

COUNTY OF SUSQUEHANNA, PENNSYLVANIA

ORDINANCE NO.

95-001

AN ORDINANCE

OF THE BOARD OF COUNTY COMMISSIONERS OF THIS COUNTY DETERMINING TO INCUR DEBT; DETERMINING THAT THE MAXIMUM AGGREGATE PRINCIPAL AMOUNT OF SUCH DEBT SHALL BE \$2,500,000; DETERMINING THAT SUCH DEBT SHALL BE INCURRED AS LEASE RENTAL DEBT TO BE EVIDENCED BY A GUARANTY OF A SERIES OF GUARANTEED HOSPITAL REVENUE BONDS, SERIES OF 1995 (MONTROSE HOSPITAL ACQUISITION PROJECT), IN THE MAXIMUM AGGREGATE PRINCIPAL AMOUNT OF TWO MILLION FIVE HUNDRED THOUSAND DOLLARS (\$2,500,000), TO BE AUTHORIZED AND TO BE ISSUED BY SUSQUEHANNA COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY IN CONNECTION WITH THE FINANCING OF A CAPITAL PROJECT CONSISTING OF, INTER ALIA, THE ACQUISITION OF THE LAND AND 30 BED ACUTE CARE HOSPITAL FACILITIES AND CLINIC BUILDINGS KNOWN AS "MONTROSE HOSPITAL," LOCATED IN THE BOROUGH OF MONTROSE, SUSQUEHANNA COUNTY, PENNSYLVANIA, AND THE ACQUISITION AND CONSTRUCTION OF ADDITIONS AND RENOVATIONS TO SUCH ACQUIRED FACILITIES; BRIEFLY DESCRIBING THE PROJECT TO BE UNDERTAKEN AND SPECIFYING THE ESTIMATED REALISTIC USEFUL LIFE OF SAID PROJECT; AUTHORIZING AND DIRECTING THE CHAIRMAN OR VICE CHAIRMAN OF THE BOARD OF COUNTY COMMISSIONERS AND THE CHIEF CLERK, RESPECTIVELY: (A) TO PREPARE, TO CERTIFY AND TO FILE THE DEBT STATEMENT REQUIRED BY SECTION 410 OF THE LOCAL GOVERNMENT UNIT DEBT ACT; (B) TO PREPARE AND TO FILE ANY STATEMENTS REQUIRED BY ARTICLE II OF SAID ACT THAT ARE NECESSARY TO QUALIFY ALL OR ANY PORTION OF THE DEBT OF THIS COUNTY FOR EXCLUSION FROM THE APPROPRIATE DEBT LIMIT AS SELF-LIQUIDATING OR SUBSIDIZED DEBT; AND (C) TO EXECUTE, TO ATTEST AND TO DELIVER, AS APPROPRIATE, A COUNTY GUARANTY AGREEMENT, BETWEEN THIS COUNTY, AS GUARANTOR, SAID AUTHORITY AND A TRUSTEE TO BE NAMED UNDER A TRUST INDENTURE, BETWEEN SAID AUTHORITY AND SAID TRUSTEE, WITH RESPECT TO SAID PROJECT AND SAID BONDS; APPROVING THE FORM OF SAID COUNTY GUARANTY AGREEMENT; SPECIFYING THE MAXIMUM AMOUNTS OF THE GUARANTY OBLIGATIONS OF THIS COUNTY PURSUANT TO SAID GUARANTY AGREEMENT, AND PLEDGING

THE FULL FAITH, CREDIT AND TAXING POWER OF THIS COUNTY IN SUPPORT THEREOF; CREATING A SINKING FUND IN CONNECTION WITH SUCH GUARANTY OBLIGATIONS AS PROVIDED IN SAID ACT; APPOINTING A SINKING FUND DEPOSITARY IN CONNECTION WITH SUCH GUARANTY OBLIGATIONS; PROVIDING FOR PROPER OFFICERS OF THIS COUNTY TO TAKE ALL OTHER REQUIRED, NECESSARY OR DESIRABLE RELATED ACTION IN CONNECTION WITH SAID PROJECT, SAID PROCEEDINGS UNDER THE LOCAL GOVERNMENT UNIT DEBT ACT, AND SAID COUNTY GUARANTY AGREEMENT, AND TO ENABLE SAID AUTHORITY TO MEET REQUIREMENTS OF SAID TRUST INDENTURE; PROVIDING FOR THE EFFECTIVENESS OF THIS ORDINANCE; PROVIDING FOR THE SEVERABILITY OF PROVISIONS OF THIS ORDINANCE; AND PROVIDING FOR REPEAL OF ALL INCONSISTENT ORDINANCES OR PARTS OF ORDINANCES.

WHEREAS, This County is a political subdivision of the Commonwealth of Pennsylvania (the "Commonwealth") and is a "local government unit" under terms of the Local Government Unit Debt Act (the "Act") of the Commonwealth; and

WHEREAS, Susquehanna County Industrial Development Authority (the "Authority"), is an industrial and commercial development authority existing under the Industrial and Commercial Development Authority Law, approved August 23, 1967, P.L. 251, as amended and supplemented, from time to time (the "Authorities Act") of the Commonwealth; and

WHEREAS, The Authority has determined to undertake the financing of the acquisition of the land and 30 bed acute care hospital facilities and clinic buildings known as "Montrose Hospital," located in the Borough of Montrose, Susquehanna County, Pennsylvania, and the acquisition and construction of additions and renovations to such acquired facilities (the "Project"), by issuance of the 1995 Bonds (hereinafter mentioned) to be guaranteed by this County.

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

SECTION 1. This County authorizes the Authority to undertake the financing of, and consents to and approves of the Authority undertaking the financing of, the Project.

SECTION 2. This County specifies that a realistic estimated useful life of the Project is at least 30 years.

SECTION 3. This County determines that the Authority shall incur "debt", as such term is defined in the Act, which shall be "lease rental debt", as such phrase is defined in the Act, of this County in connection with the Project.

SECTION 4. Such debt will constitute lease rental debt of this County pursuant to the Act, shall be in the maximum aggregate principal amount of \$2,500,000, shall be evidenced by obligations to be issued by the Authority under the Authorities Act and shall consist of a series of guaranteed hospital revenue bonds, to be known generally as "Guaranteed Hospital Revenue Bonds, Series 1995" (Montrose Hospital Acquisition Project) (the "1995 Bonds"), which 1995 Bonds shall have the benefit of and shall be secured by, *inter alia*, the guaranty obligations of this County pursuant to the Guaranty Agreement (hereinafter mentioned and identified).

SECTION 5. This County, as guarantor, shall enter into a County Guaranty Agreement (the "Guaranty Agreement"), substantially in the form referred to in Section 6, with the Authority and PNC Bank, National Association, Pittsburgh, Pennsylvania (the "Trustee"), as trustee under a Trust Indenture (the "Indenture") of the Authority with respect to said Project and the 1995 Bonds, under terms and provisions of which Guaranty Agreement, *inter alia*, this County

shall guaranty, unconditionally, for the benefit of the holders, from time to time, of the 1995 Bonds, full and prompt payment of Debt Service, as such phrase is defined in the Guaranty Agreement, to the extent provided in the Guaranty Agreement, as such shall be due and payable with respect to the 1995 Bonds.

The Guaranty Agreement shall be for the period that the 1995 Bonds shall remain "Outstanding" under and as defined in the Indenture and shall set forth terms, conditions, provisions, covenants, and agreements to be observed by this County, the Authority and the Trustee in relation to said the Project and the 1995 Bonds.

SECTION 6. The Guaranty Agreement shall be substantially in the form presented to this meeting, which form is approved; and a copy of the Guaranty Agreement, in the form so presented to this meeting and so approved, shall be filed with the Chief Clerk of this County and shall be made available for inspection at reasonable times by interested persons requesting such inspection.

SECTION 7. The Chairman or Vice Chairman of the Board of County Commissioners and the Chief Clerk, respectively, are authorized and directed to prepare, to certify and to file the debt statement, as such phrase is defined in the Act, required by Section 410 of the Act, in behalf of this County, and to prepare and to file any statements required by Article II of the Act that are necessary to qualify all or any portion of the debt of this County for exclusion from the appropriate debt limit as self-liquidating or subsidized debt.

Proper officers for this County are authorized and directed to prepare and to execute an appropriate borrowing base certificate for filing with the Department of Community Affairs (the "Department") of the Commonwealth, as required by the Act.

SECTION 8. The Chairman or Vice Chairman of the Board of County Commissioners and the Chief Clerk of this County, as applicable, are authorized and directed to execute, to attest, to acknowledge and to deliver the Guaranty Agreement, in behalf of this County, substantially in the form approved in Section 6; Subject, however, to applicable provisions of the Act.

SECTION 9. The Chairman or Vice Chairman of the Board of County Commissioners and the Chief Clerk of this County are authorized and directed to make application to the Department for approval with respect to the Guaranty Agreement, as required by Section 411 of the Act, and for approval with respect to the exclusion of all or a portion of the debt of this County as self-liquidating or subsidized debt; and in connection with such application, this County shall pay to the Department the filing fee as required by Section 803 of the Act, as amended, the payment of which filing fee is authorized and approved.

SECTION 10. The guaranty obligations of this County, with respect to the 1995 Bonds, as set forth in the Guaranty Agreement in the form referred to in Section 6, which shall be payable, if and as necessary, semiannually, shall be as set forth in Exhibit A which is attached hereto and made part hereof.

The phrase "Fiscal Year", as provided in the Guaranty Agreement and as used herein and in such Exhibit A, shall mean the fiscal year of this County.

SECTION 11. The guaranty obligations of this County, as set forth in Section 10, shall be payable from the tax and other general revenues of this County.

SECTION 12. This County shall covenant in the Guaranty Agreement and does hereby covenant to and with the Trustee, the Authority and the holders, from time to time, of the 1995 Bonds that shall be "Outstanding", as such term is

defined in the Indenture, that this County: (1) shall include the amount of the Debt Service, as such phrase is defined in the Guaranty Agreement, payable in respect of its guaranty pursuant to the Guaranty Agreement, for each Fiscal Year, in which such sums are payable, in its budget for that Fiscal Year; (2) shall appropriate such amounts from its tax or other general revenues for payment to the Trustee of its obligations under the Guaranty Agreement; and (3) shall duly and punctually pay or cause to be paid from its sinking fund (hereinafter referred to) or any other of its revenues or funds, the amount payable in respect of its guaranty obligations under the Guaranty Agreement, at the dates and place and in the manner stated in the Guaranty Agreement, according to the true intent and meaning thereof. For such budgeting, appropriation and payment in respect of its guaranty obligations under the Guaranty Agreement, this County shall and does pledge, irrevocably, its full faith, credit and taxing power. The foregoing covenant of this County shall be enforceable specifically.

For the purposes of complying with the foregoing covenant, this County covenants that it shall budget the amount set forth in Exhibit A, which is attached hereto and made part hereof, such amounts being such Debt Service with respect to the 1995 Bonds for the Fiscal Years in which such amounts are payable, and shall appropriate and shall pay over to the Trustee such amounts; Subject, however, to provisions of the Guaranty Agreement with respect to credit for certain sums that shall be available for such Debt Service under the Trust Indenture, all as more fully set forth in the Guaranty Agreement.

This County also shall covenant in the Guaranty Agreement, and does hereby covenant, that to the extent sufficient money shall not be available in its then current budget at any time when payments are required under the Guaranty

Agreement, and if it shall be unable to incur debt lawfully in the current year for the purpose or to issue tax anticipation notes or otherwise to satisfy its obligations under the Guaranty Agreement, it shall include any amounts so payable by it in its budget for the next succeeding Fiscal Year and shall appropriate such amounts to the payment of such obligations and duly and punctually shall pay, or shall cause to be paid, its obligations incurred under the Guaranty Agreement, in the manner therein stated, according to the true intent and meaning thereof.

It is the intent and purpose of the Guaranty Agreement that the County shall be required to pay over to the Trustee only that portion of the Debt Service, as such phrase is defined in the Guaranty Agreement, on the 1995 Bonds which cannot be paid from loan payments to be paid by or on behalf of the Endless Mountains Health Systems, Incorporated (the "Hospital Corporation"), under a Loan Agreement, between the Hospital Corporation and the Authority with respect to the Project and the Series 1995 Bonds (the "Loan Agreement") or from other money under the Indenture that shall be available for the purpose. Therefore, the covenants herein contained are subject to the condition that the County shall be entitled to a credit against the amount of its guaranty obligation assumed hereunder and under the Guaranty Agreement, which credit shall be equal to the full amount that shall be deposited, from time to time, in the Clearing Fund, as defined in and established under the Indenture, or that shall be available for such Debt Service in accordance with the terms of the Indenture, including money available in the Debt Service Reserve Fund, as defined in and established under the Indenture. Accordingly, on or before each interest or principal payment date for the 1995 Bonds in each Fiscal Year, the Trustee, after having received all

loan payments payable under the Loan Agreement for the then current period and having applied or made provision to apply all money available for the purpose in such Debt Service Reserve Fund as shall be available for transfer to the Debt Service Fund, as defined in and established under the Indenture, shall notify the County of any deficiency in such money and funds that shall be available for transfer to such Debt Service Fund for debt service, and the County forthwith shall pay over to the Trustee, or as appropriate shall deposit in the "sinking fund" (hereinafter mentioned), and the "sinking fund depository" and "paying agent" (hereinafter mentioned), shall pay over to the Trustee, or as appropriate, to holders of 1995 Bonds, any amount required at the time to eliminate such deficiency for Debt Service for such Fiscal Year.

This County hereby establishes a "sinking fund", as such phrase is defined or applied in the Act, as amended and supplemented from time to time, with respect to its obligations under the Guaranty Agreement with respect to such guaranty, and PNC Bank, National Association, Pittsburgh, Pennsylvania, is hereby appointed "sinking fund depository" and "paying agent", as such phrases are defined or applied in the Act, as amended and supplemented from time to time, to the extent necessary with respect to obligations of this County under the Guaranty Agreement with respect to such guaranty.

SECTION 13. Proper officers of this County are authorized and directed to execute all documents and to do all other acts as may be necessary and proper to carry out the intent and purpose of this Ordinance and the undertakings of this County under the Guaranty Agreement.

SECTION 14. Reference in this Ordinance to specified officers of this County shall include and shall be construed to include, if and as applicable, their respective successors in office.

SECTION 15. This Ordinance shall become effective in accordance with provisions of the Act.

SECTION 16. In the event any provision, section, sentence, clause or part of this Ordinance shall be held to be invalid, such invalidity shall not affect or impair any remaining provision, section, sentence, clause or part of this Ordinance, it being the intent of this County that such remainder shall be and shall remain in full force and effect.

SECTION 17. All other ordinances or parts of ordinances which are inconsistent herewith shall be and the same expressly are repealed.

DULY ENACTED AND ORDAINED, this 7th day of December, 1995, by the Board of Commissioners of the County of Susquehanna, Pennsylvania, in lawful session duly assembled.

COUNTY OF SUSQUEHANNA,
PENNSYLVANIA

By: Walter R. Williams
County Commissioner

By: John Blochek
County Commissioner

By: _____
County Commissioner

ATTEST:

[Signature]
Chief Clerk

(SEAL)

COUNTY OF SUSQUEHANNA, PENNSYLVANIA

EXHIBIT A

Debt Service, as such phrase is defined in the Guaranty Agreement referred to in the Ordinance to which this is attached, with respect to the 1995 Bonds, as such phrase is defined in such Ordinance (in the maximum aggregate principal amount of \$2,500,000), to be issued by Susquehanna County Industrial Development Authority.

DEBT SERVICE SCHEDULE

<u>Year Ending Dec. 1</u>	<u>Principal Maturity/ Redemption</u>	<u>Interest</u>	<u>Annual Debt Service</u>
1996	\$ 0.00	\$ 175,750.00	\$ 175,750.00
1997	0.00	175,750.00	175,750.00
1998	45,000.00	175,750.00	220,750.00
1999	50,000.00	172,487.50	222,487.50
2000	55,000.00	168,837.50	223,837.50
2001	55,000.00	164,837.50	219,837.50
2002	65,000.00	160,837.50	225,837.50
2003	40,000.00	156,100.00	196,100.00
2004	45,000.00	153,300.00	198,300.00
2005	50,000.00	150,150.00	200,150.00
2006	50,000.00	146,650.00	196,650.00
2007	55,000.00	143,150.00	198,150.00
2008	60,000.00	139,300.00	199,300.00
2009	65,000.00	135,100.00	200,100.00
2010	65,000.00	130,550.00	195,550.00
2011	70,000.00	126,000.00	196,000.00
2012	75,000.00	121,100.00	196,100.00
2013	80,000.00	115,850.00	195,850.00
2014	90,000.00	110,250.00	200,250.00
2015	95,000.00	103,950.00	198,950.00
2016	100,000.00	97,300.00	197,300.00
2017	110,000.00	90,300.00	200,300.00
2018	115,000.00	82,600.00	197,600.00
2019	125,000.00	74,550.00	199,550.00
2020	130,000.00	65,800.00	195,800.00
2021	140,000.00	56,700.00	196,700.00
2022	150,000.00	46,900.00	196,900.00
2023	160,000.00	36,400.00	196,400.00
2024	175,000.00	25,200.00	200,200.00
2025	<u>185,000.00</u>	<u>12,950.00</u>	<u>197,950.00</u>
	\$2,500,000.00	\$3,514,400.00	\$6,014,400.00

CERTIFICATE


I, the undersigned, Chief Clerk of the County of Susquehanna, Pennsylvania (the "County"), certify that: the foregoing is a true and correct copy of an Ordinance which duly was enacted by affirmative vote of a majority of all members of the Board of Commissioners (the "Board") of the County, in accordance with law, at a meeting duly held on December 7, 1995, at which meeting a quorum was present; said Ordinance has been certified and recorded by me, as Chief Clerk of the County, in the book provided for the purpose of such recording; said Ordinance, upon enactment, as aforesaid, was assigned Ordinance No. 95-001, the total number of members of the Board is three (3); the vote of the members of the Board, upon enactment of said Ordinance, the yeas and nays having been called, duly was recorded by me, as Chief Clerk, as follows:

Warren Williams	- YEA
John Blachek	- YEA
Deborah Gosciewski	- NAY

said Ordinance has been advertised, as required by law, in a newspaper of general circulation in the County; and said Ordinance has not been amended, altered or repealed, as of the date of this Certificate.

I further certify that the Board met the advance notice and public comment requirements of the Sunshine Act, Act No. 1986-84 of the General Assembly of the Commonwealth of Pennsylvania, approved July 3, 1986, as amended, by advertising said meeting, by posting prominently a notice of said meeting at the public building in which said meeting was held, and by providing a reasonable opportunity for public comment at said meeting, all in accordance with such Act.

IN WITNESS WHEREOF, I set my hand and affix the official seal of the County, this 7th day of December, 1995.


Chief Clerk

(SEAL)

COUNTY GUARANTY AGREEMENT

Dated as of December 15, 1995

Between

COUNTY OF SUSQUEHANNA, PENNSYLVANIA,

as Guarantor,

and

SUSQUEHANNA COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY

and

PNC BANK, NATIONAL ASSOCIATION,

Pittsburgh, Pennsylvania,

as Trustee,

With Respect To

Guaranteed Hospital Revenue Bonds, Series of 1995
(Montrose Hospital Project)

Dated as of December 15, 1995

RHOADS & SINON

Attorneys-at-Law,
One South Market Square - 12th Floor
Harrisburg, Pennsylvania
Bond Counsel

COUNTY GUARANTY AGREEMENT

THIS COUNTY GUARANTY AGREEMENT, dated as of December 15, 1995, between the **COUNTY OF SUSQUEHANNA, PENNSYLVANIA**, a political subdivision of the Commonwealth, as Guarantor, and the **SUSQUEHANNA COUNTY INDUSTRIAL DEVELOPMENT AUTHORITY**, a body corporate and politic existing under laws of the Commonwealth, and PNC Bank, National Association, a corporation existing under laws of the United States of America and having its principal office in Pittsburgh, Pennsylvania, as Trustee.

WITNESSETH:

WHEREAS, The Authority intends to authorize and to issue the Series of 1995 Bonds; and

WHEREAS, The Series of 1995 Bonds are to be issued under and pursuant to the Indenture; and

WHEREAS, The proceeds derived from authorization and issuance of the Series of 1995 Bonds will be applied, together with certain other funds available or to be available to the Authority, if any, for and toward the Project in the manner to be provided in the Indenture and the Loan Agreement; and

WHEREAS, The County, as an inducement to the Authority to undertake the Project and to authorize and to issue the Series of 1995 Bonds, and as an inducement to initial purchasers and to subsequent holders of the Series of 1995 Bonds, from time to time, and to enhance and to assure the marketability of the Series of 1995 Bonds and thereby to achieve interest costs and other savings with respect to the Project, desires to enter into this Guaranty Agreement with respect to the Series of 1995 Bonds, as is permitted by the Debt Act; and

WHEREAS, The Hospital Facilities are located in and serving citizens and residents of the County and providing essential health care services thereto; and

WHEREAS, The Hospital is a corporation not-for-profit; and

WHEREAS, The Board of County Commissioners of the County, in entering into this Guaranty Agreement, is acting in the public interest in connection with preservation and protection of the general health and welfare of inhabitants of the County and of the Commonwealth; and

WHEREAS, The parties hereto desire to set forth the terms and conditions under and pursuant to which the Series of 1995 Bonds are to be guaranteed by the County and related matters.

ARTICLE I

Definitions

SECTION 1.01. Terms and phrases defined in this Section 1.01, for all purposes of this Guaranty Agreement, as herein defined, shall have the meanings herein specified, unless the context clearly otherwise requires:

"Act" shall mean the Act of the General Assembly of the Commonwealth, known as the "Economic Development Financing Law", Act No. 1993-74, as amended and supplemented, from time to time;

"Authority" shall mean the Susquehanna County Industrial Development Authority, an industrial and commercial development authority created and existing under the Act, and therefore an instrumentality of the Commonwealth;

"Board" shall mean the governing body of the Authority;

"Board of Commissioners" shall mean the Board of County Commissioners of the County, the governing body of the County;

"Bond Redemption and Improvement Fund" shall mean the special fund of the Authority to be established under the Indenture to provide, *inter alia*, for the application and disposition of certain surplus money, from time to time, of the Authority;

"Clearing Fund" shall mean the special fund of the Authority to be established under the Indenture to provide, *inter alia*, for the application and disposition of certain money of the Authority;

"Commonwealth" shall mean the Commonwealth of Pennsylvania;

"Consultant" shall mean a Person, who shall be independent, appointed by the Board of the Authority, qualified to pass on questions relating to financial affairs and management of hospitals and related health care facilities

and having a favorable reputation for skill and experience in the financial affairs and management of hospitals and related health care facilities;

"Consultant's Certificate" shall mean a certificate executed by the Consultant;

"County" shall mean the County of Susquehanna, Pennsylvania, a political subdivision of the Commonwealth;

"Debt Act" shall mean the Act of the General Assembly of the Commonwealth, known as the "Local Government Unit Debt Act," approved July 12, 1972, Act No. 185, as amended, re-enacted and revised by Act No. 1978-52, as amended and supplemented, from time to time;

"Debt Service" shall mean, with respect to any Fiscal Year, the sum required to be set aside by the Trustee, in behalf of the Authority, under the Indenture for payment of interest on and principal of Series of 1995 Bonds, including amounts, if any, required to be deposited to the credit of the Series of 1995 Sinking Fund; Provided, however, that "Debt Service" with respect to any Fiscal Year, shall be determined after projecting operation of the Series of 1995 Sinking Fund to retirement of Series of 1995 Bonds to the extent that the same shall be required to be retired and giving effect to reduction in interest payments to be made with respect thereto by reason of such retirement;

"Debt Service Fund" shall mean the special fund of the Authority to be established under the Indenture to provide, *inter alia*, for payment of the principal of and interest on the Series of 1995 Bonds;

"Debt Service Reserve Fund" shall mean the special fund to be established under the Indenture to provide a reserve against funds of the Corporation being available to pay amounts due under the Loan Agreement in respect of principal and interest on the Series of 1995 Bonds;

"Fiscal Year" shall mean the fiscal year of the County as provided by laws of the Commonwealth;

"Guaranty Agreement" shall mean this document and all modifications, alterations, amendments, and supplements hereto made and delivered in accordance with provisions hereof, which phrase sometimes is referred to in this document by use of such words as "hereto," "hereby," "herein," "hereof," or "hereunder";

"Hospital" shall mean Endless Mountains Health Systems, Incorporated, a corporation not-for-profit organized and existing under laws of the Commonwealth;

"Hospital Facilities" shall mean the Hospital Facilities, as such phrase is defined in the Loan Agreement, together with all appurtenant facilities and properties that the Authority has acquired or hereafter shall acquire in connection therewith (which term "acquire" includes the acquisition of a leasehold interest pursuant to the Lease or any amendment or supplement thereto), including, *inter alia*, all buildings, property, real, personal and mixed, rights, powers, licenses, tenements, easements, rights-of-way, privileges, franchises, fixtures, machinery, pipelines, hereditaments and appurtenances, including all awards from a condemnation or other taking under eminent domain or otherwise, and all articles of real, personal or mixed property, whether or not movable, including without limitation all communications systems, pneumatic tube systems, shades, awnings, screens, storm sashes and window blinds, machinery and equipment, and all other property, equipment and apparatus and trade fixtures, including any proceeds therefrom, relating to the use and operation of the Hospital Facilities;

"Indenture" shall mean the Trust Indenture, dated as of December 15, 1995, between the Authority and the Trustee, including all modifications,

alterations, amendments and supplements thereto and made and delivered in accordance with provisions thereof;

"Independent" shall mean, with respect to the Consultant, a Person who is not a member of the Board, an officer or employe of the Authority, the Hospital, or an elected or appointed official or employe of the County, or which is not a partnership, a corporation or an association having a partner, director, officer, member or substantial stockholder who is a member of the Board, an officer or employe of the Authority or the Hospital or an elected or appointed official or employe of the County; Provided, however, that the fact that such Person is retained regularly by the Authority, the Hospital, or the County shall not make such Person an employe within the meaning of this definition;

"Loan Agreement" shall mean the Loan Agreement, dated as of December 15, 1995, between the Hospital, as borrower, and the Authority, as lender, and all modifications, alterations, amendments, and supplements thereto, under which the Authority has lent proceeds of the Series of 1995 Bonds to the Hospital, in the manner set forth therein;

"Person" shall mean an individual, a partnership, an association, a corporation, a joint stock company, an unincorporated association, a municipal corporation or entity, or any other legal entity;

"Project" shall mean the acquisition of the land and 30 bed acute care hospital facilities and clinic buildings known as "Montrose Hospital", located in the Borough of Montrose, Susquehanna County, Pennsylvania, and certain equipment therein and the acquisition and construction of additions and renovations to such acquired facilities;

"Series of 1995 Bonds" shall mean the Guaranteed Hospital Revenue Bonds, Series of 1995 (Montrose Hospital Acquisition Project), dated as of

December 15, 1995, of the Authority, initially authorized for issuance under the Indenture, in the maximum aggregate principal amount of \$2,500,000, as such more specifically shall be described in the Indenture;

"Series of 1995 Sinking Fund" shall mean the special account of the Authority to be established in the Debt Service Fund, for the benefit of certain of the Series of 1995 Bonds;

"Trustee" shall mean PNC Bank, National Association, a corporation organized and existing under laws of the Commonwealth and having its principal office in Pittsburgh, Pennsylvania, a party hereto and to the Indenture, and any successor thereto hereunder and any successor thereto in the trust under the Indenture, as trustee under the Indenture.

ARTICLE II

Representations and Warranties of the County

SECTION 2.01. The County represents and warrants that:

A. The County is a political subdivision of the Commonwealth;

B. The County is possessed of all requisite power and authority under laws of the Commonwealth to enter into and to perform all covenants and agreements contained in this Guaranty Agreement;

C. The County duly has been authorized to enter into this Guaranty Agreement, pursuant to proper and necessary official action of the Board of Commissioners and other proper officials of the County, in accordance with laws of the Commonwealth;

D. The County, in entering into this Guaranty Agreement, is acting in the public interest in connection with preservation and protection of the general health and welfare of inhabitants of the County and of the Commonwealth; and

E. The County, in entering into this Guaranty Agreement, is incurring lease rental debt pursuant to the Debt Act; the County has taken all proper proceedings pursuant to the Debt Act in connection with this Guaranty Agreement; and the County has received the certificate of approval of the Department of Community

Affairs required under Section 804 of the Debt Act, or such approval is deemed given within the meaning of Section 806 of the Debt Act.

ARTICLE III

Covenants and Agreements of the County

SECTION 3.01. The County guarantees, unconditionally, for the benefit of holders, from time to time, of the Series of 1995 Bonds that shall be "Outstanding," as defined in the Indenture, under the Indenture, from time to time, full and prompt payment of the Debt Service, i.e.:

A. The full and prompt payment of the principal of each and every Series of 1995 Bond when and as such shall be due and payable, whether at the stated maturity thereof or upon acceleration or call for redemption or otherwise; and

B. The full and prompt payment of the interest on each and every Series of 1995 Bond when and as such shall be due and payable.

SECTION 3.02. The County covenants and agrees to pay all costs, fees, expenses and charges, including court costs and attorney fees, of the Trustee and the Authority that may be paid or incurred, from time to time, in enforcing the guaranty of the County hereunder and, to the extent permitted by laws of the Commonwealth, in otherwise enforcing this Guaranty Agreement.

SECTION 3.03. All payments required to be made by the County under this Guaranty Agreement shall be made in lawful money of the United States, from time to time.

SECTION 3.04. Each and every default in payment of the principal of or interest on any Series of 1995 Bond shall give rise to a separate cause of action under this Guaranty Agreement; and separate suits may be instituted

pursuant to this Guaranty Agreement, from time to time, as each cause of action shall arise.

SECTION 3.05. The County covenants to and with the Trustee, the Authority and the holders, from time to time, of the Series of 1995 Bonds that shall be "Outstanding," as defined in the Indenture, under the Indenture, that the County shall include the amount of the Debt Service guaranteed by and payable pursuant to this Guaranty Agreement, for each Fiscal Year in which such sums are payable, in its budget for that Fiscal Year; shall appropriate such amounts from its tax or other general revenues for payment to the Trustee of obligations of the County hereunder; and shall duly and punctually pay or cause to be paid from its sinking fund created for the purpose or any other of its revenues or funds such amounts at the times and in the manner provided for herein at the principal office of the Trustee, according to the true intent and meaning hereof. For such budgeting, appropriation and payment, the County hereby pledges its full faith, credit and taxing power. This covenant shall be enforceable specifically.

For the purposes of complying with the covenants of this Section, the County shall budget the amounts set forth in Exhibit A attached hereto and made part hereof, such amounts being the Debt Service on the Series of 1995 Bonds, for each Fiscal Year in which such amounts are payable and shall appropriate and shall pay over to the Trustee such amounts; Subject, however, to provisions of Section 3.06.

To the extent sufficient money shall not be available in the then current budget of the County at any time when payments are required hereunder, and if the County shall be unable lawfully to incur debt in the current year for the purpose or to issue tax anticipation notes or otherwise to satisfy its obligations hereunder, the County shall include any amounts so payable in its

budget for the next succeeding Fiscal Year and shall appropriate such amounts to the payment of such obligations and duly and punctually shall pay, or shall cause to be paid, the obligations incurred hereunder in the manner herein stated according to the true intent and meaning hereof, and for such budgeting, appropriation and payment the County does pledge its full faith, credit and taxing power. This covenant shall be enforceable specifically.

SECTION 3.06. It is the intent and purpose of this Guaranty Agreement that the County shall be required to pay over to the Trustee only that portion of the Debt Service which cannot be paid from loan payments to be paid by or on behalf of the Hospital under the Loan Agreement or from other money under the Indenture that shall be available for the purpose. Therefore, so long as the Debt Service Reserve Fund is fully funded as of December 1 of each calendar year, the parties hereto agree that the County shall be entitled to a credit against the amount of its guaranty obligation assumed hereunder, which credit shall be equal to the full amount that shall be deposited, from time to time, in the Clearing Fund established under the Indenture, or that shall be available for Debt Service in accordance with the terms of the Indenture, including money available in the Debt Service Reserve Fund. Accordingly, on or before April 1 and on or before October 1 of each Fiscal Year, the Trustee, after having received all loan payments payable under the Loan Agreement for the then current period and having applied or made provision to apply all money available for the purpose in the Debt Service Reserve Fund as shall be available for transfer to the Debt Service Fund, shall notify the County of any deficiency in such money and funds that shall be available for transfer to the Debt Service Fund for debt service, and the County forthwith shall pay over to the Trustee (or shall deposit in its sinking fund created for the purpose, for which the Trustee

has been appointed sinking fund depositary and paying agent, and the Trustee, in such capacity shall pay over to the Trustee, as trustee under the Indenture), or as appropriate, to holders of Series of 1995 Bonds, any amount required at the time to eliminate such deficiency for Debt Service for such Fiscal Year.

SECTION 3.07. To facilitate the budgeting of any anticipated credits by the County, as provided in Section 3.06, the Authority agrees to furnish, or to cause the Hospital to furnish, to the County on or before December 1 of each Fiscal Year, an Officers' Certificate and, if requested by the County, a Consultant's Certificate, with respect to sufficiency of money of the Hospital and the Foundation for payment of loan payments and other sums due and payable during the next Fiscal Year under the Loan Agreement for deposit in the Clearing Fund, and if insufficient, with respect to other money anticipated to be available in the Debt Service Reserve Fund or otherwise on or before April 1 and on or before October 1 of the following Fiscal Year for deposit in the Clearing Fund and to be available for Debt Service.

SECTION 3.08. The obligations of the County in this Guaranty Agreement shall be absolute and unconditional, irrespective of any other agreement or instrument to which the County shall be a party, and shall remain in full force and effect until the entire principal of and interest on the Series of 1995 Bonds shall have been paid or shall have been provided for to the satisfaction of the Trustee, and shall not be affected, modified, diminished, or impaired upon the happening, from time to time, of any event, including, without limitation, any of the following, whether or not with notice to or the consent of the County, unless such notice or consent is required hereunder:

- A. The failure by the Hospital or the Authority to complete any construction related to the Hospital

Facilities or to continue operation of the Hospital Facilities, or the failure of the Hospital or the Authority otherwise to perform any obligation contained in any other agreement, for any reason whatsoever, including, without limiting the generality of the foregoing, insufficiency of funds, negligence or willful misconduct on the part of the Hospital or the Authority or its agents or independent contractors, legal action of any nature which shall prohibit or shall delay any construction related to the Hospital Facilities or operation of the Hospital Facilities, labor disputes, war, insurrection, natural catastrophe or laws, rules or regulations of any body, governmental or otherwise, having proper jurisdiction;

B. The compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the Hospital or of the Foundation or of the Authority under the Loan Agreement or the Indenture;

C. The failure to give notice to the County of the occurrence of a default under terms and provisions of this Guaranty Agreement, of the Loan Agreement or of the Indenture;

D. The inaccuracy of the estimate of credits or anticipated credits, as appropriate, required under Section 3.07;

E. The invalidity, unenforceability or termination of the Loan Agreement or the Indenture;

F. The neglect or failure of the Authority and/or the Trustee to exercise or to preserve any rights or rights of action against any party, Person or property;

G. The failure of the Authority or the Trustee to have enforced, on prior appropriate occasions, any right or right of action against any party, Person or property;

H. The compromise, settlement, release, alteration, indulgence or any other change or modification of any obligation or liability of the Hospital or the Authority under the Loan Agreement or the Indenture, regardless of the nature of such obligation or liability and regardless of the extent to which such obligation or liability shall have been modified, compromised or otherwise changed;

I. The voluntary or involuntary repossession or surrender of the Hospital Facilities;

J. A creditor's disposition of collateral given for the Hospital's obligations under the Loan Agreement;

K. The waiver of payment, performance or observance by the Authority, the Trustee, the County, or the Hospital of any obligations, covenants or agreements

contained in the Indenture, the Loan Agreement or in this Guaranty Agreement;

L. The extension of the time for payment of the principal of or interest on any Series of 1995 Bond or any part thereof owing or payable under this Guaranty Agreement or of the time for performance of any other obligations, covenants or agreements under or arising out of the Indenture, the Loan Agreement or this Guaranty Agreement;

M. The modification or amendment (whether material or otherwise) of any obligation, covenant or agreement set forth in the Indenture or in the Loan Agreement;

N. The taking of, or the omission to take, any action referred to in the Indenture, the Loan Agreement or this Guaranty Agreement or with respect to the collateral therefor;

O. Any failure, omission or delay on the part of the Authority or the Trustee to enforce, to assert, or to exercise any right, power or remedy conferred upon or vested in the Authority or the Trustee hereunder, under the Loan Agreement, or under the Indenture, or to enforce, to assert, or to exercise any other right or rights on the part of the Authority, the Trustee or any of the holders, at any time or from time to time, of the Series of 1995 Bonds;

P. The voluntary or involuntary liquidation, dissolution, sale, or other disposition of all or substantially all the assets, marshalling of assets and liabilities, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition with creditors or re-adjustments or other similar proceedings affecting the County or the Authority or the Hospital, or any of the assets of any of them, or any allegation or contest of the validity of this Guaranty Agreement in any such proceedings;

Q. The release or discharge of the County, to the extent permitted by law, from performance or observance of any obligation, covenant or agreement contained in this Guaranty Agreement, by operation of law;

R. The default or failure of the County fully to perform any of its obligations set forth in this Guaranty Agreement; or

S. The damage or partial or total destruction or condemnation of the Hospital Facilities or the taking of title or failure of title to or the temporary or permanent use of the Hospital Facilities by any lawful body or authority.

SECTION 3.09. The obligation of the County hereunder shall not be affected by any bankruptcy, arrangement or creditors, reorganization or other

similar proceedings; and the County specifically waives any right or benefit which could accrue to it by reason of any such proceeding and agrees that the same shall not affect the liability of the County hereunder, regardless of the effect that such proceedings may have with respect to the obligations of the Authority or of the Hospital.

SECTION 3.10. Obligations of the County hereunder shall not be subject to any setoff, counterclaim or defense resulting from any breach or any alleged breach by the Authority or by the Trustee or by the Hospital or by the Foundation of any obligation to the County, whether said obligation arises under this Guaranty Agreement or from any other transaction between the Authority and the County and the Hospital and the Trustee or between any of them, regardless of the nature of such transaction.

SECTION 3.11. In the event of a default in payment of principal of any Series of 1995 Bond when and as the same shall become due and payable, whether at the stated maturity thereof or by acceleration or call for redemption or otherwise, or in the event of a default in the payment of interest on any Series of 1995 Bond when and as the same shall become due and payable, which default cannot be eliminated by the Trustee from money then available for the purpose in the Debt Service Reserve Fund or other available funds, the Trustee may proceed hereunder, and, if requested so to do by the holders of 25% in aggregate principal amount of the Series of 1995 Bonds then "Outstanding", as defined in the Indenture, and upon indemnification as herein provided, the Trustee shall be obligated to proceed hereunder; and the Trustee, in its sole discretion, shall have the right to proceed first and directly against the County under this Guaranty Agreement without proceeding against or exhausting any other

remedies which it may have and without resorting to any other security held by the Authority or the Trustee.

Before taking any action hereunder, the Trustee may require that a satisfactory indemnity bond shall be furnished for the reimbursement of all costs and expenses which it may incur and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful default by reason of any action so taken.

The County agrees to pay all costs, fees and expenses, including, to the extent permitted by law, all court costs and reasonable attorney fees, which may be incurred by the Trustee in enforcing or attempting to enforce this Guaranty Agreement following any default on the part of the County hereunder, whether the same shall be enforced by suit or otherwise.

SECTION 3.12. The County expressly waives notice, in writing or otherwise, from the Trustee or the holders, at any time or from time to time, of any of the Series of 1995 Bonds of their acceptance and reliance upon this Guaranty Agreement.

SECTION 3.13. This Guaranty Agreement is entered into by the County for the benefit of the Trustee and the holders of the Series of 1995 Bonds and any successor trustee or trustees and their respective successors and assigns under the Indenture, all of whom shall be entitled to enforce performance and observance hereof by the County to the same extent as if they were parties signatory hereto.

SECTION 3.14. Terms of this Guaranty Agreement may be enforced as to any one or more breaches, either separately or cumulatively.

ARTICLE IV

Covenants and Agreements of the Authority

SECTION 4.01. The Authority covenants with the County to complete the Project.

SECTION 4.02. The Authority covenants with the County to use its best efforts to complete the Project with all reasonable dispatch and diligence.

SECTION 4.03. The Authority covenants with the County that, at all times during the continuance of this Guaranty Agreement, it will require the Hospital to fix, charge and collect rates, fees and charges for the use of, and for services provided by, the Hospital at the Hospital Facilities that, together with other available funds, shall be sufficient to produce "Net Income Available for Debt Service" sufficient to pay the amounts due and payable under the Loan Agreement, from time to time, and sufficient to satisfy the rate covenant of the Hospital under the Loan Agreement. The Authority further covenants that if and when such "Net Income Available for Debt Service" of the Hospital shall be insufficient to enable it to satisfy the rate covenant under the Loan Agreement, or whenever the Authority or the Hospital shall have good and sufficient reason to believe that a deficiency may occur in the future, it immediately will take such steps and proceedings, or cause the Hospital to take such steps and proceedings as shall be considered by the Consultant to be reasonable, as may be necessary to make funds available to repay to the County any money which shall have been paid over by the County to the Trustee hereunder.

SECTION 4.04. If, in any Fiscal Year, the total Debt Service on the Series of 1995 Bonds shall be in excess of the credit to which the County is entitled under Section 3.06, and the County, accordingly, has paid over to the

Trustee such amount or amounts as at that time shall be required to discharge, in full, the obligations of the County under this Guaranty Agreement, the Authority agrees to cause to be repaid to the County the amount or amounts actually advanced to the Trustee from any money which shall be available for that purpose in the Debt Service Reserve Fund and in the Bond Redemption and Improvement Fund, from time to time.

ARTICLE V

Rights of County

SECTION 5.01. Upon payment by the County of any Series of 1995 Bond or any interest appertaining thereto, or upon payment thereof by the Trustee from funds provided by the County, as provided hereby, the same shall be surrendered uncanceled by the holder thereof, or if applicable, by the Trustee, to the County, whereupon the County shall become the owner thereof and holder thereof for purposes of the Indenture, and if necessary, any such Series of 1995 Bond shall be endorsed appropriately or assigned to the County by the holder thereof or, if applicable, by the Trustee, so that the County will become the registered owner thereof.

ARTICLE VI

Miscellaneous

SECTION 6.01. No amendment, change, modification, alteration or termination of the Indenture shall be effective which would in any way increase obligations of the County under this Guaranty Agreement, without obtaining the prior written consent of the County.

SECTION 6.02. Obligations of the County hereunder shall arise absolutely and unconditionally when any of the Series of 1995 Bonds shall have been issued, sold and delivered by the Authority.

SECTION 6.03. The Authority and the Trustee covenant with the County that each duly and punctually will perform every covenant and agreement undertaken by the Authority and the Trustee under the Indenture.

SECTION 6.04. In the event of default by the County in the punctual discharge of its obligations hereunder, the Authority, the Trustee and appropriate holders of Series of 1995 Bonds shall be entitled to exercise such remedies as are provided under the Debt Act, together with any other remedies which otherwise may be provided at law or in equity or by other statutes.

SECTION 6.05. No remedy conferred upon or reserved to the Trustee and appropriate holders of Series of 1995 Bonds hereunder is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Guaranty Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right

and power may be exercised, from time to time, and as often as may be deemed expedient. In order to entitle the Authority or the Trustee or appropriate holders of Series of 1995 Bonds to exercise any remedy reserved in this Guaranty Agreement, it shall not be necessary to give any notice, other than such notice as herein expressly may be required. In the event any provision contained in this Guaranty Agreement should be breached by any party and thereafter duly waived by the other party so empowered to act, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver, amendment, release or modification hereof shall be established by conduct, custom or course of dealing, but shall be established solely by an instrument, in writing, duly executed by the appropriate parties.

SECTION 6.06. This Guaranty Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof; and this Guaranty Agreement may be executed, simultaneously, in multiple counterparts, each of which counterparts shall be deemed to be an original but all of which counterparts, together, shall constitute but one and the same instrument.

SECTION 6.07. Provisions of this Guaranty Agreement shall be severable; and in the event of the invalidity or unenforceability of any one or more phrases, sentences, clauses, Articles, Sections or parts, in this Guaranty Agreement contained, such invalidity or unenforceability shall not affect the validity or enforceability of remaining portions of this Guaranty Agreement or any remaining parts thereof.

SECTION 6.08. This Guaranty Agreement may be amended and/or supplemented, from time to time, by a written document duly signed by the parties

hereto; Provided, however, that no amendment or supplement shall be made which shall diminish or discontinue the obligations of the County hereunder.

SECTION 6.09. This Agreement shall be construed in accordance with and shall be governed by laws of the Commonwealth.

IN WITNESS WHEREOF, the parties hereto, each intending to be legally bound, pursuant to proper authorization of their respective governing bodies, each causes this Guaranty Agreement to be executed by its respective duly authorized officer or officers and to be attested by its respective duly authorized officer and its respective official or corporate seal to be affixed to this Guaranty Agreement, all as of the day and year first above written.

ATTEST:

COUNTY OF SUSQUEHANNA, PENNSYLVANIA

Chief Clerk

(SEAL)

By: _____

(Vice) Chairman of the Board of
County Commissioners.

ATTEST:

SUSQUEHANNA COUNTY INDUSTRIAL
DEVELOPMENT AUTHORITY

(Assistant) Secretary

(SEAL)

By: _____

(Vice) Chairman

ATTEST:

PNC BANK, NATIONAL ASSOCIATION, as trustee

(Assistant) Secretary

(SEAL)

By: _____

(Vice) President

EXHIBIT A

Debt Service on Series of 1995 Bonds
(County Fiscal Year Basis)

<u>Year Ending Dec. 1</u>	<u>Principal Maturity/ Redemption</u>	<u>Interest</u>	<u>Annual Debt Service</u>
1996	\$ 0.00	\$ 175,750.00	\$ 175,750.00
1997	0.00	175,750.00	175,750.00
1998	45,000.00	175,750.00	220,750.00
1999	50,000.00	172,487.50	222,487.50
2000	55,000.00	168,837.50	223,837.50
2001	55,000.00	164,837.50	219,837.50
2002	65,000.00	160,837.50	225,837.50
2003	40,000.00	156,100.00	196,100.00
2004	45,000.00	153,300.00	198,300.00
2005	50,000.00	150,150.00	200,150.00
2006	50,000.00	146,650.00	196,650.00
2007	55,000.00	143,150.00	198,150.00
2008	60,000.00	139,300.00	199,300.00
2009	65,000.00	135,100.00	200,100.00
2010	65,000.00	130,550.00	195,550.00
2011	70,000.00	126,000.00	196,000.00
2012	75,000.00	121,100.00	196,100.00
2013	80,000.00	115,850.00	195,850.00
2014	90,000.00	110,250.00	200,250.00
2015	95,000.00	103,950.00	198,950.00
2016	100,000.00	97,300.00	197,300.00
2017	110,000.00	90,300.00	200,300.00
2018	115,000.00	82,600.00	197,600.00
2019	125,000.00	74,550.00	199,550.00
2020	130,000.00	65,800.00	195,800.00
2021	140,000.00	56,700.00	196,700.00
2022	150,000.00	46,900.00	196,900.00
2023	160,000.00	36,400.00	196,400.00
2024	175,000.00	25,200.00	200,200.00
2025	<u>185,000.00</u>	<u>12,950.00</u>	<u>197,950.00</u>
	\$2,500,000.00	\$3,514,400.00	\$6,014,400.00