

**AN ORDINANCE OF THE COUNTY COMMISSIONERS
OF THE COUNTY OF LACKAWANNA
(PENNSYLVANIA)
ENACTED NOVEMBER 9, 2004 AND NUMBERED 155.**

**FORMAL ACTION CONSTITUTING A DEBT ORDINANCE
UNDER THE LOCAL GOVERNMENT UNIT DEBT ACT**

AUTHORIZING THE INCURRING OF NONELECTORAL DEBT BY THE ISSUANCE OF GENERAL OBLIGATION BONDS, SERIES D OF 2004 IN AGGREGATE PRINCIPAL AMOUNT OF TWENTY MILLION ONE HUNDRED FORTY FIVE THOUSAND DOLLARS (\$20,145,000), COVENANTING TO BUDGET, APPROPRIATE AND PAY, AND PLEDGING ITS FULL FAITH CREDIT AND TAXING POWER FOR THE PAYMENT OF, SUCH BONDS; ESTABLISHING A SINKING FUND AND APPOINTING A SINKING FUND DEPOSITORY; PROVIDING FOR THE FORM, INTEREST RATE, MATURITY AND OTHER PROVISIONS FOR THE PAYMENT THEREOF; AUTHORIZING THE ACCEPTANCE OF A PROPOSAL FOR THE PURCHASE OF SUCH BONDS; AUTHORIZING A FILING OF REQUIRED DOCUMENTS WITH THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT; RATIFYING AND DIRECTING CERTAIN ACTIONS OF OFFICERS; AND MAKING CERTAIN OTHER COVENANTS AND PROVISIONS IN RESPECT OF SUCH BONDS.

Bond Counsel:

**Cozen O'Connor
1900 Market Street
Philadelphia, PA 19103**

Solicitor:

**Elaine Geroulo, Esq.
200 Adams Avenue
Scranton, PA 18503**

ARTICLE 1 - DEFINITIONS

Unless the context clearly indicates otherwise, the following terms shall, for all purposes of this Debt Ordinance, have the meanings hereby ascribed to them. Moreover, such terms, together with all other provisions of this Debt Ordinance, shall be read and understood in a manner consistent with the provisions of the Debt Act, as generally interpreted by the Department of Community and Economic Development or by courts maintaining competent jurisdiction.

Words or phrases importing the masculine gender shall be read and understood to include the feminine and neuter genders and those importing number shall include singular or plural, both as appropriate to the context. The word "person," in addition to natural persons, means and includes corporations, associations and public bodies and their successors unless the context shall indicate otherwise.

"Authentication Date" means that date or those dates, individual to respective Bonds, upon which the Sinking Fund Depository shall have executed and delivered a new and original instrument upon the transfer, exchange or other processing for registration of a Bond, thereby authenticating the same as, and to be, a valid and outstanding obligation of the County.

"Authorized Denomination" shall mean \$5,000 and any integral multiple thereof.

"Banks" means PNC Bank and First National Community Bank, Community Bank & Trust Company, Pennstar Bank, Penn Security Bank & Trust Company and Liberty Bank & Trust Company, or such other commercial banking institutions as may be designated in writing by PNC Bank, and their successors and assigns.

"Bond Counsel" means, Cozen O'Connor, Philadelphia, Pennsylvania.

"Bonds" means the County's General Obligation Bonds, Series D of 2004, authorized to be issued hereby.

"Breakage Amount" means, with respect to a payment of any principal of a Bond held by a Bank in advance of the date when such principal is scheduled to be paid in accordance with the terms thereof, the amount certified by such Bank to the County in a certificate signed by such Bank as the aggregate amount of any liabilities, losses or expenses (including, without limitation, loss of margin, any loss or expense sustained or incurred in liquidating or employing deposits from third parties, and any loss or expense incurred in connection with funds acquired to effect, fund or maintain the funding of such principal or any part thereof) which such Bank sustains or incurs as a consequence of the County's payment of such principal on a day other than the scheduled due date therefor. A certificate as to any Breakage Amount payable pursuant to this Ordinance given to the County by the respective Bank shall, in the absence of manifest error, be conclusive, and such Breakage Amount shall be payable upon demand. The County's obligations under this Ordinance and the Bonds to pay Breakage Amounts shall survive the payment in full of all other amounts payable under this Ordinance and the Bonds.

"Commonwealth" means the Commonwealth of Pennsylvania.

"County" means the County of Lackawanna, political subdivision of the Commonwealth, duly organized and existing under the Constitution and the laws of the Commonwealth, particularly its Home Rule Charter.

which have not been paid, for which the County has received the approval of the Court, pursuant to the Order, to finance with the Bonds.

--END OF ARTICLE 1--

ARTICLE 3 -- SECURITY FOR DEBT; SINKING FUND

Section 3.01. General Obligation Covenant; Cross-Default. The Bonds shall be general obligations of the County. The County hereby covenants with the owners from time to time of the Bonds to: (a) include the amount necessary to service the debt on the Bonds, for each fiscal year in which such sums are payable, in its budget for that year; (b) appropriate such amounts from its general revenues to the payment of such debt service; and (c) duly and punctually pay, or cause to be paid, from its Sinking Fund or from any other of its revenues or funds, the principal of and the interest on the Bonds at the dates and place and in the manner stated in the Bonds, according to the true intent and meaning thereof. For such budgeting, appropriation and payment of the Bonds, the County hereby irrevocably pledges its full faith, credit and taxing power. The maximum amounts of debt service on the Bonds hereby covenanted to be paid are set forth in Schedule I, attached to this Debt Ordinance and incorporated by reference herein.

Nothing contained herein shall prohibit or restrain the authorization, issuance, sale or delivery of additional general obligation bonds or notes of the County on a parity with the Bonds, upon adoption of an appropriate covenant to budget, appropriate and pay additional taxes and other revenues and funds for the payment and security of such additional obligations.

Section 3.02. Creation of Sinking Fund; Additional Funds. The County hereby creates, and orders to be established (in its name and identified by reference to the Bonds), a Sinking Fund for the payment of the Bonds with the Sinking Fund Depository, and further covenants to maintain such Sinking Fund until the Bonds are paid in full. The County hereby authorizes and directs the Sinking Fund Depository to establish such other accounts as may be authorized by Sections 9.03 and 9.05 hereof.

Section 3.03. Deposits into Sinking Fund. The County covenants with the owners of the Bonds, and a Designated Officer (according to the duties specified in Section 8223 of the Debt Act) is hereby authorized and directed, to transfer directly from taxes or other revenues of the County or to withdraw from the General Fund (or in the event debt service charges have been capitalized, from the appropriate fund established with the proceeds of the Bonds) and to deposit into the Sinking Fund no later than the appropriate Interest Payment Dates (or as and when otherwise due by their terms and in order to provide same-day, available funds for timely payment), amounts sufficient to pay: (a) the interest on the Bonds then outstanding; and (b) the principal of the Bonds then maturing or subject to redemption.

Section 3.04. Investment of Sinking Fund. All moneys in the Sinking Fund not required for prompt expenditure may, in accordance with written or telephonic (if subsequently confirmed in writing according to the reasonable practices and requests of the Sinking Fund Depository) instructions of a Designated Officer, be invested as permitted by the Debt Act.

Section 3.05. Sinking Fund Depository. The Designated Officers are hereby authorized and directed to enter into the Paying Agent Agreement with the Sinking Fund Depository for its services in such capacity, together with its services as Paying Agent and Registrar for the Bonds. The Sinking Fund Depository shall assume, undertake and perform the duties of the Sinking Fund Depository specified by this Debt Ordinance or contained in the Debt Act, and shall further act as Paying Agent and Registrar in respect of the Bonds, according to the provisions of this Debt Ordinance and the Debt Act and in compliance at all times with then-current industry standards and practices.

Section 3.06. Financial Reporting. The County shall provide directly to the Banks and to Sinking Fund Depository to provide to any other holders of the Bonds: (A) within 270 days after each December 31, audited consolidating and consolidated balance sheets, income statements and consolidating and consolidated statements of cash flows together with (i) a report of an independent certified public accountant satisfactory to PNC Bank and (ii) any management letters of such accountants

ARTICLE 4 – TERMS AND PROVISIONS OF THE BONDS

Section 4.01. Mandatory Redemption.

(a) **Sinking Fund Redemptions.** The Bonds shall be subject to mandatory redemption on the dates and in the amounts shown on Schedule II attached hereto and made a part hereof, at a price equal to the par amount of such Bonds to be redeemed, plus interest accrued to the date of redemption.

(b) **Extraordinary Mandatory Redemptions.** The Bonds are subject to extraordinary mandatory redemption prior to maturity on or after June 1, 2008, on any Interest Payment Date, at the direction of the County, as a whole or in part at any time, at 100% of the par amount, plus the applicable Breakage Amount, plus accrued interest thereon to the date fixed for such extraordinary mandatory redemption to the extent that there are “surplus available revenues” generated in the preceding fiscal year. “Surplus available revenues” shall be equal to the available amounts as determined under §1.148-6(d)(3)(iii) of the Internal Revenue Code of 1986, as amended, and calculated as set forth in Section 8.04 hereof.

Section 4.02. Optional Redemption. The Bonds are not subject to optional redemption.

Section 4.03. Notices, Selection of Bonds for Redemption. Notice of redemption shall be given by first class mail, postage prepaid, not less than 30 nor more than 60 days prior to the applicable redemption date, to the Registered Owners of Bonds to be redeemed at the addresses which appear in the Bond Register on the fifth business day preceding the date selected for the mailing of such notice. Neither failure to mail such notice nor any defect in the notice so mailed or in the mailing thereof with respect to any one Bond shall affect the validity of the proceedings for the redemption of any other Bond.

Notices of redemption shall be dated and shall state: (a) the redemption date; (b) the Redemption Price; (c) if less than all outstanding Bonds are to be redeemed, the identification numbers and the respective maturity amounts of the Bonds to be redeemed; (d) the applicable CUSIP numbers of the Bonds called for redemption (if then generally in use, but shall state that no representation is made as to the correctness of such numbers either as printed on the Bonds or as contained in the notice and that reliance may be placed only on the identification numbers printed on the Bonds); (e) that on the redemption date the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; and (f) that such Bonds are to be surrendered for payment at the designated corporate trust office of the Sinking Fund Depository. If, at the time of the mailing of any notice of redemption, the County shall not have deposited with the Sinking Fund Depository moneys sufficient to redeem all the Bonds called for redemption, such notice shall state that it is conditional, that is, subject to the deposit or transfer of redemption moneys with the Sinking Fund Depository not later than the opening of business on the redemption date, and that such notice shall be of no effect unless such moneys are so deposited.

If less than all of the Bonds shall be called for prior redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by the Sinking Fund Depository pro rata among all of the outstanding Bonds.

Any portion of any Bond of a denomination larger than an Authorized Denomination may be redeemed, but only in the principal amount of an Authorized Denomination. Upon surrender of any Bond for redemption of a portion thereof, the Sinking Fund Depository shall authenticate and deliver to the owner thereof a new Bond or Bonds of the same maturity and in any Authorized Denominations requested by the owner in a principal amount equal to the unredeemed portion of the Bond surrendered.

shall authenticate and deliver in exchange therefor, the new Bond or Bonds which the Registered Owner making the exchange shall be entitled to receive.

All Bonds issued upon any registration of transfer or exchange shall be valid obligations of the County, evidencing the same indebtedness and entitled to the same benefits under this Debt Ordinance as the Bonds surrendered for such registration of transfer or exchange. All Bonds so surrendered shall be cancelled and may be destroyed by the Sinking Fund Depository.

Every Bond presented or surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer, in form and with guaranty of signature satisfactory to the County and the Sinking Fund Depository, duly executed by the owner thereof or his duly authorized agent or legal representative.

No service charge shall be imposed on any Registered Owner for any transfer or exchange of any Bond, but the County may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Neither the County, nor the Sinking Fund Depository, shall be required to: (a) issue, or register the transfer or exchange of, any Bond during a period of fifteen (15) business days before any date of selection of Bonds to be redeemed; or (b) register the transfer or exchange of any Bond after it has been selected for redemption.

The Bonds shall be initially registered in accordance with instructions submitted to the Sinking Fund Depository by PNC Bank pursuant to the Purchase Proposal.

Section 4.08. Execution and Authentication. The Bonds shall be executed on behalf of the County by the Designated Officers, and shall have a facsimile of the corporate seal of the County affixed thereto, duly attested. The Bonds shall be authenticated by the manual execution of the Certificate of Authentication by a duly authorized officer of the Sinking Fund Depository. No Bond shall be valid until such Certificate of Authentication shall have been duly executed and such authentication shall be the conclusive and only proof that any Bond has been issued pursuant to, and is entitled to any benefits conferred under, the provisions of this Debt Ordinance. To the extent that any one signature on a Bond (including the signature of the officer of the Sinking Fund Depository) is manual, all other signatures may be by facsimile.

Section 4.09. Temporary Bonds. Bonds in definitive form shall be fully engraved or printed or lithographed on steel-engraved borders. Until bonds in definitive form are ready for delivery, the County may execute, and upon request the Sinking Fund Depository shall authenticate and deliver, in lieu thereof and subject to the same provisions, limitations and conditions, one or more printed, lithographed or typewritten bonds in temporary form, substantially in the form approved hereby, and with appropriate omissions, variations and insertions. Until exchanged for bonds in definitive form, such bonds in temporary form shall be valid obligations entitled to the benefit of this Debt Ordinance. The County shall, without unreasonable delay, prepare, execute and deliver to the Sinking Fund Depository, and thereupon, upon the presentation and surrender of any bond or bonds in temporary form, the Sinking Fund Depository shall authenticate and deliver, in exchange therefor, a bond or bonds in definitive form of the same principal (or maturity) for the same aggregate maturity amount as the bond or bonds in temporary form surrendered. Such exchange shall be made by the County at its own expense and without making any charge therefor.

Section 4.10. Bonds Lost or Destroyed. Upon receipt by the County and the Sinking Fund Depository of evidence satisfactory to both of them that any outstanding Bond has been mutilated,

ARTICLE 5 – CONCERNING THE SINKING FUND DEPOSITORY

Section 5.01. Maintenance of Sinking Fund. The Sinking Fund Depository shall maintain the Sinking Fund as a separate account and shall, without further authorization other than as herein contained, pay, from moneys therein, the principal of, interest on and premium, if any, on the Bonds, as and when the same shall become due, to the Registered Owners thereof.

Section 5.02. Liability of Sinking Fund Depository. The Sinking Fund Depository may exercise any of the powers or perform any duty hereunder by or through attorneys, agents, receivers or employees, and it shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorney, agent, receiver or employee, if reasonable care has been exercised in his appointment and retention, nor shall the Sinking Fund Depository be otherwise answerable or accountable under any circumstances whatever in connection with such powers or duties, except for its own negligence or willful misconduct. The Sinking Fund Depository shall be protected and shall incur no liability in relying, acting or proceeding in good faith upon any notice, request, order, certificate, report, opinion, statement, affidavit, voucher, or other paper or document believed by it to be genuine and to have been signed, passed or presented by the proper person, nor be bound to make any investigation into the matters stated therein. However, the Sinking Fund Depository may, at any time in its discretion, require of the County full information and advice as to the above as well as to the performance of any of the covenants, conditions and agreements in this Debt Ordinance and may further make or cause to be made independent investigations, at the expense of the County, concerning its affairs. The Sinking Fund Depository may consult with legal counsel to be selected and employed by it and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel.

Section 5.03. Ownership of Bonds. The Sinking Fund Depository, in its individual capacity or as a fiduciary, may become the owner of Bonds, with the same rights it would have if it were not the Sinking Fund Depository. The Sinking Fund Depository may also engage in, or be interested in, any financial or other transaction with the County not in derogation of the rights of the Registered Owners of the Bonds.

Section 5.04. Interpretation. The Sinking Fund Depository may construe any of the provisions of this Debt Ordinance insofar as they may appear to be ambiguous or inconsistent with any other provision, and any construction of any such provisions by the Sinking Fund Depository in good faith will be binding upon the Registered Owners of the Bonds.

Section 5.05. Fees and Expenses. The Sinking Fund Depository shall be paid such initial and periodic fees for its services and reimbursed for such expenses, as are specified in those proposals and other such communications made to and received by the County in connection with the Bonds, if any, or, in all events, according to its usual, customary and reasonable schedule of fees and other charges.

Section 5.06. Removal; Resignation. The Sinking Fund Depository shall serve in such capacity at the will of the County and may be removed, provided that the County is not in default in the payment of principal or interest on the Bonds, at any time, with or without cause, by the appointment of a qualified successor and upon sixty (60) days' written notice to the Registered Owners of the Bonds and to the Sinking Fund Depository. The Sinking Fund Depository may at any time resign and be discharged of the trust hereby created by giving not less than sixty (60) days' written notice to the County and the Registered Owners, specifying the date when such resignation shall take effect, in the manner required for bond redemption notices, and such resignation shall take effect upon the day specified in such notice, unless previously a successor Sinking Fund Depository shall have been appointed by the County as hereinbefore provided, in which event such resignation shall take effect immediately on the appointment of such successor.

--END OF ARTICLE 5 --

limitation of rights, obligations, duties and immunities of parties hereunder shall thereafter be determined, exercised and enforced hereunder subject in all respects to such amendments, modifications and supplements, and all the terms and conditions of any such debt ordinance shall be and be deemed to be part of the terms and conditions of this Debt Ordinance for any and all purposes.

Section 6.05. Notice of Amendment. Notice, including a summary description, of any amending, modifying or supplemental debt ordinance once effectuated shall be confirmed promptly to all Registered Owners in the same manner as notices of redemption.

--END OF ARTICLE 6--

ARTICLE 8 – FEDERAL INCOME TAX COVENANTS

Section 8.01. Compliance in General. The County hereby states its intention to comply with all the provisions of the Tax Code; the County represents and covenants that it has undertaken and performed, and will undertake and perform, or, as appropriate, discontinue, upon the instruction of Bond Counsel, all those acts necessary and proper to the maintenance of the exclusion from gross income of the interest on the Bonds to the Registered Owners thereof conferred by the Tax Code, as interpreted by applicable regulations, rulings or other pronouncements of the Secretary of the United States Department of the Treasury.

Section 8.02. Tax Compliance Certificate. The Designated Officers are hereby authorized to execute and deliver one or more Tax Compliance Certificates upon the issuance of the Bonds, as required by Bond Counsel.

Section 8.03. Information Reporting. The Designated Officers are hereby authorized to prepare, or cause to be prepared, execute and submit an IRS Form 8038-G (or 8038-GC, as applicable) according to all the requirements for information reporting contained in Section 149(e) of the Tax Code.

Section 8.04. Extraordinary Mandatory Redemption; Employment of Consultant. The County hereby covenants to employ a consultant to produce a calculation, no later than June 1, 2008 and on each March 1 thereafter, so long as the Bonds are outstanding, to calculate "surplus available revenues," as defined in Section 4.01(b), as of the preceding December 31, and to determine the principal amount of Bonds subject to extraordinary mandatory redemption. Such consultant shall be experienced in the accounting procedures and financial systems of the County and in the application of the Tax Code and the regulations promulgated thereunder, and may, at its sole discretion, rely on an opinion of nationally recognized bond counsel in connection with the performance of the calculation described above.

ARTICLE 10 – MISCELLANEOUS

Section 10.01. Ratification. The action of the proper officers or agents in advertising a Summary Notice of this Debt Ordinance, as required by law, is ratified and confirmed. The advertisement of the Enactment Notice of this Debt Ordinance is hereby directed.

Section 10.02. Debt Ordinance A Contract. This Debt Ordinance shall be a contract with the Registered Owners, from time to time, of the Bonds.

Section 10.03. Inconsistencies. All prior ordinances, resolutions, or other official acts or parts thereof inconsistent herewith are hereby repealed to the extent of such inconsistencies.

Section 10.04 Statutory References. All references to specific provisions of statutory law herein contained may be read and interpreted by reference to amended, successor or replacement laws, but only to the extent consistent with the intent and clear meaning of this Debt Ordinance. All inconsistencies shall be resolved with recognition of, and in favor of, the rights of the owners of the Bonds, whose rights shall not be impaired.

Section 10.05. Benefited Parties. Nothing in this Debt Ordinance, expressed or implied, is intended or shall be construed to confer upon, or to give to, any person or corporation, other than the County, the Sinking Fund Depository, the Registered Owners of the Bonds, any right, remedy or claim under or by reason of this Debt Ordinance or any covenant, condition or stipulation hereof; and all of the covenants, stipulations, promises and agreements in this Debt Ordinance contained by and on behalf of the County shall be for the sole and exclusive benefit of such persons.

Section 10.06. Severability. If any one or more of the covenants or agreements provided in this Debt Ordinance on the part of the County or the Sinking Fund Depository to be performed shall for any reason be held to be illegal or invalid or otherwise contrary to law, then such covenant or covenants or agreement or agreements shall be null and void and shall be deemed separable from the remaining covenants and agreements, but shall in no way otherwise affect the validity of this Debt Ordinance.

Section 10.07. No Personal Liability. No covenant or agreement contained in the Bonds or in this Debt Ordinance shall be deemed to be the covenant or agreement of any member, officer, agent, attorney or employee of the County in his individual capacity, and neither the members of the County Commissioners nor any Designated Officer executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 10.08. Counterparts. This Debt Ordinance may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original; but such counterparts shall constitute but one and the same instrument.

Section 10.09 Effective Date. This Debt Ordinance shall be effective for all purposes upon the last to occur of: (a) seven days following the publication of the notice required by Section 1.3-311 of the County's Home Rule Charter; and (b) ten days after the date hereof.

--END OF ARTICLE 10--

CERTIFICATE

I, the undersigned, a Designated Officer of the County, hereby certify that the foregoing and attached is a true copy of an Ordinance which was duly adopted by the affirmative vote of a majority of all the members of the County Commissioners thereof at a meeting held on the date of the execution thereof; that due notice of such meeting was given and the meeting was at all times open to the public; that such Ordinance was duly recorded; that this Ordinance is still in full force and effect as of the date hereof; that the vote upon said Ordinance was called and duly recorded upon the minutes of the County Commissioners; and that the members of the County Commissioners voted in the manner following:

	Yes	No	Abstain	Absent
Randy Castellani	_____	_____	_____	_____
AJ Munchak	_____	_____	_____	_____
Robert C. Cordaro	_____	_____	_____	_____

WITNESS my hand and seal of the County this 9th day of November, 2004.

COUNTY OF LACKAWANNA

[SEAL]

Administrative Director

Schedule II

Mandatory Redemption

Date	Principal Amount	Date	Principal Amount
3/15/2005	\$ 410,000	3/15/2010	\$ 505,000
6/15/2005	415,000	6/15/2010	510,000
9/15/2005	415,000	9/15/2010	515,000
12/15/2005	420,000	12/15/2010	520,000
3/15/2006	425,000	3/15/2011	525,000
6/15/2006	430,000	6/15/2011	530,000
9/15/2006	435,000	9/15/2011	535,000
12/15/2006	440,000	12/15/2011	540,000
3/15/2007	445,000	3/15/2012	545,000
6/15/2007	450,000	6/15/2012	550,000
9/15/2007	455,000	9/15/2012	555,000
12/15/2007	460,000	12/15/2012	565,000
3/15/2008	465,000	3/15/2013	570,000
6/15/2008	470,000	6/15/2013	575,000
9/15/2008	470,000	9/15/2013	580,000
12/15/2008	475,000	12/15/2013	585,000
3/15/2009	480,000	3/15/2014	595,000
6/15/2009	485,000	6/15/2014	600,000
9/15/2009	490,000	9/15/2014	605,000
12/15/2009	495,000	12/1/2014	610,000

This Bond is one of a duly authorized series of bonds, designated "General Obligation Bonds, Series D of 2004" of the County (the "Bonds"), issued in accordance with Local Government Unit Debt Act of the General Assembly of the Commonwealth, as codified by the Act of December 19, 1996 (P.L. 1158, No. 177), as amended (the "Debt Act"), pursuant to all the terms and provisions of the formal action of the County (the "Debt Ordinance"), and with the approval of the Department of Community and Economic Development of the Commonwealth. Terms used but not defined herein shall have the meaning set forth in the Debt Ordinance.

Interest payable on any Interest Payment Date will be paid to the person in whose name this Bond is registered at the close of business on the Record Date for such Interest Payment Date. Any such interest which is not deposited with the Sinking Fund Depository on or before any such Interest Payment Date for payment to the Registered Owner of record on the Record Date will forthwith cease to be payable to such Registered Owner on the Record Date, and will be paid to the person in whose name this Bond is registered on a Special Record Date for the payment of such defaulted interest to be fixed by the Sinking Fund Depository, notice of which shall be given to all Registered Owners not less than 10 days prior to such Special Record Date. If, upon default, the principal of a Bond is paid prior to the scheduled date therefor, the County shall pay the Registered Owner thereof the applicable Breakage Amount.

Interest on the Bonds will be calculated based on a 360-day year for actual number of days elapsed.

The Bonds will be subject to mandatory redemption on the dates and in the amounts shown below, at a price equal to the par amount of such Bonds to be redeemed, plus interest accrued to the date of redemption.

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
3/15/2005	\$ 410,000	9/15/2008	\$ 470,000	12/15/2011	\$ 540,000
6/15/2005	415,000	12/15/2008	475,000	3/15/2012	545,000
9/15/2005	415,000	3/15/2009	480,000	6/15/2012	550,000
12/15/2005	420,000	6/15/2009	485,000	9/15/2012	555,000
3/15/2006	425,000	9/15/2009	490,000	12/15/2012	565,000
6/15/2006	430,000	12/15/2009	495,000	3/15/2013	570,000
9/15/2006	435,000	3/15/2010	505,000	6/15/2013	575,000
12/15/2006	440,000	6/15/2010	510,000	9/15/2013	580,000
3/15/2007	445,000	9/15/2010	515,000	12/15/2013	585,000
6/15/2007	450,000	12/15/2010	520,000	3/15/2014	595,000
9/15/2007	455,000	3/15/2011	525,000	6/15/2014	600,000
12/15/2007	460,000	6/15/2011	530,000	9/15/2014	605,000
3/15/2008	465,000	9/15/2011	535,000	12/15/2014	610,000
6/15/2008	470,000				

The Bonds will be subject to extraordinary mandatory redemption prior to maturity on or after June 1, 2008, on any Interest Payment Date, at the direction of the County, as a whole or in part at any time, at 100% of the par amount, plus the Breakage Amount determined pursuant to the Ordinance, plus accrued interest thereon to the date fixed for such extraordinary mandatory redemption to the extent that there are "surplus available revenues" generated in the preceding fiscal year. "Surplus available revenues" shall be equal to the available amounts as determined under §1.148-6(d)(3)(iii) of the Internal Revenue Code of 1986, as amended, and calculated as set forth in the Debt Ordinance.

this Bond or in the creation of the debt of which this Bond is evidence, exist, have happened and have been performed in regular and due form and manner as required by law; that this Bond, together with all other indebtedness of the County, is within every debt and other limit applicable to the County prescribed by the Constitution and the laws of the Commonwealth; that the County has established with the Sinking Fund Depository a Sinking Fund for this Bond and shall deposit therein amounts sufficient to pay the principal of and interest on this Bond as the same shall become due and payable; and that for the prompt and full payment of all obligations under this Bond, the full faith, credit and taxing power of the County are hereby irrevocably pledged.

No recourse shall be had for the payment of the principal of or the interest on this Bond, or for any claim based hereon, against any officer, agent or employee, past, present or future, of the County, as such, either directly or through the County, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise; all such liability of such officers, agents or employees is hereby renounced, waived and released as a condition of and as consideration for the issuance and acceptance of this Bond.

IN WITNESS WHEREOF, the County has caused this Bond to be duly executed in its name by the facsimile signature of the Chairman of the County Commissioners, its Controller and its Treasurer, together with a facsimile of its corporate seal affixed hereto duly attested by the facsimile signature of its Administrative Director, and dated as of the Date of its Authentication.

COUNTY OF LACKAWANNA

ATTEST:

By /s/ Designated Officer
Chairman, Board of County Commissioners

/s/ Designated Officer
Administrative Director

By /s/ Designated Officer
Controller

[SEAL]

By /s/ Designated Officer
Treasurer

CERTIFICATE OF AUTHENTICATION

This Bond is one of the issue of \$20,145,000 County of Lackawanna (Pennsylvania), General Obligation Bonds, Series D of 2004 authorized by the within-mentioned Debt Ordinance.

The Text of Opinion contained herewith is the text of the opinion of Bond Counsel, an executed counterpart of which, dated the date of delivery of and payment for the Bonds, is on file at the offices of the Sinking Fund Depository.

MANUFACTURERS AND TRADERS
TRUST COMPANY,
as Sinking Fund Depository
and Paying Agent

/s/ Authorized Officer
Authorized Signatory

AUTHENTICATION DATE:

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

Please insert Social Security
or other identifying number
of assignee

Please print or typewrite name and address
including postal zip code of transferee

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

Agent to transfer the within Bond on the books kept for registration
thereof, with full power of substitution in the premises.

Dated

Signature(s) Guaranteed:

NOTICE: Signature(s) must be
guaranteed by a member firm of
an approved Signature Guarantee
Medallion Program.

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

connection with the issuance of the Bonds, and (iv) carry out and consummate the transactions contemplated by the Ordinance, including, without limitation, issuing the Bonds.

- (b) The County has complied, and at the Closing Date (herein defined) will be in compliance, in all respects with the Constitution and laws of the State (including the Act) and the Charter in connection with the issuance of the Bonds.
- (c) The County has duly authorized the execution, delivery and due performance of this Bond Purchase Contract and the Paying Agent Agreement, the issuance and delivery of the Bonds, and the taking of all actions as may be required on the part of the County to carry out, give effect to and consummate the transactions contemplated by the same; and the making and performance of such document, agreement or certification will not conflict with or constitute a breach of, or default under, any indenture, agreement or other instrument to which the County is a party or by which it is bound, or any constitutional or statutory provision, or order, rule, regulation, decree or ordinance of any court government or governmental body to which the County or any of its properties is subject.
- (d) The Ordinance has been duly enacted by the County and is in full force and effect and constitutes legal, valid and binding action of the County, and a true and correct copy of the Ordinance has been delivered to the Banks.
- (e) This Bond Purchase Contract and the Paying Agent Agreement when executed and delivered by the parties thereto, will constitute legal, valid and binding obligations of the County, enforceable in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws and equitable principles.
- (f) When authenticated by the Sinking Fund Depository and delivered to and paid for by the Banks at the Closing Date in accordance with the provisions of this Bond Purchase Contract, the Bonds will have been duly executed and delivered by the County and will constitute legal, valid and binding general obligations of the County enforceable in accordance with their terms.
- (g) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body pending against the County and with respect to which matter service of process has been made on the County, or to the best of the County's knowledge, threatened against the County, wherein an unfavorable ruling or finding would adversely affect the validity or enforceability of the Bonds or materially adversely affect the financial condition of the County.
- (h) To the knowledge of the County, the audited financial statements of the County for the fiscal year ending December 31, 2003, will not be qualified in any material respect.
- (i) The County is not in material violation of or in default under the Act or any material indenture, agreement or other instrument to which it is a party or by which it is bound.

We trust the foregoing is in accordance with your understanding and that you will indicate your acceptance by signing and returning the duplicate of this Bond Purchase Contract.

Very truly yours,

PNC BANK, NATIONAL ASSOCIATION

By: _____
Title:

This Bond Purchase Contract for the purchase of the Bonds of the County is accepted this ___th day of November, 2004.

COUNTY OF LACKAWANNA

By: _____
Chairman
Board of County Commissioners

By: _____
Controller

By: _____
Treasurer

SCHEDULE I

BANKS

Bank	Principal Amount
PNC Bank, National Association	\$5,145,000
First National Community Bank	4,000,000
Community Bank & Trust Company	5,000,000
Pennstar Bank	3,000,000
Penn Security Bank & Trust Company	1,000,000
First Liberty Bank & Trust Company	2,000,000

EXHIBIT 2**Form of Certificate of Banks**

The undersigned, an authorized officer of _____ (the "Bank"), in connection with the purchase by the Bank of a portion of the General Obligation Bonds, Series D of 2004 and General Obligations Bonds, Series E of 2004 (the "Bonds") being issued on the date hereof by the County of Lackawanna (the "County"), hereby certifies as follows:

(1) The Bank has made an independent investigation and evaluation of the financial position and business condition of the County. All information relating to the business and affairs of the County that the Bank has requested in connection with the transactions referred to herein have been provided to the Bank.

(2) The Bank is purchasing its portion of the Bonds for its own account, with the purpose of investment and not with the intention of distribution or resale thereof.

(3) The Bank acknowledges that the Bonds may only be transferred: (a) upon written notice to the County; and (b) upon execution by any subsequent purchaser of a Certificate substantially in the form hereof

In witness whereof, the undersigned officer has executed this Certificate as of the __ day of December, 2004.

[BANK]

By: _____
Title: