

**BOROUGH OF KULPMONT,
Northumberland County, Pennsylvania**

ORDINANCE NO. 2016-03

OF THE COUNCIL OF THE BOROUGH OF KULPMONT AUTHORIZING AND SECURING THE ISSUANCE OF A GENERAL OBLIGATION NOTE, IN THE MAXIMUM PRINCIPAL AMOUNT OF \$765,000, PURSUANT TO THE PENNSYLVANIA LOCAL GOVERNMENT UNIT DEBT ACT, TO (1) RETIRE THE \$250,000 NOTE ISSUED IN 2015 BY THE BOROUGH TO PURCHASE A MUNICIPAL BUILDING, AND (2) DESIGN AND CONSTRUCT IMPROVEMENTS TO SUCH MUNICIPAL BUILDING, AND PAY RELATED EXPENSES, TO BE RETIRED BY A LONG TERM LOAN FROM THE UNITED STATES DEPARTMENT OF AGRICULTURE; ACCEPTING A BANK LOAN PROPOSAL; SETTING FORTH THE TERMS AND SUBSTANTIAL FORM OF THE NOTE; CREATING A SINKING FUND AND APPOINTING A SINKING FUND DEPOSITORY FOR THE NOTE; PLEDGING THE FULL FAITH, CREDIT, AND TAXING POWER OF THIS BOROUGH TO SECURE THE NOTE; AND CONTAINING RELATED PROVISIONS.

WHEREAS, The Council of the Borough of Kulpmont, in Northumberland County, Pennsylvania (the “Borough”), received a letter of conditions offering long term financing from the United States Department of Agriculture (“USDA”) to purchase and improve a municipal services building for the Borough (the “Borough Building”); and

WHEREAS, This Borough issued its \$250,000 principal amount General Obligation Note, Series of 2015 dated December 1, 2015 (the “2015 Note”), to Branch Banking and Trust Company (the “Bank”), to purchase a former fire hall to be renovated into the Borough Building, and the 2015 Note is now due to be repaid; and

WHEREAS, The Council of this Borough has incurred costs and obtained bids to incur additional costs, as defined in the Act of the General Assembly of the Commonwealth of Pennsylvania (the “Commonwealth”) known as the Local Government Unit Debt Act (the “Debt Act”), to construct improvements to the Borough Building (the “Capital Project); and

WHEREAS, The Council of this Borough has determined to incur nonelectoral debt to be evidenced by its General Obligation Note, Series of 2016, in the maximum principal amount of Seven Hundred Sixty-five Thousand Dollars (\$765,000), to refund the 2015 Note (the “Refunding Project”) and as interim funding for the Capital Project; and

WHEREAS, A written proposal to purchase of such general obligation note has been requested from and has been received from the Bank, having an office in State College, Pennsylvania.

NOW, THEREFORE, BE IT ENACTED AND ORDAINED, by the Council of this Borough, as follows:

SECTION 1. The Council of this Borough hereby incurs nonelectoral debt in the form of the Note, pursuant to and secured by this Ordinance, in the maximum principal amount of Seven Hundred Sixty-five Thousand Dollars (\$765,000), to undertake the Refunding Project and the Capital Project. The Note shall be in the form of a draw-down, non-revolving line of credit loan, which shall be repaid from long-term loan proceeds receivable from the USDA in connection with the Capital Project.

SECTION 2. The Council of this Borough expresses its finding that it is in the best financial interests of this Borough to sell the Note in a private sale by negotiation.

SECTION 3. The reasonably estimated useful life of the Capital Project, including the assets purchased by the 2015 Note, are at least forty (40) years. The maturity date of the Note does not exceed two years from the date of issue, or 40 years from the commencement of construction. The Refunding Project is authorized by Section 8241(b)(4) of the Debt Act (extending an interim note for the first time).

SECTION 4. The Council of this Borough shall and does accept the proposal of the Bank to purchase the Note, and the Note is hereby awarded to the Bank.

SECTION 5. The Note shall be stated to mature one year from the date it is issued. The Note shall bear interest at a variable rate, subject to a cap, as described in the substantial form of the Note attached hereto as **Exhibit “A”**. A schedule illustrating the maximum principal and interest payable on the Note is attached hereto as **Exhibit “B”** and made a part hereof. Principal of the Note shall be advanced to this Borough by the Bank, from time to time, on a draw-down, non-revolving line of credit basis, until the maturity date of the Note.

SECTION 6. The Note shall be subject to redemption prior to maturity, at the option of this Borough, as a whole, on any date, by paying the outstanding principal balance thereof, together with accrued interest to the date fixed for such redemption. This Borough, at its option, from time to time, on any date, may redeem any part of the principal of the Note, by paying the amount selected for such redemption.

Any redemption, as hereinbefore authorized, in whole, shall be upon written notice addressed to the registered owner thereof at the time of such redemption, as such registered owner and address shall appear on the books of this Borough to be kept by the Bank, as paying agent, for such purpose, by deposit of such written notice in the United States mail at least ten (10) days prior

to the date designated for redemption. On the date designated for redemption, notice having been given as aforesaid, and money for payment of the principal and accrued interest being held by the Bank, as paying agent, interest on the Note so called for redemption or on any part of the principal of the Note selected for redemption shall cease to accrue. If the principal of the Note has been called for redemption in full, the Note shall cease to be entitled to any benefit or security under this Ordinance, and the registered owner of the Note shall have no rights with respect to the Note, except to receive payment of the principal of and accrued interest on the Note to the redemption date.

SECTION 7. The principal of and interest on the Note shall be payable at the principal office or at any branch office of the Bank, as paying agent, in lawful money of the United States of America.

SECTION 8. The Note shall be executed in the name of and on behalf of this Borough by the manual signature of the President or Vice President of the Council of this Borough and the official seal of this Borough shall be affixed thereto and the manual signature of the Secretary of this Borough shall be affixed thereto in attestation thereof.

SECTION 9. Said officers, and agents of this Borough, as appropriate, are authorized and directed to execute all documents and to do all other acts as may be necessary and proper to carry out the intent and purpose of this Ordinance and the undertakings of this Borough in connection with the issuance and delivery of the Note.

SECTION 10. This Borough covenants to and with registered owners, from time to time, of the Note outstanding, from time to time, pursuant to this Ordinance, that this Borough: (i) shall include the amount of the debt service for the Note, for each fiscal year of this

Borough in which such sums are payable, in its budget for that fiscal year, (ii) shall appropriate such amounts from its general revenues for the payment of such debt service, and (iii) shall duly and punctually pay or cause to be paid from the sinking fund created herein or any other of its revenues or funds the principal of the Note and the interest thereon at the dates and place and in the manner stated therein, according to the true intent and meaning thereof; and, for such budgeting, appropriation, and payment, this Borough shall and does pledge, irrevocably, its full faith, credit, and taxing power. As provided in the Debt Act, the foregoing covenant of this Borough shall be enforceable specifically.

SECTION 11. There is created, pursuant to Section 8221 of the Debt Act, a sinking fund for the Note, to be known as “Sinking Fund – 2016 General Obligation Note” (the “Sinking Fund”), which shall be administered in accordance with the Debt Act. This Borough appoints the Bank as the sinking fund depository with respect to the Sinking Fund. The President or Vice President of the Council and the Secretary, respectively, of this Borough are authorized and directed to contract with the Bank for its services as sinking fund depository in connection with the Sinking Fund and in connection with the Note.

This Borough covenants to make payments out of the Sinking Fund, or out of any other of its revenues or funds, at such times and in such annual amounts, as shall be sufficient for prompt and full payment of all obligations of the Note when due.

SECTION 12. The President or Vice President of the Council and the Secretary or Treasurer, respectively, of this Borough, which shall include their duly qualified successors in office, if applicable, are authorized and directed: (a) to prepare, to certify, and to file with the Department of Community and Economic Development of the Commonwealth (the “DCED”) the

debt statement required by the Debt Act; (b) to prepare and to file the application with the DCED, together with a complete and accurate transcript of the proceedings relating to the incurring of debt, of which debt the Note, upon issue, will be evidence, as required by the Debt Act; (c) to prepare and to file, if applicable, any statements required by the Debt Act that are necessary to qualify all or any portion of nonelectoral and/or lease rental debt of this Borough that is subject to exclusion as self-liquidating or subsidized debt for exclusion from the appropriate debt limit as self-liquidating or subsidized debt; (d) to pay or to cause to be paid to the DCED all proper filing fees required by the Debt Act in connection with the foregoing; and (e) to take other required, necessary, and/or appropriate action.

Said officers of this Borough are authorized and directed to prepare an appropriate borrowing base certificate to be appended to the debt statement authorized herein.

SECTION 13. It is declared that the debt to be incurred hereby, together with any other indebtedness of this Borough, is not in excess of any applicable limitation imposed by the Debt Act upon the incurring of debt by this Borough, which is evidenced by the Note.

SECTION 14. The Secretary of this Borough is authorized and directed to deliver the Note, after execution and attestation thereof as provided for herein, to the Bank, but only upon receipt of proper payment of the balance due therefor, if any, and only after the DCED has certified its approval pursuant to Section 8204 of the Debt Act.

SECTION 15. This Borough covenants to and with purchasers of the issue that constitutes the Note that it will make no use of the proceeds of such issue that will cause the Note to be or become an “arbitrage bond” within the meaning of Section 103(b)(2) and Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations implementing

said Sections that duly have been published in the Federal Register or with any other regulations implementing said Sections, and this Borough further covenants to comply with all other requirements of the Code if and to the extent applicable to maintain continuously the Federal income tax exemption of interest on the Note.

This Borough determines that it does not reasonably expect to issue tax-exempt obligations, together with all tax-exempt obligations reasonably expected to be issued by “all subordinate entities” (within the meaning of Section 265(b)(3)(E) of the Code) of this Borough, which, in the aggregate, exceed or will exceed Ten Million Dollars (\$10,000,000) during the 2016 calendar year (excluding certain credits permitted by the Code) and, accordingly, this Borough hereby designates the Note as a “qualified tax-exempt obligation,” as defined in Section 265(b)(3)(B) of the Code, for the purposes and effect contemplated by Section 265 of the Code.

SECTION 16. In the event any provision, section, sentence, clause, or part of this Ordinance shall be held to be invalid, such invalidity shall not affect or impair any remaining provision, section, sentence, clause or part of this Ordinance, it being the intent of this Borough that such remainder shall be and shall remain in full force and effect.

SECTION 17. All ordinances or parts of ordinances, insofar as the same shall be inconsistent herewith, shall be and the same expressly are repealed.

SECTION 18. This Ordinance shall be effective in accordance with Section 8003 of the Debt Act.

DULY ENACTED AND ORDAINED, by the Council of the Borough of Kulpmont, Northumberland County, Pennsylvania, in lawful session duly assembled, this 19th day of April, 2016.

BOROUGH OF KULPMONT,
Northumberland County, Pennsylvania

By: _____
President of the Council

ATTEST:

Secretary of the Borough

(SEAL)

EXAMINED AND APPROVED, this 19th day of April, 2016.

By: _____
Mayor of the Borough of Kulpmont,
Northumberland County,
Pennsylvania

EXHIBIT “A”

[FORM OF NOTE]

**BOROUGH OF KULPMONT,
NORTHUMBERLAND COUNTY, PENNSYLVANIA,
GENERAL OBLIGATION NOTE, SERIES OF 2016**

THE BOROUGH OF KULPMONT, in Northumberland County, Pennsylvania (the “Borough”), a political subdivision of the Commonwealth of Pennsylvania (the “Commonwealth”), promises to pay to the order of BRANCH BANKING AND TRUST COMPANY (the “Bank”), or registered assigns, on May 20, 2017, unless this General Obligation Note, Series of 2016 (the “Note”), shall have been duly called for previous redemption and payment of the redemption price shall have been made or provided for, the maximum principal amount of Seven Hundred Sixty-five Thousand Dollars (\$765,000), or such lesser particular sum as shall represent the unpaid balance of such maximum principal sum, from time to time, on a draw-down, *non-revolving line of credit basis*, and to pay interest on the principal amount hereof which, from time to time, shall be outstanding and shall remain unpaid, at a continuously floating rate calculated to be the 68% of the sum of (“BB&T Prime Rate” + 0.50%), not to exceed at any time the maximum rate of 5.0%, payable monthly, and upon maturity or until any earlier date upon which the principal amount hereof is paid in full.

“BB&T Prime Rate” shall mean the rate of interest regularly and from time to time established by the Bank (or, if applicable, its successor) as its prime rate and so designated, whether or not the Bank (or, if applicable, its successor) shall at times lend at lower rates to specific borrowers, and the interest rate payable with respect to this Note (to the extent such

EXHIBIT “A”

Page 1 of 7

interest rate is a function of such prime rate) shall change on each date upon which a change in the BB&T Prime Rate becomes effective.

Interest accruing on this Note for any period shall be determined by multiplying the outstanding principal balance hereof, from time to time, by the fixed rate of interest and multiplying the product thereof by a factor equal to the actual number of days in such period divided by three hundred sixty (360). The principal of and interest on this Note shall be payable at the principal office or at any branch office of the Bank, in lawful money of the United States of America.

This Note is subject to redemption prior to maturity, at the option of the Borough, as a whole, on any date, upon payment of the principal amount hereof, together with accrued interest to the date fixed for redemption. The Borough, at its option, from time to time, on any date, may redeem any part of the principal of this Note, by payment of the amount selected for such redemption.

Any redemption, as hereinbefore authorized, in whole, shall be upon written notice addressed to the registered owner hereof at the time of such redemption, as such registered owner and address shall appear upon books of the Borough to be kept by the Bank for such purpose, by deposit of such written notice in the United States mail at least ten (10) days prior to the date designated for redemption. On the date designated for redemption, notice having been given as aforesaid, and money for payment of the principal and accrued interest being held by the Bank, interest hereon or on any part of the principal hereof so called for redemption, as applicable, shall cease to accrue. If the principal of this Note shall have been called for redemption in full, this Note shall cease to be entitled to any benefit or security under the Ordinance (hereinafter defined)

authorizing issuance of this Note, and the registered owner of this Note shall have no rights with respect to this Note except to receive payment of the principal of and accrued interest to the redemption date.

This Note is issued in accordance with provisions of the Act of the General Assembly of the Commonwealth known as the Local Government Unit Debt Act, 53 Pa.C.S. Chs. 80-82 (the "Debt Act"), and by virtue of Ordinance No. 2016-03 (the "Ordinance") of the Borough. The Debt Act, as such shall have been in effect when this Note was authorized, and the Ordinance shall constitute a contract between the Borough and the registered owner or registered owners, from time to time, of this Note.

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

The Borough has covenanted, in the Ordinance, to and with registered owners, from time to time, of this Note, outstanding, from time to time, pursuant to the Ordinance, that the Borough: (i) shall include the amount of the debt service for this Note, for each fiscal year of the Borough in which such sums are payable, in its budget for that fiscal year, (ii) shall appropriate such amounts from its general revenues for the payment of such debt service, and (iii) shall duly and punctually pay or cause to be paid from the sinking fund established under the Ordinance or

any other of its revenues or funds the principal of this Note and the interest thereon at the dates and place and in the manner stated herein, according to the true intent and meaning hereof; and, for such budgeting, appropriation and payment, the Borough has pledged and does pledge, irrevocably, its full faith, credit, and taxing power. The Debt Act provides that the foregoing covenant of the Borough shall be enforceable specifically.

The Borough, in the Ordinance, has established a sinking fund with the Bank, as the sinking fund depository, into which funds for the payment of the principal of and the interest on this Note shall be deposited not later than the date fixed for the disbursement thereof. The Borough has covenanted, in the Ordinance, to make payments out of such sinking fund or out of any other of its revenues or funds, at such times in such annual amounts, as shall be sufficient for prompt and full payment of all obligations of this Note.

This Note has been designated by the Borough as a “qualified tax-exempt obligation,” as defined in Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the “Code”), for purposes and effect contemplated by Section 265 of the Code (relating to expenses and interest relating to tax-exempt income of certain financial institutions).

This Note is transferable by the Bank, or by any subsequent registered owner in person or by his attorney duly authorized, in writing, at the principal office or at any branch office of the Bank, but only upon notation of such registration hereon and on the records of the Borough to be kept for that purpose at the principal office or at any branch office of the Bank by a duly authorized representative of the Bank acting in behalf of the Borough. The Borough and the Bank may deem and treat the 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,
for the purpose of redemption hereof prior to maturity and for all other purposes.

IN WITNESS WHEREOF, the BOROUGH OF KULPMONT, Northumberland County, Pennsylvania, as provided by the Debt Act and in the Ordinance, has caused this Note to be executed in its name and on its behalf by the manual signature of the President or Vice President of the Council of the Borough and the official seal of the Borough to be affixed hereto and the manual signature of the Secretary of the Borough to be affixed hereto in attestation thereof, all as of the ___ day of _____, 2016.

BOROUGH OF KULPMONT,
Northumberland County, Pennsylvania

By: _____
(Vice) President of the Council

ATTEST:

Secretary of the Borough

(SEAL)

REGISTRATION RECORD

NOTHING TO BE WRITTEN HERE EXCEPT BY A DULY AUTHORIZED REPRESENTATIVE OF BRANCH BANKING AND TRUST COMPANY, AS PAYING AGENT, OR OF ANY SUCCESSOR PAYING AGENT, ACTING AS REGISTRAR, ON BEHALF OF THE BOROUGH OF KULPMONT, NORTHUMBERLAND COUNTY, PENNSYLVANIA

Date of Registry	Name of Registered Owner	Registrar (Authorized Representative)
_____, 2016	Branch Banking and Trust Company	

EXHIBIT “B”

BOROUGH OF KULPMONT,
Northumberland County, Pennsylvania
\$765,000 Maximum Principal Amount
General Obligation Note, Series of 2016¹

¹ Assumes the following: (a) the Note is issued by the Borough to the Bank on May 20, 2016, and the entire principal amount is advanced on that date; (b) the Note accrues interest at all times at the maximum rate of 5.00%, per annum; (c) interest is payable monthly, beginning on June 20, 2016, and upon maturity; (d) principal is payable in full upon maturity, on May 20, 2017.

Borough of Kulpmont - General Obligation Note, Series of 2016

Compound Period: Monthly

Nominal Annual Rate: 5.000 %

CASH FLOW DATA

	Event	Date	Amount	Number	Period	End Date
1	Loan	05/20/2016	765,000.00	1		
2	Payment	06/20/2016	Interest Only	11	Monthly	04/20/2017
3	Payment	05/20/2017	768,187.50	1		

AMORTIZATION SCHEDULE - Normal Amortization, 360 Day Year

	Date	Payment	Interest	Principal	Balance
Loan	05/20/2016				765,000.00
1	06/20/2016	3,187.50	3,187.50	0.00	765,000.00
2	07/20/2016	3,187.50	3,187.50	0.00	765,000.00
3	08/20/2016	3,187.50	3,187.50	0.00	765,000.00
4	09/20/2016	3,187.50	3,187.50	0.00	765,000.00
5	10/20/2016	3,187.50	3,187.50	0.00	765,000.00
6	11/20/2016	3,187.50	3,187.50	0.00	765,000.00
7	12/20/2016	3,187.50	3,187.50	0.00	765,000.00
2016 Totals		22,312.50	22,312.50	0.00	
8	01/20/2017	3,187.50	3,187.50	0.00	765,000.00
9	02/20/2017	3,187.50	3,187.50	0.00	765,000.00
10	03/20/2017	3,187.50	3,187.50	0.00	765,000.00
11	04/20/2017	3,187.50	3,187.50	0.00	765,000.00
12	05/20/2017	768,187.50	3,187.50	765,000.00	0.00
2017 Totals		780,937.50	15,937.50	765,000.00	
Grand Totals		803,250.00	38,250.00	765,000.00	

CERTIFICATE

I, the undersigned, Secretary of the Borough of Kulpmont, Northumberland County, Pennsylvania (the "Borough"), certify that: the foregoing is a true and correct copy of an Ordinance which duly was enacted by affirmative vote of a majority of all members of the Council of the Borough, in accordance with law, at a meeting duly held on April 19, 2016, at which meeting a quorum was present; said Ordinance was examined and approved by the Mayor of the Borough on April 19, 2016; said Ordinance has been certified and recorded by me, as Secretary of the Borough, in the book provided for the purpose of such recording; said Ordinance, upon enactment, as aforesaid, was assigned Ordinance No. 2016-03; the total number of members of the Council of the Borough is seven (7); the vote of the members of the Council of the Borough, upon enactment of said Ordinance, the yeas and nays having been called, duly was recorded by me, as Secretary, as follows:

Bruno R. Varano	-	
Clarence H. Deitrick	-	
Joseph A. Winhofer	-	
Stephen Motyka	-	
George Malakoski	-	
Walter Lutz	-	
Nicholas P. Goretski, III	-	;

said Ordinance has been advertised, as required by law, in a newspaper of general circulation in the Borough; and said Ordinance has not been amended, altered or repealed as of the date of this Certificate.

I further certify that the Council of the Borough met the advance notice and public comment requirements of the Sunshine Act, 65 Pa.C.S. Ch. 7, by posting prominently a notice of said meeting at the principal office of the Borough or at the public building in which said meeting was held, and by providing a reasonable opportunity for public comment at said meeting, all in accordance with such Act.

IN WITNESS WHEREOF, I set my hand and affix the official seal of the Borough, this 19th day of April, 2016.

Secretary

(SEAL)