

BOROUGH OF HATBORO
Montgomery County, Pennsylvania

ORDINANCE NO. 1038

AUTHORIZING THE INCURRENCE BY THE BOROUGH OF HATBORO OF NONELECTORAL DEBT BY THE ISSUANCE OF ITS GENERAL OBLIGATION NOTE, SERIES OF 2016 IN THE AGGREGATE PRINCIPAL AMOUNT OF \$2,700,000 FOR THE PURPOSE OF PROVIDING FUNDS TO: (1) THE REPAIR AND IMPROVEMENT OF THE BOROUGH'S POLICE STATION LOCATED AT 120 EAST MONTGOMERY AVENUE, HATBORO, PA 19040 AND (2) THE PAYMENT OF THE COSTS AND EXPENSES OF SUCH FINANCING; AUTHORIZING THE PREPARATION OF A DEBT STATEMENT AND OTHER DOCUMENTATION; COVENANTING TO CREATE A SINKING FUND AND TO BUDGET, APPROPRIATE AND PAY DEBT SERVICE ON THE NOTE; PLEDGING THE FULL FAITH, CREDIT AND TAXING POWER OF THE BOROUGH FOR THE PROMPT AND FULL PAYMENT OF THE NOTE; SETTING FORTH THE SUBSTANTIAL FORM OF THE NOTE; SETTING FORTH THE STATED PRINCIPAL MATURITY DATES AND AMOUNTS, INTEREST RATES AND PAYMENT DATES, PLACE OF PAYMENT AND OTHER DETAILS OF THE NOTE; AUTHORIZING THE EXECUTION OF A PAYING AGENT AGREEMENT; FINDING THAT A PRIVATE INVITED SALE OF THE NOTE IS IN THE BEST FINANCIAL INTEREST OF THE BOROUGH AND ACCEPTING A PROPOSAL FOR THE PURCHASE OF THE NOTE; APPOINTING A PAYING AGENT AND SINKING FUND DEPOSITORY; AND AUTHORIZING OTHER NECESSARY ACTION.

WHEREAS, pursuant to the Local Government Unit Debt Act, 53 Pa. Cons. Stat. §8001 et seq. (the "Act"), the Borough of Hatboro (the "Borough") may incur indebtedness for (i) the repair and improvement of the Borough's Police Station located at 120 East Montgomery Avenue, Hatboro, PA 19040 (the "Project") and (ii) the payment of the costs and expenses of such financing; and

WHEREAS, pursuant to a Request for Proposal (the "Request for Proposal"), the Borough solicited and received proposals for the purchase of the Note; and

WHEREAS, the Borough has determined that the proposal that offers the terms that are in the best financial interest of the Borough for the purchase of the Note (the "Purchase Proposal") is from the Hatboro Borough Authority (the "Lender"); and

WHEREAS, the Borough Council of the Borough (the "Council") desires to approve the issuance of the Note, approve the Project and accept the Purchase Proposal of the Lender.

NOW, THEREFORE, BE IT RESOLVED by the Borough Council of the Borough of HATBORO and IT IS HEREBY RESOLVED, as follows:

1. **Authorization of the Project and Incurrence of Indebtedness; Estimated Useful Life and Cost of the Projects.** The Borough hereby approves the Project as described in the recitals to this Ordinance, and shall incur indebtedness in the form of the Note, pursuant to the Act, in the aggregate principal amount of \$2,700,000 for the purpose of providing funds for and toward the costs of the Project and the costs and expenses of issuing the Note.

It is hereby determined and stated that the useful lives of the Project is in excess of the term of the Note.

2. **Authorization of Issuance of the Note.** The Borough shall issue, pursuant to the Act and this Ordinance, \$2,700,000 principal amount of its General Obligation Note, Series of 2016 in order to provide funds for and toward the costs of the Project and paying the costs of issuing the Note as authorized and provided in Section 1 hereof.

3. **Type of Indebtedness.** The indebtedness evidenced by the Note is nonelectoral debt.

4. **Execution of Debt Statement; Note and Other Documents.** The President or Vice President of the Borough Council and the Secretary or Assistant Secretary of the Borough and their successors are hereby authorized and directed to file the Debt Statement required by Section 8110 of the Act, to execute and deliver the Note in the name and on behalf of the Borough and to take all other action required by the Act or this Ordinance in order to effect the issuance of the Note and to execute a loan agreement with the Lender substantially in the form attached hereto as **Exhibit A**. Said officers or any of them are further authorized to apply to the Department of Community and Economic Development for approval of the debt herein authorized and to file with such application a transcript of the proceedings including a certified copy of this Ordinance, the Debt Statement, a Borrowing Base Certificate signed by the appropriate officials of the Borough or by the accountants of the Borough responsible for auditing its financial affairs, and to take any and all such further action and to execute and deliver such other documents as may be necessary or proper to comply with all requirements of the Act or to carry out the intent and purpose of this Ordinance. Said officers and their successors are further hereby authorized if, in their opinion, it is advisable to do so, to prepare and file such statements and documents as may be required by Section 8024 or 8026 of the Act in order to qualify all or any portion of the existing indebtedness of the Borough or of the above authorized indebtedness as subsidized debt or self-liquidating debt.

5. **Type of Note.** The Note when issued will be a general obligation note.

6. **Covenant to Pay Debt Service - Pledge of Taxing Power.** The Borough hereby covenants with the registered owners of the Note: (a) that the Borough will include in its budget for each fiscal year for the life of the Note, the amount of the debt service on the

Note which will be payable in each such fiscal year so long as the Note shall remain outstanding; (b) that the Borough shall appropriate from its general revenues such amounts to the payment of such debt service; and (c) that the Borough shall duly and punctually pay or cause to be paid from the sinking fund hereinafter created the principal of the Note and the interest thereon on the dates and at the place and in the manner stated in the Note according to the true intent and meaning thereof. For such budgeting, appropriation and payment the Borough hereby pledges its full faith, credit and taxing power. This covenant shall be specifically enforceable. The amounts to be budgeted, appropriated and paid pursuant to the foregoing covenants are set forth in Exhibit B attached hereto and made a part hereof which are hereby incorporated in the foregoing covenant with the same effect as if the same were specified in the text of such covenant.

7. Form of Note. The Note shall be substantially in the form set forth in Exhibit C hereto, with appropriate omissions, insertions and variations.

8. Terms of Note. The Note shall be issued in fully registered form, in a single denomination equal to the principal amount thereof and shall be dated the date of issuance thereof or such other date as the Borough and the Lender shall agree. The Note shall be issued in the aggregate principal amount of \$2,700,000, shall bear interest from the date thereof payable annually on June 1st of each year, commencing on June 1, 2017 (each an "Payment Date") in accordance with the schedule attached hereto as Exhibit B. Borrower shall make interest only payments on each Payment Date up to and including June 1, 2026. Commencing on June 1, 2027 shall make equal annual payments of principal and interest based on a ten-year amortization schedule. The Note shall mature on June 1, 2036.

The principal of the Note shall be payable in lawful money of the United States of America at the office of the Lender, which is hereby appointed paying agent and registrar for Note and the sinking fund depository (the "Paying Agent"). Interest on the Note shall be payable in the manner provided in the Form of Note set forth herein.

9. Redemption of Note. The Note is subject to redemption prior to maturity at the option of the Borough as a whole or from time to time in part, in any portion of a maturity as selected by the Borough on any date, upon payment of a redemption price of 100% of principal amount plus interest accrued to the redemption date. If less than an entire year's maturity of the Note is to be redeemed at any particular time, such portion of the Note so to be called for redemption shall be chosen by lot by the Paying Agent. Any partial redemption of principal of the Note may be credited against such stated installments of principal on the Note as the Borough may designate in writing to the Paying Agent; otherwise a partial prepayment shall be applied against the principal installments last, by date, due and payable.

On the date designated for redemption and upon deposit with the Paying Agent of funds sufficient for payment of the principal and accrued interest on the Note called for redemption, interest on the Note or portions thereof so called for redemption shall cease to accrue and the Note or portions thereof so called for redemption shall cease to be entitled to any benefit or security under the Ordinance, and registered owner of the Note shall have no

rights with respect to the Note or portion thereof so called for redemption, except to receive payment of the principal of and accrued interest on the Note or portion thereof so called for redemption to the date fixed for redemption.

Notice by first class mail, postage prepaid, of any redemption shall be given by the Borough to the Paying Agent not less than ten (10) days prior to the date designated for redemption and then mailed by the Paying Agent not less than ten (10) days before such redemption date to the registered owners of the Note at their addresses as they appear on the Note register maintained by the Paying Agent. Such notice may also be given by the Borough directly to the holder of the Note in a manner as further agreed to by the Borough and such holder with a copy to the Paying Agent.

With respect to any optional redemption of the Note, if at the time of mailing such notice of redemption, the Borough shall not have deposited with the Paying Agent monies sufficient to redeem the Note or the portion of it called for redemption, such notice may state that it is conditional, that is, subject to the deposit of the redemption monies with the Paying Agent not later than the redemption date, and such notice shall be of no effect unless such monies are so deposited.

10. Sale of Note. The Note shall be sold at an invited private sale as hereinafter set forth in Section 13. After due consideration, the Borough Council of the Borough hereby finds and determines that such an invited private sale of the Note is in the best financial interest of the Borough. The form and use of various materials utilized in connection with such private sale, including the Request for Proposal, are hereby approved and ratified.

11. Creation of and Deposits in Sinking Fund. The Borough covenants that there shall be and there is hereby established and that it shall hereafter maintain a sinking fund designated "Sinking Fund - General Obligation Note, Series of 2016" for the Note (the "Sinking Fund") to be held by the Paying Agent (or such substitute or successor Paying Agent which shall hereafter be appointed in accordance with the provisions of the Act) in the name of the Borough, but subject to withdrawal only by the Paying Agent.

The Borough covenants and agrees to deposit in the Sinking Fund no later than each Payment Date the debt service payable on the Note on such dates, all as set forth in **Exhibit B** attached hereto, or such greater or lesser amount as at the time shall be sufficient to pay principal of and interest on the Note becoming due on each such date.

Pending application to the purpose for which the Sinking Fund is established, the President or Vice President of the Borough Council or the Treasurer of the Borough is hereby authorized and directed to cause the monies therein to be invested or deposited and insured or secured as permitted and required by Section 8224 of the Act. All income received on such deposits or investments of monies in the Sinking Fund during each applicable period shall be added to such Sinking Fund and shall be credited against the deposit next required to be made in such Sinking Fund.

The Paying Agent is hereby authorized and directed, without further action by the Borough, to pay from such Sinking Fund the principal of and interest on the Note as the same become due and payable in accordance with the terms thereof and the Borough hereby covenants that such monies, to the extent required, will be applied to such purpose.

All monies deposited in the Sinking Fund for the payment of the Note which have not been claimed by the registered owners thereof after two years from the date when payment is due, except where such monies are held for the payment of outstanding checks, drafts or other instruments of the Paying Agent, shall be returned to the Borough. Nothing contained herein shall relieve the Borough of its liability to the registered owners of the unrepresented Note.

12. **No Taxes Assumed.** The Borough shall not assume the payment of any tax or taxes in consideration of the purchase of the Note.

13. **Award and Sale of Note.** The Borough hereby awards and sells the Note to the Lender at a price equal to the face amount of the Note. A copy of said proposal shall be attached to this Ordinance and lodged with the official minutes of this meeting and is hereby incorporated herein by reference. The proper officers of the Borough are hereby authorized and directed to endorse the acceptance of the Borough on said proposal and to deliver a copy thereof to the Lender. Delivery of the accepted proposal to the Lender shall constitute conclusive evidence that the award and sale of the Note under this Ordinance have become final.

14. **Contract with Paying Agent.** The proper officers of the Borough are authorized to contract for the Note with the Lender, in connection with the performance of their duties as the Paying Agent and Sinking Fund Depository on usual and customary terms, including an agreement to observe and comply with the provisions of this Ordinance and of the Act.

15. **Federal Tax Covenants.** The Borough hereby covenants not to take or omit to take any action so as to cause interest on the Note to be no longer excluded from gross income for purposes of federal income taxation and to otherwise comply with the requirements of Sections 103 and 141 through 150 of the Code, and all applicable regulations promulgated with respect thereto, throughout the term of the Note. The Borough further covenants that it will make no investments or other use of the proceeds of the Note which would cause the Note to be "arbitrage bonds" as defined in Section 148 of the Code. The Borough further covenants to comply with the rebate requirements (including the prohibited payment provisions) contained in Section 148(f) of the Code and any regulations promulgated thereunder, to the extent applicable, and to pay any interest or penalty imposed by the United States for failure to comply with said rebate requirements, to the extent applicable.

The Borough hereby represents and warrants, after due investigation and to the best of its knowledge, that (i) the Note is not a "private activity bond" within the meaning of Section 141 of the Code and (ii) the aggregate face amount of "qualified tax-exempt

obligations” within the meaning of Section 265(b)(3)(B) of the Code (which includes qualified 501(c)(3) bonds but not any other private activity bonds) issued or to be issued by the Borough (and all entities that must be aggregated with it pursuant to the Code) during the 2016 calendar year is not reasonably expected to exceed \$10,000,000 (other than certain other obligations not required to be taken into account for purposes of Section 265 of the Code). The Borough hereby designates the Note as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3)(B) of the Code. The Borough hereby authorizes the proper officers of the Borough to execute a certificate to that effect at the time of closing.

16. **Execution and Authentication of Note.** As provided in Section 4, the Note shall be executed by the President or the Vice President of the Borough Council and the Secretary or Assistant Secretary of the Borough and each such execution shall be by manual or facsimile signature. If any officer whose signature appears on the Note shall cease to hold such office before the actual delivery date of the Note, such signature shall nevertheless be valid and sufficient for all purposes as if such person had remained in such office until the actual delivery date of the Note. The Note shall be authenticated by the manual signature of an authorized representative of the Paying Agent.

17. **Application of Note Proceeds.** The portion of the proceeds of the Note issued to rebuild the Borough’s police station shall be applied to that project and the portion of the proceeds of the Note issued to improve the Borough’s public works building shall be applied to that project.

18. **Compliance Policies and Procedures.** The policies and procedures set forth in **Exhibit D** hereto are intended to address post-issuance compliance matters. The Borough hereby approves and adopts the policies and procedures substantially as set forth in **Exhibit D**. These policies and procedures may be amended from time to time by resolution of the Borough Council.

19. **Officers Authorized to Act.** For the purpose of expediting the closing and the issuance and delivery of the Note, or in the event that the President of the Borough Council or the Secretary or Treasurer of the Borough shall be absent or otherwise unavailable for the purpose of executing documents, or for the purpose of taking any other action which they or any of them may be authorized to take pursuant to this Ordinance, the Vice President of the Borough Council or the Assistant Secretary or Assistant Treasurer of the Borough, respectively, are hereby authorized and directed to execute documents, or otherwise to act on behalf of the Borough in their stead.

20. **Contract with Note Owners.** This Ordinance constitutes a contract with the registered owners of the Note outstanding hereunder and shall be enforceable in accordance with the provisions of the laws of the Commonwealth of Pennsylvania.

21. **Binding Effect of Covenants and Agreements.** All covenants, obligations and agreements of the Borough set forth in this Ordinance and in the documents authorized hereby shall be deemed to be the covenants, obligations and agreements of the Borough to the full extent authorized or permitted by law, and all such covenants, obligations and

agreements shall be binding upon the Borough and its successors from time to time and upon any board or body to which any powers or duties affecting the same shall be transferred by or in accordance with law. Except as otherwise provided in this Ordinance, all rights, powers and privileges conferred and duties and liabilities imposed upon the Borough or the members thereof by the provisions of this Ordinance or the documents authorized hereby shall be exercised or performed, by such members, officers or other representatives of the Borough as may be required or permitted by law to exercise or perform the same. No covenant, obligation or agreement herein contained or contained in any documents authorized hereby shall be deemed to be a covenant, obligation or agreement of any supervisor, officer, agent or employee of the Borough in his or her individual capacity and neither the Council of the Borough nor any officer executing the other documents authorized by this Ordinance shall be liable personally thereunder or be subject to any personal liability or accountability by reason of the execution and delivery thereof.

22. **Bond Counsel.** The Borough hereby appoints Hamburg, Rubin, Mullin, Maxwell & Lupin to act as Bond Counsel to the Borough with respect to the transactions contemplated by this Ordinance.

23. **Further Action.** The proper officers of the Borough are hereby authorized and directed to take all such action, execute, deliver, file and/or record all such documents, publish all notices and otherwise comply with the provisions of this Ordinance and the Act in the name and on behalf of the Borough.

24. **Severability.** In case any one or more of the provisions contained in this Ordinance or in the Note shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this 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.

25. **Repealer.** All Ordinance and parts of Ordinance heretofore enacted to the extent that the same are inconsistent herewith are hereby repealed.

26. **Effective Date.** This Ordinance shall take effect on the earliest date permitted by the Act.

ENACTED this _____ day of _____, 2016

(BOROUGH SEAL)

BOROUGH OF HATBORO

ATTEST

Secretary

Title: _____

Name: _____

Approved this _____ day of _____, 2016

Mayor

EXHIBIT A
Form Loan Agreement

LOAN AND SECURITY AGREEMENT

between

BOROUGH OF HATBORO

and

HATBORO BOROUGH AUTHORITY

THIS LOAN AND SECURITY AGREEMENT ("Agreement"), dated _____, 2016, is by and between the **BOROUGH OF HATBORO** (the "Borough"), a duly formed Borough of the Commonwealth of Pennsylvania and a public body corporate and politic, and **HATBORO BOROUGH AUTHORITY** ("Lender").

WITNESSETH:

WHEREAS, the Borough is a duly formed borough and a public body corporate and politic of the Commonwealth of Pennsylvania, pursuant to the Borough Code, as amended, 8 Pa. C.S.A. § 101, *et seq.* ("Borough Code") which has all powers and obligations as set forth in the Borough Code; and

WHEREAS, the Borough has determined to undertake a project (the "Project") consisting of the financing of (i) the repair and improvement of the Borough's Police Station located at 120 East Montgomery Avenue, Hatboro, PA 19040 and (ii) the payment of the costs and expenses of such financing; and

WHEREAS, in order to provide funds required for the Project, the Borough has asked the Lender for a loan in the amount of \$2,700,000 (the "Loan") and the Lender has agreed, subject to the terms and provisions of this Agreement, to make the Loan to the Borough; and

WHEREAS, the Borough will issue its \$2,700,000 Note (the "Note") to the Lender, evidencing the Loan;

WHEREAS, the Borough by Ordinance adopted on August 15, 2016 (the "Ordinance"), authorized and approved all actions necessary and appropriate to facilitate the issuance of the Note and the execution and delivery of this Loan Agreement between the Borough and the Lender and such other documents as are necessary to complete the transaction (all such documents collectively, the "Transaction Documents"), all in accordance with the Borough Code and other applicable law; and

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants hereinafter contained, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS

1.1. **Terms Defined in Recitals.** Terms defined in the recitals shall have the meanings set forth in such recitals.

1.2. **Additional Defined Terms.** The terms defined in this Section 1.2, wherever used in this Agreement, shall have the meanings herein specified, unless the context clearly otherwise requires:

(a) **"Administrative Expenses"** shall mean the expenses reasonably incurred or to be incurred by the Borough in connection with its operation and administration of the Borough of Hatboro including, without limitation, all taxes imposed upon the Borough or such assets or properties, auditing fees, legal fees, engineering fees, office expenses, general administrative expenses and other costs and expenses which constitute costs of operation or administration of the Borough of Hatboro.

(b) **"Capital Additions"** shall mean new or additional property which is properly chargeable to fixed property accounts in accordance with generally accepted accounting principles and any and all permanent improvements, additions, extensions and betterments to real or fixed property of the Borough.

(c) **"Receipts and Revenues"** shall mean any and all rates, rents, fees and charges established or to be established, levied and collected in connection with, and all other payments, receipts and revenues of whatever kind or character arising from, the operation or ownership of the Borough Assets or any part thereof (including, without limitation, all accounts, any insurance proceeds, condemnation or eminent domain awards payments under performance bonds, grants and assessments not separately pledged).

(d) **"Borough Assets"** shall mean and include as of any particular time (i) all tangible property, fixed or movable, real or personal, then owned or operated by the Borough and used in the

operations of the Borough which was so owned or operated and used at the time of the execution of this Agreement, (ii) all Capital Additions constructed or otherwise acquired by the Borough, (iii) all other tangible property, fixed or movable, real or personal, then owned or operated by the Borough and used in the rendering of services by the Borough and (iv) all franchises used or useful to the Borough at such particular time.

1.3. Interpretation. The words "hereof," "herein," "hereto," "hereby" and "hereunder" refer to this Agreement. All words importing persons include firms, associations and corporations, and all words importing the singular number include the plural number and vice versa as the context may require.

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE BOROUGH

2.1. Representations and Warranties of the Borough. The Borough represents, warrants and covenants to the Lender as follows:

(a) The Borough is a public body corporate and politic established in the Commonwealth of Pennsylvania (the "State") pursuant to the Borough Code, is authorized and empowered by the laws of the State (including the Borough Code) and the Ordinance to enter into the transactions contemplated by this Agreement and to carry out its obligations hereunder.

(b) The issuance of the Note and the execution, delivery and performance of this Agreement, the performance of the transactions contemplated by the provisions hereof and the execution of this Agreement have been approved by the Borough at a duly constituted meeting.

(c) The execution and delivery of the Note and this Agreement, consummation of the transactions herein contemplated, and compliance with the terms and provisions hereof will not conflict with or result in a breach of any of the terms, conditions or provisions of the Articles of Incorporation, Code or By-Laws of the Borough or of any agreement, indenture or other instrument to which the Borough is a party or by which it is bound or to which it or its property is subject, or constitute a default thereunder, and will not result in the creation or imposition of any lien, charge or

encumbrance of any nature whatsoever (except those created pursuant hereto) upon any of the property of the Borough pursuant to the terms of any such agreement, indenture or other instrument.

(d) This Agreement has been duly and validly executed and delivered by the Borough and constitutes a valid and legally binding obligation of the Borough, enforceable in accordance with its terms, except as limited by bankruptcy, insolvency, moratorium and other laws effecting the enforcement of creditors' rights generally, including, but not limited to, the laws concerning fraudulent conveyances, and by general principles of equity.

(e) There is no material judgment, litigation or governmental proceeding pending or, to the knowledge of the Borough or its officers, threatened against the Borough other than that which has been previously disclosed to the Lender in writing; if any such litigation or proceeding exists, it shall be set forth in an exhibit attached hereto and made a part hereof.

(f) No consent or approval to the execution and performance of this Agreement and the transactions contemplated hereby not already obtained is required to be obtained by the Borough from any governmental body, authority, agency, court or other person or entity, public or private.

ARTICLE III

TERM OF AGREEMENT; DISPOSITION OF LOAN PROCEEDS

3.1. Term of Agreement. This Agreement shall become effective upon its delivery and, subject to sooner termination pursuant to the provisions of this Agreement, shall remain in effect until the principal of, and interest on the Note have been fully paid or provision for payment shall have been made in accordance with the Note.

3.2. Disposition of Proceeds of the Note. At Closing, the Lender shall disburse the Note proceeds to pay Project costs to the Borough.

ARTICLE IV
PAYMENT PROVISIONS

4.1. Loan Payments. The Borough hereby covenants and agrees to repay the Loan in accordance with the terms of the Note (including any payment schedules attached to the Note), the terms of which are incorporated herein by reference. The Borough shall pay to the Lender in immediately available funds on each June 1 (each, an "Interest Payment Date") any required payment of principal and interest on the Note, commencing June 1, 2017.

4.2. Interest Provision. The form of the Note is attached hereto as Exhibit A. The Note shall bear interest as set forth in such Note.

4.3. Intentionally Blank.

4.4. Security; Additional Secured Debt.

(a) To secure repayment of the Note the Borough hereby pledges and grants to the Lender a security interest in its Taxes, Receipts and Revenues and (ii) grants an absolute assignment of its Gross Taxes, Receipts and Revenues to the Lender.

(b) Reserved.

(c) The Borough hereby grants, sells, assigns, transfers, sets over and delivers unto the Lender, for the benefit of the Lender, its successors and assigns, all right, title and interest of the Borough in and to all the Gross Taxes, Receipts and Revenues to secure the repayment of the Note and all obligations of the Borough hereunder. The Borough shall retain full responsibility for the collection and management of the Gross Taxes, Receipts and Revenues, and the Borough hereby agrees to indemnify and defend the Lender against, and hold the Lender harmless from, (i) any and all liability, loss or damage which the Lender may or might incur by reason of any deficiency or alleged deficiency in the collection and management of the Gross Taxes, Receipts and Revenues and (ii) any and all claims and demands whatsoever which may be asserted against the Lender by reason thereof. Should the Lender incur any liability, loss or damage described in the preceding sentence, or in defense against any such claims or demands, the amount thereof, including costs, expenses and reasonable attorneys' fees, together with interest thereon at the rate specified in this Agreement, shall be added to the obligations secured hereby and the Borough shall reimburse the Lender therefor, immediately upon demand.

4.5. Optional Prepayment of Note. The Note shall be subject to prepayment at any time prior to maturity, at the option of the Borough, at a prepayment price equal to principal plus interest accrued to the date fixed for prepayment, as a whole or in part at any time, without any premium or fee. Any partial prepayment of principal may be credited against such stated installments of principal on the Note as the Borough may designate in writing to the Lender at the time of prepayment; otherwise, a partial prepayment shall be applied against the principal installments last (by date) due and payable.

4.6. Termination of Loan Agreement. When the principal of, and interest on, the Note shall have been paid in full and all other obligations of the Borough to the Lender hereunder shall have been paid or duly provided for no further amounts shall be payable hereunder and this Agreement shall be terminated.

4.7. Obligations of the Borough Absolute and Unconditional. The obligation of the Borough under this Agreement to make payments on or before the dates the same became due, and to perform all of its other obligations, covenants and agreements hereunder shall be absolute and unconditional, without notice or demand, and without abatement, deduction, setoff, counterclaim, recoupment or defense or any right of termination or cancellation arising from any circumstance whatsoever, whether now existing or hereafter arising, and notwithstanding any failure of consideration or frustration of

commercial purpose, any change in the tax or other laws of the United States of America, the State or any political subdivision thereof, any change in the Borough's legal organization or status, or any default of the Borough hereunder, and regardless of the invalidity of any action of the Borough, and regardless of the invalidity of any portion of this Agreement.

ARTICLE V

ADDITIONAL COVENANTS OF THE BOROUGH

5.1. Rates and Charges. The Borough covenants that it will adopt, maintain, charge and collect, from the residents of the Borough, so long as the Note remains outstanding and funds for its payment have not been provided, taxes and other charges, including assessments, which, after making due and reasonable allowances for delinquencies, contingencies and a margin of error in the estimates, together with all other anticipated Taxes, Receipts and Revenues of the Borough and other available Borough funds, are at all times at least sufficient with respect to the Borough to provide annually funds to pay 100% of the annual debt service requirements on the Note.

5.2. Books, Records and Financial Reports. The Borough shall keep accurate records and books of account with respect to the Project and shall furnish to the Lender by July 31st of each year or within fifteen (15) days' of completion, as applicable, a copy of the annual audited financial statements of the Borough, including balance sheet, statement of income and expenses, and changes in net assets, prepared by an independent certified public accountant. The Borough agrees to provide such additional financial information to the Lender as the Lender may reasonably request from time to time.

5.3. Maintenance of Insurance. The Borough covenants to:

(a) Keep all insurable property, real and personal, now owned or hereafter acquired by it, insured at all times against loss or damage by fire and risks and other hazards of the kinds customarily insured against and in the amounts customarily carried by public entities engaged in comparable activities under valid and enforceable policies issued by insurers of recognized responsibility and, promptly from time to time upon request of the Lender, deliver to the Lender a summary schedule indicating all insurance then in effect.

(b) Maintain comprehensive general public liability insurance and workers compensation insurance in full force and effect, under valid and enforceable policies issued by insurers of recognized responsibility not unacceptable to the Lender; and, promptly from time to time upon request of the Lender, deliver to the Lender a summary schedule indicating all insurance then in effect.

5.4. Fees and Expenses. The Borough shall pay to the Lender on demand any and all costs and expenses incurred or paid by the Lender in connection with issuing the Loan, including, without limitation, the costs of Lender's solicitor and financial advisors, together with all filing fees for any financing statements to be recorded to evidence the lien and security interest of the Lender in the Taxes, Receipts and Revenues.

5.5. Operation and Maintenance. The Borough shall use its best efforts to: (a) maintain the Borough's Assets and every part thereof in good repair, working order and condition; (b) continuously operate the same; (c) from time to time make all necessary and proper repairs, renewals and replacements thereof; and (d) comply with (while retaining its ordinary legal right to interpret, challenge and defend in court against) all present and future laws, rules, regulations, permits, order and requirements lawfully made.

ARTICLE VI CONDITIONS OF CLOSING

6.1. Conditions of Closing. The obligation of the Lender to issue the Note and make the Loan hereunder is subject to the fulfillment of the following conditions:

(a) The representations and warranties of the Borough contained in Section 2 hereof shall be true and correct, and no Event of Default (as specified in Article VII hereof) and no condition, event or act which, with the giving of notice or the lapse of time or both, would constitute such an Event of Default, shall have occurred and be continuing.

(b) Concurrently with or prior to the issuance of the Note, the Borough shall have furnished: (i) a favorable opinion of counsel for the Borough, dated the date of issuance of the Note,

satisfactory to the Lender and (ii) other Transaction Documents and closing documents, as required by Lender.

(c) There shall have been delivered to the Lender certificates executed by the Secretary of the Borough, dated the date of issuance of the Note, setting forth the action taken by the Borough in connection with the Loan and the authorization of the execution, delivery and performance of this Agreement and the Note, the Ordinance of the Borough Council, its By-Laws and Articles of Incorporation as the Lender or its counsel shall deem appropriate

(d) All legal matters incident or related to the Loan shall be in form and substance reasonably satisfactory to the Lender.

ARTICLE VII
EVENTS OF DEFAULT AND REMEDIES

7.1. Events of Default. Any one or more of the following events shall constitute an "Event of Default" hereunder:

(a) the Borough fails to make any payment required hereunder; or

(b) the Borough shall default in the due and punctual performance of any other of the covenants and agreements contained in this Agreement and such default shall continue for thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Borough by the Lender; provided that if (i) such default is capable of being cured, but not within thirty (30) days, (ii) the Borough has commenced such cure within said 30-day period, and (iii) the Borough diligently prosecutes such cure to completion, the same shall not constitute an Event of Default; or

(c) the Borough shall (i) admit in writing its inability to pay its debts as they become due; or (ii) file a petition in bankruptcy or for reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under the bankruptcy code of the United States of America as now or in the future amended or any other similar present or future federal or state statute or

regulation, or file a pleading asking for such relief; or (iii) make an assignment for the benefit of creditors; or (iv) consent to the appointment of a trustee, receiver or liquidator for all or a major portion of its property; or (v) be finally adjudicated as bankrupt or insolvent under any federal or state law, which order, if not consented to by Borough, is not dismissed, vacated, denied, set aside or stayed in 90 days after the day of entry; or (vi) be subject to any proceeding, or suffer the entry of a final and nonappealable court order, under any federal or state law appointing a receiver, trustee or liquidator for all or a major part of its property or ordering the winding-up or liquidation of its affairs, approving a petition filed against it under the Bankruptcy Code, as now or in the future amended, which order or proceeding, if not consented to by it, is not dismissed, vacated, denied, set aside or stayed in 90 days after the day of entry or commencement; or (vii) suffer a writ or warrant of attachment or any similar process to be issued by any court against all or any substantial portion of its property, unless such writ or warrant of attachment or similar process is not contested, stayed, or is not released within 90 days after the final entry or levy or after any contest is finally adjudicated or any stay is vacated or set aside; or

(d) If any representation or warranty made by the Borough in this Loan Agreement or which is contained in any certificate, document, opinion, financial or other statement furnished at any time in connection with this Loan Agreement shall prove to have been incorrect, incomplete, or misleading in any material respect on or as of the date made or deemed made; or

(e) The Borough defaults on its payment obligation under any other loan facility with respect to the Borough's Assets; or

(f) The Borough fails to maintain a minimum credit rating of BBB+, as determined by Standard & Poor's Ratings Services, a business division of The McGraw-Hill Companies, Inc., or its successor.

7.2. Remedies. If an Event of Default has occurred and is continuing, the Lender may, in addition to its other rights and remedies as may be provided herein or may exist at the time at law or in equity, upon notice to the Borough, declare all sums due or to become due hereunder to be immediately due and payable.

7.3. Waivers. No failure by the Lender to insist upon strict performance hereof or to exercise any remedy upon the occurrence of an Event of Default shall constitute a waiver of such default, or a waiver or modification of any provision hereof. Upon the occurrence of an Event of Default, the Lender may exercise any one or more of the remedies available to it hereunder separately or concurrently and as often as required to enforce the Borough's obligations hereunder.

7.4. Remedies Not Exclusive. All rights and remedies herein given or granted to the Lender are cumulative, non-exclusive and in addition to any and all rights and remedies that the Lender may have or be given by reason of any law, statute, ordinance or otherwise.

7.5. Expenses. If the Borough shall default under any of the provisions of this Agreement and the Lender shall employ attorneys or incur other expenses for the collection of amounts payable hereunder or for the enforcement of performance or observance of any obligation or agreement on the part of the Borough contained in this Agreement, the Borough shall, if Lender prevails in its action(s), on demand therefor reimburse the Lender, for the reasonable fees of such attorneys and such other reasonable expenses so incurred.

ARTICLE VIII MISCELLANEOUS

8.1. Payment of Lender's Closing Costs. The Borough shall pay all fees and costs as set forth in Section 5.4 of this Agreement.

8.2. Severability. If any term or provision hereof or the application thereof shall for any reason be held to be invalid or unenforceable, the remaining terms and provisions and all other applications of such term or provision shall not be affected thereby, and each term and provision hereof shall be valid and enforceable to the fullest extent permitted by law.

8.3. Exculpation of Borough Employees. In the exercise of the power of the Borough and any of its members, officers, employees and agents (the "Borough Representative") hereunder, including without limitation the application of monies and the investment of funds, neither the Borough nor any Borough Representative shall be accountable to the Lender for any action taken or omitted by it

or its members, officers, employees and agents in good faith and reasonably believed by it or them to be authorized or within the discretion or rights or powers conferred upon such Borough Representative hereunder. The Borough and Borough Representative shall be protected in its or their acting upon any paper or document believed by it or them to be genuine, and it or they may reasonably rely upon the advice of counsel and may but need not require further evidence of any fact or matter before taking any action. No recourse shall be had by the Lender for any claims based on this Agreement against any Borough Representative alleging personal liability on the part of such person unless such claims are based upon the bad faith, willful misconduct, fraud or deceit of such person.

8.4. References to Statutes, Governmental Agencies, etc. A reference herein to a statute or to a regulation issued by a governmental agency includes the statute or regulation in force as of the date hereof, together with all amendments and supplements thereto and any statute or regulation substituted for such statute or regulation, unless the specific language or the context of the reference herein clearly includes only the statute or regulation in force as of the date hereof. A reference herein to a governmental agency, department, board, commission or other public body or to a public officer includes an entity or officer which or who succeeds to substantially the same functions as those performed by such public body or officer as of the date hereof, unless the specific language or the context of the reference herein clearly includes only such public body or public officer as of the date hereof.

8.5. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

8.6. Notices. All notices required or authorized to be given by the Borough, or the Lender pursuant to this Agreement shall be in writing and shall be sent by certified mail (return receipt requested), postage prepaid, hand delivery, overnight courier or facsimile transmission with confirming copy, to the following addresses:

the Borough:	Hatboro Borough 414 South York Road Hatboro, PA 19040 Attention: Fred Zollers, Borough Manager Fax Number: 267-246-7363
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With copy to: Christen G. Pionzio, Esquire
Hamburg, Rubin, Mullin, Maxwell & Lupin, PC
375 Morris Road
P.O. Box 1479
Lansdale, PA 19446-0773
Fax Number: 215-661-0315

the Lender: Hatboro Borough Authority
414 South York Road
Hatboro, PA 19040
Attention: _____
Fax Number: _____

With copy to: Eric C. Frey, Esquire
Dischell, Bartle & Dooley, P.C.
1800 Pennbrook Parkway, Suite 200
Lansdale, PA 19446
Fax Number: 215-362-6722

or to such other addresses as may from time to time be furnished to the parties, effective upon the receipt of notice thereof given as set forth above.

8.7. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be regarded for all purposes as an original, and such counterparts shall constitute but one and the same instrument.

8.8. Headings. All headings herein are for convenience of reference only and shall not affect the interpretation of any provision hereof.

8.9. Assignment; Successors and Assigns. The Borough shall not assign this Agreement or any interest of the Borough herein, either in whole or in part, without the prior written consent of the Lender. Subject to the foregoing, this Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and their respective successors, and the terms "Borough" and "Lender" shall, where the context requires, include the respective successors of such persons.

8.10. Amendments. This Agreement may not be amended except by an instrument in writing signed by the parties.

8.11. Indemnification. In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, the Borough hereby agrees (to the extent permitted by law) to indemnify and hold harmless the Lender and its officers, directors and agents (the "Indemnitees") from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever (including reasonable attorneys' fees for counsel of the indemnified party's choice and court costs) which any of the Indemnitees may incur (or which may be claimed against any of the Indemnitees by any person or entity whatsoever) by reason of or in connection with involvement of the Lender in any legal suit, investigation, proceeding, inquiry or action as a consequence, direct or indirect, of the Lender's entering into this Agreement or action taken hereunder or under any of the other Transaction Documents or any other event or transaction in connection with or contemplated by any of the foregoing; provided however, that the Borough shall not be required to indemnify the Lender for any claims, damages, losses, liabilities, costs or expenses to the extent, caused by the willful misconduct, bad faith or gross negligence of the Lender. Notwithstanding the preceding sentence, each of the Indemnitees shall have the right to employ their own respective counsel and to determine their own defense of such action in any such case, but the fees and expenses of such counsel shall be at the expense of Indemnitee or the Lender unless (i) the employment of such counsel shall have been authorized in writing by the Borough or (ii) the Borough, after due notice of the action, shall not have employed counsel reasonably satisfactory to such Indemnitee or Lender, as the case may be, to have charge of such defense, in either of which events the reasonable, out-of-pocket fees and expenses of the respective counsels for such Indemnitee or Lender shall be borne by the Borough to the extent that such action is covered by this indemnification provision. Nothing under this Section 8.11 is intended to limit the Borough's payment of obligations under the Transaction Documents.

8.12. Survival. The obligations of the Borough under Section 8.11 shall survive the payment of the obligations under the Transaction Documents and the termination of this Agreement.

8.13. Absolute and Unconditional Agreement.

(a) The obligations of the Borough under Section 8.11 shall be a continuing, absolute and unconditional indemnity, without regard to:

(i) any limitation, discharge, cancellation, invalidity, rejection or unenforceability of the obligations under the Transaction Documents or any part thereof; and

(ii) any circumstance whatsoever which constitutes or might be construed to be an equitable or legal discharge of the Borough from the obligations under the Transaction Documents.

(b) The Borough's liability hereunder shall not be conditioned or contingent upon the pursuit by the Lender of any right or remedy against the Borough or any other person at any time and shall not be affected or limited in any manner by any action taken by the Lender in connection with exercise of any remedies under the Transaction Documents.

8.14. Further Assurances. From time to time upon the request of the Lender, the Borough shall promptly and duly execute, acknowledge and deliver any and all such further instruments and documents as the Lender may deem reasonably necessary or desirable to confirm this Agreement or any of the related documents, to carry out the purpose and intent hereof and thereof or to enable the Lender to enforce any of its rights hereunder or thereunder; provided, however, that the Borough shall not be obligated to execute or deliver any instruments and documents which increase the Borough's obligations and liabilities, or decrease Borough's rights and benefits, under the Loan.

8.15. Waivers. The Lender may from time to time grant waivers or consents to a departure from the due performance of the obligations of the Borough under the related documents. Any such agreements, waivers or consents must be in writing signed by Lender and Borough and shall be effective only to the extent specifically set forth in such writing. In the case of any such waiver or consent relating to an Event of Default, such Event of Default so waived or consented to shall be deemed to be cured and not continuing, but no such waiver or consent shall extend to any other or subsequent Event of Default or impair any right consequent thereto.

8.16. No Implied Waiver. No course of dealing and no delay or failure of the Lender in exercising any right, power or privilege under this Agreement or the other related documents (including any delay in sending the notice required for an Event of Default) shall affect any other or future exercise thereof or exercise of any other right, power or privilege; nor shall any single or partial exercise of any

such right, power or privilege or any abandonment or discontinuance of steps to enforce such a right, power or privilege preclude any further exercise thereof or of any other right, power or privilege.

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8.17. Right of Setoff.

(a) Upon the occurrence and during the continuance of an Event of Default, the Lender may, at any time and from time to time, upon prior notice to the Borough, set-off and appropriate and apply, against and on account of, any obligations of the Borough under the Transaction Documents to the Lender, without regard to whether or not the Lender shall have made any demand therefor, and although such obligations under the Transaction Documents may be contingent or unmatured, any and all deposits (general or special, including but not limited to indebtedness evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts) of the Borough and any other indebtedness at any time held or owing by the Lender to or for the credit or the account of the Borough.

(b) The Lender agrees to promptly notify the Borough after any such set-off and application referred to in subsection (a) above, provided that the failure to give such notice shall not affect the validity of such set-off and application. Subject to the provisions of subsection (a) above, the rights of the Lender under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Lender may have.

8.18. Rights Cumulative. All rights, powers and remedies herein given to the Lender are cumulative and not alternative, and are in addition to all statutes or rules of law; any forbearance or delay by the Lender in exercising the same shall not be deemed to be a waiver thereof, and the exercise of any right or partial exercise thereof shall not preclude the further exercise thereof, and the same shall continue in full force and effect until specifically waived by an instrument in writing executed by the Lender.

8.19. Judicial Proceedings. Any suit, action, or proceeding, whether claim or counterclaim, brought or instituted by the Borough or the Lender, or any of their successors or assigns, on or with respect to this Agreement or the dealings of the Borough or the Lender with respect hereto, shall be tried only by a court and not by a jury. THE BOROUGH AND LENDER HEREBY KNOWINGLY,

VOLUNTARILY AND INTENTINALLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY SUCH SUIT, ACTION OR PROCEEDING. In connection therewith, the Borough and Lender agree that any suit, action or proceeding arising hereunder or with respect hereto will be instituted in the Court of Common Pleas of Montgomery County, Pennsylvania, or the United States District Court for the Eastern District of Pennsylvania, and irrevocably and unconditionally submits to the jurisdiction of each such Court for such purpose. Further, the Borough and Lender waive any right it may have to claim or recover, in any such suit, action or proceeding, any special exemplary, punitive or consequential damages or any damages other than, or in addition to, actual damages, unless permitted by this Agreement. THE BOROUGH AGREES THAT THIS SECTION IS A SPECIFIC AND MATERIAL ASPECT OF THIS AGREEMENT AND THAT THE LENDER WOULD NOT EXTEND CREDIT IF THE WAIVERS SET FORTH IN THIS SECTION WERE NOT A PART OF THIS AGREEMENT.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and year first above written.

BOROUGH OF HATBORO

Attest: _____
Secretary

{SEAL}

By: _____
President

HATBORO BOROUGH AUTHORITY

Attest: _____
Secretary

{SEAL}

By: _____
Chairman

EXHIBIT A
(Form of Note)

HATBORO BOROUGH

\$2,700,000

BOROUGH REVENUE NOTE

Dated: _____

KNOW ALL PERSONS BY THESE PRESENTS, that the **HATBORO BOROUGH**, County of Montgomery, Commonwealth of Pennsylvania, a duly formed borough existing by and under the laws of said Commonwealth (the "Borough"), for value received, hereby acknowledges itself indebted and promises to pay to **HATBORO BOROUGH AUTHORITY**, or registered assigns (the "Payee"), the principal sum of TWO MILLION SEVEN HUNDRED THOUSAND DOLLARS (\$2,700,000), plus interest as provided herein. The principal sum shall be advanced to the Borough from time to time upon the Borough's request in accordance with the Loan and Security Agreement of even date herewith between the Borough and Payee (the "Loan Agreement").

Interest on this Note shall initially be payable annually on each June 1 commencing June 1, 2017, as follows:

(i) For the period from the date hereof until May 31, 2026, interest shall be calculated at an initial fixed rate of Three Percent (3.0%) per annum. Interest payments for the first ten years shall be payable hereunder in accordance with the schedule attached hereto and incorporated herein as Schedule A (which shall be adjusted on each Change Date (defined below) to reflect the then applicable interest rate; and

(ii) For the period from June 1, 2026, through June 1, 2036 (the "Maturity Date"), the rate shall reset being June 1, 2026 (the "Change Date").

The interest rate will be adjusted on the Change Date pursuant to the following:

- (i) The interest rate shall be adjusted on the Change Date to a fixed rate equal to 1.53% above the then current Bloomberg 10 Year Municipal Bond Yield.
- (ii) The Payee will adjust the interest rate on the Change Date. Regardless of the then applicable rate, the interest rate shall never be below 3.0%. The change in interest rate is effective on the Change Date, whether or not the Payee gives Borough notice of the change.

- (iii) The "Bloomberg 10 Year Municipal Bond Yield" is the Rate in effect on the Change Date as set forth or published at <http://www.bloomberg.com/quote/BVMB10Y:IND>, in which period base rates will be rounded to 2 decimal places with .004 being rounded down and .005 being rounded up.
- (iv) The spread as identified in the Note may not be changed during the life of the loan without the written agreement of the Payee.
- (v) The interest rate adjustment period may not be changed without the written consent of the Payee.

Interest shall be computed on the basis of a 360-day year of twelve 30-day months on the principal amount outstanding from time to time.

Principal shall be payable hereunder beginning on June 1, 2026. All payments from the date hereof through June 1, 2026 shall be interest only. Beginning June 1, 2027, payments shall be calculated utilizing the then applicable interest rate so that equal payments of principal and interest are made on an annual basis from June 1, 2027 through June 1, 2036. On June 1, 2026, Payee shall provide Borough with an amortization schedule showing the anticipated payments (which include interest and principal) due after the interest-only payment on June 1, 2026 through June 1, 2036.

In the event the Borough's credit rating as issued by Standard & Poor's Ratings Services, a business division of The McGraw-Hill Companies, Inc., or its successor, declines to a rating that is equal to BBB+, then the interest rate will increase by one-quarter of one percent (0.25%), and shall continue to increase by one-quarter of one percent (0.25%) for each rating decline, not to exceed an increase of more than one-half of one percent (0.50%).

Both principal and interest are payable in immediately available funds in such coin or currency as at the respective dates of payment thereof shall be legal tender for the payment of public and private debts, by wire transfer, check or draft payable, to such location or account as designated in writing by Payee at least five (5) Business Days before the payment date. A final payment of principal and interest, if not sooner paid, shall be due and payable on the Maturity Date.

Borough hereby agrees to make all payments when due, as set forth herein, to Payee at 414 S. York Road, Hatboro, Pennsylvania 19040. If any due date, shall fall on a Saturday, Sunday or legal holiday, then the Borough the due date shall be the first (1st) Business Day (as hereafter defined) immediately following any such due date until this Note shall be paid in full. As used herein, the term "Business Day" shall mean any day except a Saturday, Sunday or other day on which that commercial banks are required or permitted to close in the Commonwealth of Pennsylvania.

In the event any of the aforesaid payments of principal and interest in whole or in part are fifteen (15) days beyond their due date, Borough shall pay Payee a "late charge" of equal to \$500.00 or five percent (5.00%) of the amount due on the due date, whichever is less, to cover the extra expense involved in handling delinquent payments.

Any payments not made as and when due shall bear interest from the date due until paid at the Default Rate, in Purchaser's discretion. "Default Rate" means a rate equal to the lesser of (a) the rate of interest provided under this plus two percent (2%) per annum or (b) the highest rate of interest allowed by law. In addition, if the Borough shall fail to pay or cause to be paid any sum required to be paid under the terms of this Note, or if Borough shall fail to perform or cause to be performed any other provision hereof, then the balance of the debt evidenced by this Note, with all arrearages of interest thereon, shall, at the option of Payee, become due and payable immediately without notice to Borough, and execution or suit may issue immediately for the collection of the same, together with the costs of suit and attorneys' fees.

It is hereby recited that this Note is authorized to be issued in accordance with the Municipalities Authorities Act, 53 Pa.C.S.A Sections 5601 *et seq.* (the "Act"), the Borough Code, 8 Pa.C.S.A. Sections 101 *et seq.* (the "Borough Code"), the Loan Agreement, and pursuant to an Ordinance of the Borough Council of the Borough of Hatboro duly adopted on August 15, 2016 (the "Ordinance"), the terms of which Act, Borough Code, Loan Agreement and Ordinance are specifically incorporated herein by reference, and the terms of which the Payee accepts, which authorized the issuance of the Note. Capitalized terms used in this Note but not defined herein shall have the meanings ascribed to them in the Loan Agreement.

It is hereby certified that all acts, conditions and things required to be or be done, happen, and be performed precedent to and in the issuance of this Note have been done, happened, and been performed in regular and due form and manner as required by law.

It is hereby further certified that the Borough has effectively covenanted to periodically pay or cause to be paid the principal and interest thereon at the dates and places and in the manner stated herein, according to the true intent and meaning hereof.

The obligations of the Borough under this Note are secured by the Loan Agreement and the Receipts and Revenues pledged thereunder.

This Note may be prepaid in whole or in part at any time at the option of the Borough, upon notice to the Payee, at par plus accrued interest to the date of redemption without premium or penalty, as provided in the Loan Agreement.

This Note is transferable by the Payee upon written notice to the Borough. The Borough may deem and treat the Payee, or any other Person, from time to time, in whose name this Note shall be registered as the absolute owner hereof for the purpose

of receiving payment hereof and of interest due hereon, and for all other purposes, whether or not this Note shall be overdue. The Borough shall not be affected by any notice to the contrary. Notwithstanding the foregoing, the Payee intends to hold this Note for its own account with no intention of re-sale.

The Borough shall be in default hereunder upon the occurrence of any of the following events:

- (a) The nonpayment when due of any amount payable hereunder; or
- (b) The failure of the Borough to observe or perform any obligation to be performed by it hereunder, under the Loan Agreement and/or under any other documents or agreement executed by the Borough in connection herewith, and the failure of the Borough to cure such event after any applicable cure period.

Whenever the Borough shall be in default for any of the reasons as set forth hereinabove, and, if applicable, the cure period after notice has expired without cure being accomplished (unless the Payee elects otherwise), the entire unpaid balance of principal and accrued but unpaid interest shall become immediately due and payable without notice or demand on the Borough.

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, director or employee past, present or future of the Borough or of any successor body, as such, 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, directors or employees is released as a condition of and as consideration for the issuance of this Note.

NEITHER THE CREDIT NOR THE TAXING POWER OF THE COUNTY OF MONTGOMERY, OR OF THE COMMONWEALTH OF PENNSYLVANIA, OR OF ANY POLITICAL SUBDIVISION THEREOF, EXCEPT THAT OF HATBORO BOROUGH, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL, PREMIUM, IF ANY, OR INTEREST ON THIS NOTE; NOR SHALL THIS NOTE BE DEEMED AN OBLIGATION OF THE COUNTY OF MONTGOMERY OR OF THE COMMONWEALTH OF PENNSYLVANIA. THE ABILITY OF THE BOROUGH HEREUNDER SHALL BE LIMITED SOLELY TO THE REVENUES AS PROVIDED IN THE AGREEMENT AND THE LIEN OF ANY JUDGMENT SHALL BE RESTRICTED AS REFERED TO THEREIN.

IN WITNESS WHEREOF, the Borough has caused this Note to be properly executed by the proper officers of the Borough as of the _____ day of _____, 2016.

BOROUGH OF HATBORO

Attest:- _____
Secretary

By: _____
President

{SEAL}

SCHEDULE A

HATBORO BOROUGH

AMORTIZATION SCHEDULE

**\$2,700,000 at 3.0% interest (year 1 through 10, interest reset at end of year 10)
With 10 annual interest only payments (actual years 1 through 10, estimated year 11
through 20) and 10 annual principal/interest payments (estimated)**

DATE	PAYMENT AMOUNT	PRINCIPAL PART	INTEREST PART	BALANCE OWED
6/1/2017	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2018	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2019	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2020	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2021	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2022	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2023	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2024	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2025	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2026	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2027	316,522.37	235,522.37	81,000.00	2,464,477.63
6/1/2028	316,522.37	242,588.04	73,934.33	2,221,889.59
6/1/2029	316,522.37	249,865.68	66,656.69	1,972,023.91
6/1/2030	316,522.37	257,361.65	59,160.72	1,714,662.26
6/1/2031	316,522.37	265,082.50	51,439.87	1,449,579.76
6/1/2032	316,522.37	273,034.98	43,487.39	1,176,544.78

DATE	PAYMENT AMOUNT	PRINCIPAL PART	INTEREST PART	BALANCE OWED
6/1/2033	316,522.37	281,226.03	35,296.34	895,318.75
6/1/2034	316,522.37	289,662.81	26,859.56	605,655.94
6/1/2035	316,522.37	298,352.69	18,169.68	307,303.25
6/1/2036	316,522.35	307,303.25	9,219.85	0.00

Exhibit B

\$2,700,000 GENERAL OBLIGATION NOTE, SERIES OF 2016
Note Amortization Schedule

HATBORO BOROUGH

AMORTIZATION SCHEDULE

**\$2,700,000 at 3.0% interest (year 1 through 10, interest reset at end of year 10)
With 10 annual interest only payments (actual years 1 through 10, estimated year 11
through 20) and 10 annual principal/interest payments (estimated)**

DATE	PAYMENT AMOUNT	PRINCIPAL PART	INTEREST PART	BALANCE OWED
6/1/2017	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2018	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2019	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2020	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2021	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2022	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2023	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2024	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2025	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2026	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2027	316,522.37	235,522.37	81,000.00	2,464,477.63
6/1/2028	316,522.37	242,588.04	73,934.33	2,221,889.59
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6/1/2034	316,522.37	289,662.81	26,859.56	605,655.94
6/1/2035	316,522.37	298,352.69	18,169.68	307,303.25
6/1/2036	316,522.35	307,303.25	9,219.85	0.00

EXHIBIT C
FORM OF NOTE

HATBORO BOROUGH

\$2,700,000

BOROUGH REVENUE NOTE

Dated: _____

KNOW ALL PERSONS BY THESE PRESENTS, that the **HATBORO BOROUGH**, County of Montgomery, Commonwealth of Pennsylvania, a duly formed borough existing by and under the laws of said Commonwealth (the "Borough"), for value received, hereby acknowledges itself indebted and promises to pay to **HATBORO BOROUGH AUTHORITY**, or registered assigns (the "Payee"), the principal sum of TWO MILLION SEVEN HUNDRED THOUSAND DOLLARS (\$2,700,000), plus interest as provided herein. The principal sum shall be advanced to the Borough from time to time upon the Borough's request in accordance with the Loan and Security Agreement of even date herewith between the Borough and Payee (the "Loan Agreement").

Interest on this Note shall initially be payable annually on each June 1 commencing June 1, 2017, as follows:

(i) For the period from the date hereof until May 31, 2026, interest shall be calculated at an initial fixed rate of Three Percent (3.0%) per annum. Interest payments for the first ten years shall be payable hereunder in accordance with the schedule attached hereto and incorporated herein as Schedule A (which shall be adjusted on each Change Date (defined below) to reflect the then applicable interest rate; and

(ii) For the period from June 1, 2026, through June 1, 2036 (the "Maturity Date"), the rate shall reset being June 1, 2026 (the "Change Date").

The interest rate will be adjusted on the Change Date pursuant to the following:

- (i) The interest rate shall be adjusted on the Change Date to a fixed rate equal to 1.53% above the then current Bloomberg 10 Year Municipal Bond Yield.
- (ii) The Payee will adjust the interest rate on the Change Date. Regardless of the then applicable rate, the interest rate shall never be below 3.0%. The change in interest rate is effective on the Change Date, whether or not the Payee gives Borough notice of the change.

- (iii) The "Bloomberg 10 Year Municipal Bond Yield" is the Rate in effect on the Change Date as set forth or published at <http://www.bloomberg.com/quote/BVMB10Y:IND>, in which period base rates will be rounded to 2 decimal places with .004 being rounded down and .005 being rounded up.
- (iv) The spread as identified in the Note may not be changed during the life of the loan without the written agreement of the Payee.
- (v) The interest rate adjustment period may not be changed without the written consent of the Payee.

Interest shall be computed on the basis of a 360-day year of twelve 30-day months on the principal amount outstanding from time to time.

Principal shall be payable hereunder beginning on June 1, 2026. All payments from the date hereof through June 1, 2026 shall be interest only. Beginning June 1, 2027, payments shall be calculated utilizing the then applicable interest rate so that equal payments of principal and interest are made on an annual basis from June 1, 2027 through June 1, 2036. On June 1, 2026, Payee shall provide Borough with an amortization schedule showing the anticipated payments (which include interest and principal) due after the interest-only payment on June 1, 2026 through June 1, 2036.

In the event the Borough's credit rating as issued by Standard & Poor's Ratings Services, a business division of The McGraw-Hill Companies, Inc., or its successor, declines to a rating that is equal to BBB+, then the interest rate will increase by one-quarter of one percent (0.25%), and shall continue to increase by one-quarter of one percent (0.25%) for each rating decline, not to exceed an increase of more than one-half of one percent (0.50%).

Both principal and interest are payable in immediately available funds in such coin or currency as at the respective dates of payment thereof shall be legal tender for the payment of public and private debts, by wire transfer, check or draft payable, to such location or account as designated in writing by Payee at least five (5) Business Days before the payment date. A final payment of principal and interest, if not sooner paid, shall be due and payable on the Maturity Date.

Borough hereby agrees to make all payments when due, as set forth herein, to Payee at 414 S. York Road, Hatboro, Pennsylvania 19040. If any due date, shall fall on a Saturday, Sunday or legal holiday, then the Borough the due date shall be the first (1st) Business Day (as hereafter defined) immediately following any such due date until this Note shall be paid in full. As used herein, the term "Business Day" shall mean any day except a Saturday, Sunday or other day on which that commercial banks are required or permitted to close in the Commonwealth of Pennsylvania.

In the event any of the aforesaid payments of principal and interest in whole or in part are fifteen (15) days beyond their due date, Borough shall pay Payee a "late charge" of equal to \$500.00 or five percent (5.00%) of the amount due on the due date, whichever is less, to cover the extra expense involved in handling delinquent payments.

Any payments not made as and when due shall bear interest from the date due until paid at the Default Rate, in Purchaser's discretion. "Default Rate" means a rate equal to the lesser of (a) the rate of interest provided under this plus two percent (2%) per annum or (b) the highest rate of interest allowed by law. In addition, if the Borough shall fail to pay or cause to be paid any sum required to be paid under the terms of this Note, or if Borough shall fail to perform or cause to be performed any other provision hereof, then the balance of the debt evidenced by this Note, with all arrearages of interest thereon, shall, at the option of Payee, become due and payable immediately without notice to Borough, and execution or suit may issue immediately for the collection of the same, together with the costs of suit and attorneys' fees.

It is hereby recited that this Note is authorized to be issued in accordance with the Municipalities Authorities Act, 53 Pa.C.S.A Sections 5601 *et seq.* (the "Act"), the Borough Code, 8 Pa.C.S.A. Sections 101 *et seq.* (the "Borough Code"), the Loan Agreement, and pursuant to an Ordinance of the Borough Council of the Borough of Hatboro duly adopted on August 15, 2016 (the "Ordinance"), the terms of which Act, Borough Code, Loan Agreement and Ordinance are specifically incorporated herein by reference, and the terms of which the Payee accepts, which authorized the issuance of the Note. Capitalized terms used in this Note but not defined herein shall have the meanings ascribed to them in the Loan Agreement.

It is hereby certified that all acts, conditions and things required to be or be done, happen, and be performed precedent to and in the issuance of this Note have been done, happened, and been performed in regular and due form and manner as required by law.

It is hereby further certified that the Borough has effectively covenanted to periodically pay or cause to be paid the principal and interest thereon at the dates and places and in the manner stated herein, according to the true intent and meaning hereof.

The obligations of the Borough under this Note are secured by the Loan Agreement and the Receipts and Revenues pledged thereunder.

This Note may be prepaid in whole or in part at any time at the option of the Borough, upon notice to the Payee, at par plus accrued interest to the date of redemption without premium or penalty, as provided in the Loan Agreement.

This Note is transferable by the Payee upon written notice to the Borough. The Borough may deem and treat the Payee, or any other Person, from time to time, in whose name this Note shall be registered as the absolute owner hereof for the purpose

of receiving payment hereof and of interest due hereon, and for all other purposes, whether or not this Note shall be overdue. The Borough shall not be affected by any notice to the contrary. Notwithstanding the foregoing, the Payee intends to hold this Note for its own account with no intention of re-sale.

The Borough shall be in default hereunder upon the occurrence of any of the following events:

- (a) The nonpayment when due of any amount payable hereunder; or
- (b) The failure of the Borough to observe or perform any obligation to be performed by it hereunder, under the Loan Agreement and/or under any other documents or agreement executed by the Borough in connection herewith, and the failure of the Borough to cure such event after any applicable cure period.

Whenever the Borough shall be in default for any of the reasons as set forth hereinabove, and, if applicable, the cure period after notice has expired without cure being accomplished (unless the Payee elects otherwise), the entire unpaid balance of principal and accrued but unpaid interest shall become immediately due and payable without notice or demand on the Borough.

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, director or employee past, present or future of the Borough or of any successor body, as such, 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, directors or employees is released as a condition of and as consideration for the issuance of this Note.

NEITHER THE CREDIT NOR THE TAXING POWER OF THE COUNTY OF MONTGOMERY, OR OF THE COMMONWEALTH OF PENNSYLVANIA, OR OF ANY POLITICAL SUBDIVISION THEREOF, EXCEPT THAT OF HATBORO BOROUGH, IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL, PREMIUM, IF ANY, OR INTEREST ON THIS NOTE; NOR SHALL THIS NOTE BE DEEMED AN OBLIGATION OF THE COUNTY OF MONTGOMERY OR OF THE COMMONWEALTH OF PENNSYLVANIA. THE ABILITY OF THE BOROUGH HEREUNDER SHALL BE LIMITED SOLELY TO THE REVENUES AS PROVIDED IN THE AGREEMENT AND THE LIEN OF ANY JUDGMENT SHALL BE RESTRICTED AS REFERED TO THEREIN.

IN WITNESS WHEREOF, the Borough has caused this Note to be properly executed by the proper officers of the Borough as of the _____day of _____, 2016.

BOROUGH OF HATBORO

Attest: _____
Secretary

By: _____
President

{SEAL}

SCHEDULE A

HATBORO BOROUGH

AMORTIZATION SCHEDULE

**\$2,700,000 at 3.0% interest (year 1 through 10, interest reset at end of year 10)
With 10 annual interest only payments (actual years 1 through 10, estimated year 11
through 20) and 10 annual principal/interest payments (estimated)**

DATE	PAYMENT AMOUNT	PRINCIPAL PART	INTEREST PART	BALANCE OWED
6/1/2017	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2018	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2019	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2020	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2021	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2022	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2023	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2024	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2025	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2026	81,000.00	0.00	81,000.00	2,700,000.00
6/1/2027	316,522.37	235,522.37	81,000.00	2,464,477.63
6/1/2028	316,522.37	242,588.04	73,934.33	2,221,889.59
6/1/2029	316,522.37	249,865.68	66,656.69	1,972,023.91
6/1/2030	316,522.37	257,361.65	59,160.72	1,714,662.26
6/1/2031	316,522.37	265,082.50	51,439.87	1,449,579.76
6/1/2032	316,522.37	273,034.98	43,487.39	1,176,544.78

DATE	PAYMENT AMOUNT	PRINCIPAL PART	INTEREST PART	BALANCE OWED
6/1/2033	316,522.37	281,226.03	35,296.34	895,318.75
6/1/2034	316,522.37	289,662.81	26,859.56	605,655.94
6/1/2035	316,522.37	298,352.69	18,169.68	307,303.25
6/1/2036	316,522.35	307,303.25	9,219.85	0.00

EXHIBIT D

BOROUGH OF HATBORO, PENNSYLVANIA

COMPLIANCE POLICIES AND PROCEDURES **FOR TAX-EXEMPT BONDS**

1. Purpose. The purpose of these compliance policies and procedures ("Compliance Policy") is to ensure compliance with (a) requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied to maintain the tax-exempt status of any tax-exempt notes or bonds ("bonds") issued by the Borough of Hatboro, Pennsylvania (the "Issuer"), and (b) requirements of the Securities and Exchange Commission (the "SEC") and the Municipal Securities Rulemaking Board (the "MSRB") under SEC Rule 15c2-12 (the "Rule") regarding secondary market disclosure filings relating to the Issuer's bonds. In connection with the issuance of each series of bonds, the Issuer may also execute a tax certificate, a continuing disclosure agreement and other documentation as advised by bond, disclosure or tax counsel (collectively, the "Issuance Documentation") which will require it to take certain actions with respect to the requirements under the Code and the Rule for such bonds.

2. Responsibility for Monitoring Compliance. The Borough Council of the Issuer (the "Governing Body") has the overall, final responsibility for monitoring ongoing compliance with the requirements of the Code, the Rule, this Compliance Policy and the Issuance Documentation. The Governing Body assigns to the Borough Manager (the "Compliance Officer") the primary operating responsibility to monitor such compliance. The Compliance Officer may delegate aspects of such responsibility to other employees or contractors of the Issuer, but shall retain overall responsibility for ensuring compliance and coordinating compliance when more than one individual or contractor is given responsibility. The Compliance Officer shall update Exhibit A hereto to the extent that any such responsibility is delegated.

This Compliance Policy shall be used in conjunction with the Issuance Documentation. This Compliance Policy is not a substitute for the specific compliance requirements related to each bond issue contained in the applicable Issuance Documentation, and the Compliance Officer shall review the Issuance Documentation in connection with each bond issue and consult with appropriate counsel and other professionals as to monitoring ongoing compliance with such requirements.

3. Arbitrage Yield Restriction and Rebate Requirements. The Compliance Officer shall maintain or cause to be maintained records of:

- a) purchases and sales of investments made with proceeds of bonds (including amounts treated as "gross proceeds" of bonds under section 148 of the Code), any documentation required to establish the fair market value of investments upon purchase and receipts of earnings on those investments;

b) expenditures made with proceeds of bonds (including investment earnings on bond proceeds) for the governmental purposes of the bonds, such as for the costs of purchasing, constructing and/or renovating property and facilities;

c) calculations that will be sufficient to demonstrate that the expenditure of proceeds has complied with an available spending exception to the arbitrage rebate requirement in respect of that bond issue;

d) calculations that will be sufficient to demonstrate that the rebate amount, if any, that was payable to the United States of America in respect of investments made with gross proceeds of that bond issue and records showing that such rebate amount, if any, was paid and a Form 8038-T filed with the Internal Revenue Service ("IRS") on a timely basis;

e) information and records showing that investments held in yield-restricted advance refunding or defeasance escrows for refunded bonds, investments made with unspent bond proceeds after the expiration of the applicable temporary period and any other bond proceeds subject to yield restriction were not invested in higher-yielding investments; and

f) such other information and records as required by the Issuance Documentation.

4. Restrictions on Private Business Use and Private Loans. The Compliance Officer shall enforce the restrictions on private business use that apply to land, buildings, facilities and equipment ("property") which are financed with proceeds of bonds, and of the restriction on the use of proceeds of bonds to make or finance any loan to any person other than a state or local government unit, including:

a) under section 141 of the Code, no more than generally 10% of the proceeds (5% in certain cases) of any bond issue (including the property financed with the bonds) may be used for private business use, and no more than the lesser of \$5,000,000 or 5% of the proceeds of a bond issue may be used to make or finance a loan to any person other than a state or local government unit;

b) "private business use" means use by any person other than a state or local government unit, including business corporations, partnerships, limited liability companies, associations, nonprofit corporations, natural persons engaged in trade or business activity, and the United States of America and any federal agency, as a result of ownership of the property or use of the property under a lease, management or service contract (except for certain "qualified" management or service contracts), output contract for the purchase of electricity or water, privately sponsored research contract (except for certain "qualified" research contracts), "naming rights" contract, "public-private partnership" arrangement, or any similar

use arrangement that provides special legal entitlements for the use of the bond-financed property; private business use starts on the first date on which the Issuer enters into a binding contract with a nongovernmental person for use of the financed property which is not subject to any material contingencies;

c) before entering into any use arrangement with a nongovernmental person (which includes the United States of America) that involves the use of bond-financed property, the Compliance Officer will evaluate whether that use arrangement, if put into effect, will be consistent with the restrictions on private business use of the bond-financed property;

d) in connection with the evaluation of any proposed nongovernmental use arrangement under paragraph (c), the Compliance Officer shall determine whether to engage nationally recognized bond counsel to obtain advice on whether that use arrangement, if put into effect, will be consistent with the restrictions on private business use of the bond-financed property, and, if not, whether any "remedial action" permitted under section 141 of the Code may be taken as a means of enabling that use arrangement to be put into effect without adversely affecting the tax-exempt status of any bonds; and

e) records shall be maintained of such nongovernmental uses, if any, of bond-financed property, including copies of the pertinent leases, contracts or other documentation, and the related determination that those nongovernmental uses are not inconsistent with the status of the bonds that financed the property, including any advice received from bond counsel and any remedial actions taken.

5. Secondary Market Disclosure. The Compliance Officer shall be responsible for the filing of annual reports and notices of material events as required by the Rule and the Issuer's continuing disclosure agreements. Such filings shall be made by the Compliance Officer using the MSRB's electronic filing system (currently referred to as the Electronic Municipal Market Access system or EMMA) in accordance with the applicable continuing disclosure agreement. The Compliance Officer shall retain copies of each filing together with a receipt of filing or other acknowledgement from the MSRB.

6. Records to be Maintained for Bonds. It is the policy of the Issuer that, unless otherwise permitted by future IRS regulations or other guidance, written records (which may be in electronic form) will be maintained with respect to each issue of bonds for as long as those bonds remain outstanding plus six (6) years. For this purpose, bonds include refunding bonds that refinance the property that was financed by the original bonds.

The records to be maintained are to include:

1. the official Transcript of Proceedings (including the Issuance Documentation) for the original issuance of the bonds;

2. the records showing compliance with the requirements of paragraph 3 above;
3. the records described in paragraph 4(e) above; and
4. the filings described in paragraph 5 above.

The basic purpose of the foregoing record retention policy is to enable the Issuer (a) to readily demonstrate to the IRS upon an audit of any bond issue that the Issuer has complied with all applicable requirements that it must satisfy after the issue date of the bonds under the Code and (b) to demonstrate compliance with the Rule.

7. Remedial Action.

a) Internal Revenue Code. If the applicable requirements of the Code have been violated with respect to any issue of bonds, the Compliance Officer, after consultation with bond counsel, shall determine whether any remedial actions available under the Code or through the IRS are required to maintain the tax-exempt status of any bonds and recommend such remedial action to the Governing Body. If the Compliance Officer, after consultation with bond counsel, determines that no such remedial actions are required, he or she shall report on the violation to the Governing Body.

b) Available Remedies for Code Violations. Currently available remedies for certain violations of the federal tax laws include:

1. For violations of the restrictions on private business use, Treasury Regulations Section 1.141-12 sets forth certain remedial actions which can be taken following a deliberate action which causes private business use, including redemption of bonds, alternative use of proceeds and alternative use of financed facilities, all subject to the various conditions set forth in such regulations. Certain remedies must be taken by the date of the deliberate action or shortly thereafter (within 90 days, for example, for redemptions). A deliberate action occurs on the first date on which the issuer enters into a binding contract with a nongovernmental person for use of the financed property which is not subject to any material contingencies.

2. The IRS has a voluntary closing agreement program for tax-exempt debt and other tax-advantaged debt ("TEB VCAP") which allows issuers to voluntarily resolve violations of the Code or applicable regulations through closing agreements with the IRS. TEB VCAP is not available when: (a) absent extraordinary circumstances, the violation can be remediated under existing remedial action provisions or other tax-exempt bond closing agreement programs; (b) the issue is under examination; (c) the tax-exempt status or tax-advantaged status of the debt is at issue in any court proceeding or is being considered by the IRS Office of Appeals; or (d) the IRS determines that the violation was due to willful neglect.

3. For certain violations of the rebate and arbitrage rules, an issuer can pay a penalty under Treasury Regulations Section 1.148-3(h) or make yield reduction payments under Treasury Regulations Section 1.148-5(c).

c) Secondary Market Disclosure. If any required filings described in paragraph 5 or any of the Issuance Documentation have not been timely made or are inaccurate or incomplete, the Compliance Officer shall determine if and to what extent remedial action is required and recommend such remedial action to the Governing Body.

8. Annual Review. The Compliance Officer shall complete an annual review by December 31 of each year in order to confirm that the requirements of paragraphs 3, 4 and 5 hereof have been met for the preceding year and whether any violations of the applicable federal tax law have been determined for any issue of bonds. In the case of failure to follow this Compliance Policy, the Compliance Officer shall review such failure with the appropriate employees or contractor and determine appropriate action to ensure future compliance. In the case of a violation of the applicable federal tax law or of the requirements of paragraph 5 hereof, the Compliance Officer shall review the appropriate remedial actions as described above.

9. Bond Counsel/Training. Based on his or her experience, the Compliance Officer, upon assuming such role, shall determine whether he or she needs to attend training in order to perform the duties hereunder. The Compliance Officer shall also determine the same for any employee who has been delegated responsibility under this policy, and shall arrange for the appropriate training in each case. The Compliance Officer may also consult with bond counsel, request to attend such other training program (for him or herself or another employee) or obtain such training materials as are reasonably required in order to permit the Compliance Officer or any delegate to perform his or her duties hereunder.

Date Compliance Policy Adopted by Governing Body: _____

Exhibit A

Delegation of Compliance

<u>Specific Responsibility Delegated</u>	<u>Person to whom Responsibility Delegated</u>	<u>Date</u>
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CERTIFICATE OF SECRETARY

The undersigned, Secretary of the Borough of Hatboro, HEREBY CERTIFIES that:

The foregoing Ordinance authorizing the issuance of General Obligation Note, Series of 2016 of the Borough was duly moved and seconded and enacted by a majority vote of all the Borough Council of said Borough at a duly called and convened meeting of said Council held on AUGUST 15, 2016; that public notice of said meeting was given as required by law; and that the roll of the Borough Council was called and such members voted or were absent as follows:

<u>Name</u>	<u>Vote</u>
Bill Tompkins, President	<u>YES</u>
Dave Rich, Vice President	<u>YES</u>
Robert Hegele, Sr., Pro-Tem	<u>ABSENT</u>
George Forgeng	<u>YES</u>
Thomas Harbaugh, Sr.	<u>YES</u>
Martyn Palmer	<u>YES</u>
Theresa McElroy	<u>YES</u>

and that such Ordinance and the votes thereon have been duly recorded in the minutes.

WITNESS my hand and seal of the Borough this 15th day of August, 2016.

Alfred Zollers
Alfred Zollers, Borough Manager

(BOROUGH SEAL)