



County of Lackawanna

Lackawanna County
Administration Building
200 Adams Avenue
Scranton, Pennsylvania
18503

Certified Copy

Ordinance: 14-0206

File Number: 14-0206

Ordinance #235

Second Reading

General Obligation Notes Series A of 2014, and General Obligation Notes Series B of 2014

First Reading: October 22, 2014

Second Reading: November 5, 2014

BOARD OF COMMISSIONERS
OF THE
COUNTY OF LACKAWANNA, PENNSYLVANIA

ORDINANCE #235

AUTHORIZING THE INCURRENCE OF NONELECTORAL DEBT BY THE COUNTY OF LACKAWANNA, PENNSYLVANIA IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$8,000,000 THROUGH THE ISSUANCE OF GENERAL OBLIGATION NOTES, SERIES A OF 2014, AND GENERAL OBLIGATION NOTES, SERIES B OF 2014, FOR THE PURPOSE OF PROVIDING FUNDS TO ACQUIRE CERTAIN ENERGY SAVING EQUIPMENT AND PAYING COSTS OF ISSUANCE; (2) FINDING A PRIVATE SALE BY NEGOTIATION TO BE IN THE BEST INTEREST OF THE COUNTY; (3) APPROVING A MAXIMUM INTEREST RATE AND MAXIMUM MATURITY DATE FOR THE NOTES; (4) AUTHORIZING CERTAIN OFFICIALS TO ACCEPT A PROPOSAL FOR THE PURCHASE OF NOTES; (5) APPOINTING A PAYING AGENT, REGISTRAR AND SINKING FUND DEPOSITORY; (6) AUTHORIZING THE EXECUTION OF LEASE PURCHASE AGREEMENTS; (7) COVENANTING TO PAY DEBT SERVICE; (8) PLEDGING FULL FAITH, CREDIT AND TAXING POWER FOR THE PAYMENT OF THE NOTES; (9) ESTABLISHING SINKING FUNDS; (10) APPROPRIATING THE NOTE PROCEEDS; (11) RATIFYING PRIOR ADVERTISEMENT AND DIRECTING FURTHER ADVERTISEMENT; (12) APPOINTING VARIOUS PROFESSIONALS; (13) AUTHORIZING THE PREPARATION, CERTIFICATION AND FILING OF AN APPLICATION AND DEBT STATEMENT WITH THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT; (14) PROVIDING FOR INVESTMENT OF FUNDS; (15) AUTHORIZING AND DIRECTING THE PREPARATION, EXECUTION AND DELIVERY OF ALL OTHER REQUIRED DOCUMENTS AND THE TAKING OF ALL OTHER REQUIRED ACTION; AND (16) REPEALING INCONSISTENT ORDINANCES OR ANY PARTS THEREOF.

WHEREAS, the County of Lackawanna (the "County") desires to acquire certain energy saving equipment detailed in Exhibit A attached hereto (the "Equipment") and has previously authorized the execution of an Energy Performance Contract Municipal (QECB) Lease/Purchase

Agreement (the “**QECB Lease Purchase Agreement**”) and a Municipal Tax-Exempt Lease/Purchase Agreement (the “**Tax-Exempt Lease Purchase Agreement**,” and, together with the QECB Lease Purchase Agreement, the “**Lease Purchase Agreements**”) to provide for the acquisition of the Equipment pursuant to Ordinance Number 233 enacted on August 20, 2014, which approval required the final form of such agreements to be acceptable to the County; and

WHEREAS, the form of Lease Purchase Agreements previously authorized included covenants to make rental payments from current revenues subject to annual appropriation; and

WHEREAS, following negotiations with potential lenders, the County has determined that it is in the best interests of the County to revise the form of Lease Purchase Agreements by enhancing the security provisions to replace the covenant that such rentals will be payable from current revenues subject to annual appropriation to one providing that the County’s obligation to pay such rentals will be evidenced and secured through the issuance of the County’s general obligation notes; and

WHEREAS, the revision to the terms of the Lease Purchase Agreements to require the issuance of the general obligation notes causes the execution and delivery of such agreements and related notes to be subject to the terms of the Pennsylvania Local Government Unit Debt Act, 53 Pa CSA Sec. 8001 *et seq.*, as amended (the “**Debt Act**”); and

WHEREAS, the County desires take further action in accordance with the requirements of the Debt Act to authorize the execution of the general obligation notes and the Lease Purchase Agreements and the incurrence of nonelectoral indebtedness resulting therefrom; and

WHEREAS, a proposal for purchase of the Notes has been requested by the County’s placement agent, Hutchinson, Shockey, Erley & Co., and a proposal has been received from Huntington Public Capital Corporation (the “**Purchaser**”); and

WHEREAS, the County is empowered to issue such Notes within constitutional and statutory debt limitations in order to accomplish such purposes.

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

Section 1. The Project.

The County hereby undertakes a project consisting of the acquisition of the Equipment pursuant to the Lease Purchase Agreements and the payment of issuance costs (collectively, the “**Project**”) pursuant to §8101 of the Debt Act

Section 2. Incurrence of Indebtedness.

For the purpose of providing funds for and toward the payment of costs, as such term is used in the Debt Act, of the Project, the incurrence of nonelectoral debt by the County in an aggregate principal amount not to exceed \$8,000,000 is hereby authorized. Such debt shall be evidenced by two series of general obligation notes of the County to be issued in succession in accordance with the provisions of §8101(3) of the Debt Act, (i) a series designated “County of Lackawanna, Pennsylvania, General Obligation Note, Series A of 2014” (the “**2014A Note**”) in a principal amount not to exceed \$2,200,000, which 2014A Note is to be issued to evidence and secure the County’s payment obligation with respect to the QECB Lease Purchase Agreement, and (ii) a series designated “County of Lackawanna, Pennsylvania, General Obligation Note, Series B of 2014” (the “**2014B Note**,” and together with the 2014A Notes, the “**Notes**”) in a principal amount not to exceed \$5,800,000, which 2014B Note is to be issued to evidence and secure the County’s payment obligation with respect to the Tax-Exempt Lease Purchase Agreement. The proceeds from the sale of the Notes will be applied to the payment of the costs of the Project.

Section 3. Approval of Private Sale.

After considering the advantages and disadvantages of a public sale of the Notes, Board of Commissioners hereby determines that a private sale by negotiation is in the best financial interests of

the County.

Section 4. Award of Notes; Acceptance of Proposal.

(a) The Board of Commissioners shall and does accept the Proposal to purchase all but not less than all of the Notes as contained in the Proposal dated October 16, 2014, presented by the Purchaser to the Board of Commissioners on the date hereof (the “**Proposal**”); and the Notes shall be and are awarded to the Purchaser, in accordance with terms and conditions of the Proposal, at a negotiated sale at the price stated in the Proposal which is attached as Exhibit B hereto and incorporated herein by reference as if set out here at length. The proposal does not establish final terms for the Notes but establishes maximum parameters relating to principal amount, annual principal maturity or mandatory sinking fund payments, interest rates and annual debt service payments (which maximum parameters are incorporated herein as is set forth at length. The Chairman of the Board of Commissioners and the Director of Administrative Services (each, an “**Authorized Officer**”) of the County are hereby authorized and directed to execute and deliver an acceptance of the Proposal to the Purchaser. One counterpart of the Proposal is to be filed with the records of the County. Notwithstanding the forgoing, the award and the delivery of the Notes to the Purchaser is subject to the delivery of an addendum to the proposal (the “**Addendum**”) containing final terms for the Notes conforming to the further requirements of paragraph (c) to this Section 4 and the acceptance of such Addendum by the proper officers and officials of the County in accordance to the following provisions of this Section 4.

(b) The Addendum must be submitted to the Director of Administrative Services of the County for approval and acceptance, which Addendum must conform to the provisions of the Proposal and the further provisions of paragraph (c) of this Section 4. The Addendum is to contain insertions as to final interest rates, principal amounts, maturity dates and redemption provisions and related matters, and such deletions and amendments to the Proposal as the Director of Administrative Services and the Solicitor may approve, subject to conforming with the requirements of paragraph (c) of this Section 4. The execution and delivery of the Addendum by an Authorized Officer will constitute conclusive evidence of such approval.

(c) The Addendum must meet the following requirements:

(i) The aggregate purchase price for the Notes to be purchased pursuant to such Addendum must not be less than the total of (A) 100% of the aggregate principal amount thereof, and (B) plus accrued interest, if any.

(ii) The aggregate principal amount of the 2014A Note may not exceed \$2,200,000, the aggregate principal amount of the 2014B Note may not exceed \$5,800,000 and the annual principal maturity or mandatory sinking fund payments, interest rates and annual debt service payments may not exceed the maximum parameters set forth in Exhibit C attached hereto and incorporated herein by reference.

(iii) The proceeds from the sale of the Notes on terms consistent with the Addendum must provide funds sufficient to acquire the Equipment.

(v) The Notes contemplated by the Proposal and the Addendum must conform to the requirements of the Debt Act, including specifically the commencement date of principal payments and the structure of debt service payments.

(vi) The terms of the Notes must conform to the requirements of Section 5 hereof.

(d) The execution and delivery of the Addendum by an Authorized Officer of the County will constitute acceptance hereunder of the Addendum and the incorporation by reference of the terms thereof into this Ordinance as if set forth herein at length. Upon acceptance of the Addendum, the Notes will be and are hereby awarded and sold at private sale by negotiation unto the Purchaser in accordance with the requirements set forth in the preceding provisions of this Section 4, in

accordance with all the terms of the Proposal, as amended by the Addendum. The proper officers are authorized and directed to accept the Proposal and such Addendum by signing each, to return each to the Purchaser and to file a copy of the same with the records of the County.

The Director of Administrative Services is hereby authorized and directed to deliver the Notes to the Purchaser and receive payment therefor on behalf of the County after sale of the same in the manner required by law and the terms of this Ordinance. The proper officers of the County are hereby authorized and directed to transfer and invest funds, to pay all necessary, usual and proper costs of issuance of the Notes, to execute and deliver such documents and to do all such other acts, upon advice of the Solicitor, as are reasonably necessary to ensure a satisfactory settlement of the sale of the Notes, and a proper application of the proceeds thereof to the Project.

Section 5. Maturity, Yields and Interest Rates

The rate of interest per annum for each maturity of the Notes may not exceed the rates set forth in Exhibit C attached hereto and incorporated herein; provided, that in the case of term Notes, if any, the applicable rate of interest will be the rate set forth in Exhibit C for the relevant maturity date of such term Notes. The principal amount of Notes annually scheduled to mature or to be subject to mandatory redemption, as the case may be, may not exceed the principal amount on each date set forth in Exhibit C attached hereto.

Section 6. Appointment of Paying Agent, Registrar and Sinking Fund Depository

The Board of Commissioners hereby appoints Manufacturers and Traders Trust Company, having an office in Harrisburg, Pennsylvania, to serve as paying agent (the "**Paying Agent**") and Registrar with respect to the Notes and as sinking fund depository for the Sinking Funds (hereinafter defined) created hereby. The proper officers of the County are hereby authorized and directed to contract with Manufacturers and Traders Trust Company for its services as Paying Agent, Registrar and Sinking Fund Depository at such initial and annual charges as shall be appropriate and reasonable for such services. The County may, by Ordinance, from time to time appoint a successor Paying Agent, Registrar or Sinking Fund Depository to fill a vacancy or for any other reason.

Section 7. Form And Terms of Notes

The Notes shall be substantially in the form contained in Section 23 hereof. The Notes are issuable as fully registered Notes without coupons, in denominations equal to the principal amount of each of the respective Notes, and shall be numbered consecutively in the order of authentication, without regard to denomination or maturity.

The Notes are being issued in fully registered form and will bear interest accruing from the date of issuance and delivery thereof, or such other date as is specified in the Addendum (the "**Dated Date**"). The Notes will bear interest payable on May 1 and November 1 (each an "**Interest Payment Date**"), commencing May 1, 2015. The Notes mature on the dates and in the amounts shown in the Proposal. Each Note shall be dated as of the date of its authentication and will bear interest (computed on the basis of a 360 day year comprised of twelve months of 30 days) from the Interest Payment Date next preceding the date of authentication of such Note, unless: (a) such Note is authenticated as of an Interest Payment Date, in which event such Note shall bear interest from said Interest Payment Date; or (b) such Note is authenticated prior to May 1, 2015, in which event such Note shall bear interest from the Dated Date; or (c) such Note is authenticated after a Record Date (hereinafter defined) and before the next succeeding Interest Payment Date, in which event such Note shall bear interest from the next succeeding Interest Payment Date; or (d) as shown by the records of the Paying Agent, interest on such Note shall be in default, in which event such Note shall bear interest from the date on which interest was last paid on such Note.

Except as to distinguishing numbers, denominations, interest rates, yields and maturity dates, the Notes and the Paying Agent's certificates of authentication shall be substantially in the forms and

shall be of the tenor and purport hereinafter set forth, with insertions and variations (including CUSIP numbers, if any) approved by the Paying Agent, as may be appropriate for different series, denominations and maturity dates.

The principal of and premium, if any, on the Notes will be payable to the Registered Owners thereof or their transferees upon presentation and surrender thereof at the designated corporate trust office of the Paying Agent in lawful money of the United States of America and under the terms and conditions set forth in the Notes. Payment of interest on the Notes will be made by check or draft mailed by the Paying Agent to the registered owners thereof whose names and addresses appear at the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding each Interest Payment Date (the "Record Date") on the Note Register (hereinafter defined), irrespective of any transfer or exchange of any Notes subsequent to the Record Date and prior to such Interest Payment Date, unless the County is in default in payment of interest due on such Interest Payment Date. In the case of an interest payment to any registered owner of \$1,000,000 or more in aggregate principal amount of Notes as of the close of business of the Paying Agent on the Record Date for a particular Interest Payment Date, such payment may be made by wire transfer to any designated account in a member bank of the Federal Reserve System as of the close of business on such Interest Payment Date upon written request from such registered owner, which written request is received by the Paying Agent not less than five days prior to such Record Date.

In the event of any default in payment of interest due on an Interest Payment Date, such defaulted interest will be payable to the persons in whose names the Notes are registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent on behalf of the County to the registered owners of the Notes not less than ten (10) days preceding such special record date. Such notice must be mailed to the persons in whose names the Notes are registered at the close of business on the fifth (5th) day preceding the date of mailing.

If the date for payment of the principal of, premium, if any, or interest on the Notes occurs on a day which is not a Business Day (a "**Business Day**" is any day other than a Saturday, Sunday or a day on which financial institutions in the Commonwealth of Pennsylvania (the "**Commonwealth**") are authorized by law to be closed), the interest and/or principal due on such date will be payable on the next succeeding Business Day, and payment on such date will have the same force and effect as if made on the nominal date of payment.

Section 8. Note Register, Registrations and Transfers

The County will cause to be kept, and the Paying Agent, as Registrar, is hereby directed to keep, at its principal corporate trust office, books for the registration, exchange and transfer of Notes (the "**Note Register**") in the manner provided herein and therein so long as Notes remain outstanding. Such registrations, exchanges and transfers are to be made without charge to Noteholders, except for actual costs, including postage, insurance and any taxes or other governmental charges required to be paid with respect to the same.

The Notes will be transferable or exchangeable by the registered owners thereof upon surrender thereof to the Paying Agent, at its designated corporate trust office, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner thereof or his attorney-in-fact or legal representative. The Paying Agent will enter any transfer of ownership of any of the Notes in the Note Register and will authenticate and deliver in the name of the transferee or transferees a new fully registered Note or Notes of authorized denominations of the same series, maturity and interest rate or yield for the aggregate amount which the registered owner is entitled to receive at the earliest practicable time. Notes may be exchanged for a like aggregate principal or maturity amount of Notes

of other authorized denominations, of the same series, maturity and interest rate or yield.

The County and the Paying Agent will not be required: (a) to issue or transfer or exchange any Note during a period beginning at the close of business on the Record Date next preceding any Interest Payment Date and ending at the close of business on the Interest Payment Date; or (b) to issue or transfer or exchange any Note then considered for redemption during the period beginning at the close of business on the fifteenth (15th) day next preceding any date of selection of such Notes to be redeemed and ending at the close of business on the day on which the notice of redemption is mailed; or (c) to transfer or exchange any portion of any Note selected for redemption until after the redemption date.

The County and the Paying Agent may deem and treat the persons in whose names the Notes are registered as the absolute owners thereof for all purposes, whether such Notes may be overdue or not, and payment of the principal of the Notes will be made only to or upon the order of the registered owners thereof or their legal representatives, but such registration may be changed, as herein provided. All such payments will be valid and effectual to satisfy and discharge the liability upon Notes, to the extent of the sum or sums so paid, and neither the County nor the Paying Agent shall be affected by any notice to the contrary.

Section 9. Execution

The Notes are to be executed in the name of and in behalf of the County by the manual or facsimile signature of the Chairman of the Board of Commissioners, and are to have the manual or facsimile of the official seal of the County affixed thereto, duly attested by the manual or facsimile signature of the Director of Administrative Services of the County; and said officers are authorized to execute, to attest and to countersign the Notes.

Section 10. Authentication

No Note constituting one of the Notes will be entitled to any benefit under this Ordinance nor will it be valid, obligatory or enforceable for any purpose until such Note has been authenticated by the Certificate of Authentication endorsed thereon duly signed by the Paying Agent; and the Paying Agent is authorized to register and authenticate the Notes, in accordance with the provisions hereof.

Section 11. General Obligation Covenant

The Notes, when issued, will be general obligations of the County. The County covenants to and with registered owners, from time to time, of the Notes which shall be outstanding, from time to time, pursuant to this Ordinance, that the County: (i) shall include the amount of the debt service for the Notes, for each fiscal year of the County in which such sums are payable, in its budget for that fiscal year, (ii) shall appropriate such amounts from its general revenues for the payment of such debt service, and (iii) shall duly and punctually pay or cause to be paid from its Sinking Funds (hereinafter identified) or any other of its revenues or funds the maturity amount of each of the Notes at the dates and place and in the manner stated therein, according to the true intent and meaning thereof; and, for such budgeting, appropriation and payment, the County shall and does pledge, irrevocably, its full faith, credit and taxing power.

As provided in the Debt Act, the foregoing covenant of the County will be specifically enforceable.

The maximum amount of debt service which the County hereby covenants to pay on the Notes in each year is shown on Exhibit C which is attached hereto and incorporated herein by reference as if set out here at length.

The County covenants to make payments out of the Sinking Funds, or out of any other of its revenues or funds, at such times and in such annual amounts, as shall be sufficient for prompt and full payment of all obligations of the Notes when due.

Section 12. Principal Amortization: Redemption

The principal of the Notes either will be scheduled to mature in part on each Interest Payment Date or will be subject to redemption prior to maturity in whole or in part (if in part, in the order of maturity selected by the County) on the dates and at the prices set forth in the accepted Addendum, subject to Section 4(c) hereof.

In addition to required principal amortization of the Notes in part prior to maturity, the Notes may be subject to prepayment or optional redemption, in whole or in part, if at all, on the dates and in the amounts as provided in the Addendum, which prepayment or redemption provisions are incorporated herein by reference as if set out here at length. The County covenants and directs the Paying Agent to pay the principal of or redeem the specified aggregate principal amount of Notes of the specified series and maturities on the respective dates set forth in the accepted Proposal, as modified by the Addendum, subject, however, to the provisions of Section 4(c) hereof.

In the case of partial redemption of any of the Notes, the holder may be requested to surrender such Note in exchange for a Note in a principal amount equal to the unredeemed portion thereof at the time of payment of the redemption price.

Notice of any optional redemption, as hereinbefore authorized, is to be given by the Paying Agent in the name of the County by mailing a notice of any redemption of Notes hereunder by first class mail, postage prepaid, to the holders of all Notes to be redeemed at the registered addresses appearing in the Note Register. Each such notice shall (i) be mailed at least 30 days and not more than 60 days prior to the redemption date, (ii) identify the Notes to be redeemed (specifying the CUSIP numbers, if any, assigned to the Notes), (iii) specify the redemption date and the redemption price, and (iv) state that on the redemption date the Notes called for redemption will be payable at the designated corporate trust office of the Paying Agent, that from that date interest will cease to accrue on the Notes, and that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Notes. No defect affecting any Note, whether in the notice of redemption or mailing thereof (including any failure to mail such notice), shall affect the validity of the proceedings for redemption for any Note with respect to which notice was properly given.

If at the time of mailing of any notice of optional redemption the County shall not have deposited with the Paying Agent monies sufficient to redeem all the Notes called for redemption, such notice shall state that it is subject to the deposit of the redemption monies with the Paying Agent not later than the opening of business on the redemption date and shall be of no effect unless such monies are so deposited.

On the date designated for redemption, notice having been given as aforesaid, and money for payment of the principal, premium, if any, and accrued interest, as applicable, being held by the Paying Agent, interest on the Notes or portions thereof so called for redemption shall cease to accrue and the Notes or portions thereof so called for redemption shall cease to be entitled to any benefit or security under this Ordinance, and registered owners of the Notes or portions thereof so called for redemption shall have no rights with respect thereto, except to receive payment of the principal to be redeemed and accrued interest thereon to the date fixed for redemption, together with the redemption premium, if any.

If the redemption date for any Notes shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the city where the designated corporate trust office of the Paying Agent is located are authorized by law or executive order to close, then the date for payment of the principal, premium, if any, and interest upon such redemption shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal day of redemption.

Section 13. Sinking Fund

(a) **Deposit.** There is hereby created, pursuant to the Debt Act, a sinking fund for the Notes, to be known as "County of Lackawanna, General Obligation Notes, Series of 2014" (the "**2014 Sinking Fund**"), which 2014 Sinking Fund shall be administered in accordance with applicable provisions of the Debt Act. The County covenants, and the Treasurer of the County is hereby authorized and directed, to deposit into the 2014 Sinking Fund

(i) on or before May 1, 2015 and on or before each November 1 and May 1 thereafter to and including the final maturity date of the Notes, amounts sufficient to pay, together with other available moneys in such 2014 Sinking Fund, including without limitation earnings on investments in such fund, the interest due on such dates on the Notes then outstanding, and

(ii) on or before May 1, 2015 and on each November 1 thereafter to and including the final maturity date of the Notes, amounts sufficient, together with other available moneys in such 2014 Sinking Fund, including without limitation earnings on investments in such fund, to pay the outstanding principal of the Notes maturing on each such date.

Should the amounts covenanted to be paid into the 2014 Sinking Fund be, at any time, in excess of the net amounts required at such time for the payment of principal or interest then due, whether by reason of funds already on deposit in the 2014 Sinking Fund or by reason of the purchase of 2014 Notes, or for some similar reason, the amounts covenanted to be paid may be reduced to the extent of the excess.

(b) **Credit.** The County may satisfy any part of its obligations with respect to Section 13(a) above by delivering to the Paying Agent, as sinking fund depository, for cancellation, Notes owned by it maturing on the date on which such deposit is required. Upon delivery of such Notes, the County shall receive a credit against such deposit in an amount equal to the face amount of the Notes so delivered.

(c) **Application of Funds.** All sums in the Sinking Fund shall be applied exclusively to the payment of the principal of and interest on the Notes covenanted to be paid by Section 11 hereof as the same shall become due and payable. The balance of said moneys over and above the required sum shall remain in the Sinking Fund, such balance to be applied to the reduction of future required deposits; subject, however, to investment or deposit at interest as authorized by law and permitted by Section 14 hereof, to the extent that such investment or deposit can be made without causing the Notes to become arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "**Internal Revenue Code**"), which investments or deposits and the interest thereon shall be held exclusively for the purposes of the Sinking Fund, as aforesaid. The Paying Agent, without further authorization other than as herein contained, shall pay from the moneys in the Sinking Fund to the registered owners, the interest and premium, if any, on the Notes, as and when due.

Section 14. Investment

Any moneys in the Sinking Funds created hereby not required for prompt expenditure may be invested upon the written direction of the County in bonds or obligations which are direct obligations of, or are fully guaranteed as to principal and interest by, the United States of America or may be deposited in time accounts or certificates of deposit or other interest bearing accounts of any bank or bank and trust company, savings and loan association or building and loan association. To the extent that such deposits are insured by the Federal Deposit Insurance Corporation or a similar federal agency, they need not be secured. Otherwise, such deposits shall be secured as public deposits, except that moneys held by the Paying Agent as sinking fund depository may be secured as trust funds. Any such investments or deposits shall mature or be subject to redemption at the option of the

owner, or be subject to withdrawal at the option of the depositor, not later than the date upon which such moneys are required to be paid to the registered owners.

Section 15. Disposition of Proceeds

All moneys derived from the sale of the Notes shall be deposited into the Clearing Account created pursuant to Section 16 hereof and shall be and hereby are appropriated substantially to the payment of the costs of the Project, including but not limited to payment of the costs and expenses of preparing, issuing and marketing the Notes, and shall not be used for any other purposes, except as to any insubstantial amounts of money which may remain after fulfilling the purposes set forth herein, which minor amounts or remaining moneys shall promptly upon their determination be deposited in the Sinking Fund and used for the payment of interest on the Notes.

Section 16. Clearing Account

The County hereby establishes with the Paying Agent a special fund to be known as the "County of Lackawanna Series 2014 Clearing Account" (the "**Clearing Account**") which shall be held as a trust fund for the benefit of the County until disbursed in accordance with the provisions hereof. The County shall deliver the net proceeds (including accrued interest) derived from the sale of the Notes to the Paying Agent for deposit to the Clearing Account. Upon written directions from the County, signed by the proper officers of the County, the Paying Agent shall pay, out of the Clearing Account, the costs and expenses of issuance of the Notes and shall transfer the amount of accrued interest to the Sinking Fund. The written directions of the County shall state the names of the respective payees, the purpose for which the expenditure has been incurred, or the purpose of the transfer, whichever is applicable, and shall contain a certification that each item of expense for which payment has been requested has been properly incurred and is then unpaid, and that each transfer which is requested is in accordance with the provisions of this Ordinance.

After making provision for the payment of the costs of issuance and the transfer to the Sinking Fund, the balance of the moneys held in the Clearing Account shall be transferred upon the written direction of the County to the deposit of the escrow account established under the escrow deposit agreement authorized in Section 24 of this Ordinance, with any funds not needed to acquire the Equipment, to pay costs of issuance or to fund accrued interest on the Notes being deposited to the County's General Fund, or such other appropriate fund to which the officer issuing such written directions shall specify. Following such transfer, the Clearing Account shall be closed.

SECTION 17. PAYMENT OF EXPENSES

All expenses incurred in connection with the issuance of the Notes shall be paid out of the proceeds derived from the issuance and sale of the Notes and the proper officers and officials are authorized to sign and deliver requests for payment of such expenses.

SECTION 18. INTERNAL REVENUE CODE COVENANTS

(a) **QECB Lease Purchase Agreement.** The County hereby covenants with respect to the 2014A Note securing the QECB Lease Purchase Agreement that:

(i) it shall at all times do and perform all acts and things necessary or desirable in order to assure that the QECB Lease Purchase Agreement is and remains qualified under Sections 54A and 54D of the Internal Revenue Code and, in furtherance thereof, is hereby designating the 2014A Note and the QECB Lease Purchase Agreement as a "qualified energy conservation bond" pursuant to Section 54D(a) of the Code; and

(ii) it shall take every other action required to qualify the 2014A Note and the related QECB Lease Purchase Agreement as a "qualified energy conservation bond" pursuant to Section 54D(a) of the Code and shall not take or omit any action that would or might jeopardize such tax status; and

(iii) it will claim directly the subsidy available under the Code.

(b) **Tax-Exempt Lease Purchase Agreement.** The County hereby covenants with respect to the 2014B Note securing the Tax-Exempt Lease Purchase Agreement that:

(i) it shall at all times do and perform all acts and things necessary or desirable in order to assure that interest (including accruals of original issue discount treated as interest for federal income tax purposes) paid on the Notes shall, for purposes of federal income taxation, be and remain excludible from the gross income of the recipients thereof and that it will refrain from doing or performing any act or thing that will cause such interest (including accruals of original issue discount treated as interest for federal income tax purposes) not to be so excludible;

(ii) it will not make any investment or other use of the proceeds (as that term is defined in Section 148 of the Internal Revenue Code and all applicable regulations promulgated thereunder) of the Notes which would cause the Notes to be "arbitrage bonds" (as that term is defined in Section 148 of the Internal Revenue Code and all applicable regulations promulgated thereunder); and

(iii) it will comply with the requirements of such Internal Revenue Code section and regulations throughout the term of the Notes.

(c) **Rebate.** The County hereby covenants that it will rebate to the United States Treasury Department, at the times, in the manner and in the amounts required by Section 148 of the Internal Revenue Code, income derived from investing the proceeds of the Notes at a

yield in excess of the yield on the Notes; provided, however, that it shall not be required to rebate any excess earnings to the extent that one of the exceptions to rebate contained in Section 148(f) of the Internal Revenue Code are satisfied.

(d) **Filing.** With respect to the 2014B Note, the County hereby covenants to file or to cause to be filed Internal Revenue Service Form 8038-G and any other forms or information required by the Internal Revenue Code to be filed in order to permit the interest (including accruals of original issue discount treated as interest for federal income tax purposes) on the 2014B Note to be excluded from gross income for federal income tax purposes. With respect to the 2014A Note, the County hereby covenants to file or to cause to be filed Internal Revenue Service Form 8038-TC or such forms as may be required by the Internal Revenue Service to qualify and to remain qualified under Sections 54A and 54D of the Internal Revenue Code, and further covenants to cause to be filed Internal Revenue Service Form 8038-CP or such other forms as may be required to obtain the subsidy available with respect to such qualified energy conservation bond pursuant to the Code.

SECTION 19. COSTS AND REALISTIC USEFUL LIFE

Realistic cost estimates for the Project have been obtained through actual bids and professional estimates from financial advisors and other persons qualified by experience. The cost of the Project is at least \$8,000,000. The useful life of the Project financed with the proceeds of the Notes is not less than twenty (20) years and expires no earlier than the final maturity date of the Notes allocated to such new capital expenditures. Therefore, the maturities of the Notes are in accordance with 53 Pa. CSA §8142(a)(2)(i). The first principal payment date for the Notes is within the later of two years from the date of issue of the Notes and one year of the expected completion of the Project in accordance with 53 Pa. CSA §8142(c).

SECTION 20. ADVERTISING

The action of the officers of the County in advertising a summary of this Ordinance, as required by law, is ratified and confirmed. The officers of the County, or any of them, are authorized and directed to advertise a notice of adoption of this Ordinance in a newspaper of general circulation in the County within fifteen (15) days after final enactment. The officers of the County, or any of them, are hereby directed to make a copy of this Ordinance available for inspection by any citizen between the hours of 9:00 a.m. and 4:00 p.m., prevailing local time, on regular business days.

SECTION 21. FILING WITH THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT

The officers and officials of the County, which shall include their duly qualified successors in office, if applicable, are authorized and directed, as required, necessary and/or appropriate: (a) to prepare, verify, certify and file with the Department of Community and Economic Development (the “**Department**”) the debt statement required by Section 8110 of the Debt Act; (b) to prepare and file with the Department any statements required by Article II of the Debt Act that are necessary or desirable to qualify all or any portion of the debt of the County that is subject to exclusion as self-liquidating or subsidized debt for exclusion from the appropriate debt limit of the County as self-liquidating or subsidized debt; (c) to prepare and to file the application with the Department, together with a complete and accurate transcript of the proceedings for the required approval relating to the debt evidenced by the Notes, as required by Section 8111 of the Debt Act; (d) to pay or to cause to be paid to the Department all proper filing fees required in connection with the foregoing; and (e) to take other required, necessary and/or appropriate action.

The Director of Administrative Services is authorized and directed to prepare, to execute and to file the borrowing base certificate with the Department as required by Section 8110 of the Debt Act.

Proper officials of the County are authorized and directed to deliver the Notes, but only after the Department has certified its approval pursuant to Section 8204 of the Debt Act.

SECTION 22. GENERAL AUTHORIZATION

The officers and officials of the County are hereby authorized and directed to execute and deliver such other documents and to take such other action as may be necessary or appropriate in order to effect the execution, issuance, sale and delivery of the Notes and the execution and delivery of the Lease Purchase Agreements, all in accordance with this Ordinance.

SECTION 23. NOTE FORM

Both the 2014A Note and the 2014B Note, together with the form of the Paying Agent's Certificates to be endorsed thereon and the form of Assignment, shall be substantially as follows, with appropriate insertions and variations to reflect the respective series and final terms of the transaction:

**UNITED STATES OF AMERICA
COMMONWEALTH OF PENNSYLVANIA**

**COUNTY OF LACKAWANNA
(Pennsylvania)
GENERAL OBLIGATION NOTE, SERIES [A/B] OF 2014**

No. _____ \$ _____

INTEREST RATE ISSUE DATE MATURITY DATE CUSIP

REGISTERED OWNER:

PRINCIPAL AMOUNT:

The COUNTY OF LACKAWANNA, PENNSYLVANIA (the "County"), a political subdivision existing under laws of the Commonwealth of Pennsylvania (the "Commonwealth"), for value received, promises to pay to the registered owner named above, or registered assigns, on the maturity date stated above, upon presentation and surrender hereof, the principal amount specified hereon, and to pay semiannually on May 1 and November 1 of each year, beginning May 1, 2015 (each an "Interest Payment Date") to the registered owner hereof interest on said principal sum, at the rate per annum stated hereon (computed on the basis of a 360 day year comprised of twelve months of 30 days), from the Interest Payment Date next preceding the date of authentication of this Note, unless (a) this Note is authenticated as of an Interest Payment Date, in which event this Note shall bear interest from said Interest Payment Date; or (b) this Note is authenticated prior to May 1, 2015, in which event this Note shall bear interest from the Dated Date; or (c) this Note is authenticated after a Record Date (hereinafter defined) and before the next succeeding Interest Payment Date, in which event this Note shall bear interest from the next succeeding Interest Payment Date; or (d) as shown by the records of the Paying Agent (hereinafter identified), interest on this Note shall be in default, in which event this Note shall bear interest from the date on which interest was last paid on, until said principal sum is paid.

The interest on this Note, which is payable by check drawn on, or wire transfer by, Manufacturers and Traders Trust Company (the "Paying Agent"), a corporate trust office of

which is located in Harrisburg, Pennsylvania, as paying agent, or its successor, and the principal of this Note, which is payable in lawful money of the United States of America upon surrender at the designated corporate trust office of the Paying Agent. Payment of the interest hereon shall be made to the registered owner hereof whose name and address shall appear, at the close of business on the fifteenth day (whether or not a business day) of the month next preceding each Interest Payment Date (the “**Record Date**”), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of this Note subsequent to such Record Date and prior to such Interest Payment Date, unless the County shall be in default in payment of interest due on such Interest Payment Date. Payments may be made by wire transfer to any designated account in a member bank of the Federal Reserve System as of the close of business on such Interest Payment Date upon written request from such registered owner, which written request is received by the Paying Agent not less than five days prior to such Record Date. In the event of any default in payment of interest due on such Interest Payment Date, such defaulted interest shall be payable to the person in whose name this Note is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owner of this Note not less than ten (10) days preceding such special record date. Such notice shall be mailed to the person in whose name this Note is registered at the close of business on the fifth (5th) day preceding the date of mailing.

This Note is one of a series of Notes of the County, known generally as “County of Lackawanna, Pennsylvania General Obligation Note, Series [A/B] of 2014” (the “**Note**”), with the Note stated to mature in part on May 1 and November 1 of each of the years 2015 through November 1, [2034] in the aggregate principal amount of _____ Million _____ Hundred _____ Thousand Dollars (\$_____).

The Note has been authorized for issuance in accordance with provisions of the County Debt Act (the “**Debt Act**”) of the Commonwealth and by virtue of a duly enacted Ordinance (the “**Ordinance**”) of the Board of Commissioners. The Debt Act, as such shall have been in effect when the Note was authorized, and the Ordinance shall constitute a contract between the County and registered owners, from time to time, of the Note.

The County has covenanted, in the Ordinance, to and with registered owners, from time to time, of the Note that shall be outstanding, from time to time, pursuant to the Ordinance, that the County: (i) shall include the amount of the debt service for the Note, for each fiscal year of the County in which such sums are payable, in its budget for that fiscal year, (ii) shall appropriate such amounts from its general revenues for the payment of such debt service, and (iii) 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 of and interest on the Note at the dates and place 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 and does pledge, irrevocably, its full faith, credit and taxing power.

The Note is issuable only in the form of a registered Note, without coupons, in a denomination equal to the principal amount of such Note. The County and the Paying Agent shall not be required (a) to issue or transfer or exchange any Note during a period beginning at the close of business on the Record Date next preceding any Interest Payment Date and ending at the close of business on the Interest Payment Date; or (b) to issue or transfer or exchange the Note then considered for redemption during a period beginning at the close of business on the fifteenth (15th) day next preceding any date of selection of Note to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is mailed; or (c) to

transfer or exchange any portion of any Note selected for redemption until after the redemption date.

This Note may be transferred or exchanged by the registered owner hereof upon surrender of this Note to the Paying Agent, at its designated office, accompanied by a written instrument or instruments in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of this Note or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of this Note in the books for the registration, exchange and transfer of the Note (the “**Note Register**”) and shall authenticate and deliver in the name of the transferee or transferees a new fully registered Note of the same maturity and interest rate or yield for the aggregate amount which the registered owner is entitled to receive at the earliest practicable time. The County and the Paying Agent may deem and treat the registered owner hereof as the absolute owner hereof (whether or not this Note shall be overdue) for the purpose of receiving payment of or on account of principal or maturity (or accreted) value hereof, premium, if any, and interest due hereon and for all other purposes, and the County and the Paying Agent shall not be affected by any notice to the contrary.

Optional Redemption. The Note is subject to redemption prior to maturity, at the option of the County, in whole or in part on June 1, 2020, or on any date thereafter, in any order of maturity as selected by the County, upon payment of 100% of the principal amount of such Note if to be redeemed in whole or 100% of the principal amount to be redeemed in the case of a partial redemption, together, in both cases, with interest accrued to the date set for redemption.

Principal Amortization: Mandatory Redemption. The principal of the Note will be scheduled to mature in part on each Interest Payment Date on May 1 and November 1 of each year in the amounts set forth in Exhibit A attached hereto [same schedule as Exhibit C to Ordinance], plus interest accrued to the date fixed for redemption.

Notice of any optional redemption, as hereinbefore authorized, shall be given by the Paying Agent in the name of the County by mailing a notice of any redemption of the Note hereunder by first class mail, postage prepaid, to the holders of the Note to be redeemed at the registered addresses appearing in the Note Register. Each such notice shall (i) be mailed at least 30 days and not more than 60 days prior to the redemption date, (ii) identify the Note to be redeemed (specifying the CUSIP numbers, if any, assigned to the Note), (iii) specify the redemption date and the redemption price, and (iv) state that on the redemption date the Note called for redemption will be payable at the designated corporate trust office of the Paying Agent, that from that date interest will cease to accrue on the Note or portion of the Note being redeemed, and that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Note. No defect affecting any Note, whether in the notice of redemption or mailing thereof (including any failure to mail such notice), shall affect the validity of the proceedings for redemption for any Note with respect to which notice was properly given.

If at the time of mailing of any notice of optional redemption the County shall not have deposited with the Paying Agent monies sufficient to redeem the Note called for redemption, such notice shall state that it is subject to the deposit of the redemption monies with the Paying Agent not later than the opening of business on the redemption date and shall be of no effect unless such monies are so deposited.

It hereby is certified that: (i) all acts, conditions and things required to be done, to happen or to be performed as conditions precedent to and in issuance of this Note or in creation of the debt of which this Note is evidence have been done, have happened or have been performed in

due and regular form and manner, as required by law; and (ii) the debt represented by this Note, together with any other indebtedness of the County, is not in excess of any limitation imposed by the Debt Act upon the incurring of debt by the County.

The County, in the Ordinance, has established a sinking fund with the Paying Agent, as the sinking fund depository, into which funds for the payment of the maturity value of the Note shall be deposited not later than the date fixed for the disbursement thereof. The County has covenanted, in the Ordinance, to make payments from such sinking fund or from any other of its revenues or funds, at such times and in such annual amounts, as shall be sufficient for prompt and full payment of all obligations of this Note.

This Note shall not be entitled to any benefit under the Ordinance nor shall it be valid, obligatory or enforceable for any purpose until this Note shall have been authenticated by the Paying Agent.

IN WITNESS WHEREOF, the County has caused this Note to be executed in its name by the facsimile signature of the Chairman, Board of Commissioners of the County, and a facsimile of its seal to be affixed hereto and the facsimile signature of the Director of Administrative Services of the County of the County to be affixed hereto in attestation thereof, all as of the initial issuance date listed hereon.

ATTEST:

COUNTY OF LACKAWANNA

Director of Administrative Services

By: _____
Chairman, Board of Commissioners

(SEAL)

CERTIFICATE OF AUTHENTICATION

This Note is one of the Notes described in the within mentioned Ordinance. The text of the Opinion printed upon this Note is a true and correct copy of the text of the opinion issued by _____, dated and delivered on the date of the original delivery of and payment for such Notes, an executed counterpart of which is on file with the undersigned.

_____, Paying Agent

By: _____
Authorized Representative

Date of Authentication:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ (please print or typewrite name, address and social security number or taxpayer identification number of transferee) the within Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____ Attorney to transfer the within Note on the books kept for registration of substitution in the premises.

Assignor(s)

NOTICE: The signature(s) to this assignment must correspond with the name(s) as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member firm of a major stock exchange or a commercial bank or trust company.

[END OF NOTE FORM]

SECTION 24. LEASE PURCHASE AGREEMENTS; ESCROW AGREEMENT AND APPOINTMENT OF ESCROW AGENT

The Lease Purchase Agreements will be in form and substance satisfactory to the County, with the advice of counsel, and will provide for the County's repayment obligations to the Lessor thereunder. A form of the proposed Lease Purchase Agreements are attached as an Exhibit D hereto. The proper officers of the County are hereby authorized and directed to execute, attest, seal and deliver the Lease Purchase Agreements, such execution, attestation and delivery of the Lease Purchase Agreements will constitute conclusive evidence of such approval.

Proceeds from the sale of the Notes to be applied to the acquisition of the Equipment may be deposited into an escrow account established pursuant to an escrow deposit agreement pending delivery and installation of the Equipment in accordance with the terms of the Lease Purchase Agreements.

The escrow deposit agreement, if any, shall be in the form and with the content satisfactory to the County's Solicitor and the officers of the County executing and delivering the same, the approval thereof to be conclusively evidenced by the execution thereof and appropriate to give effect to then known facts, figures and circumstances at the time of execution and delivery thereof. The proper officers of the County are authorized and directed to execute, to attest and to seal, as appropriate, and to deliver the escrow deposit agreement.

SECTION 25. SEVERABILITY

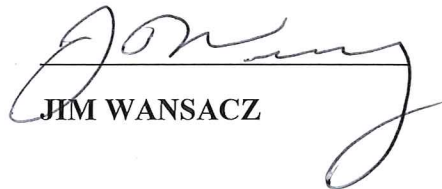
In the event any provision, section, sentence, clause or part of this Ordinance shall be held to be invalid, such invalidity shall not affect or impair any remaining provision, section, sentence, clause or part of this Ordinance, it being the intent of the County that such remainder shall be and shall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


SECTION 26. REPEALER

All Ordinances or parts of Ordinances, insofar as the same shall be inconsistent herewith, shall be and the same expressly are repealed.

ADOPTED at a regular meeting of the Board of Commissioners of Lackawanna County
held on November 5, 2014.

COUNTY OF LACKAWANNA


JIM WANSACZ


COREY D. O'BRIEN


PATRICK M. O'MALLEY

ATTEST:


STEVEN M. BARCOSKI

STEVEN M. BARCOSKI

INTERIM CHIEF OF STAFF

Approved as to form and legality:


DONALD J. FREDERICKSON, ESQUIRE

DONALD J. FREDERICKSON, ESQUIRE

COUNTY SOLICITOR

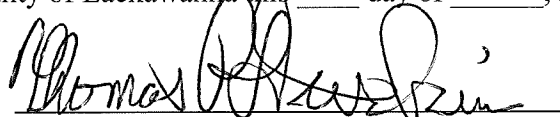
**County of Lackawanna, Pennsylvania
General Obligation Notes, Series of 2014**

CERTIFICATE

I, the undersigned, Director of Administrative Services of the County of Lackawanna, Pennsylvania (the “County”), hereby certify that the foregoing and attached is a true copy of an Ordinance which was duly enacted at a meeting of the Board of Commissioners of the County held on 11 5, 2014, at which a quorum was present and acting throughout, after due notice to the members of the Board of Commissioners and to the public and which was at all times open to the public; that the same was duly recorded in the County's Ordinance Book and that a summary thereof was published as required by law in a newspaper of general circulation in the County. I further certify that the total number of members of the Board of Commissioners is nine and that the vote upon said Ordinance was called and duly recorded upon the minutes of the Board of Commissioners and that the members of the Board of Commissioners voted in the manner following:

	<u>Yes</u>	<u>No</u>	<u>Abstain</u>	<u>Absent</u>
Corey D. O'Brien, Chairman	—	—	—	<u>X</u>
Jim Wansacz	<u>X</u>	—	—	—
Patrick M. O'Malley	<u>X</u>	—	—	—

WITNESS my hand and seal of County of Lackawanna this _____ day of _____, 2014.



 Director of Administrative Services

[SEAL]

**COUNTY OF LACKAWANNA, PENNSYLVANIA
PROCEEDINGS REGARDING THE INCURRENCE OF NONELECTORAL DEBT
APPLICATION FOR APPROVAL**

In the Matter of the Proposed Incurrence of Indebtedness in
Accordance with the Provisions of the Local Government Unit Debt Act
To
The Pennsylvania Department of Community and Economic Development, Harrisburg,
Pennsylvania

**\$8,000,000
COUNTY OF LACKAWANNA, PENNSYLVANIA
General Obligation Notes, Series of 2014**

The undersigned duly authorized officer of the County of Lackawanna, Pennsylvania, (the "County") herewith makes application pursuant to the Local Government Unit Debt Act ("Act") (53 P.S. §§8201 and 8111) for approval of the incurrence of the above-captioned debt.

Debt in the maximum aggregate principal amount of \$8,000,000 will be incurred by the County as Nonelectoral Debt through the issuance and delivery of its General Obligation Notes, Series of 2014 (the "Bonds").

The complete transcript of the proceedings herewith submitted in support of this "Application for Approval" consists of the following:

1. Certified Ordinance authorizing the issuance and delivery of the Bonds (Exhibit A);
2. Proofs of Publication of Legal Notices of the consideration of the Ordinance authorizing the issuance and delivery of the Bonds (Exhibit B);
3. Proof of Publication of Legal Notice of Enactment of the Ordinance (Exhibit C);
4. Certified Debt Statement, Borrowing Base Certificate (Exhibit D);
5. Filing Fee.

IN WITNESS WHEREOF, the undersigned officer of the County of Lackawanna, Pennsylvania has hereto set his hand and affixed the seal of the County this 5 day of November, 2014.

COUNTY OF LACKAWANNA

By: 

Thomas P. Durkin, Director of Administrative
Services/CFO

[SEAL]

COUNTY OF LACKAWANNA, PENNSYLVANIA
General Obligation Notes, Series of 2014

BORROWING BASE

Fiscal Year (ending Dec 31)	<u>2011</u>	<u>2012</u>	<u>2013</u> (unaudited)
GROSS REVENUES	\$126,985,143	\$143,137,091	\$159,013,825
DEDUCTIONS			
LGUDA Sec. 8002			
(i) Subsidies			
(ii) Project Receipts			
(iii) Sinking Fund Interest	248	4,316	6,934
(iv) Grants	47,578,152	44,598,547	50,382,547
(v) Nonrecurring			
Total Deductions	<u>47,578,400</u>	<u>44,602,863</u>	<u>50,389,481</u>
TOTAL REVENUES	\$79,406,743	\$98,534,228	\$108,624,344
AGGREGATE TOTAL REVENUES		\$286,565,315	
BORROWING BASE (Total Revenues/3):		<u>\$95,521,772</u>	

The undersigned official of the County of Lackawanna, Pennsylvania, being duly sworn according to law, does hereby depose and say that he is duly authorized to prepare, certify and file the foregoing Borrowing Base Certificate and that such Borrowing Base Certificate is true and correct to the best of his knowledge, information and belief.

COUNTY OF LACKAWANNA



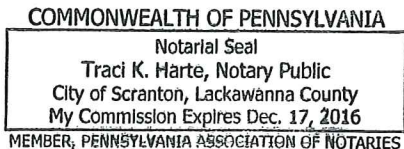
Thomas P. Durkin, Director of Administrative Services/CFO

Sworn to and subscribed

this 7 day of November, 2014



 Notary Public



COUNTY OF LACKAWANNA, PENNSYLVANIA
General Obligation Notes, Series of 2014

DEBT STATEMENT

To: Pennsylvania Department of Community and Economic Development

I, the undersigned Director of Administrative Services/CFO of the County of Lackawanna, Pennsylvania (the "County"), make this Debt Statement, under oath and affirmation, in compliance with the provisions of the Local Government Debt Act (the "Act"), particularly 53 P.S. §8029, as follows:

1. This Debt Statement is made as of November 5, 2014, such date being a date less than sixty days before the filing thereof.

2. The existing gross indebtedness of the County is:

a. **Electoral Debt** None

b. **Nonelectoral Debt:**

G.O. Bonds

2004A (GOB-15727)	\$ 1,315,000
2004D (GOB-15754)	610,000
2007AB (GOB-16625)	32,055,000
2008E (GOB-16873)	13,475,000
2009A (GOB-17091)	7,310,000
2010B (GOB-17554)	58,340,000
2014 (GOB-14092303)	2,587,000

G.O. Notes

2008A (GON-12688)	44,505,000
2008D (GON-12774)	12,335,000
2009B (GON-12960)	26,465,000
2010A (GON-13085)	2,160,000
2011 (GON-13557)	15,050,000
2012AB (GON-13629)	7,919,000
2013 (GON-13040803)	2,338,139

\$ 226,464,240

c. **Lease Rental Debt:** None

3. **Exclusions and Credits.** The County does not claim, in this Debt Statement, any credits and exclusions from or against the total gross indebtedness, as is set forth in Paragraph 2 above, in determining the net debt of the County. The County reserves the right to claim additional credits and exclusions, including exclusions for self-liquidating debt, in any future Debt Statement filed by the County in connection with any future debt incurred by the County.

4. The maximum principal amount of Notes to be issued as nonelectoral debt is \$8,000,000.

5. The borrowing base of the County as shown on the appended Borrowing Base Certificate attached hereto and made apart hereof is \$95,521,772.

6. The applicable net nonelectoral debt limit and net nonelectoral debt plus net lease rental debt, computed as provided in the Act, is:

Net Nonelectoral Debt Limit: $\$95,521,772 \times 300\% = \$ 286,565,315$

Net Nonelectoral debt plus
Net Lease Rental Debt Limit: $\$95,521,772 \times 400\% = \$ 382,087,087$

IN WITNESS WHEREOF, I, Thomas P. Durkin, Director of Administrative Services/CFO of the County of Lackawanna, Pennsylvania, being duly authorized to prepare, verify the accuracy of and file this Debt Statement, hereunto set my hand this 7 day of November, 2014.

COUNTY OF LACKAWANNA



Thomas P. Durkin, Director of Administrative Services/CFO

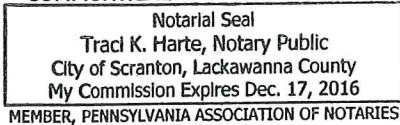
Sworn to and subscribed

this 7 day of November, 2014



Notary Public

COMMONWEALTH OF PENNSYLVANIA



**County of Lackawanna, Pennsylvania
General Obligation Notes, Series of 2014**

EXHIBIT A

EQUIPMENT LIST

Attachment A – Scope of Work

ECM 1 – PRISON HVAC UPGRADES

Areas Implemented

✓ Prison

Proposed Solution

McClure Company is proposing to replace the existing roof top units (RTUs) that provided heating and cooling to a majority of the Prison. The units were installed during the last renovation in the late 1990's and are in poor condition, operating beyond their useful life.

The majority of the Prison is conditioned by (39) Carrier packaged rooftop units (RTUs). The existing units are equipped with direct expansion (DX) cooling and natural gas heating ranging in size from 5 to 30 tons. The units are approximately 16 years old and, while operational, are at the end of their anticipated useful life. The units have been a maintenance concern for some time and require frequent service and repairs.

In addition to the RTUs there are (15) Venmar rooftop energy recovery units (ERVs) which pre-treat the outside air to (15) packaged rooftop units. The energy recovery units are equipped with a flat plate heat exchanger capable of transferring sensible heat only between the exhaust and outdoor intake air paths. The units are also approximately 16 years old and are operational. While the units are operational, advances in energy recovery technology provide an opportunity for replacement with units capable of recovering both sensible and latent heat, thus



Typical Packaged Rooftop Unit



Typical Energy Recovery Unit

increasing the overall effectiveness of the ERV.

McClure Company is proposing to remove the (39) packaged RTUs and the (15) ERVs. The RTUs will be replaced in kind with DX/gas units. The new RTUs will include lead stage variable speed scroll compressors to limit compressor cycling and more closely match building load during part load operation. Where RTUs serve areas with varying occupant densities, such as gymnasiums, exercise rooms, etc., demand control ventilation (DCV) will be incorporated. DCV reduces outside air to a space when the space is unoccupied or

operating at reduced occupancy, thus reducing energy usage when outside air is not required.

Demand controlled ventilation using carbon dioxide sensors combines two technologies: advanced gas sensing and an air handling system that uses data from the carbon dioxide sensor to regulate ventilation. Carbon dioxide sensors continually monitor the air in a conditioned space. Since people exhale carbon dioxide the difference between the indoor CO₂ and the level outside the building indicates occupancy

and/or activity level and thus ventilation requirements. The sensors send CO₂ readings to the ventilation controls, which automatically increase ventilation when CO₂ concentrations in a zone rise above a specified level.

Either too little or too much fresh air in a building can be a problem. Over-ventilation results in higher energy usage and costs than are unnecessary with appropriate ventilation, while potentially increasing IAQ problems in warm humid weather. Inadequate ventilation leads to poor air quality that can cause occupant discomfort and health problems. To ensure adequate air quality in buildings, the American Society of Heating, Refrigeration and Air Conditioning Engineers (ASHRAE) recommends ventilation rates in ASHRAE 62. To meet the standard, many ventilation systems are designed to supply air at the maximum level whenever a building is occupied as if every area were always at full occupancy. The result in many cases has been buildings that are highly over-ventilated. The development of CO₂ based demand control was driven in part to satisfy ASHRAE 62 without over-ventilating. A CO₂ level around 1,100 ppm (a differential of 700 ppm, assuming outdoor air level is around 400 ppm) indicates the ventilation rate has dropped below acceptable levels.

To avoid the problems of too much or too little fresh air, the terminal equipment can employ demand control ventilation to adjust the ventilation air supplied to an indoor space according to the occupancy level. CO₂ sensors have emerged as the primary technology for monitoring occupancy and implementing demand control ventilation.

The ERVs will be replaced with new units equipped with total energy recovery wheels. The total energy recovery wheel allows for the transfer of both sensible and latent energy; and therefore; reduces the amount of energy required to temper outside air when compared to the sensible only flat plate heat exchangers that are existing.

As part of ECM 6, all new units will be integrated into the new web based direct digital control system. With the new DDC system in place, specific RTUs will be able to leverage scheduling and DCV strategies to minimize energy use during non/low occupied times. Typical spaces that will be scheduled include gymnasiums, laundry, offices, kitchen, and medical offices. Currently there is minimal control of the schedule that controls the operation of these units resulting in a simple occupied/unoccupied operation at best. By fully engaging the new DDC system with the modern RTUs featuring modulating compressors and heating capabilities, McClure Company will be better able to meet the specific loads of the facility during all times, including during unoccupied times.

Scope of Work

- ✓ Remove (39) Carrier packaged rooftop units.
- ✓ Remove (15) rooftop, sensible only, flat plate style energy recovery units.
- ✓ Installation of (39) new packaged rooftop units. Basis of design manufacturer – Aaon.
- ✓ Installation of (15) rooftop, total energy recovery, wheel style, energy recovery units. Basis of design manufacturer – Greenheck.
- ✓ New DDC controls for RTUs and ERVs as part of ECM 6.
- ✓ Full system startup and commissioning.

ECM 2 – PRISON KITCHEN HOOD CONTROLS

Areas Implemented

✓ Prison

Proposed Solution

The two (2) existing kitchen makeup air units serving the Ventmaster kitchen hoods are to be retrofitted with an Energy Management System. The Energy Management System is designed to automatically reduce exhaust and supply airflow quantities while still completely capturing & containing heat and smoke generated by the cooking appliances.

Using the Energy Management System, the existing exhaust fans and the supply fans will modulate between factory set low speed and high speed. The low speed will be an idle speed that will be engaged when no cooking is detected. This modulation from low to high speed is dependent on the duct temperature sensed. A 100% airflow override button is also supplied with an adjustable timer.



Existing hood make up air units

The modulation of the fans between low and high speed is enabled by new variable frequency drives contained within the Energy Management System. The variable frequency drives reduce the airflow by approximately 20% when the cooking appliances are at idle temperature. The modulation of the fans during cooking operation allows for maximized energy savings versus a fan running on high speed during the same cooking period.

An adjustable, fully modulating temperature sensor is mounted in the exhaust duct and monitors the exhaust air temperature. The sensor then works in conjunction with a panel mounted temperature controller.

ECM 3 – PRISON REFRIGERATION UPGRADES

Areas Implemented

- ✓ Prison

Proposed Solution

McClure Company is proposing to remove and replace the refrigeration equipment associated with the (2) walk in coolers and (1) walk in freezer at the Prison. The new equipment will feature higher efficiency condensing and evaporating units, as well as new insulated copper refrigerant lines.

The prison currently utilizes (2) walk in coolers and (1) walk in freezer. The existing refrigeration equipment is manufactured by Witt and is original to the last renovation, making it approximately 15 years old. The equipment is in poor condition and is not operating as intended or with good levels of efficiency.

McClure Company is proposing to replace the existing equipment and connecting refrigerant lines with new equipment as manufactured by Russell Heat Transfer Products, or approved equal. All motors for the evaporators will be electronically commutated (EC), or brushless DC motors. The EC motors provide a substantial increase in efficiency over the standard motors typically used in these systems.



Existing condensing unit



Existing evaporator with frozen coil in freezer. The ice prevented the fan from operating properly

ECM 4 –PRISON PLUMBING UPGRADES

Areas Implemented

✓ Prison

Proposed Solution

McClure Company is proposing to install a new plumbing control system that will provide abuse control and incorporate lower flow flushometers located in inmate housing areas. The new system will include upgrades to showers and combination toilet/sink fixtures located within cells.

There are approximately (469) combination fixtures located throughout the facility, with each housing unit containing (32) to (60) fixtures. The fixtures utilize pneumatic control for operation of the water valve that allows the fixture to operation for a predetermined amount of time, but as many times as the button is pressed. The existing fixtures are stainless steel sink/toilet combination units with the original high flow flushometer. The existing system allows for continual flushing and repeated sink use (in preset increments) without lockout timers or the ability for the facility to provide controlled lock out. This abuse along with the proper use of the fixtures has contributed to a higher than expected water usage of approximately 29 million gallons per year. For similar facilities 60-75% of the total water usage can be attributed to fixtures serving inmates. The continual “abuse”, along with the flow rates of the existing equipment provides a great opportunity to install a plumbing control system cable of providing abuse lock out and minimizing flow.

In addition to the combination fixtures, approximately (10) standard sinks are also located in inmate use areas and are subject to abusive usage.

There are approximately (56) ADA showers with both standard shower heads and associated hand wands, along with (7) standard showers. Again, these fixtures are subject to continual abuse from inmates and utilize a pneumatic control to limit operation time, but not operation cycles. Prison personnel provided details as to showers operating for hours or days without timing out. There is no lockout feature on the existing fixtures to prevent continual operation by repeatedly pressing the control button. Given the prolong abuse, some of the existing control functionality has failed, allowing showers to run constantly until manually shut off and controls repaired by maintenance staff.

McClure Company is proposing to install a plumbing control system as manufactured by I-CON or equal. The system uses low voltage and battery operated solenoid valves to provide water when engaged. The system has a customizable setting for preset run time (how long water flows), lock out (number of operation cycles till disabled), and lock out time (how long system is locked out till reset). This system will be implemented across all fixtures utilized by inmates.

The controller is an electronic device that manages the operation of plumbing valves. When an input signal is received from a sensor, the controller sends an output signal to the solenoid directing it to open the valve and close the valve after a pre-programmed time, depending on the application. Controllers are sized to handle from one to multiple applications and are available in battery and 24 VAC versions. Controllers can also be networked together and then can be linked to a central control computer system that allows for lockdowns, searches, data collection, and other enhanced features.

The controller used for control of the combination units will feature a new 1.6 gallon per flush (GPF) flushometer to replace the existing, high flow, 3.5 GPF unit. The combination of lower flow by the new flushometer when combined with the lock out feature of the controller can drastically impact the water usage. The controller will also command the usage of the faucet contained within the combination unit. Outside of the combination units, new controllers will be installed on standard porcelain lavatories and toilets. While not reducing flow, these units will offer protection from abuse through the lock out feature. Expected settings found in similar facilities allow for 2-3 flushes per hour with a lock

out of 30-60 minutes when the number of flushes is exceeded. Typical sink operation allows for 15-30 seconds of washing, repeatable for 3-4 cycles per 30 minutes before lockout.

Additionally, McClure Company will install controllers for all inmate showers. Operating in much the same manner, the controller is intended to limit abuse of the fixtures. Typical operation allows for 3-5 minutes of operation, repeatable for 2-3 cycles before a 60 minute lock out period.

All timing and lock out settings are fully customizable to match existing operation or allow for standardization of operation throughout the facility. Each fixture will receive a new control sensor button.

ECM 5 – PRISON LAUNDRY SYSTEM UPGRADES

Areas Implemented

- ✓ Prison

Proposed Solution

McClure Company is proposing to install a new ozone-based laundry system designed to reduce both cold and hot water cycles for the (2) 150 lbs Milnor washers. The system will not be installed on the 35 lbs Milnor or 150 lbs Unimax washers.

With the application of ozone, the system will also be incorporating additional disinfection protection of linen during the wash operations. The ozone system destroys microorganisms such as Aspergillus Niger and other fungi; staphylococcus; Bacillus megaterium; and E. coli, among many others. In addition to water, energy, and chemical savings, the use of ozone in laundries also reduces linen replacement costs by reducing chlorine in the washing cycles. (Chlorine is a key contributor to linen degradation).

Lackawanna County – Prison Laundry Ozone

Equipment Mfr.	Size	Install Ozone System (Y/N)
Milnor	35 lbs	No
Milnor	150 lbs	Yes
Milnor	150 lbs	Yes
Unimax	150 lbs	No

The Lackawanna County Prison has 4 washing machines, 2 of which are good candidate for retrofit with an ozone system. The washing machines use several different programs for the different wash materials they process. Each program has a series of fills and drains, using either hot or cold water plus chemicals appropriate for the type of program and washer being used.

An ozone system will be installed for the washing machines listed above. Current methods of chemical soil removal require temperatures ranging from 140 to 170°F. Depending on the type of material being washed, ozone, a powerful oxidizing agent, will reduce the required temperature to between 100 and 130°F and completely eliminate the need for heat in some cycles. Because the addition of ozone will make the washing process more efficient, a reduced run time and corresponding reduction in electricity consumption will occur. In addition, the oxidizing effect reduces soil levels allowing for reduced chemicals and lower fill levels or elimination of whole cycles from a program.

ECM 6 – PRISON EMERGENCY GENERATOR UPGRADES WITH CHP

Areas Implemented

- ✓ Prison

Proposed Solution

McClure Company is proposing to install a new 600 kW Diesel generator to provide emergency backup power to the building life safety systems. In addition, the installation of (3) 75 kW combined heat and power (CHP) generators is proposed. The CHP units are capable of providing supplemental energy to the proposed 600 kW generator during emergency situations. As a result of other energy conservation measures (ECMs) and advance control strategies limiting peak demand and usage, the combined capacity of the units will be sufficient enough to carry the facility during power outages. The new CHP units will be installed in the boiler room.

The Prison is currently served by (1) 400 kW Detroit Diesel generator that provides emergency backup power to life safety systems only. The existing generator is not large enough or properly connected to the facility to provide full back up power.

In order to provide full back up power, McClure Company is proposing to install a new 600 kW diesel generator as well as (3) supplemental 75 kW gas fired combined heat and power generators. CHP basis of design is Aegis TP-75LES. While primarily installed to provide supplemental emergency power, the CHP unit offers other benefits that make it more advantageous when compared to a standard generator. Rather than only operating during test events and emergency situations, CHP units are best utilized when they can run constantly, providing electrical energy and reclaiming the heat from the process to provide ancillary heating to a system.

At the Prison there is currently a year round heating load requirement for domestic hot water. Using the CHP units, “waste” heat from the generation of electricity will be reclaimed, via a heat exchanger, and used to provide the heating energy for the domestic and building heating hot water systems. The CHP system will be interfaced with the proposed boiler upgrades in ECM 8. During low heating load periods, the heat exchangers will be bypassed or the units cycled off, based on the economics of operation. The potential heat reclaimed from the CHP unit should offset the need to operate the heating hot water boilers for domestic hot water generation purposes during much of the shoulder and summer months.

The CHP unit will use natural gas and operate, similar to an emergency generator in creating the electrical energy, which will be fed into the buildings circuits by new paralleling switchgear and a 2000/3P, 480V electrically operated breaker with distribution switchboard. This will allow the electricity to be used by the facility anytime the unit is operating,



Existing 400 kW emergency generator

effectively lowering the demand and usage of the facility by the power provided by the CHP. The system output voltage will be 480 VAC, 3 phase at 60 Hz with a power factor of 1.0. A glycol/water mix will be circulated through the CHP unit jacket. The mix will then be pumped to a plate and frame heat exchanger which will transfer heat from the glycol/water mix to the boiler water system. When the building domestic hot water and heating hot water demand is not sufficient enough to remove the necessary heat from the CHP glycol water mix, the mix will be diverted to be dissipated by a remote cooling radiator. The exhaust pipes from the CHP units will be extended out through the exterior wall and terminated. New louvers will be installed in the exterior wall of the mechanical room to provide combustion air, ventilation air and relief air to the new CHP unit.

While not an instantaneous emergency generation system, such as the new 600 kW Diesel generator which can synchronize to the building systems in less than a few moments, the CHP unit will have to undergo a restart in which it will synchronize with the frequency of the new 600 kW generator. This process may take 5-10 minutes, but once operating, the unit can provide full power as a supplementary emergency generator. The sequence of operation would be to use the existing generator as the primary emergency backup, allowing the CHP unit to restart and synchronize with the system before providing power to all systems. Once utility power is restored to the facility, the unit will cycle off and resynchronize to the utility power grid frequency.

As a result of other ECM's at the Prison the effective peak load should be reduced sufficiently to allow the two units to fully remove the facility from the grid. This may require implementation of some advanced control strategies that are now feasible with the new RTU's and control system (ECMs 5 & 6) such as temporary temperature setback, staggered starting of equipment, and equipment cycling based on demand.

Scope of Work

- ✓ Installation of (1) new 600 kW diesel emergency generator (or approved equal).
- ✓ Installation on (3) new Aegis TP-75LES CG132-08 CHP units (or approved equal).
- ✓ Installation of CHP exhaust pipes.
- ✓ Installation of (1) plate and frame heat exchanger.
- ✓ Installation of piping and pumps required to interface CHP glycol/water mix with building domestic hot water and heating hot water systems.
- ✓ Installation of (2) louvers in mechanical room exterior wall to provide combustion air, ventilation air and relief air to the CHP unit.
- ✓ Installation of (1) remote radiator, on grade, and interconnecting piping to connect to the CHP unit.
- ✓ New DDC controls for CHP system.
- ✓ Full system startup, combustion testing and commissioning.

ECM 7 – PRISON STEAM TO HOT WATER CONVERSION

Areas Implemented

- ✓ Prison

Proposed Solution

McClure Company is proposing to retrofit the existing gas fired steam central plant to a hot water central plant through boiler conversions and installation of hot water central plant equipment, such as pumps and domestic hot water (DHW) units.

The existing steam central plant for the Prison consists of (3) 4000 MBH gas fired Bryan Water Tube steam boilers. The boilers are natural gas fired and are approximately 16 years old. The boilers are in good condition and operable.

The low pressure steam plant serves (4) steam to hot water, shell and tube heat exchangers. Heat exchanger (C-2) makes 180°F heating hot water serving miscellaneous hydronic heating equipment throughout the Prison. Heating hot water is circulated through the Prison by (2) 7.5 HP heating hot water pumps. The remaining heat exchangers make domestic hot water for a portion of the Prison. Heat exchanger, C-1 makes 140°F domestic water to serve the Kitchen. Heat exchanger, C-3 makes 160°F domestic hot water to serve the Laundry. Heat exchanger C-4 makes 120°F domestic hot water to serve the Minimum Security area of the Prison.

McClure Company is proposing to convert (3) existing steam boilers to heating hot water boilers. Given the boilers are in good condition and have useful life remaining the opportunity to convert them to hot water boilers is advantageous. The conversion will allow for the boilers to continue operating, but at a higher overall system efficiency since there is no conversion to hot water through a heat exchanger or large stand by losses that are associated with steam systems.

The associated condensate receiver, condensate return system and all steam piping in the mechanical room will be removed. Domestic service heat exchangers C-1, C-3 and C-4 will be removed. The separate domestic hot water services, serving the Kitchen, Laundry and Minimum Security will be combined and served by (1) 1250 gallon storage water heater. Storage water heater, basis of design is Hubbell BHW. The storage water heater shall generate domestic hot water using the building heating hot water



Existing Bryan Boiler

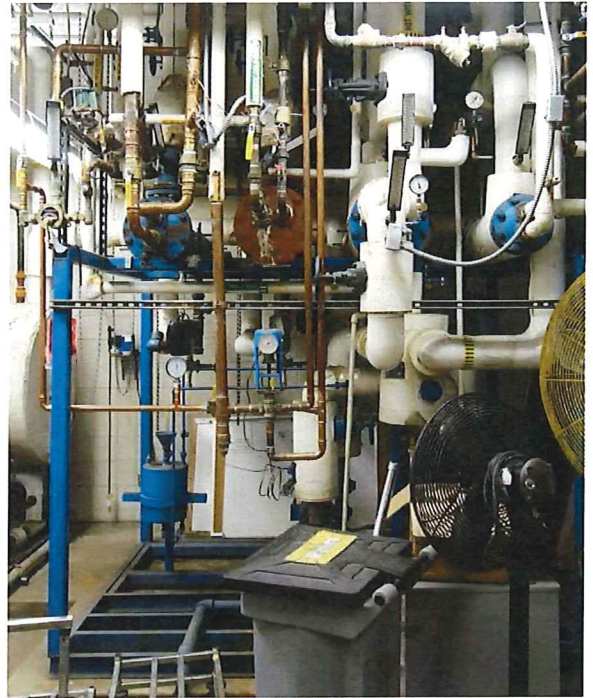


Steam Condensate Receiver & Pumps

provided by existing Bryan boilers. Master mixing valves will be installed to mix 160°F water down to serve the 140°F and 120°F domestic hot water loops.

Scope of Work

- ✓ Convert (3) steam producing Bryan water tube boilers to produce heating hot water.
- ✓ Removal of (2) 7.5 HP heating hot water pumps.
- ✓ Installation of (2) new 15 HP heating hot water pumps with premium efficiency motors and associated VFDs.
- ✓ Installation of new piping to connect existing heating hot water system to existing boilers.
- ✓ Installation of (1) new Hubbell storage domestic water heater (or approved equal).
- ✓ Installation of (2) master mixing valves to provide hot water to 140°F Kitchen and 120°F Minimum security domestic hot water loops.
- ✓ New DDC controls for central plant heating equipment.
- ✓ Full system startup, combustion testing and commissioning.



ECM 8 – PRISON INMATE CELL CABLE AND POWER

Areas Implemented

- ✓ Prison

Proposed Solution

McClure Company is proposing to install power wiring and cable to each cell excluding Disciplinary Confinement and Special Handling. Each cell will have the appropriate number of hookups to accommodate the number of inmates assigned to the cell.

Currently the facility has no individual power or cable system available to the inmates. Group areas may have access to selective cable and power providing a single source for each cell wing to view. As part of this proposal, McClure Company will provide RG6 cable from a centralized electrical closet to each cells with 1 or 2 hookups per cell dependent upon cell occupancy. The cable will terminate on a combination outlet with 120V electrical service. There will be 7-8 cells on each 20A circuit. A lock out or de-energizing feature will be incorporated into the electrical service for each cell to prevent unauthorized usage of the electrical power.

Cable service can be provided by Correctional Cable TV (CCTV) or approved equal. CCTV will provide the necessary communication devices to receive the selected programming package and connect to the installed infrastructure described above.

Through implementation of this upgrade, McClure Company will be providing the necessary power and cable infrastructure to support the CCTV system. All other components for this to be a fully functioning system will be coordinated between the selected provider and the County, which shall include but not limited to; front end equipment, cable boxes, program selection, annual service agreement, individual televisions, etc.

ECM 9 – COURTHOUSE RECOMMISSIONING

Areas Implemented

- ✓ Courthouse

Proposed Solution

McClure Company is proposing to re-commission (retro-commission, RCx) the mechanical systems at the Courthouse. The Courthouse has been identified as a good candidate for an RCx effort based on the overall condition of the major equipment, existing level of automation controls, and current building performance.

Given the dynamics of each system within the facility, a specific plan will be developed and tailored for each system to properly test the equipment and rate each based on desired performance. Through slight modifications to the existing control schedules, set points and optimizing the algorithms, the County will be able to operate the facility at peak efficiency *without* compromising occupant comfort or equipment operations. Though recently renovated and just out of a commissioning process, there is still ample opportunity. The new equipment and controls makes this particular re-commissioning effort a low cost /no cost solution.

Typically the building and system commissioning following a standard construction project is only concerned with providing equipment operation to meet design data, such as airflows or set points, minimizing occupant discomfort, and ensuring equipment has necessary inputs, such as flow or power. This commissioning combats two of the three important aspects of a proper functioning system, occupant comfort and equipment operation. However, by leveraging the advanced control system and spending time to investigate the actual use of the facility, it is fairly easy to incorporate the third aspect, energy. While still conscientious of the first two aspects, McClure Company is proposing to investigate and complete the third aspect through modifications to the existing control logic.

A typical re-commissioning effort will include (but not limited to):

- Calibrating indoor and outdoor air sensors. In addition to tuning to calibrating sensors,
- Calibrating and inspecting damper and valve controls. Outside air dampers will also be inspected to ensure it is closed when the air handling equipment is indexed to the unoccupied mode of operation.
- Detailed review of all operating schedules. Often control schedule remain unchanged while building occupancy will change. Another area of concern is over time for many reasons the mechanical equipment does not follow the schedule resulting in more hours of operation than required by actual occupancy.
- Detailed review of current sequence of operations for major and terminal equipment.

The RCx has already started with a detailed audit of the entire building including individual short term metering of major equipment operation and temperatures. Operating schedules, temperature set points, discharge temperatures, outdoor air damper control, fan start / stop, pump operation, boiler burner operation, and many other parameters have already been reviewed and metered as part of this proposal. Enhancing all operating parameters results in substantial savings and provides a great return on investment.

Although a specific plan is developed for each building, McClure Company utilizes the industry standard retro-commissioning protocol developed by the National Environmental Balancing Bureau (NEBB), as the base procedure for all re-commissioning plans. The systematic approach our Project Development Team and 3rd Party Commissioning

Agents (if utilized) outlined in the manual serves as the fundamental guidelines for designing each re-commissioning effort.

McClure Company has the in house expertise to implement the re-commissioning effort, however, in some instances; we may call upon 3rd parties to assist us in the effort. These 3rd parties range from NEBB certified commissioning agents and balancers to consultants well versed in retro-commissioning.

Scope of Work

- ✓ Coordinate with selected control vendor to provide review of existing control logic and control parameters
- ✓ Review typical operating procedures of the facility with the County to develop improved scheduling on a system by system basis
- ✓ Develop and integrate new control parameters and logic to meet the expected operation of the equipment while still conscious of the energy impact
- ✓ Investigation into any improperly operating equipment, including, but not limited to, control actuation, OA dampers, motor operation, air flow balancing, water flow balancing, and sensor calibration as may be required to proper implement the new control logic
- ✓ Full testing and commissioning of new control logic to ensure proper operation.

ECM 10 – PRISON PAPER TOWEL DISPENSER REPLACEMENT

Areas Implemented

- ✓ Prison

Proposed Solution

McClure Company is proposing to replace approximately (15) paper towel dispensers with new high speed hand dryers.

The large use of paper towels translates to a considerable amount of O&M savings as a result of eliminating the need to purchase paper products and eliminates large amounts of paper waste from the County. The new high speed dryers utilize series commutated motors to minimize the energy use of the equipment while still providing up to 16,000 linear feet per minute of air. These features lead to shorter drying times with minimal energy use.

New hand dryers will be installed as close to locations of the removed paper towel dispensers as possible, while still allowing for electrical connections for the equipment. Certain installations may require surface mounted wire mold to conceal the electrical wiring. Wiring will be to the nearest circuit and hardwired where possible.

ECM 11 – COUNTY WIDE LIGHTING UPGRADES

Areas Implemented

- ✓ McDade Park
- ✓ Trolley Museum
- ✓ Aylesworth Park
- ✓ 911 Center
- ✓ County Prison
- ✓ Covington Park

Proposed Solution

McClure Company is proposing to replace or retrofit the existing inefficient lighting systems throughout Lackawanna County at the above listed facilities.

The lighting audit conducted on May 13th through 15th revealed a total of 4,274 interior and exterior fixtures that contained a combination of T-12 / T-8 fluorescent lighting, incandescent lighting and high intensity discharge mercury vapor and metal halide fixtures. Fixtures overall are in good condition and operational. Due to the overall condition of the existing fixtures, the process of retrofitting to new fixtures has been very selective. Therefore, a majority of this project will be a re-lamp/re-ballast of existing fixtures to more efficient lamps/ballasts. In addition to the retrofit of the current design, occupancy sensors will be installed in various areas to help decrease the amount of energy used by the limiting the new lights run time while the area is unoccupied.

By using a holistic approach in relamping/reballasting, the County will have a common stock of lamps/ballasts to pull from for future maintenance.

Design

Aside from energy savings, as mentioned above, implementing this ECM allows the County to standardize on lamp stock. A non-proprietary, proven lamp and ballast combination has been selected that will provide the greatest performance and energy savings of the lighting systems considered. The ballasts provide a greater level of energy savings over the standard T-8 ballast and incorporate an intelligent voltage capability allowing the ballast to be used on both 120v and 277v applications.

The proposed T-8 lamps are a premium, high lumen, extended life type that again yields better results versus standard grade T-8 Lamps. For this project a 25-watt energy saving lamp has been selected. This lamp and ballast system will provide the greatest energy savings of the various lamp/ballast options explored, and will greatly improve the efficiency of the existing T-12/T-8 linear fluorescent lighting system by utilizing the latest in T-8 fluorescent technology. This retrofit strategy will maintain light levels while still providing a reduction in energy usage. In addition to retrofitting the existing linear lamp fixtures we also work to standardize lamp stock inventories by eliminating expensive U-tube lamps and eight-foot lamps. These fixtures would be modified to accommodate the appropriate number of linear lamps to provide comparable light levels and reduced energy consumption.



The design strategy for the use of incandescent lamps is to eliminate where possible. In applications where it is used as a primary source of illumination and sufficient operating hours are present, we will replace the existing incandescent fixtures with new fixtures utilizing LED lamps for greater energy savings. In areas where incandescent fixtures are the primary light source but have limited operating hours we will replace the incandescent lamps with a self-ballasted screw-in LED Light. Compact fluorescent lamps and LED bulbs offer a tremendous energy savings potential and a significantly longer operating life when compared to incandescent.

In general, this ECM will include:

- Existing T8 32W fixtures will be replaced with T8 25W fixtures and ballasts.
- Existing T12 40 W fixtures will be replaced with T8 25W fixtures and ballasts.
- Existing incandescent bulbs will be replaced with equivalent LED bulbs.
- Existing incandescent / fluorescent exit signs will be replaced with LED units.
- The general lay-in 4L & 3L T8 fixtures will match the T12s and receive a reflector - delamp retrofit with 25 watt T8 lamps and normal power ballast.
- The general lay-in or surface mounted 2L and 1L T12 & T8 fixtures called for lamp for lamp retrofit with 25 watt T8 lamps and low power ballast, no delamping or reflector.
- Where U-bend T12 or T8 bulbs were found, a reflector will be used to convert the fixture to accommodate linear 2' T8 lamps and normal power ballast.

Prison:

- Fixtures with two 4-foot F40 T12 lamps and standard ballast will be retrofit with two 4-foot F25 T8 lamps and low-power electronic ballast.
- Fixtures with two, three or four 2-foot F17 T8 lamps and normal-power ballast will be retrofit with low-power ballast.
- Fixtures with two or three 4-foot F32 T8 lamps and high-power ballast will be retrofit with two or three 4-foot F25 T8 lamps and low-power ballast.
- Fixtures with 150-watt incandescent lamps will be relamped with 20-watt PAR 38 LED bulbs
- 150- and 200-watt metal halide high bays will be retrofit with 36-watt LED screw-ins
- 175-watt high pressure sodium wallpacks will be replaced by new 40-watt LED wallpacks
- 250-watt metal halide floods will be replaced by new 50-watt LED floods.
- 400-watt high pressure sodium floods will be replaced by new 140-watt LED shoeboxes with adjustable arms.
- 400-watt metal halide shoeboxes will be replaced by new 140-watt LED shoeboxes with fixed arms
- 400-watt metal halide wallpacks will be replaced by new 60-watt LED wallpacks.
- Fixtures with 60-watt incandescent lamps will be relamped with 12-watt LED A-lamps.
- Fixtures with 50-watt halogen lamps will be relamped with 4-watt LED lamps.
- 250-watt metal halide high bays will be replaced by surface mounted box fixtures with three T5 fluorescent lamps (There is no cost-effective LED option for this application.)
- Fixtures with two 13-watt compact fluorescents will remain unchanged because they are already energy efficient.

McDade Park:

- Fixtures with one 3- or 4-foot T12 lamp and standard ballast will be retrofit with one 3- or 4-foot F25 T8 lamp and low-power electronic ballast
- Fixtures with two 3- or 4-foot T12 lamps and standard ballast will be retrofit with 3- or 4-foot F25 T8 lamps and electronic ballast.
- Fixtures with two 8-foot F96 T12 lamps and standard ballast will be retrofit with two 8-foot F96 T8 lamps and electronic ballast.
- Fixtures with four 4-foot F40 T12 lamps and standard ballast will be retrofit with four 4-foot F25 T8 lamps and low-power electronic ballast.
- Fixtures with one 4-foot F32 T8 lamps and normal-power ballast will be retrofit with one 4-foot F25 T8 lamp and low-power ballast
- Fixtures with two, three or four 4-foot F32 T8 lamps and high-power ballast will be retrofit with two, three or four 4-foot F25 T8 lamps and low-power ballast.
- Fixtures with 100-watt incandescent lamps or 13-watt compact fluorescent lamps will be relamped with 12-watt LED A lamps.
- 150-watt metal halide cobraheads will be replaced by new 30-watt LED area lights.
- 150-watt metal halide high bays will be replaced by new 36-watt LED screw-ins
- 175- and 250-watt metal halide floods will be replaced by new 50-watt LED floods
- Fixtures with 60- or 75-watt incandescent lamps will be relamped with 12-watt LED A lamps.
- 70-watt high pressure sodium and metal halide wallpacks will be replaced by new wall-mounted security lights with 14-watt LED lamps and sensors
- 70-watt metal halide high bays will be replaced by new 38-watt LED canopy lights
- 75-watt incandescent floods will be relamped with 20-watt LED PAR 38 lamps.
- Fixtures with two 26-watt compact fluorescent lamps will be replaced by new canopy lights with one 38-watt LED lamp.
- 45-watt compact fluorescent screw-ins will be replaced by new wall-mounted security lights with 14-watt LED lamps and sensors
- Exit signs with four 7.5-watt incandescent lamps will be replaced by new exit signs with 2-watt LED lamps.
- 250-watt metal halide cobrahead at the pool will be left unchanged, per customer's request.

Aylesworth Park:

- Fixtures with two 4-foot F32 T8 lamps and high-power ballast will be retrofit with two 4-foot F25 T8 lamps and low-power ballast
- Fixtures with four 4-foot F32 T8 lamps and normal power ballast will be retrofit with two 4-foot F25 T8 lamps with reflectors, or with four 4-foot F25 T8 lamps, and low-power ballast.
- 70-watt metal halide floods will be replaced by new 30-watt LED floods
- 70-watt metal halide wallpacks will be replaced by new wall-mounted security lights with 14-watt LED lamps and sensors
- Fixtures with two 26-watt compact fluorescent lamps will be replaced by new canopy fixtures with one 38-watt LED lamp.

- Fixtures with 15-watt compact fluorescent screw-ins will be relamped with 12-watt LED A lamps.
- 2x4 fixtures with four T5 lamps and reflectors will be left unchanged because they were recently installed and already energy efficient.

Covington Park:

- Fixtures with three 4-foot F32 T8 lamps and normal-power ballast will be retrofit with three 4-foot F25 T8 lamps and low-power ballast.
- 100- and 250-watt metal halide wallpacks will be replaced by new 40-watt LED wallpacks
- Fixtures with two 26-watt compact fluorescent lamps will be replaced by new wallpacks with one 40-watt LED lamp.

Trolley Museum:

- Fixtures with one 4-foot F40 T12 lamps and standard ballast will be retrofit with one 4-foot F25 T8 lamps and low-power electronic ballast
- Fixtures with four 4-foot F40 T12 lamps and standard ballast will be retrofit with two 4-foot F25 T8 lamps with low-power ballast and reflectors
- Fixtures with two, three or four 4-foot F32 T8 lamps with high- or normal-power ballast will be retrofit with two, three or four 4-foot F25 T8 lamps with low-power ballast, as listed.
- Fixtures with four 4-foot F32 T8 lamps and normal-power ballast will be retrofit with two 4-foot F25 T8 lamps with low-power ballast and reflectors, as listed.
- 150-watt metal halide floods will be replaced by new 30-watt LED floods
- 150-watt metal halide high bays will be retrofit with 36-watt LED screw-ins
- 150-watt metal halide wallpacks will be replaced by new 40-watt LED wallpacks
- 250-watt metal halide floods will be replaced by new 50-watt LED floods.
- Fixtures with 75-watt incandescent lamps will be relamped with 12-watt LED A lamps or retrofit with 36-watt LED screw-in's
- Fixtures with 90-watt incandescent lamps will be relamped with 20-watt LED PAR 38s or with 13-watt LED PAR 30s, as listed.
- Fixtures with 35-watt compact fluorescent hard-wired lamps will be replaced by new wall-mounted fixtures with 14-watt LED lamps and sensors
- Fixtures with 50-watt halogen lamps will be relamped with 4-watt LED lamps.
- 400-watt metal halide high bays will be replaced by new 2x4 fixtures with T5 lamps and reflectors. (There is no cost-effective LED option for this application.)
- Fixtures with two 26-watt compact fluorescent lamps and fixtures with one T9 Circuline lamp will be left unchanged because they are already energy efficient.

At the end of this ECM section is the detailed lighting fixture line by line listing data for each existing and proposed fixture.

Grants, Rebates and Tax Incentives

Certain lighting retrofit projects may qualify for grants rebates and/or tax Incentives. These incentives, which are provided by Federal and State Governments, and by local utility companies, can vary greatly from one region of the country to another. Since the program timeline incentives may change from time to time, and since they may be limited to specific types of technology or products, we track and monitor these variables and work to design our projects to take full advantage of the offerings.

The following are the Grants, Rebates, and Tax Incentives that may be applicable to this project:

Utility Rebate with PPL \$ 55,931*

*The rebate amount is valid for the duration of the Utility's incentive program and may change as the Utility's program changes.

Material Disposal

Recycling / Hazardous Waste Disposal

Disposal will be provided through a certified and approved hazardous waste recycler for all lamp and ballast waste both hazardous and non-hazardous that is associated with the energy efficient lighting upgrade in the facility. This will eliminate any need for the county to seek outside lamp/ballast disposal methods for this material. This service is comprehensive and includes the containment drums, lamp shipping packing cartons, waste receptacles, transportation, labor and all on and off site handling to complete the process. A completed document/certificate showing proof of total destruction of all lamp and hazardous ballast waste can be provided back to the county for their records.

Spare Lamp, Ballast and Sensors Materials

As part of the lighting scope proposal, there will be furnished, at no additional cost to the county 3% of the total number of installed lamps for shelf stock. Ballast shelf stock will also be furnished for a total of 3% of the total installed number of ballasts on the project. There will be no shelf stock of LED fixtures. Future replacement lamps and ballasts can be purchased at most electrical distributors.

Operating Hours

The operating hours are as follows:

		PRISON (MAIN JAIL)	PRISON (TOWER)	PRISON (COMM CORR)	VISITORS CENTER	PARKS	TROLLY MUSEUM	911 CENTER
CAF	CAF	4,380	4,380	4,380	2,600	3,000	3,000	N/A
COR	CORRIDOR	8,760	8,760	8,760	2,600	3,000	3,000	N/A
CR	CLASSROOM	4,380	4,380	4,380	N/A	N/A	N/A	N/A
CS	COMMON SPACE	8,760	8,760	8,760	2,600	3,000	3,000	N/A
E	EXIT SIGN	8,760	8,760	8,760	8,760	8,760	8,760	N/A
EXT	EXTERIOR LIGHTING	4,000	4,000	4,000	4,000	3,000	3,000	4,380
GYM	GYM	4,380	4,380	4,380	N/A	N/A	N/A	N/A
JC	JANITOR CLOSET	4,380	4,380	4,380	2,600	3,000	3,000	N/A
KIT	KITCHEN	4,380	4,380	4,380	2,600	3,000	3,000	N/A
LIB	LIBRARY	4,380	4,380	4,380	N/A	N/A	N/A	N/A
LR	LOCKER ROOM	4,380	4,380	4,380	2,600	3,000	3,000	N/A
LU	LOW USAGE / MISC	500	500	500	500	500	500	N/A
MRH	MECH ROOM HIGH	4,380	4,380	4,380	2,600	3,000	3,000	N/A
MRL	MECH ROOM LOW	2,000	2,000	2,000	1,000	1,000	1,000	N/A
OH	OFFICE HIGH	4,380	4,380	4,380	2,600	3,000	3,000	N/A
OL	OFFICE LOW	4,380	4,380	4,380	1,560	1,560	1,560	N/A
PTR	PRIVATE TOILET ROOM	500	500	500	500	500	500	N/A
SH	STORAGE HIGH	4,380	4,380	4,380	2,600	3,000	3,000	N/A
SL	STORAGE LOW	500	500	500	500	500	500	N/A
ST	STAIRS	4,380	4,380	4,380	2,600	3,000	3,000	N/A
TR	TOILET ROOMS	4,380	4,380	4,380	2,600	3,000	3,000	N/A
24/7	24 HOURS 7 DAYS A WEEK	8,760	8,760	8,760	8,760	8,760	8,760	N/A
CEL	CELL	4,380	4,380	4,380	N/A	N/A	N/A	N/A
CT	COURT HOUSE	N/A	N/A	N/A	N/A	N/A	N/A	N/A
DYR	DAYROOM	4,380	4,380	4,380	2,600	N/A	3,000	N/A
NITE	CELL NITE LIGHTS	4,380	N/A	N/A	N/A	N/A	N/A	N/A

ECM 12 – COUNTY WIDE BUILDING ENVELOPE ENHANCEMENTS

Areas Implemented

- ✓ Courthouse
- ✓ Visitor Center
- ✓ County 911 Building
- ✓ Prison

Proposed Solution

McClure Company is proposing to reduce the amount of infiltration air and increase critical insulation areas for each of the buildings listed above. Infiltration can be defined as unregulated outside air entering a building unintentionally. This air must be treated (heated or cooled) by the building’s heating or cooling system to maintain acceptable indoor temperatures. Even the smallest cracks / penetrations can have a significant impact on the annual heating and cooling energy consumption.

Each building listed above was fully surveyed to leverage the savings opportunities available in limiting infiltration. Common savings areas include door weather stripping, air sealing roof wall interfaces, insulation of attic spaces, and air sealing interior to exterior penetrations. The table below breaks out the opportunities available at each facility with specific descriptions in subsequent paragraphs about each facility.

Building	Door Weather Stripping	Roof/Wall Interface	Attic/Wall Air Sealing	Soffits
Courthouse	X	X	X	
Visitors Center	X	X		
County 911		X		
Prison	X	X		X

Courthouse

- New weather-stripping and door sweeps will be installed on all doors where necessary. All man doors will use Q-Ion weather-stripping
- Gaps in the attic will be sealed with 1/2lb open cell spray foam. Depending on the identified roof wall gap, the seal can be from the top and the bottom of the support joist. Larger gaps will be sealed in a similar fashion using 1/2lb foam and 1” foam board. This will not only seal the gaps but also add an R-7 thermal boundary to the steel beams.
- A 4’ x 10’ area in the attic, where the previous spray foam was removed, will be re-sprayed with the same thickness (approx. 3”) of 2lb. foam. The foam will then have flash inhibitor applied to it.

Visitors Center

- The majority of the doors will receive new weather-stripping and door sweeps. Q-Ion weather-stripping will be installed on all man doors. Overhead doors will be fitted with aluminum carriers and 3" industrial seals, bottom seals will be fitted with U-receivers and slide track seals.
- The roof/wall interfaces will be sealed with 1/2lb open cell spray foam. This will create an air boundary from the inside of the building and allow the curtain wall gap to breath and relieve moisture that may develop. Larger gaps will be sealed in a similar fashion using 1/2lb foam and 1" foam board. This will not only seal the gaps, but also add an R-7 thermal boundary to the steel beams.



Gap from deteriorated door seal at Visitors Center

County 911 Building

- The roof top exhaust fan hoods will be removed and the gap between the duct and the curb will be air sealed. The hood will be reinstalled with tarred screws to prevent infiltration at the mounting holes. The roof top fans will also be inspected and lubricated. A master list of equipment and conditions will be given to the maintenance department with the closeout package.
- The majority of the gaps in the roof/wall interface will be sealed with 1/2lb open cell spray foam. Depending on the location, a seal from both the top and the bottom of the support joist will occur. Larger gaps will be sealed using 1/2lb of foam and 1" foam board. This will add an R-7 thermal boundary to the steel beams.

Prison

- Most of the doors will receive weather-stripping with the man doors receiving Q-Ion weather stripping and the Overhead doors receiving aluminum carriers and 3" industrial seals. The bottom seals will be fitted with U-receivers and slide track seals.
- The roof top exhaust fan hoods will be removed and the gap between the duct and the curb will be air sealed. The hood will be reinstalled with tarred screws to prevent infiltration at the mounting holes. The roof top fans will also be inspected and lubricated. A master list of equipment and conditions will be given to the maintenance department with the closeout package.
- The soffits around the entry ways have openings of 1"-3" in width from the interior wall plane. To prevent outside air from infiltrating, the soffits will be treated with a combination of foil face foam board and 1 part open cell spray foam. Essentially an insulated wall will be constructed where the openings in the soffit have been left wide open. This creates a thermal barrier between the outside air and the conditioned interior space.



Soffit at Prison with no air barrier



**County of Lackawanna, Pennsylvania
General Obligation Notes, Series of 2014**

EXHIBIT B

PURCHASER'S PROPOSAL



TERM SHEET
Proposal Only – Not a Commitment

DATE: October 16, 2014

ISSUE: Unlimited Tax General Obligation Notes, Series 2014 (the "Notes")

ISSURER/BORROWER: Lackawanna County, PA ("Issuer")

PURCHASER/LENDER: Huntington Public Capital Corporation or Huntington National Bank ("Huntington")

ESCO: McClure & Co. subsidiary of PPL Corporation

SECURITY: Unlimited Tax General Obligation and Guaranteed Utility Savings

PRINCIPAL AMOUNT: Up to \$7,800,000.00

STRUCTURE: **General Obligation Notes- Series 1:** \$2,172,492.00
General Obligation Notes- Series 2: \$5,510,000.00

USE OF PROCEEDS: Various energy improvements to 12 county sites including the Administration Building, Courthouse, Prison, Jefferson Building, Trolley Museum, McDade Park, Merli-Sarnoski Park, 911 Center, Bridges Building, Aylesworth Park, and Covington Park

NOTE COUNSEL: Buchanan Ingerson & Rooney PC

PURCHASER'S COUNSEL: TBD

CLOSING DATE: On or about November 20, 2014

TAX STATUS: Tax-Exempt (Non-Bank Qualified)

FINAL MATURITY: June 1, 2029

INDICATIVE INTEREST RATE: 3.03%

RATE ADJUSTMENT: If the funding of the Notes has not occurred by November 20, 2014, then the Interest Rate and payment will be adjusted to maintain Huntington's economics as of the date of issuing this Term Sheet.

FEE TO HUNTINGTON: \$2,500.00

TRANSACTION FEES: All transaction fees, including those of Note Counsel, shall be the responsibility of the Issuer.

INTEREST PAYMENTS: Due and payable semi-annually on June 1 and December 1 commencing on December 1, 2014.

PRINCIPAL PAYMENTS: Due and payable annually on June 1, commencing on June 1, 2015, pursuant to an agreed upon schedule.

OPTIONAL PREPAYMENT: The Notes are subject to optional redemption, in whole or in part, at par value, anytime on or after June 1, 2020.

DIRECT PLACEMENT: Huntington is extending credit as a lender in the usual course of its loan business through the purchase of the Notes for its own account in its normal and customary business practice, with no current intention on the resale, distribution or transfer thereof.

TERM NOTE ELECTION: The Notes will be a single certificate term Note, with principal payments representing mandatory principal redemptions.

DOCUMENTATION: Transaction documents shall be prepared by Note Counsel, subject to review and approval by Huntington and its Purchaser’s Counsel.

RATING: Not required by Huntington

POS/OFFICIAL STATEMENT: Not required by Huntington

CUSIP: Not required by Huntington

DTC CLOSING: Not required by Huntington

CREDIT APPROVAL: The terms set forth herein reflect a proposed, preliminary structure and are subject to final credit approval by Huntington and the negotiation of mutually acceptable documentation. They do not represent all of the terms and conditions that may ultimately be included in a financing between Huntington and the Issuer.

PROPOSAL EXPIRATION: This proposal shall expire at Huntington’s option if (a) Huntington has not received the Issuer’s written acceptance by October 24, 2014; or (b) if the closing date of the Notes has not occurred by November 20, 2014.

HUNTINGTON CONTACT: Jill Murphy, Vice President
Director of Business Development – Huntington Public Capital
Phone: 330-841-0179
Email: Jill.Murphy@Huntington.com

Debi King, Vice President
Government Banking Relationship Manager
Phone: 724-741-2844
Email: Deborah.King@Huntington.com

ACCEPTED BY:
Lackawanna County, PA

By

Name

Title

Date

**County of Lackawanna, Pennsylvania
General Obligation Notes, Series of 2014**

EXHIBIT C

**SCHEDULE OF
MAXIMUM INTEREST RATES, MAXIMUM MATURITIES AND/OR
MANDATORY SINKING FUND REDEMPTIONS
AND
MAXIMUM DEBT SERVICE REQUIREMENTS ON THE NOTES**

Lackawanna County

Qualified Energy Conservation Bond

4.44% Published QECB Rate June 30 2014)

20 Year Term

Debt Service Schedule

Part 1 of 2

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
11/01/2014	-	-	-	-	-
05/01/2015	105,907.83	5.700%	220,003.84	325,911.67	-
11/01/2015	108,926.20	5.700%	216,985.47	325,911.67	-
12/20/2015	-	-	-	-	651,823.34
05/01/2016	112,030.60	5.700%	213,881.07	325,911.67	-
11/01/2016	115,223.47	5.700%	210,688.20	325,911.67	-
12/20/2016	-	-	-	-	651,823.34
05/01/2017	118,507.35	5.700%	207,404.33	325,911.68	-
11/01/2017	121,884.80	5.700%	204,026.87	325,911.67	-
12/20/2017	-	-	-	-	651,823.35
05/01/2018	125,358.51	5.700%	200,553.15	325,911.66	-
11/01/2018	128,931.24	5.700%	196,980.44	325,911.68	-
12/20/2018	-	-	-	-	651,823.34
05/01/2019	132,605.77	5.700%	193,305.90	325,911.67	-
11/01/2019	136,385.04	5.700%	189,526.63	325,911.67	-
12/20/2019	-	-	-	-	651,823.34
05/01/2020	140,272.01	5.700%	185,639.65	325,911.66	-
11/01/2020	144,269.77	5.700%	181,641.91	325,911.68	-
12/20/2020	-	-	-	-	651,823.34
05/01/2021	148,381.46	5.700%	177,530.22	325,911.68	-
11/01/2021	152,610.32	5.700%	173,301.34	325,911.66	-
12/20/2021	-	-	-	-	651,823.34
05/01/2022	156,959.72	5.700%	168,951.96	325,911.68	-
11/01/2022	161,433.08	5.700%	164,478.60	325,911.68	-
12/20/2022	-	-	-	-	651,823.36
05/01/2023	166,033.92	5.700%	159,877.76	325,911.68	-
11/01/2023	170,765.88	5.700%	155,145.78	325,911.66	-
12/20/2023	-	-	-	-	651,823.34
05/01/2024	175,632.71	5.700%	150,278.97	325,911.68	-
11/01/2024	180,638.24	5.700%	145,273.43	325,911.67	-
12/20/2024	-	-	-	-	651,823.35
05/01/2025	185,786.43	5.700%	140,125.24	325,911.67	-
11/01/2025	191,081.35	5.700%	134,830.33	325,911.68	-
12/20/2025	-	-	-	-	651,823.35
05/01/2026	196,527.16	5.700%	129,384.50	325,911.66	-
11/01/2026	202,128.19	5.700%	123,783.48	325,911.67	-
12/20/2026	-	-	-	-	651,823.33
05/01/2027	207,888.84	5.700%	118,022.83	325,911.67	-
11/01/2027	213,813.67	5.700%	112,097.99	325,911.66	-
12/20/2027	-	-	-	-	651,823.33
05/01/2028	219,907.36	5.700%	106,004.31	325,911.67	-
11/01/2028	226,174.72	5.700%	99,736.95	325,911.67	-
12/20/2028	-	-	-	-	651,823.34

Lackawanna County

Qualified Energy Conservation Bond

4.44% Published QECB Rate June 30 2014)

20 Year Term

Debt Service Schedule

Part 2 of 2

Date	Principal	Coupon	Interest	Total P+i	Fiscal Total
05/01/2029	232,620.70	5.700%	93,290.97	325,911.67	-
11/01/2029	239,250.39	5.700%	86,661.28	325,911.67	-
12/20/2029	-	-	-	-	651,823.34
05/01/2030	246,069.03	5.700%	79,842.65	325,911.68	-
11/01/2030	253,081.99	5.700%	72,829.68	325,911.67	-
12/20/2030	-	-	-	-	651,823.35
05/01/2031	260,294.83	5.700%	65,616.84	325,911.67	-
11/01/2031	267,713.24	5.700%	58,198.44	325,911.68	-
12/20/2031	-	-	-	-	651,823.35
05/01/2032	275,343.06	5.700%	50,568.61	325,911.67	-
11/01/2032	283,190.34	5.700%	42,721.33	325,911.67	-
12/20/2032	-	-	-	-	651,823.34
05/01/2033	291,261.27	5.700%	34,650.41	325,911.68	-
11/01/2033	299,562.21	5.700%	26,349.46	325,911.67	-
12/20/2033	-	-	-	-	651,823.35
05/01/2034	308,099.73	5.700%	17,811.94	325,911.67	-
11/01/2034	316,880.57	5.700%	9,031.10	325,911.67	-
12/20/2034	-	-	-	-	651,823.34
Total	\$7,719,433.00	-	\$5,317,033.86	\$13,036,466.86	-

Yield Statistics

Bond Year Dollars	\$93,281.30
Average Life	12.084 Years
Average Coupon	5.7000000%
Net Interest Cost (NIC)	5.7000000%
True Interest Cost (TIC)	5.7000000%
Bond Yield for Arbitrage Purposes	5.7000000%
All Inclusive Cost (AIC)	6.0600673%

IRS Form 8038

Net Interest Cost	5.7000000%
Weighted Average Maturity	12.084 Years

**County of Lackawanna, Pennsylvania
General Obligation Notes, Series of 2014**

EXHIBIT D

FORM OF LEASE PURCHASE AGREEMENTS

**COMBINED TAXABLE QECB AND TAX EXEMPT ENERGY PERFORMANCE
CONTRACT MUNICIPAL LEASE/PURCHASE AGREEMENT**

THIS COMBINED TAXABLE QECB AND TAX EXEMPT ENERGY PERFORMANCE CONTRACT MUNICIPAL LEASE/PURCHASE AGREEMENT is dated as of _____ and entered into between _____, as lessor (the "Lessor"), and the County of Lackawanna, Pennsylvania, as lessee (the "Lessee").

A. Lessor desires to lease certain energy conservation improvements and equipment to Lessee, and Lessee desires to lease the same from Lessor, subject to the terms and conditions of and for the purposes set forth in this Agreement (as hereinafter defined).

B. This Agreement shall be implemented through one or more series of Acceptance Certificates (as hereinafter defined), Schedules of Payments (as hereinafter defined) and related documents with each series of the foregoing constituting a single transaction subject to and entered into pursuant to this Agreement; provided, however, that each such single transaction shall consist of a Qualified Energy Conservation Obligation and a Tax-Exempt Obligation (both as hereinafter defined).

C. WHEREAS, Lessee determined, if applicable, that as a preparatory step or as a part of the ESA (as defined below), site preparation work (including asbestos removal and clean-up) needs to be performed by one or more entities (whether by the ESA contractor or another entity) and Lessee desires Lessor to finance such preparatory work under the Agreement;

D. In consideration of the foregoing and the promises and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties, intending to be legally bound, agree as follows:

ARTICLE I.

Section 1.1. Definitions. The following terms will have the meanings indicated below for all purposes of this Agreement, unless the context clearly requires otherwise:

"Acceptance Certificate" shall mean the document(s), in form and substance satisfactory to Lessor and substantially as attached hereto as Exhibit A, which shall be executed and delivered to Lessor as evidence of the acceptance of the Equipment by Lessee on the date(s) thereof.

"Agreement" shall mean this Taxable QECB and Tax Exempt Energy Performance Contract Municipal Lease/Purchase Agreement, as may be supplemented and amended from time to time, including the exhibits and schedules attached hereto.

"Available Project Proceeds" shall have the meaning set forth in Section 2.1(r) hereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Commencement Date" shall mean the date when Lessee delivers an executed Acceptance Certificate to Lessor or the date when Lessor deposits the anticipated acquisition price of the Equipment in an escrow fund, whichever occurs first.

"Effective Date" shall mean the earliest date on which all parties have executed this Agreement, the ESA (as hereinafter defined) and the Escrow Agreement (as hereinafter defined).

"Equipment" shall mean the personal property consisting of equipment, machinery and/or apparatus, including energy conservation improvements and equipment and all items of Site Preparation Work, described in the Equipment List attached hereto as Schedule A, and one or more Acceptance Certificates executed by Lessee and delivered to Lessor, or to be executed and delivered, pursuant hereto, together with any and all additions, modifications, attachments, accessions, substitutions, replacements and parts thereof.

“ESA” shall mean a certain Energy Services Agreement, dated as of _____, by and between McClure Company and Lessee. The ESA is a separate agreement within the scope of the energy performance transaction which relates to the Equipment, including, but not limited to, installation of the Equipment.

“Escrow Agreement” shall mean the Escrow Letter Agreement, dated as of _____.

“Escrow Fund” shall mean the escrow fund created pursuant to the Escrow Letter Agreement.

“Notes” means the QECB Note and the Tax-Exempt Note.

“Ordinance” means the ordinance enacted by the Board of Commissioners of Lessee on __, 2014, pursuant to which Lessee has issued its Notes.

“Purchase Price” shall mean the amount which Lessee can pay to acquire the Equipment outright on a Rental Payment (as hereinafter defined) due date, as set forth on the Schedule of Payments executed by Lessee and applicable to such Equipment.

“Qualified Conservation Purposes” shall mean any of the following; provided, however that the expenditures described below relate to Equipment located in the jurisdiction of the Lessee:

(a) Capital expenditures incurred for purposes of (i) reducing energy consumption in publicly-owned buildings by at least twenty (20) percent, (ii) implementing green community programs (including the use of loans, grants, or other repayment mechanisms to implement such programs), (iii) rural development involving the production of electricity from renewable energy resources, or (iv) any qualified facility (as determined under Code Section 45(d) without regard to paragraphs (8) and (10) thereof and without regard to any placed in service date).

(b) Expenditures with respect to research facilities, and research grants, to support research in (i) development of cellulosic ethanol or other nonfossil fuels, (ii) technologies for the capture and sequestration of carbon dioxide produced through the use of fossil fuels, (iii) increasing the efficiency of existing technologies for producing nonfossil fuels, (iv) automobile battery technologies and other technologies to reduce fossil fuel consumption in transportation, or (v) technologies to reduce energy use in buildings.

(c) Mass commuting facilities and related facilities that reduce consumption of energy, including expenditures to reduce pollution from vehicles used for mass commuting.

(d) Demonstration projects designed to promote the commercialization of (i) green building technology, (ii) conversion of agricultural waste for use in the production of fuel or otherwise, (iii) advanced battery manufacturing technologies, (iv) technologies to reduce peak use of electricity, or (v) technologies for the capture and sequestration of carbon dioxide emitted from combusting fossil fuels in order to produce electricity.

(e) Public education campaigns to promote energy efficiency.

“QECB Note” means the County of Lackawanna, Pennsylvania, General Obligation Note, Series A of 2014, issued to secure and be a source of payment for that portion of Lessee’s obligation under this Agreement and the related Rental Payments that qualifies as a “qualified energy conservation bond” in accordance with Sections 54A and 54D of the Code.

“Qualified Energy Conservation Obligation” means that portion of Lessee’s obligation under this Agreement and the related Rental Payments, including the Lessee’s QECB Note securing such Rental Payments, that qualifies as a “qualified energy conservation bond” in accordance with Sections 54A and 54D of the Code.

“Rental Payments” shall mean the basic payments payable by Lessee pursuant to the provisions of this Agreement during the Term (as hereinafter defined) which are payable in consideration of Lessor permitting Lessee to use the Equipment and by which Lessee is acquiring ownership of the Equipment. Rental Payments shall be payable by Lessee to Lessor in the amounts and at the times during the Term as set forth in the Schedule of Payments.

“Schedule of Payments” shall mean the document(s) which sets forth the terms and provisions of Lessee’s payment obligation(s) with respect to the Equipment and which shall include two amortization tables showing the principal and interest component of each payment with respect to the “Qualified Energy Conservation Obligation” and the “Tax-Exempt Obligation.”

“Sinking Fund” shall mean an account to be held by the Lessor into which shall be deposited the principal component of Rental Payments with respect to the Qualified Energy Conservation Obligation. Moneys deposited into such fund shall be retained and applied to the payment of Lessee’s obligation hereunder at maturity or earlier termination of this Agreement. Moneys held in this fund shall be held uninvested.

“Site Preparation Work” means site preparation work (including asbestos removal and clean-up) that needs to be performed by one or more entities (whether by the ESA contractor or another entity) as a preparatory step to performing the ESA.

“Site Preparation Agreement(s)” means one or several site preparation contracts and/or agreements between Lessee and one or more asbestos removal or site preparation entities to perform one or several aspects of the Site Preparation Work. These Site Preparation Agreements are separate agreements that are preparatory steps for the performance of the ESA and Equipment.

“Tax-Exempt Note” means the County of Lackawanna, Pennsylvania, General Obligation Note, Series B of 2014, issued to secure and be a source of payment for that portion of Lessee’s obligation under this Agreement and the related Rental Payments that does not qualify as a “qualified energy conservation bond” in accordance with Sections 54A and 54D of the Code, but does satisfy the Code requirements for exclusion of interest from federal income tax under Section 103 of the Code.

“Tax-Exempt Obligation” means that portion of Lessee’s obligation under this Agreement and the related Rental Payments, including the Lessee’s Tax-Exempt Note securing such Rental Payments, that does not qualify as a “qualified energy conservation bond” in accordance with Sections 54A and 54D of the Code, but does satisfy the Code requirements for exclusion of interest from federal income tax under Section 103 of the Code.

“Term” shall have the meaning set forth in Section 3.1 hereof.

“Vendor” shall mean the manufacturer of the Equipment as well as the agents or dealers of the manufacturer from whom the Equipment was purchased or will be purchased.

Section 1.2. Implementation of Escrow-Funded Transaction. Immediately following receipt by Lessor of evidence satisfactory to Lessor that the Effective Date has occurred, Lessor shall deposit, or cause to be deposited, in the Escrow Fund the sum of \$ _____. Such amount shall bear interest, and Lessee’s obligation to make Rental Payments shall commence, on the date that such funds are deposited in the Escrow Fund. All amounts deposited in the Escrow Fund shall be held, invested for the account of Lessee and disbursed as provided in the Escrow Agreement.

Section 1.3. General. Each transaction implemented and entered into hereunder shall be deemed to be a separate and distinct legal and binding obligation of Lessee with this Agreement being applicable thereto independent of additional transactions which may be entered into by Lessor and Lessee hereunder.

ARTICLE II.

Section 2.1. Representations, Etc., of Lessee. Lessee represents, warrants and covenants to Lessor as follows:

(a) Lessee is a state or a political subdivision of the Commonwealth of Pennsylvania (the “Commonwealth”) within the meaning of Section 103(c) of the Internal Revenue Code of 1986, as amended (the “Code”);

(b) Lessee has the power and authority under the Constitution and laws of the Commonwealth to enter into this Agreement and the transactions contemplated hereby and to perform all of its obligations hereunder;

(c) The execution, delivery and performance of this Agreement by or on behalf of Lessee has been duly authorized by all necessary action of the governing body of Lessee, and Lessee has obtained such other approvals and consents as are necessary to consummate this Agreement, including without limitation the Pennsylvania Department of Community and Economic Development, to the extent required precedent to the issuance of the Notes or performance by Lessee of its obligations hereunder, will have been obtained prior to the execution and delivery of this Agreement;

(d) All requirements have been met and procedures have been followed in order to ensure the enforceability of this Agreement, and Lessee has complied with such referendum, public bidding and public notice and hearing requirements as may be applicable to this Agreement and the transactions contemplated hereunder;

(e) Lessee shall cause an incumbency certificate and an opinion of counsel each to be executed and delivered to Lessor in form and substance satisfactory to Lessor, substantially as attached hereto in Exhibits B and C, respectively;

(f) The execution, delivery and performance of this Agreement and the transactions contemplated hereunder will not violate any judgment, order, law or regulation applicable to Lessee or result in any breach of, constitute a default under, or result in any lien, charge, security interest or other encumbrance pursuant to any indenture, mortgage, deed of trust, bond, loan or credit agreement or other instrument to which Lessee is a party or by which it or its assets may be bound;

(g) There is no action, suit, proceeding or investigation pending or, to the knowledge of Lessee, threatened against or affecting Lessee in any court or before any public commission, board or authority which, if unfavorably determined, would have a material adverse effect on the ability of Lessee to perform its obligations hereunder;

(h) The Equipment will be used only for the purpose of performing one or more governmental functions of Lessee consistent with the scope of Lessee's authority pursuant to a legitimate public purpose of Lessee, which public purpose or governmental function shall also be a "Qualified Conservation Purpose." The Equipment will not be used, directly or indirectly, in any activity carried on by any person or entity other than a state or political subdivision thereof;

(i) Lessee understands and intends that this Agreement, and the transactions hereunder with respect to the Equipment, shall:

(i) with respect to the Qualified Energy Conservation Obligation, be and remain qualified under Sections 54A and 54D of the Code and, in furtherance thereof, Lessee is hereby designating the Qualified Energy Conservation Obligation as a "qualified energy conservation bond" pursuant to Section 54D(a) of the Code, hereby agrees that it shall take every other action required to qualify the Qualified Energy Conservation Obligation as a "qualified energy conservation bond" pursuant to Section 54D(a) of the Code and shall not take or omit any action that would or might jeopardize such tax status; and

(ii) with respect to the Tax-Exempt Obligation, be and remain tax exempt to Lessor and shall not take or omit any action that would or might jeopardize such tax exempt status;

(j) Lessee shall do or cause to be done all things necessary to preserve and keep in full force and effect its existence as a body corporate and politic;

(k) Lessee has complied with such laws as may be applicable to this Agreement and the acquisition by Lessee of the Equipment hereunder;

(l) During the period this Agreement is in force, Lessee shall annually provide Lessor with current financial statements, budgets, and such other financial information as may be reasonably requested by Lessor;

(m) The Equipment has a reasonably expected useful life in the hands of Lessee that is equal to or in excess of the maximum Term contemplated hereunder;

(n) The Equipment is, and during the period this Agreement is in force will remain, personal property and, when subjected to use by Lessee under this Agreement, will not be or become fixtures except for those portions of the Equipment which include permanent installations such as to roof and window areas and the like;

(o) The Equipment will be installed pursuant to the ESA; this Agreement and the ESA each relate to the same energy performance transaction which includes installation of the Equipment; the provisions of the ESA do not amend or supplement the terms hereof;

(p) Lessee will promptly and duly execute and deliver to Lessor such further documents, instruments and assurances, and take such further action, as Lessor may from time to time reasonably request in order to carry out the intent and purpose of this Agreement and to establish and protect the rights and remedies created or intended to be created in favor of Lessor hereunder;

(q) Lessee has selected the entity or entities performing any of the Site Preparation Work, has authorized the Site Preparation Agreement(s), has authorized the Site Preparation Work to be included in the scope of work authorized under this Agreement and represents that the entities and individuals selected have adequate insurance coverage and licensing for performing the Site Preparation Work in accordance with state laws and requirements;

(r) Lessee reasonably expects that (i) 100 percent or more of the "Available Project Proceeds" (as defined below) to be spent for one or more qualified conservation purposes within the 3-year period beginning on the Commencement Date, and (ii) a binding commitment with a third party to spend at least 10 percent of such Available Project Proceeds will be incurred within the 6-month period beginning on Commencement Date. The term "Available Project Proceeds" means (A) the excess of (i) the Lessor's deposit into the Escrow Fund or Lessor's payment to acquire the Equipment with respect to the Qualified Energy Conservation Obligation, over (ii) any issuance costs financed by the Lessor's deposit or payment (to the extent that such costs do not exceed two (2) percent of such aggregate deposit or payment), and (B) the proceeds from any investment of the excess described in subclause (A);

(s) Lessee certifies that applicable Commonwealth and local law requirements governing conflicts of interest are satisfied with respect to the Qualified Energy Conservation Obligation and, if the Secretary of the Treasury prescribes additional conflicts of interest rules applicable to the Lessee, such additional conflict of interest rules will be satisfied; and

(t) Lessee represents that it will comply with the prevailing wage requirements of the Davis Bacon Act (40 U.S.C. Sec. 3141) to the extent applicable to the Qualified Energy Conservation Obligation.

ARTICLE III.

Section 3.1. Term of Agreement. This Agreement shall be effective as of the Commencement Date and shall remain in effect until 11:59 p.m. on _____, 201__ (the "Term") unless sooner terminated in accordance with the procedures hereof.

Section 3.2. Termination of Term. The Term will terminate upon the earliest of any of the following events:

(a) the exercise by Lessee of the option to purchase the Equipment under Article VIII or X hereof;

(b) a default by Lessee and a termination of Lessee's rights under Article XII hereof;
or

(c) the payment by Lessee of all Rental Payments and all other sums required to be paid by Lessee hereunder.

Section 3.3 Failure To Spend Available Project Proceeds Within 3 Years. With respect to the Qualified Energy Conservation Obligation, to the extent that less than one hundred (100%) percent of the Available Project Proceeds are expended by the close of the 3-year period beginning on the Commencement Date for one or more Qualified Energy Conservation Purposes, the Schedule of Payments shall be automatically adjusted, without further action of Lessor or Lessee, to require the payment of principal on the Qualified Energy Conservation Obligation within ninety (90) days after the end of such period. To the extent that Lessor has deposited moneys into the Escrow Fund, representing proceeds of the Qualified Energy Conservation Obligation, for the purchase of Equipment that remains unspent, such remaining moneys in the Escrow Fund shall be immediately applied following the close of such 3-year period to the payment of principal on the Qualified Energy Conservation Obligation.

ARTICLE IV.

Section 4.1. Lease of Equipment. Lessor hereby demises, leases and lets to Lessee, and Lessee hereby rents, leases and hires from Lessor, the Equipment to have and to hold for the Term in accordance with the provisions of this Agreement.

Section 4.2. Quiet Enjoyment. So long as Lessee is not in default hereunder, as to claims of Lessor or persons claiming under Lessor, Lessor hereby covenants that Lessee shall peaceably and quietly have, hold, possess, use, and enjoy the Equipment, without suit, trouble or hindrance from Lessor, subject to the terms and provisions hereof. Lessor and its officers, employees and agents shall have the right at reasonable times during business hours to enter into and upon the property of Lessee for the purpose of inspecting the Equipment.

Section 4.3. Equipment as Personalty. Lessor and Lessee hereby acknowledge their intent that the Equipment shall be and remain personal property. Upon Lessor's (or its assignee's) request, Lessee shall obtain and deliver any landlord, mortgagee and/or like waivers in form and substance satisfactory to Lessor (or its assignee), from all persons and/or entities claiming any interest in any real property on which the Equipment is located or to which it may be or become affixed.

Section 4.4. Use of Equipment. Lessee shall not install, use, operate or maintain the Equipment improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Agreement.

ARTICLE V.

Section 5.1. Rental Payments to Constitute a General Obligation of Lessee. Lessor and Lessee understand and intend that the obligation of Lessee to pay Rental Payments and any other amounts hereunder constitutes a general obligation of Lessee. In order to evidence and secure Lessee's obligation to make Rental Payments hereunder, Lessee will issue the Notes to Lessor on the date of execution and delivery of this Agreement. The Notes will be issued pursuant to the Ordinance. In the Ordinance, Lessee covenants to and with registered owners, from time to time, of the Notes which shall be outstanding, from time to time, pursuant to the Ordinance, that Lessor: (i) shall include the amount of the debt service for the Notes, for each fiscal year of Lessor in which such sums are payable, in its budget for that fiscal year, (ii) shall appropriate such amounts from its general revenues for the payment of such debt service, and (iii) shall duly and punctually pay or cause to be paid from its Sinking Funds (as defined in the Ordinance) or any other of its revenues or funds the principal amount of each of the Notes at the dates and place and in the manner stated therein, according to the true intent and meaning thereof; and, for such budgeting, appropriation and payment, the County shall and does pledge, irrevocably, its full faith, credit and taxing power.

Section 5.2. Payment of Rental Payments. Lessee shall make Rental Payments in lawful money of the United States of America to Lessor at the address set forth on the execution page hereof in the amounts and on the dates set forth in the Schedule of Payments; provided, however, that the obligation of the Lessee to make any Rental Payment under this Agreement will be deemed to be satisfied and discharged to the extent of a corresponding payment made under the Notes. Rental Payments made by check shall be accepted subject to collection.

Section 5.3. Interest and Principal Components. As set forth on the Schedule of Payments, a portion of each Rental Payment is paid as, and represents payment of, interest and the balance is paid as, and represents payment of, principal.

Section 5.4. Rental Payments to be Unconditional. The obligation of Lessee to make payment of the Rental Payments required under this Article V and to perform and observe the other covenants and agreements contained in this Agreement shall be absolute and unconditional in all events, except as otherwise expressly provided under this Agreement. Notwithstanding any dispute between Lessee and Lessor, Lessee and any Vendor or Lessee and any other person, or any defects, breakdowns or malfunctions in the Equipment, Lessee shall pay all Rental Payments when due and shall not withhold any Rental Payments or assert any right of set-off, counterclaim or the like against its obligation to make any payments under this Agreement. Lessee's obligation to make Rental Payments shall not be abated through accident or unforeseen circumstances.

ARTICLE VI.

Section 6.1. Title to the Equipment. During the Term of this Agreement, title to the Equipment shall rest in Lessee, subject to the rights of Lessor under this Agreement. Immediately upon the occurrence of an event of default by Lessee hereunder or the termination of this Agreement under Section 3.2(a) or (c) hereof, to the extent permitted by law, title to the Equipment shall revert to Lessor, free and clear of any right, title or interest of Lessee, without the necessity of any further action by the parties. In the event that title reverts to Lessor as described above, Lessee shall peaceably deliver the Equipment to Lessor at any reasonable location designated by Lessor, at Lessee's sole cost and expense and in the condition required by Section 7.1 hereof, together with such documents and assurances as Lessor may reasonably request.

Section 6.2. Security Interest. To secure all obligations of Lessee hereunder, Lessee hereby grants to Lessor a security interest in all of Lessee's right, title and interest in and to the Equipment, including all attachments, repairs, replacements and modifications thereto or therefor, and all proceeds (cash and non-cash), including the proceeds of insurance, therefrom. Lessee agrees to provide such identification markings on the Equipment, in form and substance satisfactory to Lessor, as Lessor deems necessary or appropriate to give notice of Lessor's security interest in the Equipment and, upon assignment, the interest of any assignee of Lessor in the Equipment. As further security, Lessee hereby grants to Lessor a first-priority security interest in the cash and negotiable instruments from time to time comprising the Escrow Fund and the Sinking Fund, and all proceeds (cash and non-cash) therefrom. Lessee further agrees that, with respect to the Equipment, the Sinking Fund and, if applicable, the Escrow Fund, Lessor shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as in effect in the Commonwealth. Lessor is hereby authorized to file financing statements in accordance with the said Uniform Commercial Code. LESSEE ACKNOWLEDGES THAT, TO THE EXTENT APPLICABLE, ONLY LESSOR'S ORIGINAL OF THIS AGREEMENT CONSTITUTES CHATTEL PAPER FOR PURPOSES OF THE SAID UNIFORM COMMERCIAL CODE, and no security interest can be perfected by possession of any other counterpart or copy.

Section 6.3. Personal Property. The Equipment is deemed, and shall at all times remain, personal property notwithstanding that any such Equipment may now or hereafter be affixed to realty.

Section 6.4. Liens. Lessee shall not directly or indirectly create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, security interest, encumbrance or claim on or with respect to the Equipment or any interest therein or the Escrow Fund other than those created by Lessor.

ARTICLE VII.

Section 7.1. Maintenance of Equipment by Lessee. Lessee shall use the Equipment in a careful and proper manner, in compliance with all applicable laws and regulations and, at its own cost and expense, preserve and keep the Equipment in good repair, working order and condition. Lessee shall, at its own cost and expense, make or cause to be made all necessary and proper maintenance and servicing to maintain the value of the Equipment, reasonable wear and tear excepted. Lessor shall have no responsibility in any of these matters or for the making of improvements or additions to the Equipment. Without the prior written consent of Lessor, Lessee shall not make any alterations, modifications or attachments to the Equipment which cannot be removed without materially damaging the functional capabilities or the economic value of the Equipment.

Section 7.2. Taxes, Other Governmental Charges and Utility Charges. The parties to this Agreement contemplate that the Equipment will be used for a governmental purpose of Lessee and, therefore, that the Equipment will be exempt from taxes presently assessed and levied with respect to personal property. In the event that the use, possession or acquisition of the Equipment is found to be subject to taxation in any form (except for the net income taxes of Lessor), Lessee will pay during the Term, as the same respectively become due, all taxes, assessments and other governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Equipment, together with any interest or penalty thereon, as well as all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Equipment, or arising from the Rental Payments, the Escrow Agreement or this Agreement.

Section 7.3. Insurance.

(a) Lessee shall, at its expense, cause casualty, public liability and property damage insurance (and such other coverages as may be customary) to be carried and maintained with respect to the Equipment to protect Lessor from liability in all events as set forth in the Insurance Coverage Requirements attached hereto as Schedule B. Lessee shall, at Lessor's request, furnish to Lessor certificates evidencing such coverage throughout the Term. With Lessor's prior written consent, Lessee may self-insure the Equipment by means of an adequate insurance fund set aside and maintained for that purpose which must be fully described in a letter delivered to Lessor.

(b) Lessee shall carry workers' compensation insurance covering all employees working on, in, near or about the Equipment, or demonstrate to the satisfaction of Lessor that adequate self-insurance is provided, and shall require any other person or entity working on, in, near or about the Equipment to have such coverage throughout the Term.

(c) All insurance policies required pursuant hereto shall be so written or endorsed as to make losses, if any, payable to Lessee and Lessor, or its assignees, as their respective interests may appear, shall name Lessor and its assignees as additional insureds, and shall be in form and amount and with insurance companies reasonably satisfactory to Lessor. Each insurer shall agree, by endorsement upon the policy or policies issued by it or by independent instrument furnished to Lessor, that (i) it will give Lessor at least thirty (30) days' prior written notice of the effective date of any material alteration or cancellation of such policy, and (ii) insurance as to the interest of any named additional insured or loss payee other than Lessee shall not be invalidated by any action, inaction, breach of warranty or condition or negligence of Lessee with respect to such policy or policies. The Net Proceeds (as defined in Section 8.1 below) of the insurance required in this Section 7.3 shall be applied as provided in Sections 8.1 and 8.2 hereof.

(d) In the event Lessee shall fail to maintain the full insurance coverage required by this Agreement or shall fail to keep the Equipment in good repair and operating condition, Lessor may (but shall be under no obligation to) purchase the required policy or policies of insurance and pay the premiums therefor or may make such repairs or replacements as are necessary and provide for payment thereof; and all amounts so advanced by Lessor shall be payable on the next Rental Payment due date, together with interest thereon from the date of advance by Lessor at the rate of fifteen percent (15%) per

annum (or, if such rate is in excess of the maximum rate permitted by law, then at the maximum rate permitted by law).

Section 7.4. Location of Equipment. Lessee shall notify Lessor of the location at or within which the Equipment is being or is to be regularly located or stored promptly upon acceptance and shall thereafter inform Lessor of any change in that location.

ARTICLE VIII.

Section 8.1. Damage, Destruction and Condemnation.

(a) Lessee assumes the entire risk of loss to the Equipment. If, prior to the termination of the Term, (i) the Equipment or any portion thereof is destroyed (in whole or in part) or damaged by fire or other casualty or (ii) title to, or the temporary use of, the Equipment or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, then, provided the Equipment is not deemed a total loss, Lessee and Lessor shall cause the Net Proceeds (as hereinafter defined) of any insurance claim or condemnation award to be applied to the prompt replacement, repair or restoration of the Equipment. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to Lessee. In the event of total destruction of or damage to the Equipment, Lessor and Lessee shall cause the Net Proceeds to be paid to Lessor for application against the Purchase Price applicable for the remaining Rental Payments due so as to equal the Purchase Price, with any balance of the Net Proceeds remaining to be paid to Lessee.

(b) For purposes of Section 7.3 above and this Article VIII, the term "Net Proceeds" shall mean the amount remaining from the gross proceeds of any insurance claim or condemnation award after deducting all expenses (including, without limitation, attorneys' fees and expenses) incurred in the collection of such claim or award.

Section 8.2. Insufficiency of Net Proceeds. If the Net Proceeds are insufficient to pay in full the cost of any replacement, repair or restoration of the Equipment or the Purchase Price referred to in Section 8.1 hereof, Lessee shall, as applicable, either (i) complete the work and pay any cost in excess of the amount of the Net Proceeds (Lessee agrees that if, by reason of such insufficiency of the Net Proceeds, Lessee shall incur expenses, it shall not be entitled to any reimbursement therefor from Lessor nor shall Lessee be entitled to any diminution of the amounts payable under Article V hereof), or (ii) pay to Lessor the amount by which the sum of the then-applicable Purchase Price (net of any amount then held in the Sinking Fund with respect to the Qualified Energy Conservation Obligation, which shall be released to the Lessor) and accrued interest thereon exceeds the Net Proceeds (which shall be retained by Lessor) and, upon such payment, the Term shall terminate and Lessor's interest in the Equipment shall be conveyed by Lessor to Lessee as provided in Article X of this Agreement.

ARTICLE IX.

Section 9.1. Disclaimer of Warranties.

(a) LESSEE ACKNOWLEDGES THAT, FOR PURPOSES OF THE UNIFORM COMMERCIAL CODE OF THE COMMONWEALTH, THIS IS A STATUTORY FINANCE LEASE AND LESSOR IS NOT A SELLER, MANUFACTURER OR VENDOR (OR AN AGENT THEREOF) OF THE EQUIPMENT. LESSOR, NOT BEING A SELLER, MANUFACTURER OR VENDOR OF THE EQUIPMENT NOR AN AGENT THEREOF, HEREBY EXPRESSLY DISCLAIMS, HAS NOT MADE AND MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO ANY MATTER WHATSOEVER, INCLUDING, BUT NOT LIMITED TO, THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE EQUIPMENT, OR ANY OTHER WARRANTY WITH RESPECT THERETO. Lessee accordingly agrees not to assert any claim whatsoever against Lessor based thereon. AS TO LESSOR, LESSEE ACQUIRES, LEASES AND PURCHASES THE EQUIPMENT "WHERE

IS, AS IS". In no event shall Lessor be liable for any loss or damage, including incidental, indirect, special or consequential damage, in connection with or arising out of this Agreement or the existence, furnishing, functioning or Lessee's use of the Equipment.

(b) Each execution of an Acceptance Certificate shall constitute acknowledgment by (and as to (i) and (ii) following, a representation of) Lessee that: (i) the Equipment is of a size, design, capacity and manufacture selected by Lessee; (ii) Lessee is satisfied that the Equipment is suitable for its purpose; (iii) Lessor and its assignee are not a seller, manufacturer or vendor or a dealer in property of such kind; and (iv) Lessor and its assignee disclaimed any representation or warranty or covenant as set forth in Section 9.1(a) above.

Section 9.2. Vendor's Warranties. Lessor hereby irrevocably appoints Lessee its agent and attorney-in-fact during the Term, so long as Lessee shall not be in default hereunder, for the purpose of asserting from time to time whatever claims and rights which Lessor may have relating to the ESA or against the Vendor, including warranty claims with respect to the Equipment, but for no other purpose whatsoever. Lessee's sole remedy for the breach of a warranty shall be against the Vendor of the Equipment, and not against Lessor, nor shall such matters have any effect whatsoever on this Agreement, including Lessee's obligation to make timely Rental Payments hereunder. Lessee expressly acknowledges that Lessor makes, and has made, no representation or warranty whatsoever as to the existence or availability of such warranties from the Vendor of the Equipment.

ARTICLE X.

Section 10.1. Consummation of Purchase. At the request of Lessee, Lessor's interest in the Equipment will be transferred, conveyed and assigned permanently to Lessee and this Agreement shall terminate:

(a) at the end of the Term, upon payment in full of all Rental Payments due, all other sums required to be paid hereunder and the release of all funds then held in the Sinking Fund to the Lessor; or

(b) on any Rental Payment due date, with at least thirty (30) days' prior written notice to Lessor, upon payment by Lessee of the Rental Payment due on such date, together with the release of all funds then held in the Sinking Fund to the Lessor and payment in full of the then-applicable Purchase Price as set forth in the Schedule of Payments and all other sums required to be paid hereunder.

Upon the occurrence of either of the above, Lessor shall deliver to Lessee a confirmatory Bill of Sale transferring permanently its full remaining right, title and interest in and to the Equipment to Lessee free and clear of all liens and encumbrances created by or arising through Lessor, but without warranties and in "where is, as is" condition.

ARTICLE XI.

Section 11.1. Assignment by Lessor. This Agreement, Lessor's interest in the Equipment and the right of Lessor to receive payments hereunder may be assigned and reassigned or otherwise disposed of, in whole or in part, to one or more successors, assignees or subassignees at any time without the necessity of obtaining the consent of Lessee; provided, however, no assignment, reassignment or other disposition of any of Lessor's right, title or interest in and to this Agreement, the Equipment or the receipt of payments hereunder shall be effective unless and until Lessee shall have received a notice of assignment. Upon receipt of the notice described above, Lessee shall make all payments to the successor, assignee or subassignee so designated, and shall, if so requested, acknowledge the assignment, reassignment or other disposition in writing, but such acknowledgment shall in no way be deemed necessary to make the assignment, reassignment or other disposition effective. Lessee agrees that any monies or other property received by Lessor as a result of any such assignment, reassignment or other disposition shall not inure to Lessee's benefit. Lessee shall establish and maintain a book-entry record of ownership by Lessor and all such transfers to, among other purposes, comply with Section 149 of the

Code. Lessee shall execute all documents, including notices of assignment and chattel mortgages or financing statements which may be reasonably requested by Lessor, or its successors, assignees or subassignees, to protect their interests in this Agreement, the Equipment and the receipt of payments hereunder.

Section 11.2. Assignment and Subleasing by Lessee. Neither this Agreement, the rights or obligations of Lessee hereunder nor the interest of Lessee in the Equipment may be sold, leased, pledged, assigned, encumbered or otherwise transferred by Lessee for any reason without the express prior written consent of Lessor or its then-current assignee or subassignee. Lessee shall at all times remain liable for the performance of the covenants and conditions on its part to be performed, notwithstanding any assigning, transferring or the like that may be made with such consent.

Section 11.3. Indemnification. Lessee shall, to the extent permitted by applicable law, indemnify, protect, hold harmless, save and keep harmless Lessor from and against any and all liabilities, obligations, losses, claims, judgments, suits and damages whatsoever, regardless of cause thereof, and expenses in connection therewith (including, without limitation, attorneys' fees and expenses, penalties and interest) arising out of or as the result of this Agreement or the ESA, including the ownership of any item of the Equipment, the ordering, acquisition, manufacture, use, operation, condition, purchase, delivery, rejection, storage or return of any item of the Equipment or any accident in connection with the operation, use, condition, possession, storage or return of any item of the Equipment resulting in damage to property or injury or death to any person, unless the loss shall have been caused by the acts or omissions of Lessor or its officers or employees. The indemnification obligation arising hereunder shall continue in full force and effect notwithstanding the full payment of all of Lessee's obligations under this Agreement or the termination of the Term for any reason.

ARTICLE XII.

Section 12.1. Events of Default Defined. The following shall be "events of default" under this Agreement and the terms "event of default" and "default" shall mean, whenever they are used in this Agreement, any one or more of the following events:

(a) Failure by Lessee to pay in full any Rental Payment or other payment required to be paid hereunder at the time and manner specified herein; or

(b) Failure by Lessee to observe and perform any other covenant, condition or agreement on its part to be observed or performed hereunder for a period of thirty (30) days after written notice to Lessee, specifying such failure and requesting that it be remedied; or

(c) Any certificate, statement, representation or warranty by or on behalf of Lessee made in or furnished in connection with this Agreement or related documents which is determined by Lessor to have been incorrect or misleading in any material respect at the time as of which the facts therein set forth were stated or certified; or

(d) The filing of a petition in bankruptcy by or against Lessee, or failure by Lessee to promptly lift any execution, garnishment or attachment of such consequence as would impair the ability of Lessee to carry on its governmental functions, or assignment by Lessee for the benefit of creditors, or the entry by Lessee into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of any adjustment of indebtedness of Lessee, or the dissolution or liquidation of Lessee; or

(e) Failure by Lessee to maintain insurance on the Equipment in accordance with Section 7.3 hereof.

Section 12.2. Remedies on Default. Whenever any event of default referred to in Section 12.1 hereof shall have occurred, Lessor shall have the right, at its sole option and without any further demand or notice, to take one or any combination of the following remedial steps:

(a) With or without terminating this Agreement and by written notice to Lessee, declare an amount equal to the Purchase Price applicable to the immediately preceding Rental Payment due date with respect to which the Rental Payment due on such date has been paid, as set forth in the Schedule of Payments, immediately due and payable, whereupon the same shall be immediately due and payable;

(b) With or without terminating this Agreement, Lessor may require Lessee to return and without process of law, retake possession of the Equipment in accordance with Subparagraph (c) below and sell, lease, or otherwise dispose of it or any item thereof, for the account of Lessee, holding Lessee liable for (i) all payments due up to the effective date of such selling, leasing, or subleasing; and (ii) the difference, if any, between the purchase price, rental and other amounts paid by the lessee or sublessee pursuant to such sale, lease or sublease and all amounts payable by Lessee hereunder, including the Purchase Price applicable to the immediately preceding Rental Payment due date with respect to which the Rental Payment due on such date has been paid; provided, however, that so long as Lessee has returned the Equipment in accordance with the terms hereof, in no event shall Lessee's monetary liability hereunder exceed the aggregate amount of unpaid Rental Payments due in the fiscal year of Lessee in which the default occurs;

(c) Require Lessee to deliver the Equipment to Lessor at any location designated by Lessor, provided such location is within 250 miles of the initial Equipment location, at Lessee's sole risk, cost and expense and in the condition required by Section 7.1 hereof; or

(d) Take whatever other action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of Lessee under this Agreement, including, without limitation, the remedies of a secured party under the Uniform Commercial Code of the Commonwealth.

In addition, to the extent permitted by law, Lessee shall be liable for all attorneys' fees and other costs and expenses, including court costs and any costs for sale or re-sale, incurred by Lessor and its assigns with respect to the enforcement of any of the remedies listed above or any other remedy available to Lessor, and Lessee hereby waives any valuation, inquisition, stay, appraisal or redemption rights which, but for this provision, might be applicable in any sale or re-lease of the Equipment.

Section 12.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to Lessor is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 12.4. Return of Equipment; Release of Lessee's Interest. Upon termination of this Agreement and/or any lease hereunder prior to the payment of all Rental Payments or the applicable Purchase Price, Lessee shall promptly, but in any event within ten (10) days after such termination, at its own cost and expense: (a) perform any testing and repairs required to place the Equipment in the condition required by Article VII hereof; (b) if de-installation, disassembly or crating is required, cause the Equipment to be de-installed, disassembled and crated by an authorized manufacturer's representative or such other service person as is satisfactory to Lessor; and (c) return the Equipment to a location specified by Lessor, freight and insurance prepaid by Lessee. If Lessee refuses to return the Equipment in the manner designated, Lessor may repossess the Equipment and charge to Lessee the costs of such repossession. Upon termination of this Lease in accordance with Article III or Article XII hereof, at the election of Lessor and upon Lessor's written notice to Lessee, full and unencumbered legal title and ownership of the Equipment shall pass to Lessor, Lessee shall have no further interest therein, except as to the proceeds of any sale as set forth in Section 12.2(b) hereof, and Lessee shall execute and deliver to Lessor such documents as Lessor may request to evidence the passage of legal title and ownership to Lessor and termination of Lessee's interest in the Equipment.

Section 12.5. Late Charge; Interest on Late Payment. Any Rental Payment not paid on the due date thereof shall bear a late charge equal to five percent (5%) of the amount of the past due Rental Payment, but in no event less than \$100.00. Any unpaid Rental Payment or other amount payable by Lessee to Lessor hereunder, shall bear interest at the lesser of (a) the rate payable on the principal portion of the Purchase Price, plus five (5) full percentage points per annum, or (b) the maximum rate allowed by law.

ARTICLE XIII.

Section 13.1. Covenants. With respect to the Qualified Energy Conservation Obligation, the parties contemplate that Lessee will claim a tax credit pursuant to Sections 54A and 54D of the Code. With respect to the Tax-Exempt Obligation, the parties contemplate that Lessor can exclude the interest component of Rental Payments from gross income pursuant to Section 103 of the Code. Lessee covenants and agrees that it will (i) rebate an amount equal to excess earnings on the Escrow Fund to the United States government if required by, and in accordance with, Section 148(f) of the Code, and make the annual determinations, maintain the records required thereby and otherwise comply with the regulations applicable thereto; (ii) use a book-entry system to register the owner of this Agreement so as to meet the applicable requirements of Section 149(a)(3) of the Code; (iii) timely file a Form 8038-G, 8038-GC, 8038-TC or other form designated by the Internal Revenue Service, as appropriate (information report), with the Internal Revenue Service regarding this Agreement in accordance with Section 149(e) of the Code; (iv) not permit the Equipment to be directly or indirectly used for a private business use within the meaning of Section 141 of the Code; (v) with respect to the Qualified Energy Conservation Obligation, comply with all provisions and regulations applicable to qualifying for the tax credit provided by Section 54A of the Code; and (vi) with respect to the Tax-Exempt Obligation, comply with all provisions and regulations applicable to excluding the interest component of Rental Payments from gross income pursuant to Section 103 of the Code.

It is the parties' intention that this Agreement not constitute a "true" lease for Federal income tax purposes and, therefore, it is Lessor's and Lessee's intention that Lessee be considered the owner of the Equipment and the Escrow Fund for Federal income tax purposes. Lessor covenants and agrees that it will provide to Lessee in writing the "issue price" of the Agreement for Lessee to record in the Form 8038-G or other form designated by the Internal Revenue Service.

Section 13.2. Indemnification. If Lessor either (i) receives notice, in any form, from the Internal Revenue Service, or (ii) reasonably determines, based on an opinion of independent tax counsel selected by Lessor and approved by Lessee (which approval Lessee shall not unreasonably withhold or delay), that Lessor may not exclude any interest paid hereunder from Federal gross income because Lessee breached a covenant contained herein, then Lessee shall pay to Lessor, within thirty (30) days after Lessor notifies Lessee of such determination, an amount which, with respect to Rental Payments previously paid and taking into account all penalties, fines, interest and additions to tax (including all Federal, state and local taxes imposed on the interest component of all Rental Payments due through the date of such event), will restore to Lessor its after-tax yield (assuming tax at the highest marginal tax rate and taking into account the time of receipt of payments and reinvestment at the after-tax yield rate) on the transaction evidenced by this Agreement through the date of such payment. Additionally, Lessee agrees that upon the occurrence of such an event, it shall pay as additional rent to Lessor on each succeeding Rental Payment due date such amount as will maintain such after-tax yield to Lessor.

ARTICLE XIV.

Section 14.1. Further Assurances. Promptly upon request by the Lessor, Lessee shall execute and deliver each writing, and take each other action, that the Lessor shall deem necessary or desirable (a) to perfect or accomplish any lien or security interest granted pursuant to this Agreement; (b) otherwise to accomplish any purpose of this Agreement; or (c) in connection with any transaction contemplated by this Agreement.

Section 14.2. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by registered mail, postage prepaid, to the parties at the addresses set forth on the signature page hereof.

Section 14.3. Binding Effect. This Agreement shall inure to the benefit of, and shall be binding upon, Lessor and Lessee and their respective successors and assigns.

Section 14.4. Severability/Survival. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof. The obligations of Lessee under Sections 7.2, 11.3 and 13.2 above which accrue during the Term shall survive termination of this Agreement.

Section 14.5. Amendments, Changes and Modifications. This Agreement may be amended or modified only in writing signed by Lessor and Lessee.

Section 14.6. Execution in Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 14.7. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania without regard to its principles of conflict of laws. All lawsuits commenced under this Agreement shall be brought in a state or federal court located or having jurisdiction in Scranton, Pennsylvania.

Section 14.8. Captions. The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

Section 14.9. Waiver. No covenant or condition of this Agreement can be waived except by the written consent of Lessor. Any failure of Lessor to require strict performance by Lessee or any waiver by Lessor of any terms, covenants or agreements herein shall not be construed as a waiver of any other breach of the same or any other term, covenant or agreement herein.

Section 14.10. Entire Agreement. This Agreement, together with the documents attached hereto and other agreements referred to herein, constitute the entire agreement between the parties.

Section 14.11. Application of Payments. Payments shall be applied first to Lessor's costs and expenses, including, without limitation, attorneys' fees incurred in performing or enforcing Lessee's obligations under this Agreement, next to charges and fees such as late charges, next to Rental Payment amounts accounted for by Lessor as interest, and last to other amounts due from Lessee as Rental Payments.

Section 14.12. Usury. It is the intention of the parties to comply with any applicable usury laws; accordingly, notwithstanding any provisions to the contrary herein, in no event shall this Agreement require the payment or permit the collection of interest or any amount in the nature of interest or fees in excess of the maximum amount permitted by applicable law. Any such excess interest or fees shall first be applied to reduce principal under the Rental Payments, and when no such principal remains, refunded to Lessee. In determining whether the interest paid or payable exceeds the highest lawful rate, the total amount of interest shall be spread through the Term so that the interest is uniform through such term.

IN WITNESS WHEREOF, as of the date first above written, Lessor has executed and attested this Agreement in its corporate name by its duly authorized officers, and Lessee has caused this Agreement to be executed in its corporate name with its corporate seal hereunto affixed as attested by its duly authorized officers.

ATTEST:

LESSOR:

By: _____

By: _____

Lessor's Address:

Attn:

ATTEST:

LESSEE:
(Lessee)

By: _____

By: _____

Name:
Title:

Name:
Title:

Lessee's Address:

Attn:

Exhibit A

ACCEPTANCE CERTIFICATE

(NO. ____)

THIS ACCEPTANCE CERTIFICATE is issued pursuant to the Taxable QECB and Tax Exempt Energy Performance Contract Municipal (QECB) Lease/Purchase Agreement, dated as of _____ (the "Agreement"), between _____, as lessor (the "Lessor"), and _____, as Lessee (the "Lessee"). All terms presented as defined terms and not defined herein shall have the meanings ascribed to them in the Agreement.

1. All of the Equipment described on the attached Description of Equipment has been delivered, installed and received in good condition, and Lessee hereby accepts the same as of _____, 20__.

2. Lessee has conducted, or caused to be conducted, such inspection and/or testing of the Equipment described on the attached Description of Equipment as it deems necessary and appropriate and hereby acknowledges that its aforesaid acceptance of the Equipment is for all purposes.

3. Lessee confirms that it shall make all Rental Payments required by and in accordance with the Agreement, and that sufficient funds have been appropriated by Lessee to make all such payments for Lessee's current fiscal period. Lessee expects and anticipates that sufficient funds will be available to make all Rental Payments due in subsequent fiscal periods.

4. The Equipment described on the attached Description of Equipment is and shall remain covered by insurance in the types and amounts required by the Agreement and is located at the location(s) set forth in the said Description of Equipment.

5. No Event of Default under the Agreement and no event which with the giving of notice of lapse time, or both, would become an Event of Default, has occurred and is continuing on the date hereof.

6. Lessee hereby authorizes and requests Lessor to approve the payment of the Acquisition Cost of the Equipment, as set forth in the attached Description of Equipment, to the Vendor(s), to Lessee in reimbursement for its previous payment of such amount or to other appropriate parties, by executing and delivering a Payment Request to the Escrow Agent. Lessee certifies that upon the submittal of the Payment Request to the Escrow Agent, Lessor will have fully and satisfactorily performed all of its covenants and obligations under the Agreement with respect to the Equipment described on the said Description of Equipment other than its covenant of quiet enjoyment.

LESSEE:

ATTEST:

(Lessee)

By: _____

Name:

Title:

By: _____

Name

Title

DESCRIPTION OF EQUIPMENT

Attached to and made a part of
Acceptance Certificate No. ____

<u>QUANTITY</u>	<u>MODEL/ MFG.</u>	<u>DESCRIPTION</u>	<u>INVOICE NO. / AMOUNT</u>
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SAMPLE

LOCATION(S): _____

Exhibit B

INCUMBENCY CERTIFICATE

I DO HEREBY CERTIFY that I am the duly elected or appointed and acting _____ of _____, a political subdivision duly organized and existing under the laws of the Commonwealth of Pennsylvania, that I have custody of the records of such entity, and that, as of the date hereof, the individuals named below are the duly elected or appointed officers of such entity holding the offices set forth opposite their respective names. I FURTHER CERTIFY that (i) the signatures set opposite their respective names and titles are their true and authentic signatures and (ii) such officers have the authority on behalf of such entity to enter into the Energy Performance Contract Municipal Lease/Purchase Agreement, dated as of _____, between such entity and [_____].

NAME

TITLE

SIGNATURE

IN WITNESS WHEREOF, I have duly executed this certificate as of _____.

By: _____
Name
Title

Exhibit C

**[FORM OF LESSEE'S COUNSEL OPINION]
(to be typed on Counsel's Letterhead)**

Date

[_____]

Ladies and Gentlemen:

As counsel for _____ (the "Lessee"), we have examined a duly executed original of each of the Taxable QECB and Tax Exempt Energy Performance Contract Municipal (QECB) Lease/Purchase Agreement, dated as of _____ (the "Lease/Purchase Agreement"), between Lessee and [_____] (the "Lessor"), the Escrow Agreement, dated as of _____, among Lessor, Lessee and [_____], as escrow agent, and the Energy Services Agreement, dated _____, between _____ and Lessee (such agreements, collectively, the "Agreements") and the proceedings taken by Lessee to authorize and execute the Agreement. Based upon such examination of law and fact as we have deemed necessary or appropriate for purposes of the opinions set forth below, we are of the opinion that:

1. Lessee is a state or a political subdivision thereof within the meaning of Section 103(c) of the Internal Revenue Code of 1986, as amended (the "Code") and existing under the laws of the Commonwealth of Pennsylvania.

2. (a) The Qualified Energy Conservation Obligation (as defined in the Lease/Purchase Agreement) qualifies for a tax credit pursuant to Section 54A of the Code as a Qualified Energy Conservation Bond as defined in Section 54D of the Code. The opinion set forth in the preceding sentence is subject to the condition that the Lessee comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the incurrence of the Qualified Energy Conservation Obligation in order that the Qualified Energy Conservation Obligation continues to qualify for a tax credit pursuant to Sections 54A of the Code as a Qualified Energy Conservation Bond as defined in Section 54D(a) of the Code. The Lessee has covenanted to comply with all such requirements. Failure to comply with all such requirements may cause the tax credit to be lost retroactive to the date of the Lease/Purchase Agreement.

(b) The interest component of the Rental Payments, as set forth in the Schedule of Payments executed pursuant to the Lease/Purchase Agreement, relating to the Tax-Exempt Obligation is excludable from gross income for federal income tax purposes under Section 103 of the Code and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations: it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on certain corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinion set forth in the preceding sentence is subject to the condition that the Lessee comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Tax-Exempt Obligation in order that interest hereon be, or continue to be, excluded from gross income for federal tax purposes. The Lessee has covenanted to comply with all such requirements. Failure to comply with all such requirements may cause the interest component of the Tax-Exempt Obligation Agreement to be included in gross income for federal income tax purposes retroactive to the date of the Agreement.

We express no opinion regarding other federal tax consequences arising with respect to the Lease/Purchase Agreement.

3. Each of the Agreements has been duly authorized, executed and delivered by Lessee pursuant to all necessary Constitutional, statutory and governing body approval (the "Approval").

4. Each of the Agreements is a legal, valid and binding obligation of Lessee, enforceable against Lessee in accordance with its terms. In the event Lessor obtains a judgment against Lessee in money damages, as a result of an event of default under the Agreements, Lessee will be obligated to pay such judgment.

5. Any and all applicable public bidding requirements of Pennsylvania Law and such other laws applicable to the Agreements have been complied with.

6. There are no pending actions or proceedings to which Lessee is a party, and there are no other pending or threatened actions or proceedings of which Lessee has knowledge, before any public body, court, arbitrator or administrative agency, which, either individually or in the aggregate, would materially adversely affect the transactions contemplated by the Agreements or the ability of Lessee to perform its obligations under the Agreements, or question the validity of the Approval or the Agreements. Further, Lessee is not in default under any material obligation for the payment of borrowed money, for the deferred purchase price of property or for the payment of any rent under any lease agreement which, either individually or in the aggregate, would have the same such effect.

7. The Equipment, except for the energy efficiency improvements to the roof, windows, and wiring leased pursuant to the Lease/Purchase Agreement constitutes personal property and, when subjected to use by Lessee, will not be or become fixtures under applicable law. The payments made by Lessee pursuant to the Agreements are ordinary contingent expenses, and none of the Agreements is a lease or lease/purchase of a building or a facility.

8. Resolution No. _____ of the governing body of Lessee, attached hereto as Exhibit A, was duly and validly adopted by such governing body on _____. Such resolution has not been amended, modified, supplemented or repealed and remains in full force and effect.

9. This opinion may be relied upon by Lessor and its successors and assigns.

Very truly yours,

Schedule A

EQUIPMENT LIST

A list of the Equipment to be subject to the Taxable QECB and Tax Exempt Energy Performance Contract Municipal (QECB) Lease/Purchase Agreement, dated as of _____, by and between [_____] , as lessor, and _____, as lessee, follows:

Schedule B

INSURANCE COVERAGE REQUIREMENTS

A list of the insurance coverage requirements pursuant to Section 7.3 of the Taxable QECB and Tax Exempt Energy Performance Contract Municipal (QECB) Lease/Purchase Agreement (the "Agreement"), dated as of _____, by and between [_____] , as lessor, and _____, as lessee, follows:

1. In accordance with Section 7.3 of the Agreement we have instructed the insurance agent named below (please fill in name address and telephone number):

Agent: _____

to issue:

a. All Risk Physical Damage Insurance on the Equipment evidenced by a Certificate of Insurance and Long Form Loss Payable Clause naming Lessor and/or its assigns as loss payee.

Coverage Required: Full Replacement Value

b. Public Liability Insurance evidenced by a Certificate of Insurance naming Lessor and/or its assigns as an Additional Insured.

Minimum Coverages Required: \$1,000,000 per person
\$1,000,000 aggregate bodily injury liability
\$1,000,000 property damage liability

OR, if previously approved by Lessor

2. Pursuant to Section 7.3 of the Agreement, we are self-insured for all risk, physical damage, and public liability and will provide proof of such self-insurance in letter form together with a copy of the statute authorizing this form of insurance.

3. Proof of insurance coverage will be provided prior to the time that the equipment is delivered to _____.

Lessee:

(Lessee)

By: _____

Name

Title

PAYMENT SCHEDULE

Note: There shall include two amortization tables showing the principal and interest component of each payment with respect to the “Qualified Energy Conservation Obligation” and the “Tax-Exempt Obligation”.

QUALIFIED ENERGY CONSERVATION OBLIGATION

INTEREST	PRINCIPAL/SINKING FUND DEPOSIT

TAX-EXEMPT OBLIGATION

INTEREST	PRINCIPAL

**FORM OF LESSEE [ORDINANCE/RESOLUTION]
(Pennsylvania)
[LESSEE]**

Ordinance No. _____

Date: [_____]

AN [ORDINANCE/RESOLUTION] OF _____
("LOCAL GOVERNMENT UNIT"), AUTHORIZING THE INCURRING OF LEASE OBLIGATIONS IN AN AMOUNT NOT TO EXCEED \$_____ TO BE EVIDENCED BY A ENERGY PERFORMANCE CONTRACT MUNICIPAL (QECB) LEASE/PURCHASE AGREEMENT WITH [_____] ("LESSOR") TO WHICH THE LOCAL GOVERNMENT UNIT WILL PAY TO LESSOR THE RENTAL PAYMENTS FOR THE PURPOSES OF PROVIDING CERTAIN EQUIPMENT FOR THE LOCAL GOVERNMENT UNIT; AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH LEASE PURCHASE AGREEMENT; SETTING FORTH THE AMOUNTS OF THE RENTAL PAYMENTS TO BE MADE THEREUNDER AND COVENANTING TO PAY SUCH AMOUNTS FROM CURRENT REVENUES, SUBJECT TO ANNUAL APPROPRIATION; AUTHORIZING AND DIRECTING THE TAKING OF NECESSARY OR APPROPRIATE ACTIONS, INCLUDING EXECUTION AND DELIVERY OF REQUISITE DOCUMENTS IN CONNECTION WITH THE LEASE PURCHASE AGREEMENT; AND TAKING RELATED ACTIONS.

WHEREAS, the Local Government Unit has determined that it is in the best interests of the Local Government Unit to finance certain equipment ("Equipment") as more particularly described in Exhibit "A" annexed hereto and made a part hereof.

WHEREAS, the Local Government Unit desires by this [ordinance/resolution] to authorize the execution and delivery on behalf of the Local Government Unit of a Taxable QECB and Tax Exempt Energy Performance Contract Municipal (QECB) Lease/Purchase Agreement (the "Lease Purchase Agreement"), and to authorize the taking of necessary or appropriate actions to perform the Lease Purchase Agreement;

NOW, THEREFORE, BE IT [ENACTED AND ORDAINED/RESOLVED] by the Local Government Unit, as follows:

Section 1. Approval of the Local Government Unit. The Local Government Unit hereby authorizes and approves the financing of the Equipment pursuant to the Lease Purchase Agreement. The Local Government Unit determines to incur lease obligations debt in an aggregate principal amount not to exceed \$ by the execution and delivery of a Lease Purchase Agreement. The Local Government Unit hereby finds and determines that the realistic estimated useful life of the Equipment is at least (____) years.

Section 2. Form of Lease Purchase Agreement. The Lease Purchase Agreement will be in form and substance satisfactory to the Local Government Unit, with the advice of counsel, and shall provide that the Local Government Unit's repayment obligations thereunder. A form of the proposed Lease Purchase Agreement is attached as an exhibit hereto.

Section 3. Execution and Delivery of Lease Purchase Agreement. The proper officers of the Local Government Unit are hereby authorized and directed to execute, attest, seal and deliver the Lease Purchase Agreement in the form provided in Section 2 hereof. Such execution, attestation and delivery of the Lease Purchase Agreement shall constitute conclusive evidence of such approval.

Section 4. Amounts Payable Under Lease Purchase Agreement Documents. The amounts required to be paid under the Lease Purchase Agreement, from the current revenues of the Local Government Unit, are as set forth in Exhibit "B" annexed hereto and made a part hereof.

Section 5. Rental Payments from Current Revenues of Local Government Unit. The Local Government Unit covenants to pay Lessor the rental payments as set forth in Exhibit "B" hereto from current revenues subject to annual appropriation.

Section 6. Qualified Energy Conservation Bond Representations. The Local Government Unit understands and intends that the Lease Purchase Agreement, and the transactions thereunder with respect to the Equipment, shall, to the extent that the Government Unit receives an

allocation of volume cap, be treated as a Qualified Energy Conservation Bond under Sections 54A and 54D of the, Internal Revenue Code of 1986, as amended (the "Code"). In furtherance thereof, the Government Unit is hereby designating the Qualified Energy Conservation Obligation (as defined in the "Lease Purchase Agreement" as a "qualified energy conservation bond" pursuant to Section 54D(a) of the Code, hereby agrees that it shall take every other action required to qualify the Qualified Energy Conservation Obligation as a "qualified energy conservation bond" pursuant to Section 54D(a) of the Code and shall not take or omit any action that would or might jeopardize such tax status.

Section 7. Qualified Tax Exempt Obligation Designation. The Local Government Unit hereby designates the obligation incurred under the Lease Purchase Agreement, to the extent that such obligation is not a Qualified Energy Conservation Bond, as a "qualified tax exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code. The Local Government Unit has not issued and does not reasonably expect to issue more than \$10,000,000 of tax exempt obligations during calendar year 20___. The Local Government Unit hereby covenants, with respect to the Tax-Exempt Obligation, that it shall take every other action required to qualify the Tax-Exempt Obligation as a "qualified tax-exempt obligation" and shall not take or omit any action that would or might jeopardize such tax exempt status.

Section 8. Further Action. The officers of the Local Government Unit are hereby severally authorized and empowered on behalf of the Local Government Unit to execute any and all papers and documents and to do or cause to be done any and all acts and things necessary or appropriate for the implementation of this [Ordinance/Resolution] and to effectuate the authorization, execution, delivery and performance of the Lease Purchase Agreement.

Section 9. Headings and Preambles. The preambles and headings of this [Ordinance/Resolution] are inserted for ease of reference only and shall not constitute a part of this [Ordinance/Resolution].

Section 10. Inconsistent [Ordinances/Resolutions] and Repealed. All ordinances and resolutions to the extent inconsistent herewith shall be and the same hereby are rescinded, canceled and annulled.

[ENACTED/RESOLVED] by the Local Government Unit, in lawful session assembled, on _____ day of , 20 ___, by the following vote:

YEAS: _____

NAYS: _____

ATTEST:

LOCAL GOVERNMENT UNIT

Clerk/Secretary