

# **PROPOSAL FOR THE PURCHASE OF BONDS**

**Re: \$18,000,000 Maximum Aggregate Principal Amount**

**WARREN COUNTY SCHOOL DISTRICT  
Warren County, Pennsylvania  
General Obligation Bonds**

October 12, 2009

Board of School Directors  
Warren County School District  
185 Hospital Drive  
North Warren, PA 16365

Ladies and Gentlemen:

Public Financial Management Inc. (the “Financial Advisor”) agrees, under the terms of this Proposal for the Purchase of Bonds (the “Proposal”), to serve as financial advisor to the Warren County School District, located in Warren County, Pennsylvania (the “School District”) in connection with the ultimate purchase of the School District’s General Obligation Bonds (or similar designation) in the maximum aggregate principal amount of \$18,000,000 (the “Bonds”), to be issued under and secured by a Resolution of the School District adopted by its Board on October 12, 2009 (the “Resolution”). Capitalized terms and phrases used herein shall have the meanings ascribed thereto in the Resolution to the extent not otherwise defined herein, which is incorporated herein by this reference.

## **1. Purchase and Sale of the Bonds.**

Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Financial Advisor hereby agrees to assist the School District, in the manner hereinafter described, as financial advisor (and not as underwriter within the meaning of SEC Rule 15c2-12(f)(8)), and the School District hereby agrees to sell and deliver to the Underwriter (hereinafter defined) all Bonds issued under the Resolution and representing nonelectoral debt incurred by the School District under the provisions of the Pennsylvania Local Government Unit Debt Act (the “Debt Act”). The Bonds shall be issued under the terms and financial parameters described in the Resolution, including the minimum refunding savings amount, and the maximum purchase price, interest rates and annual principal payment amounts illustrated in the Schedules attached hereto and incorporated herein (the “Bond Parameters”), and as may be permitted by the Debt Act.

The final purchase price for the Bonds, including underwriting discount and net original discount or original issue premium, if any, final interest rates, mandatory redemption provisions and annual and aggregate principal amounts shall be specified in a Winning Bid Form (the “Bid”), which shall constitute an assignment of the applicable rights and interests hereunder to a qualified municipal bond underwriting firm (the

“Underwriter”), for resale of the Bonds to the public, and specifying the final terms of the Bonds, within the Bond Parameters, substantially in the form attached to the IVB (hereinafter defined). The Underwriter shall be selected utilizing one of the following methods, as determined by the Financial Advisor: (1) through direct negotiations between the Financial Advisor and the Underwriter, to reflect market conditions prevailing at the time, or (2) through an invited, competitive sale process orchestrated by the Financial Advisor under which the Bonds would be awarded to the Underwriter having submitted the lowest true interest cost (“TIC”) for the Bonds, calculated from electronic bids submitted on the PFMAuction internet site on a date and time selected by the Financial Advisor, in accordance with an Invitation to Bid (collectively, the “IVB”) substantially in the form attached hereto as Exhibit “A”, with appropriate amendments and insertions, which is incorporated as a part of this Proposal. The Bonds shall be subject to optional redemption prior to maturity, and may contain mandatory sinking fund redemptions, as described in the final IVB and the Bid. The calculation of the TIC and other conditions for submitting competitive bids for the Bonds are set forth in the IVB. The Bonds may be issued and delivered by the School District to the Underwriter from time to time, in more than one series, on such dates and in such aggregate principal amounts as may be authorized by the School District and acceptable to the Financial Advisor, and the Financial Advisor shall, at the time of such determination, obtain an executed Bid from an Underwriter each time a series of Bonds will be offered for resale under the terms of the Resolution and this Proposal. The appropriate purchase price (net of any good faith deposit previously tendered), determined as set forth above, including accrued interest, if any, from the dated date of such Bonds to each date of the delivery thereof, shall be paid by the Underwriter at the time of the issuance and delivery of any of the Bonds (“Closing”).

The School District shall prepare, or cause to be prepared, a Preliminary Official Statement containing appropriate descriptions of the School District, the Bonds and other material information with respect to the School District and the Bonds (the “Preliminary Official Statement”) prior to any marketing or public offering of the Bonds by the Underwriter. The School District also shall prepare or cause to be prepared a final Official Statement, substantially in the form and with the content of the Preliminary Official Statement, but with such amendments and supplements to a date not more than seven (7) business days after the Bid has been signed by all parties, or otherwise as may be mutually agreed to by the School District and the Underwriter (the “Official Statement”).

This Proposal may be terminated at any time after the date six (6) months from the date hereof, at the option of the School District or the Financial Advisor, if the Bond Parameters have not been achieved and a Bid has not been executed by such date. In no event shall the Financial Advisor have any obligation to purchase or market the Bonds directly, which shall be the role of the Underwriter, as described herein.

In the case of a competitive sale of the Bonds, any conflict between the language or terms in the body of this Proposal and the terms of the IVB, the terms of the IVB shall control.

## **2. The Bonds.**

The Bonds shall be as described in the attached schedules, the Resolution, the IVB and the Official Statement, and shall be authorized, issued and secured pursuant to the Resolution, which shall comply in all respects with the Debt Act. The paying agent for the Bonds (the “Paying Agent”) and the qualified bond counsel retained by the School District in connection with the issuance of the Bonds (“Bond Counsel”), are named in the Resolution or the IVB. The intended uses of the proceeds of the Bonds are described in Resolution or the IVB.

As a condition to the acceptance of the Bonds by the Underwriter, under the terms described in the IVB and the Bid, the Underwriter may request the School District to procure and cause to be delivered to the Paying Agent a municipal bond guaranty insurance policy (the “Bond Insurance Policy”), dated the date of original issuance of the Bonds, issued by municipal bond insurance company which is satisfactory to the Underwriter (the “Insurer”), insuring payment of the principal of and interest on the Bonds when due. The Financial Advisor shall certify to the School District that the present value of the expected interest savings resulting from the purchase of such Bond Insurance Policy exceeds the premium to be paid.

If required under the terms of the IVB and the Bid, the School District shall designate the Bonds as “qualified tax-exempt obligations” under Section 265 of the Internal Revenue Code, to the extent permitted by law and the circumstances of the School District and confirmed by Bond Counsel in its opinion.

## **3. Use of Documents; Certain Covenants and Agreements of the School District.**

(a) The School District hereby authorizes the use by the Financial Advisor of the Resolution and the Preliminary Official Statement, including any supplements or amendments thereto, and the information therein contained, in connection with the selection of the Underwriter, and the use thereof by the Underwriter in the marketing and sale of the Bonds.

(b) The School District covenants and agrees:

(i) To cause to be made available to the Underwriter such reasonable quantities of the Resolution as the Underwriter may reasonably request for use in connection with the offering and sale of the Bonds and to cause copies of the final Official Statement to be delivered to the Underwriter in sufficient quantity as may reasonably be requested by the Underwriter in order to comply with Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board (“MSRB”), to the extent applicable and appropriate, without charge, not less than fifteen (15) days prior to the scheduled issue date of the Bonds acceptable to the School District, the Financial Advisor and the Underwriter (the “Closing Date”), and in any event in sufficient time to accompany any confirmation requesting payment for Bonds from any customers of the Underwriter;

(ii) To notify the Financial Advisor and the Underwriter in writing of any event which occurs prior to the Closing Date or within 25 days following the Closing Date that may cause the Official Statement to contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading, and if, in the opinion of the Underwriter, it is necessary to amend

or supplement the Official Statement in order to make the statements therein, in light of the circumstances when the Official Statement is delivered to a purchaser, not misleading, to prepare and furnish promptly and at its own expense (in a form and manner approved by the Underwriter), a reasonable number of copies of appropriate amendments or supplements to the Official Statement in form and content satisfactory to the Underwriter so that the statements in the Official Statement as so amended and supplemented will not be misleading or so that the Official Statement will comply with applicable law;

(iii) To advise the Financial Advisor and the Underwriter immediately of receipt by the School District of any written notification with respect to (A) the suspension of the qualification of the Bonds for sale in any jurisdiction or (B) the initiation or threat of any proceeding for that purpose;

(iv) To notify the Financial Advisor and the Underwriter in writing of any event that constitutes or may constitute a Change in Law (as herein defined) or casts doubt upon, or questions, the ability of the School District to issue or deliver the Bonds on the Closing Date as provided in this Proposal, promptly upon the School District becoming aware of such event;

(v) To deliver not less than ten (10) days prior to the Closing Date a written notice either (i) stating that no event has occurred that would cause the Official Statement, as of the Closing Date, to contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading (other than as to certain legal matters and summaries of provisions of the Bonds and related documents covered by a supplemental opinion of Bond Counsel), or (ii) setting forth all information necessary to ensure that the Official Statement can be amended or supplemented in a manner that will permit the School District to make and deliver the certification required by Section 6(g)(3) on and as of the Closing Date. If it is necessary to amend or supplement the Official Statement to permit the delivery of such certification, the School District shall cooperate in amending or supplementing the Official Statement to permit such certification on the Closing Date;

(vi) To notify the Financial Advisor and the Underwriter of the proposed issuance of any other bonds or notes or the incurrence of any other indebtedness prior to, or projected to be issued in the same calendar year as, the Closing Date;

(vii) To obtain, and maintain in full force and effect, all consents of any governmental or regulatory authority that are required to be obtained by it with respect to

this Proposal and the authorization, sale, issuance, execution or delivery of the Bonds or the execution and delivery of any other agreements or documents contemplated by the Resolution, this Proposal or the Official Statement to be executed and delivered by or on behalf of the School District in connection with the authorization, sale, issuance and delivery of the Bonds (the “Bond Documents”), and shall use reasonable efforts to obtain any that may become necessary in the future;

(viii) To comply in all material respects with all applicable laws and orders to which it may be subject if failure to comply would impair its ability to perform its obligations under this Proposal, the Bonds or the Bond Documents; and

(ix) If a Bond Insurance Policy is used, to comply with the terms and conditions of the commitment of the Insurer for the issuance of the Bond Insurance Policy in order that the Bond Insurance Policy will be issued and effective on the Closing Date.

#### **4. Representations and Warranties of the School District.**

The School District hereby represents and warrants to the Financial Advisor, which representations and warranties may be relied upon by the Underwriter and shall survive the offering, sale and purchase of the Bonds, as follows:

(a) The information contained in any Preliminary Official Statement as of its date, and the information contained in the final Official Statement as of the Closing Date, will be true and correct in all material respects, and any such Preliminary Official Statement as of its date, and the Official Statement as of the Closing Date, will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein contained, in light of the circumstances under which they were made, not misleading.

(b) The School District is a school district duly organized and existing under the laws of the Commonwealth of Pennsylvania and, as such, has the power to issue the Bonds for the purposes described in the Preliminary Official Statement and to consummate the transactions contemplated by this Proposal, the IVB, the Bid, the Bonds and the Official Statement.

(c) Prior to the Closing, the School District will have duly authorized all necessary action to be taken by it for: (a) the adoption of the Resolution, (b) the issuance and sale of the Bonds upon the terms set forth herein and in the Official Statement, and (c) the approval, execution and delivery or receipt, as appropriate, by it of the Bonds, the Official Statement, this Proposal, the tax compliance agreement or certificate to be prepared by Bond Counsel and executed by the School District as of the Closing Date (the “Tax Certificate”), the Resolution and the Bond Documents.

(d) The Bonds, when issued, delivered and paid for, as provided herein and in the Bond Documents, will have been duly authorized and issued and will constitute legal, valid and binding general obligations of the School District entitled to the benefits and security of the Resolution and will be enforceable in accordance with their terms, except

to the extent that the enforcement of remedies contained therein may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or other laws affecting the enforcement of creditors' rights generally.

(e) The execution and delivery by the School District of the Bond Documents do not, and compliance with the provisions thereof will not, conflict with or constitute on the part of the School District a breach of or a default under any existing law, court or administrative regulation, decree, order, agreement, indenture, mortgage or lease by which the School District is or may be bound.

(f) The School District has complied with, and as of the Closing Date will be in compliance with, the Act in all material respects.

(g) As of the Closing Date, the Bond Documents to which the School District is a party will have been duly executed and delivered by the School District and will constitute legal, valid, and binding obligations of the School District, and the Official Statement will have been duly executed and delivered by the School District.

(h) All approvals and consents of any governmental authority, board, agency or commission including without limitation the Pennsylvania Department of Community and Economic Development, to the extent required precedent to the adoption of the Resolution, issuance of the Bonds or performance by the School District of its obligations under the Act or the Resolution will have been obtained prior to the Closing Date.

(i) The School District has disclosed to the Financial Advisor as of the date hereof, and as of the Closing Date will have disclosed to the Financial Advisor and the Underwriter, all material information requested by the Financial Advisor and the Underwriter about the School District and the application of the proceeds of the Bonds.

(j) The School District as of the date hereof is not, and upon issuance and delivery of the Bonds will not be, in breach of or in default under any agreement or other instrument to which the School District is a party or by or to which it or its revenues, properties, assets or operations are bound or subject, or any administrative regulation, judgment, order, decree, ruling or other law by or to which it or its revenues, properties, assets or operations are bound or subject, except breaches or defaults that are not material to the legal or financial standing of the School District or the transactions contemplated hereby and by the Resolution, the Official Statement and the Bonds; and as of the date hereof no event has occurred and is continuing, and upon issuance and delivery of the Bonds no event will have occurred and be continuing, that, with the passage of time or the giving of notice, or both, constitutes or will constitute, any such breach or default.

(k) Except as specifically set forth in any Preliminary Official Statement, as of its date, and, except as specifically set forth in the Official Statement, as of the Closing Date, no action, suit, proceeding or investigation, in equity or at law, before or by any court or governmental agency or body, is or will be pending or, to the best knowledge of the School District, threatened (i) that reasonably might result in material liability on the part of the School District or materially and adversely affect the use of the proceeds of the

Bonds; or (ii) wherein an adverse decision, ruling or finding might adversely affect (A) the transactions contemplated by this Proposal, the Resolution or, as applicable, the Official Statement, (B) the validity or enforceability of any agreement or instrument to which the School District is a party and which is used or is contemplated for use in the consummation of the transactions contemplated hereby and by the Resolution, the Official Statement, as applicable, and the Bonds, or (C) the issuance of the Bonds.

(l) Since the date of the School District's most recent financial statements summarized in the Preliminary Official Statement, no material adverse change has occurred in the financial position of the School District or in its results of operations, except as may be set forth in or contemplated by the Official Statement, nor has the School District, since such date, incurred any material liabilities other than in the ordinary course of business or as may be set forth or contemplated in the Official Statement.

(m) Except as otherwise specifically set forth in the Preliminary Official Statement, as of its date, and, except as set forth in the Official Statement as of the Closing Date, there will be and are no pledges, liens, charges or encumbrances of any nature whatsoever on any property of the School District, and the School District has not entered into and will not have entered into any contract or arrangement of any kind with respect thereto and there is and will be no existing, pending, threatened or anticipated event or circumstance that might give rise to any such pledge, lien, charge or encumbrance.

(n) The School District will not take or omit to take any action within its control which in any way will cause or result in the proceeds of the sale of the Bonds being applied in a manner other than as provided in the Resolution or as will be described in the Official Statement.

(o) The School District will not take or omit to take any action within its control, which action or omission might in any way cause the interest on the Bonds to be includable in gross income of the holders thereof for federal income tax purposes.

(p) The School District does not currently contemplate taking any action that would adversely affect its ability to issue and deliver the Bonds as contemplated by this Proposal or that would have a material adverse effect on either the market price or marketability of the Bonds.

## **5. Closing.**

(a) At approximately 10:00 a.m. Eastern Standard Time, on the Closing Date as shall have been mutually agreed upon by the School District and the Underwriter, the School District will, subject to the terms and conditions hereof, deliver the Bonds to the Underwriter, together with the other documents hereinafter mentioned, and the Underwriter will, subject to the terms and conditions hereof and of the Bid, accept such delivery and pay the purchase price of the Bonds as set forth in the Bid in federal funds, or in other immediately available funds, by wire transfer to the Paying Agent for the account of the School District (payment for the Bonds and the mutual delivery of the

Bonds and the other documents, certificates and opinions required by this Proposal to be made on the Closing Date is herein referred to as the “Closing” and, if the Bonds are issued and delivered to the Underwriter from time to time as permitted under Section 1 hereof, each delivery of Bonds and the other documents, certificates and opinions required by this Proposal to be made on the related Closing Date is herein referred to as a “Closing”).

(b) Delivery of the Bonds shall be made to the Underwriter through the book-entry system of The Depository Trust Company (“DTC”), New York, New York. The Bonds shall be issued and delivered to DTC or its agent in fully registered form, without coupons, and shall bear assigned CUSIP numbers. One Bond (or such number of Bonds as may then be required by DTC in accordance with its operational guidelines and procedures) shall be issued for each maturity of the Bonds and shall be registered in the name of CEDE & CO. or such other nominee of DTC as DTC shall require. Upon the Underwriter’s prior written request, the Bonds shall be made available for inspection by the Underwriter at least one business day before the Closing Date. Nothing in this subsection (b) shall prohibit the School District from using some other method for delivery of the Bonds, including DTC’s “FAST” System.

(c) Delivery of all documents required to be delivered as of the Closing Date shall be made at the offices of Bond Counsel (as defined herein) or at such other place as shall have been mutually agreed upon by the School District and the Underwriter.

## **6. Closing Conditions.**

The Underwriter’s obligation to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the School District of all its obligations to be performed hereunder, including the IVB (if applicable) at or prior to the Closing Date, and shall also be subject to the following additional conditions:

(a) The representations and warranties of the School District contained herein shall be true and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date.

(b) As of the Closing Date, this Proposal, the Resolution and the Bond Insurance Policy, if applicable, shall be in full force and effect and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Financial Advisor and, if applicable, the Insurer and the School District.

(c) As of the Closing Date, all official action of the School District relating to this Proposal, the Bonds, the Resolution and the Bond Insurance Policy, if applicable, shall be in full force and effect and shall not have been amended, modified or supplemented.

(d) As of the Closing Date, there shall not have occurred any change, or any development involving a prospective change, in the status of construction, required permits and approvals, or arrangements for the use of the proceeds of the Bonds, or in the condition, financial or otherwise, or in the earnings or operations, of the School District,



from that set forth in the Official Statement which, in the judgment of the Financial Advisor or the Underwriter, is material and adverse and makes it, in the judgment of the Financial Advisor or the Underwriter, impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement.

(e) The Bond Insurance Policy, if applicable, shall have been delivered to the Paying Agent.

(f) The issuance of the Bonds and the incurring of the related nonelectoral indebtedness by the School District under the Resolution shall have been approved by the Pennsylvania Department of Community and Economic Development in accordance with the Debt Act of the Commonwealth of Pennsylvania.

(g) At or prior to the Closing, the Financial Advisor and the Underwriter shall have received copies of each of the following documents:

(1) The Official Statement, and each supplement or amendment, if any, thereto, executed on behalf of the School District;

(2) The Resolution, certified by an appropriate officer of the School District as having been duly adopted by the Board of School Directors of the School District and as being in full force and effect as of the Closing Date, with only such supplements or amendments as may have been agreed to by the Underwriter and, if applicable, the Insurer;

(3) A certificate, dated the Closing Date, of an Authorized Representative of the School District, in form and substance satisfactory to the Underwriter stating, among other things, that the Official Statement as of its date did not, and as of the Closing Date does not, contain any untrue statement of a material fact, or omit to state a material fact necessary to make the statements therein, in light of the circumstances in which they are made, not misleading;

(4) An opinion, dated the Closing Date, of the duly appointed Solicitor to the School District as of the Closing Date, addressed to the School District and the Underwriter, in form and substance satisfactory to the Financial Advisor;

(5) An opinion, dated the Closing Date, of Bond Counsel, to the effect that the Bonds have been duly authorized, issued, sold and delivered and are valid and binding general obligations of the School District, that interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and that the Bonds and the interest thereon are exempt from the Pennsylvania personal income tax and corporate net income tax;

(6) A copy of the Bond Insurance Policy, if applicable;

(7) An opinion dated the Closing Date addressed to the School District, Bond Counsel and the Underwriter from counsel to the Insurer, if applicable, in form and substance satisfactory to the Bond Counsel and the Underwriter;

(8) If a Bond Insurance Policy is utilized, a certificate of an authorized officer of the Insurer in form and substance satisfactory to the Underwriter;

(9) A certificate of an authorized officer of the Paying Agent in form and substance satisfactory to the Underwriter and Bond Counsel;

(10) A copy of a rating letter described in the IVB;

(11) A non-arbitrage and tax compliance certificate or agreement signed by an authorized officer of the School District in form and substance satisfactory to the Underwriter and Bond Counsel;

(12) A certificate or certificates of the Paying Agent with respect to the due authorization, execution and delivery of the agreements relating to the Bonds to which the Paying Agent is a party, and with respect to the incumbency and signatures of the officers of the Paying Agent authenticating the Bonds and executing such agreements;

(13) A copy of an accepted Letter of Representations or Blanket Issuer Letter of Representations, as may be appropriate, from the School District to The Depository Trust Company with respect to the applicability of the book-entry-only system to the Bonds;

(14) A Continuing Disclosure Agreement or Certificate in form and substance satisfactory to Bond Counsel and the Underwriter (the “Continuing Disclosure Agreement”);

(15) Written evidence satisfactory to the Underwriter that the Department of Community and Economic Development of the Commonwealth of Pennsylvania has approved the issuance of the Bonds and the School District’s incurrence of the related nonelectoral indebtedness in an amount not less than the principal amount of the Bonds in accordance with the Act, together with copies of the related proceedings filed by the School District with said Department under the Act; and

(16) Such additional legal opinions, certificates, instruments and other documents as the Underwriter may request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the School District’s representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the School District on or prior to the Closing Date of all the respective agreements then to be performed and conditions then to be satisfied by the School District.

If the School District shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Proposal, or if the obligations of the Underwriter to purchase, to accept delivery of

and to pay for the Bonds shall be terminated for any reason permitted by this Proposal, this Proposal shall terminate, and the Financial Advisor, Underwriter and School District shall be under any further obligation hereunder, except that the respective obligations of the School District and the Underwriter set forth in Section 8 hereof shall continue in full force and effect.

The Underwriter may be relieved of its obligation to pay the purchase price of the Bonds terminate by notifying, in writing, the School District and the Financial Advisor if at any time at or prior to the Closing: (i) legislation having an effective date or dates at or prior to the Closing Date shall be enacted by the Congress of the United States or adopted by either House thereof or a decision by a Court of the United States or the United States Tax Court shall be rendered, or a ruling, regulation or official statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made with respect to federal taxation upon interest received on bonds or notes of the general character of the Bonds or which would have the effect of changing directly or indirectly the federal income tax consequences of interest on bonds of the general character of the Bonds in the hands of the owners thereof, and which in the reasonable judgment of the Underwriter materially and adversely affects the marketability of the Bonds; or (ii) a stop order, ruling, regulation, proposed regulation or statement by or on behalf of the Securities and Exchange Commission or any governmental agency having jurisdiction shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds is in violation of any provisions of the Securities Act of 1933, as amended; or (iii) there shall have occurred any other Change in Law; or (iv) there shall have occurred any new outbreak of hostilities or other national or international calamity or crisis, or a default with respect to the debt obligations of, or the institution of proceedings under any bankruptcy law by or against, any state of the United States or agency thereof or any School District in the United States having a population of over one million, the effect of which on the financial markets in the United States being such as, in the reasonable judgment of the Underwriter, would make it impracticable for the Underwriter to market the Bonds or to enforce contracts for the sale of the Bonds; or (v) there shall be in force a general suspension of trading on the New York Stock Exchange; or (vi) a general banking moratorium shall have been declared by federal, New York or Pennsylvania authorities having jurisdiction and be in force; or (vii) an adverse event described in Section 3(b)(ii) hereof occurs which requires or has required a supplement or amendment to the Official Statement and which, in the reasonable judgment of the Underwriter, even if the Official Statement were so supplemented, would materially and adversely affect the marketability of the Bonds; or (viii) the Underwriter has not received, at or prior to the delivery of the Bonds, in form and substance reasonably satisfactory to the Underwriter, evidence that the School District has entered into the Continuing Disclosure Agreement, if required.

## **7. Expenses.**

The Financial Advisor and Underwriter shall be under no obligation to pay any expenses incident to the performance of the School District's obligations hereunder, including, but not limited to the cost of preparation, printing and delivery of a sufficient

number of copies of the Official Statement and copies of any supplement or amendments to the Official Statement, the cost of preparation and printing of the Bonds, the fees and disbursements of Bond Counsel and Solicitor, the premiums and fees of the Insurer or its counsel, if applicable, the fees and disbursements of the Paying Agent, and any engineers, accountants, financial advisors and other experts, consultants or advisers retained by the School District, if any; and the fees, if any, for bond ratings. The School District shall pay the fees and expenses of the Financial Advisor in amounts not to exceed those illustrated in the schedules presented to the School District this date.

The Underwriter shall pay any costs required of it in the IVB.

#### **8. Blue Sky.**

The Underwriter shall, in its sole discretion, determine the jurisdictions in which the Bonds shall be offered and sold. The School District shall cooperate with the Underwriter in its efforts to qualify the Bonds for such offer, sale and delivery under the securities or blue sky laws of such jurisdictions as the Underwriter may require, but neither the School District nor the Financial Advisor shall not be required to pay any related fees or expenses or to consent to service of process in any jurisdiction.

#### **9. Notices.**

Any notice or other communication to be given to the School District under this Proposal may be given by delivering the same in writing to the School District at the address set forth above Attention: Business Manager. Any notice or other communication to be given to the Financial Advisor under this Proposal may be given by delivering the same in writing to the address set forth in the IVB. Any notice to the Underwriter shall be delivered to the address set forth in the Bid.

#### **10. Parties in Interest.**

This Proposal, including exhibits and attachments, as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the School District, the Financial Advisor and the Underwriter, as the assignee hereof under the Bid, and no other person shall acquire or have any right hereunder or by virtue hereof.

#### **11. Effectiveness.**

This Proposal shall become effective upon the acceptance hereof by the School District and shall be valid and enforceable at the time of such acceptance.

All of the School District's representations, warranties and agreements contained in this Proposal shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of the Financial Advisor or the Underwriter; (ii) delivery of and payment for the Bonds; and (iii) any termination of this Proposal.

#### **12. Choice of Law.**

This Proposal shall be governed by and construed in accordance with the law of the Commonwealth of Pennsylvania.

**13. Severability.**

If any provision of this Proposal shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any Constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Proposal invalid, inoperative or unenforceable to any extent whatsoever.

**14. Business Day.**

For purposes of this Proposal, “business day” means any day on which commercial banks in Philadelphia, Pennsylvania, are not required or authorized to be closed, and the New York Stock Exchange is not closed.

**15. Change in Law.**

For purposes of this Proposal, “Change in Law” means any event between the date of this Proposal and the Closing Date which occurs as a result of the passage, promulgation, issuance or rendering of any legislation, regulation, ruling, order, release, court decision or judgment or other action by a governmental body, regulatory agency or court the effect of which is any of the following:

(i) Bond Counsel is or will be unable to deliver to the Underwriter at Closing an approving opinion of bond counsel with the content required by this Proposal;

(ii) The School District does not have the power to levy an annual ad valorem tax on all taxable property located within the School District for the purpose of paying the principal of and interest on the Bonds;

(iii) The offering or sale of the Bonds is subject to registration under Pennsylvania or Federal securities laws, or the Bonds or any document executed in connection therewith is subject to registration under Pennsylvania or Federal securities laws; or

(iv) In the reasonable judgment of the Underwriter, the offering or sale of the Bonds would be or result in a violation of applicable Pennsylvania or Federal securities laws.

**16. Section Headings.**

Section and paragraph headings have been inserted in this Proposal as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Proposal and will not be used in the interpretation of any provisions of this Proposal.

**17. Counterparts.**

This Proposal may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document. The School District may approve this Proposal by delivering to the Financial Advisor by the time and date herein provided a signed counterpart of this Proposal.

*[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]*

When signed and accepted, this Proposal has been executed and delivered the day and year first above written.

Very truly yours,

PUBLIC FINANCIAL  
MANAGEMENT, INC.,  
as Financial Advisor

By: Authorized Representative

Accepted and agreed to this 12<sup>th</sup> day of October, 2009.

WARREN COUNTY SCHOOL DISTRICT,

Warren County, Pennsylvania

By: President, Board of School Directors

Attest: \_\_\_\_\_  
Secretary

**SCHEDULE I  
TO  
PROPOSAL FOR THE PURCHASE OF BONDS**

Re: Warren County School District  
Warren County, Pennsylvania  
\$18,000,000 Maximum Aggregate Principal Amount  
General Obligation Bonds

Summary

Maximum Aggregate Principal Amount: \$18,000,000

<b>School District Fiscal Year (Ending June 30)</b>	<b>Maximum Interest Rate and Yield to Maturity (%)</b>	<b>Principal Maturity or</b>
		<b>Mandatory Sinking Fund Payment Amount (\$)</b>
2011	6.00%	\$2,440,000
2012	6.00%	\$1,425,000
2013	6.00%	\$1,435,000
2014	6.00%	\$1,455,000
2015	6.00%	\$1,480,000
2016	6.00%	\$1,260,000
2017	6.00%	\$1,290,000
2018	6.00%	\$1,320,000
2019	6.00%	\$1,350,000
2020	6.00%	\$ 870,000
2021	6.00%	\$ 885,000
2022	6.00%	\$ 905,000
2023	6.00%	\$930,000
2024	6.00%	\$955,000



**EXHIBIT “A”  
TO  
PROPOSAL FOR THE PURCHASE OF BONDS**

**Form of Invitation to Bid and Bid Form**



## The PFM Group

Public Financial Management, Inc.  
PFM Asset Management LLC  
PFM Advisors

### INVITATION TO BID SUMMARY PAGE

<b>18. Issuer</b>	<b>Warren County School District Warren County, Pennsylvania</b>
<b>(b) Amount</b>	\$ *
<b>Type of Issue/Series</b>	*
<b>Tax-Exempt</b>	Yes
<b>Bank Qualified</b>	Yes

\*Preliminary, subject to change

<b>Sale Date</b>	
<b>Award Date</b>	
<b>Dated Date</b>	
<b>Expected Settlement</b>	
<b>Sale Time</b>	
<b>Bid Submission</b>	PFMauktion.com

<b>Interest Due</b>	
<b>Principal Due</b>	
<b>1<sup>st</sup> Interest Date</b>	
<b>Call Date</b>	
<b>Minimum Bid Price</b>	Not less than 98.80%
<b>Maturity Reoffering Price</b>	Not less than 99.00%
<b>YTM Ascending Order</b>	Yes

<b>Special Considerations</b>	Two Minute Rule (see "Bidding Details" #2 herein)

<b>Continuing Disclosure Compliance</b>	The School District has complied with all prior written undertakings under Rule 15c2-12 to provide timely ongoing disclosure of annual financial information and notice of material events affecting its securities.
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<b>Good Faith Amount</b>	\$
<b>PFM Contact</b>	Jamie Doyle
<b>PFM Phone</b>	717-232-2723
<b>PFM Fax</b>	717-232-8610

**\*\*\*PLEASE REFER TO THE FOLLOWING INVITATION TO BID FOR FURTHER DETAILS\*\*\***

**INVITATION TO BID**  
**Dated as of \_\_\_\_\_**  
**(Subject to Amendment as Hereinafter Prescribed)**  
**WARREN COUNTY SCHOOL DISTRICT**  
**Warren County**

\$ \_\_\_\_\_ \* **GENERAL OBLIGATION BONDS, SERIES OF 2009**

**Dated:**

**Interest Due:** March 1  
and September 1

**Principal Due:** September 1

**First Interest Payment:**

NOTICE IS GIVEN that the Board of School Directors (the "School Board") of the Warren County School District (the "School District" or the "Issuer"), Warren County, Pennsylvania will receive bids, pursuant to this Invitation to Bid (the "Invitation to Bid") for the purchase of an issue of general obligation bonds of the School District, in the aggregate principal amount of \$ \_\_\_\_\_\* to be designated as follows: "General Obligation Bonds, Series of \_\_\_\_" (the "Bonds"). **All bids must be submitted in their entirety on Public Financial Management, Inc.'s ("PFM") PFMAuction website ("PFMAuction") prior to \_\_\_\_ p.m., prevailing time on \_\_\_\_\_, unless otherwise extended by the two-minute rule described herein (see "Bidding Details").** The auction will begin at \_\_\_\_\_, prevailing time on \_\_\_\_\_. **To bid via the PFMAuction website, bidders must have both (1) completed the registration form on either the PFMAuction website or Grant Street Group website (parent of MuniAuction, herein referred to as MuniAuction) and (2) requested and received admission to the School District's auction, as described under "Registration and Admission to Bid" below. The use of PFMAuction shall be at the bidder's risk and expense, and the School District shall have no liability with respect thereto.**

**(1) Preliminary and Final Official Statement**

The School District's Preliminary Official Statement ("POS"), dated as of \_\_\_\_\_, will be available for viewing in electronic format on the PFMAuction website. The PFMAuction website address is [www.PFMAuction.com](http://www.PFMAuction.com). In addition, NASD registered broker-dealers and dealer banks with DTC clearing arrangements may either: (a) print out a copy of the POS on their own printer, or (b) at any time prior to February 9, 2009, elect to receive a photocopy of the POS in the mail by requesting it on the PFMAuction website or by calling the School District's financial advisor, Public Financial Management, Inc. (the "Financial Advisor"), One Keystone Plaza, Suite 300, North Front & Market Streets, Harrisburg, Pennsylvania 17101 (P.O. Box 11813, Harrisburg, PA 17108) at (717)232-2723. In order to print a copy or request a photocopy of the POS from PFMAuction, click the "View POS" button on the PFMAuction Selections Page and follow the instructions. All bidders must review the POS and certify that they have done so prior to participating in the bidding.

The Preliminary Official Statement is deemed by the School District to be final as of its date, for purposes of SEC Rule 15c2-12(b)(1) under the Securities Exchange Act of 1934, except for the omission of information concerning the offering price(s), interest rates(s), selling compensation, aggregate principal amount of the Bonds, description of bond insurance, and any other terms or provisions to be determined from the successful bid(s) or depending on such matters, and the identity of the underwriter(s). The Preliminary Official Statement is, however, subject to such further revisions, amendments and completion in a Final Official Statement as may be necessary.

\*Preliminary Issue Size, subject to change at time of award, as described in the Invitation to Bid.

**Financial Advisor**  
**PUBLIC FINANCIAL MANAGEMENT, INC.**  
**One Keystone Plaza, Suite 300**  
**North Front & Market Streets**  
**Harrisburg, PA 17101**  
**(717) 232-2723**

The School District shall provide a successful bidder with up to 200 conformed copies of a final official statement within seven (7) business days following the date of acceptance of the bid.

## **(2) Types of Bids Allowed**

Subject to the bid requirements described below, a bidder shall submit a conforming bid for the entire issue, and if such bid is accepted by the School District, the bidder will be required to purchase the entire issue in accordance with such bid.

### **Final Issue Size and Final Maturity Schedule**

Bidding will be conducted based on a Preliminary Issue Size and Preliminary Maturity Schedule, as said Issue Size and Maturity Schedule are shown in this Invitation to Bid. The School District reserves the right to determine the Final Issue Size and Final Maturity Schedule, and to award the Bonds based on the Final Issue Size and Final Maturity Schedule to the highest responsible bidder in accordance with the terms and conditions of the Invitation to Bid. As a condition of each Bid, the bidder must expressly agree to accept such award provided that the Final Issue Size for the Bonds does not differ from the Preliminary Issue Size by an aggregate amount of more than \$\_\_\_\_\_, and further provided that no single principal maturity for any year from \_\_\_\_ - \_\_\_\_ differs from principal maturity set forth in the Preliminary Maturity Schedule by an amount greater than \$\_\_\_\_\_.

### **Tax Exemption**

As a condition of closing, Bond Counsel will deliver an opinion to the effect that under existing statutes, regulations and judicial decisions, interest on the Bonds is excluded from gross income for purposes of federal income taxation and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although in the case of corporations (as defined for federal income tax purposes) such interest is taken into account in determining adjusted current earnings for purposes of such alternative minimum tax. This opinion of Bond Counsel will be given in reliance upon certain certifications of fact provided by the School District and subject to continuing compliance by the School District with its covenants in the Resolution and other documents to comply with requirements of the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder (the "Code").

As a condition of closing, Bond Counsel will also deliver an opinion to the effect that under the laws of the Commonwealth of Pennsylvania (the "Commonwealth") as presently enacted and construed, the Bonds are exempt from personal property taxes in the Commonwealth and the interest on the Bonds is exempt from the Commonwealth's Personal Income Tax and the Commonwealth's Corporate Net Income Tax.

### **Bank Eligibility**

The Bonds are "qualified tax-exempt obligations", for purposes and effect contemplated by Section 265 of the Internal Revenue Code of 1986, as amended (relating to expenses and interest relating to tax-exempt income of certain financial institutions).

### **The Bonds**

The Bonds will be dated as of \_\_\_\_\_, and the Bonds of any maturities may be designated as separate series as determined by the School District and will be issued as nonelectoral debt pursuant to a debt-incurring Resolution (the "Resolution") and the Pennsylvania Local Government Unit Debt Act, 53 Pa.C.S. Chs. 80-82 (the "Act"). The Bonds will be issued in fully registered form (without coupons), in denominations of \$5,000 or any integral multiple thereof, will be serial bonds or term bonds as hereinafter described, and will be stated to mature on January 15 of the following years in the amounts as finally determined in accordance with this Invitation to Bid (see "Bid Procedure and Award"). The Preliminary Maturity Schedule is as follows:

<b>Year</b>	<b>Principal Amounts*</b>
	\$

\*Preliminary Issue Size, subject to change at time of award, as described in the Invitation to Bid.

### **Book Entry Only**

The Bonds will be registered in the name of The Depository Trust Company (“DTC”) or its nominee, Cede & Co., and will be deposited with DTC or its nominee as of the date of closing. Purchasers of ownership interests in the Bonds (“Beneficial Owners”) will not receive physical delivery of bond certificates. The Beneficial Owners’ interests in the Bonds will be evidenced by book-entry only. As long as Cede & Co., as nominee for DTC is the registered owner of the Bonds, payments of principal, interest and redemption price on the Bonds will be made directly to DTC, through Cede & Co., as its nominee, which will, in turn, remit such payments to participants in DTC for subsequent disbursement to Beneficial Owners. See the POS for further information regarding the Book-Entry Only System.

### **Mandatory Redemption at the Option of the Bidder**

Bidders may elect to structure the issue to include term bonds, which term bonds, if selected by the bidder, will be subject to mandatory redemption prior to maturity, in the years and amounts shown above, upon payment of 100% of the principal amount of Bonds to be redeemed, together with accrued interest to the date fixed for redemption. Bonds within a maturity to be redeemed shall be selected by lot by the paying agent. If the Bonds are awarded and no term bonds are designated in the winning bid, the Bonds will mature serially as shown in the preceding schedule.

### **Optional Redemption**

The Bonds stated to mature on or after \_\_\_\_\_, shall be subject to redemption prior to maturity, at the option of the School District, as a whole or in part, from time to time, in any order of maturities as selected by the Issuer, on \_\_\_\_\_, or on any date thereafter upon payment of a redemption price of 100% of the principal amount redeemed, plus accrued interest thereon to the date fixed for redemption. In the event that less than all Bonds of any particular maturity are to be redeemed, the Bonds of such maturity to be redeemed shall be drawn by lot by the paying agent.

On the date designated for redemption, notice having been mailed as provided in the Resolution, and money for payment of the principal and accrued interest being held by the Paying Agent (hereinafter defined), interest on the Bonds or portions thereof so called for redemption shall cease to accrue and the Bonds or portions thereof so called for redemption shall cease to be entitled to any benefit or security under the Resolution, and registered owners thereof shall have no rights with respect thereto, except to receive payment of the principal to be redeemed and accrued interest thereon to the date fixed for redemption.

## Redemption Procedures

Notice of any redemption shall be given at the time and in the manner set forth in the Resolution and as described in the POS (subject to any changes made in the Final Official Statement). While the Bonds are registered in the name of DTC or its nominee, redemption notices shall be sent to DTC or its nominee. If less than all Bonds within a maturity are to be redeemed, which Bonds of such maturity are to be redeemed and which Beneficial Owners shall have their ownership interest in the Bonds redeemed shall be determined by DTC and the direct and indirect participants in DTC in accordance with their customary practices. For further information, see the POS.

## Security

The Bonds will be general obligations of the School District, payable from its tax and other general revenues. The School District has covenanted that it will provide in its budget in each year, and will appropriate from its general revenues of each year, the amount of the debt service on the Bonds for such year, and will duly and punctually pay or cause to be paid from the Sinking Fund established under the Resolution, or any other of its revenues or funds, the principal of every Bond and the interest thereon at the date and place and in the manner stated in the Bonds, and for such budgeting, appropriation and payment the School District irrevocably has pledged its full faith, credit and taxing power, which taxing power presently includes the power to levy ad valorem taxes on all taxable property within the School District presently limited by the provisions of the Taxpayer Relief Act. *(But see "The Taxpayer Relief Act" in the Preliminary Official Statement.) A description of this undertaking will be set forth in the Preliminary Official Statement and the Final Official Statement.*

## Municipal Bond Insurance and Credit Rating

The School District has applied for commitments for municipal bond insurance policies from the following:

Financial Security Assurance Inc. ("FSA");  
Assured Guaranty Insurance

Such commitments, if and when received, shall provide for policies of municipal bond insurance under such conditions and containing such terms as may be provided therein or in the policies of respective insurers. Such commitments and/or policies as are received are incorporated herein by reference. If a commitment for insurance is received, the Bonds will be offered under an optional bidding program, whereby Bidders may bid for the Bonds with or without such insurance (and if multiple commitments are received, specifying the insurer). The School District has also applied for a municipal bond credit rating from Standard and Poor's. Interested bidders can view the identity of insurers from whom commitments have been received and the cost of such insurance and the credit rating no later than the day before the date established for submission of bids on the Amendments Page of the PFMauction website at [www.PFMauction.com](http://www.PFMauction.com). **The cost of such insurance and rating will be paid for by the School District.**

## Paying Agent

The principal of and interest on the Bonds will be payable in lawful money of the United States of America, at the designated corporate trust office in Pennsylvania of a paying agent and sinking fund depository (the "Paying Agent" and "Sinking Fund Depository"), to be named by the School District. The selected paying agent may also designate one or more of its other offices within or outside Pennsylvania as additional places for payment of the Bonds. While the Bonds are in the Book-Entry Only system, however, payment on the Bonds will be made by wire transfer to DTC.

## **Sinking Fund**

A Sinking Fund will be established under the Resolution with the Paying Agent and Sinking Fund Depository for the Bonds, into which Sinking Fund there will be deposited funds sufficient for the payment of the principal of and the interest on the Bonds no later than the date fixed for the disbursement thereof.

## **Interest Rates and Limitations**

The Bonds will bear interest from \_\_\_\_\_, payable initially on \_\_\_\_\_, and thereafter on March 1 and September 1 of each year, until maturity or in the case of Bonds which shall be subject to redemption and which shall have been called for redemption and payment of the redemption price shall have been made or shall have been provided for, until the date fixed for redemption, at a rate or rates of interest to be specified by the bidder, in a multiple or multiples of one-eighth (1/8) or one-twentieth (1/20) of one per centum (1%)(rate of interest shall mean the coupon which does not take into account any original issue discount or premium); (1) all Bonds maturing on the same date shall bear interest at the same rate; (2) no Bond shall bear interest at more than one rate, or at any contingent or variable rate; and (3) no Bond maturing on or after \_\_\_\_\_ shall bear an interest rate which is lower than that interest rate for the immediately preceding year in which a maturity falls within the period of \_\_\_\_\_. **For the purposes of clause three of the preceding sentence, interest rate shall mean yield to maturity taking into account any original issue discount or premium (and for this purpose only, yield need not be in a multiplier of 1/8 or 1/20 of one percent).**

## **Minimum Bid**

No bid shall be at a price of less than 98.80 percent of the aggregate maturing principal amount of the Bonds exclusive of accrued interest, which accrued interest from March 15, 2009 to the date of settlement shall be payable to the School District by the purchaser on the date of settlement. **No initial reoffering price for any maturity may be less than 99.00%.** The winning bidder shall deliver a certificate at settlement in such form as satisfactory to Bond Counsel with respect to the initial offering prices or revised initial offering prices to the public (excluding bond houses, brokers and others acting in the capacity of underwriters or wholesalers) with respect to each maturity of the Bonds which the bidder has won.

### **(3) Registration and Admission to Bid**

To bid by PFMAuction, bidders must first visit the PFMAuction website where, if they have never registered with either PFMAuction or MuniAuction, they can register and then request admission to bid on the Bonds. Bidders will be notified prior to the scheduled bidding time of their eligibility to bid. Only NASD registered broker-dealers and dealer banks with DTC clearing arrangements will be eligible to bid. Bidders who have previously registered with MuniAuction may call MuniAuction at (412) 391-5555 for their ID Number or password.

## **Bids**

No bid will be considered which does not offer to purchase all of the Bonds. Each bid must specify an annual rate of interest for each maturity and a dollar purchase price for the entire issue of the Bonds.

### **(4) Bidding Details**

Bidders should be aware of the following bidding details associated with the sale of the Bonds:

- (1) All bids must be submitted on the PFMAuction website at [www.PFMAuction.com](http://www.PFMAuction.com). **No telephone, telefax, telegraph or personal delivery bids will be accepted.**
- (2) If any bid in the auction becomes a leading bid two (2) minutes prior to the end of the auction, then the auction will be automatically extended by two (2) minutes from the time such bid was received by PFMAuction. The auction end time will continue to be extended, indefinitely, until a single leading bid remains the leading bid for at least two minutes.

- (3) Bidders may change and submit bids as many times as they like during the bidding time period; provided, however, each and any bid submitted subsequent to a bidder's initial bid must result in a lower true interest cost ("TIC") with respect to a bid, when compared to the immediately preceding bid of such bidder. In the event that the revised bid does not produce a lower TIC with respect to a bid the prior bid will remain valid.
- (4) The last bid submitted by a bidder before the end of the bidding time period will be compared to all other final bids submitted by others to determine the winning bidder or bidders.
- (5) During the bidding, no bidder will see any other bidder's bid, but bidders will be able to see the ranking of their bid relative to other bids (i.e., "Leader," "Cover," "3rd," etc.
- (6) On the Auction Page, bidders will be able to see whether a bid has been submitted.

#### **(5) Rules of PFMAuction**

- (6) The "Rules" of PFMAuction can be viewed on the PFMAuction website and are incorporated herein by reference. Bidders must comply with the Rules of PFMAuction in addition to the requirements of this Invitation to Bid. To the extent there is a conflict between the Rules of PFMAuction and this Invitation to Bid, this Invitation to Bid shall control.

#### **(7) Rules**

- (1) A Bidder ("Bidder") submitting a winning bid ("Winning Bid") is irrevocably obligated to purchase the Bonds at the rates and prices of the winning bid, if acceptable to the Issuer, as set forth in the related Invitation to Bid. Winning Bids are not officially awarded to Winning Bidders until formally accepted by the Issuer.
- (2) Neither the Issuer, PFM nor MuniAuction (the "Auction Administrator") is responsible for technical difficulties that result in loss of Bidder's internet connection with PFMAuction, slowness in transmission of bids, or other technical problems.
- (3) If for any reason Bidder is disconnected from Auction Page during the auction after having submitted a Winning Bid, such bid is valid and binding upon Bidder, unless the Issuer exercises its right to reject bids, as set forth herein.
- (4) Bids which generate error messages are not accepted until the error is corrected and bid is received prior to the deadline.
- (5) Bidders accept and agree to abide by all terms and conditions specified in the Invitation to Bid (including Amendments, if any) related to each auction.
- (6) Neither the Issuer, PFM nor the Auction Administrator is responsible to any bidder for any defect or inaccuracy in Invitation to Bid, Amendments, or Preliminary Official Statement as they appear on PFMAuction.
- (7) Only Bidders who request and receive admission to an auction may submit bids. PFM and the Auction Administrator reserve the right to deny access to PFMAuction website to any Bidder, whether registered or not, at any time and for any reason whatsoever, in their sole and absolute discretion.
- (8) Neither the Issuer, PFM nor Auction Administrator is responsible for protecting the confidentiality of a Bidder's PFMAuction password.
- (9) If two bids submitted in the same auction by the same or two or more different Bidders result in same True Interest Cost the first confirmed bid received by PFMAuction prevails. Any



change to a submitted bid constitutes a new bid, regardless of whether there is a corresponding change in True Interest Cost.

- (10) Bidders must compare their final bids to those shown on the Observation Pages immediately after the bidding time period ends, and if they disagree with the final results shown on the Observation Pages they must report them to PFMAuction within 15 minutes after the bidding time period ends. Regardless of the final results reported by PFMAuction, bonds are definitively awarded to winning bidders only upon official award by the Issuer. If, for any reason, the Issuer fails to: i) award bonds to the winner reported by PFMAuction, or ii) deliver bonds to winning bidders at settlement, neither the Issuer, PFM or the Auction Administrator will be liable for damages.

#### **Definitions:**

“Bid”: any confirmed purchase offer received by PFMAuction on or before the auction deadline.

“Bidder”: any firm registered with either PFMAuction or MuniAuction and approved for participation in auctions.

“Winning Bid”: any purchase offer made by a Bidder by clicking the “Submit Bid” button and received by PFMAuction which, at the end of the bidding time period, results in the lowest True Interest Cost in the auction and which is acceptable to the School District.

“True Interest Cost”: calculation described in Invitation to Bid related to each auction which serves as basis for awarding bonds to Winning Bidders.

#### **Bid Procedure and Basis of Award**

Subject to the right reserved to the School District to reject any or all bids, the Bonds will be sold to the bidder whose bid produces the lowest true interest cost (“TIC”) for the Issuer and otherwise complies with the Invitation to Bid. The TIC for the Bonds will be determined by doubling the semi-annual interest rate, compounded semiannually, necessary to discount the semiannual debt service payments from the payment dates to the dated date of the Bonds and to the aggregate purchase price, excluding interest accrued to the date of delivery.

In the event that a commitment for municipal bond insurance is received from FSA or Assured Guaranty Insurance a bidder may elect to bid for the Bonds subject to the issuance of said policy of municipal bond insurance. In the event a bidder elects municipal bond insurance, the true interest cost of said bid shall be determined only after adjusting the bidder's aggregate purchase price by deducting therefrom the amount of said insurance premium. If municipal bond insurance is part of any bid, the School District shall pay the premium of such municipal bond insurance.

Bids shall be presented by the Financial Advisor to the School District at a meeting of the School Board, at the \_\_\_\_\_ at \_\_\_\_\_ p.m., prevailing time on \_\_\_\_\_, at which meeting the bids will be considered. **Bids must remain valid until at least 9:00 a.m. prevailing time, \_\_\_\_\_, and if accepted by the Board of School Directors of the School District prior to such time, shall be irrevocable except as otherwise provided in the Invitation to Bid.**

## **Bid Security and Method of Payment for Bonds**

The successful bidder will be required to wire \$\_\_\_\_\_ to the School District as bid security by \_\_\_\_ p.m. on \_\_\_\_\_. The Financial Advisor will contact the successful bidder to provide wire instructions for the bid security. The bid security will be retained by the Treasurer of the School District and: (a) will be applied, without allowance for interest, against the purchase price when the Bonds actually are delivered to and paid for by such successful bidder; or (b) will be retained by the School District as liquidated damages if the bidder defaults with respect to the bid; or (c) will be returned to the bidder with interest at the rate of five percent per annum, if the Bonds are not issued by the School District for any reason which does not constitute a default by the bidder. The balance of the purchase price shall be paid in Federal Funds.

## **Information Required from Winning Bidder; Reoffering Price**

By making a bid for the Bonds, the winning bidder(s) agrees: (a) to provide to the School District, in writing, immediately upon being unofficially awarded the Bonds, a written confirmation of the bid in the form as set forth in Exhibit A to this Invitation to Bid, as appropriate, which shall include the purchase price, reoffering yield(s), and other related information necessary for completion of the final Official Statement; (b) to disseminate to all members of the underwriting syndicate copies of the Official Statement, (c) to promptly file a copy of the final Official Statement with each Nationally Recognized Municipal Securities Information Repository; and (d) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Bonds to ultimate purchasers.

The winning bidder agrees to certify at the time of settlement for the Bonds that (1) the prices bid for the Bonds are based on the bidders' reasonable expectation at the time of the bid regarding the prices at which at least 10% of each maturity of the Bonds could be sold in a bona fide public offering of the Bonds by such bidder, and (2) the price bid on each maturity of the Bonds does not exceed its fair market value as of the sale date.

## **Conditions of Closing**

As a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds, the successful bidder will be furnished the following documents: (i) within seven (7) business days following acceptance of the bid, sufficient copies of the Official Statement relating to the Bonds as are required by Rule 15c2-12(b)(3) under the Securities Exchange Act of 1934 (the cost of 200 of which shall be borne by the School District), which Official Statement shall be dated as of the date of sale of the Bonds and shall be similar in form and substance in all material respects to the Preliminary Official Statement referred to above, as amended or supplemented to the date and time of sale of the Bonds (inclusive of those amendments or supplements made from details contained in the successful bid(s) for purchase of the Bonds), (ii) a certificate signed by the President or Vice-President of the Board of Directors of the School District and dated as of the date of delivery of and payment for the Bonds certifying that (a) as of the date of the Official Statement furnished by the School District in relation to the sale of the Bonds, the Official Statement to the best of his/her knowledge did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, subject to the condition that, while information in the Official Statement obtained from sources other than the School District is not certified as to accuracy, completeness or fairness, the President or Vice-President has no reason to believe and does not believe that such information is materially inaccurate or misleading and (b) to his/her knowledge, since the date of the Official Statement, there has been no material adverse change in the general affairs of the School District or in its financial condition as set forth in the Official Statement other than as disclosed in or contemplated by the Official Statement; (iii) a certificate of the Solicitor of the School District, dated as of the date of delivery of and payment for the Bonds, certifying that there is no litigation pending which challenges the validity or enforceability of the Bonds; or in the event that such litigation is pending, a description of the nature of such litigation, together with an opinion of legal counsel approved by the School District, to the effect that such litigation is without legal merit; (iv) a Tax Certificate or Regulatory Agreement, satisfactory to Bond

Counsel, necessary to comply with Sections 103(b)(2) and 148 of the Code and applicable regulations promulgated thereunder; and (iv) a Tax Certificate or Regulatory Agreement, satisfactory to Bond Counsel, necessary to comply with Sections 103(b)(2) and 148 of the Code and applicable regulations promulgated thereunder; and v) the approving opinion of Knox McLaughlin Gornall & Sennett, P.C., Erie, Pennsylvania, Bond Counsel, stating among other things, that (a) under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, subject to certain exceptions described under "Tax Exemption" in the Official Statement; and (b) under existing law, the Bonds are exempt from personal property taxes in the Commonwealth of Pennsylvania and the interest on the Bonds is exempt from the Commonwealth of Pennsylvania Personal Income Tax and the Commonwealth of Pennsylvania Corporate Net Income Tax.

### **Continuing Disclosure**

In order to assist bidders in complying with S.E.C. Rule 15c2-12 (the "Rule"), the School District will undertake, pursuant to the Resolution and a Continuing Disclosure Agreement or Certificate to be executed and delivered on or before the Settlement Date, to provide annual reports and notices of certain events. A description of this undertaking will be set forth in the Preliminary Official Statement and the Final Official Statement.

### **Miscellaneous**

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. The Bonds shall be available through the facilities of DTC and initially registered in nominee name of CEDE & Co. The purchasers shall not receive a certificate or bond form. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the School District. The School District also assumes responsibility for any CUSIP Service Bureau charge that may be imposed for the assignment of such numbers.

The School District, at its own expense, will provide for preparation of the Bonds and will pay the fees of the Paying Agent.

The Bonds will be delivered through the facilities of DTC on or about \_\_\_\_\_, or such later date as shall be determined by the School District. The actual time of day and place of such delivery shall be such as shall be agreeable, mutually, to the School District and to the successful bidder.

The bidding for the Bonds will be conducted as "private sale upon invitation" as permitted by the Act. Anyone who desires to be considered to be invited to make a bid shall contact the Financial Advisor on or before \_\_\_\_\_. The School District shall receive and consider bids only from those who are invited.

The right is reserved to reject any or all bids, and to waive any informality, mistake, error or omission in any bid.

### **Amendment**

The School District reserves the right to amend this Invitation to Bid, including the date and time for receipt of bids, at any time prior to 10:00 a.m. EST on the day of the sale by publishing the amendments on the PFMauktion website and via Munifacts.

**Additional Information**

Additional information and the Preliminary Official Statement relating to the Bonds may be obtained from the School District's Financial Advisor, Public Financial Management, Inc., One Keystone Plaza, Suite 300, North Front & Market Streets, Harrisburg, Pennsylvania, 17101, attention: Jamie Doyle (717-232-2723). The Invitation to Bid and the Preliminary Official Statement may be viewed on the PFMAuction website. However, the School District makes no assurance or representation with respect to the form of the Invitation to Bid and the Preliminary Official Statement on the PFMAuction website, and no investment decision should be made in reliance thereon. Printed copies of the POS and the Invitation to Bid may be obtained from the Financial Advisor at the address and phone number stated above. Additional information relating to the auction or a private bidding tutorial may be obtained by calling the Auction Administrator, MuniAuction, at (412/391-5555).

By/s/

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President of the School Board

**EXHIBIT A  
WINNING BID FORM**

**WARREN COUNTY SCHOOL DISTRICT  
Warren County, Pennsylvania**

\$ \_\_\_\_\_ \* **GENERAL OBLIGATION BONDS, SERIES OF** \_\_\_\_\_

Board of School Directors  
Warren County School District  
c/o Public Financial Management, Inc.  
One Keystone Plaza, Suite 300  
North Front & Market Streets  
Harrisburg, PA 17101 (P. O. Box 11813, Harrisburg, PA 17108)  
Fax #: (717) 232-8610

Ladies and Gentlemen:

Subject to the provisions of and in accordance with the terms of the Invitation to Bid, dated \_\_\_\_\_ of the Warren County School District (the "School District") for its General Obligation Bonds, Series of \_\_\_\_\_ (the "Bonds"), which is incorporated herein and hereby made a part hereof:

We hereby confirm that we have agreed to purchase all, but not less than all, of the \$ \_\_\_\_\_\* aggregate principal amount of the Bonds described in the Invitation to Bid and to pay therefor the amount of \$ \_\_\_\_\_ constituting \_\_\_\_\_% of the par value of the Bonds, plus the interest accrued, if any, on the Bonds from \_\_\_\_\_ to the date of their delivery. This offer is for the Bonds bearing interest at the rates and in the form of serial bonds and term bonds as follows:

Principal Amount <sup>(1)</sup>	Interest Rate	Reoffering Price	Reoffering Yield	Term Maturity Date
	%			
	%			
	%			
	%			
	%			
	%			
	%			
	%			
	%			
	%			
	%			
	%			
	%			
	%			
	%			
	%			
	%			
	%			
	%			

<sup>(1)</sup>Aggregate principal amount and principal amortization amounts may be adjusted as set forth in the Invitation to Bid.

\*Preliminary; subject to adjustment.

We acknowledge and have agreed that after we submit this proposal, the School District may modify the aggregate principal amount of the Bonds and/or the principal amounts of each maturity of the Bonds, subject to the limitations set forth in the Invitation to Bid.

We further acknowledge and have agreed that in the event that any adjustments are made to the principal amount of the Bonds, we will purchase all of the Bonds, taking into account such adjustments on the above specified terms of this proposal for the Bonds.

As the winning bidder, we confirm that we have agreed to wire \$\_\_\_\_\_ to the School District, as security against any loss of the School District resulting from failure of the undersigned bidder to comply with terms of the bid.

As the winning bidder, we confirm that we have agreed to immediately furnish the additional information described under the caption "Information Required From Winning Bidder; Reoffering Price" in the Invitation to Bid.

As the winning bidder, we confirm that we have agreed to provide to the School District as soon as possible after the sale of the Bonds a complete list of syndicate members, if any, upon request, the actual allocation of the Bonds and the orders placed by the syndicate members.

We have noted that payment of the purchase price is to be made in immediately available Federal Funds at the time of delivery of the Bonds.

In the event we have bid on behalf of a bidding syndicate, we represent that we have full and complete authority to submit the bid on behalf of our bidding syndicate and that the undersigned will serve as the lead manager for the group.

We desire \_\_\_\_\_ copies (not exceeding 200) of the Official Statement for the Bonds (as provided in the Invitation to Bid). We understand that we may obtain additional copies at our own expense.

We further certify (or declare) under penalty of perjury under the laws of the Commonwealth of Pennsylvania that our bid and this proposal is genuine, and not a sham or collusive, nor made in the interest of or on behalf of any person not herein named, and that the bidder has not directly or indirectly induced or solicited any other bidder to put in a sham bid or any other person, firm or corporation to refrain from bidding, and that the bidder has not in any manner sought by collusion to secure for itself an advantage over any other bidder.

Respectfully submitted,

\_\_\_\_\_  
Name of Bidder

By: \_\_\_\_\_  
Name and Title:

Address: \_\_\_\_\_

\_\_\_\_\_

Telephone: \_\_\_\_\_

Facsimile: \_\_\_\_\_

The above Bid is hereby accepted by the Board of School Directors of the Warren County School District, with Final Maturity Schedule as shown on the attached Exhibit A.

WARREN COUNTY SCHOOL DISTRICT  
Warren County, Pennsylvania

Attest

By \_\_\_\_\_  
(Vice) President

\_\_\_\_\_  
(Assistant) Secretary

(names of other account members, if any, are listed below)

## ACCOUNT MEMBERS

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.