

DEBT ORDINANCE
No. 761, Enacted June 2, 2014
of
TOWNSHIP OF PENN
(York County, Pennsylvania)
\$2,000,000
GENERAL OBLIGATION NOTE, SERIES OF 2014

WHEREAS, the Governing Body of the above-named Local Government Unit (the "Local Government Unit") deems it advisable to borrow the amount shown above, pursuant to the Local Government Unit Debt Act (the "Act"), for the purpose of acquiring, constructing, improving or renovating the building, facilities or other physical plant, purchasing or obtaining the equipment and/or otherwise acquiring the capital items listed on Exhibit P hereto (the "Project"); and

WHEREAS, the Local Government Unit has obtained estimate(s) of the cost(s), and has determined the useful life, of the Project by any one or more of the following methods: taking bids, obtaining an option for a fixed price contract or obtaining estimates from registered architects, professional engineers or other persons qualified by experience; and

WHEREAS, **PNC BANK, NATIONAL ASSOCIATION** (the "Bank") has presented a written commitment and summary of terms and conditions (the "Purchase Contract"), attached hereto as Exhibit PC, to purchase a note to be issued by the Local Government Unit in order to achieve the financing of the Project;

NOW, THEREFORE, it is hereby enacted that:

Section 1 -- Authorization.

1.01 The Local Government Unit hereby authorizes the incurrence, and the increase of its nonelectoral indebtedness in the principal amount set forth above, to be evidenced by an installment note (the "Note"), in the form attached hereto as Exhibit N, in order to pay the costs of the Project. The Note will be dated the date of its delivery, will bear interest at the rate and will be payable (or will be subject to redemption or will mature) on the dates shown on the Note.

1.02 The President and the Secretary of the Board of Commissioners or their duly elected and acting successors (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 its execution and sealing and delivery to the Bank.

Section 2 -- Preparation of Debt Statement.

As required by §8110 of the Act, the Designated Officers of the Local Government Unit are hereby authorized and directed to prepare, execute and acknowledge the Debt Statement, and its accompanying Borrowing Base Certificate.

Section 3 -- Security and Payment of Note.

3.01 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 it will (a) include the amount of the debt service for each

fiscal year in which any installment 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 therein according to the true intent and meaning thereof; for such budgeting, appropriation and payment, the Local Government Unit hereby pledges its full faith, credit and taxing power.

3.02 The Local Government Unit does hereby create, and orders 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 with a bank, in accordance with the Local Government Unit Debt Act, until the Note is paid in full. The Designated Officer is 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.

Section 4 -- Tax Covenants.

4.01 The Local Government Unit hereby covenants that no part of the proceeds of the Note will be used, at any time, directly or indirectly, in a manner which, if such use had been reasonably expected on the date of issuance of the Note, would have caused the Note to be an "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") and the Regulations thereunder applicable to the Note and that it will comply with the requirements of that Section and the Regulations throughout the term of the Note.

4.02 If: (a) 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 current calendar year exceeds \$5,000,000 (\$15,000,000 in the case of certain debt issued for educational purposes); and if (b) the gross proceeds of the Note are invested at a yield greater than the yield on the Note; and if (c) the gross proceeds of the Note are not expended or deemed to have been expended either within six months from the date of issuance, or, if 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.

4.03 The Local Government Unit hereby designates the Note as a Qualified Tax-Exempt Obligation pursuant to Section 265(b)(3) of the Code and represents that the total amount of obligations designated and to be designated by or on behalf of the Local Government Unit during the current calendar year does not and is not expected to exceed \$10,000,000.

4.04 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.

Section 5 -- Events of Default

The occurrence of any of the following events shall be deemed an Event of Default:

(a) Default in the payment of principal or interest on the Note for a period in excess of fifteen (15) days or any other default under the terms of the Note; or

(b) Default in the performance of any covenant or agreement set forth in this Debt Ordinance or in the Note or the occurrence of a default under any other agreement between the Local Government Unit and the Bank; or

(c) Any representation or warranty made by the Local Government Unit is untrue or incomplete in any material respect or any schedule, statement, report, warranty, representation, notice or writing furnished by the Local Government Unit pursuant to this Debt Ordinance is untrue or incomplete in any material respect on the date as of which the facts set forth are stated or certified; or

(d) The Local Government Unit shall fail or refuse to comply with any provisions of the Local Government Unit Debt Act, or shall for any reason be rendered incapable of fulfilling its obligations hereunder or thereunder; or

(e) The Local Government Unit shall become insolvent or shall be unable to pay its debts as they mature, or the Local Government Unit shall cease operations, file a voluntary petition in bankruptcy or a voluntary petition seeking reorganization or to effect a plan or other arrangement with creditors, or shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition pursuant to any Act of Congress relating to bankruptcy, or shall be the subject of any order for relief, or shall make an assignment for the benefit of creditors or make an assignment to an agent (authorized to liquidate any substantial amounts of the assets of the Local Government Unit), or shall apply for or consent to or suffer the appointment of a receiver or trustee for the Local Government Unit or a substantial part of its property; or

(f) An order for relief shall be entered pursuant to an Act of Congress or any law of the Commonwealth of Pennsylvania relating to bankruptcy with respect to an involuntary petition seeking reorganization of, or an order shall be entered appointing any receiver or trustee for, the Local Government Unit or a substantial part of its property, or a writ or warrant of attachment or any similar process shall be issued against a substantial part of the property of the Local Government Unit, or an order shall be entered at either the state court level enjoining or preventing the Local Government Unit from conducting all or any part of its business as it is usually conducted, or garnishment proceedings shall be instituted by attachment, levy or otherwise, against any deposit balance maintained, or any property deposited, with the Bank by the Local Government Unit.

Upon the occurrence of an Event of Default specified in clause (e) or (f) above, the outstanding principal balance and accrued interest under the Note, together with any additional amounts payable thereunder or herewith shall be immediately due and payable without demand and without notice of any kind, at the Bank's option. Further, at the Bank's option, the Note will bear interest at the Default Rate (as defined in the Note) from the date of the occurrence of the Event of Default, and the Bank may exercise from time to time any of the rights and remedies available under the loan documents or under applicable law.

Prior to the declaration of default for those Events of Default specified in clauses (b) through (f), inclusive, the Bank shall provide the Local Government Unit written notice of such default, which default shall remain uncured for at least thirty (30) days after receipt of said written notice.

Section 6 -- General Covenants.

6.01 The Designated Officers hereby covenant and are hereby directed to provide to the Bank, a copy of the audited financial statements of the Local Government Unit (beginning with the statements for its fiscal year ending December 31, 2013) no later than 150 days, and a copy of the budget of the

TOWNSHIP OF PENN
(York County, Pennsylvania)

DESCRIPTION OF PROJECT

The proceeds from the sale of the Note will be used for acquiring, constructing, improving or renovating buildings, facilities or other physical plant, purchasing or obtaining the equipment and/or otherwise acquiring the capital items listed below, and the breakdown of the Project, with the cost of each component is as follows:

<u>Capital Item</u>	<u>Approximate Cost</u>
Recycle facility	\$417,225
HVAC replacements	\$105,000
Police/Admin facility and equipment upgrades	\$288,000
Community Park Restrooms	\$175,000
Fire Department Ladder Truck	\$1,100,000
Township infrastructure	\$924,700

TOTAL: \$3,009,925

The Project has an aggregate estimated useful life in excess of twenty (20) years.

FORM OF NOTE

TOWNSHIP OF PENN
(York County, Pennsylvania)

GENERAL OBLIGATION NOTE, SERIES OF 2014

\$2,000,000.00	2.9725%	_____, 2014	_____, 2024
Principal Amount	Interest Rate	Dated Date	Maturity Date

The above named Local Government Unit, intending to be legally bound, promises to pay to the registered owner shown on the attached registration form 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 Amount set forth above in level monthly payments of principal and interest on the dates and in the amounts indicated on the attached amortization schedule (each a "Payment Date"). Any outstanding principal and accrued interest shall be due and payable in full on _____, 2024. 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 Principal Amount outstanding under this Note will bear interest at a rate per annum equal to 2.9725% (the "Loan Rate").

Interest will be calculated on the basis of a year of 360 days, composed of twelve 30 day months, for the actual number of days in each interest period.

This Note is issued by the Local Government Unit in favor of the Bank on the assumption that interest paid hereon is excludable from the gross income of PNC Bank, National Association (the "Bank") for Federal income tax purposes. If interest on the Note shall be declared by the Internal Revenue Service or an agent thereof to be, or shall otherwise be determined or required to be includable in the income of the Bank for purposes of Federal income taxation, including pursuant to any amendment to the Internal Revenue Code of 1986, as amended, the indebtedness evidenced hereby shall thereafter bear interest at an annual rate (the "Taxable Rate") which shall be the taxable equivalent of the Loan Rate, as determined by the Bank from time to time; the Local Government Unit will pay to the Bank on demand the difference between the amount of interest which the Bank would have received in interest at the Taxable Rate if the indebtedness evidenced by the Note had borne interest at the Taxable Rate during the entire period that interest on the Note is so declared, determined or required to be taxable, together with such penalties and interest, if any, due and payable because of non-payment of Federal income taxation, less interest paid at the Loan Rate, notwithstanding that the indebtedness evidenced by the Note may have been paid in full prior to such declaration or determination. In the event that such declaration or determination is reversed pursuant to the entry of a final determination, order, ruling or decree, all amounts theretofore paid to the Bank in excess of the Loan Rate shall be promptly refunded to the Local Government Unit and the rate of interest shall revert to the Loan Rate.

If the Local Government Unit fails to make any payment of principal, interest or other amount coming due pursuant to the provisions of this Note within 15 calendar days of the date due and payable, the Local Government Unit also shall pay to the Bank a late charge equal to the lesser of five percent (5%) of the amount of such payment or \$100.00 (the "Late Charge"). Such fifteen-day period shall not be construed in any way to extend the due date of any such payment. Upon maturity, whether by acceleration, demand or otherwise, and at the Bank's option upon the occurrence of any Event of Default (as hereinafter defined) and during the continuance thereof, this Note shall bear interest at a rate per annum (based on a year of 360 days and actual days elapsed) which shall be equal to the Loan Rate plus three percent (3%) (the "Default Rate"). The Default Rate shall continue to apply whether or not judgment shall be entered on this Note. Both the late charge and the Default Rate are imposed as liquidated damages for the purposes of defraying the Bank's expenses incident to the handling of delinquent payments, but are in addition to, and not in lieu of, the Bank's exercise of any rights and remedies hereunder, or under applicable law, and any fees and expenses of any agents or attorneys which

the Bank may employ. In addition, the Default Rate reflects the increased credit risk to the Bank of carrying a loan that is in default. The Local Government Unit agrees that the Late Charge and Default Rate are reasonable forecasts of just compensation for anticipated and actual harm incurred by the Bank, and that the actual harm incurred by the Bank cannot be estimated with certainty and without difficulty.

Upon at least five (5) business days prior written notice to the Bank, the Local Government Unit has the right to prepay all or part of the outstanding principal and interest hereunder on any Payment Date. Notwithstanding anything contained herein to the contrary, upon any prepayment by or on behalf of the Local Government Unit (whether voluntary, on default or otherwise), the Bank may require, if it so elects, the Local Government Unit to pay the Bank as compensation for the cost of being prepaid an amount equal to the Cost of Prepayment. "Cost of Prepayment" means an amount equal to the present value, if positive, of the product of (a) the difference between (i) the yield, on the beginning date of the applicable interest period, of a U.S. Treasury obligation with a maturity similar to the applicable interest period minus (ii) the yield on the prepayment date, of a U.S. Treasury obligation with a maturity similar to the remaining maturity of the applicable interest period, and (b) the principal amount to be prepaid, and (c) the number of years, including fractional years, from the prepayment date to the end of the applicable interest period. The yield on any U.S. Treasury obligation shall be determined by reference to Federal Reserve Statistical Release H.15(519) "Selected Interest Rates." For purposes of making present value calculations, the yield to maturity of a similar maturity U.S. Treasury obligation on the prepayment date shall be deemed the discount rate. The Cost of Prepayment shall also apply to any payments made after acceleration of the maturity of this Note.

If the Bank determines that any Change in Law affecting it, regarding legal, capital or reserve requirements has or would have the effect of increasing the cost of, or reducing the rate of return on its capital or on the capital of the Bank's holding company, as a consequence of this Note, to a level below that which the Bank could have achieved but for such Change in Law (taking into consideration the Bank's policies and the policies of the Bank's holding company), then from time to time the Local Government Unit will pay to the Bank such additional amount or amounts as will compensate it for any such reduction suffered.

"Change in Law" means the occurrence, after the date of this Note, of any of the following: (a) the adoption or taking effect of any Law, (b) any change in any Law or in the administration, interpretation, implementation or application thereof by any Official Body or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of Law) by any Official Body; provided, that notwithstanding anything herein to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, regulations, guidelines, interpretations or directives thereunder or issued in connection therewith (whether or not having the force of Law) and (y) all requests, rules, regulations, guidelines, interpretations or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities (whether or not having the force of Law), in each case pursuant to Basel III, shall in each case be deemed to be a Change in Law regardless of the date enacted, adopted, issued, promulgated or implemented.

"Law" shall mean any law (including common law), constitution, statute, treaty, regulation, rule, ordinance, opinion, release, ruling, order, injunction, writ, decree, bond, judgment, authorization or approval, lien or award by or settlement agreement with any Official Body.

"Official Body" shall mean the government of the United States of America or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank) and any group or body charged with setting financial accounting or regulatory capital rules or standards (including, without limitation, the Financial Accounting Standards Board, the Bank for International Settlements or the Basel Committee on Banking Supervision) or any successor or similar authority to any of the foregoing.

The Local Government Unit irrevocably, knowingly, and voluntarily agrees that any suit, action, or proceeding, whether claim or counterclaim, brought or instituted by the Bank or any successor or assign of the Bank on or with respect to this Note or any other document which in any way relates, directly or indirectly, to this Note or any event, transaction, or occurrence arising out of or in any way connected with this Note or the dealings of Local Government Unit and the Bank with respect hereto, shall be tried only by a court and not by a jury. THE LOCAL GOVERNMENT UNIT HEREBY EXPRESSLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION, OR PROCEEDING. THE LOCAL GOVERNMENT UNIT ACKNOWLEDGES AND AGREES THAT THIS PROVISION IS A SPECIFIC AND MATERIAL ASPECT OF THIS NOTE AND THAT THE BANK WOULD NOT EXTEND THE LOAN TO THE LOCAL GOVERNMENT UNIT REPRESENTED BY THIS NOTE FOR THE BENEFIT OF THE LOCAL GOVERNMENT UNIT IF THIS WAIVER OF JURY TRIAL SECTION WERE NOT A PART OF THIS NOTE.

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 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.

The occurrence of any of the following events shall be deemed an Event of Default:

(a) Default in the payment of principal or interest on this Note for a period in excess of fifteen (15) days or any other default under the terms of this Note; or

(b) Default in the performance of any covenant or agreement set forth in the Debt Ordinance or in this Note or the occurrence of a default under any other agreement between the Local Government Unit and the Bank; or

(c) Any representation or warranty made by the Local Government Unit is untrue or incomplete in any material respect or any schedule, statement, report, warranty, representation, notice or writing furnished by the Local Government Unit pursuant to the Debt Ordinance is untrue or incomplete in any material respect on the date as of which the facts set forth are stated or certified; or

(d) The Local Government Unit shall fail or refuse to comply with any provisions of the Local Government Unit Debt Act, or shall for any reason be rendered incapable of fulfilling its obligations hereunder or thereunder; or

(e) The Local Government Unit shall become insolvent or shall be unable to pay its debts as they mature, or the Local Government Unit shall cease operations, file a voluntary petition in bankruptcy or a voluntary petition seeking reorganization or to effect a plan or other arrangement with creditors, or shall file an answer admitting the jurisdiction of the court and the material allegations of any involuntary petition pursuant to any Act of Congress relating to bankruptcy, or shall be the subject of any order for relief, or shall make an assignment for the benefit of creditors or make an assignment to an agent (authorized to liquidate any substantial amounts of the assets of the Local Government Unit), or shall apply for or consent to or suffer the appointment of a receiver or trustee for the Local Government Unit or a substantial part of its property; or

(f) An order for relief shall be entered pursuant to an Act of Congress or any law of the Commonwealth of Pennsylvania relating to bankruptcy with respect to an involuntary petition seeking reorganization of, or an order shall be entered appointing any receiver or trustee for, the Local Government Unit or a substantial part of its property, or a writ or warrant of attachment or any similar process shall be issued against a substantial part of the property of the Local Government Unit, or an order shall be entered at either the state court level enjoining or preventing the Local Government Unit from conducting all or any part of its business as it is usually conducted, or garnishment proceedings shall be instituted by attachment, levy or otherwise, against any deposit balance maintained, or any property deposited, with the Bank by the Local Government Unit.

Upon the occurrence of an Event of Default specified in clause (e) or (f) above, the outstanding principal balance and accrued interest hereunder together with any additional amounts payable hereunder shall be immediately due and payable without demand and without notice of any kind, at the Bank's option. Further, at the Bank's option, this Note will bear interest at the Default Rate from the date of the occurrence of the Event of Default, and the Bank may exercise from time to time any of the rights and remedies available under the loan documents or under applicable law.

Prior to the declaration of default for those Events of Default specified in clauses (b) through (f), inclusive, the Bank shall provide the Local Government Unit written notice of such default, which default shall remain uncured for at least thirty (30) days after receipt of said written notice.

This Note evidences a borrowing for a Project under the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as amended, pursuant to an Ordinance of the Local Government Unit duly and regularly enacted in accordance with the provisions of the Debt Act.

It is hereby certified 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 shall be governed by, and construed in accordance with, the laws of the Commonwealth of Pennsylvania.

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.

WITNESS the due execution hereof as of the Dated Date set forth above.

ATTEST:

TOWNSHIP OF PENN

Secretary
(SEAL)

By: _____

President

AMORTIZATION SCHEDULE

REGISTRATION FORM

This Note can be validly negotiated only upon proper execution of the form set forth below. The Local Government Unit shall treat the registered owner of this Note, as noted on this Note and on its books, as the absolute owner hereof, and shall not be affected by any changed circumstances, nor by any notice to the contrary.

Original Registered Owner

PNC BANK, NATIONAL ASSOCIATION

<u>Date</u>	<u>Transferor</u>	<u>Subsequent Purchaser</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

For value received, the last-named Transferor, by its due execution above, hereby, on the above-stated date, sells, transfers and negotiates this Note to the last-named Subsequent Purchaser, warranting that this transfer is effective and rightful; that this Note is genuine and has not been materially altered; and that it has no knowledge of any fact which might impair the validity of this Note.

Local Government Unit no later than 60 days, after each fiscal year end of the Local Government Unit while the Note is outstanding. Such audit shall be prepared by an independent accounting firm, in accordance with generally accepted accounting principles for governmental units, presented using a cash basis format, and otherwise acceptable to the Bank.

6.02 The Local Government Unit further covenants to provide additional operating information or reports to the Bank, upon the Bank's reasonable request.

6.03 The Local Government Unit shall maintain its primary depository account(s) with the Bank until the Note is paid in full.

Section 7 -- Representations and Warranties.

7.01 The Local Government Unit hereby warrants the accuracy and completeness of all financial statements provided to the Bank, and hereby certifies that there has been no material adverse change to its condition (financial or otherwise), business, properties, assets or prospects since the date of its most recent audited financial statements.

7.02 The Local Government Unit hereby warrants that there is no litigation pending or threatened against it, except for litigation previously disclosed to the Bank in writing.

Section 8 -- Award.

Having determined that a private sale by negotiation of the Note is in the best financial interest of the Local Government Unit, the Governing Body hereby awards and sells the Note to the Bank in accordance with the Purchase Contract which, as presented at this meeting, is hereby accepted and shall be executed by the Designated Officers.

Section 9 -- Note Ordinance a Contract.

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

DULY ENACTED on JUNE 2, 2014

TOWNSHIP OF PENN

By Wendell P. [Signature]
President

(SEAL)

Attest:

Kristine J. [Signature]
Secretary