

TOWNSHIP OF HILLTOWN

BUCKS COUNTY, PENNSYLVANIA

ORDINANCE NO. 99- 11

AN ORDINANCE OF THE TOWNSHIP OF HILLTOWN, BUCKS COUNTY, PENNSYLVANIA, AUTHORIZING AND DIRECTING THE ISSUANCE OF A GENERAL OBLIGATION NOTE, TO BE DATED THE DATE OF THE ISSUANCE THEREOF, IN THE PRINCIPAL AMOUNT OF TWO MILLION TWO HUNDRED THOUSAND (\$2,200,000.00) DOLLARS, PURSUANT TO THE ACT OF THE GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA, KNOWN AS THE LOCAL GOVERNMENT UNIT DEBT ACT, TO PROVIDE FUNDS FOR THE PURPOSE OF REFUNDING OUTSTANDING DEBT BY THE SUBSTITUTION OF THE GENERAL OBLIGATION NOTE FOR EXISTING HILLTOWN TOWNSHIP BONDS ISSUED IN 1994 AND TO PAY THE COSTS OF ISSUANCE OF THE NOTE TO BE ISSUED; SETTING FORTH THE FINDING THAT IT IS IN THE BEST FINANCIAL INTEREST OF THE TOWNSHIP TO SELL SUCH NOTE AT PRIVATE SALE BY NEGOTIATION; DETERMINING THAT SUCH DEBT SHALL BE NON-ELECTORAL DEBT OF THIS TOWNSHIP; ACCEPTING A CERTAIN PROPOSAL FOR PURCHASE OF SUCH GENERAL OBLIGATION NOTE, AT PRIVATE SALE BY NEGOTIATION, AND AWARDED SUCH GENERAL OBLIGATION NOTE, AND SETTING FORTH RELATED PROVISIONS; PROVIDING THAT SUCH GENERAL OBLIGATION NOTE, WHEN ISSUED, SHALL BE A GENERAL OBLIGATION OF THIS TOWNSHIP; FIXING THE SUBSTANTIAL FORM, DATE, MATURITY DATE, INTEREST RATE, INTEREST PAYMENT DATES, PLACEMENT OF PAYMENT OF PRINCIPAL AND INTEREST, OF SUCH GENERAL OBLIGATION NOTE; AUTHORIZING EXECUTION OF SUCH GENERAL OBLIGATION NOTE; PROVIDING COVENANTS RELATED TO DEBT SERVICE APPLICABLE TO SUCH GENERAL OBLIGATION NOTE AS REQUIRED BY SUCH ACT AND PLEDGING THE FULL FAITH, CREDIT AND TAXING POWER OF THE TOWNSHIP IN SUPPORT THEREOF; CREATING A SINKING FUND, IF APPLICABLE, IN CONNECTION WITH SUCH GENERAL OBLIGATION NOTE, AS REQUIRED BY SUCH ACT; PROVIDING A COVENANT TO ENSURE PROMPT AND FULL PAYMENT OF ALL OBLIGATIONS OF SUCH GENERAL OBLIGATION NOTE WHEN DUE; AUTHORIZING AND DIRECTING SPECIFIED OFFICERS OF THE TOWNSHIP TO DO, TO TAKE AND TO PERFORM CERTAIN

SPECIFIED, REQUIRED, NECESSARY OR APPROPRIATE ACTS AND THINGS; DECLARING SUCH DEBT TO BE INCURRED, TOGETHER WITH OTHER INDEBTEDNESS OF THE TOWNSHIP, NOT TO BE IN EXCESS OF ANY LIMITATION IMPOSED BY SUCH ACT UPON THE INCURRING OF DEBT BY THIS TOWNSHIP; SETTING FORTH CERTAIN COVENANTS RELATING TO THE NON-ARBITRAGE STATUS OF SUCH GENERAL OBLIGATION NOTE; PROVIDING WHEN THIS ORDINANCE SHALL BECOME EFFECTIVE; PROVIDING FOR SEVERABILITY OF PROVISIONS; REPEALING ALL ORDINANCES AND RESOLUTIONS OR PARTS THEREOF INsofar AS THE SAME SHALL BE INCONSISTENT HERewith.

WHEREAS, the Township of Hilltown, (the "Township") is a Township of the Second Class, governed by the Second Class Township Code of the Commonwealth of Pennsylvania, Act of May 1, 1933, PL 103, as amended and reenacted; and

WHEREAS, the Township heretofore incurred nonelectoral debt by the issuance of General Obligation Bonds, Series of 1994, of which the Township's nonelectoral debt is presently outstanding in the original principal amount of \$2,400,000.00 (the "Bonds"), and is granted the power by the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, approved July 12, 1972, Act No. 185 as reenacted and amended by Act 177 of 1996 approved December 19, 1996 (the "Debt Act") to incur indebtedness and to issue Notes for the purpose of refunding its outstanding indebtedness; and

WHEREAS, pursuant to the provisions of the Debt Act, the Township has determined to refund its Bonds by the issuance of its General Obligation Note in the principal amount of Two Million Two Hundred Thousand Dollars (\$2,200,000.00) for the purpose of refunding the Bonds and paying the costs and expenses of issuing the Note; and

WHEREAS, the Township has considered the possible manner of sale provided for in the Debt Act with respect to the sale of its General Obligation Note in the principal amount of Two Million Two Hundred Thousand (\$2,200,000.00) Dollars (the "Note"), and the Township has determined that the Note shall be offered at private sale by

negotiation, and shall be offered for sale at a price of One Hundred (100%) Percent of the principal amount thereof; and

WHEREAS, a proper written commitment dated September 24, 1999 (the "Commitment") for the purchase of the Note has been requested from and has been received from UNION NATIONAL BANK AND TRUST COMPANY OF SOUDERTON, (the "Lender"); and

WHEREAS, the Township has considered the Commitment of the Lender and desires to accept the Commitment of the Lender, to issue the Note to the Lender to authorize issuance of nonelectoral debt, and to take appropriate action and to authorize all proper things, all in accordance with and in pursuant to the provisions of the Debt Act.

NOW, THEREFORE, BE IT ENACTED AND ADOPTED by the Township of Hilltown, that:

Section 1. The substitution of the General Obligation Note of 1999 for the existing Bonds, which is for a purpose as set forth in the Debt Act, is hereby approved. Such substitution of the Note for the Bonds and the payment of the costs and expenses of issuing the Note are hereby designated as an authorized public purpose within the meaning of the Debt Act for the financing of which the Township desires to incur nonelectoral debt within the meaning of the Debt Act.

Section 2. For the purpose of refunding the Bonds, the incurring of Two Million Two Hundred Thousand (\$2,200,000.00) Dollars of nonelectoral debt by the Township is hereby authorized. Such debt shall be evidenced by the issue of a General Obligation Note of the Township in the amount of Two Million Two Hundred Thousand Dollars (\$2,200,000.00) aggregate principal amount to be sold and delivered as hereinafter provided. The final maturity date of the Note shall not be later than seventeen (17) years from date of issuance.

Section 3. The Township finds that it is in the best financial interest of the Township to sell the Note at private sale by negotiation, and a brief description of the use of funds is set forth in the preamble hereof.

Section 4. The Township shall and does hereby accept the Commitment of the Lender for purchase of the Note, and the Note shall be issued to the

Lender, in accordance with terms and conditions of the Commitment, the Lender having submitted the Commitment in accordance with provisions of the Debt Act.

Section 5. The Note, when issued, will be a General Obligation Note of this Township.

Section 6. The Note shall be dated the date of the issuance thereof. The Note shall bear interest payable quarterly with the first payment to be made ninety (90) days from date of issuance of the Note, until maturity or earlier prepayment, as applicable and appropriate. The Note shall be substantially in the form hereinafter set forth, with appropriate insertions and variations. The principal of, and interest on, the Note shall be payable to the Lender in lawful money of the United States of America at the Lender's office at 10 West Broad Street, Souderton, Pennsylvania.

Section 7. The Note shall bear interest at the per annum rate of four and eighty-five one hundredths percent (4.85%) for a period of five (5) years from date of issuance of the Note. Thereafter, the Note shall bear interest of sixty percent (60%) of Lender's prime rate, but said Note shall have a maximum interest rate of eight percent (8%) and a minimum interest rate of four percent (4%). If, for any reason, interest on the Note shall be includable in the Lender's gross income for federal income tax purposes, then, for so long as such interest shall be so includable, the Note shall bear interest at the per annum rate offered by the Lender, from time to time during such period, in respect of unsecured loans made to its largest and most credit-worthy corporate borrowers; and provided further that such higher interest rate shall not exceed Lender's announced prime rate of interest as in effect from time to time during such period plus zero percent (0%), with a minimum interest rate of six percent (6%) per annum and a maximum rate of twelve percent (12%) per annum. The Note shall mature seventeen (17) years from date of issuance with the entire unpaid principal amount then due and payable.

Section 8. The Note may be prepaid prior to maturity at the option of the Township, as a whole, at any time, or in part from time to time, on the first day of any month. Any such prepayment shall be upon payment of the principal amount to be prepaid (without premium), together with accrued interest to the date of such prepayment.

Section 9. The form of the Note shall be substantially as set forth in Exhibit A, attached hereto and made a part hereof, with appropriate insertions and

variations, and with such changes thereto not inconsistent with the provisions hereof as of the officer or officers of this Township executing the same shall approve. The Note's payment shall be pursuant to an amortization schedule set forth in Exhibit B, attached hereto and made a part hereof; with the amortization of the initial five (5) years based on the four and eighty-five one hundredths percent (4.85%) established rate. The remaining twelve (12) years of the loan, payable in quarterly payments, listed within Exhibit B are premised upon the maximum interest rate of eight percent (8%).

Section 10. The Note shall be executed in the name of and in behalf of this Township by the manual signature of the Chairman of the Board of Supervisors of Hilltown Township; and the official seal of this Township shall be affixed thereto and the manual signature of the Secretary of the Township shall be affixed thereto in attestation thereof, and such officers are authorized to execute and to attest the Note.

Section 11. The Township covenants to and with the Lender that this Township: (i) shall include the amount of the debt service for the Note, for each fiscal year of this Township in which such sums are payable, in its budget for that fiscal year, (ii) shall appropriate such amounts from its general revenues for the payment of such debt service, and (iii) shall duly and punctually pay or cause to be paid from its Sinking Fund (hereinafter identified) or any other of its revenues or funds the principal of the Note and the interest thereon at the dates and place and in the manner stated therein, according to the true intent and meaning thereof, and, for such budgeting, appropriation and payment, this Township shall and does pledge, irrevocably, its full faith, credit and taxing power. As provided in the Debt Act, the foregoing covenant of this Township shall be specifically enforceable.

Section 12. There is created, pursuant to Section 8221 of the Debt Act, a sinking fund for the Note, to be known as "Sinking Fund - 1999 General Obligation Note" (the "Sinking Fund"), which Sinking Fund shall be administered in accordance with applicable provisions of the Debt Act.

Section 13. This Township appoints the Lender as the sinking fund depository with respect to the Sinking Fund.

Section 14. This Township covenants to make payments out of the Sinking Fund, or out of any other of its revenues or funds, at such times and in such

annual amounts, as shall be sufficient for prompt and full payments of all obligations of the Note when due.

Section 15. The Chairman or Vice Chairman and the Secretary, respectfully, of the Township, which shall include their duly qualified successors in office, if applicable, are authorized and directed, as required, necessary or appropriate: (a) to prepare, to certify and to file the debt statement required by Section 8110 of the Debt Act; (b) to prepare and to file with the Department of Community and Economic Development of the Commonwealth (the "Department"), any statements required by the Debt Act that are necessary to qualify all or any portion of the debt of this Township, which is subject to exclusion as self-liquidating or subsidized debt, for exclusion from the appropriate debt limit of this Township as self-liquidating or subsidized debt; (c) to prepare and to file the application with the Department, together with a complete and accurate transcript of the proceedings for the required approval relating to the debt, of which debt the Note, upon issue, will be evidence, as required by Section 8111 of the Debt Act; (d) to pay or to cause to be paid to the Department all proper filing fees required in connection with the foregoing; and (e) to take other required, necessary or appropriate action.

The Board of Supervisors of this Township authorizes and directs that an appropriate borrowing base certificate be prepared for filing with the Department as required by Section 8110 of the Debt Act.

Section 16. It is declared that the debt to be incurred hereby, together with any other indebtedness of this Township, is not in excess of any limitation imposed by the Debt Act upon the incurring of debt by this Township.

Section 17. Proper officials of this Township are authorized and directed to deliver the Note, but only after the Department has certified its approval pursuant to Section 8204 of the Debt Act.

Section 18. This Township covenants to and with the Lender that it will make no use of the proceeds of the Note which will cause the Note to be an arbitrage bond, and this Township further covenants to comply with the requirements of Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as amended, and with the regulations implementing such Sections 103(b)(2) and 148 that have been duly

published in the Federal Register, or with such other regulations implementing such Sections 103(b)(2) and 148, if and to the extent applicable, until the entire principal amount of the Note, together with all interest accrued thereon, shall have been repaid in full. The Township hereby designates the Note as a "qualified tax-exempt obligation" for the purposes of Section 265(b)(3) of the Internal Revenue Code of 1986.

Section 19. In the event any provision, section, sentence, clause or part of this Ordinance shall be held to be invalid, such invalidity shall not affect or impair any remaining provision, section, sentence, clause or part of this Ordinance, it being the intent of this Township that such remainder shall be and shall remain in full force and effect.

Section 20. All ordinances and resolutions, or parts thereof, insofar as the same shall be inconsistent herewith, shall be and the same expressly are repealed.

Section 21. This Ordinance shall be effective in accordance with Section 8003 of the Debt Act.

DULY ADOPTED, by the Board of Supervisors of the Township of Hilltown, in lawful session duly assembled, this 11th day of October, 1999.

(SEAL)

TOWNSHIP OF HILLTOWN

Bucks County, Pennsylvania

ATTEST:

By: *Brynda S. Seames*
Township Secretary

By: *William H. Bennett, Jr.*
William H. Bennett, Jr., Chairman
Hilltown Township Board of
Supervisors

**UNITED STATES OF AMERICA
COMMONWEALTH OF PENNSYLVANIA
COUNTY OF BUCKS
TOWNSHIP OF HILLTOWN**

General Obligation Note

\$2,200,000.00

Dated: November 15, 1999

The Township of Hilltown a Municipal Corporation of the Commonwealth of Pennsylvania, for value received, hereby promises to pay to Union National Bank and Trust Company of Souderton (the "Lender"), the sum of Two Million Two Hundred Thousand (\$2,200,000.00) Dollars with quarterly payments of principal and interest of Fifty Three Thousand Four Hundred Fifty Six Dollars and Fifty Nine Cents (\$53,456.59) for the first five (5) years, based upon four and eighty-five one hundredths percent (4.85%) per annum. The first payment shall be due February 15, 2000 in said quarterly sum of Fifty Three Thousand Four Hundred Fifty Six Dollars and Fifty Nine Cents (\$53,456.59). Thereafter, the interest rate shall be sixty percent (60%) of Lender's announced prime rate, however, said interest rate shall have a minimum interest rate of four percent (4%) and a maximum interest rate of eight percent (8%) per annum until maturity. The term of this Note is seventeen (17) years from date of issuance hereof; and quarterly payments of principal and interest shall be due each quarter beginning with the first payment due on the ninety first (91st) day following date of this Note.

This Note has been authorized for issuance in accordance with the provisions of the Local Government Unit Debt Act (the "Debt Act") of the Commonwealth of Pennsylvania, and by virtue of a duly adopted ordinance (the "Ordinance") of the Township of Hilltown (the "Township"). The Debt Act, as such shall have been in effect when the Note was authorized, and the Ordinance shall constitute a contract between the Township and the Lender.

The Township has covenanted in the Ordinance, to and with the Lender, that the Township: (i) shall include the amount of the debt service for this Note, for each fiscal year of the Township in which such sums are payable, in its budget for that fiscal year, (ii)

EXHIBIT A

shall appropriate such amounts from its general revenues for the payment of such debt service, and (iii) shall duly and punctually pay or cause to be paid from the Sinking Fund established under the Ordinance or any other of its revenues or funds, the principal of this Note and the interest hereon at the dates and place and in the manner stated therein, according to the true intent and meaning thereof, and, for such budgeting, appropriation and payment, the Township has pledged and does pledge, irrevocably, its full faith, credit and taxing power.

This Note may be prepaid prior to maturity, at the option of the Township, as a whole, at any time, or in part from time to time. Any such prepayment shall be upon payment of the principal amount to be repaid (without premium), together with accrued interest to the date of such prepayment.

It is hereby certified that: (i) all acts, conditions and things required to be done, to happen or to be performed as conditions precedent to and in issuance of this Note or in creation of the debt of which this Note is evidence have been done, have happened or have been performed in due and regular form and manner, as required by law; and (ii) the debt represented by this Note, together with any other indebtedness of the Township, is not in excess of any limitation imposed by the Debt Act upon the incurring of debt by the Township.

The Township, in the Ordinance, has established a Sinking Fund with the Lender, as the Sinking Fund Depository, into which funds for the payment of the principal of and the interest on this Note shall be deposited not later than the date fixed for the disbursement thereof. The Township has covenanted, in the Ordinance, to make payments from such Sinking Fund or from any other of its revenues or funds, at such times and in such amounts, as shall be sufficient for prompt and full payment of all obligations of this Note.

In the event that this Note shall be deemed to be a "taxable note", or the interest paid thereon shall be deemed to be taxable to Lender for any reason whatsoever; then in that case, the interest rate established herein shall be modified to increase such rate to the extent that said rate shall not exceed Lender's announced prime rate with a minimum interest rate of six percent (6%) per annum and a maximum rate of twelve percent (12%) per annum.

In accordance with the Tax Reform Act of 1986, as amended, the Township hereby states that it does not reasonably anticipate to issue, together with subordinate governmental entities, more than Ten Million Dollars (\$10,000,000) of tax exempt obligations for public purposes during the calendar year of 1999, and hereby designates this Note as a qualified tax exempt obligation within the meaning of Section 265(b)(3)(B) of the Tax Reform Act of 1986, as amended.

IN WITNESS WHEREOF, the Township has caused this Note to be executed in its name by the manual signature of the Chairman of the Board of Supervisors of the Township, its seal to be affixed hereto and the manual signature of the Township Secretary to be affixed hereto in attestation thereof under date of _____.

(SEAL)

TOWNSHIP OF HILLTOWN

By: _____
William H. Bennett, Jr., Chairman, Hilltown
Township Board of Supervisors

ATTEST:

By: _____
Lynda Seimes, Secretary