

ORDINANCE NO. 277 OF
BOROUGH OF BALLY,
BERKS COUNTY, PENNSYLVANIA

AN ORDINANCE OF THE BOROUGH COUNCIL OF THE BOROUGH OF BALLY, BERKS COUNTY, PENNSYLVANIA AUTHORIZING AND DIRECTING INCURRING OF NONELECTORAL DEBT THROUGH THE ISSUANCE OF A GENERAL OBLIGATION NOTE OF THE BOROUGH IN THE AGGREGATE PRINCIPAL AMOUNT OF ONE MILLION EIGHT HUNDRED EIGHTY-FIVE THOUSAND DOLLARS PURSUANT TO THE ACT OF THE GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA, AS AMENDED, KNOWN AS THE LOCAL GOVERNMENT UNIT DEBT ACT (THE ACT”); SPECIFYING THAT SUCH INDEBTEDNESS IS TO BE INCURRED TO PROVIDE FUNDS TO FINANCE CERTAIN PROJECTS OF THE BOROUGH WHICH INCLUDE, AMONG OTHER THINGS, (A) THE REFINANCING OF CERTAIN OF THE BOROUGH’S GENERAL OBLIGATION DEBT; AND (B) THE PAYMENT OF THE COSTS AND EXPENSES OF ISSUING THE NOTE; SETTING FORTH THE REASONABLE ESTIMATED USEFUL LIVES OF THE CAPITAL PROJECTS TO BE FINANCED BY THE NOTE; ACCEPTING A PROPOSAL FOR THE PURCHASE OF SUCH NOTE AT PRIVATE SALE BY NEGOTIATION; PROVIDING THAT SUCH NOTE, WHEN ISSUED, SHALL CONSTITUTE A GENERAL OBLIGATION OF THE BOROUGH; FIXING THE DENOMINATIONS, DATED DATE, INTEREST PAYMENT DATES, MATURITY DATES, INTEREST RATES, REDEMPTION PROVISIONS, MANDATORY REDEMPTION PROVISIONS (IF APPLICABLE) AND PLACE OF PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SUCH NOTE; AUTHORIZING SPECIFIED OFFICERS OF THE BOROUGH TO CONTRACT WITH THE PAYING AGENT FOR ITS SERVICES IN CONNECTION WITH THE NOTE; SETTING FORTH THE SUBSTANTIAL FORM OF THE NOTE; AUTHORIZING EXECUTION AND ATTESTATION OF SUCH NOTE; PROVIDING COVENANTS RELATED TO DEBT SERVICE APPLICABLE TO SUCH NOTE TO THE EXTENT REQUIRED BY THE ACT AND PLEDGING THE FULL FAITH, CREDIT AND TAXING POWER OF THE BOROUGH IN SUPPORT THEREOF; CREATING A SINKING FUND IN CONNECTION WITH SUCH NOTE, TO THE EXTENT REQUIRED BY THE ACT; DESIGNATING THE PAYING AGENT TO BE THE SINKING FUND DEPOSITARY; PROVIDING A COVENANT TO INSURE PROMPT AND FULL PAYMENT FOR SUCH NOTE WHEN DUE; SETTING FORTH REGISTRATION AND TRANSFER PROVISIONS WITH RESPECT TO SUCH NOTE; AUTHORIZING AND DIRECTING SPECIFIED OFFICERS OF THE BOROUGH TO DO, TO TAKE AND TO PERFORM CERTAIN SPECIFIED, REQUIRED, NECESSARY OR APPROPRIATE ACTS TO EFFECT THE ISSUANCE OF THE NOTE, INCLUDING, WITHOUT LIMITATION, THE PREPARATION OF A DEBT STATEMENT AND BORROWING BASE CERTIFICATE, AND THE FILING OF SPECIFIED DOCUMENTS WITH THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT, ALL AS REQUIRED BY THE ACT; DECLARING THAT THE OBLIGATION TO BE EVIDENCED BY SUCH NOTE, TOGETHER WITH ALL OTHER INDEBTEDNESS OF THE BOROUGH, WILL NOT BE IN EXCESS OF ANY APPLICABLE LIMITATION IMPOSED BY THE ACT; AUTHORIZING PROPER OFFICERS OF THE BOROUGH TO DELIVER THE NOTE UPON THE APPROVAL OF THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT; SETTING

FORTH CERTAIN COVENANTS PRECLUDING THE BOROUGH FROM TAKING ACTIONS WHICH WOULD CAUSE THE NOTE TO BECOME AN 'ARBITRAGE BOND' OR A 'PRIVATE ACTIVITY BOND' AS THOSE TERMS ARE USED IN THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE 'CODE'); STATING AUTHORITY FOR ENACTMENT OF ORDINANCE AND APPLYING MANDATORY PROVISIONS OF LOCAL GOVERNMENT UNIT DEBT ACT WHETHER OR NOT SET FORTH; STATING THAT ORDINANCE IS A CONTRACT WITH REGISTERED OWNERS OF NOTE AND REMEDIES THERETO ENTITLED; PROVIDING FOR AMENDMENT OF THIS ORDINANCE; STATING THAT COVENANTS ARE FOR THE SOLE AND EXCLUSIVE BENEFIT OF BOROUGH AND REGISTERED OWNER OF THE NOTE; PROVIDING WHEN THIS ORDINANCE SHALL BECOME EFFECTIVE; PROVIDING FOR SEVERABILITY OF PROVISIONS; AND REPEALING ALL ORDINANCES OR PARTS OF ORDINANCES INSOFAR AS THE SAME SHALL BE INCONSISTENT HERewith.

WHEREAS, The Borough of Bally, Berks County, Pennsylvania (the "Borough") is a Borough of the Second Class and a local government unit of the Commonwealth of Pennsylvania (the "Commonwealth"); and

WHEREAS, this Borough desires to refinance its General Obligation Bonds, Series of 2003 (the Refunded Debt") in accordance with the terms and provisions of the Local Government Unit Debt Act of the Commonwealth (the "Act") through the issuance and sale of its General Obligation Note, Series of 2011 in the aggregate principal amount set forth in the caption hereto, to be dated as set forth therein (the "Note"); and

WHEREAS, the Borough Council of the Borough (the "Council"), in contemplation of the issuance and sale of the Note has determined that the Note shall be offered for sale at a private sale by negotiation pursuant to the provisions of the Act, and has determined that a private sale by negotiation is in the best financial interests of this Borough; and

WHEREAS, the Council has determined to accept the Note Purchase Proposal attached hereto as Exhibit "A" (the "Proposal") of PNC Bank (the "Purchaser"), for the purchase of the Note, such sale to be conditioned upon, among other things, the receipt of approval from the Department of Community and Economic Development (the "Department") relating to the incurring of the indebtedness to be evidenced by the Note; and

WHEREAS, the Council has determined to and desires to accept the Proposal of the Purchaser and to incur nonelectoral debt in the amount set forth above pursuant to the provisions of the Act; and

WHEREAS, the Borough desires to authorize the refunding of the Refunded Debt for the purpose of replacing Bonds with Notes, all as permitted by the Act:

NOW, THEREFORE, BE IT RESOLVED, BY THE BOROUGH COUNCIL OF THE BOROUGH OF BALLY, BERKS COUNTY, PENNSYLVANIA, in lawful session duly assembled, as follows:

Section 1. Pursuant to the provisions of this Ordinance, the Council hereby authorizes and directs the issuance of the Note in the principal amount set forth in the recitals hereto. The Note shall be issued and sold in accordance with the provisions of the Act by private sale by negotiation. In connection therewith, the Council hereby finds and determines that a private sale by negotiation is in the best financial interests of this Borough.

Section 2. The Council determines that the debt to be incurred pursuant to this Ordinance, and which will be evidenced by the Note, shall be nonelectoral debt of this Borough.

Section 3. A brief description of the project to be financed with the proceeds of the Note is as follows:

- (i) refunding of the Refunded Debt; and
- (ii) the payment of the costs and expenses of issuing the Note.

The realistic estimated useful lives of the Capital Projects refinanced with the proceeds of the debt vary from at least five (5) years to in excess of thirty (30) years. It is hereby certified that an aggregate principal amount of the Note at least equal to the realistic estimated cost of each component of the Capital Projects shall mature prior to the end of the useful life of the Capital Projects. The maturity of stated installments of principal of the Note will not be deferred beyond the later of one year after the estimated date for the completion of construction of the Capital Projects or two years after the date of issuance of the Note.

The Council of this Borough hereby authorizes and directs its officers, agents and employees to execute all documents and take all actions necessary in connection with effecting the Refunding Project.

Section 4. Subject to the approval of the Department, as required by the provisions of the Act, the Council shall and does hereby accept the Proposal of the Purchaser, for the purchase of the Note in accordance with the terms and conditions of this Ordinance and Purchaser's Proposal. The sale of the Note shall be for a purchase price equal to 100% of the principal amount thereof. The authorized officers of the Borough are hereby authorized and directed to accept, to execute and to deliver the Proposal in the name and on behalf of this Borough, and the Secretary of this Borough is hereby authorized and directed to attest to such acceptance and execution and to affix the seal of this Borough to the Proposal, if necessary. A copy of the Proposal, as presented to this Council and accepted by this Ordinance, is incorporated herein by reference and shall be attached as Exhibit A to this Ordinance and maintained with the minutes of this meeting.

Section 5. The Note, when issued, will be a general obligation of this Borough. In accordance with the provisions of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the "Code"), this Borough hereby finds, determines and designates the Note as a "qualified tax-exempt obligation," as defined in Section 265(b)(3)(B) of the Code, for the purposes of Section 265(b) of the Code.

Section 6. The Note shall be in fully registered form, without coupons, in the denomination of the full principal amount thereof and shall be in substantially the form hereinafter set forth in Section 9. The Note shall be dated as of the date of delivery thereof and shall bear interest from such date at the applicable rates of interest as set forth in Section 7 hereof, payable in accordance with the terms of the Note on each May 15 and November 15 until maturity or earlier redemption.

Section 7. The Note shall bear interest from the date of issuance through November 14, 2021 at the fixed rate of Two and Eighty-Four Hundredths Percent (2.84%) per annum. Effective November 15, 2021 until maturity, interest shall accrue on the outstanding principal balance under the Note at a variable rate per annum of 65% times the then applicable LIBOR rate but not higher than Five and Twenty-Five Hundredths percent (5.25%) per annum. Installments of principal of the Note shall mature on the dates and in the amounts as set forth in the Proposal of the Purchaser which is attached hereto and incorporated by reference as though fully set forth herein.

The Note shall be subject to redemption, at the option of the Borough, at any time or from time-to-time at a price equal to 100% determined as set forth in the Note.

Section 8. The Council appoints PNC Bank, having an office located in the Commonwealth of Pennsylvania, as the paying agent and sinking fund depositary for the Note (the "Paying Agent"). Proper officers of this Borough are hereby authorized, empowered and directed to contract with the Paying Agent for its services as paying agent and sinking fund depositary in accordance with the terms and conditions of the Proposal, this Ordinance and the Act. Payment of the principal of and interest on the Note to the registered owner of the Note shall be made, when due, in accordance with the provisions of the Note, at the office of the Paying Agent in lawful money of the United States of America.

Section 9. The Note shall be in substantially the form set forth in Exhibit "B", which is attached hereto and made a part hereof as though fully set forth herein, with appropriate insertions, omissions and variations.

Section 10. The Note shall be executed in the name and on behalf of this Borough by the President or Vice President of the Borough Council and the official seal of this Borough shall be affixed thereunto, duly attested by the signature of the Secretary of this Borough. Said officers are authorized and directed to execute, attest, seal and deliver the Note.

The Note shall not be entitled to any benefit under this Ordinance nor shall it be valid, obligatory or enforceable for any purpose until such Note shall have been registered by the Paying Agent; and the Paying Agent is authorized to register the Note in accordance with the provisions hereof.

Section 11. This Borough covenants to and with the registered owner, from time to time, of the Note that this Borough: (i) shall include the amount of the debt service for the Note for each fiscal year in which such sums are payable in its budget in each fiscal year of this Borough; (ii) shall appropriate from its general revenues in each such fiscal year the amount required to

pay debt service on the Note for such year; and (iii) shall duly and punctually pay or cause to be paid from its sinking fund or any other of its revenues or funds the principal amount of the Note and the interest due 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 Act, the foregoing covenant of this Borough shall be specifically enforceable.

Section 12. This Borough hereby covenants to create and there is hereby created, pursuant to the Act, sinking funds for the Note, to be known as "Sinking Fund - General Obligation Note, Series of 2011" (the "Sinking Fund"), which sinking funds shall be established with the Paying Agent and administered in accordance with applicable provisions of the Act and this Ordinance.

Section 13. The Paying Agent shall be the "sinking fund depository" with respect to the Sinking Fund created pursuant to Section 12. This Borough covenants and agrees to deposit in the Sinking Fund, on or before each Payment Date, an amount which shall be sufficient to permit the Paying Agent to pay on such Payment Date all of the principal of, if any, and accrued interest becoming due with respect to the Note. After such deposit, the Paying Agent shall, without further authorization or direction from this Borough or any of its officials, withdraw moneys from the Sinking Fund and apply such moneys to the prompt and full payment of such obligations in accordance with the terms thereof, the terms and conditions of this Ordinance and the provisions of the Act.

If the date for payment of the principal of or the interest on the Note shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized by law or executive order to close, then the payment of such principal or interest need not be made on such date, but may be made on the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions in the Commonwealth are authorized to close.

The Note shall be transferable or exchangeable by the registered owner thereof upon surrender thereof to the Paying Agent, accompanied by a written instrument in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner thereof or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of the Note in the registration books of this Borough maintained by the Paying Agent and deliver in the name of the transferee a new fully registered Note of the same series for the aggregate amount which the transferee or transferees are entitled to receive at the earliest practicable time. After delivering any such new Note, the Paying Agent may destroy the Note surrendered for the transfer.

This Borough and the Paying Agent may deem and treat the persons in whose names the Note shall be registered on the registration books of this Borough maintained by the Paying Agent as the absolute owners thereof for all purposes.

This Borough shall cause to be kept, and the Paying Agent shall keep, at the principal corporate trust office of the Paying Agent, books for the registration, exchange and transfer of the Note in the manner provided herein and therein so long as the Note shall remain outstanding.

Section 14. Proper officials of this Borough, and, if applicable, their duly qualified respective successors, are hereby authorized and directed, in the name and on behalf of this Borough: (a) to prepare, execute and certify the debt statement and borrowing base certificate required by the Act; (b) to prepare and to file with the Department any statements required by the Act that are necessary to qualify all or any portion of the debt of this Borough, which is subject to exclusion as self-liquidating or subsidized debt, for exclusion from the appropriate debt limit of this Borough as self-liquidating or subsidized debt; (c) to prepare, execute and file with the Department, as required by the Act, a duly attested copy of this Ordinance, with proofs of proper publication, the accepted Proposal and a complete and accurate transcript of the proceedings relating to the incurring of the debt to be evidenced by the Note, including the debt statement and borrowing base certificate; (d) to pay or to cause to be paid to the Department all proper filing fees required by the Act in connection with the foregoing; (e) to pay or to cause to be paid from proceeds of the Note or otherwise, all costs and expenses incurred by this Borough in connection with the issuance of the Note, including all Bank fees, financial advisory fees and legal fees incurred incident to such issuance; (f) to advertise the enactment of this Ordinance, as required by the Act; and (g) to take any and all other necessary action, and to execute and deliver any and all documents and other instruments, required or permitted by the Act or by the Proposal, or which they, in their sole discretion, may deem necessary, proper or desirable to effect the issuance of the Note, to the extent not inconsistent with this Ordinance or applicable law.

Section 15. It is hereby declared that the debt to be evidenced by the Note, together with all other indebtedness of this Borough, is not in excess of any applicable limitation imposed by the Act upon the incurring of debt by this Borough.

Section 16. The proper officers of this Borough are hereby authorized and directed to deliver the Note to the Purchaser, upon receipt of full and proper payment of the purchase price therefore and to pay or cause to be paid the costs of issuance of the Note; provided, however, that such delivery and such payments shall be effected only after the Department has certified its approval pursuant to the Act.

Section 17. This Borough covenants to and with the registered owner of the Note that it will make no use of the proceeds of such issue or do or suffer any other action which, if such use or action had been reasonably expected on the date of issue of the Note, would cause the Note to be an "arbitrage bond", as that term is defined in Section 148 of the Code and the applicable regulations thereunder. This Borough further covenants that it will comply with the requirements of such Section 148 (including, but not limited to subsection (f) thereof) and with the regulations thereunder throughout the term of this issue. In addition, the President of Borough Council and the Secretary of this Borough, being the officials responsible for issuing the Note, are hereby authorized and directed to execute, attest and deliver, in the name and on behalf of this Borough, any and all documents or other instruments which Counsel may reasonably request in connection with the providing of its opinion that the Note is not an "arbitrage bond" within the meaning of Section 148 of the Code and the regulations promulgated thereunder, including, with limitation, a certificate dated the date of issuance and delivery of the Note, which certificate shall set forth the reasonable expectations of this Borough as to the amount and use of the proceeds of the Note.

Section 18. The proceeds of the Note shall be used for the purpose of refunding the Refunded Debt and paying the cost of issuing the Note. In connection with the issuance and sale of such Note, the Council, as required by the provisions of the Act, hereby finds, determines and states that the Refunding Project is authorized and permitted under and pursuant to the provisions of the Act and is for the purpose of replacing Bonds with Notes. The Council further finds and determines that the final maturity date of the Note issued to effect the refunding of Refunded Debt does not extend to a date that could not have been included in the issue of Refunded Debt.

The Council hereby authorizes and directs its proper officers, agents and employees to execute all documents and take all actions necessary in connection with effecting the Refunding Projects. In accordance with Section 8246 of the Act, it is the intent of the Council that the Refunded Debt shall no longer be outstanding from and after the date of issuance of the Note.

Section 19. 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 the remainder of this Ordinance shall remain in full force and effect.

Section 20. All ordinances or Ordinances or parts of ordinances or Ordinances, insofar as the same shall be inconsistent herewith, shall be and the same expressly hereby are repealed.

{REMAINDER OF PAGE INTENTIONALLY BLANK}


Section 21. This Ordinance shall be effective in accordance with Section 103 of the Act.

DULY ENACTED AND ORDAINED THIS 5th DAY OF JULY, 2011 BY THE
BOROUGH COUNCIL OF BOROUGH OF BALLY, BERKS COUNTY, PENNSYLVANIA,
IN LAWFUL SESSION DULY ASSEMBLED.

Borough of Bally,
Berks County, Pennsylvania

By: 

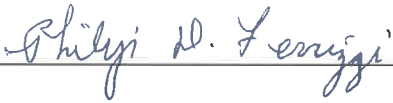
President of Borough Council



Secretary

(SEAL)

APPROVED:



Mayor

EXHIBIT "A"

EXHIBIT "B"

**Borough of Bally, Berks County, Pennsylvania
General Obligation Note, Series of 2011**

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date of Series</u>
Through November 14, 2021:	November 15, 2025	August 8, 2011

2.84%/Annum ;
After November 14, 2021:
A rate of interest equal to
65% of the then-applicable
LIBOR rate but not higher than
5.25% per annum

Registered Owner: PNC Bank

Principal Amount: One Million Eight Hundred Eighty-Five Thousand Dollars
(\$1,885,000.00)

KNOW ALL MEN BY THESE PRESENTS THAT BOROUGH OF BALLY, BERKS COUNTY, PENNSYLVANIA (the "Borough"), a Borough of the Commonwealth of Pennsylvania (the "Commonwealth") for value received, hereby acknowledges itself to be indebted and promises to pay to the order of the Registered Owner identified above, or registered assign, on the maturity date stated hereon (or upon prior redemption, as hereinafter provided), upon presentation and surrender hereof, the principal sum of set forth above, and to pay semiannually on May 15 and November 15 of each year prior to maturity or redemption (each an "Interest Payment Date"), beginning November 15, 2011, to the registered owner hereof, interest on such principal sum, at the rate or rates per annum stated hereon, from the Interest Payment Date next preceding the date of registration and authentication of this Note, unless (a) this Note is registered and authenticated as of an Interest Payment Date, in which event this Note shall bear interest from such Interest Payment Date, or (b) this Note is registered and authenticated after a Record Date (hereinafter defined) and before the next succeeding Interest Payment Date, in which event such Note shall bear interest from such Interest Payment Date, or (c) this Note is registered and authenticated on or prior to the Record Date (hereinafter defined) preceding the date of this Note, in which event such Note shall bear interest from the dated date hereof, or (d) as shown by the records of PNC Bank, as paying agent, or its successor (the "Paying Agent"), interest on such Note shall be in default, in which event such Note shall bear interest from the date on which interest was last paid on such Note. Interest on each Note is payable by check drawn on the Paying Agent, which shall be mailed to the registered owner whose name and

address shall appear, at the close of business on the fifteenth (15th) day next preceding each interest payment date (the "Record Date"), on the registration books maintained by the Paying Agent, irrespective of any transfer or exchange of the Note subsequent to such Record Date and prior to such Interest Payment Date, unless the Borough shall be in default in payment of interest due on such Interest Payment Date. In the event of any such default, such defaulted interest shall be payable to the person in whose name the Note is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Paying Agent to the registered owners of Note not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the person in whose names the Note is registered at the close of business on the fifth (5th) day preceding the date of mailing.

Installments of principal of this Note shall be payable, as follows:

<u>Date</u>	<u>Principal Installment</u>
11/15/2011	1,000
11/15/2012	78,000
11/15/2013	115,000
11/15/2014	120,000
11/15/2015	129,000
11/15/2016	128,000
11/15/2017	128,000
11/15/2018	137,000
11/15/2019	135,000
11/15/2020	140,000
11/15/2021	147,000
11/15/2022	150,000
11/15/2023	158,000
11/15/2024	156,000
11/15/2025	163,000

Whenever the due date for payment of interest on or principal of the Note or the date fixed for redemption of any Note shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the Commonwealth are authorized by law or executive order to close, then the date for payment of such principal or interest shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day upon which banks are authorized by law to close.

This Note shall not be entitled to any benefit under the Ordinance nor shall it be valid, obligatory or enforceable for any purpose until this Note shall have been registered by the Paying Agent.

The Note is in fully registered form, without coupons, and is issued in accordance with the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as amended (the "Act"), without the assent of the electors, pursuant to an Ordinance (the "Ordinance") of the Borough Council of the Borough duly enacted on June 15, 2011. The terms and provisions of the Ordinance are hereby incorporated by reference as if set forth fully herein.

This Note may be transferred or exchanged by the registered owner hereof only upon surrender of this Note to the Paying Agent at its principal corporate trust office, accompanied by a written instrument of transfer in form, with instructions, and with guaranty of signature satisfactory to the Paying Agent, duly executed by the registered owner of this Note or his attorney-in-fact or legal representative. The Paying Agent shall enter any transfer of ownership of this Note in the registration books maintained by the Paying Agent and shall register and deliver in the name of the transferee a new fully registered Note for the aggregate amount which the transferee is entitled to receive at the earliest practicable time. The Borough and the Paying Agent may deem and treat the registered owner hereof as the absolute owner hereof (whether or not this Note shall be overdue) for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes.

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

It is hereby certified that the approval of the Department of Community and Economic Development of the Commonwealth of Pennsylvania for the Borough to issue and deliver this Note has been duly given pursuant to the Act; that all acts, conditions and things required by the laws of the Commonwealth of Pennsylvania to exist, to have happened or to have been performed, precedent to or in connection with the issuance of this Note or in the creation of the debt of which this Note is evidence, exist, have happened and have been performed in regular and due form and manner as required by law; that this Note, together with all other indebtedness of the Borough is within every debt and other limit prescribed by the Constitution and the statutes of the Commonwealth of Pennsylvania; that the Borough has established with the Paying Agent, as Sinking Fund depository, a sinking fund for the Note and shall deposit therein amounts sufficient to pay the principal of and interest on the Note as the same shall become due and

payable; and that for the prompt and full payment of all obligations of this Note, the full faith, credit and taxing powers of the Borough are hereby irrevocably pledged.

The Borough has covenanted in the Ordinance that it shall include in its budget the amount of the debt service for each fiscal year of the Borough in which principal and/or interest on the Note is payable, that it shall appropriate from its revenues any such sums for the payment of such debt service and that it shall duly and punctually cause to be paid when due principal and interest on the Note.

The Borough has covenanted in the Ordinance that it will make no use of the proceeds of the Note, nor will it do or suffer any other action, which, if such use or action had been reasonably expected on the date of issuance, would cause the Note to be an "arbitrage bond" as such term is defined in Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable regulations thereunder.

Pursuant to the Ordinance, the Borough has designated this Note as a "qualified tax-exempt obligation," within the meaning of Section 265(b) of the Code.

The Borough shall have the right to prepay any amount hereunder at any time and from time to time, in whole or in part; subject, however, to the payment of any break funding indemnification amounts owing pursuant to the next paragraph hereof.

The Borough shall pay to Registered Owner hereof, on written demand therefor, together with written evidence of the justification therefor, all direct costs incurred, losses suffered or payments made by such Owner by reason of any change in law or regulation or its interpretation imposing any reserve, deposit or allocation of capital, or similar requirement (including without limitation, Regulation D of the Board of Governors of the Federal Reserve System) on the Bank, its holding company or any of their respective assets. In addition, the Borough agrees to indemnify, to the extent permitted by law, the Owner hereof against any liabilities, losses or expenses (including, without limitation, loss of margin, any loss or expense sustained or incurred in liquidating or employing deposits from third parties, and any loss or expense incurred in connection with the funds acquired to effect, fund or maintain any accounts hereunder (or any part thereof) bearing interest under the As Offered Rate which the Owner hereof sustains or incurs as a consequence of either (i) the Borough's failure to make any payment on the due date thereof, (ii) the Borough's revocation (expressly, by later inconsistent notices or otherwise) in whole or in part of any notice given to the Owner hereof to request, convert, renew or prepay any amounts bearing interest under the As Offered Rate, or (iii) the Borough's payment or prepayment (whether voluntary, after acceleration of the maturity of this Note or otherwise) or conversion of any amounts bearing interest under the As Offered Rate on any day other than the regularly scheduled due date therefor. A notice of any amounts payable pursuant to this paragraph given to the Borough by the Owner hereof shall, in the absence of manifest error, be conclusive and shall be payable on demand. The Borough's indemnification obligations hereunder shall survive the payment in full of all amounts payable hereunder.

The cost of prepayment is calculated as follows:

The "Cost of Prepayment" means an amount equal to the present value, if positive, of the product of:

- (a) the difference between (i) the yield, on the beginning date of the applicable interest period, or a U.S. Treasury Obligation with maturity similar to the applicable interest period, minus (ii) the yield on the prepayment date, of the U.S. Treasury Obligation with a maturity date similar to the remaining maturity of the applicable interest rate period,
and
- (b) the scheduled average remaining principal balance from the date of prepayment to the end of the applicable interest rate period,
and
- (c) the number of years, including fractional years, from the prepayment date to the end of the applicable interest rate period.

The yield on any U.S. Treasury Obligation shall be determined by reference to the Federal Reserve Statistical Release H. 15 (519) "Selected Interest Rates." For purposes of making present value calculations, the yield to maturity of a similar maturity U.S. Treasury Obligation on the prepayment date shall be deemed the discount rate.

IN WITNESS WHEREOF, Borough of Bally, Berks County, Pennsylvania, has caused this Note to be signed in its name and on its behalf by the facsimile signature of the President of the Council of the Borough and a facsimile of the Corporate seal to be hereunder affixed, duly attested by the facsimile signature of the Secretary of the Borough as of the 8th day of August, 2011

BOROUGH OF BALLY

By: 

President of Borough Council

(SEAL)

Attest: 

Secretary

ASSIGNMENT

FOR VALUE RECEIVED, _____, (the "Transferor"), the undersigned, hereby sells, assigns and transfers unto

_____ (the "Transferee") Name

Address

Social Security or Federal Employer Identification No. _____ the within Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____ as attorney to transfer the within Note on the books kept for registration thereof, with full power of substitution in the premises.

Date: _____

NOTICE: No transfer will be made in the name of the Transferee unless the signature(s) to this assignment correspond(s) with the name as it appears upon the face of the within Note in every particular, without alteration or enlargement or any change whatever and the Social Security or Federal Employer Identification Number of the Transferee is supplied. If the Transferee is a trust, the names and Social Security or Federal Employer Identification Numbers of the settlor and beneficiaries of the trust, the Federal Identification Number and date of the trust, and name of the trustee should be supplied.

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an approved eligible guarantor institution, which is a participant in a Securities Transfer Association recognized signature guarantee program.

CERTIFICATE

I, the undersigned, Secretary of the Borough of Bally, Berks County, Pennsylvania (the "Borough"), hereby certify that attached hereto is a true and correct copy of an Ordinance which duly was enacted by affirmative vote of a majority of all members of the Borough Council of the Borough at a meeting duly advertised and held on the 5th day of July, 2011; said Ordinance duly has been recorded in the minute book of the Borough Council; a notice with respect to the intent to enact said Ordinance has been published as required by law; said Ordinance was available for public inspection by any interested citizen requesting the same in accordance with the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as amended, and such notice; and said Ordinance has not been amended, altered, modified or repealed as of the date of this Certificate.

I further certify that the Borough Council of the Borough met the advance notice requirements of Act No. 1986-84 of the General Assembly of the Commonwealth of Pennsylvania, approved July 3, 1986, as amended, by advertising the time and place of said meeting in accordance therewith.

I further certify that the total number of members of the Borough Council of the Borough is five (5), the vote of members of the Borough Council of the Borough upon said Ordinance was called and duly recorded upon the minutes of said meeting; and members of the Borough Council of the Borough voted upon said Ordinance in the following manner:

<u>Name</u>	<u>Office</u>	<u>Vote</u>
Glenn Mutter	President	Yea
Thomas Leister	Vice President	Yea
Denise Sobjak	Council Member	Yea
Ronald Gilbert	Council Member	Yea
Robert Koch	Council Member	Yea
James Frank	Council Member	Yea
Edward Agnoli	Council Member	Yea

IN WITNESS WHEREOF, I set my hand and affix the official seal of the Borough, this 5th day of July 2011.


Andrea Delo, Secretary

(SEAL)