and attested to by the Chief of Staff or Assistant Chief of Staff of the County. Such 2011 Note shall be in substantially the form attached hereto together with such changes, modifications, insertions and deletions as such officers, with the advice of counsel, deem necessary and appropriate; their execution and delivery thereof shall be conclusive evidence of the approval and authorization by the County of the final terms of the 2011 Note. The Chief of Staff, Assistant Chief of Staff, Treasurer or other proper official of the County is hereby authorized and directed to deliver the 2011 Note to the Purchaser, and receive payment therefor on behalf of the County. The Chairman or any other Commissioner of the Board and the Chief of Staff or Assistant Chief of Staff of the County are authorized and directed to prepare, verify and file the debt statement required by Section 8110 of the Act, and to take other necessary action, including, if necessary or desirable, the filing, either before or after the issuance of the 2011 Note, additional debt statements or any statements required to qualify any portion of the debt from the appropriate debt limit as self-liquidating or subsidized debt.

SECTION 9. Designation of Sinking Fund Depository and Paying Agent. The Chairman or any other Commissioner of the Board and the Chief of Staff or Assistant Chief of Staff of the County are hereby authorized, empowered and directed to contract with PNC Bank, National Association or another bank or trust company authorized to do business in the Commonwealth of Pennsylvania, as selected by the Chairman of the Board (the "Paying Agent"), for its services as paying agent and sinking fund depository in accordance with the terms of the Proposal, this Ordinance and the Act, and there is hereby created and established with the Paying Agent a sinking fund, to be known as the "County of Lackawanna, Pennsylvania, Sinking Fund - General Obligation Note, Series of 2011" (the "Sinking Fund"). The Sinking Fund shall be maintained until the 2011 Note has been paid in full. The Chief of Staff, Assistant Chief of Staff, Treasurer or other appropriate officer of the County shall deposit into the Sinking Fund amounts sufficient for the payment of the principal and interest on the 2011 Note no later than the date upon which such debt service on the 2011 Note becomes due and payable. The Paying Agent shall, as and when said payments are due, without further action or direction by the County withdraw available monies in the Sinking Fund and apply said monies to payment of the principal of and interest on the 2011 Note.

SECTION 10. Sale of 2011 Note; Acceptance of Commitment Letter. In compliance with Section 8161 of the Act, the Board has determined that a private sale by negotiation, rather than public sale, is in the best financial interest of the County. The Commitment Letter is hereby accepted and the 2011 Note in the principal amount of \$21,000,000, herein authorized to be issued and sold, is hereby awarded and sold to the Purchaser in accordance with its commitment to purchase the 2011 Note at par; provided the 2011 Note is dated the date of delivery thereof to the Purchaser and is in substantially the form set forth in "Exhibit B" to this Ordinance with such changes as may be approved by the officers of the County executing such 2011 Note; and further provided that the proceedings have been approved by the Department of Community and Economic Development as required under the provisions of the Act. A copy of said Commitment Letter shall be attached hereto as "Exhibit C" and is hereby incorporated herein by reference.

SECTION 11. Investment of Proceeds. If necessary, the County hereby approves the execution of one or more investment agreements, the purchase of certain U.S. Treasury obligations or any other securities or investments (the "Investments") for investment of the proceeds of the 2011 Note in connection with the Project. The County hereby authorizes and directs the Chairman or any other Commissioner of the Board, to execute, and the Chief of Staff or Assistant Chief of Staff of the County to attest any investment agreement on behalf of the County, in the form approved by the Solicitor and Bond Counsel to the County. The Investments shall be limited to those authorized under law for proceeds of the 2011 Note.

SECTION 12. Appointment of Bond Counsel. The Board hereby appoints and engages Stevens & Lee, a professional corporation, to act as Bond Counsel to the County in connection with the issuance of the 2011 Note and to facilitate the intent of this Ordinance.

SECTION 13. Payments of Expenses. All expenses incurred in connection with issuance of the 2011 Note shall be paid out of the proceeds derived from the issuance of the 2011 Note and the Chairman or any other Commissioner of the Board is authorized to approve requests for payment of such expenses and to pay such expenses.

SECTION 14. Legal Advertisements. The action of the proper officers and the advertising of

a summary of this Ordinance as required by law in a newspaper of general circulation in the County, is ratified and confirmed. The advertisement of enactment in said newspaper is hereby directed within fifteen (15) days following the day of final enactment.

SECTION 15. Delivery of Documents and Instruments. The Board hereby authorizes and directs its Chairman, any other Commissioner of the County, the Chief of Staff, the Assistant Chief of Staff, the Treasurer and any other proper officer of the County (without limitation except as may be expressly set forth herein) to execute and deliver such other documents, certificates, agreements, and other instruments and to take such other action as may be necessary, proper or desirable to effect the completion of the financing or the intent and purposes of this Ordinance.

SECTION 16. Severability. In the event any provision, section, sentence, clause or part of this Ordinance shall be held to be invalid, such invalidity shall not affect or impair any remaining provision, section, sentence, clause or part of this Ordinance, it being the intent of the County that the remainder of this Ordinance shall remain in full force and effect.

SECTION 17. Conflicts. All ordinances or parts of ordinances not in accord with this Ordinance are hereby repealed insofar as they conflict herewith.

SECTION 18. Effective Date. This Ordinance shall be effective in accordance with Section 8003 of the Act.

Duly Enacted And Ordained This 14th Day Of November, 2011.

COUNTY OF LACKAWANNA


COREY D. O'BRIEN


MICHAEL J. WASHO

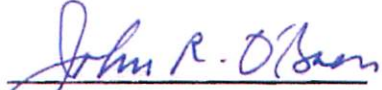

BRUCE A. SMALLACOMBE

ATTEST:


MARIA ELKINS
CHIEF OF STAFF

File Number: 11-0245

Approved as to form and legality:



JOHN R. O'BRIEN, ESQUIRE
COUNTY SOLICITOR

EXHIBIT "A-1"

Maximum Tax-Exempt Rate Amortization Schedule

LACKAWANNA COUNTY
LACKAWANNA COUNTY, PENNSYLVANIA

GENERAL OBLIGATION NOTE, SERIES OF 2011

MAXIMUM DEBT SERVICE REQUIREMENTS (TAX-EXEMPT)

Date	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/8/2011					
1/8/2012	90,000	12.00%	217,000.00	307,000.00	
2/8/2012	91,000	12.00%	216,070.00	307,070.00	
3/8/2012	92,000	12.00%	201,250.33	293,250.33	
4/8/2012	93,000	12.00%	214,179.00	307,179.00	
5/8/2012	94,000	12.00%	206,340.00	300,340.00	
6/8/2012	95,000	12.00%	212,246.67	307,246.67	
7/8/2012	96,000	12.00%	204,450.00	300,450.00	
8/8/2012	96,000	12.00%	210,273.00	306,273.00	
9/8/2012	97,000	12.00%	209,281.00	306,281.00	
10/8/2012	99,000	12.00%	201,560.00	300,560.00	
11/8/2012	99,000	12.00%	207,255.67	306,255.67	
12/8/2012	100,000	12.00%	199,580.00	299,580.00	3,641,485.67
1/8/2013	102,000	12.00%	205,199.33	307,199.33	
2/8/2013	103,000	12.00%	204,145.33	307,145.33	
3/8/2013	105,000	12.00%	183,428.00	288,428.00	
4/8/2013	105,000	12.00%	201,996.00	306,996.00	
5/8/2013	106,000	12.00%	194,430.00	300,430.00	
6/8/2013	107,000	12.00%	199,815.67	306,815.67	
7/8/2013	109,000	12.00%	192,300.00	301,300.00	
8/8/2013	109,000	12.00%	197,583.67	306,583.67	
9/8/2013	111,000	12.00%	196,457.33	307,457.33	
10/8/2013	112,000	12.00%	189,010.00	301,010.00	
11/8/2013	113,000	12.00%	194,153.00	307,153.00	
12/8/2013	114,000	12.00%	186,760.00	300,760.00	3,641,278.33
1/8/2014	115,000	12.00%	191,807.33	306,807.33	
2/8/2014	116,000	12.00%	190,619.00	306,619.00	
3/8/2014	119,000	12.00%	171,089.33	290,089.33	
4/8/2014	119,000	12.00%	188,190.67	307,190.67	
5/8/2014	120,000	12.00%	180,930.00	300,930.00	
6/8/2014	121,000	12.00%	185,721.00	306,721.00	
7/8/2014	123,000	12.00%	178,520.00	301,520.00	
8/8/2014	124,000	12.00%	183,199.67	307,199.67	
9/8/2014	125,000	12.00%	181,918.33	306,918.33	
10/8/2014	126,000	12.00%	174,800.00	300,800.00	
11/8/2014	127,000	12.00%	179,324.67	306,324.67	
12/8/2014	128,000	12.00%	172,270.00	300,270.00	3,641,390.00
1/8/2015	130,000	12.00%	176,689.67	306,689.67	
2/8/2015	131,000	12.00%	175,346.33	306,346.33	
3/8/2015	134,000	12.00%	157,154.67	291,154.67	
4/8/2015	134,000	12.00%	172,608.00	306,608.00	
5/8/2015	136,000	12.00%	165,700.00	301,700.00	
6/8/2015	137,000	12.00%	169,818.00	306,818.00	
7/8/2015	138,000	12.00%	162,970.00	300,970.00	
8/8/2015	139,000	12.00%	166,976.33	305,976.33	
9/8/2015	141,000	12.00%	165,540.00	306,540.00	
10/8/2015	143,000	12.00%	158,790.00	301,790.00	
11/8/2015	144,000	12.00%	162,605.33	306,605.33	
12/8/2015	144,000	12.00%	155,920.00	299,920.00	3,641,118.33
1/8/2016	146,000	12.00%	159,629.33	305,629.33	
2/8/2016	148,000	12.00%	158,120.67	306,120.67	
3/8/2016	150,000	12.00%	146,488.67	296,488.67	
4/8/2016	151,000	12.00%	155,041.33	306,041.33	
5/8/2016	153,000	12.00%	148,530.00	301,530.00	
6/8/2016	154,000	12.00%	151,900.00	305,900.00	
7/8/2016	156,000	12.00%	145,460.00	301,460.00	
8/8/2016	157,000	12.00%	148,696.67	305,696.67	
9/8/2016	159,000	12.00%	147,074.33	306,074.33	
10/8/2016	160,000	12.00%	140,740.00	300,740.00	
11/8/2016	162,000	12.00%	143,778.00	305,778.00	
12/8/2016	162,000	12.00%	137,520.00	299,520.00	3,640,979.00

1/8/2017	165,000	12.00%	140,430.00	305,430.00	
2/8/2017	167,000	12.00%	138,725.00	305,725.00	
3/8/2017	170,000	12.00%	123,741.33	293,741.33	
4/8/2017	170,000	12.00%	135,242.67	305,242.67	
5/8/2017	173,000	12.00%	129,180.00	302,180.00	
6/8/2017	174,000	12.00%	131,698.33	305,698.33	
7/8/2017	176,000	12.00%	125,710.00	301,710.00	
8/8/2017	178,000	12.00%	128,081.67	306,081.67	
9/8/2017	179,000	12.00%	126,242.33	305,242.33	
10/8/2017	181,000	12.00%	120,380.00	301,380.00	
11/8/2017	183,000	12.00%	122,522.33	305,522.33	
12/8/2017	187,000	12.00%	116,740.00	303,740.00	3,641,693.66
1/8/2018	187,000	12.00%	118,699.00	305,699.00	
2/8/2018	188,000	12.00%	116,766.67	304,766.67	
3/8/2018	192,000	12.00%	103,712.00	295,712.00	
4/8/2018	192,000	12.00%	112,840.00	304,840.00	
5/8/2018	195,000	12.00%	107,280.00	302,280.00	
6/8/2018	196,000	12.00%	108,841.00	304,841.00	
7/8/2018	199,000	12.00%	103,370.00	302,370.00	
8/8/2018	200,000	12.00%	104,759.33	304,759.33	
9/8/2018	203,000	12.00%	102,692.67	305,692.67	
10/8/2018	205,000	12.00%	97,350.00	302,350.00	
11/8/2018	207,000	12.00%	98,476.67	305,476.67	
12/8/2018	209,000	12.00%	93,230.00	302,230.00	3,641,017.34
1/8/2019	211,000	12.00%	94,178.00	305,178.00	
2/8/2019	213,000	12.00%	91,997.67	304,997.67	
3/8/2019	217,000	12.00%	81,106.67	298,106.67	
4/8/2019	217,000	12.00%	87,554.33	304,554.33	
5/8/2019	220,000	12.00%	82,560.00	302,560.00	
6/8/2019	222,000	12.00%	83,038.67	305,038.67	
7/8/2019	224,000	12.00%	78,140.00	302,140.00	
8/8/2019	226,000	12.00%	78,430.00	304,430.00	
9/8/2019	229,000	12.00%	76,094.67	305,094.67	
10/8/2019	231,000	12.00%	71,350.00	302,350.00	
11/8/2019	233,000	12.00%	71,341.33	304,341.33	
12/8/2019	236,000	12.00%	66,710.00	302,710.00	3,641,501.34
1/8/2020	238,000	12.00%	66,495.00	304,495.00	
2/8/2020	240,000	12.00%	64,035.67	304,035.67	
3/8/2020	244,000	12.00%	57,584.33	301,584.33	
4/8/2020	245,000	12.00%	59,034.33	304,034.33	
5/8/2020	248,000	12.00%	54,680.00	302,680.00	
6/8/2020	250,000	12.00%	53,940.00	303,940.00	
7/8/2020	253,000	12.00%	49,700.00	302,700.00	
8/8/2020	255,000	12.00%	48,742.33	303,742.33	
9/8/2020	258,000	12.00%	46,107.33	304,107.33	
10/8/2020	261,000	12.00%	42,040.00	303,040.00	
11/8/2020	263,000	12.00%	40,744.33	303,744.33	
12/8/2020	267,000	12.00%	36,800.00	303,800.00	3,641,903.32
1/8/2021	268,000	12.00%	35,267.67	303,267.67	
2/8/2021	271,000	12.00%	32,498.33	303,498.33	
3/8/2021	277,000	12.00%	26,824.00	303,824.00	
4/8/2021	277,000	12.00%	26,835.67	303,835.67	
5/8/2021	280,000	12.00%	23,200.00	303,200.00	
6/8/2021	282,000	12.00%	21,080.00	303,080.00	
7/8/2021	286,000	12.00%	17,580.00	303,580.00	
8/8/2021	288,000	12.00%	15,210.67	303,210.67	
9/8/2021	291,000	12.00%	12,234.67	303,234.67	
10/8/2021	295,000	12.00%	8,930.00	303,930.00	
11/8/2021	297,000	12.00%	6,179.33	303,179.33	
12/8/2021	301,000	12.00%	3,010.00	304,010.00	3,641,850.34
	21,000,000		15,414,217.33	36,414,217.33	36,414,217.33

EXHIBIT "A-2"

Maximum Taxable Rate Amortization Schedule

LACKAWANNA COUNTY
LACKAWANNA COUNTY, PENNSYLVANIA

GENERAL OBLIGATION NOTE, SERIES OF 2011

MAXIMUM DEBT SERVICE REQUIREMENTS (TAXABLE)

Date	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/8/2011					
1/8/2012	90,000	18.00%	325,500.00	415,500.00	
2/8/2012	91,000	18.00%	324,105.00	415,105.00	
3/8/2012	92,000	18.00%	301,875.50	393,875.50	
4/8/2012	93,000	18.00%	321,268.50	414,268.50	
5/8/2012	94,000	18.00%	309,510.00	403,510.00	
6/8/2012	95,000	18.00%	318,370.00	413,370.00	
7/8/2012	96,000	18.00%	306,675.00	402,675.00	
8/8/2012	96,000	18.00%	315,409.50	411,409.50	
9/8/2012	97,000	18.00%	313,921.50	410,921.50	
10/8/2012	99,000	18.00%	302,340.00	401,340.00	
11/8/2012	99,000	18.00%	310,883.50	409,883.50	
12/8/2012	100,000	18.00%	299,370.00	399,370.00	4,891,228.50
1/8/2013	102,000	18.00%	307,799.00	409,799.00	
2/8/2013	103,000	18.00%	306,218.00	409,218.00	
3/8/2013	105,000	18.00%	275,142.00	380,142.00	
4/8/2013	105,000	18.00%	302,994.00	407,994.00	
5/8/2013	106,000	18.00%	291,645.00	397,645.00	
6/8/2013	107,000	18.00%	299,723.50	406,723.50	
7/8/2013	109,000	18.00%	288,450.00	397,450.00	
8/8/2013	109,000	18.00%	296,375.50	405,375.50	
9/8/2013	111,000	18.00%	294,686.00	405,686.00	
10/8/2013	112,000	18.00%	283,515.00	395,515.00	
11/8/2013	113,000	18.00%	291,229.50	404,229.50	
12/8/2013	114,000	18.00%	280,140.00	394,140.00	4,813,917.50
1/8/2014	115,000	18.00%	287,711.00	402,711.00	
2/8/2014	116,000	18.00%	285,928.50	401,928.50	
3/8/2014	119,000	18.00%	256,634.00	375,634.00	
4/8/2014	119,000	18.00%	282,286.00	401,286.00	
5/8/2014	120,000	18.00%	271,395.00	391,395.00	
6/8/2014	121,000	18.00%	278,581.50	399,581.50	
7/8/2014	123,000	18.00%	267,780.00	390,780.00	
8/8/2014	124,000	18.00%	274,799.50	398,799.50	
9/8/2014	125,000	18.00%	272,877.50	397,877.50	
10/8/2014	126,000	18.00%	262,200.00	388,200.00	
11/8/2014	127,000	18.00%	268,987.00	395,987.00	
12/8/2014	128,000	18.00%	258,405.00	386,405.00	4,730,585.00
1/8/2015	130,000	18.00%	265,034.50	395,034.50	
2/8/2015	131,000	18.00%	263,019.50	394,019.50	
3/8/2015	134,000	18.00%	235,732.00	369,732.00	
4/8/2015	134,000	18.00%	258,912.00	392,912.00	
5/8/2015	136,000	18.00%	248,550.00	384,550.00	
6/8/2015	137,000	18.00%	254,727.00	391,727.00	
7/8/2015	138,000	18.00%	244,455.00	382,455.00	
8/8/2015	139,000	18.00%	250,464.50	389,464.50	
9/8/2015	141,000	18.00%	248,310.00	389,310.00	
10/8/2015	143,000	18.00%	238,185.00	381,185.00	
11/8/2015	144,000	18.00%	243,908.00	387,908.00	
12/8/2015	144,000	18.00%	233,880.00	377,880.00	4,636,177.50
1/8/2016	146,000	18.00%	239,444.00	385,444.00	
2/8/2016	148,000	18.00%	237,181.00	385,181.00	
3/8/2016	150,000	18.00%	219,733.00	369,733.00	
4/8/2016	151,000	18.00%	232,562.00	383,562.00	
5/8/2016	153,000	18.00%	222,795.00	375,795.00	
6/8/2016	154,000	18.00%	227,850.00	381,850.00	
7/8/2016	156,000	18.00%	218,190.00	374,190.00	
8/8/2016	157,000	18.00%	223,045.00	380,045.00	
9/8/2016	159,000	18.00%	220,611.50	379,611.50	
10/8/2016	160,000	18.00%	211,110.00	371,110.00	
11/8/2016	162,000	18.00%	215,667.00	377,667.00	
12/8/2016	162,000	18.00%	206,280.00	368,280.00	4,532,468.50

1/8/2017	165,000	18.00%	210,645.00	375,645.00	
2/8/2017	167,000	18.00%	208,087.50	375,087.50	
3/8/2017	170,000	18.00%	185,612.00	355,612.00	
4/8/2017	170,000	18.00%	202,864.00	372,864.00	
5/8/2017	173,000	18.00%	193,770.00	366,770.00	
6/8/2017	174,000	18.00%	197,547.50	371,547.50	
7/8/2017	176,000	18.00%	188,565.00	364,565.00	
8/8/2017	178,000	18.00%	192,122.50	370,122.50	
9/8/2017	179,000	18.00%	189,363.50	368,363.50	
10/8/2017	181,000	18.00%	180,570.00	361,570.00	
11/8/2017	183,000	18.00%	183,783.50	366,783.50	
12/8/2017	187,000	18.00%	175,110.00	362,110.00	4,411,040.50
1/8/2018	187,000	18.00%	178,048.50	365,048.50	
2/8/2018	188,000	18.00%	175,150.00	363,150.00	
3/8/2018	192,000	18.00%	155,568.00	347,568.00	
4/8/2018	192,000	18.00%	169,260.00	361,260.00	
5/8/2018	195,000	18.00%	160,920.00	355,920.00	
6/8/2018	196,000	18.00%	163,261.50	359,261.50	
7/8/2018	199,000	18.00%	155,055.00	354,055.00	
8/8/2018	200,000	18.00%	157,139.00	357,139.00	
9/8/2018	203,000	18.00%	154,039.00	357,039.00	
10/8/2018	205,000	18.00%	146,025.00	351,025.00	
11/8/2018	207,000	18.00%	147,715.00	354,715.00	
12/8/2018	209,000	18.00%	139,845.00	348,845.00	4,275,026.00
1/8/2019	211,000	18.00%	141,267.00	352,267.00	
2/8/2019	213,000	18.00%	137,996.50	350,996.50	
3/8/2019	217,000	18.00%	121,660.00	338,660.00	
4/8/2019	217,000	18.00%	131,331.50	348,331.50	
5/8/2019	220,000	18.00%	123,840.00	343,840.00	
6/8/2019	222,000	18.00%	124,558.00	346,558.00	
7/8/2019	224,000	18.00%	117,210.00	341,210.00	
8/8/2019	226,000	18.00%	117,645.00	343,645.00	
9/8/2019	229,000	18.00%	114,142.00	343,142.00	
10/8/2019	231,000	18.00%	107,025.00	338,025.00	
11/8/2019	233,000	18.00%	107,012.00	340,012.00	
12/8/2019	236,000	18.00%	100,065.00	336,065.00	4,122,752.00
1/8/2020	238,000	18.00%	99,742.50	337,742.50	
2/8/2020	240,000	18.00%	96,053.50	336,053.50	
3/8/2020	244,000	18.00%	86,376.50	330,376.50	
4/8/2020	245,000	18.00%	88,551.50	333,551.50	
5/8/2020	248,000	18.00%	82,020.00	330,020.00	
6/8/2020	250,000	18.00%	80,910.00	330,910.00	
7/8/2020	253,000	18.00%	74,550.00	327,550.00	
8/8/2020	255,000	18.00%	73,113.50	328,113.50	
9/8/2020	258,000	18.00%	69,161.00	327,161.00	
10/8/2020	261,000	18.00%	63,060.00	324,060.00	
11/8/2020	263,000	18.00%	61,116.50	324,116.50	
12/8/2020	267,000	18.00%	55,200.00	322,200.00	3,951,855.00
1/8/2021	268,000	18.00%	52,901.50	320,901.50	
2/8/2021	271,000	18.00%	48,747.50	319,747.50	
3/8/2021	277,000	18.00%	40,236.00	317,236.00	
4/8/2021	277,000	18.00%	40,253.50	317,253.50	
5/8/2021	280,000	18.00%	34,800.00	314,800.00	
6/8/2021	282,000	18.00%	31,620.00	313,620.00	
7/8/2021	286,000	18.00%	26,370.00	312,370.00	
8/8/2021	288,000	18.00%	22,816.00	310,816.00	
9/8/2021	291,000	18.00%	18,352.00	309,352.00	
10/8/2021	295,000	18.00%	13,395.00	308,395.00	
11/8/2021	297,000	18.00%	9,269.00	306,269.00	
12/8/2021	301,000	18.00%	4,515.00	305,515.00	3,756,275.50
<hr/>					
	21,000,000		23,121,326.00	44,121,326.00	44,121,326.00

EXHIBIT "B"

Form of 2011 Note

UNITED STATES OF AMERICA
COMMONWEALTH OF PENNSYLVANIA
COUNTY OF LACKAWANNA

GENERAL OBLIGATION NOTE
SERIES OF 2011

\$21,000,000

Dated: December __, 2011

KNOW ALL MEN BY THESE PRESENTS, that the County of Lackawanna, Pennsylvania (the "County"), a home rule charter county operating under the Home Rule Charter and Optional Plans Law of the Commonwealth of Pennsylvania (the "Commonwealth"), for value received, hereby acknowledges itself indebted and promises to pay to PNC Bank, National Association, Scranton, Pennsylvania (the "Bank" or the "Purchaser"), or registered assigns, the sum of \$21,000,000 or such lesser sum as shall have been advanced by the Bank to the County, with interest at the maximum rate or rates specified and computed in accordance with the terms of the Commitment Letter of the Bank (the "Commitment Letter") attached hereto as Exhibit "A", payable on the unpaid balance of said Note (hereinafter defined) during the term of said Note. Payments of principal and interest at the [maximum] tax-exempt rate (the "Tax Free Rate") are payable as shown on the attached Exhibit "B". Interest on this Note shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

If the due date for payment of interest on or principal of this Note shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized by law or executive order to close, then payment of such interest, principal or redemption price need not be made on such date, but may be made on the next succeeding day which is not a Saturday, Sunday, legal holiday or a day upon which banking institutions in the Commonwealth are authorized by law or executive order to close with the same force and effect as if made on the due date for payment of principal or interest and no interest shall accrue thereon for any period after such due date.

Taxable Interest. On and after the occurrence of a Determination of Taxability, the County promises to pay interest on the unpaid principal balance of this Note at an annual rate equal to the Taxable Rate.

Default Rate. Upon the occurrence of an Event of Default (as described herein), the County shall pay interest on the unpaid principal balance of this Note at the Default Rate.

Additional Interest. Notwithstanding the prepayment or repayment of this Note, the County also promises to pay, within fifteen (15) days after written notice from the Bank (but only out of the sources hereinafter set forth) (i) additional interest, if any, in an amount which, together with the interest actually received for the period commencing upon an Event of Taxability and ending on the date of a Determination of Taxability, shall equal interest calculated on the various outstanding monthly principal balances under this Note during such period at the

Taxable Rate, (ii) any deficiency (as defined in Section 6211 of the Code) assessed by the Internal Revenue Service by the issuance of a statutory notice under Section 6212 of the Code alleging that all or some part of the interest paid or payable with respect to this Note is not exempt from income taxation under Section 103(a) of the Code (plus statutory interest and penalties due thereon) on account of such Event of Taxability, and (iii) all other charges, costs, fees, penalties or assessments paid or payable by the Bank as the result of a Determination of Taxability. Neither the County nor the Bank shall have an obligation to contest a Determination of Taxability. Any notice from the Bank to the County shall be conclusive as to the occurrence of a Determination of Taxability or an Event of Taxability specified therein and as to the correctness of the amount of additional payments therein, absent manifest error.

U.S. Law Change. In the event of a U.S. Law Change as determined by the Bank in good faith and based upon an opinion of counsel to the Bank, the County shall, following receipt of written notice of such U.S. Law Change, which notice shall set forth in reasonable detail the nature and effective date thereof, make additional interest payments in an amount designated by the Bank in such notice as being the sum necessary to compensate the Bank for the adverse effect of the U.S. Law Change. Upon request of the County, the Bank shall furnish to the County a copy of the counsel opinion described in the immediately preceding sentence for the County's information only. With respect to payments to the Bank, the additional interest payments as aforesaid shall be payable commencing on the later of (1) the interest payment date next following the date of receipt by the County of such notice or (2) on the interest payment date immediately preceding the effective date of the U.S. Law Change if such notice shall have been given prior to the effective date thereof, and the initial payment shall include the entire amount due in respect of any periods up to and including the aforesaid next interest payment date. Any such notice to the County shall be conclusive as to the occurrence of the U.S. Law Change specified therein and as to the correctness of the amount of additional payments specified therein, absent manifest error.

The definitions set forth below shall have the meanings for purposes of this Note as follows:

"Default" means any Event of Default, and any event which with the passage of time or notice, or both, would become an Event of Default.

"Default Rate" means a rate per annum equal to the Tax Free Rate or Taxable Rate as then in effect on this Note, plus three percent (3.00%).

"Determination of Taxability" means:

(a) the issuance by the Internal Revenue Service to the Bank or other holder of this Note of a letter proposing to assess a deficiency with respect to the interest on this Note (a "30-Day Letter"), the receipt of which shall establish that an Event of Taxability with respect to the Note has occurred; or

(b) the delivery of written notice to the County by the Bank or other holder of this Note declaring that an Event of Taxability has occurred on a specified date (other than by

reason of the event described in paragraph (a) above).

“Event of Default” shall have the meaning set forth herein under the heading “Events of Default”.

“Event of Taxability” means (i) a change in law or fact (or the interpretation thereof), (ii) the occurrence or recognition of a fact, circumstance or situation, (iii) a determination, regulation, ruling or decision issued or made in regard to Sections 103, 141 through 150, and/or 265 of the Code by any court or judicial or quasi-judicial body or by the Commissioner or any District Director of the Internal Revenue Service, or (iv) the enactment of any legislation, which, with respect to any of the foregoing clauses (i), (ii), (iii), and (iv), recognized bond counsel selected by the Bank (which counsel may be the Bank’s counsel), is of the opinion requires the interest payable on this Note to be includable in the gross income of any person (other than a person who is a “substantial user” or “related person” as such terms are defined in the Code and the regulations thereunder as then in effect), or that the Note has ceased or will cease to constitute a qualified tax-exempt obligation for purposes of Section 265(b)(3) of the Code with the result that the Note would have to be taken into account by "financial institutions" (as defined in Section 265 of the Code) for purposes of determining the allocation of interest expense to tax-exempt interest under Sections 265(b)(1) and (2) of the Code.

“Taxable Rate” means an annual interest rate equal to the taxable rate equivalent of the annual tax-exempt rate on this Note, as determined by the Bank. In no event shall the Taxable Rate exceed 18.00% per annum.

“U.S. Law Change” means a change in (i) the Code or any successor statute or (ii) the Treasury Regulations thereunder (collectively referred to as the “U.S. Tax Law”) which, when compared to the U.S. Tax Law in effect on the date of the Note, has resulted, or will result, in a reduction in the amount of interest paid on the Note which may be treated as tax exempt by the Bank and/or any person or persons deriving or having derived an interest in the Note through the Bank. “U.S. Law Change” shall not mean a change in the income tax rates imposed on corporations by U.S. Tax Law.

Both principal and interest are payable in such coin or currency as on the respective date of payment thereof and shall be legal tender for the payment of public and private debts, at the office of PNC Bank, National Association, the paying agent, located in Scranton, Pennsylvania.

This General Obligation Note, Series of 2011 (the "Note") is issued under and pursuant to provisions of the Ordinance enacted by the Board of Commissioners of the County on November 14, 2011 (the "Ordinance"). This Note is authorized to be issued under the Local Government Unit Debt Act of the Commonwealth, as reenacted and amended (the "Act"), without the assent of electors, and pursuant to the Ordinance. This Note shall be issued in the principal amount of \$21,000,000 and is subject to provisions and is entitled to the benefit of provisions of the Ordinance. The terms and provisions of the Ordinance are hereby incorporated by reference as if set forth fully herein.

The County has covenanted in the Ordinance, to and with the registered owner(s) hereof, that it (i) shall include the amount of the debt service for this Note, for each fiscal year of the County in which such amounts are payable, in its budget for that fiscal year, (ii) that it shall appropriate such amounts from its general revenues for the payment of such debt service in each such fiscal year, and (iii) that it shall duly and punctually pay or cause to be paid from the sinking fund established under the Ordinance or any other of its revenues or funds the principal amount of this Note and the interest due thereon at the dates and places and in the manner stated therein, according to the true intent and meaning thereof and for such budgeting, appropriation and payment the County has pledged, irrevocably, its full-faith, credit and taxing power.

In the Ordinance, the County has covenanted to and with registered owners of this Note that it will make no use of the proceeds of this Note, or do or suffer any other action, which, if such use or action had been reasonably expected on the date of issuance of the Note, would cause this Note to be an "arbitrage bond" or a "private activity bond" as such terms are defined in Section 148 and 141 of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable regulations thereunder. The County has further covenanted that it will comply with the requirements of such Section 148 and 141 and with the regulations thereunder throughout the term of this Note.

The County shall have the privilege to prepay the unpaid principal indebtedness of this Note, in whole or in part, at any time, and from time to time, in accordance with the terms, conditions and limitations herein and in the Commitment Letter.

The County shall have the right to prepay the entire amount of this Note at any time and may make partial prepayments on account of principal from time to time, provided that (i) written notice of such prepayment is delivered to the Bank not less than ten (10) days prior to the date of prepayment, (ii) partial prepayments shall be applied in inverse order of maturities; (iii) such payment shall not be deemed to postpone the due date of any installment of interest or principal and interest on this Note, or extend the term of this Note; (iv) all accrued but unpaid interest and other charges due with respect to this Note are paid in full as of the date of such prepayment; and (v) in the event the Tax Free Rate is in effect at the time of such prepayment, the County shall pay to the Bank, such amounts, if any, as set forth in the paragraph below.

The County agrees to indemnify the Bank against any liabilities, losses or expenses (including, without limitation, loss of margin, any loss or expense sustained or incurred in liquidating or employing deposits from third parties, and any loss or expense incurred in connection with funds acquired to effect, fund or maintain any advance (or any part thereof) bearing interest at the Tax Free Rate which the Bank sustains or incurs as a consequence of either (i) the failure to make a payment on the due date thereof, (ii) the revocation (expressly, by later inconsistent notices or otherwise) in whole or in part of any notice given to Bank to request, convert, renew or prepay any advance bearing interest at the Tax Free Rate, or (iii) the payment or prepayment (whether voluntary, after acceleration of the maturity of this Note or otherwise) or conversion of any advance bearing interest the Tax Free Rate on a day other than the regularly scheduled due date therefor. A notice as to any amounts payable pursuant to this paragraph given to the County by the Bank shall, in the absence of manifest error, be conclusive and shall be payable upon demand. The County's indemnification obligations hereunder shall survive the

payment in full of the advances and all other amounts payable hereunder.

All payments on this Note shall be applied first to payment in full of any costs incurred in the collection of any sum due under this Note, including (without limitation) reasonable attorneys' fees, then to the payment in full of any late charges, then to the payment in full of accrued, unpaid interest and finally to the reduction of the unpaid principal balance of this Note.

The Note is subject to extraordinary mandatory redemption by the County prior to maturity, as a whole or in part at any time, at 100% of the par amount thereof, plus accrued interest thereon to the date fixed for such extraordinary mandatory redemption to the extent that there are "available amounts" generated in the preceding fiscal year of the County as determined by the County under § 1.148-6(d)(3)(iii) of the regulations promulgated pursuant to the Internal Revenue Code of 1986, as amended. Such determination shall be made by the County at the end of each fiscal year of the County.

Financial Reporting. The County agrees to provide to the Bank:

- (a) not later than [270] days after the end of each fiscal year of the County, audited financial statements for such fiscal year, prepared by a firm or individual satisfactory to the Bank; and
- (b) not later than the last day of each calendar year, an annual budget reviewed and approved by the Commissioners of the County.

Events of Default. Any of the following events shall constitute an "Event of Default" under this Note:

- (a) a failure to pay any installment of principal and/or interest or any other sum due under this Note, on or before the tenth (10th) day after their respective due dates;
- (b) a failure to cure any default other than as described in (a) above which can be cured by the payment of money within ten (10) days after Bank gives notice of such default to County;
- (c) any representation or warranty contained in this Note, in the Resolution, or in any other writing delivered to Bank in connection with this Note is breached or appears to be materially incorrect or untrue;
- (d) any breach of any covenant, contained in, or any failure to perform or comply with, or any violation of, any provision of this Note, the Commitment Letter or the Resolution or in any other writing delivered to Bank in connection with this Note;
- (e) the County defaults in the payment of any amounts due under any other note, contract, lease or obligation; and

(f) the County shall take any action, omit to take any action or suffer any action to be taken, the result of which causes this Note to fail to qualify as a “qualified tax-exempt obligation,” within the meaning of Section 265(b)(3)(B) of the Code or any regulations applicable thereto.

Remedies.

(a) At any time after occurrence of an Event of Default, Bank may, at Bank’s option and sole discretion and without notice or demand, exercise any right or remedy as may be provided in this Note, the Commitment Letter, the Resolution, any other writing delivered with this Note or which is provided at law or in equity.

(b) The interest rate on the unpaid principal balance of this Note shall accrue at the Default Rate from the date on which an Event of Default occurs until the date on which all defaults are cured or the entire unpaid principal balance and all other sums due under this Note are actually received by Bank.

In any action under this Note, Bank may recover all reasonable costs of suit and other expenses in connection with the action, including the cost of any attorneys’ fees, paid or incurred by Bank.

The rights and remedies provided to Bank in this Note and in the Resolution, including all warrants of attorney, (a) are not exclusive and are in addition to any other rights and remedies Bank may have at law or in equity, (b) shall be cumulative and concurrent, (c) may be pursued singly, successively or together against County, and/or any of the security at the sole discretion of Bank, and (d) may be exercised as often as occasion therefor shall arise. The failure to exercise or delay in exercising any such right or remedy shall not be construed as a waiver or release thereof.

Bank shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by Bank. Such a written waiver signed by Bank shall waive Bank’s rights and remedies only to the extent specifically stated in such written waiver. A waiver as to one or more particular events or defaults shall not be construed as continuing or as a bar to or waiver of any right or remedy as to another or subsequent event or default.

The Note does not pledge the credit or taxing power of the Commonwealth; nor shall this Note be deemed an obligation of the Commonwealth; nor shall the Commonwealth be liable for payment of the principal of or interest on this Note.

The Purchaser shall have the right to exercise the remedies set forth herein and in the Act. Any failure by the Purchaser to exercise any right or privilege hereunder shall not be construed as a waiver of the right or privilege to exercise such right or privilege, or to exercise any other right or privilege, at any other time, and from time to time, thereafter.

No recourse shall be had for the payment of the principal of or interest on this Note, or for any claim based hereon or on the Ordinance, 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 the Note.

It is hereby certified that the approval of the Department of Community and Economic Development of the Commonwealth for the County to issue and deliver this Note has been duly given pursuant to the Act; that all acts, conditions and things required by the laws of the Commonwealth to exist, to have happened or to have been performed, precedent to or in connection with the issuance of this Note or in the creation of the debt of which this Note is evidence, exist, have happened and have been performed in regular and due form and manner as required by law; that this Note, together with all other indebtedness of the County are within every debt and other limit prescribed by the Constitution and the statutes of the Commonwealth; that the County has established with the Paying Agent, as sinking fund depository, a sinking fund for this Note and shall deposit therein amounts sufficient to pay the principal of and interest on this Note as the same shall become due and payable; and that for the prompt and full payment of all obligations of this Note, the full faith, credit and taxing power of the County are hereby irrevocably pledged.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the Board of Commissioners of the County of Lackawanna, Pennsylvania, has caused this Note to be properly executed by its Chairman or Vice Chairman and its corporate seal to be hereto affixed, attested to by its Chief of Staff or Assistant Chief of Staff as of the ___ day of December, 2011.

COUNTY OF LACKAWANNA,
PENNSYLVANIA


COREY J. O'BRIEN, CHAIRMAN

ATTEST:


MARIA ELKINS, CHIEF OF STAFF

(SEAL)

EXHIBIT "A"

EXHIBIT "B"

EXHIBIT "C"

Commitment Letter



November 8, 2011

Mr. Thomas Durkin
Chief Financial Officer
County of Lackawanna
Courthouse Administration Building
200 Adams Avenue
Scranton, PA 18503

Dear Tom:

On behalf of PNC Bank, National Association ("PNC Bank"), I sincerely thank you for the opportunity to bid on a \$21,000,000 Tax Free, Term Loan for the County of Lackawanna's Unfunded Debt issue. PNC Bank has a hold amount and will seek participant banks on a best efforts basis.

PNC Bank is pleased to present the following proposal to the County of Lackawanna to assist in moving forward with a mutually agreeable financing. As you will see, we are very interested in doing business with your great organization.

This credit facility will be competitively priced and delivers appropriate flexibility for the organization's attainment of its strategic and operating goals.

I want to convey our sincere desire to enter into a relationship from which both our organizations benefit. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. E. Dennen'.

Michael E. Dennen
Senior Vice President
PNC Bank, National Association

TAX EXEMPT TERM LOAN
SUMMARY OF TERMS AND CONDITIONS
NOVEMBER 8, 2011

This term sheet summarizes certain conditions of the proposed credit facility and is subject in all respects to final credit approval and further due diligence which may or may not include requests for additional information from the Borrower. Such due diligence would commence upon acceptance of this term sheet. This term sheet does not create any implied or explicit obligation on the part of PNC Bank, National Association to the Borrower or any other party.

Borrower: County of Lackawanna ("Borrower")

Agent: PNC Bank, National Association ("PNC Bank" or "Agent").

Banks: PNC Bank and lending institution(s) providing a portion of the Credit Facility (collectively, "the "Banks").

Arranger: PNC Capital Markets LLC (the "Arranger" or "PNC Capital Markets").

Credit Facility: \$21,000,000 Tax Exempt, Non Bank Qualified Term Loan (the "Credit Facility"). Subject to credit approval and documentation, PNC Bank proposes to provide up to \$5,000,000 of the Credit Facility and PNC Capital Markets will be arranging the remaining balance on a best efforts basis.

Use of Proceeds: To provide funds for an Unfunded Debt financing.

**Term/
Amortization:** Ten (10) year term with a ten (10) year amortization on a straight-line basis.

**Interest Rate/
Tax Treatment:** A fixed rate of interest to be determined at closing, not to exceed twelve percent (12%). Interest on the Credit Facility shall be offered on a non-bank-qualified, tax-exempt basis, subject to any applicable federal, state and/or local laws, rules, regulations and/or authorizations.

If for any reason an event of taxability shall occur or an increase in the tax rate shall occur, the interest rate charged on the outstanding principal balance of the Credit Facility shall, effective as of and after the date of the occurrence of such event of taxability or tax rate increase, be increased to, calculated and recalculated at the taxable

equivalent rate, or the increased tax rate, as the case may be. Notwithstanding the foregoing, in no event will the interest rate be increased to a rate that is more than eighteen percent (18%).

Guaranty:

None

Closing Fee:

To be determined.

Arrangement Fee:

To be determined.

Administrative Fee

To be determined.

Collateral:

The Credit Facility will be secured by the full faith, credit and taxing power of the Borrower. The Credit Facility also will be secured on a parity basis with all other general obligation long-term debt of the Borrower.

**Prepayment/
Yield Protection:**

PNC Bank's customary prepayment cost recovery provisions will be included in the definitive loan documents. In addition, the Borrower shall pay PNC Bank under customary yield protection provisions such additional amounts as will compensate PNC Bank and its respective holding company in the event that it is or become subject to legal, capital or reserve requirements (including without limitation those arising under the Dodd-Frank Wall Street Reform and Consumer Protection Act or Basel III, or any rules, guidelines or directives issued at any time in connection therewith) or taxes (except for taxes on overall net income) which in any case increase the cost or reduce the yield to PNC Bank.

Expenses:

All reasonable expenses incurred by the Agent shall be for the account of the Borrower. These include, but are not limited to, fees and expenses of legal counsel and any other expenses in reference to structuring, syndicating, documenting, closing, monitoring or enforcing the Credit Facility. These expenses shall be payable at closing or otherwise on demand and shall not be contingent upon the closing of the Credit Facility.

Covenants:

Affirmative and negative covenants, including financial covenants if any, will be specified by PNC Bank include but are not limited to a limitation on additional indebtedness, liens and leases;

Financial covenants, if any, are expected to include but may not be limited to liquidity, leverage and debt service coverage, with definitions and covenant levels to be determined by PNC Bank.

Financial Reporting Requirements:

To be determined.

Events of Default:

Customary for transactions of similar size and type, including without limitation failure of the Commissioners of the Borrower to ratify the approved budget when such Commissioners take office in 2012.

Deposit Relationship:

Monthly principal and interest payments will automatically deducted from a PNC Bank account.

Documentation:

Loan documents in form and substance satisfactory to the Banks must be executed and delivered containing representations, warranties, covenants, indemnities, conditions to lending, events of default and other provisions as are appropriate in the Agent's opinion and specified by the Agent.

Required Banks:

For the purpose of making amendments or waivers to the credit agreement, the approval by Banks whose commitments under the Credit Facility aggregate at least 51% of the Credit Facility will be required unless there are two Banks in which case the vote will be unanimous. However, unless agreed to by all Banks, no amendment or waiver shall change the principal amount, reduce the rate of interest or fees, postpone the scheduled payment of any principal, interest or fees, or release any material amount of security, or change the definition of "Required Banks."

Assignments and Participations:

Banks will be permitted to assign and participate the Credit Facility. Assignments and participations will be in minimum amounts of \$2,000,000 and assignees will be subject to the consent of the Borrower and the Agent, which consents shall not to be unreasonably withheld. Assignments will be subject to the payment to the Agent by the assigning Bank of a \$3,500 service fee.

Subject to Conditions:

(1) Before funding, the Borrower shall adopt a balanced budget reasonably acceptable to PNC Bank for the calendar year 2012 (to include revenue enhancements to provide for the future repayment of the Unfunded Debt financing,

(2) Before funding, the Borrower shall deliver, or cause its independent auditors to deliver, an unqualified audit with respect to the Borrower's financial operations for the year ended December 31, 2010.

(3) The Borrower will make representations and warranties customary to transactions of this type, including among other things: (a) the accuracy and completeness of its financial statements; (b) the absence of a material adverse change in its condition (financial or otherwise), business, properties, assets or prospects; (c) evidence of the Borrower's authority to enter in to the Credit Facility and execute related documents and compliance with all statutes, rules and other laws applicable to Borrower; and (d) the absence of litigation, except as disclosed to PNC Bank.

(4) Satisfactory completion of due diligence regarding the Borrower and any Collateral.

(5) Execution of all documentation as may be requested by PNC Bank relating to the Credit Facility in form and substance satisfactory to PNC Bank and its counsel.

(6) Payment of all applicable fees and expenses by the Borrower, including any internal and external counsel fees.

(7) Receipt of an opinion of counsel to the Borrower and any bond counsel, in form and substance satisfactory to PNC Bank and including without limitation, due authorization, enforceability, and compliance with all applicable laws, and the tax-exempt status of the Credit Facility.

(8) Receipt and satisfactory review by PNC Bank of all applicable resolutions and evidence of authority.

Governing Law:

Pennsylvania governing law. Consent to Pennsylvania jurisdiction. Waiver of jury trial.