

**BOROUGH OF ALBURTIS
LEHIGH COUNTY, PENNSYLVANIA**

Ordinance No. 459

(Duly Adopted June 11, 2007)

AN ORDINANCE INCREASING THE NONELECTORAL INDEBTEDNESS OF THE BOROUGH OF ALBURTIS, LEHIGH COUNTY, PENNSYLVANIA, BY THE ISSUE OF A GENERAL OBLIGATION NOTE, SERIES 1 OF 2007, IN AN AMOUNT NOT TO EXCEED THREE HUNDRED THOUSAND DOLLARS (\$300,000.00) (PRINCIPAL AMOUNT), FOR AND TOWARD PAYING CERTAIN COSTS AND EXPENSES FOR THE PLANNING, DESIGNING, ACQUIRING, ERECTING, CONSTRUCTING, EQUIPPING, AND/OR MODIFYING OF WATER SYSTEM FACILITIES, AND PAYING THE COSTS OF ISSUING THE NOTE; PROVIDING THE FORM OF THE NOTE; FIXING THE RATE OF INTEREST TO BE PAID AT 3.75% PER ANNUM; PLEDGING THE FULL FAITH, CREDIT, AND TAXING POWER OF THE BOROUGH FOR THE PAYMENT OF THE NOTE; MAKING COVENANTS FOR THE PAYMENT OF THE DEBT SERVICE; CREATING A SINKING FUND; PROVIDING FOR THE APPOINTMENT OF A SINKING FUND DEPOSITARY; SETTING FORTH CERTAIN COVENANTS PRECLUDING THE BOROUGH FROM TAKING ACTIONS WHICH WOULD CAUSE THE NOTE TO BECOME AN "ARBITRAGE BOND" OR "PRIVATE ACTIVITY BOND" AS THOSE TERMS ARE USED IN THE U.S. INTERNAL REVENUE CODE; DESIGNATING THE NOTE AS A "QUALIFIED TAX-EXEMPT OBLIGATION" UNDER SECTION 265(B)(3) OF THE INTERNAL REVENUE CODE; DETERMINING THAT THE PRIVATE SALE OF THE NOTE BY NEGOTIATION, RATHER THAN PUBLIC SALE, IS IN THE BEST FINANCIAL INTEREST OF THE BOROUGH; AWARDING AND SELLING THE NOTE TO EAST PENN BANK AND ACCEPTING THE PURCHASE PROPOSAL FROM EAST PENN BANK; AUTHORIZING THE EXECUTION, PRIVATE SALE, AND DELIVERY OF THE NOTE AND OTHER NECESSARY OR CONVENIENT ACTS; AND PROVIDING FOR COMPLIANCE WITH THE REQUIREMENTS OF THE PENNSYLVANIA LOCAL GOVERNMENT UNIT DEBT ACT, 53 PA. CONS. STAT. § 8001 ET SEQ., INCLUDING, WITHOUT LIMITATION, THE PREPARATION OF A DEBT STATEMENT AND BORROWING BASE CERTIFICATE, THE FILING OF CERTAIN DOCUMENTS WITH THE PENNSYLVANIA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT, AND MAKING THE ENTIRE PROCEEDINGS SUBJECT TO, AND DEFERRING DELIVERY OF THE NOTE UNTIL AFTER, THE APPROVAL OR DEEMED APPROVAL OF THE PROCEEDINGS FROM THE PENNSYLVANIA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT.

Be it **ORDAINED** and **ENACTED** by the Borough Council of the Borough of Al-
burtis, Lehigh County, Pennsylvania, as follows:

SECTION 1. Chapter 8 of the Alburdis Codified Ordinances (relating to Budget
and Finance) is amended by adding the following new Article VI:

Article VI — Water System Facilities

§ 8-601 Background.

(a) The governing body of the Borough of Alburdis, Lehigh County, Pennsylvania (the “**Local Government Unit**”) deems it advisable to borrow up to Three Hundred Thousand Dollars (\$300,000.00) for and toward paying the costs and expenses for planning, designing, acquiring, erecting, constructing, equipping, and/or modifying of water system facilities (the “**Project**”), and paying the costs of issuance of the indebtedness. The Project includes, but is not limited to, a new water storage tank, new well pump, water pressure booster station modifications, and other water system facilities.

(b) The governing body of the Local Government Unit contemplates the authorization, sale, issuance and delivery of a note evidencing such indebtedness in a principal amount not to exceed \$300,000 to be designated as the General Obligation Note, Series 1 of 2007, all in accordance with applicable and appropriate provisions of the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as amended, 53 PA. CONS. STAT. § 8001 *et seq.* (the “**Act**”).

(c) The proposed increase of debt, together with the Local Government Unit’s nonelectoral indebtedness and its lease rental indebtedness presently outstanding, will not cause the debt limitations of the Act to be exceeded.

(d) The engineering consultant for the Project has determined that the estimated useful life of the Project is fifty (50) to seventy-five (75) years under normal operating and maintenance procedures and conditions.

(e) The Local Government Unit has already made significant payments with respect to the Project, but the cost of the Project has escalated significantly from the costs estimated when the Project was initially authorized, and the Local Government Unit now needs additional funds to complete the Project.

(f) The Local Government Unit has obtained realistic cost estimates for the remaining unpaid costs of the Project from actual bids/contracts, invoices, and from professional estimates from registered architects, professional engineers, or other persons qualified by experience, indicating the sum of \$380,000.00 will be needed to complete the Project.

(g) EAST PENN BANK (the “**Bank**”) has presented a written purchase contract (the “**Purchase Contract**”), attached to Ordinance 459 as **Exhibit A** (which is incorporated herein by reference), to purchase the note to be issued by the Local Government Unit in order to achieve the financing of the Project.

§ 8-602 Authorization.

The Local Government Unit hereby authorizes the incurrence of debt, and the increase of its nonelectoral indebtedness under the Act, in the principal amount not to exceed Three Hundred Thousand Dollars (\$300,000.00), in order to pay the costs of the Project and the costs of issuing the indebtedness. The indebtedness shall be evidenced by one General Obligation Note (Series 1 of 2007), in fully registered form; in the principal sum not to exceed \$300,000; dated the date of its delivery; bearing interest at the rate of 3.75% per annum calculated on a 365-day year basis (366 days in leap years) for the actual number of days elapsed; payable in eleven (11) monthly payments of interest only on the advanced and outstanding principal balance, commencing August 20, 2007, together with one or more payments of principal on or before July 20, 2008 sufficient to reduce the outstanding principal balance to \$100,000.00 by July 20, 2008, followed by fifty-nine (59) level monthly installment payments of principal and interest in the amount of One Thousand Eight Hundred Thirty Dollars and thirty-nine cents (\$1,830.39) commencing August 20,

2008, and one (1) final payment of principal and interest in the amount of One Thousand Eight Hundred Thirty Dollars and fifty-one cents (\$1,830.51) on July 20, 2013, with all outstanding principal and accrued interest due and payable in full on July 20, 2013; and in the form attached to Ordinance 459 as **Exhibit B** (which is incorporated herein by reference) (the “**Note**”). The Local Government Unit may prepay/redeem the Note as set forth in **Exhibit B** to Ordinance 459.

§ 8-603 Issuance.

The Note shall be executed in the name and under the corporate seal of the Local Government Unit by the President of Borough Council (or the Vice President of Borough Council) and attested to by the Executive Secretary (or the Treasurer) (the “**Designated Officers**”). The Designated Officers are hereby authorized and directed to execute and deliver such documents, and to do and perform all acts, necessary and proper for the issuance and further security of the Note, including the execution, sealing, and delivery of the Note to the Bank. The Designated Officers are authorized to receive payment for the Note on behalf of the Local Government Unit, and to apply the proceeds to the costs of the Project and the issuance of the Note.

§ 8-604 Debt Statement and State Filings.

In accordance with the requirements of 53 PA. CONS. STAT. § 8110, the Designated Officers have prepared, executed, and verified the debt statement and borrowing base certificate required by the Act (which are attached to Ordinance 459 as **Exhibit C** and incorporated herein by reference), and they are hereby directed to file the such debt statement and certificate with the Pennsylvania Department of Community and Economic Development (“**Department**”), to file and maintain a copy of such debt statement and certificate in the Office of the Executive Secretary, and to take other necessary action, including, if necessary or desirable, any statements required to qualify any portion of the debt from the appropriate debt limit as self-liquidating or subsidized debt. The Designated Officers shall also apply for the authorization of the proceedings by the Department un-

der 53 PA. CONS. STAT. § 8111(a) and, notwithstanding anything to the contrary in this Article, shall not deliver the Note until the proceedings have been approved or deemed approved by the Department under 53 PA. CONS. STAT. §§ 8204, 8206. The proceedings set forth in this Article are expressly contingent upon such approval or deemed approval by the Department.

§ 8-605 Security and Payment of the Note.

The Note shall be a general, full faith and credit, unlimited tax obligation of the Local Government Unit. The Local Government Unit hereby covenants with the Bank and with subsequent holders, from time to time, of the Note that the Local Government Unit shall (a) include the amount of the debt service on the Note for each fiscal year in which any amount of principal or interest is payable in its budget for that year; (b) appropriate such amounts to the payment of such debt service; and (c) duly and punctually pay or cause to be paid the principal of and interest on the Note on the dates, at the place, and in the manner stated in the Note according to the true intent and meaning thereof, and for such proper budgeting, appropriation, and payment, the Local Government Unit hereby irrevocably pledges its full faith, credit and taxing power.

§ 8-606 Sinking Fund; Paying Agent.

The Local Government Unit does hereby create, and order to be established (in its name and identified by reference to the Note), a Sinking Fund for the payment of the Note with the Bank, and does further covenant to maintain such Sinking Fund until the Note is paid in full. The Executive Secretary or Treasurer shall deposit into the Sinking Fund sufficient amounts for payment of principal and interest on the Note no later than the dates upon which such payments are due, without further action by the Local Government Unit. The Local Government Unit shall maintain a general account with the Bank so long as any amount remains outstanding under the Note, and hereby authorizes Bank to automatically deduct from this account and deposit into the Sinking Fund sufficient amounts to insure that the obligation of the Executive Secretary or Treas-

urer under the preceding sentence is satisfied on the dates payments are due on the Note (but not more than the amounts so required). The Local Government Unit hereby designates the Bank as the Sinking Fund Depository and Paying Agent for the Note, and the Designated Officers are hereby authorized and directed to contract with the Bank for its services in such capacity, except as the same may be included in the Purchase Contract. Without further action by the Local Government Unit, the funds in the Sinking Fund shall be subject to withdrawal by the Paying Agent only to pay the principal and interest on the Note as the same becomes due and payable in accordance with the terms of the Note. The principal and interest on the Note shall be payable in lawful money of the United States of America. The Paying Agent is directed to keep books for the registration, exchange, and transfer of the Note so long as the Note remains outstanding. The Paying Agent is directed to make such registrations, exchanges, and transfers without charge to holders, except for actual costs, including postage, insurance, and any taxes or other governmental charges required to be paid with respect to the same.

§ 8-607 Tax Covenants.

(a) **No Arbitrage Bond or Private Activity Bond.** The Local Government Unit hereby covenants that it will make no use of the proceeds of the Note or do or suffer any other action, at any time, directly or indirectly, in a manner which, if such use or action had been reasonably expected on the date of issuance of the Note, would have caused the Note to be an “arbitrage bond” or a “private activity bond” within the meaning of Section 148 and Section 141 of the Internal Revenue Code of 1986, as amended (the “**Code**”) and the regulations thereunder applicable to the Note (the “**Regulations**”) and that it will comply with the requirements of those Sections and the Regulations thereunder throughout the term of the Note.

(b) **Rebate Requirements.** If:

(1) the principal amount of the Note plus the aggregate principal amount of all other tax-exempt obligations issued and to be issued by

or on behalf of the Local Government Unit during the 2007 calendar year exceeds \$5,000,000; and if

(2) the gross proceeds of the Note are invested at a yield greater than the yield on the Note; and if

(3) the gross proceeds of the Note are not expended or deemed to have been expended (since the Project is a construction project) within two years from the date of issuance (and according to certain periodic expenditure thresholds),

all pursuant to § 1.148.7 of the Regulations, the Local Government Unit covenants that it will rebate to the U.S. Treasury, at the times and in the manner required by the Code, the difference (if a positive number) between the investment income received on the Note proceeds and the investment income that would have been earned had the Note proceeds been invested at the yield of the Note.

(c) **Qualified Tax-Exempt Obligation.** The Local Government Unit hereby designates the Note as a “qualified tax-exempt obligation,” as defined in Section 265(b)(3)(B) of the Code, for the purposes and effect contemplated by Section 265 of the Code, and represents that it has not issued, and does not reasonably expect to issue, tax-exempt obligations, together with all tax-exempt obligations issued and reasonably expected to be issued by its “subordinate entities” (within the meaning of Code § 265(b)(3)(E)) which, in the aggregate, exceed or will exceed Ten Million Dollars (\$10,000,000) during the 2007 calendar year. The Local Government Unit also determines that it will not engage in any action or inaction which will or may cause the Note to fail or cease to constitute a “qualified tax-exempt obligation” under Section 265(b)(3) of the Code.

(d) **IRS Filings.** The Local Government Unit will file IRS Form 8038-G (or 8038-GC if applicable) and any other forms or information required by the Code or the Regulations to be filed with the Internal Revenue Service in order to further ensure the exclusion of the interest on the Note from gross income tax for federal income tax purposes.

§ 8-608 Award.

(a) **Private Sale by Negotiation.** In compliance with 53 PA. CONS. STAT. § 8161(a), the governing body of the Local Government Unit hereby determines that private sale of the Note by negotiation, rather than public sale, is in the best financial interest of the Local Government Unit.

(b) **Award to Bank.** The governing body of the Local Government Unit hereby awards and sells the Note to the Bank at par in accordance with the Purchase Contract, *provided* that the proceedings are approved by the Department under the provisions of the Act and the Note is dated the date of its delivery to the Bank. The Local Government Unit accepts the Purchase Contract subject to the above provision, and authorizes the Designated Officers to execute an appropriate acceptance document.

§ 8-609 Financial Statements; Bank as Main Bank Depository.

So long as any amount remains outstanding under the Note, the Local Government Unit shall provide the Bank, or subsequent holders of the Note, with an annual financial statement prepared by a certified public accountant. So long as any amount remains outstanding under the Note and the Bank is the holder of the Note, the Local Government Unit shall utilize the Bank as the main bank depository of the Local Government Unit.

§ 8-610 Contract.

This Article shall be deemed to be a contract with the holders, from time to time, of the Note.

§ 8-611 Necessary Acts.

The Designated Officers are hereby authorized and directed to take all such action, execute, deliver, file and/or record all such documents, and publish all notices which shall be necessary or convenient to comply with the provisions of this Article and the Act in the name and on behalf of the Local Government Unit.

§ 8-612 Compliance With Debt Act.

This Article is enacted pursuant to, and the Note issued hereunder shall be subject to, the provisions of the Act relating to general obligation notes, and all of the mandatory and applicable provisions of the Act relating to such notes shall apply whether or not explicitly stated in this Article.

§ 8-613 Severability.

In case any one or more of the provisions contained in this Article or in the Note shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Article or of the Note, and this Article or the Note shall be construed and enforced as if such invalid, illegal or unenforceable provisions had never been contained therein.

§ 8-614 Advertisement.

The prior advertisement of a summary of this Article and Ordinance 459 as required by law in the *East Penn Press*, a newspaper of general circulation, is ratified and confirmed. Borough Council hereby authorizes and directs the Solicitor to advertise the enactment of this Article and Ordinance 459 in a newspaper of general circulation within fifteen (15) days following the date of final adoption.

SECTION 2. The following attached Exhibits are incorporated into this Ordinance by reference:

- Exhibit A Purchase Contract presented by East Penn Bank.
- Exhibit B Form of Note
- Exhibit C Debt Statement and Borrowing Base Certificate

SECTION 3. This Ordinance shall take effect on the earliest date permitted by the Local Government Unit Debt Act, 53 PA. CONS. STAT. § 8001 *et seq.*

DULY ORDAINED and **ENACTED** by the Borough Council of the Borough of Al-
burtis, this 11th day of June, 2007, in lawful session duly assembled.

**BOROUGH COUNCIL
BOROUGH OF ALBURTIS**

Steven R. Hill, President

Attest:

Melanie Hansen, Executive Secretary

AND NOW, this 11th day of June, 2007, the above Ordinance is hereby **APPROVED**.

Russell J. Afflerbach, Mayor

EXHIBIT A



June 6, 2007

Borough Council
Borough of Alburdis
260 Franklin Street
Alburdis, PA 18011

To Whom It May Concern:

East Penn Bank has approved the request of the Borough of Alburdis for financing certain costs and expenses for the planning, designing, acquiring, erecting, constructing, equipping, and/or modifying of water system facilities. I, a duly authorized officer of East Penn Bank, certify that this proposal was duly made and delivered to the Borough of Alburdis not later than the date of the enactment of an Ordinance authorizing issuance of a General Obligation Note of the Borough of Alburdis having the terms described in Section A below, and do hereby agree, upon award and acceptance of this Purchase Contract, to purchase the General Obligation Note at par, subject to the conditions described in Section B below:

Section A: Terms

Borrower: Borough of Alburdis
Loan Type: Unsecured tax-free term loan
Amount: \$300,000.00
Term: Proceeds to be disbursed between Settlement and July 20, 2008;
then 5 year term from July 20, 2008 to July 20, 2013.
Interest Rate: 3.75% fixed for the term of the loan
Fee: None
Collateral: None
Guarantors: None
Repayment
Schedule: Monthly payments of interest only on outstanding balance from August 20, 2007 through July 20, 2008; payment of all outstanding principal in excess of \$100,000.00 on or before July 20, 2008; then 59 monthly payments of \$1,830.39 principal and interest beginning August 20, 2008, with a final payment of \$1,830.51 on July 20, 2013.
Prepayment
Penalty: None

Section B: Conditions

1. East Penn Bank to be the main bank depository of the borrower.
2. Annual CPA-prepared financial statement to be provided.
3. Copy of annual budget to be provided each year.
4. Receipt at Settlement of an Opinion of Counsel substantially in the form attached.

5. Such other documents, certificates, and instruments as may be required by East Penn Bank to evidence compliance with, or to comply with, the provisions of the Pennsylvania Local Government Unit Debt Act, and the Internal Revenue Code and applicable regulations thereunder with respect to the exclusion of interest payable on the Note from gross income for federal income tax purposes.
6. Documents to be prepared by Borrower's counsel, at Borrower's cost.
7. The Proceeds of the Note are to be disbursed to Borrower in one or more distributions as and when requested by Borrower during the period between Settlement and July 20, 2008.
8. The Bank shall be the Sinking Fund Depositary and Paying Agent under the Note.
9. The obligations of both the Bank and the Borrower under this Purchase Contract are contingent upon approval or deemed approval of the proceedings by the Pennsylvania Department of Community and Economic Development.

Please indicate your acceptance of this Purchase Contract and the terms and conditions contained herein by signing below and returning the letter to me. This commitment shall expire unless the acceptance is received by the undersigned on or before June 30, 2007. Settlement must occur on or before July 20, 2007. However, if approval of the proceedings has not been received from the Pennsylvania Department of Community and Economic Development by that date, Settlement must occur within seven days after receipt of such approval, unless the Bank shall elect, in its discretion, to terminate this Purchase Contract after August 20, 2007 and before receipt of such approval.

Sincerely,



Robert B. Kern
Commercial Loan Officer

AGREED AND ACCEPTED on this ____ day of June, 2007.

BOROUGH OF ALBURTIS

By: _____
Steven R. Hill, President of Borough Council

Form of Opinion of Counsel

July ____, 2007

East Penn Bank
731 Chestnut Street
P.O. Box 869
Emmaus, PA 18049

**Re: Borough of Alburtis
Lehigh County, Pennsylvania
\$300,000.00 General Obligation Note
Series 1 of 2007
Dated July ____, 2007**

Ladies and Gentlemen:

I am the Solicitor for the above-named Local Government Unit (the "**Local Government Unit**"), and as such I am generally familiar with its affairs relative to the matters referred to herein. I am delivering this opinion to you in connection with the Settlement for the issuance and sale by the Local Government Unit of its above-described General Obligation Note ("**Note**").

The Governing Body of the Local Government Unit, by Ordinance 459 dated June 11, 2007 and approved by the Mayor of the Local Government Unit on June 11, 2007 ("**Ordinance**"), has authorized and directed the issuance of the Note. The Ordinance provides, *inter alia*, that the proceeds of the Note will be used for the purposes of paying certain costs and expenses for the planning, designing, acquiring, erecting, constructing, equipping, and/or modifying of water system facilities, and paying the costs of issuing of the Note, all in accordance with the applicable and appropriate provisions of the Pennsylvania Local Government Unit Debt Act, 53 PA. CONS. STAT. § 8001 *et seq.* ("**Act**"). Proceedings for authorization, issuance, and sale of the Note have been conducted in accordance with the provisions of the Act.

The Local Government Unit has covenanted in the Ordinance that it will make no use of the proceeds of the Note and it has neither done nor suffered and will neither do nor suffer any other action which, if such use or action had been reasonably expected

on the date of issue of the Note, would cause the Note to be an “arbitrage bond” or “private activity” bond as those terms are defined in the Internal Revenue Code of 1986, as amended (the “Code”), and the applicable regulations thereunder. The Local Government Unit has further covenanted that it will comply with the requirements of Sections 148 and 141 of the Code and with the applicable regulations thereunder throughout the term of the Note. Further, the Local Government Unit has designated the Note as a “qualified tax-exempt obligation” within the meaning and for the purposes of Section 265(b)(3) of the Code.

I have assumed that the Local Government Unit, pursuant to the Ordinance, has established a sinking fund with the Sinking Fund Depository and Paying Agent named in the Ordinance into which funds for the payment of the principal of and interest on the Note will be deposited no later than the date for the disbursement thereof. The Local Government Unit has agreed in the Ordinance to make payments out of such sinking fund or out of any other of its revenue or funds, at such times and in such amounts, as shall be sufficient for prompt and full payment of its obligations under the Note. The Local Government Unit has covenanted in the Ordinance to include in each year’s budget, to the fullest extent authorized by law, sums sufficient to meet the requirements of all interest and principal payments due under the Note, to appropriate such amounts to the payment of such debt service, and to pay the principal and interest due on the Note as and when due, and it has pledged its full faith, credit, and taxing power to such budgeting, appropriation, and payment. I have relied upon the representations, warranties, and covenants of the Local Government Unit and/or its officials as contained in the Ordinance, the Note, and other documentation presented in connection with this transaction.

Based on the foregoing and such review as I deemed necessary, and subject to the further qualifications stated herein and assuming the investment and application of the Note as set forth in the Ordinance and the continuing compliance of the Local Government Unit therewith and with the applicable provisions of the Code and the regulations thereunder, I am of the opinion that:

1. The Local Government Unit is validly organized under the laws of the Commonwealth of Pennsylvania and is duly authorized and empowered to issue the Note under the Act to provide funds for the purposes enumerated in the Ordinance; the amount of the non-electoral debt and lease rental debt of the Local Government Unit issued and outstanding or authorized by the Governing Body of the Local Government Unit, including the Note, computed in accordance with the Act, is not in excess of legal limitations; the incurring of non-electoral debt of the Local Government Unit which is evidenced by the Note is permitted under the Act and the Constitution of Pennsylvania to be made by action of the Governing Body and the assent of the Mayor of the Local

Government Unit without the assent of the electors of the Local Government Unit; the Local Government Unit has complied with all relevant provisions of the Act with regard to the issuance and sale of the Note and has obtained the approval or deemed approval of the proceedings from the Pennsylvania Department of Community and Economic Development (“**Department**”); and all necessary action has been taken by the Local Government Unit’s Governing Body and Mayor and by its proper officers to make the Note a validly issued and legally binding obligation.

2. The Ordinance was duly adopted by the Governing Body of the Local Government Unit at its public meeting on June 11, 2007 and was approved and signed by the Mayor on June 11, 2007. To the best of my knowledge, the Ordinance has not been amended, modified, repealed, or rescinded and is in full force and effect on the date of this letter.

3. At the Settlement of the sale of the Note held today there was delivered a Transcript of the Proceedings of the Local Government Unit including the Ordinance, as approved or deemed approved by the Department. The documents contained in the Transcript were duly prepared in accordance with all rules of procedure of the Local Government Unit; the Ordinance was duly enacted at a public meeting of the Governing Body, notice of which was properly given, if applicable; and the Ordinance is in full force and effect on this date.

4. The President of Borough Council of the Local Government Unit is Steven R. Hill, and the Executive Secretary of the Local Government Unit is Melanie Hansen. Each of them is now, and was at all times relevant to these transactions, duly elected or appointed, qualified and acting as such officer.

5. The Note has been duly executed, dated the date of Settlement and delivered on behalf of the Local Government Unit.

6. To the best of my knowledge as of the completion of Settlement, there are no pending or threatened in writing legal proceedings to which the Local Government Unit is or may be a party or to which property of the Local Government Unit is or may be subject contesting the validity of any action taken by the Local Government Unit in connection with the authorization, execution and delivery of the Note or otherwise affecting the validity of the Note or the security therefor.

7. Interest on the Note is not includable in gross income for federal income tax purposes under Section 103(a) of the Code and is not an item of “tax preference” for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, in the case of certain corporations and entities treated as corporations for federal income tax purposes, such interest may be indirectly subject to the alternative

minimum tax because of its inclusion in the income reported for financial accounting purposes or earnings and profits of the holder.

8. Under the laws of the Commonwealth of Pennsylvania, the Note and interest on the Note shall be free from taxation for State and local purposes within the Commonwealth of Pennsylvania, but this exemption shall not extend to gift, estate, succession, or inheritance taxes or other taxes not levied directly on the Note or the interest thereon. Accordingly, the Note is exempt from personal property taxes in the Commonwealth, and interest on the Note is exempt from Commonwealth income taxes. Under the laws of the Commonwealth of Pennsylvania, profits, gains, or income derived from the sale, exchange, or other disposition of the Note, are subject to State and local taxation within the Commonwealth of Pennsylvania.

9. The Note is not required to be taken into account by “financial institutions” (as defined in Section 265 of the Code) for purposes of determining the allocation of interest expense to tax-exempt interest under Sections 265(b)(1) and (2) of the Code.

10. Notwithstanding the general excludability of interest on the Note from gross income and the exemption of the Note and the interest thereon from certain taxes, ownership of the Note may result in other federal, state, local, and/or foreign tax consequences to certain taxpayers, including, without limitation, corporations and other entities required to include such interest in the calculation and payment of the alternative minimum tax under section 55 of the Code (as noted in paragraph 7 above); certain foreign corporations doing business in the United States that are subject to the branch profits tax imposed by section 884 of the Code; individuals or entities required to take such interest into account as market discount; financial institutions; insurance companies required to include such interest in amounts required to reduce the deductions for loss reserves pursuant to section 832 of the Code; certain “S” Corporations (as defined in section 1361 of the Code) with accumulated earnings and profits; individual recipients of Social Security or Railroad Retirement benefits; taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Note; and the effect on certain investors of any other provisions of the Code or other applicable laws or regulations which could result in collateral tax consequences in the computation of tax liability due to or related to tax-exempt interest. I offer no opinion as to any of such other tax consequences.

In connection with the foregoing opinion, I call to your attention the following:

A. As to questions of fact material to my opinion, without undertaking to verify such facts by independent investigation, I have relied upon the certified proceed-

ings and other documents, agreements, instruments, reports, representations, warranties, and certificates furnished to me at or in connection with the issuance of the Note and adoption of the Ordinance (including, without limitation, the representations and agreement of the Local Government Unit as to the expected use of the proceeds of the Note, and as to its continuing compliance with the Code to assure that the Note does not become an "arbitrage bond" or "private activity bond" as defined in Sections 148 and 141 of the Code and the regulations thereunder, and its expectations with respect to the issuance of additional tax-exempt obligations within this calendar year) and the continuing performance of the covenants and agreements contained in the Note, the Ordinance, and other documents delivered at or in connection with the Settlement for the issuance and sale of the Note. I have not checked any court, real estate, or commercial financing records. Whenever my opinion with respect to the existence or nonexistence of facts is qualified by the phrase "to the best of my knowledge" or other phrases of similar intent, it is intended to indicate that during the course of my representation of the Local Government Unit, no information has come to my attention which would give me current actual knowledge of the existence or nonexistence of such facts. I have not, however, undertaken any independent investigation to determine the existence or nonexistence of such facts.

B. The opinion set forth in paragraph 7 above is subject to the condition that the Local Government Unit complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Note in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Code establishes certain requirements relating to the use and expenditures of the Note proceeds, restrictions on investments prior to expenditure, and the requirement that certain earnings be rebated to the federal government. Non-compliance with any of these or other applicable requirements of the Code might cause interest on the Note to be subject to federal income taxation either prospectively or retroactively to the date of issuance. The Local Government Unit has covenanted to comply with such requirements.

C. With respect to the foregoing opinions, I advise you that the rights of the holders of the Note and the enforceability of the Note will be subject to and may be limited by (a) applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, or other laws or equitable principles now or hereafter relating to or affecting creditors' rights and remedies or debtors' obligations generally, (b) general principles of equity, whether considered or applied in a court of law or equity, and (c) the exercise of judicial discretion in appropriate cases.

D. I express no opinion as to any matter not expressly set forth herein, including, without limitation, federal, state, local, and/or foreign tax consequences arising with respect to the Note other than as expressly set forth in paragraphs 7 through 10

above (and including, without limitation, the treatment for federal income tax purposes of gain or loss, if any, upon the sale, redemption, or other disposition of the Note prior to maturity).

E. This opinion is given as of the date hereof, and is based on existing law as enacted and construed. I assume no obligation to update or supplement this opinion to reflect any facts or circumstances which may hereafter come to my attention or any changes in such laws, regulations, or judicial or administrative decisions, any of which could adversely affect a holder of the Note. This opinion is given solely for your benefit in connection with the transaction described above, and may not be relied upon by any other person or entity.

Very truly yours,

David G. Knerr

EXHIBIT B

**{Form of Note, including Certificate of Registration
and Form of Assignment}**

**UNITED STATES OF AMERICA
COMMONWEALTH OF PENNSYLVANIA**

**BOROUGH OF ALBURTIS
LEHIGH COUNTY, PENNSYLVANIA
GENERAL OBLIGATION NOTE, SERIES 1 OF 2007**

Dated July __, 2007

**\$300,000.00
Principal Amount**

**3.75%
Interest Rate**

**July 20, 2013
Maturity Date**

The BOROUGH OF ALBURTIS, Lehigh County, Pennsylvania, a political subdivision of the Commonwealth of Pennsylvania (“**Local Government Unit**”), intending to be legally bound, promises to pay to the registered owner shown on the attached registration certificate, at the place shown on the registration certificate, and in such coin or currency as at the time and place of payment is legal tender for the payment of public and private debts, without any right of set-off, the principal sum of Three Hundred Thousand Dollars (\$300,000.00), together with interest on the advanced and unpaid principal balance at the rate of three and seventy-five hundredths percent (3.75%) per annum at all times until this Note is paid in full (calculated on the basis of a year of 365 days [366 days in leap years] for the actual number of days elapsed), with payments due as follows:

(a) eleven (11) monthly payments of interest only, as accrued through the payment due date, commencing on August 20, 2007, and continuing on the twentieth (20th) day of each succeeding calendar month through July 20, 2008;

(b) one or more payments of principal on or before July 20, 2008 sufficient to reduce the outstanding principal balance to One Hundred Thousand Dollars (\$100,000.00) by July 20, 2008; and

(c) fifty-nine (59) level monthly installment payments of principal and interest in the amount of One Thousand Eight Hundred Thirty Dollars and thirty-nine cents (\$1,830.39) commencing on August 20, 2008 and continuing on the twentieth (20th) day of each succeeding calendar month until June 20, 2013; plus a final installment payment of principal and interest in the amount of One Thousand Eight Hundred Thirty Dollars and fifty-one cents (\$1,830.51) on July 20, 2013. Any outstanding principal and accrued interest shall be due and payable in full on July 20, 2013. (The attached amortization schedule indicates the due dates and amounts of each payment of principal and interest under this Note after July 20, 2008, and the allocation of each payment between principal and interest, assuming the disbursement of all funds on or before July 20, 2008, timely payment of all interest due through July 20, 2008, timely payment of principal under clause (b) above by July 20, 2008, timely payment of all installments of principal and interest under this Note in the exact amount shown, and no prepayments. Any variation in these assumptions may cause the schedule to change. The Local Government Unit acknowledges that the level payment of principal and interest after July 20, 2008 is calcu-

lated on the assumption that each periodic payment will be made on the date when due, and if there is any variation in the actual payment dates, there may be an additional amount due upon maturity of this Note.)

The Local Government Unit has the right to prepay all or part of the outstanding principal and interest hereunder, without notice, cost, or penalty (*e.g.*, the Local Government Unit may redeem the Note at any time upon payment of a redemption price of 100% of the outstanding principal and accrued and unpaid interest through the date fixed for redemption). Upon tender of payment by the date fixed for redemption, interest shall cease to accrue on the Note after the date fixed for redemption.

The Local Government Unit hereby covenants with the registered owner hereof that it will include the amount of the debt service payable hereunder in its budget for the applicable fiscal year, will appropriate such amounts to the payment of such debt service and will duly and punctually pay or cause to be paid the entire principal hereof and the interest hereon at the place, on the dates and in the manner stated above, according to the true meaning and intent hereof, and for such budgeting, appropriation, and payment, the Local Government Unit hereby irrevocably pledges its full faith, credit, and taxing power.

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

In the event of a default hereunder, the entire principal balance hereof shall, at the option of the registered owner, accelerate and shall be and become immediately due and payable without notice or demand, and the Local Government Unit will pay the registered owner's reasonable costs and expenses incurred in collection of the amounts due hereunder.

The Paying Agent and Sinking Fund Depository for this Note is East Penn Bank, Emmaus, Pennsylvania. This Note is transferable by the registered owner hereof or its duly authorized attorney upon presentation of this Note at the principal corporate office of the Paying Agent by execution of the assignment form hereof in a manner satisfactory to the Paying Agent. Transfers shall be recorded by the Paying Agent on the books maintained for such purpose and upon the Certificate of Registration attached to this Note. The Local Government Unit may treat the person in whose name this Note is registered on the registration books maintained by the Paying Agent as the absolute owner of this Note for all purposes and despite notice to the contrary.

This Note is in fully-registered form and has been authorized and issued in accordance with the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as amended, 53 PA. CONS. STAT. § 8001 *et seq.*, pursuant to Ordinance No. 459 of the Local Government Unit and Chapter 8, Article VI of the Alburdis Codified Ordinances, duly and regularly enacted in accordance with the provisions of the Debt Act and other applicable law.

The Local Government Unit hereby certifies that all acts, conditions, and things required to be done, to occur or be performed precedent to and in the issuance of this Note, or in the creation of the indebtedness of which this Note is evidence, have been

done, have occurred, and have been performed in regular and due form and manner as required by law, and that the debt evidenced by this Note, together with all other indebtedness of the Local Government Unit, is not in excess of any constitutional or statutory limitation.

This Note is a Qualified Tax-Exempt Obligation within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

IN WITNESS WHEREOF, the authorized officers of the Local Government Unit have duly executed this Note on behalf of the Local Government Unit and affixed its seal as of the Dated date set forth above.

BOROUGH OF ALBURTIS

By: _____
Steven R. Hill, President of Borough
Council

Attest:

Melanie Hansen, Executive Secretary

{SEAL}

CERTIFICATE OF REGISTRATION

**NOTICE: No writing hereon except
by Paying Agent on behalf of the Local Government Unit**

It is hereby certified that the foregoing Note is registered as to principal and interest as follows:

<u>Name of Registered Owner</u>	<u>Address of Registered Owner</u>	<u>Date of Registration</u>	<u>Paying Agent's Authorized Signature</u>
East Penn Bank	731 Chestnut Street P.O. Box 869 Emmaus, PA 18049	July ____, 2007	_____
_____	_____	_____, 20__	_____

_____	_____	_____, 20__	_____

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto _____ the within Note, and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer said Note on the books of the within named Local Government Unit, with full power of substitution in the premises.

Tax Identification No.

Dated: _____

Notice: The signature on this assignment must correspond with the name as it appears upon the face of the within Note in every particular, without alteration or any change whatever.

--LOAN PAYMENT SCHEDULE--

REQUESTED BY:

FOR: Borough of Alburtis

		PRINCIPAL AMOUNT	ANNUAL RATE	PAYMENT AMOUNT	NUMBER OF PAYMENTS	DATE OF FIRST PAYMENT
		\$100,000.00	3.7500	\$1,830.39	60	AUG 20, 2008
NO.	DATE	PAYMENT AMOUNT	INTEREST	PAYMENT ON PRINCIPAL	BALANCE	
1	AUG 20, 08	1,830.39	312.50	1,517.89	98,482.11	
2	SEP 20, 08	1,830.39	307.76	1,522.63	96,959.48	
3	OCT 20, 08	1,830.39	303.00	1,527.39	95,432.09	
4	NOV 20, 08	1,830.39	298.23	1,532.16	93,899.93	
5	DEC 20, 08	1,830.39	293.44	1,536.95	92,362.98	
TOTALS FOR YEAR 08		9,151.95 *	1,514.93 *	7,637.02 *		
6	JAN 20, 09	1,830.39	288.63	1,541.76	90,821.22	
7	FEB 20, 09	1,830.39	283.82	1,546.57	89,274.65	
8	MAR 20, 09	1,830.39	278.98	1,551.41	87,723.24	
9	APR 20, 09	1,830.39	274.14	1,556.25	86,166.99	
10	MAY 20, 09	1,830.39	269.27	1,561.12	84,605.87	
11	JUN 20, 09	1,830.39	264.39	1,566.00	83,039.87	
12	JUL 20, 09	1,830.39	259.50	1,570.89	81,468.98	
13	AUG 20, 09	1,830.39	254.59	1,575.80	79,893.18	
14	SEP 20, 09	1,830.39	249.67	1,580.72	78,312.46	
15	OCT 20, 09	1,830.39	244.73	1,585.66	76,726.80	
16	NOV 20, 09	1,830.39	239.77	1,590.62	75,136.18	
17	DEC 20, 09	1,830.39	234.80	1,595.59	73,540.59	
TOTALS FOR YEAR 09		21,964.68 *	3,142.29 *	18,822.39 *		
18	JAN 20, 10	1,830.39	229.81	1,600.58	71,940.01	
19	FEB 20, 10	1,830.39	224.81	1,605.58	70,334.43	
20	MAR 20, 10	1,830.39	219.80	1,610.59	68,723.84	
21	APR 20, 10	1,830.39	214.76	1,615.63	67,108.21	
22	MAY 20, 10	1,830.39	209.71	1,620.68	65,487.53	
23	JUN 20, 10	1,830.39	204.65	1,625.74	63,861.79	
24	JUL 20, 10	1,830.39	199.57	1,630.82	62,230.97	
25	AUG 20, 10	1,830.39	194.47	1,635.92	60,595.05	
26	SEP 20, 10	1,830.39	189.36	1,641.03	58,954.02	
27	OCT 20, 10	1,830.39	184.23	1,646.16	57,307.86	
28	NOV 20, 10	1,830.39	179.09	1,651.30	55,656.56	
29	DEC 20, 10	1,830.39	173.93	1,656.46	54,000.10	
TOTALS FOR YEAR 10		21,964.68 *	2,424.19 *	19,540.49 *		
30	JAN 20, 11	1,830.39	168.75	1,661.64	52,338.46	
31	FEB 20, 11	1,830.39	163.56	1,666.83	50,671.63	
32	MAR 20, 11	1,830.39	158.35	1,672.04	48,999.59	
33	APR 20, 11	1,830.39	153.12	1,677.27	47,322.32	
34	MAY 20, 11	1,830.39	147.88	1,682.51	45,639.81	
35	JUN 20, 11	1,830.39	142.62	1,687.77	43,952.04	
36	JUL 20, 11	1,830.39	137.35	1,693.04	42,259.00	
37	AUG 20, 11	1,830.39	132.06	1,698.33	40,560.67	
38	SEP 20, 11	1,830.39	126.75	1,703.64	38,857.03	
39	OCT 20, 11	1,830.39	121.43	1,708.96	37,148.07	
40	NOV 20, 11	1,830.39	116.09	1,714.30	35,433.77	
41	DEC 20, 11	1,830.39	110.73	1,719.66	33,714.11	
TOTALS FOR YEAR 11		21,964.68 *	1,678.69 *	20,285.99 *		

EXHIBIT C

DEBT STATEMENT PURSUANT TO SECTION 8110 LOCAL GOVERNMENT UNIT DEBT ACT

Local Government Unit Borough of Alburdis

Lehigh County

Statement as of May 9, 2007

(Date - within 60 days of filing date)

Section 8002 I. GROSS INCURRED DEBT

	Electoral	Nonelectoral	Lease Rental
A. Bonds outstanding 1971-1	\$ _____	\$ _____	\$ 190,000
List and identify	\$ _____	\$ _____	\$ _____
by year of issue	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____
B. Notes Outstanding 2004-2	\$ _____	\$ 482,705	\$ _____
List and identify 2006-1	\$ _____	\$ 38,058	\$ _____
by year of issue	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____
TOTAL	\$ 0	\$ 520,763	\$ 190,000

II. CREDITS & EXCLUSIONS

Section 8028(b)

Less:

(where applicable)

1. Sinking Funds, reserve accounts, bond proceeds	\$ 0	\$ 0	\$ 0
2. Current appropriations	\$ 0	\$ 0	\$ 0
3. Uncollected special assessments	\$ 0	\$ 0	\$ 0
4. Delinquent taxes and liens	\$ 0	\$ 0	\$ 0
5. Surplus cash	\$ 0	\$ 0	\$ 0
6. Solvent debts due	\$ 0	\$ 0	\$ 0
7. Indemnifying insurance	\$ 0	\$ 0	\$ 0
8. Self-liquidating and self-sustaining debt (Excluded under Sections 8024, 8025, 8026)	\$ 0	\$ 0	\$ 0
TOTAL NET INDEBTEDNESS	\$ 0	\$ 520,763	\$ 190,000


III.	The aggregate principal amount of bonds or notes being issued or evidencing lease rental debt Issued as nonelectoral debt	\$ <u>300,00</u>
IV.	The principal amount of bonds or notes which will no longer be deemed to be outstanding pursuant to Section 8250 after settlement of the issue. <i>(Refunding issues only)</i>	\$ <u>0</u>
V.	Total Net Indebtedness after settlement of the issue	
	A. Nonelectoral	\$ <u>820,763</u>
	B. Nonelectoral plus Lease Rental	\$ <u>1,010,763</u>
VI.	The borrowing base as shown by appended borrowing base certificate	\$ <u>1,557,946</u>
VII.	Applicable debt limitations	
	(a) nonelectoral <i>(250% of the borrowing base; 300% for counties)</i>	\$ <u>3,894,865</u>
	(a)(1) nonelectoral plus lease rental debt limit for school district borrowings <i>(225% of the borrowing base)</i>	\$ _____
	(b) nonelectoral plus lease rental <i>(350% of the borrowing base; 400% for counties)</i>	\$ <u>5,452,811</u>

Section 8110(a) IN WITNESS WHEREOF, we, _____


Steven R. Hill and Melanie Hansen

being authorized to prepare, certify and file the foregoing statement, have hereunto set out hands and affixed the seal of the Borough of Alburdis, this 11th day of June
(Name of Local Government Unit)

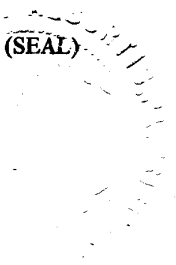
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Steven R. Hill, President of Borough Council



Melanie Hansen, Executive Secretary



SECTION 8110(b) CERTIFICATE

(If claiming exclusions on the debt statement, the following certification must be included)

I hereby certify that no decrease in the amounts to be excluded is required by any change of circumstances other than decreases resulting from the payments of bonds or notes.

(note: if there is a decrease other than from payments, the Local Government Unit must reduce the amount being excluded to reflect the changed circumstances).

Dated: June 11, 2007



Steven R. Hill, President of Borough
Council

BORROWING BASE CERTIFICATE - SECTION 8002

The borrowing base is the arithmetic average of total revenues received for the three fiscal years preceding the fiscal year in which the debt ordinance is enacted, as set forth in a certificate stating the total revenues for each year and stating the average. The certificate may be executed by any authorized official of the local government unit or an independent accountant. The computation of the borrowing base must be done in accordance with the definition of revenues in Section 8002. The following method may be used:

BORROWING BASE CERTIFICATE


Borough of Alburts, Lehigh County, Pennsylvania

Prepared as of May 9, 2007

	<u>FISCAL YEAR</u>		
(Three prior fiscal years)	<u>2004</u>	<u>2005</u>	<u>2006</u>
Total Revenues Received (money from <u>all</u> sources) { Total revenues from all funds except fiduciary funds (trusts & agency), not including interfund operating transfers, nor refunds of prior year expenditures. All years from audit report.}	\$ <u>1,523,434</u>	\$ <u>2,176,136</u>	\$ <u>1,776,968</u>
<u>Less:</u>			
(1) State and Federal subsidies and reimbursements related to a particular project financed by debt	\$ <u>0</u>	\$ <u>50,000</u>	\$ <u>0</u>
(2) Revenues, receipts, assessments, etc., pledged for self-liquidating debt	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
(3) Interest on moneys in sinking funds pledged for debt	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
(4) Grants and gifts-in-aid measured by construction or acquisition of specific projects	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
(5) Nonrecurring receipts { Proceeds of debt; developer contributions.}	\$ <u>150,000</u>	\$ <u>550,000</u>	\$ <u>52,700</u>
SUBTOTAL	\$ <u>1,373,434</u>	\$ <u>1,576,136</u>	\$ <u>1,724,268</u>
TOTAL NET REVENUES		\$ <u>4,673,838</u>	
BORROWING BASE (Total Net Revenues divided by 3)		\$ <u>1,557,946</u>	

(SEAL)

Executed: June 11, 2007



Steven R. Hill, President of Borough Council




Melanie Hansen, Executive Secretary

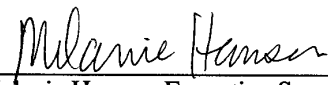
COMMONWEALTH OF PENNSYLVANIA
COUNTY OF LEHIGH

SS

Before me, the undersigned Notary Public, personally appeared _____
Steven R. Hill and Melanie Hansen, who
being duly sworn according to law depose and say that they are the _____
(Title of Officer)
President of Borough Council and Executive Secretary of
(Title of Officer) (Title of Officer)
the Borough of Alburtis and that the facts set forth in the foregoing
(Name of Local Government Unit)
are true and correct.



Steven R. Hill, President of Borough Council



Melanie Hansen, Executive Secretary

Sworn to and subscribed before me
this 11th day of June, 2007


Notary Public

