

**BOROUGH OF ALBURTIS
LEHIGH COUNTY, PENNSYLVANIA**

Ordinance No. 444

(Duly Adopted February 22, 2006)

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 2006, IN AN AMOUNT NOT TO EXCEED FIFTY-TWO THOUSAND SEVEN HUNDRED DOLLARS (\$52,700) (PRINCIPAL AMOUNT), FOR AND TOWARD PAYING THE COSTS FOR THE ACQUISITION OF A NEW JOHN DEERE 310SG BACKHOE AND RELATED COSTS, AND PAYING THE COSTS OF ISSUING THE NOTE; PROVIDING THE FORM OF THE NOTE; FIXING THE RATE OF INTEREST TO BE PAID AT 3.40% 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.

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

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

Article V — Acquisition of Backhoe

§ 8-501 Background.

(a) The governing body of the Borough of Alburdis, Lehigh County, Pennsylvania (the “**Local Government Unit**”) deems it advisable to borrow up to Fifty-two Thousand Seven Dollars (\$52,700.00) for and toward paying the costs for the acquisition of a new John Deere 310SG Backhoe, and related costs (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 \$52,700 to be designated as the General Obligation Note, Series 1 of 2006, 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 Maintenance Supervisor has determined that the estimated useful life of the Project is in excess of four (4) years.

(e) The Local Government Unit has obtained realistic cost estimates for the costs of the Project by actual bid (quote) from the supplier, indicating the sum of \$52,720 will be needed to complete the Project, including the trade of an existing John Deere 310D.

(f) EAST PENN BANK (the “**Bank**”) has presented a written purchase contract (the “**Purchase Contract**”), attached to Ordinance 444 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.

§ 8-502 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 Fifty-two Thousand Seven Dollars (\$52,700.00), for the purpose of providing funds for and toward 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 2006), in fully registered form; in the principal sum not to exceed \$52,700; dated the date of its delivery; bearing interest at the rate of 3.40% per annum calculated on a 365-day year basis (366 days in leap years) for the actual number of days elapsed; payable in forty-seven (47) level monthly installment payments of principal and interest in the amount of One Thousand One Hundred Seventy-five Dollars and eighty-two cents (\$1,175.82) commencing March 24, 2006, with all outstanding principal and accrued interest due and payable in full on February 24, 2010; and in the form attached to Ordinance 444 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 444.

§ 8-503 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. Immediately upon receipt of the proceeds of the Note, the Designated Officers and all other officers and employees of the Local Government Unit are directed to pay the full amount of the proceeds to the supplier of the new John Deere 310SG backhoe, Plasterer Equipment Co., Inc., together with all other amounts required to satisfy the in-

voice from the supplier for the new backhoe, since the backhoe has been delivered to and accepted by the Local Government Unit.

§ 8-504 Small Borrowing; Debt Statement.

The Local Government Unit hereby incurs the debt represented by the Note as a small borrowing for capital purposes under 53 PA. CONS. STAT. § 8109, and this Article, although adopted as an ordinance in accordance with the Borough Code, is a “resolution” within the meaning of 53 PA. CONS. STAT. § 8109. *See* 53 PA. CONS. STAT. § 8002(c) (a “resolution” under the Act is a formal action of a governmental unit to which the advertising requirements of 53 PA. CONS. STAT. § 8003 do not apply, whether, under the law applicable to the local government unit, the action is taken by ordinance or resolution). In accordance with the requirements of PA. CONS. STAT. § 8110, the Designated Officers have prepared, executed, and verified the debt statement and borrowing base certificate required by the Act prior to the adoption of this Ordinance (which are attached to Ordinance 444 as **Exhibit C** and incorporated herein by reference) and they are hereby directed to file and maintain 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.

§ 8-505 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 to the fullest extent authorized by law; (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.

§ 8-506 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 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 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 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 of 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.

§ 8-507 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 2006 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 either within six months from the date of issuance,

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 2006 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.

§ 8-508 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. The Local Government Unit accepts the Purchase Contract and authorizes the Designated Officers to execute an appropriate acceptance document.

§ 8-509 Financial Statements.

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.

§ 8-510 Contract.

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

§ 8-511 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.

§ 8-512 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 issued as small borrowings for capital purposes under PA. CONS. STAT. § 8109, 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.

§ 8-513 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.

§ 8-514 Advertisement.

The prior advertisement of a summary of this Article and Ordinance 444 as required by law in the *East Penn Press*, a newspaper of general circulation, is ratified and confirmed.

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 22nd day of February, 2006, in lawful session duly assembled.

BOROUGH COUNCIL
BOROUGH OF ALBURTIS

Steven R. Hill, President

Attest:

Melanie Hansen, Executive Secretary

AND NOW, this 22nd day of February, 2006, the above Ordinance is hereby
APPROVED.

Russell J. Afflerbach, Mayor

EXHIBIT A



February 16, 2006

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 the purchase of a new backhoe. 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: \$52,700
Term: Four (4) years
Interest Rate: 3.40% fixed for the term of the loan
Fee: None
Collateral: None
Guarantors: None
Repayment
Schedule: 47 monthly payments of \$1,175.82 principal and interest beginning March 24, 2006, plus a final payment of \$1,175.77 principal and interest on February 24, 2010.
Prepayment
Penalty: None

Section B: Conditions

1. Annual CPA-prepared financial statement to be provided.
2. Copy of annual budget to be provided each year.
3. Receipt at Settlement of an Opinion of Counsel substantially in the form attached.
4. Documents to be prepared by Borrower's counsel, at Borrower's cost.
5. The Proceeds of the Note are to be disbursed to Borrower at settlement.
6. The Bank shall be the Sinking Fund Depositary and Paying Agent under the Note.

Borough Council
Borough of Albury
Page Two
February 16, 2006

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 February 24, 2006. Settlement must occur on or before February 28, 2006.

Sincerely,



Robert B. Kern
Commercial Loan Officer

RBK/jh

AGREED AND ACCEPTED on this 22nd day of February, 2006.

BOROUGH OF ALBURY

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

Form of Opinion of Counsel

February 24, 2006

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

**Re: Borough of Alburtis
Lehigh County, Pennsylvania
\$52,700.00 General Obligation Note
Series 1 of 2006
Dated February 24, 2006**

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 444 dated February 22, 2006 and approved by the Mayor of the Local Government Unit on February 22, 2006 (“**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 the costs for the acquisition of a new John Deere 310SG backhoe and related costs, 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**”). The Note is being issued as a small borrowing for capital purposes under 53 PA. CONS. STAT. § 8109 because the amount being issued is only \$52,700 and the Local Government Unit has no other outstanding debt issued under that provision. Accordingly, the proceedings for the incurring of this debt of the Lo-

cal Government Unit as authorized in the Ordinance have not been submitted to the Pennsylvania Department of Community and Economic Development for its approval.

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 in the Ordinance 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 Depositary 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 Pennsylvania Local Government Unit Debt Act, 53 PA. CONS. STAT. §

8001 *et seq.* (“**Act**”) as a small borrowing for capital purposes under 53 PA. CONS. STAT. § 8109 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, is not in excess of legal limitations; the amount of the debt issued and outstanding or authorized by the Governing Body of the Local Government Unit, including the Note, as a small borrowing for capital purposes is not in excess of legal limitations for such small borrowings; 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 the Commonwealth 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 and without approval of the proceedings by the Department of Community and Economic Development; the Local Government Unit has complied with all relevant provisions of the Act with regard to the issuance of the Note; 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 February 22, 2006 and was approved and signed by the Mayor on February 22, 2006. 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. 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 authorized, 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. However, certain corporations and entities treated as corporations for federal income tax purposes may be required to include interest on the Note as an adjustment in computing alternative minimum taxable income.

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; 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 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. 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 lim-

ited 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 2006****Dated February 24, 2006****\$52,700.00
Principal Amount****3.40%
Interest Rate****February 24, 2010
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 form, at the place shown on the registration form, 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 Fifty-two Thousand Seven Hundred Dollars (\$52,700.00), together with interest on the advanced and unpaid principal balance at the rate of three and forty hundredths percent (3.40%) 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), in level monthly payments of principal and interest in the amount of One Thousand One Hundred Seventy-five Dollars and eighty-two cents (\$1,175.82) commencing on March 24, 2006 and continuing on the twenty-fourth (24th) day of each succeeding calendar month until paid in full. Any outstanding principal and accrued interest shall be due and payable in full on February 24, 2010. (The attached amortization schedule indicates the due dates and amounts of each payment under this Note, and the allocation of each payment between principal and interest, assuming the disbursement of funds on the indicated disbursement date, timely payment of all installments 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 accrued hereunder at any time, without cost or penalty (*i.e.*, 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 to the fullest extent authorized by law, 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 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. 444 of the Local Government Unit and Chapter 8, Article V of the Alburty 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 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.

{Remainder of page intentionally left blank.}

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	February 24, 2006	_____
_____	_____	_____, 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: kern

FOR: borough of albertis

DATE OF NOTE	PRINCIPAL AMOUNT	ANNUAL RATE	PAYMENT AMOUNT	NUMBER OF PAYMENTS	DATE OF FIRST PAYMENT
FEB 24, 2006	\$52,700.00	3.4000	\$1,175.82	48	MAR 24, 2006

<-----PAYMENT----->			<-----PAYMENT ON----->		
NO.	DATE	AMOUNT	INTEREST	PRINCIPAL	BALANCE
1	MAR 24, 06	1,175.82	149.32	1,026.50	51,673.50
2	APR 24, 06	1,175.82	146.41	1,029.41	50,644.09
3	MAY 24, 06	1,175.82	143.49	1,032.33	49,611.76
4	JUN 24, 06	1,175.82	140.57	1,035.25	48,576.51
5	JUL 24, 06	1,175.82	137.63	1,038.19	47,538.32
6	AUG 24, 06	1,175.82	134.69	1,041.13	46,497.19
7	SEP 24, 06	1,175.82	131.74	1,044.08	45,453.11
8	OCT 24, 06	1,175.82	128.78	1,047.04	44,406.07
9	NOV 24, 06	1,175.82	125.82	1,050.00	43,356.07
10	DEC 24, 06	1,175.82	122.84	1,052.98	42,303.09
TOTALS FOR YEAR 06		11,758.20 *	1,361.29 *	10,396.91 *	
11	JAN 24, 07	1,175.82	119.86	1,055.96	41,247.13
12	FEB 24, 07	1,175.82	116.87	1,058.95	40,188.18
13	MAR 24, 07	1,175.82	113.87	1,061.95	39,126.23
14	APR 24, 07	1,175.82	110.86	1,064.96	38,061.27
15	MAY 24, 07	1,175.82	107.84	1,067.98	36,993.29
16	JUN 24, 07	1,175.82	104.81	1,071.01	35,922.28
17	JUL 24, 07	1,175.82	101.78	1,074.04	34,848.24
18	AUG 24, 07	1,175.82	98.74	1,077.08	33,771.16
19	SEP 24, 07	1,175.82	95.68	1,080.14	32,691.02
20	OCT 24, 07	1,175.82	92.62	1,083.20	31,607.82
21	NOV 24, 07	1,175.82	89.56	1,086.26	30,521.56
22	DEC 24, 07	1,175.82	86.48	1,089.34	29,432.22
TOTALS FOR YEAR 07		14,109.84 *	1,238.97 *	12,870.87 *	
23	JAN 24, 08	1,175.82	83.39	1,092.43	28,339.79
24	FEB 24, 08	1,175.82	80.30	1,095.52	27,244.27
25	MAR 24, 08	1,175.82	77.19	1,098.63	26,145.64
26	APR 24, 08	1,175.82	74.08	1,101.74	25,043.90
27	MAY 24, 08	1,175.82	70.96	1,104.86	23,939.04
28	JUN 24, 08	1,175.82	67.83	1,107.99	22,831.05
29	JUL 24, 08	1,175.82	64.69	1,111.13	21,719.92
30	AUG 24, 08	1,175.82	61.54	1,114.28	20,605.64
31	SEP 24, 08	1,175.82	58.38	1,117.44	19,488.20
32	OCT 24, 08	1,175.82	55.22	1,120.60	18,367.60
33	NOV 24, 08	1,175.82	52.04	1,123.78	17,243.82
34	DEC 24, 08	1,175.82	48.86	1,126.96	16,116.86
TOTALS FOR YEAR 08		14,109.84 *	794.48 *	13,315.36 *	
35	JAN 24, 09	1,175.82	45.66	1,130.16	14,986.70
36	FEB 24, 09	1,175.82	42.46	1,133.36	13,853.34
37	MAR 24, 09	1,175.82	39.25	1,136.57	12,716.77
38	APR 24, 09	1,175.82	36.03	1,139.79	11,576.98
39	MAY 24, 09	1,175.82	32.80	1,143.02	10,433.96
40	JUN 24, 09	1,175.82	29.56	1,146.26	9,287.70
41	JUL 24, 09	1,175.82	26.32	1,149.50	8,138.20
42	AUG 24, 09	1,175.82	23.06	1,152.76	6,985.44

--LOAN PAYMENT SCHEDULE--

REQUESTED BY: kern

FOR: borough of alburtis

DATE OF NOTE	PRINCIPAL AMOUNT	ANNUAL RATE	PAYMENT AMOUNT	NUMBER OF PAYMENTS	DATE OF FIRST PAYMENT
FEB 24, 2006	\$52,700.00	3.4000	\$1,175.82	48	MAR 24, 2006
<-----PAYMENT----->			<-----PAYMENT ON----->		
NO.	DATE	AMOUNT	INTEREST	PRINCIPAL	BALANCE
43	SEP 24, 09	1,175.82	19.79	1,156.03	5,829.41
44	OCT 24, 09	1,175.82	16.52	1,159.30	4,670.11
45	NOV 24, 09	1,175.82	13.23	1,162.59	3,507.52
46	DEC 24, 09	1,175.82	9.94	1,165.88	2,341.64
TOTALS FOR YEAR 09		14,109.84 *	334.62 *	13,775.22 *	
47	JAN 24, 10	1,175.82	6.63	1,169.19	1,172.45
48	FEB 24, 10	1,175.77	3.32	1,172.45	.00
TOTALS FOR YEAR 10		2,351.59 *	9.95 *	2,341.64 *	
GRAND TOTALS		56,439.31 *	3,739.31 *	52,700.00 *	

EXHIBIT C

DEBT STATEMENT PURSUANT TO SECTION 8110 LOCAL GOVERNMENT UNIT DEBT ACT

Local Government Unit Borough of Alburtis

Lehigh County

Statement as of December 31, 2005

(Date - within 60 days of filing date)

Section 8002 I. GROSS INCURRED DEBT

	Electoral	Nonelectoral	Lease Rental
A. Bonds outstanding 1971-1	\$ _____	\$ _____	\$ <u>220,000</u>
List and identify	\$ _____	\$ _____	\$ _____
by year of issue	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____
B. Notes Outstanding 2004-2	\$ _____	\$ <u>545,394</u>	\$ _____
List and identify	\$ _____	\$ _____	\$ _____
by year of issue	\$ _____	\$ _____	\$ _____
	\$ _____	\$ _____	\$ _____
TOTAL	\$ <u>0</u>	\$ <u>545,394</u>	\$ <u>220,000</u>

II. CREDITS & EXCLUSIONS

Section 8028(b)

Less:
(where applicable)

1. Sinking Funds, reserve accounts, bond proceeds	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
2. Current appropriations	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
3. Uncollected special assessments	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
4. Delinquent taxes and liens	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
5. Surplus cash	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
6. Solvent debts due	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
7. Indemnifying insurance	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
8. Self-liquidating and self-sustaining debt (Excluded under Sections 8024, 8025, 8026)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
TOTAL NET INDEBTEDNESS	\$ <u>0</u>	\$ <u>545,394</u>	\$ <u>220,000</u>

III.	The aggregate principal amount of bonds or notes being issued or evidencing lease rental debt Issued as nonelectoral debt	<u>\$ 52,700</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>\$ 598,094</u>
	B. Nonelectoral plus Lease Rental	<u>\$ 818,094</u>
VI.	The borrowing base as shown by appended borrowing base certificate	<u>\$ 1,491,471</u>
VII.	Applicable debt limitations	
	(a) nonelectoral <i>(250% of the borrowing base; 300% for counties)</i>	<u>\$ 3,355,810</u>
	(a)(1) nonelectoral plus lease rental debt limit for school district borrowings <i>(225% of the borrowing base)</i>	<u>\$ _____</u>
	(b) nonelectoral plus lease rental <i>(350% of the borrowing base; 400% for counties)</i>	<u>\$ 5,220,149</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 22nd day of February,
(Name of Local Government Unit)

20_06_

Steven R. Hill, President of Borough Council

(SEAL)

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: February 22, 2006

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 Alburdis, Lehigh County, Pennsylvania

Prepared as of December 31, 2005

	<u>FISCAL YEAR</u>		
(Three prior fiscal years)	<u>2003</u>	<u>2004</u>	<u>2005</u>
Total Revenues Received (money from <u>all</u> sources)	\$ <u>1,361,488</u>	\$ <u>1,523,434</u>	\$ <u>1,589,490</u>
{ Total revenues from all funds except fiduciary funds (trusts & agency), not including interfund operating transfers, debt proceeds, nor refunds of prior year expenditures. 2003 & 2004 from audit report; 2005 from bookkeeper's records. }			
Less:			
(1) State and Federal subsidies and reimbursements related to a particular project financed by debt	\$ <u>0</u>	\$ <u>0</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	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
SUBTOTAL	\$ <u>1,361,488</u>	\$ <u>1,523,434</u>	\$ <u>1,589,490</u>
TOTAL NET REVENUES		\$ <u>4,474,412</u>	
BORROWING BASE (Total Net Revenues divided by 3)		\$ <u>1,491,471</u>	

(SEAL)

Executed: February 22, 2006

Steven R. Hill, President of Borough Council

Melanie Hansen, Executive Secretary

COMMONWEALTH OF PENNSYLVANIA :
 : SS
COUNTY OF LEHIGH :

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 Albutis 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 22nd day of February, 20 06.

Notary Public