

ORDINANCE  
Enacted April 23, 2008  
of the  
BOROUGH OF INDIAN LAKE  
Somerset County, Pennsylvania  
\$5,500,000 GENERAL OBLIGATION NOTE, SERIES OF 2008

WHEREAS, the Governing Body of the above-named Local Government Unit (the "Local Government Unit") deems it advisable to borrow the amount shown above, pursuant to the Local Government Unit Debt Act (the "Act"), for the (a) payment of all or a portion of the costs of the repair, restoration and rehabilitation of the Indian Lake Borough Dam (as generally described in analyses, reports, plans and specifications developed by GAI Consultants, Inc.), (b) current refunding, in order to reduce the annual debt service in the current year by extending the life of the issue pursuant to Section 8241(b)(2) of the Debt Act, of the Local Government Unit's outstanding General Obligation Note, Series of 2007 (the "Prior Note") which Prior Note was issued to provide funds to pay a portion of the costs of the improvements described in (a) above; and (c) payment of the costs of issuing the Note (collectively, the "Project"); and

WHEREAS, PNC Bank, National Association (the "Purchaser" or the "Bank") has presented a written purchase contract (the "Purchase Contract"), attached hereto as **Exhibit PC**, to purchase a note to be issued by the Local Government Unit in order to achieve the financing of the Project;

NOW, THEREFORE, it is hereby enacted that:

Section 1 -- Authorization.

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

1.02. The Chief Legislative Officer and the Chief Administrative Officer or their duly elected and acting successors (the "Designated Officers") are hereby authorized and directed to execute and deliver such documents, and to do and perform all acts necessary and proper for the issuance and further security of the Note, including its execution and sealing and delivery to the Purchaser.

1.03. The Designated Officers are hereby further authorized and directed to provide to the Purchaser a copy of the audited financial statements of the Local Government Unit no later than 180 days after each fiscal year end of the Local Government Unit while the Note is outstanding.

1.04. The Local Government Unit hereby covenants and agrees to comply with the conditions and/or requirements of the Purchaser, if any, set forth in **Exhibit PC** attached hereto.

Section 2 -- Preparation of Debt Statement.

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

Section 3 -- Security and Payment of Note.

3.01. The Note shall be a general, full faith and credit obligation of the Local Government Unit. The Local Government Unit hereby covenants with the Bank and with subsequent holders, from time to time, of the Note that it will (a) include the amount of the debt service for each fiscal year in which any installment of principal or interest is payable in its budget for that year, (b) appropriate such amounts to the payment of such debt service and (c) duly and punctually pay or cause to be paid the principal of and interest on the Note on the dates at the place and in the manner stated therein according to the true intent and meaning thereof; for such budgeting, appropriation and payment of the Note, the Local Government Unit hereby irrevocably pledges its full faith, credit and taxing power.

3.02. The Local Government Unit does hereby create, and orders to be established (in its name and identified by reference to the Note), a Sinking Fund for the payment of the Note with the Purchaser and does further covenant to maintain such Sinking Fund in accordance with the Local Government Unit Debt Act, until the Note is paid in full. A Designated Officer is hereby authorized and directed to contract with PNC Bank, National Association for its services in such capacity.

Section 4 -- Tax Covenants.

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

4.02. If: (a) the principal amount of the Note plus the aggregate principal amount of all other tax-exempt obligations issued and to be issued by or on behalf of the Local Government Unit during the current calendar year exceeds \$5,000,000; and if (b) the gross proceeds of the Note are invested at a yield greater than the yield on the Note; and if (c) the gross proceeds of the Note are not expended or deemed to have been expended either within six months from the date of issuance, or, if the Project is a construction project, within two years from the date of issuance (and according to certain periodic expenditure thresholds), all pursuant to §1.148.7 of the Regulations, the Local Government Unit covenants that it will rebate to the U.S. Treasury, at the times and in the manner required by the Code, the difference (if a positive number) between the investment income received on the Note proceeds and the investment income that would have been earned had the Note proceeds been invested at the yield of the Note.

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

4.04. The Local Government Unit will file IRS Form 8038-G and any other forms or information required by the Code or the Regulations to be filed with the Internal Revenue Service in order to further ensure the exclusion of the interest on the Note from gross income tax for federal income tax purposes.

Section 5 -- Award.

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

and as requested, a loan agreement evidencing the obligation of the Note, in such form as may be approved by bond counsel and/or solicitor of the Local Government Unit.

Section 6 -- Note Ordinance a Contract.

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

DULY ENACTED on April 23, 2008

BOROUGH OF INDIAN LAKE

By:   
President, Borough Council

(SEAL)

Attest:

\_\_\_\_\_  
Secretary

APPROVED, this \_\_\_\_ day of April, 2008

By \_\_\_\_\_  
Mayor

EXHIBIT N  
FORM OF NOTE

BOROUGH OF INDIAN LAKE  
Somerset County, Pennsylvania

GENERAL OBLIGATION NOTE, SERIES OF 2008  
(Line of Credit)

<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Dated Date</u>	<u>Maturity Date</u>
Not-to-Exceed \$5,500,000	Variable Rate (as defined herein)	May 28, 2008	May 28, 2010

The above named Local Government Unit, intending to be legally bound, promises to pay to the registered owner shown on the attached registration form (the "Registered Owner") in such coin or currency as at the time and place of payment is legal tender for the payment of public and private debts, without any right of set-off, the Principal Amount set forth above (or so much thereof as shall have been drawn on the Bank by the Local Government Unit) on the Maturity Date shown above, and to pay the interest thereon from the date of each such advance, payable semiannually on November 28, 2008, May 28, 2009, November 28, 2009, and May 28, 2010 (or, if any such date is not a business day, the next preceding business day). Except as otherwise provided herein, the Principal Amount outstanding under this Note will bear interest at a variable rate per annum equal to fifty five percent (55%) of PNC Bank, National Association's (the "Bank") prime interest rate, which may be adjusted from time to time, not to exceed five percent (5.00%) (the "Variable Rate"). Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Any outstanding principal and accrued interest not otherwise paid as provided herein, shall be due and payable in full on May 28, 2010.

Upon at least five (5) business days prior written notice to the Registered Owner, the Local Government Unit has the right to prepay all or part of the outstanding principal and interest hereunder at a price of 100% plus accrued interest. The aggregate amount of all advances made by the Local Government Unit under this Note shall not exceed the Principal Amount shown above, regardless of prepayment as provided herein.

The Local Government Unit hereby covenants with the Registered Owner that it will include the amount of the debt service payable hereunder in its budget for the applicable fiscal year, will appropriate such amounts to the payment of such debt service and will duly and punctually pay or cause to be paid the entire principal hereof and the interest hereon at the place, on the dates and in the manner stated above, according to the true meaning and intent hereof, and for such budgeting, appropriation and payment, the Local Government Unit hereby pledges its full faith, credit and taxing power. The debt service on the Note shall not exceed the amounts shown on the attached debt service schedule.

No recourse shall be had for the payment of the principal of or the interest on this Note, or for any claim based hereon, against any officer, agent or employee, past, present or future, of the Local Government Unit, as such, either directly or through the Local Government Unit, whether by virtue of any constitutional provision, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise; all such liability of such officers, agents or employees is hereby renounced, waived and released as a condition of and as consideration for the issuance, execution and acceptance of this Note.

In the event of a default hereunder, the entire principal balance hereof shall, at the option of the holder, accelerate and shall be and become immediately due and payable without notice or demand and the Local Government Unit will pay the Registered Owner's reasonable costs and expenses incurred in collection of the amounts due hereunder.

In the event that the Internal Revenue Service or a court of competent jurisdiction ever determines that the Note is not tax-exempt for Federal income tax purposes, or that the Note is not a "Qualified Tax Exempt Obligation" as described in Section 265(b)(3)(B) of the Internal Revenue Code, then in either event and notwithstanding any provision of this Note to the contrary, the interest rate on the Note shall be equal to the lesser of the Bank's prime rate and twenty one percent (21.00%) per annum.

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

It is hereby certified that all acts, conditions and things required to be done, to occur or be performed precedent to and in the issuance of this Note, or in the creation of the indebtedness of which this Note is evidence, have been done, have occurred and have been performed in regular and due form and manner as required by law, and that the debt evidenced by this Note is not in excess of any constitutional or statutory limitation.

This Note is a Qualified Tax-Exempt Obligation within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

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

ATTEST:

BOROUGH OF INDIAN LAKE

\_\_\_\_\_  
Secretary

By: \_\_\_\_\_  
President, Borough Council

(SEAL)

MAXIMUM DEBT SERVICE SCHEDULE  
 (assumes full principal amount drawn on May 28, 2008)

\$5,500,000  
 At Maximum (Tax Exempt) Interest Rate of 5.00%  
 Dated May 28, 2008

<u>Payment Date</u>	<u>Interest at Maximum Rate of 5.00%</u>	<u>Principal</u>	<u>Total</u>
11/28/08	\$137,500.00	\$0.00	\$137,500.00
05/28/09	\$137,500.00	\$0.00	\$137,500.00
11/28/09	\$137,500.00	\$0.00	\$137,500.00
05/28/10	\$137,500.00	\$5,500,000.00	\$5,637,500.00

\$5,500,000  
 At Maximum (Taxable) Interest Rate of 21.00%  
 Dated May 28, 2008

<u>Payment Date</u>	<u>Interest at Maximum Rate of 21.00%</u>	<u>Principal</u>	<u>Total</u>
11/28/08	\$577,500.00	\$0.00	\$577,500.00
05/28/09	\$577,500.00	\$0.00	\$577,500.00
11/28/09	\$577,500.00	\$0.00	\$577,500.00
05/28/10	\$577,500.00	\$5,500,000.00	\$6,077,500.00

REGISTRATION FORM

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

Original Registered Owner

PNC BANK, NATIONAL ASSOCIATION

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

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



EXHIBIT PC  
PURCHASE PROPOSAL



April 8, 2008

Mr. Daniel W. Rullo  
Barbera, Clapper, Beener, Rullo & Melvin, LLP  
146 West Main Street  
Post Office Box 775  
Somerset, PA 15501

**RE: Proposal to Provide Financing to Indian Lake Borough**

Dear Mr. Rullo:

It is my pleasure to inform you that PNC Bank, National Association (the "Bank") hereby proposes to provide financing to Indian Lake Borough (the "Borough") for its dam remediation project (the "Project"). The Bank's proposal carries the following terms and conditions:

<u>Facility:</u>	General Obligation Note, Series 2008 (the "Note")
<u>Facility Type:</u>	Line of Credit
<u>Principal:</u>	Not to exceed Five Million Five Hundred Thousand Dollars (\$5,500,000.00)
<u>Maturity:</u>	Two (2) years from date of issuance
<u>Interest Rate:</u>	A variable, tax-exempt, bank qualified, interest rate set at fifty five percent (55%) of the Bank's prime interest rate through the Maturity of the Note, not to exceed five percent (5.00%). <i>(Presently, the Bank's prime interest rate is 5.25%. Therefore, the Borough's interest rate would presently be 2.89%.)</i>
<u>Repayment:</u>	Semi-annual interest payments and outstanding principal and interest due at Maturity.
<u>Prepayment:</u>	There will not be a cost associated with the prepayment of the Note.
<u>Security:</u>	The General Obligation Pledge of the Borough.
<u>Guarantee(s):</u>	None

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Commitment Fee(s): None

Documentation: The Borough, at closing or otherwise on demand, shall reimburse costs and expenses incurred by the Bank. This includes all filing fees, taxes, and fees and expenses of the Bank's legal counsel.

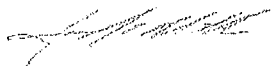
Depository Requirement: The Borough shall maintain deposit accounts with the Bank.

This proposal assumes receipt by the Bank of a copy of all properly filed documents necessary to satisfy the requirements of the Local Government Unit Debt Act, all necessary documentation designating the borrowing as a tax-exempt, bank qualified obligation under Regulation 265(b)(3) of the Internal Revenue Code of 1986, as amended, and the opinion of the Borough's Counsel attesting to the tax-exempt nature of this borrowing including an appropriate certification with respect to non-arbitrage and compliance with arbitrage rebate requirements, as well as a commitment from the RUS.

Should the Note be declared a taxable or non-bank qualified transaction to the Bank; the interest rate will revert to the Bank's prime rate, not to exceed twenty one percent (21.00%).

Acceptance of these terms must be received in writing within ten (10) calendar days of the date of this proposal. After such date, the Bank reserves the right to withdraw or modify this proposal in any way.

Sincerely,

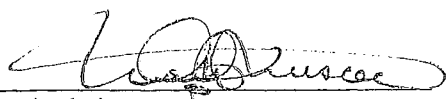


Joseph E. Miller  
Vice President  
Government Banking

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ACCEPTED with the intent to be legally bound hereby:

**Indian Lake Borough**

  
Authorized Signatory

Michael D. Miscoe  
Name in Print

PRESIDENT, BOROUGH COUNCIL  
Title

4/23/08  
Date Signed