

**ORDINANCE
OF THE BOROUGH COUNCIL
OF THE
BOROUGH OF WEST CHESTER, CHESTER COUNTY, PENNSYLVANIA**

TO AUTHORIZE AND DIRECT THE INCURRING OF NON-ELECTORAL DEBT BY THE BOROUGH OF WEST CHESTER, CHESTER COUNTY, PENNSYLVANIA (THE "BOROUGH") THROUGH THE ISSUANCE OF ITS GENERAL OBLIGATION NOTE, SERIES OF 2014 IN THE AGGREGATE PRINCIPAL AMOUNT OF \$1,337,000 (THE "NOTE") FOR THE PURPOSE OF PROVIDING FUNDS FOR A PROJECT CONSISTING OF (1) THE FINANCING OF AN ENERGY CONSERVATION PROGRAM OF THE BOROUGH CONSISTING OF THE REPLACEMENT OF EXISTING LIGHTING SOURCES, WIRELESS CONTROL TECHNOLOGY AND RELATED EQUIPMENT, AND THE FINANCING OF NEW PARKING METERS, PARKING SYSTEM SOFTWARE AND RELATED PARKING EQUIPMENT, AND (2) THE PAYMENT OF THE COSTS OF ISSUING THE NOTE; STATING THAT REALISTIC COST ESTIMATES HAVE BEEN MADE FOR THE PROJECT AND STATING THE ESTIMATED PROJECT COMPLETION DATE; STATING THE REALISTIC ESTIMATED USEFUL LIVES OF THE PROJECT FOR WHICH THE NOTE IS ISSUED; DIRECTING THE PROPER OFFICERS OF THE BOROUGH TO PREPARE, CERTIFY AND FILE THE REQUIRED DEBT STATEMENT AND BORROWING BASE CERTIFICATE; COVENANTING THAT THE BOROUGH SHALL INCLUDE THE AMOUNT OF ANNUAL DEBT SERVICE IN ITS BUDGET FOR EACH FISCAL YEAR; SETTING FORTH THE SUBSTANTIAL FORM OF THE NOTE; APPOINTING A SINKING FUND DEPOSITORY; PROVIDING FOR THE EXECUTION, DELIVERY AND AUTHENTICATION OF THE NOTE AND THE DISPOSITION OF THE PROCEEDS THEREOF; AWARDING SUCH NOTE AT PRIVATE SALE BY NEGOTIATION AND STATING THAT SUCH SALE IS IN THE BEST FINANCIAL INTEREST OF THE BOROUGH; CREATING A SINKING FUND AND APPROPRIATING ANNUAL AMOUNTS FOR THE PAYMENT OF DEBT SERVICE ON THE NOTE; AUTHORIZING AND DIRECTING THE PROPER OFFICERS OF THE BOROUGH TO CERTIFY AND TO FILE WITH THE PENNSYLVANIA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT CERTIFIED COPIES OF THE NECESSARY PROCEEDINGS; MAKING CERTAIN COVENANTS AS TO FEDERAL TAX LAW PROVISIONS;

DESIGNATING THE NOTE AS A “QUALIFIED TAX-EXEMPT OBLIGATION”; AUTHORIZING AND DIRECTING THE PROPER OFFICERS OF THE BOROUGH TO DO ALL THINGS NECESSARY TO CARRY OUT THE ORDINANCE; AUTHORIZING AND DIRECTING THE PROPER OFFICERS OF THE BOROUGH TO PAY ISSUANCE COSTS; AMENDING THE PROJECT DESCRIPTIONS RELATED TO CERTAIN PRIOR DEBT OF THE BOROUGH; AUTHORIZING INCIDENTAL ACTIONS; RESCINDING INCONSISTENT RESOLUTIONS; AND STATING THE EFFECTIVE DATE.

The Borough Council (the “Governing Body”) of the Borough of West Chester, Chester County, Pennsylvania (the “Borough”), pursuant to the Pennsylvania Local Government Unit Debt Act, 53 Pa. Cons. Stat. § 8001 *et seq.*, as amended (the “Act”) hereby ORDAINS AND ENACTS as follows:

Section 1. Incurrence of Debt; Amount and Purpose of Note; Estimated Project Completion Date. The Governing Body of the Borough hereby authorizes and directs the incurring of non-electoral debt through the issuance of a General Obligation Note, Series of 2014 (the “Note”) of the Borough in the aggregate principal amount of One Million Three Hundred Thirty-Seven Thousand Dollars (\$1,337,000.00) to provide funds for a project consisting of (i) the financing of an energy conservation program of the Borough consisting of the replacement of existing lighting sources, wireless control technology and related equipment (the “Energy Conservation Project”), (ii) the financing of new parking meters, parking system software and related parking equipment (the “Parking System Project”) (the Energy Conservation Project and the Parking System Project are collectively referred to herein as the “Capital Projects”), and (iii) the payment of the costs of issuing the Note ((i), (ii) and (iii) are collectively referred to herein as the “Project”).

Realistic cost estimates have been obtained for the Capital Projects through estimates made by qualified persons, as required by Section 8006 of the Act.

The Borough hereby reserves the right to undertake components of the Project in such order and at such time or times as it shall determine and to allocate the proceeds of the Note and other available moneys to the final costs of the Project in such amounts and order of priority as it shall determine; but the proceeds of the Note shall be used solely to pay the “costs,” as defined in the Act, of the Project described herein or, upon appropriate amendment hereto, to pay the costs of other capital projects for which the Borough is authorized to incur indebtedness.

The realistic estimated cost of the Energy Conservation Project is \$959,000.00 and the estimated completion date of the Energy Conservation Project is June 30, 2014. The realistic estimated cost of the Parking System Project is \$378,000.00 and the estimated completion date of the Parking System Project is May 31, 2014.

Section 2. Realistic Estimated Useful Life. The realistic estimated useful life of the Capital Projects are estimated to be: the Energy Conservation Project - in excess of twenty (20) years, and the Parking System Project - in excess of fifteen (15) years, and the principal

amount of the Note equal to the separate costs of the Capital Projects having a shorter useful life than the period during which the Note will be outstanding has been scheduled to mature prior to the end of such useful life, and the balance prior to the end of the longest useful life.

It is hereby determined and stated that the Note is scheduled to mature in accordance with the limitations set forth in Section 8142(a)(2) of the Act.

Section 3. Debt Statement and Borrowing Base Certificate. The Mayor, the President or the Vice President of the Borough Council, the Borough Manager or any one of them, and/or any other duly authorized or appointed officer of the Borough (each, an “Authorized Officer”), are hereby authorized and directed to prepare and certify a debt statement required by Section 8110 of the Act and a Borrowing Base Certificate.

Section 4. Covenant to Pay Note. It is covenanted with the holder of the Note that the Borough shall (i) include the amount of the debt service for the Note for each fiscal year in which the sums are payable in its budget for that year; (ii) appropriate those amounts from its general revenues for the payment of the debt service; and (iii) duly and punctually pay, or cause to be paid, from its sinking fund or any other of its revenues or funds the principal of, and the interest on, the Note at the dates and places and in the manner stated in the Note according to the true intent and meaning thereof. For such budgeting, appropriation and payment, the Borough pledges its full faith, credit and taxing power. The covenants contained in this **Section 4** shall be specifically enforceable.

Section 5. Form of Note; Description of Note. The Note is substantially in the form set forth in Exhibit A hereto. The Note shall be in registered form, without coupons, and shall be numbered in such manner as may be satisfactory to the Borough and the Bank, as defined below. So long as the Note is held by the Bank and its participating bank or banks, if any, the Note shall not require numbering as recommended by the Committee on Uniform Security Identification Procedures (“CUSIP”). The Note shall be issued in the aggregate principal amount of \$1,337,000, shall be dated the date of its issuance, and shall bear interest, until maturity or prior prepayment, at the maximum rates per annum, and shall mature in the amounts and in certain years, all as set forth as Exhibit B attached hereto and made a part hereof. The entire principal amount of the Note shall be advanced by the Bank at closing.

The Note shall be issued in certificated form in the form of a single certificate for the entire principal amount of the Note with one maturity date and annual principal.

If the date for payment of the principal of, or interest on, the Note is not a business day, then the date of such payment shall be the next succeeding day which is a business day. Payment on such subsequent business day shall have the same force and effect as if made on the nominal date of payment. A business day shall be any day in which the Bank is not authorized by law or under lawful authority to be closed.

The Borough shall have the right at its option to prepay the Note, as a whole at any time or in part from time to time, without premium or penalty, provided that any prepayment in part shall be applied against those principal installments as designated by the Borough in

writing at the time of such prepayment, or if no such designation is made, to principal installments in the inverse order of their maturities.

The principal of and interest on the Note shall be payable in lawful money of the United States of America at the offices of QNB Bank (the "Bank").

Section 6. Execution, Delivery and Authentication of Note; Disposition of Proceeds. The Note shall be executed by the manual or facsimile signature of an Authorized Officer and shall have the corporate seal of the Borough or a facsimile thereof impressed thereon, duly attested by the manual or facsimile signature of the Secretary or Assistant Secretary of the Borough and such officers are hereby authorized and directed to execute the Note in such manner. In case any official of the Borough whose manual or facsimile signature shall appear on the Note shall cease to be such official before the authentication of the Note such signature or the facsimile signature thereof shall nevertheless be valid and sufficient for all purposes the same as if such official had remained in office until authentication; and any Note may be signed on behalf of the Borough, even though at the date of authentication of such Note such person was not an official. The Authorized Officers are authorized and directed to deliver, or cause to be delivered, the Note to the purchaser thereof against the full balance of the purchase price therefor.

The Borough hereby creates with the Bank by proper action a settlement account (the "Settlement Account") in the name of the Borough. On the date of issuance and delivery of the Note, the proceeds of the Note shall be deposited in the Settlement Account and shall be disbursed, transferred or deposited as directed in a closing receipt duly executed and delivered by an Authorized Officer. The Borough hereby approves the establishment of a segregated account or accounts for the net proceeds of the Note pending disbursement to pay the costs of the Capital Projects. The moneys in such accounts will be invested in accordance with Section 8224 of the Act.

Section 7. Manner of Sale; Award of Note. The Governing Body of the Borough after due deliberation and investigation has found that a private sale by negotiation is in the best financial interest of the Borough and based upon such finding the Governing Body of the Borough hereby awards the Note, at a private negotiated sale, to the Bank, upon the terms set forth in its proposal dated as of December 18, 2013 (the "Purchase Contract"), a copy of which is attached hereto and made a part hereof. As set forth in the Purchase Contract, the purchase price of the Note is \$1,337,000. Such details are hereby approved.

Section 8. Appointment of Sinking Fund Depository; Sinking Fund; Appropriation of Annual Amounts for Payment of Debt Service. The proper officers of the Borough are hereby authorized and directed to contract with the Bank for its services as sinking fund depository, paying agent and registrar with respect to the Note and such Bank is hereby appointed to act in such capacities with respect to the Note. There is hereby established a separate sinking fund for the Borough designated as "Sinking Fund - General Obligation Note, Series of 2014" (the "Sinking Fund") and into the Sinking Fund there shall be paid, when and as required, all moneys necessary to pay the debt service on the Note, and the Sinking Fund shall be applied exclusively to the payment of the interest covenanted to be paid upon the Note and to the principal thereof at maturity or prior redemption and to no other purpose whatsoever, except as

may be authorized by law, until the same shall have been fully paid. The Bank as sinking fund depository shall, as and when said payments are due, without further action by the Borough, withdraw available monies in the Sinking Fund and apply said monies to the payment of the principal of and interest on the Note.

The maximum amounts set forth in Exhibit C attached hereto and made a part hereof shall be pledged in each of the fiscal years shown in Exhibit C to pay the debt service on the Note, and such amounts are annually hereby appropriated to the Sinking Fund for the payment thereof.

Section 9. Debt Proceedings. The Secretary or Assistant Secretary of the Borough is hereby authorized and directed to certify to and file with the Pennsylvania Department of Community and Economic Development, in accordance with the Act, a complete and accurate copy of the proceedings taken in connection with the increase of debt authorized hereunder, including the debt statement and borrowing base certificate referred to hereinabove, and to pay the filing fees necessary in connection therewith.

Section 10. Tax Covenants, Representations and Designations. So long as the Note is outstanding, the following covenants shall apply:

a. General Covenants. The Borough hereby represents and covenants that:

(1) The Borough will make no use of the proceeds of the Note during the term thereof which would cause such Note to be an “arbitrage bond” within the meaning of section 148 of the Internal Revenue Code of 1986, as amended (the “Code”) and that it will comply with the requirements of all Code sections necessary to ensure that the Note is described in Code section 103(a) and not described in Code section 103(b) throughout the term of the Note; and

(2) If and to the extent the Borough is required to remit any amounts to the United States pursuant to Code section 148(f) (the “Rebate Amounts”) in order to cause the Note not to be an arbitrage bond, the Borough will remit such Rebate Amounts at such times and in the manner required by Code section 148(f) and the regulations thereunder. The obligation to remit the Rebate Amounts and to comply with all other requirements of this Section 14 shall survive the defeasance and payment in full of the Note.

b. Bank Qualified Note. In order to ensure that the registered owner or owners of the Note, if they are financial institutions, will not be subject to certain provisions of the Code as a result of acquiring and carrying the Note, the Borough hereby designates the Note, or the Note is otherwise deemed designated, as a “qualified tax-exempt obligation,” within the meaning of Code section 265(b)(3)(B), and the Borough hereby covenants that it will take such steps as may be necessary to cause the Note to continue to be an obligation described in such Code section during the period in which the Note is outstanding. The Borough represents that it has not issued, and does not reasonably anticipate issuing, tax-exempt obligations which, when combined with the Note, will result in more than \$10,000,000 of tax-exempt obligations being issued in the calendar year in which the Note is issued. For purposes only of the foregoing sentence, the term “tax-exempt obligation” shall include any “qualified 501(c)(3) bond,” as

defined in Code section 145, but shall not include any other “private activity bond,” as defined in Code section 141(a), any obligation which would be an “industrial development bond” or a “private loan bond” as defined in sections 103(b)(2) and 103(o)(2)(a) of the Internal Revenue Code of 1954, as amended, but for the fact that it is issued pursuant to section 1312, 1313, 1316(g) or 1317 of the Tax Reform Act of 1986, or any obligation issued to currently refund any obligation to the extent the amount thereof does not exceed the outstanding amount of the refunded obligation.

c. **Filing.** The Borough will file IRS Form 8038-G and any other forms or information required by the Code with respect to the Note to be filed in order to permit the interest on the Note to be excluded from gross income for federal income tax purposes.

Section 11. Note Register, Registrations and Transfer. The Borough shall cause to be kept of the aforementioned office of the Bank, as paying agent, a register (the “Note Register”) in which, subject to such reasonable regulations as it may prescribe, the Borough shall provide for the registration of the Note and the registration of transfers of the Note. No transfer or exchange of the Note shall be valid unless made at such office and registered in the Note Register. The Note Register shall be attached to the Note as part of the Note.

Any Note issued upon any registration of transfer shall be a valid obligation of the Borough, evidencing the same debt and entitled to the same benefits under this Ordinance as the Note surrendered for such registration of transfer.

Each Note presented or surrendered for registration of transfer shall be duly endorsed, or be accompanied by a written instrument of transfer, in form and with guaranty of signature satisfactory to the Borough and the Note Register, duly executed by the registered owner thereof or his duly authorized agent or legal representative.

No service charge shall be made for any transfer of any Note, but the Borough may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer of any Note.

The Borough shall not be required to: (a) issue, or register the transfer of, any Note during a period of fifteen (15) business days before any payment of principal or interest under any Note or any date of selection for prepayment of any Note, if applicable; or (b) register the transfer of any Note after it has been selected for prepayment, in whole or in part.

Section 12. Investments. Any moneys in the Sinking Fund and in any other account created hereunder not required for prompt expenditure shall, at the direction of the Borough, be invested in accordance with Section 8224 of the Act. Any such investments or deposits made from funds in the Sinking Fund shall mature or be subject to redemption at the option of the holder, or be subject to withdrawal at the option of the depositor, not later than the date upon which such moneys are required to be paid to the registered owner of the Note.

Section 13. Amendments to Project Descriptions of Prior Debt. Pursuant to Section 8103(c) of the Act, the Borough may change the purpose of nonelectoral general obligation debt. The Borough hereby approves a partial change of purpose for the following two issues:

(a) \$12,850,000 General Obligation Bonds, Series of 2010 (Approval GOB-17574; E-4592) (the “2010 Bonds”). Of the proceeds of the 2010 Bonds, approximately \$200,000 remains unspent due to the Municipal Building Energy Project costing less than projected by that amount. The Borough will apply such excess to pay for a portion of the cost of a project for building improvements to the Municipal Building and the Public Works Building having an estimated useful life in excess of fifteen (15) years, and the purpose of the 2010 Bonds is adjusted to reflect such change.

(b) \$8,610,000 General Obligation Bonds, Series of 2011 (Approval GOB-17814; E-4696) (the “2011 Bonds”). Of the proceeds of the 2011 Bonds, approximately \$100,000 remains unspent due to the Chestnut Street Garage project costing less than projected by that amount. The Borough will apply such excess to pay a portion of the cost of a project for new parking meters, parking system software and related parking equipment having an estimated useful life in excess of fifteen (15) years, and the purpose of the 2011 Bonds is adjusted to reflect such change.

Section 14. Incidental Actions. The proper officers of the Borough are hereby authorized, directed and empowered on behalf of the Borough to execute any and all papers and documents and to do or cause to be done any and all acts and things necessary or proper for the carrying out of the provisions of this Ordinance, and the issuance and delivery of the Note.

Section 15. Payment of Issuance Costs. The proper officers of the Borough are hereby authorized and directed to pay the costs of issuing the Note at the time of delivery of the Note to the Bank.

Section 16. Appointment of Bond Counsel. The Borough hereby appoints McNees Wallace & Nurick LLC, Lancaster, Pennsylvania, as Bond Counsel for the Note.

Section 17. Act Applicable to Note. This Ordinance is enacted pursuant to, and the Note issued hereunder shall be subject to, the provisions of the Act and all of the mandatory provisions thereof shall apply hereunder whether or not explicitly stated herein.

Section 18. Contract with Noteholders. This Ordinance constitutes a contract with the registered owners of the Note from time to time outstanding hereunder and shall be enforceable in accordance with the provisions of the laws of the Commonwealth of Pennsylvania.

Section 19. Severability. In case any one or more of the provisions contained in this Ordinance or in the Note issued pursuant hereto 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 Ordinance or of said Note and this Ordinance or said Note shall be construed and enforced as if such invalid, illegal or unenforceable provisions had never been contained therein.

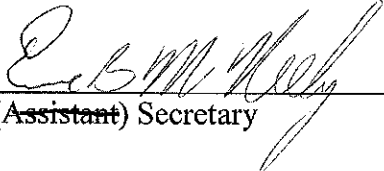
Section 20. Rescinding Inconsistent Ordinances or Resolutions. All ordinances or resolutions or parts of ordinances or resolutions inconsistent herewith be and the same hereby are repealed, rescinded, cancelled and annulled.

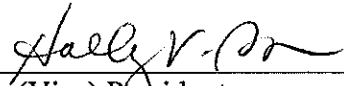
Section 21. Effective Date. This Ordinance shall become effective on the earliest date permitted by the Act.

ORDAINED AND ENACTED into law by the Borough Council of the Borough of West Chester, Chester County, Pennsylvania, in lawful session assembled on the 18th day of December, 2013.

Attest:

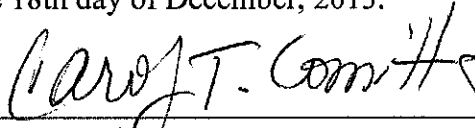
BOROUGH OF WEST CHESTER,
Chester County, Pennsylvania


(Assistant) Secretary

By: 
(Vice) President

(Borough Seal)

EXAMINED AND APPROVED, the 18th day of December, 2013.

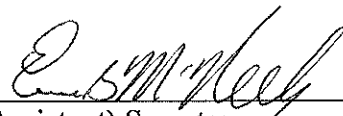

Carolyn T. Comitta,
Mayor of the Borough of West Chester,
Chester County, Pennsylvania

CERTIFICATE OF SECRETARY

I, the undersigned, Secretary of the Borough of West Chester, Chester County, Pennsylvania (the "Borough"), hereby certify that the foregoing and attached is a true copy of an Ordinance which was duly enacted at a meeting of the Borough Council of the Borough held on December 18, 2013, at which a quorum was present and acting throughout, after due notice to the members of the Borough Council and to the public and which was at all time open to the public; that the same was duly recorded in the Borough's Ordinance Book and that a summary thereof was published as required by law in a newspaper of general circulation in the Borough. I further certify that the total number of members of the Borough Council is seven and that the vote upon said Ordinance was called and duly recorded upon the minutes of the Borough Council and that the members of the Borough Council voted in the manner following:

	<u>Yes</u>	<u>No</u>	<u>Abstain</u>	<u>Absent</u>
Holly V. Brown, President	<u>X</u>	_____	_____	_____
Cassandra L. Jones, Vice President	<u>X</u>	_____	_____	_____
Charles A. Christy	<u>X</u>	_____	_____	_____
Jordan C. Norley	<u>X</u>	_____	_____	_____
Thomas P. Paxson	<u>X</u>	_____	_____	_____
Stephen A. Shinn	<u>X</u>	_____	_____	_____
John A. Manion	<u>X</u>	_____	_____	_____

WITNESS my hand and seal of the Borough of West Chester this 18th day of December, 2013.



(Assistant) Secretary

[SEAL]

EXHIBIT A
FORM OF NOTE

BOROUGH OF WEST CHESTER
CHESTER COUNTY, PENNSYLVANIA

GENERAL OBLIGATION NOTE, SERIES OF 2014

<u>Principal Amount</u>	<u>Date of Issuance</u>	<u>Maturity Date</u>
\$1,337,000	January 21, 2014	January 21, 2034

FOR VALUE RECEIVED, BOROUGH OF WEST CHESTER, CHESTER COUNTY, PENNSYLVANIA (the “Borough”), existing under the laws of the Commonwealth of Pennsylvania, for value received, hereby acknowledges itself indebted and promises to pay to QNB Bank (the “Bank”), P.O. Box 9005, Quakertown, Pennsylvania, 18951, or registered assigns, the principal sum of ONE MILLION THREE HUNDRED THIRTY-SEVEN THOUSAND DOLLARS (\$1,337,000), on the dates and in the maximum amounts set forth on Schedule A attached hereto, in such coin or currency of the United States of America which, at the respective times of payment, is legal tender for payment of public and private debts.

The debt of which this Note is evidence is non-electoral debt under the pursuant to the Pennsylvania Local Government Unit Debt Act, 53 Pa. Cons. Stat. § 8001 *et seq.*, as amended (the “Act”). The issuance and sale of this Note to the Bank at private sale by negotiation has been found and determined by the Borough Council, on the basis of all information available, to be in the best financial interest of the Borough.

The Note shall bear interest from the Date of Issuance of the Note on the unpaid balance of principal, payable semiannually on the fifteenth (15th) day of January and July of each year, commencing July 15, 2014, and at maturity or earlier payment, at 2.95% per annum, from the date of its issuance through and including January 21, 2024 (the “Fixed Rate Term”). From the conclusion of the Fixed Rate Term until the Maturity Date or earlier prepayment of the Note (the “Variable Rate Term”), the Note shall bear interest at a rate per annum equal to the lesser of (i) 66% of the QNB Bank Prime Rate, or (ii) 9.00% (the “Variable Rate”), adjusted annually on the anniversary of the Date of Issuance of the Note. In no event shall the interest rate of the Note exceed 9.00%, per annum (the “Maximum Rate”).

If, at any time hereafter, either before or after the payment of the entire principal of and interest on the Note, there occurs a Determination of Taxability, as herein defined, then, the per annum rate of interest on the Note shall be readjusted and increased, to the lesser of: (i) an annual rate of interest equal to the QNB Bank Prime Rate; or (ii) an annual rate of interest which more accurately reflects the actual tax burden on the Bank resulting from a Determination of Taxability but in no event higher than the Maximum Rate (the “Taxable Rate”).

For purposes hereof, “QNB Bank Prime Rate” means the rate of interest per annum from time to time announced by the Bank at its principal office as its prime commercial lending rate, as established and changed from time to time. The QNB Bank Prime Rate is a reference rate, which floats and is stated from time to time by the Bank for the guidance of its officers.

For purposes hereof, a “Determination of Taxability” shall mean (i) a determination that interest payable on account of the Note is not exempt from both federal and Pennsylvania income taxation, the date of which determination shall be considered as made on the earliest of: (x) the day after expiration of the period for filing a petition in the United States Tax Court or in the Pennsylvania courts in the case of Pennsylvania taxes with respect to any income tax deficiency asserted against the Bank with respect to any such interest, if no such petition is filed, (y) the day on which a decision by the United States Tax Court or a judgment, decree or other order by any court of competent jurisdiction, holding that such interest is taxable, becomes final or the day on which the Bank and the United States Internal Revenue Service or the Pennsylvania Department of Revenue shall reach a settlement resulting in such interest becoming taxable, or (z) the effective date of any legislation, final regulation or ruling making such interest taxable; or (ii) a final determination by a court of competent jurisdiction that the Note is not a “qualified tax-exempt obligation” within the meaning of Code section 265(b)(3)(B).

If a Determination of Taxability does occur, then (i) the unpaid principal balance of the Note shall thereafter bear interest at a rate per annum equal to the Taxable Rate; and (ii) within thirty (30) days after notice of the Determination of Taxability, there shall also be paid as additional interest to the Bank (1) the difference between the total amount of interest on the Note which would have been due by the Borough under the Note at the Taxable Rate and the total amount of interest actually paid, during all periods prior to the date of the Determination of Taxability for which federal income tax is collectable with respect to interest on the Note; and (2) an amount equal to all interest and penalties due by the Bank under the Note by reason of having excluded any such interest from the Bank’s taxable income.

The interest rate referred to in this Note shall be computed on the basis of a month of thirty (30) days and a year of 360 days.

The entire principal amount of the Note shall be advanced by the Bank on the date of issuance.

The principal of and interest on this Note shall be made in any coin or currency of the United States of America which, at the time of payment, shall be legal tender for payment of public and private debts, at the office of the Bank stated above, as paying agent (which term shall include any duly appointed alternate or successor paying agent). If the Bank shall be the registered owner of this Note, payment of any part of the principal of and interest on this Note by or in behalf of the Borough shall be valid and effective to satisfy and discharge fully the obligations of the Borough or its paying agent, with respect to such payments of principal and interest. If the registered owner of this Note shall not be the Bank, payment of any part of the principal of and interest on this Note shall be made only upon surrender hereof by the registered owner at the principal office of the paying agent (or the designated office of any successor

paying agent). Final payment of principal and interest appertaining hereto shall be made only upon complete surrender hereof to the paying agent.

If the date for payment of the principal of, or interest on, the Note is not a business day, then the date of such payment shall be the next succeeding day which is a business day. Payment on such subsequent business day shall have the same force and effect as if made on the nominal date of payment. A business day shall be any day in which the Bank is not authorized by law or under lawful authority to be closed.

The Borough shall have the right at its option to prepay the Note, as a whole at any time or in part from time to time, without premium or penalty, provided that any prepayment in part shall be applied against those principal installments as designated by the Borough in writing at the time of such prepayment, or if no such designation is made, to principal installments in the inverse order of their maturities.

The appropriate officer of the Borough shall deposit money sufficient for the payment of the principal of and interest on this Note into a sinking fund before the date of each such payment of principal or interest. Such sinking fund, known as the "Sinking Fund – General Obligation Note, Series of 2014," has been established at the office of the Bank at which this Note is payable.

This Note, immediately upon execution and delivery hereof by the Borough, shall be registered, both as to principal and interest, in the name of the owner, on records of the Borough to be kept for that purpose by the Bank, as paying agent, such registration to be noted hereon by a duly authorized representative of the paying agent on the attached Certificate of Registration. After such registration, no transfer hereof shall be valid unless made by the registered owner hereof in person, or by a duly authorized attorney, and similarly noted upon the attached Certificate of Registration. Rights of any registered owner hereof, subsequent to the initial registered owner hereof, shall not exceed rights of the predecessor registered owner hereof.

This Note is issued in accordance with the provisions of the Act and by virtue of an ordinance of the Borough duly enacted on December 18, 2013 (the "Ordinance"), and the sworn statement of the duly authorized officers of the Borough as appears on record in the office of the Pennsylvania Department of Community and Economic Development, Harrisburg, Pennsylvania. It is hereby certified and recited that all conditions, acts, and things required to exist, to have been performed and to have happened precedent to and in connection with the issuance of this Note do exist, have been performed and have happened and that this Note is within every debt and other limitation prescribed by law.

It is covenanted with the holder of this Note that the Borough shall (i) include the amount of the debt service for each fiscal year in which the sums are payable in its budget for that year until this Note is paid in full, (ii) appropriate those amounts from its taxes and other general revenues for the payment of debt service, and (iii) duly and punctually pay or cause to be paid from its sinking fund or any other of its taxes and other general revenues or funds the principal hereof and the interest on this Note at the dates and places and in the manner stated in this Note, according to the true intent and meaning thereof. For such budgeting, appropriation

and payment, the Borough irrevocably pledges its full faith, credit and taxing power. As provided in the Act, this covenant shall be specifically enforceable; subject, however, as to the enforceability of remedies to any applicable bankruptcy, insolvency, moratorium or other laws or equitable principles affecting the enforcement of creditors' rights generally.

The Borough hereby covenants that it will make no use of the proceeds of this Note during the term thereof which would cause such Note to be an "arbitrage bond" within the meaning of section 148 of the Internal Revenue Code of 1986, as amended (the "Code") and that it will comply with the requirements of all Code sections necessary to ensure that this Note is described in Code section 103(a) and not described in Code section 103(b) throughout the term of the Note.

It is hereby certified that the approval of the Department of Community and Economic Development of the Commonwealth of Pennsylvania for the Borough to issue and deliver this Note has been duly given pursuant to the Act; that all acts, conditions and things required by the Laws of the Commonwealth of Pennsylvania to exist, to have happened or to have been performed, precedent to or in the issuance of this Note or in the creation of the debt of which this Note is evidence, exist, have happened and have been performed in regular and due form and manner as required by law; and that this Note, together with all other indebtedness of the Borough, is within every debt and other limit prescribed by the Constitution and the statutes of the Commonwealth of Pennsylvania.

In the event that for any reason one or more of the provisions of this Note or its or their application to any person or circumstance shall be held to be invalid, illegal or unenforceable in any respect or to any extent, such provisions shall nevertheless remain valid, legal and enforceable in all such other respects and to such extent as may be permissible. In addition, any such invalidity, illegality or unenforceability shall not affect any other provisions of this Note, but this Note shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

No recourse shall be had for the payment of the principal of, or interest on, this Note, or for any claim based hereon or on the Ordinance, against any member, officer or employee, past, present, or future, of the Borough or of any successor body, either directly or through the Borough or any such successor body, under any constitutional provision, statute or rule of law, or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, and all such liability of such members, officers or employees is released as a condition of and as consideration for the execution and issuance of this Note.

This Note may be transferred only in accordance with the provisions of the Ordinance.

This Note is designated as a "qualified tax-exempt obligation," as such term is defined in Section 265(b)(3)(B) of the Code.

IN WITNESS WHEREOF, the Borough has caused this Note to be executed in its name and on its behalf by the manual or facsimile signature of the President or Vice President and its corporate seal (or a facsimile thereof) to be affixed, imprinted, engraved or otherwise reproduced hereon, and attested by the manual or facsimile signature of its Secretary or Assistant Secretary, all as of the Date of Issuance.

Attest:

BOROUGH OF WEST CHESTER,
Chester County, Pennsylvania

(Assistant) Secretary

By: _____
(Vice) President

(Borough Seal)

SCHEDULE A
(Maximum Debt Service Schedule)

Date	Interest	Principal	Annual Debt Service
July 15, 2014	\$58,159.50	-	-
December 31, 2014	-	-	\$58,159.50
January 15, 2015	60,165.00	\$107,000.00	-
July 15, 2015	55,350.00	-	-
December 31, 2015	-	-	222,515.00
January 15, 2016	55,350.00	110,000.00	-
July 15, 2016	50,400.00	-	-
December 31, 2016	-	-	215,750.00
January 15, 2017	50,400.00	114,000.00	-
July 15, 2017	45,270.00	-	-
December 31, 2017	-	-	209,670.00
January 15, 2018	45,270.00	117,000.00	-
July 15, 2018	40,005.00	-	-
December 31, 2018	-	-	202,275.00
January 15, 2019	40,005.00	120,000.00	-
July 15, 2019	34,605.00	-	-
December 31, 2019	-	-	194,610.00
January 15, 2020	34,605.00	41,000.00	-
July 15, 2020	32,760.00	-	-
December 31, 2020	-	-	108,365.00
January 15, 2021	32,760.00	43,000.00	-
July 15, 2021	30,825.00	-	-
December 31, 2021	-	-	106,585.00
January 15, 2022	30,825.00	44,000.00	-
July 15, 2022	28,845.00	-	-
December 31, 2022	-	-	103,670.00
January 15, 2023	28,845.00	45,000.00	-
July 15, 2023	26,820.00	-	-
December 31, 2023	-	-	100,665.00
January 15, 2024	26,820.00	47,000.00	-
July 15, 2024	24,705.00	-	-
December 31, 2024	-	-	98,525.00
January 15, 2025	24,705.00	48,000.00	-
July 15, 2025	22,545.00	-	-
December 31, 2025	-	-	95,250.00
January 15, 2026	22,545.00	49,000.00	-
July 15, 2026	20,340.00	-	-
December 31, 2026	-	-	91,885.00
January 15, 2027	20,340.00	51,000.00	-
July 15, 2027	18,045.00	-	-
December 31, 2027	-	-	89,385.00
January 15, 2028	18,045.00	52,000.00	-
July 15, 2028	15,705.00	-	-
December 31, 2028	-	-	85,750.00
January 15, 2029	15,705.00	54,000.00	-
July 15, 2029	13,275.00	-	-
December 31, 2029	-	-	82,980.00
January 15, 2030	13,275.00	56,000.00	-
July 15, 2030	10,755.00	-	-
December 31, 2030	-	-	80,030.00

January 15, 2031	10,755.00	57,000.00	-
July 15, 2031	8,190.00	-	-
December 31, 2031	-	-	75,945.00
January 15, 2032	8,190.00	59,000.00	-
July 15, 2032	5,535.00	-	-
December 31, 2032	-	-	72,725.00
January 15, 2033	5,535.00	61,000.00	-
July 15, 2033	2,790.00	-	-
December 31, 2033	-	-	69,325.00
January 15, 2034	2,790.00	62,000.00	-
December 31, 2034	-	-	64,790.00

CERTIFICATE OF REGISTRATION
NOTICE: NO WRITING HEREON EXCEPT
BY PAYING AGENT ON BEHALF OF THE TOWNSHIP

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>
QNB Bank	P.O. Box 9005, Quakertown, PA 18951	January 21, 2014	

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

PLEASE INSERT SOCIAL SECURITY OR EMPLOYER
IDENTIFICATION NUMBER OF ASSIGNEE

_____ 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 Paying Agent, with full power of
substitution in the premises.

Dated: _____

Notice: This signature on this Assignment must correspond with the name as it appears on the
Paying Agent's Certificate of Registration in every particular, without alteration or any change
whatsoever.

EXHIBIT B
PRINCIPAL PAYMENT SCHEDULE

Date (January 15)	Payment Amount	Maximum Interest Rate
2015	\$107,000.00	9.00%
2016	110,000.00	9.00%
2017	114,000.00	9.00%
2018	117,000.00	9.00%
2019	120,000.00	9.00%
2020	41,000.00	9.00%
2021	43,000.00	9.00%
2022	44,000.00	9.00%
2023	45,000.00	9.00%
2024	47,000.00	9.00%
2025	48,000.00	9.00%
2026	49,000.00	9.00%
2027	51,000.00	9.00%
2028	52,000.00	9.00%
2029	54,000.00	9.00%
2030	56,000.00	9.00%
2031	57,000.00	9.00%
2032	59,000.00	9.00%
2033	61,000.00	9.00%
2034	62,000.00	9.00%

EXHIBIT C

MAXIMUM ANNUAL AMOUNTS APPROPRIATED TO SINKING FUND

Year	Amount
2014	\$58,159.50
2015	222,515.00
2016	215,750.00
2017	209,670.00
2018	202,275.00
2019	194,610.00
2020	108,365.00
2021	106,585.00
2022	103,670.00
2023	100,665.00
2024	98,525.00
2025	95,250.00
2026	91,885.00
2027	89,385.00
2028	85,750.00
2029	82,980.00
2030	80,030.00
2031	75,945.00
2032	72,725.00
2033	69,325.00
2034	64,790.00