

**BOROUGH OF ALBURTIS
LEHIGH COUNTY, PENNSYLVANIA**

Ordinance No. 427

(Duly Adopted November 22, 2004)

AN ORDINANCE INCREASING THE NONELECTORAL INDEBTEDNESS OF THE BOROUGH OF ALBURTIS, LEHIGH COUNTY, PENNSYLVANIA, BY THE ISSUE OF A GENERAL OBLIGATION NOTE, SERIES 2 OF 2004, IN AN AMOUNT NOT TO EXCEED FIVE HUNDRED FIFTY THOUSAND DOLLARS (\$550,000) (PRINCIPAL AMOUNT), FOR AND TOWARD PAYING CERTAIN COSTS AND EXPENSES FOR THE PLANNING, DESIGNING, ACQUIRING, CONSTRUCTING, AND EQUIPPING OF A NEW BOROUGH MAINTENANCE BUILDING AND SALT SHED, AND THE PLANNING, DESIGNING, ACQUIRING, ERECTING, CONSTRUCTING, AND EQUIPPING OF A NEW WATER STORAGE TANK, WATER PUMP STATION, AND OTHER 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 3.65% 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 IV:

**Article IV — Borough Maintenance Building and Salt
Shed; Water Storage Tank and Water Pump Station**

§ 8-401 Background.

(a) The governing body of the Borough of Alburdis, Lehigh County, Pennsylvania (the “**Local Government Unit**”) deems it advisable to borrow up to Five Hundred Fifty Thousand Dollars (\$550,000.00) for and toward paying the costs and expenses for the planning, designing, acquiring, constructing, and equipping of a new Borough maintenance building and salt shed, and the planning, designing, acquiring, erecting, constructing, and equipping of a new water storage tank, water pump station, and other water system facilities (the “**Project**”), and paying the costs of issuance of the indebtedness.

(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 \$550,000 to be designated as the General Obligation Note, Series 2 of 2004, 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 Borough Engineer has determined that the estimated useful life of the Project is in excess of twelve (12) years (with the maintenance building and salt shed having an estimated useful life of at least thirty-five (35) years, the pump station having an estimated useful life of twenty (20) years, and the water storage tank having an estimated useful life of fifty (50) years).

(e) The Local Government Unit has obtained realistic cost estimates for the costs of the Project from registered architects, professional engineers, or other persons qualified by experience, indicating the sum of \$750,000.00 will be needed to complete the Project.

(f) EAST PENN BANK (the “**Bank**”) has presented a written purchase contract (the “**Purchase Contract**”), attached to Ordinance 427 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.

§ 8-402 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 Five Hundred Fifty Thousand Dollars (\$550,000.00), 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 2 of 2004), in fully registered form; in the principal sum not to exceed \$550,000; dated the date of its delivery; bearing interest at the rate of 3.65% per annum calculated on a 365-day year basis for the actual number of days elapsed; payable in eleven (11) monthly payments of interest only on the advanced and outstanding principal balance, commencing February 1, 2005, followed by level monthly installment payments of principal and interest in the amount of Five Thousand Four Hundred Seventy-seven Dollars and forty-five cents (\$5,477.45) commencing January 1, 2006, with all outstanding principal and accrued interest due and payable in full on December 1, 2015; and in the form attached to Ordinance 427 as **Exhibit B** (which is incorporated herein by

reference) (the “**Note**”). The Local Government Unit may prepay the Note as set forth in **Exhibit B** to Ordinance 247.

§ 8-403 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 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.

§ 8-404 Debt Statement and State Filings.

The Designated Officers are hereby authorized and directed to prepare, execute, verify, and file with the Pennsylvania Department of Community and Economic Development (“**Department**”) the debt statement and borrowing base certificate required by the Act at 53 PA. CONS. STAT. § 8110, to file and maintain a copy of such debt statement and certificate in the Office of the 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 under 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.

§ 8-405 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.

§ 8-406 Sinking Fund.

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 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 Secretary or Treasurer 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 Depositary 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 Bank may withdraw available monies from

the Sinking Fund and apply them to the payment of the principal and interest on the Note.

§ 8-407 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 2004 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 2004 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.

§ 8-408 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.

§ 8-409 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.

§ 8-410 Contract.

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

§ 8-411 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.

§ 8-412 Compliance With Debt Act.

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

§ 8-413 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.

§ 8-414 Advertisement.

The prior advertisement of a summary of this Article and Ordinance 427 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 427 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

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 Alburtis, this 22nd day of November, 2004, in lawful session duly assembled.

BOROUGH COUNCIL
BOROUGH OF ALBURTIS

Steven R. Hill, President

Attest:

Melanie Hansen, Secretary

AND NOW, this 22nd day of November, 2004, the above Ordinance is hereby
APPROVED.

Russell J. Afflerbach, Mayor

EXHIBIT A



November 16, 2004

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

To Whom It May Concern:

East Penn Bank has approved the request of the Borough of Alburis for financing a new Borough maintenance building, salt shed, water storage tank, water pump station, and other 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 Alburis not later than the date of the enactment of an Ordinance authorizing issuance of a General Obligation Note of the Borough of Alburis 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 Alburis
Loan Type: Unsecured tax-free term loan
Amount: \$550,000.00
Term: Proceeds to be disbursed between Settlement and December 1, 2005; then 10 year term from December 1, 2005 to December 1, 2015.
Interest Rate: 3.65% fixed for the term of the loan
Fee: None
Collateral: None
Guarantors: None
Repayment Schedule: Monthly payments of interest only from February 1, 2005 through December 1, 2005; then 120 monthly payments of \$5,477.45 principal and interest beginning January 1, 2006.
Prepayment Penalty: None

Section B: Conditions

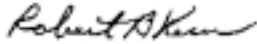
1. East Penn Bank to be the main bank depository of the borrower.
2. Annual CPA-prepared financial statement to be provided.
3. Copy of annual budget to be provided each year.
4. Receipt at Settlement of an Opinion of Counsel substantially in the form attached.
5. Such other documents, certificates, 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 December 1, 2005.
8. The Bank shall be the Sinking Fund Depository 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 November 30, 2004. Settlement must occur on or before December 30, 2004. 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 December 30, 2004 and before receipt of such approval.

Sincerely,



Robert B. Kern
Commercial Loan Officer

AGREED AND ACCEPTED on this ____ day of November, 2004.

BOROUGH OF ALBURTIS

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

Form of Opinion of Counsel

December ____, 2004

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

**Re: Borough of Alburtis
Lehigh County, Pennsylvania
\$550,000.00 General Obligation Note
Series 2 of 2004
Dated December ____, 2004**

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 Local Government Unit has covenanted in the Ordinance of its Governing Body authorizing the issuance of the Note ("**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.

Based on the foregoing and such review as I deemed necessary, 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 Pennsylvania Local Government Unit Debt Act, 53 PA. CONS. STAT. § 8001 *et seq.* (“**Act**”); the Local Government Unit has complied with all relevant provisions of the Act with regard to the issuance 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 by its proper officers to make the Note a validly issued and legally binding obligation, except as may be limited by (a) applicable bankruptcy, insolvency, or other laws or equitable principles now or hereafter affecting the enforcement of creditors’ rights generally, or (b) general principles of equity.

2. 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.

3. The President of Borough Council of the Local Government Unit is _____, and the Secretary of the Local Government Unit is _____. Each of them is now, and was at all times relevant to these transactions, duly elected or appointed, qualified and acting as such officer.

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

5. I have, as of the completion of Settlement, made such investigation as is appropriate and, based thereon, am of the opinion that there is no litigation pending against the Local Government Unit 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.

6. Interest on the Note is not includable in gross income for federal income tax purposes under Section 103(a) of the Code. However, corporations (as defined for federal tax purposes) subject to alternative minimum tax may be required to include

interest on the Note as an adjustment in computing alternative minimum taxable income.

7. 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.

8. 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.

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

A. As to questions of fact material to my opinion, I have relied upon the certified proceedings 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.

B. Except as specifically set forth above, I express no opinion regarding other federal income tax consequences arising with respect to the Note, 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, and the effect, if any, of certain other provisions of the Code which could result in collateral federal income tax consequences to certain investors as a result of adjustments in the computation of tax liability dependent on tax-exempt interest.

Very truly yours,

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 2 OF 2004**

Dated December __, 2004

\$550,000.00

Principal Amount

3.65%

Interest Rate

December 1, 2015

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 Five Hundred Fifty Thousand Dollars (\$550,000.00), together with interest on the advanced and unpaid principal balance at the rate of three and sixty-five hundredths percent (3.65%) per annum at all times until this Note is paid in full (calculated on the basis of a year of 365 days 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 February 1, 2005, and continuing on the first (1st) day of each succeeding calendar month through December 1, 2005; and

(b) level monthly payments of principal and interest in the amount of Five Thousand Four Hundred Seventy-seven Dollars and forty-five cents (\$5,477.45) commencing on January 1, 2006 and continuing on the first (1st) day of each succeeding calendar month until paid in full. Any outstanding principal and accrued interest shall be due and payable in full on December 1, 2015. (The attached amortization schedule indicates the due dates and amounts of each payment of principal and interest under this Note following the interest-only period, and the allocation of each payment between principal and interest, assuming the disbursement of all funds on or before December 1, 2005, timely payment of all interest due through December 1, 2005, 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 is calculated 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.

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. 427 of the Local Government Unit and Chapter 8, Article IV of the Alburdis Codified Ordinances, duly and regularly enacted in accordance with the provisions of the Debt Act.

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, 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	_____, 2004	_____
_____	_____	_____, 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: R KERN FOR: Borough of Alburdis

PRINCIPAL ANNUAL PAYMENT NUMBER OF DATE OF FIRST
 AMOUNT RATE AMOUNT PAYMENTS PAYMENT
 \$550,000.00 3.6500 \$5,477.45 120 JAN 01, 2006

<-----PAYMENT----->			<-----PAYMENT ON----->		
NO.	DATE	AMOUNT	INTEREST	PRINCIPAL	BALANCE
1	JAN 01, 06	5,477.45	1,705.00	3,772.45	546,227.55
2	FEB 01, 06	5,477.45	1,693.31	3,784.14	542,443.41
3	MAR 01, 06	5,477.45	1,518.84	3,958.61	538,484.80
4	APR 01, 06	5,477.45	1,669.30	3,808.15	534,676.65
5	MAY 01, 06	5,477.45	1,604.03	3,873.42	530,803.23
6	JUN 01, 06	5,477.45	1,645.49	3,831.96	526,971.27
7	JUL 01, 06	5,477.45	1,580.91	3,896.54	523,074.73
8	AUG 01, 06	5,477.45	1,621.53	3,855.92	519,218.81
9	SEP 01, 06	5,477.45	1,609.58	3,867.87	515,350.94
10	OCT 01, 06	5,477.45	1,546.05	3,931.40	511,419.54
11	NOV 01, 06	5,477.45	1,585.40	3,892.05	507,527.49
12	DEC 01, 06	5,477.45	1,522.58	3,954.87	503,572.62
TOTALS FOR YEAR 06		65,729.40 *	19,302.02 *	46,427.38 *	
13	JAN 01, 07	5,477.45	1,561.08	3,916.37	499,656.25
14	FEB 01, 07	5,477.45	1,548.93	3,928.52	495,727.73
15	MAR 01, 07	5,477.45	1,388.04	4,089.41	491,638.32
16	APR 01, 07	5,477.45	1,524.08	3,953.37	487,684.95
17	MAY 01, 07	5,477.45	1,463.05	4,014.40	483,670.55
18	JUN 01, 07	5,477.45	1,499.38	3,978.07	479,692.48
19	JUL 01, 07	5,477.45	1,439.08	4,038.37	475,654.11
20	AUG 01, 07	5,477.45	1,474.53	4,002.92	471,651.19
21	SEP 01, 07	5,477.45	1,462.12	4,015.33	467,635.86
22	OCT 01, 07	5,477.45	1,402.91	4,074.54	463,561.32
23	NOV 01, 07	5,477.45	1,437.04	4,040.41	459,520.91
24	DEC 01, 07	5,477.45	1,378.56	4,098.89	455,422.02
TOTALS FOR YEAR 07		65,729.40 *	17,578.80 *	48,150.60 *	
25	JAN 01, 08	5,477.45	1,411.81	4,065.64	451,356.38
26	FEB 01, 08	5,477.45	1,399.20	4,078.25	447,278.13
27	MAR 01, 08	5,477.45	1,297.11	4,180.34	443,097.79
28	APR 01, 08	5,477.45	1,373.60	4,103.85	438,993.94
29	MAY 01, 08	5,477.45	1,316.98	4,160.47	434,833.47
30	JUN 01, 08	5,477.45	1,347.98	4,129.47	430,704.00
31	JUL 01, 08	5,477.45	1,292.11	4,185.34	426,518.66
32	AUG 01, 08	5,477.45	1,322.21	4,155.24	422,363.42
33	SEP 01, 08	5,477.45	1,309.33	4,168.12	418,195.30
34	OCT 01, 08	5,477.45	1,254.59	4,222.86	413,972.44
35	NOV 01, 08	5,477.45	1,283.31	4,194.14	409,778.30
36	DEC 01, 08	5,477.45	1,229.33	4,248.12	405,530.18
TOTALS FOR YEAR 08		65,729.40 *	15,837.56 *	49,891.84 *	
37	JAN 01, 09	5,477.45	1,257.14	4,220.31	401,309.87
38	FEB 01, 09	5,477.45	1,244.06	4,233.39	397,076.48
39	MAR 01, 09	5,477.45	1,111.81	4,365.64	392,710.84
40	APR 01, 09	5,477.45	1,217.40	4,260.05	388,450.79
41	MAY 01, 09	5,477.45	1,165.35	4,312.10	384,138.69
42	JUN 01, 09	5,477.45	1,190.83	4,286.62	379,852.07

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		PRINCIPAL AMOUNT	ANNUAL RATE	PAYMENT AMOUNT	NUMBER OF PAYMENTS	DATE OF FIRST PAYMENT
		\$550,000.00	3.6500	\$5,477.45	120	JAN 01, 2006
<-----PAYMENT----->		<-----PAYMENT ON----->				BALANCE
NO.	DATE	AMOUNT	INTEREST	PRINCIPAL		
43	JUL 01, 09	5,477.45	1,139.56	4,337.89	375,514.18	
44	AUG 01, 09	5,477.45	1,164.09	4,313.36	371,200.82	
45	SEP 01, 09	5,477.45	1,150.72	4,326.73	366,874.09	
46	OCT 01, 09	5,477.45	1,100.62	4,376.83	362,497.26	
47	NOV 01, 09	5,477.45	1,123.74	4,353.71	358,143.55	
48	DEC 01, 09	5,477.45	1,074.43	4,403.02	353,740.53	
TOTALS FOR YEAR 09		65,729.40 *	13,939.75 *	51,789.65 *		
49	JAN 01, 10	5,477.45	1,096.60	4,380.85	349,359.68	
50	FEB 01, 10	5,477.45	1,083.02	4,394.43	344,965.25	
51	MAR 01, 10	5,477.45	965.90	4,511.55	340,453.70	
52	APR 01, 10	5,477.45	1,055.41	4,422.04	336,031.66	
53	MAY 01, 10	5,477.45	1,008.09	4,469.36	331,562.30	
54	JUN 01, 10	5,477.45	1,027.84	4,449.61	327,112.69	
55	JUL 01, 10	5,477.45	981.34	4,496.11	322,616.58	
56	AUG 01, 10	5,477.45	1,000.11	4,477.34	318,139.24	
57	SEP 01, 10	5,477.45	986.23	4,491.22	313,648.02	
58	OCT 01, 10	5,477.45	940.94	4,536.51	309,111.51	
59	NOV 01, 10	5,477.45	958.25	4,519.20	304,592.31	
60	DEC 01, 10	5,477.45	913.78	4,563.67	300,028.64	
TOTALS FOR YEAR 10		65,729.40 *	12,017.51 *	53,711.89 *		
61	JAN 01, 11	5,477.45	930.09	4,547.36	295,481.28	
62	FEB 01, 11	5,477.45	915.99	4,561.46	290,919.82	
63	MAR 01, 11	5,477.45	814.58	4,662.87	286,256.95	
64	APR 01, 11	5,477.45	887.40	4,590.05	281,666.90	
65	MAY 01, 11	5,477.45	845.00	4,632.45	277,034.45	
66	JUN 01, 11	5,477.45	858.81	4,618.64	272,415.81	
67	JUL 01, 11	5,477.45	817.25	4,660.20	267,755.61	
68	AUG 01, 11	5,477.45	830.04	4,647.41	263,108.20	
69	SEP 01, 11	5,477.45	815.64	4,661.81	258,446.39	
70	OCT 01, 11	5,477.45	775.34	4,702.11	253,744.28	
71	NOV 01, 11	5,477.45	786.61	4,690.84	249,053.44	
72	DEC 01, 11	5,477.45	747.16	4,730.29	244,323.15	
TOTALS FOR YEAR 11		65,729.40 *	10,023.91 *	55,705.49 *		
73	JAN 01, 12	5,477.45	757.40	4,720.05	239,603.10	
74	FEB 01, 12	5,477.45	742.77	4,734.68	234,868.42	
75	MAR 01, 12	5,477.45	681.12	4,796.33	230,072.09	
76	APR 01, 12	5,477.45	713.22	4,764.23	225,307.86	
77	MAY 01, 12	5,477.45	675.92	4,801.53	220,506.33	
78	JUN 01, 12	5,477.45	683.57	4,793.88	215,712.45	
79	JUL 01, 12	5,477.45	647.14	4,830.31	210,882.14	
80	AUG 01, 12	5,477.45	653.73	4,823.72	206,058.42	
81	SEP 01, 12	5,477.45	638.78	4,838.67	201,219.75	
82	OCT 01, 12	5,477.45	603.66	4,873.79	196,345.96	
83	NOV 01, 12	5,477.45	608.67	4,868.78	191,477.18	
84	DEC 01, 12	5,477.45	574.43	4,903.02	186,574.16	

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REQUESTED BY: R KERN

FOR: Borough of Alburdis

	PRINCIPAL AMOUNT	ANNUAL RATE	PAYMENT AMOUNT	NUMBER OF PAYMENTS	DATE OF FIRST PAYMENT
	\$550,000.00	3.6500	\$5,477.45	120	JAN 01, 2006
<-----PAYMENT----->		<-----PAYMENT ON----->		BALANCE	
NO.	DATE	AMOUNT	INTEREST	PRINCIPAL	
TOTALS FOR YEAR 12		65,729.40 *	7,980.41 *	57,748.99 *	
85	JAN 01, 13	5,477.45	578.38	4,899.07	181,675.09
86	FEB 01, 13	5,477.45	563.19	4,914.26	176,760.83
87	MAR 01, 13	5,477.45	494.93	4,982.52	171,778.31
88	APR 01, 13	5,477.45	532.51	4,944.94	166,833.37
89	MAY 01, 13	5,477.45	500.50	4,976.95	161,856.42
90	JUN 01, 13	5,477.45	501.75	4,975.70	156,880.72
91	JUL 01, 13	5,477.45	470.64	5,006.81	151,873.91
92	AUG 01, 13	5,477.45	470.81	5,006.64	146,867.27
93	SEP 01, 13	5,477.45	455.29	5,022.16	141,845.11
94	OCT 01, 13	5,477.45	425.54	5,051.91	136,793.20
95	NOV 01, 13	5,477.45	424.06	5,053.39	131,739.81
96	DEC 01, 13	5,477.45	395.22	5,082.23	126,657.58
TOTALS FOR YEAR 13		65,729.40 *	5,812.82 *	59,916.58 *	
97	JAN 01, 14	5,477.45	392.64	5,084.81	121,572.77
98	FEB 01, 14	5,477.45	376.88	5,100.57	116,472.20
99	MAR 01, 14	5,477.45	326.12	5,151.33	111,320.87
100	APR 01, 14	5,477.45	345.09	5,132.36	106,188.51
101	MAY 01, 14	5,477.45	318.57	5,158.88	101,029.63
102	JUN 01, 14	5,477.45	313.19	5,164.26	95,865.37
103	JUL 01, 14	5,477.45	287.60	5,189.85	90,675.52
104	AUG 01, 14	5,477.45	281.09	5,196.36	85,479.16
105	SEP 01, 14	5,477.45	264.99	5,212.46	80,266.70
106	OCT 01, 14	5,477.45	240.80	5,236.65	75,030.05
107	NOV 01, 14	5,477.45	232.59	5,244.86	69,785.19
108	DEC 01, 14	5,477.45	209.36	5,268.09	64,517.10
TOTALS FOR YEAR 14		65,729.40 *	3,588.92 *	62,140.48 *	
109	JAN 01, 15	5,477.45	200.00	5,277.45	59,239.65
110	FEB 01, 15	5,477.45	183.64	5,293.81	53,945.84
111	MAR 01, 15	5,477.45	151.05	5,326.40	48,619.44
112	APR 01, 15	5,477.45	150.72	5,326.73	43,292.71
113	MAY 01, 15	5,477.45	129.88	5,347.57	37,945.14
114	JUN 01, 15	5,477.45	117.63	5,359.82	32,585.32
115	JUL 01, 15	5,477.45	97.76	5,379.69	27,205.63
116	AUG 01, 15	5,477.45	84.34	5,393.11	21,812.52
117	SEP 01, 15	5,477.45	67.62	5,409.83	16,402.69
118	OCT 01, 15	5,477.45	49.21	5,428.24	10,974.45
119	NOV 01, 15	5,477.45	34.02	5,443.43	5,531.02
120	DEC 01, 15	5,547.61	16.59	5,531.02	.00
TOTALS FOR YEAR 15		65,799.56 *	1,282.46 *	64,517.10 *	
GRAND TOTALS		657,364.16 *	107,364.16 *	550,000.00 *	