



County of Lackawanna

Lackawanna County
Administration Building
200 Adams Avenue
Scranton, Pennsylvania
18503

Certified Copy

Ordinance: 14-0168

File Number: 14-0168

Ordinance #234

Second Reading

General Obligation Note

First Reading: August 20, 2014

Second Reading: August 27, 2014

BOARD OF COMMISSIONERS
OF THE
COUNTY OF LACKAWANNA, PENNSYLVANIA

ORDINANCE #234

ENACTED AUGUST 27, 2014

AN ORDINANCE OF THE BOARD OF COMMISSIONERS OF THE COUNTY OF LACKAWANNA, PENNSYLVANIA, SETTING FORTH ITS INTENT TO ISSUE A FEDERALLY TAXABLE GENERAL OBLIGATION NOTE OF THE COUNTY IN A PRINCIPAL AMOUNT NOT TO EXCEED TWO MILLION FIVE HUNDRED EIGHTY-SEVEN THOUSAND DOLLARS (\$2,587,000) (THE "NOTE") PURSUANT TO THE ACT OF THE GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA, PA.C.S. 53, CHAPTERS 80-82, AS AMENDED, 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 NOTE SHALL EVIDENCE NONELECTORAL DEBT OF THE COUNTY; SPECIFYING THAT SUCH INDEBTEDNESS IS TO BE INCURRED TO PROVIDE FUNDS FOR A CERTAIN PROJECT OF THE COUNTY CONSISTING OF THE FOLLOWING: (1) CURRENTLY REFUNDING THE COUNTY'S OUTSTANDING TAXABLE GENERAL OBLIGATION BONDS, SERIES C OF 2004; AND (2) PAYING THE COSTS AND EXPENSES OF ISSUANCE OF THE NOTE; SETTING FORTH THE REASONABLE ESTIMATED USEFUL LIVES OF THE CAPITAL PROJECTS THAT ARE TO BE REFINANCED BY THE NOTE; ACCEPTING A PROPOSAL FOR THE PURCHASE OF SUCH NOTE AT PRIVATE SALE BY NEGOTIATION; PROVIDING THAT SUCH NOTE, WHEN ISSUED, SHALL CONSTITUTE GENERAL OBLIGATION OF THE COUNTY; FIXING THE DENOMINATION, SERIES DESIGNATION, DATED DATE, INTEREST PAYMENT DATES, MATURITY DATE, INTEREST RATES, REDEMPTION PROVISIONS, AND PLACE OF PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SUCH NOTE; AUTHORIZING SPECIFIED OFFICERS OF THE COUNTY TO CONTRACT WITH THE PAYING AGENT FOR ITS SERVICES IN CONNECTION WITH THE NOTE; SETTING FORTH THE SUBSTANTIAL

FORM OF THE NOTE EVIDENCING THE DEBT; AUTHORIZING EXECUTION AND ATTESTATION OF SUCH NOTE; PROVIDING COVENANTS RELATED TO DEBT SERVICE APPLICABLE TO SUCH 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 FOR THE 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 NOTE WHEN DUE; AUTHORIZING THE EXECUTION OF AN ESCROW AGREEMENT BY AND BETWEEN THE COUNTY AND THE ESCROW AGENT NAMED THEREIN IN CONNECTION WITH THE CURRENT REFUNDING OF THE COUNTY'S OUTSTANDING TAXABLE GENERAL OBLIGATION BONDS, SERIES C OF 2004; SETTING FORTH REGISTRATION AND TRANSFER PROVISIONS WITH RESPECT TO SUCH 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 AND THE CURRENT REFUNDING OF THE COUNTY'S OUTSTANDING TAXABLE GENERAL OBLIGATION BONDS, SERIES C OF 2004; 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 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 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 NOTE UPON THE APPROVAL OF THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT; IF APPLICABLE, SETTING FORTH CERTAIN COVENANTS; 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 County has heretofore issued \$4,210,000 original principal amount Taxable General Obligation Bonds, Series C of 2004 (the "2004C Bonds"); and

WHEREAS, the Board of Commissioners of the County (the "Board") has determined to issue its Federally Taxable General Obligation Note, Series of 2014, in the principal amount not to exceed \$2,587,000 (the "Note"); and

WHEREAS the project to be funded with the proceeds of the Note (the "Project") is as follows: (1) currently refunding the outstanding 2004C Bonds; and (2) paying the costs and expenses of issuance of the Note; and

WHEREAS, the County desires to authorize the current refunding of the outstanding 2004C Bonds for the purpose of reducing the total debt service over the life of the 2004C Bonds; and

WHEREAS, the Note which is being issued to currently refund the outstanding 2004C Bonds will not be outstanding through a maturity date that could not have been included in the issue of the 2004C Bonds; and

WHEREAS, if necessary, a portion of the proceeds of the Note shall be deposited in escrow pursuant to the terms of an escrow agreement (the "2004C Bonds Escrow Agreement"), to be executed by and between the County and an escrow agent named therein (the "2004C Bonds Escrow Agent"), such that a portion of the proceeds of the Note, together with interest to be earned thereon (if any), will be held by the 2004C Bonds Escrow Agent in a separate escrow account and irrevocably pledged for the redemption of the 2004C Bonds, all as shall be set forth more fully in the 2004C Bonds Escrow Agreement; 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 electoral indebtedness, 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 proposal (the "Proposal") for the financing of the Project from the lender identified therein (the "Purchaser"); and

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

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

SECTION 1. Authorization of the Note. The principal amount of the Note of the County proposed to be issued pursuant to this Ordinance and the Act not to exceed \$2,587,000. The 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) currently refunding the outstanding 2004C Bonds; and (2) paying the costs and expenses of issuance of the Note.

It is hereby determined and declared that the remaining estimated useful life of the capital project originally financed by the 2004C Bonds and to be refinanced with a portion of the proceeds of the

Note is at least 10 years. It is hereby certified that an aggregate principal amount of the 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 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 Note.

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

In connection with the issuance and sale of the Note, the Board, as required by the provisions of the Act, hereby finds, determines and states (a) that the purpose of the current refunding of the outstanding 2004C Bonds is to reduce the total debt service over the life of the 2004C Bonds; and (b) that the current refunding of the outstanding 2004C Bonds is authorized and permitted under and pursuant to the provisions of Section 8241 of the Act. The Board further finds and determines that the final maturity date of the Note issued to effect the current refunding of the outstanding 2004C Bonds does not extend to a date that could not have been included in the 2004C Bonds issue.

The Board hereby authorizes and directs its proper officers, agents and employees to execute all documents and take all actions necessary in connection with accomplishing the current refunding of the outstanding 2004C Bonds, including, but not limited to providing notice to Manufacturers and Traders Trust Company, as paying agent for the 2004C Bonds, and to call the 2004C Bonds for redemption in full on October 15, 2014, or such other date as shall be selected by the Chairman of the Board. In accordance with Section 8246 of the Act, it is the intent of the Board that the 2004C Bonds shall no longer be outstanding from and after the date of the issuance of the Note.

SECTION 3. Approval of the Note; Terms of Repayment. The indebtedness to be incurred hereunder shall be evidenced by a federally taxable general obligation note of the County, to be designated as "County of Lackawanna, Pennsylvania, Federally Taxable General Obligation Note, Series of 2014".

The Note will be issued in the principal amount not to exceed \$2,587,000, dated and bearing interest from the date of issue, at a maximum annual taxable rate of interest specified in the Proposal, payable on the unpaid balance of the Note during the term of the Note. Interest is payable on the unpaid balance of the Note during its term until paid. The Note shall mature in the installments of principal at the maximum taxable rate of interest as shown on the attached Schedule hereinafter referred to as "Exhibit A".

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 Proposal, if any.

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

SECTION 4. General Obligation Note of the County. The 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 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 Note and the interest thereon at the dates and places and in the manner stated in the 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 amounts which the County hereby covenants to pay in each of the fiscal years that the Note is outstanding on the basis of the maximum taxable annual rate of interest as specified in the Proposal are shown on Exhibit A.

SECTION 5. Form of Note. The form of the Note shall be as shown on the attached "Exhibit B".

SECTION 6. Execution of the Note and Other Documents and Instruments; Delivery and Payment. The 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, Interim Chief of Staff or Assistant Chief of Staff of the County. Such Note shall be in the forms 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 Note. The Chief of Staff, Interim Chief of Staff, the Assistant Chief of Staff, the Treasurer or any other proper officer of the County is hereby authorized and directed to deliver the 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, Interim 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 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 7. Designation of Sinking Fund Depository and Paying Agent. The Chairman or any other Commissioner of the Board and the Chief of Staff, Interim Chief of Staff or Assistant Chief of Staff of the County are hereby authorized, empowered and directed to contract with a 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 for the Note to be known as (a) "County of Lackawanna, Pennsylvania, Sinking Fund - Federally Taxable General Obligation Note, Series of 2014" (the "Sinking Fund"). The Sinking Fund shall be maintained until the Note has been paid in full. The Chief of Staff, Interim Chief of Staff, the Assistant Chief of Staff, the Treasurer or any other proper officer of the County shall deposit into the Sinking Fund an amount sufficient for the payment of the principal and interest on the Note no later than the date upon which such debt service on the 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 Note.

SECTION 8. Sale of Note; Acceptance of Proposal. 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 Proposal is hereby accepted and the Note in the principal amount not to exceed \$2,587,000, herein authorized to be issued and sold, is hereby awarded and sold to the Purchaser in accordance with its Proposal to purchase the Note at par; provided the Note is dated the date of delivery thereof to the Purchaser and is in substantially the form attached hereto with such changes as may be approved by the officers of the County executing such 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 Proposal shall be attached hereto as "Exhibit C" and is hereby incorporated herein by reference.

SECTION 9. 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 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, Interim 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 Note.

SECTION 10. 2004C Bonds Escrow Agreement. If necessary, on the date of delivery of the Note, to the extent required for a lawful defeasance of the 2004C Bonds, the proper officers of the County are hereby authorized, empowered and directed to execute, attest and deliver the 2004C Bonds Escrow Agreement in the form approved by such officers with the advice of the Solicitor to the County. The 2004C Bonds Escrow Agreement shall provide for, among other things, the following: (i) a certification to the 2004C Bonds Escrow Agent of the amount required to pay the principal of, premium, if any, and interest on, the 2004C Bonds maturing on or after October 15, 2014, (ii) the deposit with the 2004C Bonds Escrow Agent of an amount which, when taken together with the interest to be earned thereon, will be in the amount necessary to pay on October 15, 2014, or such other date as shall be selected by the Chairman of the Board, the principal of, premium, if any, and interest on the 2004C Bonds which mature on or after October 15, 2014, (iii) the investment of the amounts deposited with and held by the 2004C Bonds Escrow Agent, (iv) a direction to the 2004C Bonds Escrow Agent to cause notice of redemption to be given to the holders of the 2004C Bonds, and (v) the irrevocable pledge and escrow of, and grant of a security interest in favor of the 2004C Bonds Escrow Agent of all investments held by it pursuant to the 2004C Bonds Escrow Agreement.

The County hereby authorizes and directs the proper officers, agents and employees to execute any and all other documents, including but not limited to any necessary redemption instruction letters, and to take any and all action necessary in connection with the Project to cause the 2004C Bonds to "no longer be deemed to be outstanding" as of the date of delivery of the Note, within the meaning and for the purposes of Section 8250 of the Act and to pay the principal of and interest due on the outstanding 2004C Bonds when due.

SECTION 11. Appointment of Bond Counsel. The Board hereby appoints and engages Stevens & Lee, P.C., to act as Bond Counsel to the County in connection with the issuance of the Note and to facilitate the intent of this Ordinance.

SECTION 12. Payments of Expenses. All expenses incurred in connection with issuance of the Note shall be paid out of the proceeds derived from the issuance of the 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 13. 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 14. Delivery of Documents and Instruments. The proper officers of the County are hereby authorized, empowered and directed 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 15. 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 16. Conflicts. All ordinances or parts of ordinances not in accord with this Ordinance are hereby repealed insofar as they conflict herewith.

SECTION 17. Effective Date. This Ordinance shall be effective in accordance with Section 8003 of the Act.

ADOPTED at a regular meeting of the Board of Commissioners of Lackawanna

County held on August 27, 2014.

COUNTY OF LACKAWANNA


JIM WANSACZ


COREY D. O'BRIEN


PATRICK M. O'MALLEY

ATTEST:



STEVEN M. BARCOSKI
INTERIM CHIEF OF STAFF

Approved as to form and legality:



DONALD J. FREDERICKSON, ESQUIRE
COUNTY SOLICITOR

EXHIBIT "A"

Maximum Taxable Rate Amortization Schedule

LACKAWANNA COUNTY
LACKAWANNA COUNTY, PENNSYLVANIA

TAXABLE GENERAL OBLIGATION NOTE, SERIES OF 2014

FINAL DEBT SERVICE REQUIREMENTS

DATE	PRINCIPAL	RATE	INTEREST	NET DEBT SERVICE	NET FISCAL YEAR DEBT SERVICE
15-Oct-14					
15-Apr-15			25,241.93	25,241.93	
15-Oct-15			25,380.63	25,380.63	50,622.56
15-Apr-16			25,380.63	25,380.63	-
15-Oct-16	628,000.00	1.930%	25,380.63	653,380.63	678,761.26
15-Apr-17	-		19,114.40	19,114.40	-
15-Oct-17	640,000.00	1.930%	19,219.42	659,219.42	678,333.82
15-Apr-18	-		12,869.78	12,869.78	-
15-Oct-18	653,000.00	1.930%	12,940.49	665,940.49	678,810.27
15-Apr-19	-		6,498.31	6,498.31	-
15-Oct-19	666,000.00	1.930%	6,534.02	672,534.02	679,032.33
	2,587,000.00		178,560.24	2,765,560.24	2,765,560.24

EXHIBIT "B"

Form of Note

UNITED STATES OF AMERICA
COMMONWEALTH OF PENNSYLVANIA
COUNTY OF LACKAWANNA

FEDERALLY TAXABLE GENERAL OBLIGATION NOTE
SERIES OF 2014

\$2,587,000

Dated: October __, 2014

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 Two Million Five Hundred Eighty-Seven Thousand Dollars (\$2,587,000), with interest at a fixed interest rate of 1.93% per annum, as specified and computed in accordance with the terms of the Non-Binding Indicative Term Sheet from the Bank to the County, dated August 20, 2014 (the "Term Sheet"). A copy of such Term Sheet is attached hereto as Exhibit "A", the terms and conditions of which are binding upon the County and are incorporated herein by reference. Annual payments of principal and semi-annual payments of interest 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.

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.

For purposes hereof, the following terms shall have the following meanings:

"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 interest rate as then in effect on this Note plus 1.500%.

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

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.

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 Federally Taxable General Obligation Note, Series of 2014 (the "Note") is issued under and pursuant to provisions of the Ordinance enacted by the Board of Commissioners of the County on August 27, 2014 (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 \$2,587,000 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.

Yield Protection.

If any Change in Law shall:

(A) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or credit extended or participated in by, the Bank;

(B) subject the Bank to any tax of any kind whatsoever with respect to this Note, or change the basis of taxation of payments to the Bank in respect hereof; or

(C) impose on the Bank any other condition, cost or expense affecting this Note;

and the result of any of the foregoing shall be to increase the cost to the Bank of making, converting to, continuing or maintaining the loan evidenced by this Note, or to reduce the amount of any sum received or receivable by the Bank hereunder (whether of principal, interest or any other amount) then, upon request of the Bank, the County will pay to the Bank such additional amount or amounts as will compensate it for such additional costs incurred or reduction suffered.

If the Bank determines that any Change in Law affecting it, regarding legal, capital or reserve requirements has or would have the effect of increasing the cost of, or reducing the rate of return on its capital or on the capital of the Bank's holding company, as a consequence of this Note, to a level below that which the Bank could have achieved but for such Change in Law (taking into consideration the Bank's policies and the policies of the Bank's holding company), then from time to time the County will pay to the Bank such additional amount or amounts as will compensate it for any such reduction suffered.

"Change in Law" means the occurrence, after the date of this Note, of any of the following: (a) the adoption or taking effect of any Law, (b) any change in any Law or in the

administration, interpretation, implementation or application thereof by any Official Body or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of Law) by any Official Body; provided, that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, regulations, guidelines, interpretations or directives thereunder or issued in connection therewith (whether or not having the force of Law) and (y) all requests, rules, regulations, guidelines, interpretations or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities (whether or not having the force of Law), in each case pursuant to Basel III, shall in each case be deemed to be a Change in Law regardless of the date enacted, adopted, issued, promulgated or implemented.

“Law” shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award by or settlement agreement with any Official Body.

“Official Body” shall mean the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank) and any group or body charged with setting financial accounting or regulatory capital rules or standards (including, without limitation, the Financial Accounting Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervision) or any successor or similar authority to any of the foregoing.

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.

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) 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)) 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, or (iii) the payment or prepayment (whether voluntary, after acceleration of the maturity of this Note or otherwise) or conversion of any advance 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.

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 County agrees to provide to the Bank, (i) not later than 270 days after the end of each fiscal year of the County, audited financial statements of the County accompanied by a report of an independent certified public accountants, (ii) not later than 45 days after the end of each calendar month of the County, internally prepared monthly cash flow statements of the County, and (iii) any other financial information or operating reports as reasonably requested by the Bank.

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 the County;

(c) any representation or warranty contained in this Note, in the Ordinance, 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 Term Sheet, as such Term Sheet may be amended from time to time, or the Ordinance or in any other writing delivered to Bank in connection with this Note; and

(e) the County defaults in the payment of any amounts due under any other bond, note, contract, lease or obligation.

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 Ordinance, 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.

No Acceleration. The Note shall not be subject to acceleration prior to its stated maturity date upon the occurrence of an Event of Default.

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 Ordinance, 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 the 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 Purchaser shall have the right to exercise the remedies set forth 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, Interim Chief of Staff or Assistant Chief of Staff as of the ____ day of October, 2014.

COUNTY OF LACKAWANNA,
PENNSYLVANIA



JIM WANSACZ, CHAIRMAN

ATTEST:



STEVEN M. BARCOSKI, INTERIM CHIEF
OF STAFF

(SEAL)

EXHIBIT "A"

Term Sheet



County of Lackawanna
Non-Binding Indicative Term Sheet
Dated: August 20, 2014

This term sheet is not a commitment or offer to lend and does not create any implied or explicit obligation on the part of PNC Bank, National Association. This term sheet summarizes certain conditions of a proposed credit facility but is intended for discussion purposes only. Final credit approval would be subject to 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.

Borrower: County of Lackawanna ("Borrower")

Lender: PNC Bank, National Association ("Bank")

Principal Amount and Type of Credit Facility: \$2,587,000 General Obligation Loan (the "Credit Facility")

Use of Proceeds: Funding for: the refinance of the remainder of the Taxable General Obligation Bonds, Series of 2004.

Tax Treatment: Interest on the Credit Facility shall be offered on a taxable basis, subject to any applicable federal, state and/or local laws, rules, regulations and authorizations.

Final Maturity Date: October 15, 2019.

Amortization: Principal on the Credit Facility shall amortize according to the remaining amortization schedule of the Bonds being refinanced in annual principal payments. Interest shall be paid on a semi-annual basis, per annum.

Interest Rate: A fixed rate of 1.93% per annum to be determined by Bank at closing.

OR

A floating rate equal to the product of 1 month fully absorbed PNC LIBOR Rate plus 75 basis points.

Interest shall be calculated on a 30-day month/360-day year.

Default Rate: Upon and during the continuance of a default under the definitive loan documents, the Bank may raise the then prevailing interest rate by 150 basis points (1.50 %).

**Prepayment/
Yield Protection:** The Bank's customary prepayment cost recovery provisions will be included in the definitive loan documents. In addition, the Borrower shall pay the Bank under customary yield protection provisions such additional amounts as will compensate the Bank and its respective holding company in the event that applicable law, or change in law

(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 any law increasing the federal income tax rate) subjects the Bank to legal, capital or reserve requirements or taxes (except for taxes on overall net income) or other charges which in any case increase the cost or reduce the yield to the Bank.

Commitment Fee: None.

Expenses: If applicable, all costs and expenses incurred by the Bank shall be reimbursed by the Borrower at closing and otherwise on demand. These costs include reasonable fees and expenses of the Bank's legal counsel. An estimate of these expenses can be provided upon request.

Security: The Credit Facility will be secured by: a general obligation pledge on parity with all short term and long term debt.

Representations and Warranties: 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 the Bank.

Conditions Precedent to Financing: Including, but not limited to, the following:

- (a) Satisfactory completion of due diligence regarding the Borrower and any Collateral.
- (b) Execution of all documentation as may be requested by the Bank relating to the Credit Facility in form and substance satisfactory to the Bank and its counsel.
- (c) Payment of all applicable fees and expenses by the Borrower, including any internal and external counsel fees.
- (d) Receipt and satisfactory review by the Bank of all applicable bond resolutions and evidence of authority.

Reporting Covenants:

- (a) Annual audited consolidated financial statements of the Borrower within 270 days of fiscal year end.

(b) Monthly cash flow statements.

Covenants: Affirmative and negative covenants, including financial covenants if any, will be specified by the Bank for inclusion in the Loan Documents;

Same as existing and future debt.

Events of Default: Customary for transactions of similar size and type.

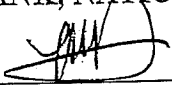
Documentation: Loan Documents in form and substance satisfactory to the Bank must be executed and delivered containing representations, warranties, covenants, indemnities, conditions to lending, events of default and other provisions as are appropriate in the Bank's opinion and specified by the Bank.

Governing Law: Pennsylvania. Submission to Pennsylvania jurisdiction

Miscellaneous: Waiver of jury trial.

Acceptance of these terms is to be received in writing by August 28, 2014, with a closing scheduled on or about October 15, 2014. After such acceptance date, the Bank reserves the right to withdraw or modify this non-binding indicative term sheet in any way.
Sincerely,

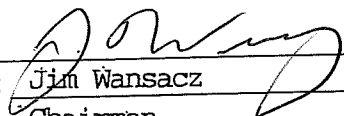
PNC BANK, NATIONAL ASSOCIATION

By: 

Michael E. Dennen
Senior Vice President

Agreed and accepted with the intent to be legally bound:

County of Lackawanna

By: 

Name: Jim Wansacz
Title: Chairman
Date: August 27, 2014

EXHIBIT "B"

Amortization Schedule

LACKAWANNA COUNTY
LACKAWANNA COUNTY, PENNSYLVANIA

TAXABLE GENERAL OBLIGATION NOTE, SERIES OF 2014

FINAL DEBT SERVICE REQUIREMENTS

DATE	PRINCIPAL	RATE	INTEREST	NET DEBT SERVICE	NET FISCAL YEAR DEBT SERVICE
15-Oct-14					
15-Apr-15			25,241.93	25,241.93	
15-Oct-15			25,380.63	25,380.63	50,622.56
15-Apr-16			25,380.63	25,380.63	-
15-Oct-16	628,000.00	1.930%	25,380.63	653,380.63	678,761.26
15-Apr-17	-		19,114.40	19,114.40	-
15-Oct-17	640,000.00	1.930%	19,219.42	659,219.42	678,333.82
15-Apr-18	-		12,869.78	12,869.78	-
15-Oct-18	653,000.00	1.930%	12,940.49	665,940.49	678,810.27
15-Apr-19	-		6,498.31	6,498.31	-
15-Oct-19	666,000.00	1.930%	6,534.02	672,534.02	679,032.33
	2,587,000.00		178,560.24	2,765,560.24	2,765,560.24

EXHIBIT "C"

Proposal



County of Lackawanna
Non-Binding Indicative Term Sheet
Dated: August 20, 2014

This term sheet is not a commitment or offer to lend and does not create any implied or explicit obligation on the part of PNC Bank, National Association. This term sheet summarizes certain conditions of a proposed credit facility but is intended for discussion purposes only. Final credit approval would be subject to 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.

Borrower: County of Lackawanna ("Borrower")

Lender: PNC Bank, National Association ("Bank")

Principal Amount and Type of Credit Facility: \$2,587,000 General Obligation Loan (the "Credit Facility")

Use of Proceeds: Funding for: the refinance of the remainder of the Taxable General Obligation Bonds, Series of 2004.

Tax Treatment: Interest on the Credit Facility shall be offered on a taxable basis, subject to any applicable federal, state and/or local laws, rules, regulations and authorizations.

Final Maturity Date: October 15, 2019.

Amortization: Principal on the Credit Facility shall amortize according to the remaining amortization schedule of the Bonds being refinanced in annual principal payments. Interest shall be paid on a semi-annual basis, per annum.

Interest Rate: A fixed rate of 1.93% per annum to be determined by Bank at closing.

OR

A floating rate equal to the product of 1 month fully absorbed PNC LIBOR Rate plus 75 basis points.

Interest shall be calculated on a 30-day month/360-day year.

Default Rate: Upon and during the continuance of a default under the definitive loan documents, the Bank may raise the then prevailing interest rate by 150 basis points (1.50 %).

**Prepayment/
Yield Protection:** The Bank's customary prepayment cost recovery provisions will be included in the definitive loan documents. In addition, the Borrower shall pay the Bank under customary yield protection provisions such additional amounts as will compensate the Bank and its respective holding company in the event that applicable law, or change in law

(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 any law increasing the federal income tax rate) subjects the Bank to legal, capital or reserve requirements or taxes (except for taxes on overall net income) or other charges which in any case increase the cost or reduce the yield to the Bank.

Commitment Fee: None.

Expenses: If applicable, all costs and expenses incurred by the Bank shall be reimbursed by the Borrower at closing and otherwise on demand. These costs include reasonable fees and expenses of the Bank's legal counsel. An estimate of these expenses can be provided upon request.

Security: The Credit Facility will be secured by: a general obligation pledge on parity with all short term and long term debt.

Representations and Warranties: 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 the Bank.

Conditions Precedent to Financing: Including, but not limited to, the following:

- (a) Satisfactory completion of due diligence regarding the Borrower and any Collateral.
- (b) Execution of all documentation as may be requested by the Bank relating to the Credit Facility in form and substance satisfactory to the Bank and its counsel.
- (c) Payment of all applicable fees and expenses by the Borrower, including any internal and external counsel fees.
- (d) Receipt and satisfactory review by the Bank of all applicable bond resolutions and evidence of authority.

Reporting Covenants:

- (a) Annual audited consolidated financial statements of the Borrower within 270 days of fiscal year end.

(b) Monthly cash flow statements.

Covenants: Affirmative and negative covenants, including financial covenants if any, will be specified by the Bank for inclusion in the Loan Documents;

Same as existing and future debt.

Events of Default: Customary for transactions of similar size and type.

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

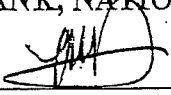
Governing Law: Pennsylvania. Submission to Pennsylvania jurisdiction

Miscellaneous: Waiver of jury trial.

Acceptance of these terms is to be received in writing by August 28, 2014, with a closing scheduled on or about October 15, 2014. After such acceptance date, the Bank reserves the right to withdraw or modify this non-binding indicative term sheet in any way.

Sincerely,

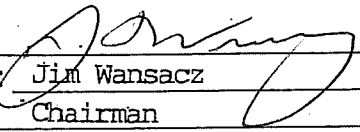
PNC BANK, NATIONAL ASSOCIATION

By: 

Michael E. Dennen
Senior Vice President

Agreed and accepted with the intent to be legally bound:

County of Lackawanna

By: 

Name: Jim Wansacz
Title: Chairman
Date: August 27, 2014

DEBT STATEMENT PURSUANT TO
LOCAL GOVERNMENT UNIT DEBT ACT

Local Government Unit - County of Lackawanna Pennsylvania, Pennsylvania

Statement as of August 27, 2014

	<u>Electoral</u>	<u>Nonelectoral</u>	<u>Lease Rental</u>
I. GROSS INCURRED DEBT			
List and identify by year of issue			
A. Bonds outstanding	\$ _____	\$ 2,570,000 (2004A)	\$ _____
	\$ _____	\$ 2,550,000 (2004C)	\$ _____
	\$ _____	\$ 1,215,000 (2004D)	\$ _____
	\$ _____	\$ 32,110,000 (2007AB)	\$ _____
	\$ _____	\$ 13,475,000 (2008E)	\$ _____
	\$ _____	\$ 7,325,000 (2009A)	\$ _____
	\$ _____	\$ 58,390,000 (2010B)	\$ _____
B. Notes outstanding	\$ _____	\$ 44,510,000 (2008A)	\$ _____
	\$ _____	\$ 12,335,101 (2008D)	\$ _____
	\$ _____	\$ 26,470,000 (2009B)	\$ _____
	\$ _____	\$ 2,160,000 (2010A)	\$ _____
	\$ _____	\$ 15,575,000 (2011)	\$ _____
	\$ _____	\$ 8,245,000 (2012AB)	\$ _____
	\$ _____	\$ 2,408,992 (2013)	\$ _____
TOTAL	\$ -0-	\$229,339,093	\$ -0-
II. CREDITS AND EXCLUSIONS			
<u>Less:</u>			
(where applicable)			
1. Sinking funds, reserve accounts, bond proceeds	\$ _____	\$ _____	\$ _____
2. Current unpaid appropriations	\$ _____	\$ _____	\$ _____
3. Uncollected special assessments	\$ _____	\$ _____	\$ _____
4. Delinquent taxes and liens	\$ _____	\$ _____	\$ _____
5. Surplus cash	\$ _____	\$ _____	\$ _____
6. Solvent debts due	\$ _____	\$ _____	\$ _____
7. Indemnifying insurance	\$ _____	\$ _____	\$ _____
8. Self-liquidating and Self-Sustaining Debt (excluded Under Sections 8024, 8025 and 8026 and Pension Bonds)	\$ _____	\$ _____	\$ _____
TOTAL NET INDEBTEDNESS	\$ -0-	\$229,339,093	\$ -0-

III. The maximum aggregate principal amount of bonds or notes being issued or evidencing lease rental debt:.....	\$ 2,587,000
IV. The principal amount of bonds or notes which will no longer be deemed to be outstanding pursuant to Section 1110(b) after settlement of the issue:.....	\$ 2,550,000*
V. The borrowing base as shown by appended borrowing base certificate:.....	\$ 95,521,772
VI. Applicable debt limitations	
(a) nonelectoral (300%) of the borrowing base).....	\$286,565,316
(b) nonelectoral plus lease rental (400%) of borrowing base).....	\$382,087,088

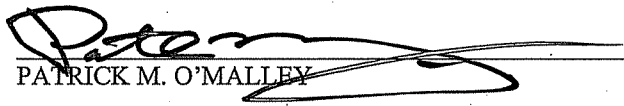
* 2004C Bonds

IN WITNESS WHEREOF, the undersigned officers of the County of Lackawanna Pennsylvania, and being authorized to prepare, certify and file the foregoing debt statement, have hereunto set our hands and affixed the seal of the County this 27th day of August, 2014.

COUNTY OF LACKAWANNA, PENNSYLVANIA


JIM WANSACZ, CHAIRMAN


COREY D. O'BRIEN, VICE CHAIRMAN

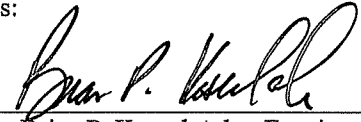

PATRICK M. O'MALLEY

ATTEST:


STEVEN M BARCOSKI , INTERIM CHIEF OF STAFF

(SEAL)

Witness:


Brian P. Koscelansky, Esquire

COMMONWEALTH OF PENNSYLVANIA

:

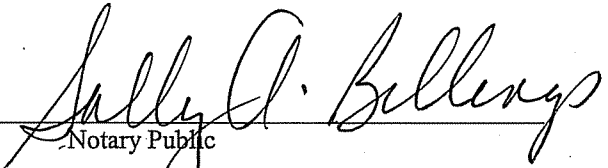
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COUNTY OF LUZERNE

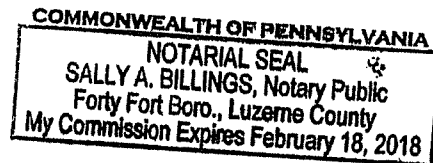
:

On this 28th day of August, 2014, before me, a notary public, the undersigned officer, personally appeared Brian P. Koscelansky, known to me (or satisfactorily proven) to be a member of the Bar of the highest court of the Commonwealth of Pennsylvania and a subscribing witness to the within instrument, and certifies that he was personally present when Jim Wansacz, Corey D. O'Brien, Patrick M. O'Malley and Steven M Barcoski, whose names are subscribed to the within instrument, executed the same and the persons acknowledged that they executed the same for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal this 28th day of August, 2014.



Notary Public



COUNTY OF LACKAWANNA, PENNSYLVANIA

APPLICATION FORM

In the Matter of the Proposed Incurrence of
Indebtedness in
Accordance with the Provisions of the
Local Government Unit Debt Act

TO: Department of Community and Economic Development
Commonwealth Keystone Building
400 North Street
Fourth Floor
Harrisburg, PA 17120

Re: County of Lackawanna County, Pennsylvania
Nonelectoral Debt in the Principal Amount
Not to Exceed \$2,587,000

August 27, 2014

Application is hereby made pursuant to Section 8111(a) the Local Government Unit Debt Act, as amended (the "Act"), for approval of the proceedings taken by the County of Lackawanna, Pennsylvania (the "County"), to incur nonelectoral debt in the principal amount not

to exceed \$2,587,000 and to evidence the same by the issuance of its Federally Taxable General Obligation Note, Series of 2014 in the same principal amount.

It is hereby certified to the Department of Community and Economic Development that each of the two (2) originals of the transcript of proceedings enclosed and as listed below is a complete and accurate copy of the proceedings of the County for the incurring of said debt:

- (a) This Application for Approval;
- (b) Proof of Publication of Preenactment Notice;
- (c) Proof of Publication of Postenactment Notice;
- (d) Ordinance;
- (e) Commitment Letter;
- (f) Certified Debt Service Schedule; and
- (g) Debt Statement including Borrowing Base Certificate.

In accordance with the Act, the County reserves the right to file a further Debt Statement claiming any additional credits and exclusions as it may be entitled to with respect to the gross indebtedness presently outstanding and the debt presently to be incurred.

Please return one (1) copy with your approval attached at your earliest convenience to Sally Billings, Legal Assistant, Stevens & Lee, P.C., 1460 Wyoming Avenue, Forty Fort, Pennsylvania 18704.

Thank you very much for your cooperation.

Very truly yours,

COUNTY OF LACKAWANNA,
PENNSYLVANIA

BY: 
Interim Chief of Staff

(SEAL)

CERTIFICATE

I, the undersigned duly authorized officer of the County of Lackawanna Pennsylvania (the "County"), hereby certify that attached hereto is a true and correct copy of the Debt Service Schedule for the County's \$2,587,000 maximum principal amount Federally Taxable General Obligation Note, Series of 2014.

IN WITNESS WHEREOF, I set my hand and affix the official seal of the County, this 27th day of August, 2014.

COUNTY OF LACKAWANNA,
PENNSYLVANIA

(SEAL)

By: 
Interim Chief of Staff

LACKAWANNA COUNTY
LACKAWANNA COUNTY, PENNSYLVANIA

TAXABLE GENERAL OBLIGATION NOTE, SERIES OF 2014

FINAL DEBT SERVICE REQUIREMENTS

DATE	PRINCIPAL	RATE	INTEREST	NET DEBT SERVICE	NET FISCAL YEAR DEBT SERVICE
15-Oct-14					
15-Apr-15			25,241.93	25,241.93	
15-Oct-15			25,380.63	25,380.63	50,622.56
15-Apr-16			25,380.63	25,380.63	-
15-Oct-16	628,000.00	1.930%	25,380.63	653,380.63	678,761.26
15-Apr-17	-		19,114.40	19,114.40	-
15-Oct-17	640,000.00	1.930%	19,219.42	659,219.42	678,333.82
15-Apr-18	-		12,869.78	12,869.78	-
15-Oct-18	653,000.00	1.930%	12,940.49	665,940.49	678,810.27
15-Apr-19	-		6,498.31	6,498.31	-
15-Oct-19	666,000.00	1.930%	6,534.02	672,534.02	679,032.33
	2,587,000.00		178,560.24	2,765,560.24	2,765,560.24

\$4,210,000
ORIGINAL AGGREGATE PRINCIPAL AMOUNT
COUNTY OF LACKAWANNA, PENNSYLVANIA
TAXABLE GENERAL OBLIGATION BONDS
SERIES C OF 2004

INSTRUCTIONS TO PAYING AGENT REGARDING
NOTICE OF CONDITIONAL REDEMPTION

August 27, 2014

Ms. Michele Wojciechowicz
Manufacturers and Traders Trust Company
One M&T Plaza
7th Floor
Buffalo, NY 14203

Re: \$4,210,000 original principal amount County of Lackawanna, Pennsylvania, Taxable
General Obligation Bonds, Series C of 2004

Dear Ms. Wojciechowicz:

The County of Lackawanna, Pennsylvania (the "County"), will issue its Federally Taxable General Obligation Note, Series of 2014 (the "2014 Note"), for the purpose of providing funds for a refunding project of the County.

Manufacturers and Traders Trust Company (the "Paying Agent") serves as paying agent and bond registrar with respect to bonds of the County designated as its "Taxable General Obligation Bonds, Series C of 2004" (the "2004 Bonds"), which were issued pursuant to an ordinance of the Board of Commissioners of the County enacted on September 28, 2004 (the "Series of 2004 Bonds Enabling Ordinance").

The County has determined to utilize a portion of the proceeds of the 2014 Note to refund the outstanding 2004 Bonds in accordance with the Pennsylvania Local Government Unit Debt Act, 53 Pa.C.S. Chs. 80-82 (the "Act"), and hereby exercises its right under the 2004 Bonds and the Series of 2004 Bonds Enabling Ordinance to call for optional redemption in full on October 15, 2014 (the "Redemption Date"), all of the outstanding 2004 Bonds.

In accordance with the Series of 2004 Bonds Enabling Ordinance and the requirements of the Act, you are hereby given instructions, to mail, in the name of the County, an appropriate Conditional Notice of Redemption, with respect to the 2004 Bonds, in the manner and at the times provided in the Series of 2004 Bonds Enabling Ordinance and herein.

The County will provide funds from the proceeds of the 2014 Bonds sufficient to pay the principal of and interest on the 2004 Bonds on the Redemption Date. The County authorizes you to do all things and execute any and all documents in order to accomplish the refunding of the 2004 Bonds.

The County acknowledges its obligation to pay or, if appropriate, to reimburse the Paying Agent for payment of all costs, fees (including, but not limited to, the annual and termination fees) and expenses incurred or to be incurred by the Paying Agent in connection with performance of duties of this letter and the Series of 2004 Bonds Enabling Ordinance, it being the intent that all such costs, fees and expenses relating to the Conditional Notice of Redemption and the payment of the 2004 Bonds shall be borne by the County.

It is assumed by the County that you will make appropriate arrangements and provisions so that strict compliance with the instructions contained herein and the provisions of the Series of 2004 Bonds Enabling Ordinance relating to the redemption in full of the 2004 Bonds will be assured.

Also, please forward a copy of such Conditional Notice of Redemption to the appropriate office of Financial Security Assurance Inc., the insurer of the 2004 Bonds, and all the current Nationally Recognized Municipal Securities Information Repositories under Securities and Exchange Commission Rule 15c2-12.

[The remainder of this page intentionally left blank.]

RECEIPT AND ACKNOWLEDGMENT

I, on behalf of Manufacturers and Traders Trust Company, hereby acknowledge receipt of the foregoing letter, duly executed by the County of Lackawanna, Pennsylvania; and it is acknowledged that the instructions contained in such letter are satisfactory to the Paying Agent for the 2004 Bonds.

Signed and dated this _____ day of _____, 2014.

MANUFACTURERS AND TRADERS TRUST
COMPANY

By: _____
Authorized Officer

The execution and delivery to you of this letter and the giving of instructions contained herein are authorized and directed by the Board of Commissioners of the County.

Very truly yours,

COUNTY OF LACKAWANNA, PENNSYLVANIA



JIM WANSACZ, CHAIRMAN

STEVENS & LEE
LAWYERS & CONSULTANTS

1460 Wyoming Avenue
Forty Fort, PA 18704
(570) 718-0300 Fax (570) 718-0400
www.stevenslee.com

Direct Dial: (570) 969-5364
Email: bpk@stevenslee.com
Direct Fax: (610) 988-0864

August 15, 2014

Mr. Jim Wansacz
Chairman of the Board of Commissioners
Lackawanna County
Administration Building
200 Adams Avenue
6th Floor
Scranton, PA 18503

Re: County of Lackawanna, Pennsylvania, Federally Taxable General Obligation Note, Series of 2014 (the "Note")

Dear Mr. Wansacz:

This letter sets forth the terms and conditions upon which Stevens & Lee, P.C. (Stevens & Lee") will serve as bond counsel to the County of Lackawanna, Pennsylvania (the "County") in connection with the financing discussed below. We are pleased with your decision to engage Stevens & Lee to serve as bond counsel and we look forward to working with you on the project. We understand that the County will be separately represented by the Solicitor to the County in connection with this financing.

It is our understanding that the County will fund a project consisting of the following: (1) currently refunding the County's outstanding Federally Taxable General Obligation Bonds, Series C of 2004; and (2) paying the costs and expenses of issuing the hereinafter-defined Note (collectively, the "Project").

The Project will be financed through the issuance by the County of one general obligation note in the maximum principal amount of \$2,587,000 (the "Note"). We understand that the Note will be purchased by PNC Bank, National Association (the "Purchaser"). The Note will be issued as a taxable obligation to fund the Project.

I hope that you will excuse the formality of this letter, but the Rules of Professional Conduct for Pennsylvania attorneys require that we enter into a written agreement describing the basis upon which you will be charged for professional services performed by our firm. In

• Cherry Hill • Harrisburg • Lancaster • Lehigh Valley • Philadelphia
• Reading • Scranton • Valley Forge • Wilkes-Barre • Wilmington

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addition, I thought that it would be helpful to confirm the scope and terms of our engagement with respect to the Project.

Scope of Engagement

As Bond Counsel, we will actively work with the administration of the County, the County Solicitor and the Purchaser to assist in the closing of the financing for the Project.

Our firm will provide the Bond Counsel services necessary to assist in the closing of the financing, including (a) preparing all necessary debt ordinances, advertisements and certificates and obtain necessary approvals from the Department of Community and Economic Development relative to the issuance of the Note, (b) providing opinions needed relative to the taxable status of interest on the Note when issued, (c) preparing necessary legal documentation to complete the issuance of the Note, and (d) attending necessary meetings of the Board of Commissioners of the County. Please be advised that when we provide our opinion as to any matter, it is with the understanding that our opinion is just that -- and not a promise or guarantee. Our engagement as Bond Counsel will terminate upon the issuance and closing of the Note and completion of normal post-closing matters.

In addition, if the scope of our services is enlarged beyond that described above and if we determine that a fee arrangement different from that described in this letter would be appropriate, we will reach agreement with you in advance on a separate fee arrangement for the additional work.

Determination of Fees and Expenses

Among the factors which we consider in establishing a fee are the following: the time devoted to a particular matter and the lawyers and paralegals who worked on that matter; the nature and complexity of the work performed; the expertise required to perform that work; the novelty and difficulty of the issues presented; the extent to which the urgency of the matter preempted other work; the extent to which the matter required special allocation of firm resources and staff overtime; and the result obtained.

Brian Koscelansky will have primary responsibility for the bond issue documentation with Ramiro Carbonell, who will have primary responsibility for the federal tax analysis with respect to the Note.

Based upon: (i) our current understanding of the terms, structure, size and schedule of the financing from discussions with you, the Solicitor and the Purchaser of the Note, specifically that the Note will be authorized pursuant to an ordinance of the County, will close by October 31, 2014, and will consist of one general obligation note secured solely by a pledge of the full faith, credit and taxing power of the County; (ii) the duties we have and will undertake as

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bond counsel, and (iii) the time we anticipate devoting to the completion of the financing, our fee to serve as bond counsel will be \$20,000. This fee does not include any work relating to the preparation of any market disclosure documents, the investment of bond proceeds or any derivative products, including, but not limited to, any interest rate swap agreements used in connection with the issuance of the Note. If involved in the preparation of any market disclosure documents, investment or derivative review and documentation preparation, our time will be billed separately based upon our agreement on the scope of work required in connection with such disclosure, investments or derivative products. This fee also does not include representation of the County in connection with any challenges or other legal actions relating to the debt proceedings or the issuance of the Note which may be filed with the Department of Community and Economic Development or any court or administrative body. If involved in the representation of the County in connection with any such challenge or other actions, our time will be billed separately based upon our agreement on the scope of work required in connection with such proceedings.

The fee includes our out-of-pocket expenses incurred with regard to the issuance of the Note. Such out-of-pocket expenses incurred on behalf of the County include the following: computerized legal research fees, photocopying expenses, long distance telephone toll charges, telecopy charges, travel expenses, reimbursement of the Department of Community and Economic Development filing fee, secretarial overtime authorized by you or your counsel, closing transcript preparation and binding costs, and so forth. All required advertising costs will be billed directly to the County and are not included in our fee.

If the structure, timing, etc., of the actual financing materially differs from the assumptions expressed above, we reserve the right to renegotiate the above fee with you in advance of the closing.

Billing Practices

Payment of our fee and expenses will be made upon the completion of the financing of the Project, its abandonment or its termination as provided below.

Termination

Our engagement as bond counsel in connection with this particular matter may be terminated by you at any time for any reason. We may withdraw as bond counsel in this particular matter for good cause, because of a fact or circumstance that we would determine would render our serving as bond counsel inappropriate, unlawful or unethical. All unpaid fees and costs will be due and payable upon any such conclusion or termination of our engagement.

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Email

We have found that the commercial world has become increasingly reliant upon various forms of electronic communication, such as e-mail, cellular telephones and electronic telefax (collectively, "Electronic Communications"), for purposes of day-to-day business communications. However, we note that Electronic Communications are inherently less secure than more traditional methods of communication (hard wired telephones and telefax, U.S. mail and commercial couriers, for example) and involve a risk of interception by unauthorized third parties. We understand that, because of the convenience and efficiency of Electronic Communications, you are willing to accept the risk of unauthorized interception and have authorized us to communicate with you (and with others with whom we have dealings in connection with the matters we are handling for you) by means of Electronic Communications.

If at any time you should have a question, comment or concern, I would ask that you raise it with me at once so that we can address the matter without delay.

If the foregoing is in accordance with your understanding, please sign the enclosed duplicate copy of this letter in the space provided for this purpose below and return it to me at your earliest convenience.

Sincerely,

STEVENS & LEE, P.C.



Brian P. Koscelansky

General Provisions

Except as modified by the accompanying engagement letter, the following provisions will apply to the relationship between Stevens & Lee and our clients:

Either at the beginning or during the course of our representation, we may express our opinions or beliefs concerning the matter or various courses of action and the results that might be anticipated. Any such statement made by any attorney or other employee or affiliate of our firm is intended to be an expression of opinion only, based on information available to us at the time, and is not a promise or guarantee of any particular result.

A client shall have the right at any time to terminate our services and representation upon written notice to the firm. Such termination shall not, however, relieve the client of the obligation to pay for all services rendered and disbursements and other expenses made or incurred on behalf of the client prior to the date of termination and for services rendered and expenses incurred after such date to the extent they are required to protect our client's interests or as may be required by appropriate authorities.

We reserve the right to withdraw from our representation with our client's consent or without consent for good cause. "Good cause" may include the client's failure to honor the terms of the engagement letter, the client's failure to pay amounts billed in a timely manner, the client's failure to cooperate or follow our advice on a material matter, or any fact or circumstance that would, in our view, impair an effective attorney-client relationship or would render our continuing representation inappropriate, unlawful, or unethical. If we elect to do so, the client will take all steps necessary to free us of any obligation to perform further, including the execution of any documents (including forms for substitution of counsel) necessary to complete our withdrawal, and we will be entitled to be paid for all services rendered and disbursements and other expenses made or incurred on behalf of the client prior to the date of withdrawal and for services rendered and expenses incurred after such date to the extent they are required to protect our client's interests or as may be required by appropriate authorities.

We have found that our clients have become increasingly reliant upon various forms of electronic communication, such as e-mail, cellular telephones, other Internet communications, and electronic telefax (collectively, "Electronic Communications"), for purposes of day-to-day business communications. We note, however, that Electronic Communications may be inherently less secure than some traditional methods of communication (hard wired telephones and telefax, U.S. mail and commercial couriers, for example) and involve a risk of interception by unauthorized third parties. We understand that, because of the convenience and efficiency of Electronic Communications, you are willing to accept the risk of unauthorized interception and authorize us to communicate with you (and with others with whom we have dealings in connection with the matters we are handling for you) by means of Electronic Communications, unless you advise us in writing to the contrary.

Any controversy, dispute, or claim arising out of or relating to our fees, expenses, performance of legal services, obligations reflected in this letter, or other aspects of our representation shall be resolved through binding arbitration in PA in accordance with the rules then in effect of or administered by the AAA, and judgment on the award rendered may be

entered in any court having jurisdiction thereof. YOU ACKNOWLEDGE THAT BY AGREEING TO ARBITRATION, YOU ARE RELINQUISHING YOUR RIGHTS TO BRING AN ACTION IN COURT AND TO DEMAND A JURY TRIAL.

Following the completion of this matter, the firm will not be precluded from accepting any other engagement on behalf of a client that may be adverse to you if such engagement is unrelated to the scope of our representation in this matter as described above and provided, of course, that any and all information that may be disclosed to the firm in the course of this matter shall not be disclosed to any former, current or future client of the firm.

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We have read and understand the terms and conditions set forth in this letter (including the attached General Provisions) and agree to them.

Accepted and agreed to this 27th day of August, 2014:

COUNTY OF LACKAWANNA, PENNSYLVANIA



JIM WANSACZ, CHAIRMAN

BORROWING BASE CERTIFICATE

County of Lackawanna, Pennsylvania

Prepared as of August 27, 2014

The borrowing base is the arithmetic average of total revenues received for the three preceding fiscal years as set forth in a certificate stating the total revenues for each year and stating the average. The certificate may be executed by any authorized official of the local government unit or an independent accountant. The computation of the borrowing base must be done in accordance with the definition of revenues in Section 8002(c)(16) of the Local Government Unit Debt Act. The following method may be used:

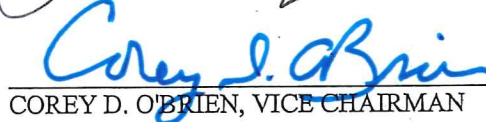
	FISCAL YEAR (ending December 31)		
	2013*	2012	2011
Total Revenues Received (money from <u>all</u> sources)	\$159,013,825	\$143,137,091	\$126,985,143
<u>Less:</u>			
I. (1) State and Federal subsidies and reimbursements related to a particular project financed by debt	\$	\$	\$
II. (1) Revenues, receipts, assessments, etc., pledged or self-liquidating debt	\$	\$	\$
III. (1) Interest on moneys in sinking funds pledged for debt	\$ 6,934	\$ 4,316	\$ 248
IV. (1) Grants and gifts-in-aid measured by construction or acquisition of specific projects	\$ 50,382,547	\$ 44,598,547	\$ 47,578,152
V. (1) Nonrecurring Receipts	\$ _____	\$ _____	\$ _____
SUBTOTAL	\$108,624,344	\$ 98,534,228	\$ 79,406,743
TOTAL NET REVENUES			\$286,565,315
BORROWING BASE (Total Net Revenues divided by 3)			\$ 95,521,772

*Unaudited

COUNTY OF LACKAWANNA, PENNSYLVANIA



JIM WANSACZ, CHAIRMAN



COREY D. O'BRIEN, VICE CHAIRMAN



PATRICK M. O'MALLEY

ATTEST:



STEVEN M BARCOSKI , INTERIM CHIEF OF STAFF

(SEAL)