



**AN ORDINANCE OF THE BOARD OF COUNTY COMMISSIONERS
OF THE COUNTY OF CLARION
(PENNSYLVANIA)**

ENACTED FEBRUARY 9, 2016 AND NUMBERED 1 for 2016

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

AUTHORIZING THE INCURRING OF NONELECTORAL DEBT BY THE ISSUANCE OF A GENERAL OBLIGATION NOTE IN A PRINCIPAL AMOUNT OF FIVE MILLION SIX HUNDRED SIXTY FOUR THOUSAND SIXTY ONE DOLLARS (\$5,664,061); COVENANTING TO PAY, AND PLEDGING UNLIMITED TAXING POWER FOR THE PAYMENT OF, THE NOTE; FIXING THE FORM, INTEREST RATE, MATURITY, REDEMPTION AND OTHER PROVISIONS FOR THE PAYMENT THEREOF; AUTHORIZING THE ACCEPTANCE OF A PROPOSAL FOR THE PURCHASE OF THE NOTE; 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 THE NOTE.

Note Counsel:

Dinsmore & Shohl LLP
One Oxford Center
301 Grant Street, Suite 2800
Pittsburgh, PA 15219

Solicitor:

Dillon, McCandless, King, Coulter & Graham LLP
128 W. Cunningham Street
Butler, PA 16001

WHEREAS, the Board of County Commissioners (the "Governing Body") of the above-named Local Government Unit (defined hereinafter) deems it advisable to borrow the principal sum of \$5,664,061 pursuant to the Local Government Unit Debt Act, 53 Pa.C.S.A. §8001 *et seq.* (the "Debt Act"), for the purposes described on **Exhibit P** hereto (the "Project"); and

WHEREAS, Farmers National Bank (the "Bank") has presented a Purchase Contract (defined hereinafter), attached hereto as **Exhibit PC**, to purchase a note to be issued by the Local Government Unit in order to achieve the financing of the Local Government Unit's Project.

NOW, THEREFORE, it is hereby ENACTED as follows:

Section 1. Definitions

Unless the context clearly indicates otherwise, the following terms shall, for all purposes of this Ordinance, have the meanings hereby ascribed to them. Moreover, such terms, together with all other provisions of this 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, shall mean and include corporations, associations and public bodies and their successors unless the context shall indicate otherwise.

"Bank" means Farmers National Bank, 612 Main Street, Emlenton, PA 16373.

"County Code" means The County Code, as amended, 16 P.S. §101, *et seq.*

"Dated Date" means the date of delivery of the Note, expected to be March 15, 2016, or such other date that may be determined and fixed by the Bank and the Local Government Unit, upon which interest will begin to accrue on the Note.

"Department" has the meaning given to such term in Section 2 hereof.

"Designated Officers" has the meaning given to such term in Section 2 hereof.

"First Note Payment Date" means April 15, 2016, the date upon which interest on the Note is first payable, as may be further specified by the Bank in accordance with the Purchase Contract relating to the Note.

"Loan Agreement" has the meaning given to such term in Section 2 hereof.

"Local Government Unit" means the County of Clarion, a county and political subdivision of the Commonwealth of Pennsylvania, duly organized and validly existing under the Constitution and laws of the Commonwealth, particularly The County Code, as amended.

"Note" means the Local Government Unit's General Obligation Note, Series of 2016.

"Note Payment Date(s)" means, singularly or jointly, the fifteenth day of each month during the term thereof, as may be further specified by the Local Government Unit and the Bank in accordance with the Purchase Contract, commencing with the First Note Payment Date.

"Project" has the meaning given to such term in **Exhibit P** hereto.

"Purchase Contract" means the written commitment or commitments of the Bank, as the same may be amended, for the purchase and sale of the Note, presented by the Bank, and accepted by the Local Government Unit by execution and delivery of the same pursuant to Section 6 herein, the form of which is set out in **Exhibit PC** hereto.

"Purchase Price" means, with respect to the Note, 100% of the principal amount thereof together with accrued interest, if any, to the date(s) of delivery of said Note, adjusted for any fees, discounts or interest as may be specified in the Purchase Contract.

Section 2. Authorization

The Local Government Unit hereby authorizes the incurrence, and the increase, of nonelectoral indebtedness in the aggregate principal amount of \$5,664,061, to be evidenced by its General Obligation Note, Series of 2016 (as hereinbefore defined, the "Note") in substantially the form attached hereto as Exhibit A to the Loan Agreement (defined hereinafter) (with such changes as the Designated Officers, hereinafter defined, shall approve), in order to pay the costs of the Project. The Note will be dated the Dated Date, will bear interest at a fixed rate of 2.65% per annum (30/360 day year basis), payable on the payment Note Payment Dates, beginning with the First Note Payment Date, and will amortize, as to principal, in part, on each said Note Payment Date according to the schedule of principal amortizations set out in **Exhibit DS** attached hereto.

Upon at least five (5) business days prior written notice to the Bank, the Local Government Unit has the right to prepay all of the outstanding principal and interest hereunder, at the price of 100% of the principal amount, without premium or penalty, plus interest accrued to the payment date; provided, however, that if the Note is paid in full from refunding proceeds from a source other than the Bank, a prepayment penalty will be assessed as follows: (i) months one through twelve (beginning on the Dated Date), three percent (3.00%) of the principal amount being refunded, (ii) months thirteen through twenty four (beginning on the Dated Date), two percent (2.00%) of the principal amount being refunded and (iii) months twenty five through one hundred twenty (beginning on the Dated Date), one percent (1.00%) of the principal amount being refunded.

Furthermore, the Note will be issued subject to, and the terms and conditions of payment, prepayment and security further delineated by and under one or more loan agreements (the "Loan Agreement" or "Loan Agreements") incorporating the terms and conditions of the Purchase Contract. The Loan Agreement, substantially in the form attached hereto as **Exhibit LA**, is hereby approved, and the same shall be executed and delivered, with such changes as the Designated Officers shall approve, upon the issuance and delivery of the Note, in exchange for the Purchase Price of said Note at the settlement thereof.

The Local Government Unit understands and recognizes that the Bank may, at its sole discretion, sell or transfer one or more participation interests in the Note to one or more financial institutions. So long as none of its obligations under the Loan Agreement or in respect of the Note are in any way enlarged or increased thereby, the Local Government Unit hereby consents to the sale or transfer by the Bank, at

any time and from time to time, of one or more such participation interests in the Note to one or more such purchasers, and hereby further waives any requirement of notice of the same.

The Local Government Unit hereby authorizes and directs the Governing Body (including individual members thereof) and the Chief Clerk, or their duly elected and acting successors (the "Designated Officers"), to execute and deliver the Note, the Loan Agreement(s) and all such documents, and to do and perform all acts necessary and proper for the issuance and further security of the Note, including the filing of proceedings with the Pennsylvania Department of Community and Economic Development (the "Department") to enable the Department to certify its approval to issue, sell and deliver the Note.

The Designated Officers are hereby further authorized and directed to provide to the Bank each year, for as long as the Note is outstanding, a copy of the audited financial statements of the Local Government Unit when available, and to comply with and perform all the terms and conditions of the Loan Agreement and the Note.

The Designated Officers are hereby authorized and directed to prepare such materials and make such filings, applications and solicitations that are necessary to obtain appropriate approvals for the issuance of the Note and the matters contemplated hereby.

Section 3. Preparation of Debt Statement

As required by §8110 of the Act, any member of the Governing Body and the Chief Clerk of the Local Government Unit are authorized to prepare, execute and acknowledge the Debt Statement, and its accompanying Borrowing Base Certificate.

Section 4. Security and Payment of the Note

The Note shall be a general obligation of the Local Government Unit to the extent permitted by law. The Local Government Unit hereby covenants with the Bank (including for this purpose the holders of participation interests in the Note) and with subsequent holders, from time to time, of the Note that it will (a) include the amount of the debt service for each fiscal year in which any installment of principal or interest is payable in its budget for that year, (b) appropriate such amounts to the payment of such debt service, and (c) duly and punctually pay or cause to be paid the principal of and interest on the Note on the dates, at the place and in the manner stated therein according to the true intent and meaning thereof.

For such budgeting, appropriation and payment of the Note, the Local Government Unit hereby pledges its full faith, credit and taxing power. The Local Government Unit further covenants and agrees to undertake, perform and pursue all acts, applications, appeals, procedures and petitions, including the filing and pursuit of legal actions and remedies within appropriate administrative and judicial forums, necessary to permit and enable the Local Government Unit to budget and collect taxes and other revenues adequate to fulfill the foregoing covenant. The maximum amounts of debt service which are payable in respect of the Note are set forth in **Exhibit DS** attached hereto.

The Local Government Unit does hereby create, and orders to be established (in its name and identified by reference to the Note), one or more Sinking Fund (s) for the payment of the Note with the Bank, which is a bank lawfully conducting business in the Commonwealth of Pennsylvania, and does further covenant to maintain such Sinking Fund(s), in accordance with the Local Government Unit Debt Act, until the Note is paid in full. Any Designated Officer is hereby authorized and directed to contract with the Bank for its services in such capacity, except as the same may be included in the Purchase

Contract. The Bank shall undertake the duties of sinking fund depository, paying agent and registrar according to the provisions of the Act in compliance with current industry standards and practices.

Section 5. Tax Covenants.

The Local Government Unit hereby states its intention to comply with all the provisions of Sections 103 and 141 through 150, inclusive, of the Internal Revenue Code of 1986, as amended (the "Tax Code"); the Local Government Unit represents and covenants that it has undertaken and performed, and will undertake and perform, or, as appropriate, discontinue, upon the instruction of Note Counsel, all those acts necessary and proper to the maintenance of the exclusion from gross income of the interest on the Note to the registered owner(s) thereof conferred by those Sections, as interpreted by applicable regulations, rulings or other pronouncements of the Secretary of the United States Department of the Treasury.

The Local Government Unit covenants that the Note is not an issue: (1)(a) more than 10 percent of the proceeds of which are to be used for any private business use, and (b) the payment of the principal of, or the interest on, more than 10 percent of the proceeds, directly or indirectly, is (x) secured by any interest in property used or to be used for a private business use, or payments in respect of such property, or (y) to be derived from payments in respect of property, or borrowed money, used or to be used for a private business use; nor (2) the proceeds of which, in an amount exceeding the lesser of five percent of such proceeds, or \$5,000,000, are to be used to make or finance loans to persons other than governmental units.

The Local Government Unit covenants that no portion of the proceeds of the Note is reasonably expected (at the time of issuance of the Note) to be used, nor will be so used, directly or indirectly, (1) to acquire higher yielding investments, or (2) to replace funds which were used directly or indirectly to acquire higher yielding investments. This prohibition does not apply to proceeds invested in higher yielding investments (a) for a reasonable temporary period until such proceeds are needed for the purpose of the Note, or (b) as a part of a reasonably required reserve or replacement fund. For these purposes, "higher yielding investment" means any investment property (generally, a security or debt obligation) that produces a yield over the term of the Note which is materially higher than the yield on the Note, but does not include any tax-exempt obligation.

The Local Government Unit covenants to pay and rebate its arbitrage profits (being an amount equal to the sum of (1) the excess of (a) the amount earned on all nonpurpose investments over (b) the amount which would have been earned if the nonpurpose investments were invested at a rate equal to the yield on the Note; plus (2) any income attributable to said excess [provided, further, that any gain or loss on the disposition of a nonpurpose investment will be taken into account] to the United States in accordance with the provisions of Section 148(f) of the Tax Code and regulations thereunder, but only as and to the extent that none of the following exceptions apply to the Local Government Unit).

Rebate to the United States as described above shall not be required of the Local Government Unit if, and in the event that any one of the following exceptions applies: (i) **SIX MONTH SAFE HARBOR** - the gross proceeds of the Note are expended for the Project by no later than the day which is six months after the date of issuance of the Note, or, the gross proceeds, except the lesser of five percent of the gross proceeds of the Note, or \$100,000, are so expended by said date and such remaining portion is expended by no later than the day which is one year after the date of issuance of the Note; (ii) **18-MONTH SPEND-DOWN** - the following cumulative percentages of the gross and investment proceeds of the Note are expended for the Project by no later than the day which is the indicated period of time following the date of issuance of the Note: 15% - six months; 60% - one year; 100% - eighteen months

(except that not more than 5%, representing only reasonable retainage on the costs of the Project, may remain unexpended after eighteen months, but not in excess of thirty months); (iii) **TWO YEAR SPEND-DOWN (CONSTRUCTION ISSUES ONLY)** - the following cumulative percentages of available construction proceeds of the Note are expended for the Project by no later than the day which is the indicated respective period of time following the date of issuance of the Note: 10% - six months; 45% - one year, 75% - eighteen months; 100% - two years (except that not more than 5%, representing only reasonable retainage on the costs of the Project, may remain unexpended after two years, but not in excess of three years); or (iv) **SMALL ISSUER** - (a) 95 percent or more of the net sale proceeds (being gross proceeds minus amounts deposited into a reasonably required reserve fund) of the Note is to be used for local governmental activities of the Local Government Unit (or a subordinate entity), and (b) the aggregate face amount of all tax-exempt obligations other than private activity bonds, issued by the Local Government Unit, and all subordinate entities thereof (but not including any obligations not outstanding or to be redeemed, as may be excluded under prevailing interpretations of the Tax Code and regulations thereunder), during the calendar year in which the Note is issued, is not reasonably expected to exceed \$5,000,000 (\$15,000,000, in the case of certain bonds for school construction purposes).

For these purposes, "gross proceeds" means any proceeds and replacement proceeds of the Note, "available construction proceeds" has the meaning used in §148(f)(4)(C)(vi) of the Tax Code, "sale proceeds" means all amounts actually or constructively received from the sale of the Note, except accrued interest on the Note deposited to the Sinking Fund, and "nonpurpose investment" means any investment property acquired with the gross proceeds of the Note and not required to carry out the governmental purpose of the Note.

The Local Government Unit must prepare, or cause to be prepared, execute and submit to the Secretary 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.

The Local Government Unit hereby designates the Note to be a "qualified tax-exempt obligation" for the purposes of, and according to all the terms and conditions of, Section 265(b)(3) of the Tax Code. Having considered tax-exempt obligations previously issued, together with the Note, during the calendar year in which the Note is being issued, the Local Government Unit represents and covenants that the reasonably anticipated amount of qualified tax-exempt obligations (other than private activity bonds) which will be issued by the Local Government Unit (together with all subordinate entities) during said calendar year does not exceed \$10,000,000. For these purposes, "tax-exemption obligations" means any obligation the interest on which is wholly-exempt from taxes under the Tax Code.

Section 6. Award

After due consideration of sundry factors, including the professional advice of financial advisors and current market conditions, the Local Government Unit hereby: (1) determines that a private sale by negotiation of the Note is in the best financial interest of the Local Government Unit; and (2) authorizes the Chairman or Vice-Chairman of the Board of County Commissioners and the Chief Clerk (or their appropriate successors acting by reason of absence or other incapacity), in their sole discretion, to award the sale of the Note to the Bank, by means of the execution, and delivery to the Bank, of the Purchase Contract. The execution and delivery of the Purchase Contract is hereby ratified and confirmed.

Section 7. Expeditious Settlement.

The Local Government Unit hereby authorizes and directs the Designated Officers, Note Counsel, the Fiscal Director or Solicitor to undertake and perform all actions on behalf of the Local Government Unit necessary and proper to the expeditious settlement of the sale of the Note.

The Designated Officers are further authorized and directed to undertake and perform, or cause to be undertaken or performed, all the ordinary duties of the Local Government Unit (and the same are hereby specifically approved) which may be required under, or reasonably contemplated by, the Purchase Contract, including without limitation, retention of professionals, and execution and delivery of any certificates, orders, security agreements, mortgages and other similar documents and agreements that may be necessary, in the opinion of the Bank, Note Counsel, the Fiscal Director or Solicitor, for settlement of the sale of the Note.

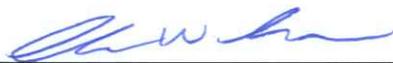
Section 8. Note Ordinance a Contract

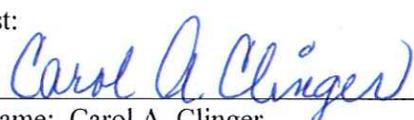
Upon the Local Government Unit's execution of a Purchase Contract relating to the Note, this Ordinance, with the Note itself, and the Loan Agreement relating thereto, as and when the same are executed and delivered, shall be deemed to be a contract with the holders (including purchasers of participation interests therein), from time to time, of said Note.

DULY ENACTED on February 9, 2016.

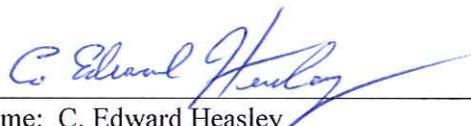
COUNTY OF CLARION

[SEAL]

By: 
Name: Theodore W. Tharan
Title: Chairman, Board of Commissioners

Attest:
By: 
Name: Carol A. Clinger
Title: Chief Clerk

By: 
Name: Wayne R. Brosius
Title: Commissioner

By: 
Name: C. Edward Heasley
Title: Commissioner

DESCRIPTION OF PROJECT

"Project" means the costs of: (a) the current refunding of, in order to achieve debt service savings and correct deficient proceedings related to, the Local Government Unit's General Obligation Promissory Note, Series of 2010 (the "Refunded Obligation"); and (b) issuing and delivering the Note. The realistically estimated remaining useful life of the capital assets financed by the proceeds of the Refunded Obligation (or prior indebtedness, in a series of refundings) is, on a weighted average basis, in excess of fifteen (15) years.

EXHIBIT P

MAXIMUM
DEBT SERVICE PAYMENT SCHEDULE

EXHIBIT DS

FORM OF LOAN AGREEMENT
(INCLUDING FORM OF NOTE)

EXHIBIT LA
PURCHASE CONTRACT

EXHIBIT PC

CERTIFICATE

I, the undersigned, a Designated Officer of the named Local Government Unit, hereby certify that the foregoing and attached is a true copy of an Ordinance which was duly adopted by the affirmative vote of the majority of all the members of the Governing Body 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 Governing Body; and that the members of the Governing Body voted in the manner following:

	Yes	No	Abstain	Absent
Ted Tharan	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Wayne R. Brosius	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ed Heasley	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

WITNESS my hand and seal of the Local Government Unit this _____ day of _____, 2016.

COUNTY OF CLARION

[SEAL]

Carol A. Clinger
Chief Clerk