

BOROUGH OF OAKLAND,
Susquehanna County, Pennsylvania
ORDINANCE NO.

AN ORDINANCE

OF THE COUNCIL OF THE BOROUGH OF OAKLAND, SUSQUEHANNA COUNTY, PENNSYLVANIA, AUTHORIZING AND DIRECTING ISSUANCE OF A WATER REVENUE BOND, IN THE PRINCIPAL AMOUNT OF \$408,000 PURSUANT TO THE ACT OF THE GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA, APPROVED JULY 12, 1972, ACT NO. 185, AS AMENDED AND SUPPLEMENTED BY ACT NO. 52 OF 1978, AS AMENDED; DETERMINING THAT SUCH DEBT SHALL BE NONELECTORAL DEBT OF THIS BOROUGH; BRIEFLY DESCRIBING THE PROJECT FOR WHICH SAID DEBT IS TO BE INCURRED AND SPECIFYING THE REALISTIC ESTIMATED USEFUL LIFE OF SAID PROJECT; ACCEPTING A PROPOSAL FOR PURCHASE OF SAID BOND, AT PRIVATE SALE, AND AWARDED SUCH BOND, AND SETTING FORTH RELATED PROVISIONS; PROVIDING THAT SUCH BOND WHEN ISSUED, SHALL BE A WATER REVENUE BOND OF THIS BOROUGH; FIXING THE SUBSTANTIAL FORM, DATE, MATURITY DATE, INTEREST RATE, INTEREST PAYMENT DATES, REGISTRATION PRIVILEGES, PREPAYMENT PROVISIONS, PLACE OF PAYMENT OF PRINCIPAL AND INTEREST AND TAX FREE PROVISIONS OF SUCH BOND; AUTHORIZING EXECUTION AND ATTESTATION OF SUCH BOND; PROVIDING COVENANTS RELATED TO DEBT SERVICE APPLICABLE TO SUCH BOND AS REQUIRED BY SUCH ACT AND THE PENNSYLVANIA CONSTITUTION AND PLEDGING THE WATER REVENUES OF THIS BOROUGH IN SUPPORT THEREOF; SETTING FORTH THE DEBT SERVICE AND CREATING A SINKING FUND IN CONNECTION WITH SUCH BOND AS REQUIRED BY SUCH ACT; APPOINTING A SINKING FUND DEPOSITARY; PROVIDING A COVENANT TO INSURE PROMPT AND FULL PAYMENT OF ALL OBLIGATIONS OF SUCH BOND WHEN DUE; PROVIDING FOR COLLECTION, CUSTODY AND DISBURSEMENT OF REVENUES FOR USE OF THE PROJECT; AUTHORIZING AND DIRECTING SPECIFIED OFFICERS OF THIS BOROUGH TO DO AND PERFORM CERTAIN SPECIFIED, REQUIRED OR APPROPRIATE ACTS AND THINGS; PROVIDING FOR A SECURITY INTEREST IN THE REVENUES OF THE PROJECT FOR THE BENEFIT OF THE HOLDERS OF BONDS; CREATING A DEBT SERVICE RESERVE FUND; SETTING FORTH THAT SUCH BOND HAS BEEN SOLD AT PRIVATE SALE; DECLARING THAT DEBT TO BE INCURRED IS WITHIN THE LIMITATION IMPOSED BY SUCH ACT UPON THE INCURRING OF SUCH DEBT BY THIS BOROUGH; SETTING FORTH CERTAIN COVENANTS RELATING TO THE NON-ARBITRAGE STATUS OF SUCH BOND; PROVIDING WHEN THIS ORDINANCE SHALL BECOME EFFECTIVE; PROVIDING FOR SEVERABILITY OF PROVISIONS; AND REPEALING ALL ORDINANCES OR PARTS OR ORDINANCES INsofar AS THE SAME SHALL BE INCONSISTENT HERewith.

WHEREAS, The Borough of Oakland, Susquehanna County, Pennsylvania (the "Borough") is a political subdivision of the Commonwealth of Pennsylvania, (the "Commonwealth"); and

WHEREAS, The Borough has power and authority, inter alia, to provide a supply of water for the use of the public within the Borough, by erecting and operating waterworks, by purchasing and operating waterworks and by entering into contracts for purchase and operation; and

WHEREAS, The Borough desires to undertake the acquisition and construction of a complete water supply and distribution system and other facilities related thereto for providing water service in and for the Borough, which undertakings are referred to as the "Project"; and

WHEREAS, The water supply and distribution system contemplated by the Project, together with all appurtenant facilities and properties which the Borough has acquired or hereafter shall acquire in connection therewith, including all property, real, personal and mixed, rights, powers, licenses, easements, rights of way, privileges, franchises and any and all other property or interests in property of whatsoever nature, used or useful in connection with such

facilities, and together with all additions, extension, betterments, alterations and improvements thereto which may be made or acquired, from time to time, by the Borough, herein are referred to as the "Water System"; and

WHEREAS, The Borough has enacted an ordinance, inter alia, requiring any owner of property abutting on a street in which there is a water main constructed or acquired by the Borough to connect therewith and providing for the enforcement of such ordinance as permitted by law; and

WHEREAS, The Borough has duly enacted an ordinance, inter alia, fixing and charging certain water rates for use of the Water System and for services rendered by the Borough in connection therewith and providing for enforcement of such ordinance as permitted by law; and

WHEREAS, The Borough will receive a grant from the Appalachian Regional Commission, which grant will be applied for and toward payment of certain costs and expenses of the Project; and

WHEREAS, The Borough in order to provide for the balance of the costs and expenses of the Project, with the consent and approval of the Farmers Home Administration of the United States Department of Agriculture (the

"Government"), will receive a grant and a loan from the Government; and

WHEREAS, The Borough has determined to provide money for application for and toward retirement of all indebtedness incurred in connection with the Project, completion of the Project and related costs and expenses; and

WHEREAS, The Borough shall not use any funds obtained from the Government for payment of capitalized interest on the Series of 1982 Bond hereinafter defined for a period exceeding three years from the date hereof and shall not apply such Government funds for payment of capitalized operating expenses for a period exceeding one year from the date hereof; and

WHEREAS, The Borough, from time to time, may desire to provide for issuance of additional bonds for purposes which shall be authorized herein; and

WHEREAS, The Series of 1982 Bond, together with all additional bonds, from time to time issued hereunder, sometimes are referred to herein collectively as the "Bonds"; and

WHEREAS, The Series of 1982 Bond, including the
Registration Record and the Payment Record to be attached
thereto and made part thereof, is to be substantially in the
following form;

Number R1

(FORM OF BOND)

\$408,000

BOROUGH OF OAKLAND

Susquehanna County, Pennsylvania

5% Water Revenue Bond - Series of 1982

October , 1982

Oakland Borough, (the "Borough"), a political subdivision of the Commonwealth of Pennsylvania, for value received, acknowledges itself to be indebted to and promises to pay to the order of the Farmers Home Administration, United States Department of Agriculture, (the "Government"), the principal sum of FOUR HUNDRED AND EIGHT THOUSAND DOLLARS (\$408,000.00), plus interest on the unpaid principal balance at the rate of per centum (%) per annum. The principal of and interest on the unpaid principal balance hereof, from the date hereof, shall be payable in the following installments on or before the following dates:

\$ on , 1983,

Administration, Lewisburg, Union County, Pennsylvania, or at such other place or places as may be designated by the holder. Payment of any part of the principal of any interest on this Bond by the Borough shall be valid and effective to satisfy and discharge fully the obligations of the Borough with respect to such payments of principal and interest, without surrender hereof to the Borough for appropriate notation upon the Payment Record attached hereto and made part hereof, except that final payment of principal and interest shall be made upon surrender hereof to the Borough.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the Borough. Refunds and extra payments, as defined in the regulations of the Government according to the source of funds involved, shall, after payment of interest, be applied to the installments last to become due under this Bond and shall not affect the obligation of the Borough to pay the remaining installments as scheduled herein.

While this Bond is held by an insured lender, prepayments as above authorized made by the Borough may, at the option of the Government, be remitted by the Government

to the holder promptly or, except for final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by the Borough, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by the Borough, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amounts advanced or expended by the Government for the collection hereof or to preserve or protect any security hereto, or otherwise under the terms of any security or other instrument executed in connection with the loan evidenced hereby, at the option of the Government shall become a part of and bear interest at the same rate as the principal of the debt evidenced hereby and be immediately due and payable by the Borough to the Government without

demand. The Borough agrees to use the loan evidenced hereby solely for purposes authorized by the Government.

If the Government at any time assigns this Bond and insures the payment thereof, the Borough shall continue to make payments to the Government as collection agent for the holder.

The principal of and interest on this Bond shall be payable only from receipts, revenues and money of the Borough derived from or in connection with the Water System, as that phrase is defined in the Ordinance hereinafter defined, and from any other receipts, revenues and money available therefor, as provided in said Ordinance.

This Bond has been duly authorized by the Borough and is issued under and secured by an Ordinance, effective as of October , 1982, (the "Ordinance"), duly enacted by the Borough, a copy of which Ordinance, duly certified by the Secretary of the Borough, is on file at the principal office of the Borough. Reference is made to the Ordinance for a statement of the particular receipts, revenues and money of the Borough pledged for payment of obligations hereof, the nature, extent and manner of enforcement of the security, the rights of the holder hereof, from time to time, with

respect to such security and the terms under which this Bond is issued and under which additional bonds may be issued, to all provisions of which Ordinance the holder hereof, from time to time, by acceptance of this Bond, assents.

Certain modifications and alterations of the Ordinance not adversely affecting rights of holders of bonds outstanding thereunder may be made without consent of holders, from time to time, of such bonds, in the manner provided in the Ordinance. Any other modification or alteration of the Ordinance and of rights and obligations of the Borough and of the Government, of bonds outstanding thereunder may be made only with consent of the Government, in the manner provided in the Ordinance.

This Bond does not pledge the credit or taxing powers of the Commonwealth of Pennsylvania (the "Commonwealth") or any political subdivision thereof; nor shall this Bond be deemed an obligation of the Commonwealth or any political subdivision thereof; nor shall the Commonwealth or any political subdivision thereof be liable for payment of the principal of or interest on this Bond, other than from the revenues of the Borough pledged and as set forth herein and in the Ordinance.

In case an event of default, as defined in the Ordinance, shall occur, the principal of all bonds then outstanding under the Ordinance which, at the time, shall remain unpaid, may be declared or may become due and payable upon conditions, in the manner and with the effect provided in the Ordinance.

IN WITNESS WHEREOF, The Borough of Oakland, Susquehanna County, Pennsylvania, caused this Bond to be signed in its name and in its behalf by its President of Borough Council and Mayor and its corporate seal to be affixed hereunto, duly attested by its Secretary or Assistant Secretary, this day of _____, 1982.

BOROUGH OF OAKLAND,
Susquehanna County,
Pennsylvania

ATTEST:

By: _____
President of Borough
Council

By: _____
Secretary

By: _____
Mayor

(SEAL)

RECORD OF ADVANCES

Amount

Date

\$

NOW, THEREFORE, in order to secure payment of the principal of, premium, if any, and interest on all Bonds issued and outstanding hereunder, according to their tenor, to secure performance and observance of all covenants and conditions therein and herein contained and to declare terms and conditions upon which Bonds shall be secured, and in consideration of covenants herein contained, of purchase and acceptance of Bonds by owners thereof, the Borough, intending to be legally bound by these presents, does pledge hereunder, to the extent and subject to exceptions herein provided, all its right, title and interest in and to all receipts, revenues and money derived by it in any manner from the Water System, upon terms herein set forth, for equal and proportionate use, benefit and security of all present and future owners of Bonds issued hereunder, for enforcement and payment of the principal of, premium, if any, and interest on Bonds when payable according to their tenor and to secure performance of and compliance with covenants and conditions of Bonds and hereof, without preference, priority or distinction as to lien or otherwise (except as hereinafter provided) of any one Bond over any

other Bond, so that each Bond issued and to be issued hereunder shall have the same right, lien and privilege hereunder and the principal of, premium, if any, and interest on all Bonds shall be secured equally and proportionately hereby.

NOW, THEREFORE, be it ordained by the Council of this Borough that terms upon which Bonds are to be executed, delivered, issued, received and held by all persons who, from time to time, shall be or shall become owners or holders thereof, and the conditions under which all right, title and interest of the Borough in and to the aforesaid receipts, revenues and money have been pledged hereunder, are as follows:

ARTICLE I
CONCERNING THE ORDINANCE

SECTION 1.01. This Ordinance shall constitute a contract between the Borough and the Government as owner and holder of the Bond. Covenants and agreements herein set forth to be performed and observed by and in behalf of the Borough shall be for the equal benefit, protection and security of owners of Bonds.

SECTION 1.02. This Ordinance shall be effective pursuant to the terms of the Pennsylvania Local Government Unit Debt Act, Act of July 12, 1972, No. 185, as amended by Act No. 52 of 1978, as amended (the "Act"). This Ordinance shall remain in effect as long as Bonds shall remain outstanding.

ARTICLE II
CONCERNING BONDS

SECTION 2.01. The Borough authorizes and directs issuance hereunder initially of a single definitive Series of 1982 Bond numbered R1, in the principal amount of FOUR HUNDRED EIGHT THOUSAND DOLLARS (\$408,000.00) in the form hereinbefore set forth (the "Bond"). The debt, evidenced by the Bond, is to be incurred as nonelectoral debt and as a revenue bond pursuant to the Act. The Bond is issued for the purpose of financing the cost of acquisition and construction of additions and improvements to a water supply and distribution system for the Borough, including distribution lines, pump house, reservior and well (the "Project"). The estimated useful life of the Project is forty (40) years.

SECTION 2.02. The Borough approves the Series of 1982 Bond, in the form and with the content hereinbefore set forth, and authorizes execution, issuance and delivery thereof in behalf of the Borough. Reference is made to the form of the Series of 1982 Bond, hereinbefore set forth, for

terms, conditions and provisions thereof which are approved by the Borough. The Borough hereby determines that the Bond shall be sold at private sale, accepts the written proposal of the Government to purchase the Bond, at par value, and awards the Bond to the Government.

SECTION 2.03. Bonds of other series may be issued hereunder in the manner and for purposes set forth in Article III.

SECTION 2.04. The President or Vice President of Council and Secretary are authorized and directed to prepare, certify and file the Debt Statement and Borrowing Base Certificate required by the Act, to prepare and file any statement required to qualify the debt for exclusion from the appropriate debt limit as self-liquidating debt and to take other necessary action as may be required to comply with the provisions of the Act.

SECTION 2.05. Bonds issued hereunder shall be executed in the name of the Borough by its President or Vice President of Council and Mayor and its corporate seal or a

facsimile thereof shall be affixed thereunto and attested by its Secretary or Assistant Secretary. In case any one or more of said officers who shall have signed or attested Bonds shall have ceased to be such officer or shall have become physically or legally incapacitated at time of delivery thereof, the Bonds, nevertheless, shall be valid and binding obligations of the Borough.

SECTION 2.06. The Borough shall cause to be kept at its principal office records for the registration of Bonds and transfer of Bonds to subsequent registered owners in the manner provided herein and therein so long as Bonds shall remain outstanding. Such registrations and transfers shall be without charge to registered owners, except for actual costs, including postage and insurance and any taxes or other governmental charges. The Borough shall treat the registered owner of any Bond as absolute owner of such Bond for all purposes.

SECTION 2.07. The Borough may execute and deliver the Series of 1982 Bond to the Government, but only after the Borough shall have filed with the Government the following:

A. A copy hereof, duly certified by the Secretary or Assistant Secretary of the Borough to be in effect as of the date of filing thereof;

B. Ordinances of the Borough, duly certified by the Secretary or Assistant Secretary of the Borough to be in effect as of the date of filing thereof:

- (1) Charging a tapping or connection fee against the owner of each property who connects such property with the Water System and providing, inter alia, for the collection of such tapping or connection fees and for enforcement of such resolution as permitted by law; and
- (2) Fixing and charging water rates for use of the Water System and for services rendered by the Borough in connection therewith and providing, inter alia, for enforcement of such ordinance as permitted by law;

(3) Requiring all owners of improved

property located within the Borough which legally can be required to connect to the Water System to connect therewith and providing, inter alia, for enforcement of such ordinance as permitted by law; and

C. A certificate of the Borough's consulting engineers to the effect that after due and proper investigation of matters and documents involved, the Borough's consulting engineers are of the opinion that the estimated amounts to be received by the Borough from the collection of water rates under the ordinance, a certified copy of which is furnished under subsection B (2) of this Section 2.07, together with all other anticipated receipts, revenues and money to be derived by the Borough or in behalf of the Borough from any source from or in connection with operation of the Water System and available for the purpose, will be sufficient in each "fiscal year" (the term "fiscal year", when used herein, shall mean the period beginning October , and ending the following October , to meet the requirements of Section 6.01 hereof, after giving effect to the issuance of the Series of 1982 Bond;

D. An opinion of the solicitor of the Borough to the effect that the Borough holds title to the Water System, as such presently exists and that such title is good and marketable and free and clear of liens and encumbrances, except such easements, encumbrances and restrictions in the line of title which will not affect adversely use, operation and maintenance of the Water System; and

E. Evidence of approval under the Act by the Pennsylvania Department of Community Affairs of the issuance of the Bond.

The Borough also shall furnish to the Government, concurrently with execution and delivery of the Series of 1982 Bond:

F. A statement by the President or Vice President of Borough Council certifying the amount of the Bond, the Project for which it is incurred and the nature of the revenues from which such debt is to be repaid.

G. A certificate from the Borough's Engineer estimating the revenues and operating expenses of the Project and showing that the net revenues so estimated will be sufficient to pay the annual debt service as it falls due.

H. An opinion of bond counsel to the effect that the holders of the Bond have no claim upon the taxing power or tax revenues of the Borough, but only claims upon the specific revenues pledged and rights to the enforcement of any covenants as to the levying or collection of rates and charges for the use of the Project being financed, or any covenants as to the assessment of benefits upon properties serviceable by the Project as provided in such covenants with the holders of the Bonds.

I. A certificate executed by the President or Vice President and Secretary, Assistant Secretary, Treasurer or Assistant Treasurer of the Borough and approved by the Borough's consulting engineers, setting forth:

(1) The amount of proceeds to be received by the Borough from sale of the Series of 1982 Bond;

(2) The amount of money and investments (shown at market value, if known; otherwise at cost value) presently held by the Borough and derived from the temporary financing or from operation of

the Water System during the period of the temporary financing or otherwise derived by the Borough in connection with acquisition, construction or operation of the Water System;

- (3) The amount of money anticipated hereafter to be received as a grant from the Appalachian Regional Commission, if any;
- (4) The amount of money anticipated hereafter to be received as a grant from the Government, if any;
- (5) The amount of money hereafter anticipated to be received from tapping fees charged pursuant to the Ordinance of the Borough furnished to the Government under subparagraph (1) of Section 2.07 B and required hereunder to be deposited in the Construction Fund pursuant to provisions of Section 4.06 hereof;

- (6) The amount required to pay all
outstanding indebtedness of the Borough
incurred in connection with the Project;
- (7) Expenditures and transfers estimated to
be made from the Construction Fund with
respect to completion of the Project and,
if applicable, the operation and
maintenance of the Water System, and
- (8) The estimated balance.

ARTICLE III
ISSUANCE OF ADDITIONAL BONDS

SECTION 3.01. The Borough may issue hereunder from time to time additional Bonds for purposes of providing: (a) all or part of funds required to complete the Project; or (b) all or part of funds required to acquire and construct additions, extensions, alterations and improvements of or to the Water System; or (c) all or part of funds required for the acquisition or construction of alterations, repairs, renewals, improvements or replacements with respect to the Water System which are necessary or desirable for proper operation and maintenance thereof, the cost of which reasonably cannot be paid by the Borough out of the then current receipts from operation of the Water System, including in each case, costs and expenses of financing; Provided, however, that during any time the Government is the owner of any Bonds outstanding hereunder such additional Bonds may be issued only with the prior written consent of the Government.

Additional Bonds issued hereunder shall rank equally with all other Bonds theretofore issued hereunder and shall be entitled to benefit hereof as to source and security for

payment and in all other respects. All additional Bonds of any particular series issued hereunder shall be identical as to date of issuance, shall be substantially in the form of the Series of 1982 Bond, shall be fully registerable as to principal and interest, shall contain provisions for semi-annual payment of interest, may bear such rate or rates of interest, may contain such provisions for redemption at the option of the Borough or otherwise, at such redemption price or prices, may be entitled to benefit of such sinking, purchase, redemption or analogous fund, may be of such denomination or denominations and may contain such other provisions as the Borough may determine and as shall be in accordance with law.

SECTION 3.02. Prior to issuance of additional Bonds, as permitted under Section 3.01, the Borough shall file with the Secretary of the Authority the following:

A. An Ordinance supplemental hereto, duly certified by the Secretary or Assistant Secretary of the Borough to be in effect as of the date of filing thereof providing for issuance of additional Bonds, setting forth the form

thereof, confirming the pledge hereunder of all the Borough's right, title and interest in and to all receipts, revenues and money derived by it in any manner from the Water System, to the extent and subject to such exclusions and exceptions as presently are provided herein, providing for additional amounts to be paid into any of the funds created under Article VII hereof or providing for creation of additional funds and setting forth additional appropriate provisions not adversely inconsistent herewith;

B. A certificate of the consulting engineers of the Borough to the effect that:

- (1) The completion of the Project or the construction or acquisition contemplated is desireable and is required for proper and efficient operation of the Water System or, in the case of extensions of service, is reasonable and practicable; and
- (2) The proceeds to be derived from sale of additional Bonds, together with other available money (specifying the same, if

any) will be sufficient to pay costs and expenses of completing the Project or costs and expenses of the construction or acquisition contemplated, as appropriate, which costs and expenses shall be described in reasonable detail, and that such costs and expenses reasonably cannot be paid out of then current revenues from the Water System available for the purpose; and

- (3) The estimated revenues to be available to the Borough for the purpose from owning and operating the Water System will be sufficient in each fiscal year to meet the requirements of Section 6.01 hereof, after giving effect to the issuance of the additional Bonds; and
- (4) If applicable, the Borough has entered into all contracts as are required for construction, with the exception of contracts of a minor nature, and that plans and specifications, if any, related

to such contracts are complete and have
been approved by all governmental
agencies having jurisdiction; and

C. Except in the case when the additional Bonds are to
be issued to provide funds for and toward completion of the
Project, a certificate executed by the President or Vice
President and Secretary or Assistant Secretary of the
Borough to the effect that the Borough is not in default at
the time in any manner whatsoever under provisions hereof.

SECTION 3.03. Proceeds from sale of additional Bonds
issued shall be deposited in the Construction Fund created
under Section 4.06 hereof (earmarked in a separate account
for each series of additional Bonds) except and to the
extent the supplemental ordinance required under subsection
A of Section 3.02 shall provide for payment into other Funds
hereunder and into other Funds, if any, as shall be set
forth in such supplemental ordinance.

SECTION 3.04. Nothing herein shall prevent the Borough
from issuing bonds under other indentures or ordinances for
financing other projects or from pledging receipts, revenues

and money from such other projects for payment of bonds issued to finance such other projects. The Borough's general administration expenses shall be allocated equitably among its various projects but any expenses directly attributable to any one project shall be charged against such project.

ARTICLE IV

CONCERNING CONSTRUCTION - CONSTRUCTION FUND

SECTION 4.01. The Borough covenants that it will enter into contracts for construction, from time to time, relating to the Water System only after compliance with applicable requirements of law.

SECTION 4.02. The Borough covenants that, in connection with any construction undertaken with respect to the Water System, it will comply with all present and future laws, rules, regulations, orders and requirements lawfully made by any competent public body or authority now or hereafter existing and having jurisdiction.

SECTION 4.03. The Borough covenants that, where any work in connection with the Water System shall be performed under contract, it shall obtain from each contractor performance and payment bonds (providing, inter alia, that the contractor shall perform his contract faithfully and shall indemnify and save harmless the Borough from expenses and damages and shall pay or cause to be paid all sums due

for materials furnished, labor supplied, equipment furnished and services rendered or performed in execution of work contemplated by such contract and such other provisions as required by law), each such bond being in the amount of 100% of the contract price and executed by a responsible surety company or companies qualified to do business in the Commonwealth of Pennsylvania.

SECTION 4.04. The Borough covenants that it will perform faithfully all agreements on its part to be performed under any contract for construction relating to the Water System and that it will not do or refrain from doing any act or thing whereby sureties on applicable bonds might be released, in whole or in part, from any obligation assumed by them or from any agreement to be performed by them as set forth in such bonds.

SECTION 4.05. If any contractor or any surety shall fail to perform his or its obligations or any part thereof in accordance with terms of any construction contract relating to the Water System or otherwise shall fail to provide for completion of work contemplated by such

contract, or shall fail to provide for completion of any construction contract relating to the Water System in accordance with terms of such contract, the Borough covenants to take all action required to enforce the terms and provisions thereof, including, if necessary, the institution of appropriate legal proceedings.

SECTION 4.06. There hereby is created a "Construction Fund", which shall be held by the Borough, in trust, and shall consist of:

A. Advances received from the Government, as noted on the Bond.

B. Money of the Borough heretofore or hereafter derived from the charge of tapping (or connection) fee against owners of property who connect such property with the Water System, or money in the nature of tapping (or connection) fees derived by the Borough under agreements with owners of property who connect such property with the Water System, whereby such owners shall be obligated to pay such money to the Borough.

C. Proceeds of sale of additional Bonds issued by the Borough at any time for purposes specified in Section 3.01 hereof and other funds deposited therein pursuant to provisions hereof; and

D. Amounts received by the Borough (after deduction of all costs, fees and expenses incurred in connection with recovery thereof) from any contractor or any surety under any bid, performance, payment, completion or penalty bond and any amounts otherwise received by the Borough by virtue of a cause of action arising from any contract relating the acquisition or construction with regard to the Water System; Provided, however, that if the Construction Fund shall not be open with respect to the appropriate construction or acquisition at the time such money shall be deposited by the Borough in the Revenue Fund. —

Also, in addition to other deposits to be made in the Construction Fund, the Borough shall deposit therein any funds contributed, advanced or received from any source for application toward costs and expenses relating to acquisition or construction of property which, upon completion of acquisition or construction, shall constitute a part of the Water System, including, without limitation,

any governmental grants made for such purposes.'

SECTION 4.07. Costs and expenses for construction or acquisition related to the Water System payable by the Borough from the Construction Fund, without intending to limit or restrict any proper definition of such costs and expenses under sound accounting and/or engineering practice, shall include:

A. Obligations incurred and payments made or required to be made by the Borough to workmen and laborers or to contractors, builders, suppliers or materialmen; and

B. Capitalized interest on any series of Bonds during the construction period or to the extent and for such period as this Ordinance may provide; and

C. Costs of acquiring by purchase or condemnation, land, rights of way, privileges, rights, licenses, easements and any other interest in real property as may be deemed necessary or convenient in connection with the Water System, including amounts of any award or final judgment in any condemnation proceeding or amounts of any settlement or compromise of any condemnation proceeding; amount of any

damages incident to or consequent upon acquisition or construction; and payment for restoration of property damaged or destroyed in connection with construction; and

D. Costs of acquiring property, real, personal and mixed, tangible or intangible, or any interests therein deemed necessary or desireable in connection with the Water System, including, without intending to limit the generality of the foregoing, costs of abstracts of title, title insurance, title opinions, surveys and reports; and

E. Costs of contract bonds and premiums on insurance of any type deemed necessary during construction, costs of inspection and costs of performance, labor and material payment, maintenance or other type bonds required by any governmental regulatory authority relating to construction of any part of the Water System to the extent that the same shall not be required to be paid for by contractors or otherwise provided for; and

F. Fees and expenses of engineers for studies, tests, surveys, reports, maps, estimates of costs, revenues and other facts, preparation of plans and specifications and making preliminary investigations therefor, supervision of construction, inspection and performance of other duties of

engineers in connection with construction and the financing thereof; and

G. Costs and expenses, including legal fees, engineering fees and administrative costs and expenses, of charging and collecting tapping fees and assessments; and

H. Financing costs, fees and expenses; costs and expenses of issuing any series of Bonds; legal costs, fees and expenses; advertising expenses; administrative expenses of the Borough and operating expenses with respect to the Water System to the extent and for such periods as the Borough may determine with respect to any series of Bonds; and

I. Other costs, fees and expenses which properly are chargeable as costs and expenses of the construction or acquisition under sound accounting and/or engineering practice; and

J. Reimbursement to the Borough for advances made by the Borough for any of the above items, including, if requested by the Borough, reasonable interest on any such advances, or for any other costs incurred by the Borough or for work done by the Borough in connection with the Water System which properly is chargeable as a cost of

construction or acquisition; and

K. Any sum required to repay any governmental agency or body for any overpayment of any grant or loan upon final audit and final determination of the appropriate amount required by the appropriate governmental agency or body to be repaid; and

L. Any sum required to reimburse the Borough or to pay any indebtedness incurred by the Borough, including payment of obligations of the Borough, with interest thereon, for expenditures made for any of the above items or for any other costs properly chargeable as costs or expenses of construction or acquisition.

The Borough, from time to time, on or before , 1983, may transfer from the Construction Fund to the Revenue Fund amounts not in excess of an aggregate of \$ for application by the Borough for and toward payment of costs and expenses of the nature set forth in Section 6.01 A and B.

SECTION 4.08. Payments (excluding transfers to other Funds created hereunder as shall be authorized by provisions hereof) shall be made from the Construction Fund by the

President or Vice President and Treasurer or Assistant Treasurer of the Borough, but only upon receipt of the following:

A. An order signed by the President or Vice President and Treasurer or Assistant Treasurer of the Borough stating, with respect to each payment to be made:

- (1) The order number;
- (2) The name of the person to whom payment is or are due;
- (3) The amount or amounts to be paid;
- (4) In reasonable detail, the purpose or purposes for which the obligation or obligations mentioned therein was or were incurred; and
- (5) That each obligation mentioned therein has been incurred properly by the Borough, is a proper charge against the Construction Fund, is unpaid and has not been the basis of a previous order;

B. In the case of payments related to or payments under contracts for construction, or reimbursement for such payments, a certificate of the consulting engineers of the Borough approving the order and further certifying with respect to any obligation incurred for work, equipment or

materials in connection with construction, which shall be the basis of the order, that such is in accordance with applicable plans and specifications, if any, and that such work actually was performed or that such equipment and/or materials actually were installed in or about the Water System or were delivered at the site of the work for that purpose or were delivered for fabrication at a place approved by the consulting engineers; and

C. In all other cases, an opinion of the solicitor for the Borough approving the order and certifying that the payment is a proper and legal charge against the Construction Fund.

D. In the case of the Project, approval of the Government by a duly authorized representative.

The Borough, in its discretion, may establish separate series of orders for payment to be made from funds in the Construction Fund earmarked for specific purposes as provided herein.

SECTION 4.09. The Borough shall retain in its possession, for a period of seven (7) years after receipt thereof, all orders, certificates, opinions and approvals

received by it as required under Section 4.08, or photostatic, microfilm or other acceptably reproduced copies thereof, subject to inspection by the Government, registered owners of Bonds and their respective agents and representatives at reasonable times.

SECTION 4.10. Upon completion of an appropriate project or upon completion of acquisition or construction of property in the nature of capital additions to the Water System, which completion shall be evidenced by a resolution duly adopted by the Borough, the Borough shall make such provisions as shall be necessary to provide for payment of unpaid costs and expenses of the appropriate project and thereafter any balance which shall remain in the Construction Fund, upon adoption of such resolution by the Borough and after making provision for payment of such unpaid costs and expenses, shall be transferred by the Treasurer or Assistant Treasurer of the Borough to the Revenue Fund created hereunder..

ARTICLE V

PREPAYMENT OF PRINCIPAL

SECTION 5.01. Installments of principal of the Series of 1982 Bond are subject to prepayment, prior to the respective due dates thereof, at the option of the Borough, as a whole, on any date, or, from time to time, in part, on any interest payment date, in any amount, upon terms and conditions and with the effect provided in the form of the Series of 1982 Bond, hereinbefore set forth, to which reference is made for a complete statement of applicable redemption provisions.

SECTION 5.02. Any additional Bonds which may be authorized for issuance in accordance with provisions hereof may contain such terms and conditions, with respect to the right and privilege of the Borough to redeem or prepay in whole or in part the outstanding principal of such additional Bonds, as may be determined by the Borough and as shall be in accordance with law. Such terms and conditions shall be set forth in the ordinance which shall constitute an amendment or supplement hereto and shall authorize issuance of such additional Bonds.

ARTICLE VI

WATER RATES, RENTS AND CHARGES AND OTHER RECEIPTS, REVENUES
AND MONEY OF THE BOROUGH

SECTION 6.01. The Borough covenants that it has adopted an ordinance fixing and charging water rates, rents and charges for use of the Water System and for services rendered by the Borough in connection therewith. The Borough also covenants to keep such ordinance or a subsequent ordinance or ordinances so fixing and charging water rates, rents and charges in full force and effect continuously during the time any Bonds shall be outstanding hereunder.

The Borough covenants that such water rates, rents and charges imposed pursuant to the ordinance in effect at the time shall be at least such that estimated amounts to be received by the Borough therefrom, together with all other receipts, revenues and money derived by the Borough or in behalf of the Borough in any manner, from any source, from or in connection with owning, constructing, acquiring and operating the Water System and available for the purpose, will be sufficient to:

A. Pay reasonable and necessary general administration expenses of the Borough related to the Water System, including, without limiting the generality of the foregoing, the following: compensation and expenses of officers, employees and members of the Borough Council; legal, printing, advertising, engineering and auditing fees and expenses; fees and expenses of any authorized depository and other items of general administration expense, in each fiscal year, to the extent the same shall not otherwise be provided for hereunder; and

B. Pay reasonable costs and expenses of operating and maintaining the Water System, including, without limiting the generality of the foregoing, the following: costs and expenses of management, supervision, inspection, maintenance, insurance and repair of the Water System and of making ordinary alterations, renewals, replacements and all ordinary improvements as shall be necessary to maintain adequate service; annual sums payable pursuant to any agreement relative to the acquisition, transportation, treatment and distribution of water; and assessments, charges and taxes, including, without limiting the

generality of the foregoing, income, profits, property, franchise and excise taxes, to the extent that the same shall not otherwise be provided for hereunder; and

C. Provide the sum of _____ in each fiscal year in which the Series of 1982 Bond shall be outstanding hereunder, beginning with the fiscal year ending _____, 1984, plus an amount equal to any mandatory payments to be made in each such fiscal year to the Debt Service Reserve Fund; and

D. Provide an amount in each fiscal year in which additional Bonds issued for the purpose set forth in Section 3.01(a) shall be outstanding hereunder, beginning in the fiscal year of issuance of such additional bonds, equal to 100% of the total principal and interest requirements (excluding capitalized interest) on each such series of additional Bonds in such fiscal year, plus any mandatory payments required to be made in such fiscal year to any reserve fund created hereunder; and

E. Provide an amount in each fiscal year in which additional Bonds issued for the purposes set forth in subsections (b) and (c) of Section 3.01 shall be outstanding hereunder, beginning in the first full fiscal year in which

debt service requirements on such additional Bonds shall be payable solely from receipts, revenues and money of the Borough derived from operation of the Water System, equal to at least 120% of the average annual debt service on each series of such additional Bonds, calculated for each such series as of the time of issuance, over the life thereof and giving consideration to any mandatory payments of principal, and provide an amount in each fiscal year so long as any such series of additional Bonds shall be outstanding hereunder equal to 100% of the total principal and interest requirements (excluding capitalized interest) on each such series of additional Bonds in such fiscal year plus any mandatory payments required to be made in such fiscal year to any reserve fund created hereunder; Provided, however, that the coverage requirement set forth in this subsection may be waived or modified by the written consent of owners of 75% of Bonds at the time outstanding hereunder; and also Provided, however, that in determining for any fiscal year whether or not the Borough is in compliance with the above covenant, the requirements for such fiscal year shall be decreased by the aggregate amount, if any, derived by the Borough from or in connection with the Water System in any

prior fiscal year or fiscal years which was in excess of the aggregate amount or amounts required to be collected in such prior fiscal year or fiscal years pursuant to the above covenant, but only to the extent that such excess amount shall at such time be available in the Revenue Fund for the purposes set forth.

SECTION 6.02. The Borough covenants that all receipts, revenues and money derived by it in any manner from or in connection with operation of the Water System shall be deposited, from time to time, by the Treasurer or Assistant Treasurer of the Borough in the Revenue Fund created under Section 7.01 hereof, except to the extent that provisions hereof may specifically provide for the same to be deposited in any other Fund created hereunder.

SECTION 6.03. The Borough covenants to enforce at all times the then effective ordinance or ordinances fixing and charging water rates, rents and charges, to duly and promptly collect such then effective water rates, rents and charges and in the event such then effective water rates, rents and charges are not paid, to take all reasonable and

proper steps to enforce such payment, including the filing of proper municipal claims or liens in accordance with law.

SECTION 6.04. The Borough covenants, from time to time, as often as it shall be necessary, to revise, adjust and, if necessary, increase water rates, rents and charges so that at all times the Borough will be in strict compliance with requirements of Section 6.01.

SECTION 6.05. The Borough covenants that it:

A. Shall include the amount of debt service payable for each fiscal year in which such sums are payable in its budget for that year;

B. Shall appropriate such amounts from its pledged revenues for the payment of such debt service; and

C. Shall duly and punctually pay or cause to be paid from its pledged revenues the principal and interest on the Bonds, at the time and place and in the manner set forth in the Bonds, according to the true intent and meaning thereof.

ARTICLE VII
REVENUE AND OTHER FUNDS APPLICATION OF FUNDS

SECTION 7.01. Upon receipt of all receipts, revenues and money derived by the Borough from or in connection with owning, constructing, acquiring and operating the Water System, as provided in Section 6.02, the Treasurer or Assistant Treasurer of the Borough initially shall deposit the same in a special fund to be known as the "Revenue Fund", which is created, except to the extent that provisions hereof may specifically provide for the same to be deposited in any other Fund created hereunder.

In addition the Borough shall make deposits in and transfers to the Revenue Fund at the times and in the manner set forth in any other Section hereof.

SECTION 7.02. Money, from time to time, in the Revenue Fund first shall be applied by the Treasurer or Assistant Treasurer of the Borough upon written order, signed by such officer or officers of the Borough as shall be specified by resolution of the Borough, to pay reasonable and necessary costs and expenses of the Borough in administering,

operating and maintaining the Water System, as such costs and expenses are set forth in Section 6.01 A and B.

Written orders provided for in this Section 7.02 may include such amounts as may be determined by the Borough to be required to maintain working capital, for purposes set forth in Section 6.01 A and B, at a reasonable amount for the proper operation and maintenance of the Water System; Provided, however, that the aggregate amount of such working capital at any time shall not exceed an amount equal to one-fourth of the Borough's current annual budget for such expenses.

SECTION 7.03. There is created a special fund to be known as the "Debt Service Fund".

The Borough shall transfer from the Revenue Fund and deposit in the Debt Service Fund the following sums at the following times:

A. On or before , 1983, and on or before , 1984, a sum equal to the amount of the semiannual installment of interest payable with respect to the Series of 1982 Bond on the next succeeding .

B. On or before _____, 1983, and on or before _____, 1984, a sum equal to the amount of the semiannual installment of interest payable with respect to the Series of 1982 Bond on the next succeeding _____.

C. On or before _____ and _____, 1985 and on or before _____ and _____ of each year thereafter, so long as the Series of 1982 Bond shall remain outstanding hereunder, a sum equal to the semiannual installment of principal and interest payable with respect to the Series of 1982 Bond on the next succeeding _____ and _____ respectively.

In case of issuance of additional Bonds the Borough shall make additional deposits in the Debt Service Fund in such amounts and at such times as may be necessary and as may be required by the ordinance supplemental hereto which shall authorize issuance of such additional Bonds, to pay the principal of and interest on such additional Bonds.

There is created in the Debt Service Fund, pursuant to Section 1001 of the Act, a Sinking Fund for the Bond, to be known as Series of 1982 Water Revenue Bond Sinking Fund (the "Sinking Fund"). The Sinking Fund shall be used to make payments of principal and interest, when due, on the Bond.

Payments or transfers shall be made into the Sinking Fund by the Borough from the Debt Service Fund. If amounts in the Debt Service Fund are insufficient, the Borough shall transfer moneys from the Debt Service Reserve Fund, the Revenue Fund or such other Funds as may be available. Such payments into the Sinking Fund shall be made prior to the date that payments of principal and interest are due on the Bond.

The Borough appoints _____ Bank as sinking fund depositary and paying agent and authorizes a contract with said Bank for its services. The Bank is directed to make payments of principal and interest on the Bond when due from the Sinking Fund.

The Borough covenants to make payments out of the Sinking Fund created hereunder at such times and in the annual amounts as shall be sufficient for prompt and full payment of all obligations of the Bond when due.

SECTION 7.04. There is created a special fund to be known as the "Debt Service Reserve Fund".

On or before _____ of each of the years set forth below, after all transfers currently required to be made from the Revenue Fund pursuant to Sections 7.02 and 7.03, respectively, shall have been made, the Borough shall withdraw from the Revenue Fund and deposit in the Debt Service Reserve Fund, the following sums:

<u>Year</u>	<u>Amount</u>
1985	
1986	
1987	
1988	
1989	
1990	
1991	
1992	
1993	
1994	, or
such other sum as shall be	
necessary to establish the Debt	
Service Reserve Fund at \$ _____.	

The foregoing mandatory minimum deposits to be made in the Debt Service Reserve Fund on the condition that, so long as the Series of 1982 Bond shall be the only Bond outstanding hereunder, at such time as the balance in the Debt Service Reserve Fund shall equal \$ _____ no further deposits shall be required to be made therein unless said balance thereafter shall for any reason be less than \$ _____

If, the amount held in the Debt Service Fund shall be less than \$ or such other amount as at the time shall be required, then the Borough shall notify the Government in writing of the cause and amount of such deficiency and on or about of the next succeeding fiscal year and on or before of each subsequent fiscal year, as necessary until the Debt Service Reserve Fund shall reach the amount after all transfers currently required to be made from the Revenue Fund pursuant to Sections 7.02 and 7.03, respectively, shall have been made, the Borough shall withdraw from the Revenue Fund and deposit in the Debt Service Reserve Fund a minimum deposit of not less than 20% of any deficiency then existing in the Debt Service Reserve Fund or the annual amount required above to establish the Debt Service Reserve Fund, whichever shall be greater.

The Borough shall apply money in the Debt Service Reserve Fund for payment of principal and interest, from time to time, becoming payable on Bonds to the extent that the Debt Service Fund at any time shall be insufficient for such purpose.

Money in the Debt Service Reserve Fund at any time which is not required to maintain the Debt Service Reserve Fund at the amount at the time required shall be transferred to the Revenue Fund.

In case of issuance of additional Bonds the Borough shall make additional deposits in the Debt Service Reserve Fund in such amounts and at such times as may be required by the ordinance supplemental hereto which shall authorize issuance of such additional Bonds.

SECTION 7.05. There is created a special fund to be known as the "Bond Redemption and Improvement Fund".

On or before _____ of each fiscal year, after all transfers currently required to be made from the Revenue Fund pursuant to Sections 7.02, 7.03 and 7.04, respectively, as applicable, shall have been made, the Borough shall withdraw from the Revenue Fund and deposit in the Bond Redemption and Improvement Fund, the balance remaining in the Revenue Fund; Provided, however, that the Borough may at its option deposit all or any portion of such balance into the Debt Service Reserve Fund.

There also shall be deposited in the Bond Redemption and Improvement Fund any other amount so authorized herein and and other money which may be available to the Borough for any purposes herein provided. If a deficiency shall exist in the Debt Service Fund or Debt Service Reserve Fund and there shall be insufficient money in the Revenue Fund to eliminate the same, the Borough forthwith shall transfer a sufficient amount or amounts, in the order of priority set forth above, as money shall be available in the Bond Redemption and Improvement Fund to eliminate such deficiency or deficiencies, exclusive of the separate account in the Bond Redemption and Improvement Fund referred to in the preceding paragraph; Provided, however, that for the purpose of this Section the Debt Service Reserve Fund shall not be deemed to have a deficit merely by reason of the fact that said fund shall not have reached the amount required pursuant to normal minimum deposits thereinto as provided in Section 7.04, it being the intent that a deficit shall be deemed to exist in said fund only when the same shall have reached the amount required to be held therein, and thereafter, shall be less than said amount.

If any money in the Bond Redemption and Improvement Fund is not required to make good any deficit as provided in the preceding paragraph, the Borough, upon written order signed by such officer or officers of the Borough as shall be specified by the Borough, from time to time, shall apply money in the Bond Redemption and Improvement Fund for and toward costs and expenses related to any one or more of the following purposes:

A. For completion of the Project or for acquisition and/or construction of capital improvements with respect to the Water System, which capital improvements may include any new or additional property chargeable to plant or equipment account under sound accounting and/or engineering practice; or

B. To make extraordinary repairs to the Water System, which extraordinary repairs may include alterations, repairs, renewals, improvements or replacements which are deemed necessary or desirable by the Borough for proper operation and maintenance of the Water System, the costs of which cannot be paid out of the Revenue Fund as current costs and expenses of operation and maintenance in the

applicable fiscal year; or

C. To pay any expenses, debts, liabilities and obligations of the Borough, required or authorized to be paid under terms hereof, specifically including refunds to customers, developers or other persons for costs of construction or acquisition of property which was contributed or conveyed to the Borough and has become part of the Water System, and including payment of any costs and expenses which the Borough shall determine not to fund which may be incurred in connection with issuance of additional Bonds; or

D. To redemption or prepayment of Bonds of such series and in such aggregate principal amount as the Borough shall determine or to supplement money in other appropriate funds hereunder in order to retire all Bonds; or

E. To purchase of any Bonds in such amount as the Borough shall determine, at not more than the then current redemption price applicable to such Bonds or at not more than the first available redemption price applicable thereto if the same at the time shall not be subject to redemption; Provided, however, that the Borough shall not cause money in the Bond Redemption and Improvement Fund to be applied for

purposes permitted in the foregoing subsection D and/or this subsection E unless and until the consulting engineers of the Borough shall have filed with the Secretary of the Borough a certificate stating that after money in the Bond Redemption and Improvement Fund shall have been applied to such purpose or purposes the balance remaining therein will constitute a sufficient reserve for purposes specified in subsections A, B and C, respectively, as appropriate, both currently and for a reasonable time in the future.

SECTION 7.06. Whenever available money in the funds created under this Article VII shall be sufficient to pay the principal of and interest on all Bonds then outstanding hereunder, the Borough shall apply such money then available in such appropriate funds to payments due hereunder and to payment or redemption of all Bonds outstanding hereunder, at the earliest available date.

ARTICLE VIII

CONCERNING FUNDS AND INVESTMENT OF MONEY

SECTION 8.01. All funds created hereunder shall be identified in the manner provided for herein, shall be established and maintained in the name of the Borough and shall be kept separate, distinct and apart from all other accounts and funds of the Borough and shall be maintained by the Treasurer or Assistant Treasurer of the Borough with such depository or depositories as shall be specified, from time to time, by the Borough and, if necessary, approved by the Government. Any depository specified by the Borough shall be a bank, trust company or national banking association which under applicable laws in effect at the time shall be authorized to be such a depository for the Borough. The establishment, investment and maintenance of all funds shall be made in accordance with rules and regulations from time to time prescribed by the Government.

SECTION 8.02. Money on deposit with any depository, from time to time, shall be secured continuously to the extent that the same shall not be insured by the Federal

Deposit Insurance Corporation or other federal agency, in the manner which at the time shall be provided by law with respect to money of the Borough which shall be on deposit with an authorized depository.

SECTION 8.03. Money on deposit at any time in any fund created hereunder, may be invested by the Borough, from time to time, for such period or periods of time, but no later than the date when money will be required for payments or transfers hereunder, and in such securities or deposits as may be permitted by law with respect to money of the Borough. Securities or deposits which represent the investment of money in any fund created hereunder shall constitute a part of such fund and, upon disposition shall be deposited by the Treasurer or Assistant Treasurer of the Borough in the appropriate fund. Securities or deposits constituting a part of any fund shall be valued as of any particular time at the then market value thereof or the cost thereof, whichever shall be the lesser.

SECTION 8.04. Money held, set aside or deposited under provisions hereof by the Borough shall be trust funds hereunder and shall not be subject to lien (other than that of this Ordinance) or attachment by any creditor of the Borough.

The Borough hereby creates, and agrees to perfect and maintain, a security interest in the revenues and moneys generated by or on behalf of the Water System for the security and benefit of holders of the Bonds. The Sinking Fund Depositary shall act as the representative of bond holders and is authorized to execute financing statements as the secured party.

SECTION 8.05. The Borough covenants that it will not invest any money held in any fund hereunder or any proceeds derived from sale of the Series of 1982 Bond the effect of which investment would be to make the Series of 1982 Bond to be an "arbitrage bond" under Section 103 (c) of the Internal Revenue Code or corresponding provisions of any subsequent Federal tax laws. The Borough covenants to follow the advice of counsel with respect to any such investments in order to assure compliance with the provisions of this Section 8.05.

ARTICLE IX

PARTICULAR COVENANTS OF THE BOROUGH

SECTION 9.01. The Borough covenants that it promptly will pay but only from receipts, revenues and money of the Borough available for such purposes as provided for herein, the principal of, premium, if any, and interest on Bonds, on the dates and in the manner specified herein and in Bonds.

SECTION 9.02. The Borough covenants that at all times it will:

- A. Maintain the Water System in good repair and operating condition;
- B. Continuously operate the same; and
- C. Make all necessary and proper repairs, renewals, replacements and improvements thereto in order to maintain adequate service.

SECTION 9.03. The Borough covenants and agrees to cause all officers and employees of the Borough handling funds relating to the Water System to be bonded at all times

in adequate amounts by a responsible surety company or surety companies duly qualified to do business in the Commonwealth of Pennsylvania, which bond shall name the Government as co-obligee.

SECTION 9.04. The Borough, within thirty (30) days of issuance of the Series of 1982 Bond, shall cause an operating budget to be prepared for the fiscal year ending , 1983, which operating budget shall set forth in reasonable detail the estimated expenses of the Borough for the purposes specified in subsections A and B, respectively, of Section 6.01 hereof.

The Borough shall cause a similar itemized operating budget to be prepared at least fifteen (15) days before the first day of each subsequent fiscal year for such subsequent fiscal year.

Each such operating budget shall be prepared on the basis of quarterly requirements of the Borough so that it will be possible to determine from such budget the estimated expenses for each quarterly period covered by the operating budget. The Borough covenants that it will not make any payments under provisions of Section 7.02 hereof for the

purposes specified in subsections A and B, respectively, of Section 6.01 hereof which shall be in excess of the amount estimated therefor in the then current operating budget. The operating budget for the remainder of any then current fiscal year may be amended or supplemented at any time.

The Borough covenants that, during any time the Government is the owner of any Bonds hereunder, it shall furnish to the Government a copy of any such operating budget or any amendment or supplement thereto within thirty (30) days of the preparation thereof.

SECTION 9.05. The Borough covenants that it will maintain or will cause to be maintained adequate insurance against fire and against such other risks as usually and generally are included in extended coverage endorsements and against such other risks as shall be deemed proper by the Borough upon physical structures constituting parts of the Water System. Fire insurance shall be maintained at not less than 90 per cent of the replacement value of the physical structures, as certified by the consulting engineers of the Borough at least 15 days prior to the beginning of each fiscal year.

If part of the Water System shall be wholly or partially destroyed or damaged by fire or other casualty covered by insurance, the Borough covenants that it will take all actions and do all things which may be necessary to enable recovery to be made upon such policies of insurance. If the Borough shall determine that it is practicable and desireable to repair, reconstruct or replace the damaged or destroyed property covered by such insurance, as evidenced by resolution of the Borough, the Borough shall proceed forthwith with such repair, reconstruction or replacement to the extent of insurance proceeds collected with respect to such loss or damage. Money in possession of the Borough after completion of such repair, reconstruction or replacement or which represents proceeds of insurance in cases where it has been determined by the Borough, as evidenced by a resolution of the Borough, that repair, reconstruction or replacement is not practicable and desireable shall be deposited in the Bond Redemption and Improvement Fund.

SECTION 9.06. The Borough covenants that, during any time the Government is the owner of any Bonds hereunder, it will not borrow any money or issue any evidence of indebtedness in connection with making substantial extensions or capital improvements to the facilities (exclusive of items of maintenance) without obtaining the prior written consent of the Government.

SECTION 9.07. The Borough covenants that, it will cause its books, accounts and records to be audited annually by a certified public accountant. Within thirty (30) days of receipt of such audit the Borough shall furnish a copy thereof to the Government.

SECTION 9.08. The Borough covenants that the debt, of which the Series of 1982 Bond is evidence, incurred hereby, together with any other indebtedness of the Borough, is not in excess of any limitation imposed by the Act upon the incurring of debt by the Borough.

ARTICLE X

DEFAULTS AND REMEDIES

SECTION 10.01. Each of the following is declared to be an "Event of Default" that is to say if:

A. Payment shall not be made or interest upon Bonds at the due date expressed therefor and shall not be made within thirty (30) days thereafter; or

B. Payment of the principal of or premium, if any, on Bonds shall not be made at maturity as therein expressed or when the same shall have become due upon call for prepayment or otherwise; or

C. The Borough shall fail or refuse to comply with this Ordinance or shall be rendered incapable of fulfilling its obligations hereunder; or

D. An order or decree shall be entered with consent or acquiescence of the Borough appointing a receiver of the Water System or of receipts, revenues and money derived therefrom or if such order or decree having been entered without consent or acquiescence of the Borough shall not be vacated, discharged or stayed on appeal within thirty (30)

days after entry; or

E. The Borough shall make default in punctual performance of covenants, conditions, agreements or provisions contained in Bonds or herein on its part to be performed and such default shall continue thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Borough by any holder of Bonds.

SECTION 10.02. As provided by the Act, upon happening and during continuance of any event of default hereunder, owners of 25% aggregate principal amount of Bonds then outstanding by instrument or instruments filed in the office of the Recorder of Deeds for the County of Susquehanna, Pennsylvania, proved or acknowledged in the same manner as a deed to be recorded, may appoint a trustee to represent registered owners of Bonds (hereinafter referred to as the "Trustee") for purposes provided in the Act.

SECTION 10.03. As provided by the Act, upon happening and during continuance of any event of default, the Trustee in its discretion may proceed and, upon written request of

owners of at least 25% in aggregate principal amount of Bonds then outstanding and upon receipt of indemnity to its satisfaction, shall proceed to protect and enforce rights of owners of Bonds under laws of the Commonwealth of Pennsylvania, by exercise of such legal or equitable rights as the Trustee, being advised by counsel, shall deem effectual to protect and enforce such rights.

SECTION 10.04. No remedy conferred upon the Trustee for registered owners of Bonds by the Act is intended to be exclusive of other remedies; and each of such remedies shall be cumulative and in addition to every other remedy now or hereafter existing at law or in equity. So long as the Government shall be the holder of any Bonds issued hereunder it shall have the right to enforce any remedy immediately upon occurrence of any Event of Default.

ARTICLE XI
AMENDMENTS AND MODIFICATIONS

SECTION 11.01. The Borough for any of the following purposes, at any time, without approval of registered owners of Bonds, may adopt a resolution or resolutions supplemental hereto which thereafter shall constitute a part hereof and which shall not affect adversely rights of registered owners of Bonds outstanding hereunder:

A. To cure any ambiguity, formal defect or omission herein (including any supplemental resolution); or

B. To grant or confer upon registered owners of Bonds any additional rights, remedies, powers or security that lawfully so may be granted or conferred; or

C. To add to covenants and agreements of the Borough herein contained other covenants and agreements thereafter to be observed and to surrender any right or power herein reserved to or conferred upon the Borough.

Any other ordinance or ordinances supplemental hereto which thereafter shall constitute a part hereof shall be made by the Borough only with consent of all owners of

Bonds. It shall not be necessary for the consent of owners of the Bonds to approve the particular form of any ordinance supplemental hereto, but it shall be sufficient if such consent shall approve the substance thereof.

Nothing contained in this Section 11.01 shall be construed as making necessary the approval of owners of Bonds of any ordinance or ordinances supplemental hereto authorized or required under Sections 3.01 and 3.02, the approval for which ordinance or ordinances shall be governed solely by the provisions of Sections 3.01 and 3.02.

ARTICLE XII

DISCHARGE OF ORDINANCE

SECTION 12.01. If the Borough, its successors or assigns shall pay or cause to be paid: (1) unto owners of Bonds outstanding hereunder, the principal, premium, if any, and interest due, at the times and in the manner stipulated therein; and (2) other sums payable hereunder, then this Ordinance and rights hereby granted shall cease, determined and be void. Otherwise this Ordinance shall continue in full force and effect.

Bonds for payment or prepayment of which funds (including permissible investments), in the full amount required to pay principal of, premium, if any, and interest to the payment or redemption or prepayment date, as applicable, shall have been set aside by the Borough for the purposes, whether upon or prior to maturity or the date fixed for prepayment or redemption thereof, shall be deemed to be paid within the meaning of this Article XII.

Upon discharge of this Ordinance as above provided, all funds remaining on deposit hereunder not required to accomplish the discharge of this Ordinance, shall be funds of the Borough free and clear of all trusts and obligations created by this Ordinance.

ARTICLE XIII

MISCELLANEOUS

SECTION 13.01. In the event of dissolution of the Borough all covenants herein by, in behalf of or for benefit of the Borough shall bind or inure to the benefit of successors of the Borough and any officer, board, commission, agency or instrumentality to whom or which any power or duty of the Borough shall be transferred.

No such dissolution shall be effected by voluntary action of the Borough during such time as the Government is the owner of any Bonds outstanding hereunder, without the prior consent of the Government.

SECTION 13.02. If any provision hereof or of Bonds issued hereunder shall be held to be invalid, such invalidity shall not affect any other provision, and this Ordinance and Bonds issued hereunder shall be construed and enforced as if such invalid provision had not been contained herein or therein, it being the intention of the Borough that the remainder hereof and of Bonds shall be and shall remain in full force and effect.

SECTION 13.03. Laws of the Commonwealth of Pennsylvania shall govern construction hereof and of Bonds issued hereunder; Provided, however, that so long as the Government shall be the holder of Bonds issued hereunder Federal laws shall govern the construction hereof with respect to relations between the Government and the Borough.

SECTION 13.04. The Borough, from time to time, may lease, sell or otherwise dispose of any property or interest in property constituting part of the Water System if the Borough shall determine that such lease, sale or other disposition is in the best interests of the Borough and will not affect adversely the security of Bonds and will not impair use and operation of the Water System. Net proceeds of sale or other disposition of property or interest in property shall be applied by the Borough to replacement of property so sold or otherwise disposed of if deemed necessary or proper by the Borough or, in lieu thereof, shall be deposited by the Borough in the Revenue Fund, in the case of sale or other disposition of current assets (determined in accordance with sound accounting practice) or

net lease rentals from the lease of property, and otherwise in the Bond Redemption and Improvement Fund.

No such lease, sale or other disposition of property, real, personal or mixed, which shall constitute a substantial part of the Water System, shall be made during such time as the Government is the owner of any Bonds outstanding hereunder without consent of the Government.

SECTION 13.05. Recourse under or upon any obligation, covenant or agreement contained herein or in any Bond issued hereunder, or because of any indebtedness hereby secured, shall not be had against any past, present or future member, officer or employee of the Borough or any successor to it under any rule of law, statute or constitutional provision, or by enforcement of any assessment, or by legal or equitable proceedings or otherwise, it being expressly agreed that obligations hereby secured shall be solely corporate obligations of the Borough and that no personal liability whatsoever shall attach to or be incurred by such members, officers or employees of the Borough or any successor to it, because of incurring of indebtedness hereby authorized, by reason of obligations, covenants or

agreements contained herein or in Bonds hereby secured or implied herefrom.

SECTION 13.06. Nothing herein shall be construed to limit or restrict the right of the Borough to employ or engage, from time to time, to the extent permitted by law, such person, corporation or municipality as the Borough shall deem advisable and in the best interests of the Borough to manage or operate the Water System in behalf of the Borough or to perform other functions of the Borough with respect to the Water System, whether such shall be a management firm or other private organization, and to delegate to such person, corporation or municipality such duties of the Borough lawfully may delegate; Provided, however, that such employment and delegation shall not relieve the Borough of its obligations hereunder.

BOROUGH OF OAKLAND
Susquehanna County,
Pennsylvania

By: _____
Mayor

CERTIFICATE

I, the undersigned, Secretary of the Borough of Oakland, Susquehanna County, Pennsylvania (the "Borough"), certify that the foregoing is a true and correct copy of an Ordinance of the Council of the Borough which was duly enacted by affirmative vote of a majority of the members of the Council of the Borough at a meeting duly held on , 1982; that said Ordinance has been duly recorded in the Ordinance Book of the Borough; that said Ordinance has been published in summary form on , 1982, in the , a newspaper of general circulation published or circulating in the Borough and notice of enactment of said Ordinance, setting forth matters required by law was advertised, in the same newspaper on , 1982; and that said Ordinance remains in effect, unaltered and unamended, as of the date of this Certificate.

I further certify that the total number of members of the Borough Council is ; the vote of members of the Borough Council upon said Ordinance duly was called and recorded upon the minutes of said meeting and that members of the Borough Council voted upon said Ordinance in the following manner:

IN WITNESS WHEREOF, I set my hand and affix the
official seal of the Borough, this day of
, 1982.

OAKLAND BOROUGH

Secretary

(SEAL)