

BOARD OF COMMISSIONERS
COUNTY OF LACKAWANNA, PENNSYLVANIA

ORDINANCE NO. 172

AN ORDINANCE PROVIDING FOR THE INCURRING OF NON-ELECTORAL DEBT THROUGH THE ISSUANCE OF GENERAL OBLIGATION BONDS, OF THE COUNTY OF LACKAWANNA, PENNSYLVANIA (THE "COUNTY"), IN THE AGGREGATE PRINCIPAL AMOUNT OF THIRTY-EIGHT MILLION DOLLARS (\$38,000,000) (THE "2006A BONDS"), FOR THE PURPOSES OF PROVIDING FUNDS TO FINANCE THE COSTS OF CERTAIN CAPITAL PROJECTS, INCLUDING BUT NOT LIMITED TO: (I) THE COSTS OF ACQUIRING, CONSTRUCTING AND EQUIPPING A NEW COUNTY EMERGENCY SERVICES CENTER; (II) THE COSTS OF CERTAIN ADDITIONAL CAPITAL IMPROVEMENTS IDENTIFIED IN THE COUNTY'S CAPITAL BUDGET (COLLECTIVELY, THE "CAPITAL PROJECTS"); (III) REPAYMENT OF THE COUNTY'S OUTSTANDING 2005 BANK LOAN; AND (IV) THE COSTS AND EXPENSES OF ISSUING THE 2006A BONDS; AUTHORIZING AND DIRECTING APPROPRIATE MEMBERS OF THE BOARD OF COMMISSIONERS OF THE COUNTY ("BOARD") AND THE CHIEF CLERK OF THE COUNTY TO PREPARE, CERTIFY AND FILE WITH THE PENNSYLVANIA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT THE REQUIRED DEBT STATEMENT AND CERTIFIED COPIES OF THE PROCEEDINGS RELATING TO THE AUTHORIZATION AND SALE OF THE 2006A BONDS; COVENANTING THAT THE COUNTY SHALL INCLUDE THE AMOUNT OF ANNUAL DEBT SERVICE ON THE 2006A BONDS IN ITS BUDGET FOR EACH FISCAL YEAR, SHALL APPROPRIATE AMOUNTS FOR SUCH PAYMENT AND SHALL PUNCTUALLY PAY THE PRINCIPAL OF AND INTEREST ON THE 2006A BONDS; PROVIDING FOR REGISTERED BONDS AND THE TRANSFER AND EXCHANGE THEREOF; SETTING FORTH THE DATE OF THE 2006A BONDS, INTEREST PAYMENT DATES, DENOMINATIONS AND PROVISIONS FOR REDEMPTION; PROVIDING FOR SIGNATURES AND SEAL AND AUTHENTICATION; SETTING FORTH AND APPROVING THE FORM OF 2006A BONDS; SETTING FORTH THE STATED MATURITIES AND PROVIDING FOR THE 2006A BONDS TO BEAR INTEREST AT AUCTION, VARIABLE TERM OR FIXED TERM RATES; AUTHORIZING THE COUNTY TO CONVERT SUCH 2006A BONDS TO AUCTION RATE BONDS, VARIABLE RATE BONDS OR FIXED RATE BONDS; AUTHORIZING THE COUNTY TO

ECONOMIC DEVELOPMENT; AND AUTHORIZING THE EXECUTION AND DELIVERY OF OTHER NECESSARY DOCUMENTS AND THE TAKING OF OTHER NECESSARY ACTION IN CONNECTION WITH THE FOREGOING; AUTHORIZING PROPER OFFICERS OF THE COUNTY TO DO ALL THINGS NECESSARY OR APPROPRIATE TO EFFECTUATE THE ORDINANCE; AND TAKING RELATED ACTIONS.

WHEREAS, the County of Lackawanna, Pennsylvania ("**County**"), a county of the Commonwealth of Pennsylvania ("**Commonwealth**"), has the power and authority, pursuant to the Local Government Unit Debt Act, 53 Pa. C.S. Chs. 80-82 ("**Debt Act**"), to incur electoral and non-electoral debt for the purpose of, *inter alia*, financing capital projects and to evidence such electoral and non-electoral debt by the issuance and sale of its general obligation bonds; and

WHEREAS, the Board of Commissioners of the County ("**Board**") has determined that it is necessary and desirable to provide the funds necessary to finance the costs of certain capital projects, including but not limited to: (i) the acquisition, construction and equipping of a new County Emergency Services Center; (ii) additional capital improvements identified in the County's Capital Budget (collectively, the "**Capital Projects**"); (iii) Repayment of the County's outstanding 2005 bank loan (the "**Refinancing Project**"); and (iv) paying the costs and expenses of issuing the 2006A Bonds (hereinafter defined) (the Capital Projects and the Refinancing Project referred to collectively as the "**2006 Projects**"); and

WHEREAS, the Board has determined to effect the financing of the 2006 Projects through the issuance and sale of its General Obligation Bonds, Series A of 2005, in the aggregate principal amount of \$38,000,000 (the "**2006A Bonds**");

WHEREAS, the County has heretofore appointed Investment Management Advisory Group, Inc. ("**IMAGE**"), a firm that is experienced in the financial aspects and risks of interest rate management agreements, to advise the County with respect to a Swap Agreement (as hereinafter defined); and

WHEREAS, IMAGE has been retained, among other things, to prepare an Interest Rate Management Plan and to evaluate whether to refund, using synthetic fixed rate or variable rate bonds, all or any portion of the 2006A Bonds, in order to reduce annual debt service in certain years by extending the life of the issue as authorized by Section 8241(b)(2) of the Local Government Unit Debt Act (the "**Debt Act**"); and

WHEREAS, the Interest Rate Management Plan contains recommendations relating to the process for selecting a counterparty and criteria for entering into an interest rate management agreement with a financial institution to be determined in consultation with its financial advisors (the "**Counterparty**"); and

WHEREAS, the qualified interest rate management agreement shall be memorialized by a Master Agreement, as supplemented by a Schedule, Credit Support Annex and Confirmation thereto (the "**Swap Agreement**"); and

Mode, Weekly Mode or Monthly Mode; (ii) \$25,000 or any integral multiple of \$25,000 in excess thereof while outstanding as Auction Rate Bonds, (iii) \$100,000 and any integral multiple of \$1,000 in excess thereof while the 2006A Bonds are outstanding in a Commercial Paper Mode; and (iv) \$5,000 or any integral multiple of \$5,000 in excess thereof while the 2006A Bonds are outstanding in a Long-Term Mode. If at any time the County shall have received an opinion of nationally recognized bond counsel to the effect that the issuance of 2006A Bonds in coupon form shall not cause the interest on 2006A Bonds which is excluded from gross income for federal income tax purposes to be includible in gross income of the holders thereof for federal income tax purposes, the County may at its option have all or any portion of the 2006A Bonds of the same series and maturity issued in coupon form payable to such owners of 2006A Bonds requesting 2006A Bonds in such form and in the denomination of (i) \$100,000 or any integral multiple of \$5,000 in excess thereof while the 2006A Bonds are outstanding in a Daily Mode, Weekly Mode or Monthly Mode; (ii) \$5,000 or integral multiples thereof while the 2006A Bonds are outstanding as Auction Rate Bonds; (iii) \$100,000 and any integral multiple of \$1,000 in excess thereof while the 2006A Bonds are outstanding in a Commercial Paper Mode; and (iv) \$5,000 or any integral multiple thereof while the 2006A Bonds are outstanding in a Long-Term Mode, as may be specified by the County in a Supplemental Resolution. Each of the 2006A Bonds shall be dated the date of its issue and shall bear interest at an Auction Rate, a Variable Rate or a Fixed Rate, as determined by the County in accordance with the provisions of Section 3 hereof.

Section 3. Maturities; Interest Rates.

(a) (i) *Interest Rate and Maturity.* The 2006A Bonds shall initially bear interest at the Weekly Mode as provided herein and in Exhibit "A", until maturity, prior redemption or conversion to another Mode and shall mature on [_____, 2036].

(ii) *Day Count.* Interest on the 2006A Bonds while outstanding as Variable Rate Bonds will be computed on the basis of actual days over 365 or 366, as applicable.

(iii) *Auction Rates.* The Auction Rates for each Auction Rate Period from the date of delivery of the 2006A Bonds to, but not including the first Interest Payment Date (as hereinafter defined), will be determined by the Broker-Dealer prior to delivery of the 2006A Bonds as the rates which will result in the sale of the 2006A Bonds at par. Thereafter the Auction Rate to be applicable to the 2006A Bonds during each Auction Rate Period shall be determined by the Remarketing Agent and notice thereof shall be given, all as provided in Exhibit "A". Interest on the 2006A Bonds that are in an Auction Rate Mode with an Auction Rate Period of over 180 days is required to be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the 2006A Bonds that are in an Auction Rate Mode with an Auction Rate Period of 180 days or less is required to be calculated on the basis of a 360-day year for the actual number of days elapsed to the Interest Payment Date.

(iv) *Conversion.* At the option of the County, the interest rate on the 2006A Bonds is subject to conversion (a) from the Variable Rate to an Auction Rate or a Fixed Rate or (b) from an Auction Rate to a Variable Rate or a Fixed Rate, all as provided in Exhibits "B" and Exhibit "C" attached hereto and made a part hereof. The 2006A Bonds shall bear interest at an

as the Securities Depository's nominee, and no beneficial owners thereof will receive certificates representing their respective interests in such 2006A Bonds, except in the event the Fiscal Agent issues replacement bonds ("**Replacement Bonds**") as provided in Section 8 of this Ordinance.

(d) A representations letter in substantially the form presented to this meeting ("**Representations Letter**"), with such changes, omissions, insertions and revisions as the County and the Fiscal Agent may approve at any time, is hereby authorized and approved by the County and any member of the Board is hereby authorized and directed to execute and deliver such Representations Letter in substantially such form. The approval of the member of the Board of any changes, omissions, insertions and revisions to the Representations Letter shall be conclusively established by such member's execution of the Representations Letter. The execution and delivery by the County of the Representations Letter shall not in any way limit any undertaking or arrangement contemplated or provided for herein in respect of the Securities Depository or the book-entry registration, payment and notification system or in any other way impose upon the County or the Fiscal Agent any obligation whatsoever with respect to beneficial owners having interests in the 2006A Bonds, any such obligation extending solely to the registered owners of 2006A Bonds, as shown on the registration books kept by the Fiscal Agent. The Fiscal Agent shall take all action necessary for all representations of the County in the Representations Letter with respect to the Fiscal Agent to be complied with at all times.

(e) Whenever the due date for payment of interest on or principal of the 2006A Bonds or the date fixed for redemption of any 2006A Bond shall be a Saturday, a Sunday, a legal holiday or a day on which banking institutions in the Commonwealth are authorized by law to close, then payment of such interest, principal or redemption price need not be made on such date, but may be made on the next succeeding day which is not a Saturday, a Sunday, a legal holiday or a day on which banking institutions in the Commonwealth are authorized by law to close, with the same force and effect as if made on the due date for payment of principal, interest or redemption price and no interest shall accrue on the amount due for any period after such due date.

(f) The County, solely for the convenience of the registered owners of 2006A Bonds, shall cause CUSIP (Committee on Uniform Security Identification Procedures) numbers to be printed on the 2006A Bonds. No representation shall be made as to the accuracy of said numbers either as printed on the 2006A Bonds or as contained in any notice of redemption, and the County shall have no liability of any sort with respect thereto. Reliance with respect to any notice with respect to the 2006A Bonds may be placed only on the identification numbers prefixed "R2006A-" printed thereon.

Section 5. Provisions for Redemption.

(a) (i) While the 2006A Bonds bear interest in the Daily Mode, the Weekly Mode, or the Monthly Mode, the 2006A Bonds are subject to optional redemption by the County, in whole or in part, in Authorized Denominations on any date, at a redemption price equal to the principal amount thereof, plus, accrued interest, if any, from the end of the preceding Interest Accrual Period to the Redemption Date.

LENGTH OF LONG-TERM INTEREST RATE PERIOD

COMMENCEMENT OF REDEMPTION PERIOD

REDEMPTION PRICE

Less than 5 years

2006A Bonds not subject to optional redemption

The County, in connection with a conversion to a Long-Term Mode, may waive or otherwise alter its rights to direct the redemption of any such 2006A Bonds so changed to a Long-Term Mode at any time without premium; provided that notice describing the waiver or alteration shall be submitted to the Fiscal Agent, and the Remarketing Agent, together with a Favorable Opinion of Bond Counsel, addressed to the County.

(vi) The 2006A Bonds are subject to mandatory sinking fund redemption on [] of each year (or, while the 2006A Bonds bear interest at an Auction Rate in any Auction Interest Period other than a daily Auction Interest Period, on the Auction Rate Interest Payment Date immediately succeeding such [], if such [], is not an Auction Rate Interest Payment Date), at a redemption price equal to 100% of the principal amount of the 2006A Bonds to be redeemed, plus accrued interest to the redemption date, in the amounts set forth below:

| <u>Year</u> | <u>Amount</u> | <u>Year</u> | <u>Amount</u> |
|-------------|---------------|-------------|---------------|
| 2006 | \$ | 2022 | \$ |
| 2007 | | 2023 | |
| 2008 | | 2024 | |
| 2009 | | 2025 | |
| 2010 | | 2026 | |
| 2011 | | 2027 | |
| 2012 | | 2028 | |
| 2013 | | 2029 | |
| 2014 | | 2030 | |
| 2015 | | 2031 | |
| 2016 | | 2032 | |
| 2017 | | 2033 | |
| 2018 | | 2034 | |
| 2019 | | 2035 | |
| 2020 | | 2036 | |

(b) Notice of Redemption. The Fiscal Agent is hereby directed without further authorization with respect to a redemption pursuant to Section 5(a) or (b) hereof, to select by lot the particular 2006A Bonds or portions thereof to be redeemed and to mail a notice of redemption by first class mail, postage prepaid, not more than forty-five (45) days and not less than thirty (30) days (fifteen (15) days in the case of Variable Rate Bonds) before the date of redemption to the registered owner of each 2006A Bond to be redeemed in whole or in part at the address shown on the registration books. Such notice shall be given in the name of the County, shall identify the Bonds to be redeemed (and, in the case of a partial redemption of any Bonds,

Mode or Commercial Paper Mode; (ii) \$25,000 while the 2006A Bonds are outstanding as Auction Rate Bonds; and (iii) \$5,000 while the 2006A Bonds are outstanding in a Long-Term Mode. While the Securities Depository is the sole registered owner of the 2006A Bonds, such selection by lot shall be made by the Securities Depository in accordance with the "standard call lottery process" adopted and then employed by the Securities Depository.

(d) **Redemption of Portion of Bond.** In case part but not all of a 2006A Bond shall be selected for redemption, the owner thereof or his or her attorney or legal representative shall present and surrender such 2006A Bond to the Fiscal Agent for payment of the principal amount or redemption price thereof so called for redemption, and the Fiscal Agent shall authenticate and deliver to or upon the order of such owner or his or her legal representative, without charge therefor, for the unredeemed portion of the principal amount of the 2006A Bond so surrendered, a 2006A Bond or 2006A Bonds of the same series and maturity, bearing interest at the same rate and of any denomination or denominations authorized by this Ordinance.

Section 6. Authentication. No 2006A Bonds shall become valid or obligatory for any purpose until such 2006A Bonds shall have been authenticated by the Fiscal Agent by the manual signature of an authorized officer thereof, and such authentication by the Fiscal Agent upon any 2006A Bond shall be sole, sufficient and conclusive evidence that the 2006A Bond so authenticated has been duly authenticated and delivered hereunder and that the registered owner thereof is entitled to the benefit of this Ordinance. The date of each 2006A Bond shall be the date of authentication and registration thereof.

Section 7. Registration; Exchange; Transfer. The County shall keep or cause to be kept at the designated corporate trust office of the Fiscal Agent books for the registration, exchange and transfer of 2006A Bonds in the manner provided therein and herein so long as any of the 2006A Bonds shall remain outstanding. The 2006A Bonds are transferable and exchangeable for other authorized denominations by the registered owners thereof, upon presentation and surrender at the designated corporate trust office of the Fiscal Agent. The Fiscal Agent shall not be required to issue, transfer or exchange any 2006A Bond: (i) considered for redemption during a period beginning at the close of business on the fifteenth (15th) day next preceding the day on which notice of redemption is to be given and ending of the close of business on the day which such notice is given, or (ii) selected for redemption in whole or in part. No transfer of 2006A Bonds shall be valid unless made by the registered owner in person or by his duly authorized attorney at the principal corporate trust office of the Fiscal Agent, upon surrender of such Bond accompanied by a duly executed instrument of transfer in form and with guaranty of signature satisfactory to the Fiscal Agent.

Upon the transfer of a 2006A Bond, a new, fully registered 2006A Bond or 2006A Bonds of the same aggregate principal amount and maturity, in authorized denominations, and bearing the same rate of interest shall be issued to the transferee. The County shall exchange, register or transfer or cause to be exchanged, registered or transferred, 2006A Bonds, as herein provided and under such reasonable regulations as it or the Fiscal Agent may prescribe.

At the option of the holder, 2006A Bonds may be exchanged for other 2006A Bonds of any other authorized denomination of a like aggregate principal amount, interest rate

upon and performed by the Fiscal Agent or alternate or successor transfer agent or paying agent to the extent applicable with respect to such Replacement Bonds.

(c) The Securities Depository may determine to discontinue providing its services with respect to the 2006A Bonds at any time by giving written notice to the County and the Fiscal Agent as provided in the Representations Letter and discharging its responsibilities with respect thereto under applicable law.

Section 9. Payment of Principal and Interest. The principal of the 2006A Bonds shall be payable to the registered owner of each 2006A Bond upon presentation and surrender thereof at the designated corporate trust office of the Fiscal Agent, or of any successor fiscal agent appointed by the County, by check drawn on the Fiscal Agent.

Interest on such 2006A Bonds shall be paid on each Interest Payment Date by check drawn on the Fiscal Agent and mailed (or wire transfer in the continental United States to any holder of \$1,000,000 in the aggregate principal amount of the Bonds as of the close of business on the Regular Record Date (hereinafter defined), *provided* that such holder submits to the Paying Agent not less than five (5) days before the Regular Record Date (hereinafter defined) a written request therefore) to the person in whose name such 2006A Bond is registered on the Bond Register of the County maintained by the Fiscal Agent, as bond registrar, at the address appearing thereon.

“Regular Record Date” means the close of business on (1) the 15th day of the month preceding an Interest Payment Date in the case of bonds bearing interest at a Term Rate or Fixed Rate; (b) the last Business Day of the Interest Period in the case of bonds bearing interest at a Daily Rate, Weekly Rate and Monthly Rate; (c) the last day of the Commercial Paper Rate Period; and (d) one business day preceding an Interest Payment Date applicable to such bonds bearing interest at an Auction Rate.

The record date for the Bonds will be the opening of business on the Business Day next preceding an Interest Payment Date. In the event of non-payment of interest on the Bonds on a scheduled Interest Payment Date, and for 30 days thereafter, a new record date for such interest payment (a **“Special Record Date”**) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the **“Special Payment Date,”** which shall be 15 days after the Special Record Date) shall be sent at least five Business Days prior to the Special Record Date by first class United States mail, postage prepaid, to the address of each Owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last Business Day next preceding the date of mailing of such notice. The Fiscal Agent shall fix such Special Payment Date whenever monies become available for the payment of such defaulted interest, and notice of the Special Payment Date shall be given to registered owners on the Special Record Date of the 2006A Bonds, by mail as hereinabove provided, not less than ten (10) calendar days prior to the Special Payment Date.

The provisions of the preceding paragraphs notwithstanding, so long as the 2006A Bonds are registered in the name of the Securities Depository, or its nominee, to the extent

| <u>Fiscal</u> <u>Year</u> | <u>Debt Service</u> <u>(Principal and Interest)</u> <u>Amount</u> | <u>Fiscal</u> <u>Year</u> | <u>Debt Service</u> <u>(Principal and Interest)</u> <u>Amount</u> |
|------------------------------|---|------------------------------|---|
| 2007 | | 2023 | |
| 2008 | | 2024 | |
| 2009 | | 2025 | |
| 2010 | | 2026 | |
| 2011 | | 2027 | |
| 2012 | | 2028 | |
| 2013 | | 2029 | |
| 2014 | | 2030 | |
| 2015 | | 2031 | |
| 2016 | | 2032 | |
| 2017 | | 2033 | |
| 2018 | | 2034 | |
| 2019 | | 2035 | |
| 2020 | | 2036 | |

or so much thereof as may be necessary to meet in full the County’s debt service obligations on the 2006A Bonds in such years, which amounts are sufficient for and shall be applied exclusively to the payment of the interest and principal of said 2006A Bonds and all other amounts covenanted to be paid thereon as the same shall become due and payable. Said amounts are calculated based upon the 2006A Bonds bearing interest at the not to exceed interest rate of 12% per annum.

(b) Debt Service Reserve Fund. Designated Officers are hereby authorized and directed to establish a Debt Service Reserve Fund, held by the Sinking Fund Depository, to secure the Bonds, funded at closing from proceeds of the Bonds, if required in connection with the sale of the Bonds. The debt service reserve requirement shall be no greater than the maximum amount permitted under applicable federal tax law. Any withdrawal from the Debt Service Reserve Fund shall be replenished monthly from the next available tax revenues after meeting the requirements for deposits to the Sinking Fund Depository. All moneys in the Debt Service Reserve 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 the Designated Officer, be invested as permitted by the Debt Act, subject to any further restrictions set forth in the Paying Agent Agreement or Insurance Agreement. All moneys in the Debt Service Reserve Fund shall be applied exclusively to the payment of the Bonds, and all moneys deposited therein and all investments and proceeds thereof shall be subject to a perfected security interest for the benefit of the owners of the Bonds. Income received from any deposit or investment therein shall remain within and be a part thereof unless otherwise permitted by the Insurance Agreement.

Section 13. Sinking Fund. A sinking fund in respect of the 2006A Bonds is hereby established, designated substantially “Sinking Fund, County of Lackawanna, Pennsylvania, General Obligation Bonds, Series A of 2006” (the “**Sinking Fund**”), which shall be held by the Fiscal Agent segregated from all other funds of the County. The County shall deposit in the

therein, and only such moneys.

(iii) Except as provided in subsection (e) hereof, moneys in the Bond Fund shall be used solely for the payment of the principal or redemption price of the Bonds and interest on the Bonds when due, whether at maturity, upon acceleration or otherwise from the following source or sources but only in the following order of priority:

(A) proceeds of the Credit Facility deposited directly into, and held in the Credit Facility Account, provided that, in no event, shall moneys held in such Account be used to pay any premium which may be due on the 2006A Bonds pursuant to Section 14(a) hereof unless the Credit Facility then in effect is available to pay such premium, and provided further, that in no event shall moneys in the Credit Facility Account be used to pay any amount which may be due on Provider Bonds held pursuant to Section 3.5 of Exhibit "C" or any other Bonds registered in the name of the County; and

(B) moneys held in the County Account.

(iv) Except with respect to payments of principal or redemption price of and interest on Provider Bonds held pursuant to Section 3.5 of Exhibit "C" or any other Bonds registered in the name of the County, the Fiscal Agent shall, if the Fiscal Agent then holds a Credit Facility, draw funds for the payment of the principal or redemption price of and interest on the Bonds in accordance with Section 14.

(v) While the Credit Facility is in effect or any moneys are due and owing to the Credit Provider under the Reimbursement Agreement, any amounts in the County Account shall be paid to the Credit Provider to the extent of any amounts that the County owes the Credit Provider pursuant to the Reimbursement Agreement (as certified in writing by the Credit Provider to the Fiscal Agent and the County). Any amounts remaining in the Bond Fund (other than amounts in the Credit Facility Account) after payment in full of the principal or redemption price of and interest on the Bonds (or provision for payment thereof) shall be paid, first, to the Credit Provider, to the extent of any amounts that the County owes the Credit Provider pursuant to the Reimbursement Agreement (as certified in writing by the Credit Provider to the Fiscal Agent and the County upon their request) and, second, to the County. Any amounts remaining in the Credit Facility Account shall be paid to the Credit Provider (upon such written certification) and not to the County.

(c) Revenues to Be Held for All Bondholders; Certain Exceptions. Until applied as provided in this Ordinance to the payment of Bonds or transferred to the Credit Provider or the County pursuant to Section 14(e) or Section 15(a), Revenues shall be held by the Fiscal Agent for the benefit of the holders of all Outstanding Bonds, except that any portion of the Revenues representing principal or redemption price of, and interest on, any Bonds previously matured or called for redemption in accordance with Section of this Ordinance, shall be held for the benefit of the holders of such Bonds only.

(d) Interest Reserve Sub-Account.

(i) So long as a Credit Facility is in effect, while the Bonds bear interest (i) at Commercial Paper Rates or upon a Conversion to Commercial Paper Rate Periods, or (ii) the

due and payable on such Bonds less any moneys on deposit in the Interest Reserve Sub-Account. The Fiscal Agent shall deposit such proceeds, together with all prior drawings with respect to such Bonds, and the earnings thereon, in the Credit Facility Account pursuant to Section 14(b)(ii).

(iv) Notwithstanding the foregoing provisions of this Section, the Fiscal Agent shall not draw on the Credit Facility with respect to any payments due or made in connection with Provider Bonds or any other Bonds registered in the name of the County.

(v) In the event of a failure by the Credit Provider to honor a conforming draw or if the Credit Facility or Liquidity Facility has been repudiated, the Fiscal Agent shall notify the County by 1:15 P.M. on each relevant payment date of any additional amounts needed to pay the principal and interest on the Bonds on such payment date.

Section 15. Defaults.

(a) Each of the following events is hereby defined as and shall constitute an "Event of Default":

(i) Failure to Budget Debt Service. Subject to the provisions of Section 11 hereof, if applicable, if the County fails or refuses to make adequate provision in its budget for any fiscal year for the sums payable in respect of the Bonds, then at the suit of the Registered Owner of any Bond, the Court of Common Pleas of the county in which the County is located, (or, if located in more than one county, then of either) shall after a hearing held upon such notice to the County as the Court may direct, and upon a finding of such failure or neglect, by writ of mandamus, require the Designated Officer to pay into the Sinking Fund the first tax moneys or other available revenues or moneys thereafter received in such fiscal year by such Designated Officer until the sum on deposit in the Sinking Fund shall equal the moneys that should have been budgeted or appropriated for the Bonds.

(ii) Failure to Pay Principal or Interest. Subject to the provisions of Section 11 hereof, if applicable, if the County fails or neglects to pay or cause to be paid the interest or principal on any of the Bonds, as the same becomes due and payable, and such failure shall continue for thirty (30) days, the Registered Owner thereof shall, subject to any appropriate priorities created under the Debt Act, have the right to recover the amount due in an action in assumpsit in the Court of Common Pleas of the county in which the County is located (or, if located in more than one county, then of either). The judgment recovered shall have an appropriate priority upon the moneys next coming into the treasury of the County.

(iii) Default on the Credit Facility. If a Credit Facility is in effect, receipt by the Fiscal Agent, on or before the fourth calendar day following a drawing under such Credit Facility to pay interest on the 2006A Bonds, of written notice from the Credit Provider that the Credit Provider has not been reimbursed for such drawing.

(b) Upon the occurrence of and continuing of an Event of Default described in Sections 15(a)(i) or (ii), the Fiscal Agent may, with the consent of the Credit Provider, and shall, at the direction of the Credit Provider, or at the direction of the owners of not less than 25% in principal amount of the Bonds Outstanding with the consent of the Credit Provider, declare the

owners of a majority in aggregate principal amount of all the Bonds then Outstanding; except that (a) there shall not be waived without the consent of the owners of all the Bonds Outstanding (i) any Event of Default in the payment of the principal of any Outstanding Bonds at the date of maturity specified therein or (ii) any Event of Default as described in Section 15(a)(i) or (ii) hereof, unless, prior to such waiver, all arrears of interest, if any, with interest (to the extent permitted by law) at the rate borne by the Bonds on overdue installments of interest in respect of which such Event of Default shall have occurred or all arrears of payments of principal, if any, when due, as the case may be, and all expenses of the Fiscal Agent in connection with such Event of Default, if any, shall have been paid or provided for; and (b) the Fiscal Agent shall not waive any Event of Default described in Section 15(a)(iii) unless (a) the Fiscal Agent has received written confirmations from the Credit Provider that the Credit Facility has been fully reinstated, and (b) the event of default under the Reimbursement Agreement has been rescinded by the Credit Provider in writing. In the case of any such waiver, or in case any proceeding taken by the Fiscal Agent on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the County, the Fiscal Agent and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver, discontinuance, abandonment or determination shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

Section 16. Remedies. If the County shall fail or refuse to make any required deposit in the Sinking Fund, or to satisfy any of the covenants herein contained, the Fiscal Agent may, and upon request of the registered owners of twenty-five percent (25%) in principal amount of the outstanding 2006A Bonds, upon being furnished with indemnity satisfactory to it against the expenses and possible liabilities in connection with the duties thereby accepted, shall exercise any remedy provided in the Debt Act or at law or in equity for the equal and ratable benefit of the registered owners of the 2006A Bonds, and shall disburse all funds so collected equally and ratably to the registered owners of the Bonds as provided in the Debt Act, subject to any limitations contained in Chapter 82 thereof. If the Fiscal Agent is willing at such time to serve and exercise the powers conferred upon a Fiscal Agent appointed in the manner provided in Section 8263 of the Debt Act, subject as aforesaid, such representation shall be exclusive for the purposes herein and in the Debt Act provided.

Section 17. Covenants and Determinations in Respect of Federal Tax Laws. The County covenants that it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the 2006A Bonds under Section 103 of the Internal Revenue Code of 1986, as amended, and the treasury regulations promulgated thereunder (the "Code"). The County hereby further covenants that it will not directly or indirectly use or permit the use of any proceeds of the 2006A Bonds or any other funds of the County, or take or omit to take any action that would cause the 2006A Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code. To that end, the County will comply with all requirements of Section 148 of the Code to the extent applicable to the 2006A Bonds. In the event that at any time the County is of the opinion that for purposes of this Section 17 it is necessary to take a remedial action to maintain the tax-exempt status of the Bonds or to restrict or limit the yield on the investment of any proceeds of the 2006A Bonds held by or on behalf of the County, the County shall take such action as may be necessary to effect such remedial action or restriction.

underwriters as set forth in the Purchase Contract (hereinafter defined) (“**Underwriter**”), upon the terms set forth in the purchase contract in respect of the 2006A Bonds, presented by the Underwriter to the Board (“**Purchase Contract**”). The Chairman or Vice Chairman of the Board, as appropriate, is hereby authorized and directed to execute the Purchase Contract on behalf of the County. As set forth in the Purchase Contract, the 2006A Bonds are purchased at a price of \$[] or []% of the original principal amount thereof.

Section 21. Official Statement. The official statement with respect to the 2006A Bonds, in substantially the form submitted to this meeting, is hereby approved, subject to such changes as the Chairman or Vice Chairman of the Board shall approve, the execution thereof by the Chairman or Vice Chairman, as appropriate, to be conclusive evidence of such approval; the Chairman and Vice Chairman, as appropriate, is hereby authorized to execute said official statement and said official statement is hereby authorized to be distributed on behalf of the County to prospective purchasers of the 2006A Bonds.

Section 22. Continuing Disclosure. It is hereby determined that it is necessary and appropriate for the County to execute and deliver a Written Declaration (the “**Written Declaration**”) to declare the 2006A Bonds covered by the County’s Continuing Disclosure Agreement, dated as of June 1, 2003 (the “**Continuing Disclosure Agreement**”), for the benefit of the holders from time to time of the 2006A Bonds, substantially in the form presented to this meeting (a copy of which shall be filed with the records of this meeting), in order to enable the Underwriter to comply with the requirements of Rule 15c2-12. The Written Declaration, substantially in the form presented to this meeting, is hereby approved and the Chairman or Vice Chairman, as appropriate, is hereby authorized and directed to execute and deliver the Continuing Disclosure Agreement in substantially such form with such changes therein as counsel may advise and the Chairman or Vice-Chairman shall approve, such approval to be conclusively evidenced by his execution thereof.

Section 23. Remarketing Agreement and Tender Agent Agreement.

(a) It is hereby determined that it is necessary and appropriate for the County to execute and deliver a Remarketing Agreement (the “**Remarketing Agreement**”), substantially in the form presented to this meeting (a copy of which shall be filed with the records of this meeting). The Remarketing Agreement, substantially in the form presented to this meeting, is hereby approved and the Chairman or Vice Chairman, as appropriate, is hereby authorized and directed to execute and deliver the Remarketing Agreement in substantially such form with such changes therein as counsel may advise and the Chairman or Vice Chairman shall approve, such approval to be conclusively evidenced by his execution thereof.

(b) It is hereby determined that, in connection with any conversion of the 2006A Bonds to Auction Rate Bonds, it may be necessary and appropriate for the County to execute and deliver an Auction Agent Agreement (the “**Auction Agent Agreement**”) and one or more Broker-Dealer Agreement(s) (together, the “**Broker-Dealer Agreement**”), with customary terms and conditions approved by bond counsel and counsel to the County. The execution and delivery by the County of an Auction Agent Agreement and the Broker-Dealer Agreement upon conversion of the 2006A Bonds to an Auction Rate Mode are hereby authorized and approved and the Chairman or Vice Chairman, as appropriate, is hereby authorized and directed to execute

terms of and enter into an auction agent agreement with an auction agent and one or more broker-dealer agreements governing the periodic auctioning of the 2006A Bonds and (ii) to prepare and approve such offering documents as shall be necessary in connection with the remarketing of the 2006A Bonds as Auction Rate Bonds; and (iii) to make such amendments to Exhibits "A" and "B" hereto as bond counsel shall advise are necessary and proper in connection with such conversion.

Section 26. Fiduciaries.

(a) The Fiscal Agent and any co-paying agent (each a "Fiduciary") may execute any powers hereunder and perform any duties required of it through attorneys, agents, officers, or employees, and shall be entitled to advice of counsel concerning all questions hereunder; and a Fiduciary shall not be answerable for the default or misconduct of any attorney, agent or employee selected by it with reasonable care, except that the Fiduciaries shall at all times be answerable and responsible for any liability to the County resulting from any theft or loss of, or unauthorized or wrongful issuance of 2006A Bonds. A Fiduciary shall not be answerable for the exercise of any discretion or power under this Ordinance nor for anything whatever in connection with the trust hereunder, except only its own negligence or willful misconduct or the theft or loss, for any reason whatsoever, or unauthorized or wrongful issuance of, 2006A Bonds.

(b) The County shall pay each Fiduciary reasonable compensation for its services hereunder, and also all its reasonable expenses and disbursements, and shall indemnify each Fiduciary against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder except with respect to such Fiduciary's own negligence or willful misconduct or any theft or loss of, or unauthorized or wrongful issuance of, 2006A Bonds.

(c) A Fiduciary may act on any requisition, resolution, notice, telegram request, consent, waiver, certificate, statement, affidavit, voucher, bond, or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper persons or to have been prepared and furnished pursuant to any of the provisions hereof; and the Fiduciary shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement.

(d) A Fiduciary may in good faith buy, sell, own, hold and deal in any of the 2006A Bonds and may join in any action which any owners of 2006A Bonds may be entitled to take with like effect as if the Fiduciary were not appointed and acting hereunder. Fiduciaries may also engage in or be interested in any financial or other transaction with the County; provided that if the Fiduciary determines that any such relation is in conflict with its duties under this Ordinance, it shall eliminate the conflict or resign.

(e) The Fiscal Agent may construe any ambiguous or inconsistent provisions of this Ordinance, and any construction by the Fiscal Agent shall be binding upon the registered owners of 2006A Bonds. The Fiscal Agent shall give prompt notice to the County of any intention to make such construction.

time to time as the Chairman of the County Commissioners, the County's financial advisor and counsel to the County shall approve. The County hereby approves and authorizes the use of the process for selecting counterparties, and awarding such Swap Agreement, set forth in the Interest Rate Management Plan. IMAGE is hereby determined to be independent and experienced in the financial aspects and risks of interest rate management agreements as contemplated by the Debt Act.

The Controller of the County (the "**Controller**") is hereby authorized and directed, simultaneously with the execution of the Swap Agreement, to cause a supplement to the Interest Rate Management Plan to be prepared by IMAGE and filed with the Department of Community and Economic Development setting forth, with respect to such Swap Agreement, the final terms of the items required under the Debt Act to be included in an Interest Rate Management Plan including, but not limited to, a schedule listing all consulting, advisory, brokerage or similar fees paid or payable by the County in connection with such Swap Agreement, a schedule of any finder's fees, consulting fees or brokerage fees paid or payable by the Counterparty (defined below) in connection with the Swap Agreement, and the final Swap Agreement, including the completed confirmations.

(b) Authorization of the Swap Agreement. In order to reduce or manage interest rate costs to the County by locking into current synthetic fixed rates, the County is hereby authorized to execute and deliver a Swap Agreement by and between the County and Morgan Stanley Capital Services, Inc. (the "**Counterparty**"), the substantial form of which is attached hereto as Appendix II and which is hereby determined to be in the County's best financial interest. The substantial form of the Swap Agreement is hereby approved; provided that: (i) the notional amount subject to the Swap Agreement shall not exceed the aggregate principal amount of outstanding 2006A Bonds, (ii) the term of the Swap Agreement shall be no later than the latest maturity date for any of the Series of 2006A Bonds, (iii) the Swap Agreement shall obligate the County to pay the amount equal to the fixed rate determined by IMAGE to be fair and reasonable at the time of pricing thereof, multiplied by the notional amount of the Swap Agreement at the time in question, at the times and in the manner set forth in the Swap Agreement which fixed rate shall not exceed %, (iv) the Swap Agreement shall obligate the Counterparty to pay to the County which may include a certain number of basis points during the agreed upon interest rate environments) determined by IMAGE to be fair and reasonable and in the County's best financial interest at the time of the pricing of the Swap Agreement, multiplied by the notional amount of the swap at the time in question, at the times and in the manner set forth in the Swap Agreement, and (v) both parties may be required to make certain additional payments to the extent required under the Swap Agreement, however periodic scheduled payments payable by the County under the Swap Agreement shall be equally and ratably payable and secured by the full faith and credit and taxing power of the County and shall be senior in right and priority of payment to termination payments due under the Swap Agreement.

The Controller, in consultation with IMAGE and special counsel, is hereby authorized and directed to examine the advisability of obtaining insurance covering the risks of nonpayment of amounts due from the County under the Swap Agreement and to contract therefor if it is determined to be in the best financial interests of the County.

later date for the Swap Agreement and all such other documents if the award of the Swap Agreement is delayed, such approval to be conclusively evidenced by the execution of the Swap Agreement and such other documents by the chairman or Vice Chairman of the County Commissioners.

(g) Debt Act Proceedings. The Chairman or Vice Chairman of the County Commissioners are authorized and directed to prepare or cause to be prepared, verify and file the proceedings required by Section 8284 of the Debt Act, to take other necessary action.

The action of the proper officers and the advertising of a summary of this ordinance as required by law in a newspaper of general circulation, is hereby ratified and confirmed, and approved. The advertisement by the Secretary of the County Commissioners in said paper of the adoption of the Ordinance is hereby directed within fifteen (15) days following the day of final enactment.

Section 28. Binding Effect of Covenants and Agreements. All covenants, obligations and agreements of the County set forth in this Ordinance and in the documents authorized hereby shall be deemed to be the covenants, obligations and agreements of the County to the full extent authorized or permitted by law, and all such covenants, obligations and agreements shall be binding upon the County and its successors from time to time and upon any board or body to which any powers or duties affecting the same shall be transferred by or in accordance with law. Except as otherwise provided in this Ordinance, all rights, powers and privileges conferred and duties and liabilities imposed upon the County or the members thereof by the provisions of this Ordinance or the documents authorized hereby shall be exercised or performed by such members, officers or other representatives of the County as may be required or permitted by law to exercise or perform the same. No covenant, obligation or agreement herein contained or contained in any documents authorized hereby shall be deemed to be a covenant, obligation or agreement of any member, officer, agent or employee of the County in his or her individual capacity and neither the members of the County nor any officer executing the Swap Agreement or other documents authorized by this Ordinance shall be liable personally thereunder or be subject to any personal liability or accountability by reason of the execution and delivery thereof.

Section 29. Furnishing Information to Rating Agencies. The submission by appropriate professional advisors or County officials, on behalf of the County, of an application to Moody's Investors Service, Inc. and/or Standard and Poor's Public Finance Ratings Service of certain information concerning the County and the 2006A Bonds, for the purpose of obtaining an underlying rating on the 2006A Bonds, is hereby authorized and approved.

Section 30. Professional Advisors; Costs of Issuance. The appointments of Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania, as Bond Counsel, and Pepper Hamilton LLP, Philadelphia, Pennsylvania, as counsel to the Underwriter, are hereby ratified, confirmed, approved and adopted. Costs of issuance of the 2006A Bonds shall be disbursed from the proceeds of the 2006A Bonds by the Fiscal Agent pursuant to a Closing Statement to be delivered by the Chairman or Vice Chairman of the Board, as appropriate, or the Chief of Staff of the County, on behalf of the County, at the settlement of the sale and purchase of the 2006A Bonds.

ENACTED AND ORDAINED by the Board of Commissioners of the County of Lackawanna, Pennsylvania on the [] day of [], 2005.

**COUNTY OF LACKAWANNA,
PENNSYLVANIA**

[SEAL]

By: _____
(Vice) Chairman, Board of Commissioners

Attest:

Lackawanna County Chief of Staff

APPENDIX "II"

EXHIBIT "B"
CONVERSION PROVISIONS

EXHIBIT "D"

FORM OF 2006A BOND

NO. R2006A-

\$[_____]

COUNTY OF LACKAWANNA, PENNSYLVANIA
GENERAL OBLIGATION BOND, SERIES A OF 2006

| <u>Maturity Date</u> | <u>Stated Date of Issue</u> | <u>Interest Rate Mode</u> | <u>CUSIP</u> |
|----------------------|-----------------------------|---------------------------|--------------|
|----------------------|-----------------------------|---------------------------|--------------|

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: THIRTY-EIGHT MILLION DOLLARS (\$38,000,000)

THE COUNTY OF LACKAWANNA, PENNSYLVANIA ("County"), for value received, hereby promises to pay to the registered owner hereof on the maturity date set forth above, upon surrender hereof, the principal amount set forth above, unless this Bond (hereinafter defined) shall have been called for redemption and payment of the redemption price shall have been duly made or provided for, and to pay interest thereon semi-annually on [_____] and [_____] of each year; provided, however, that while this Bond (hereinafter defined) bears interest at a Variable Rate, the Interest Payment Dates shall be determined as set forth in the Ordinance), at interest rates as provided in the Ordinance (hereinafter defined), and on any date on which all or a portion of the 2006A Bonds (hereinafter defined) are converted to another Mode, as defined in the Ordinance, commencing [_____] 2006 (each an "Interest Payment Date"; provided further, however, that while this Bond (hereinafter defined) bears interest at an Auction Rate, interest shall be paid on the day following the end of the applicable Auction Interest Period, as defined in the Ordinance (hereinafter defined). This General Obligation Bond, Series A of 2006 ("Bond") will bear interest from the most recent Interest Payment Date to which interest has been paid or duly provided for or, if no interest has been paid, from the Stated Date of Issue (as set forth above), unless, as shown by the records of the Fiscal Agent (hereinafter defined), payment of interest on this Bond shall be in default, in which case this Bond shall bear interest from the date on which interest was last paid hereon. The principal of this Bond upon maturity is payable upon presentation and surrender hereof at the designated corporate trust office of M&T investment Group ("Fiscal Agent") in Wilkes-Barre, Pennsylvania or such other office as shall be designated by the Fiscal Agent. Interest on this Bond will be paid on each Interest Payment Date by check drawn on the Fiscal Agent and mailed to the person in whose name this Bond is registered, at his or her address as it appears on the registration books of the County ("Bond Register") maintained by the Fiscal Agent and at the address appearing thereon.

"Regular Record Date" means the close of business on (1) the 15th day of the month preceding an Interest Payment Date in the case of bonds bearing interest at a Term Rate or Fixed Rate; (b) the last Business Day of the Interest Period in the case of bonds bearing interest

statement of the provisions thereof, including, without limitation, the conditions under which the Ordinance may be modified, to all of which provisions each registered owner, beneficial owner, direct or indirect participant in the Securities Depository from time to time hereof, by acceptance hereof (including receipt of a book-entry credit evidencing an interest herein), assents as an explicit and material portion of the consideration running to the County to induce it to enact the Ordinance and issue this Bond. Copies of the Ordinance are on file with the Fiscal Agent. All initially capitalized words used herein and not otherwise defined shall have the meanings given thereto in the Ordinance.

This 2006A Bond is initially issued as a Variable Rate Bond, bearing interest at the Weekly Rate, as defined in the Ordinance, and may be converted to bear interest at a Daily Rate, Monthly Rate, an Auction Rate, a Commercial Paper Rate, Term Rate, a Term Rate Mode, or a Fixed Rate, all as provided in the Ordinance. Notwithstanding anything to the contrary set forth in this Bond, while this Bond bears interest at a Variable Rate, or if this Bond is converted to another Variable Rate, an Auction Rate or a Fixed Rate, interest on this Bond shall be paid on the dates determined in the Ordinance.

The 2006A Bonds are issuable: (i) while outstanding in a Daily Mode or Weekly Mode, in \$100,000 denominations and any integral multiple of \$5,000 in excess thereof; (ii) while outstanding as Auction Rate Bonds, in \$25,000 denominations and integral multiples of \$25,000 in excess thereof; (iii) while outstanding in a Commercial Paper Mode, in \$100,000 denominations and any integral multiple of \$1,000 in excess thereof; and (iv) while outstanding as Long-Term Rate Bonds, in \$5,000 denominations and integral multiples thereof.

REDEMPTION

Optional Redemption. While the 2006A Bonds bear interest at the Daily Mode, the Weekly Mode or the Monthly Mode, the 2006A Bonds are subject to optional redemption by the County, in whole or in part, in Authorized Denominations on any date, at a redemption price equal to the principal amount thereof, plus, accrued interest, if any, from the end of the preceding Interest Accrual Period to the Redemption Date.

While the 2006A Bonds bear interest at an Auction Rate, the 2006A Bonds are subject to redemption prior to maturity in whole or in part at the option of the County on the Interest Payment Date, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date.

While the 2006A Bonds bear interest at a Commercial Paper Rate, the 2006A Bonds are not subject to optional redemption prior to their respective Purchase Dates. 2006A Bonds in the Commercial Paper Mode shall be subject to redemption at the option of the County in whole or in part on their respective Purchase Dates at a redemption price equal to the principal amount thereof.

While the 2006A Bonds bear interest at the Term Rate Mode, the 2006A Bonds shall be subject to redemption, in whole or in part, on their individual Mandatory Purchase Dates, at the option of the County at a redemption price equal to the principal amount thereof.

| <u>Year</u> | <u>Amount</u> | <u>Year</u> | <u>Amount</u> |
|-------------|---------------|-------------|---------------|
| 2006 | \$ | 2022 | \$ |
| 2007 | | 2023 | |
| 2008 | | 2024 | |
| 2009 | | 2025 | |
| 2010 | | 2026 | |
| 2011 | | 2027 | |
| 2012 | | 2028 | |
| 2013 | | 2029 | |
| 2014 | | 2030 | |
| 2015 | | 2031 | |
| 2016 | | 2032 | |
| 2017 | | 2033 | |
| 2018 | | 2034 | |
| 2019 | | 2035 | |
| 2020 | | 2036 | |

Notice of Redemption. The Fiscal Agent shall select by lot the particular 2006A Bonds or portions thereof to be redeemed, and mail a notice of redemption by first class mail, postage prepaid not more than forty-five (45) days and not less than thirty (30) days before the date of redemption to the registered owner of each 2006A Bond to be redeemed in whole or in part at the address shown on the registration books. Such notice shall be given in the name of the County, shall identify the 2006A Bonds to be redeemed (and, in the case of a partial redemption of any 2006A Bonds, the respective principal amounts thereof to be redeemed), shall specify the redemption date and the redemption price and shall state that on the redemption date, the 2006A Bonds called for redemption will be payable at the designated corporate trust office of the Fiscal Agent and that interest will cease to accrue from the date of redemption. Failure to give such notice by mailing to any owner of 2006A Bonds or any defect therein, shall not affect the validity of any proceedings for the redemption of other 2006A Bonds. Deposit of any such notice in the United States mail shall constitute constructive receipt by such registered owner. The Fiscal Agent shall redeem on each respective redemption date the principal amount of 2006A Bonds or portions thereof aggregating the amount to be then redeemed. When a notice of redemption is mailed as provided above, the Fiscal Agent shall mail a similar notice to *The Bond Buyer*, but failure to mail any such notice or defect in the mailed notice or in the mailing thereof shall not affect the validity of the proceedings for the redemption of 2006A Bonds. So long as the Securities Depository remains the sole registered owner of the 2006A Bonds, the Fiscal Agent shall send the notice of redemption to the Securities Depository at the time and in the manner specified in the Ordinance. Any failure of the Securities Depository to advise any of its participants ("Participants") or any failure of any Participant to notify any beneficial owner of any such notice and its content or effect shall not affect the validity of the proceedings for redemption of the 2006A Bonds called for redemption or of any other action premised on such notice. No further interest shall accrue on any 2006A Bond called for redemption on and after the redemption date if payment of the redemption price has been provided for and the registered

pursuant to the provisions of the Ordinance shall be conclusive and binding upon such registered owner, his or her heirs, successors and assigns, and upon all transferees hereof, whether or not notation thereof be made hereon or on any 2006A Bond issued in exchange hereof.

The holder of this Bond shall have no right to enforce provisions of this Bond or the Ordinance, except as provided in the Debt Act and the Ordinance.

No recourse shall be had for the payment of the principal of or the interest on this Bond or for any claim based hereon or on the Ordinance, against any member, officer, employee or agent, past, present or future, of the County, or of any successor bodies, either directly or through the County, or any such successor bodies, 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 members, officers, employees or agents being released as a condition of, and as consideration for, the adoption of the Ordinance and the issuance of this Bond.

The County, solely for the convenience of the holders of 2006A Bonds of this series, has caused CUSIP (Committee on Uniform Security Identification Procedures) numbers to be printed on the 2006A Bonds. No representation is made as to the accuracy of said numbers as printed on such 2006A Bonds, and the County shall have no liability of any sort with respect thereto. Reliance with respect to any notices with respect to the 2006A Bonds of this series may be placed only on the identification numbers prefixed "R2006A-" printed hereon.

It is covenanted with the holders from time to time of this Bond that the County shall: (i) include the amount of the debt service for the 2006A Bonds for each fiscal year in which such sums are payable in its budget for that year; (ii) appropriate such amounts from its general revenues for the payment of such debt service; and (iii) duly and punctually pay or cause to be paid from its sinking fund the principal of and the interest on this Bond at the dates and places and in the manner stated in this bond according to the true intent and meaning thereof. For such budgeting, appropriation and payment, the County pledges its full faith, credit and taxing power. This covenant shall be specifically enforceable. Nothing in this paragraph shall be construed to give the County any taxing power not granted by another provision of law.

It is hereby certified that all acts, conditions and things required to be or to be done, happen and be performed precedent to and in the issuance of this Bond or in the creation of the debt of which this is evidence, have been done, happened and performed in regular and due form and manner, as required by law, and that the debt represented by this Bond is not in excess of any constitutional or statutory limitation.

AUTHENTICATION CERTIFICATE

This Bond is one of the County of Lackawanna, Pennsylvania, General Obligation Bonds, Series of 2005, described in the within-mentioned Ordinance.

The text of opinion printed hereon or annexed hereto is the text of the opinion of Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania, on file with the undersigned, which was dated and delivered on the date of original delivery of and payment for the General Obligation Bonds, Series A of 2006.

**M&T INVESTMENT GROUP,
as Fiscal Agent**

By: _____
Authorized Officer

DATE OF AUTHENTICATION: