

EAST NORRITON TOWNSHIP
MONTGOMERY COUNTY, PENNSYLVANIA

ORDINANCE NO. 332
AUGUST 25, 1993

AUTHORIZING THE INCURRING OF NONELECTORAL DEBT THROUGH THE ISSUANCE OF GENERAL OBLIGATION BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF THREE MILLION THREE HUNDRED FIVE THOUSAND DOLLARS (\$3,305,000) FOR THE PURPOSE OF PROVIDING FUNDS FOR AND TOWARD THE COST OF A PROJECT CONSISTING OF IMPROVEMENTS TO THE TOWNSHIP'S SEWER SYSTEM AND THE PAYMENT OF THE COSTS OF ISSUING AND INSURING THE BONDS; DETERMINING THE REALISTIC AVERAGE USEFUL LIFE OF THE COMPONENTS OF THE PROJECT; STATING THE MATURITY DATES AND MATURITY AMOUNTS OF THE BONDS, AND FIXING THE RATES OF INTEREST ON THE BONDS; PROVIDING FOR THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS; APPROVING THE FORM OF THE BONDS; PROVIDING FOR EXECUTION OF THE BONDS BY FACSIMILE SIGNATURES, AFFIXING OF OFFICIAL SEAL THERETO AND REQUIRING AUTHENTICATION THEREOF; PROVIDING FOR REDEMPTION OF THE BONDS; APPOINTING AND AUTHORIZING THE PROPER OFFICERS OF THE TOWNSHIP TO CONTRACT WITH A PAYING AGENT, REGISTRAR AND SINKING FUND DEPOSITARY FOR THE BONDS; ESTABLISHING A SINKING FUND FOR THE BONDS; COVENANTING THAT THE TOWNSHIP SHALL APPROPRIATE AND INCLUDE THE AMOUNT OF ANNUAL DEBT SERVICE ON THE BONDS IN ITS BUDGET FOR EACH FISCAL YEAR AND COVENANTING TO PAY SUCH DEBT SERVICE IN EACH SUCH FISCAL YEAR; PLEDGING THE FULL FAITH, CREDIT AND TAXING POWER OF THE TOWNSHIP TO THE PAYMENT OF AMOUNTS DUE WITH RESPECT TO THE BONDS; PROVIDING THAT THIS ORDINANCE AND THE LOCAL GOVERNMENT UNIT DEBT ACT SHALL CONSTITUTE A CONTRACT BETWEEN THE BONDHOLDERS AND THE TOWNSHIP; AUTHORIZING THE PREPARATION AND VERIFICATION OF A DEBT STATEMENT WITH APPENDED BORROWING BASE CERTIFICATE; AUTHORIZING THE FILING WITH THE PENNSYLVANIA DEPARTMENT OF COMMUNITY AFFAIRS OF AN APPLICATION FOR APPROVAL OF THE ISSUANCE OF THE BONDS; APPROVING THE PURCHASE OF MUNICIPAL BOND INSURANCE FOR THE BONDS AND SETTING FORTH PROCEDURES FOR PAYMENT OF THE BONDS PURSUANT TO SUCH BOND INSURANCE POLICY; APPROVING THE PRIVATE SALE BY NEGOTIATION OF THE BONDS; AUTHORIZING THE EXECUTION AND DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND AN OFFICIAL STATEMENT OF THE TOWNSHIP RELATING TO THE BONDS; MAKING CERTAIN COVENANTS AND DESIGNATIONS WITH RESPECT TO THE BONDS RELATING TO

FEDERAL TAX LAW; AUTHORIZING AND DIRECTING THE PROPER OFFICERS OF THE TOWNSHIP TO DO ALL THINGS NECESSARY TO CARRY OUT THE ORDINANCE; SETTING FORTH THE TERMS AND CONDITIONS FOR AMENDMENT OF THE ORDINANCE; RESCINDING ALL INCONSISTENT ORDINANCES; AND SETTING FORTH THE EFFECTIVE DATE OF THE ORDINANCE.

WHEREAS, the Board of Supervisors of East Norriton Township, Montgomery County, Pennsylvania (the "Township") has determined that it is necessary and desirable to increase the nonelectoral debt of the Township in the amount of \$3,305,000, through the issuance of General Obligation Bonds, Series of 1993 (the "Bonds"), pursuant to the Local Government Unit Debt Act, No. 185 of 1972, P.L. 781, as amended and reenacted by Act 1978-52, approved April 28, 1978, as amended (the "Debt Act") consisting of a project (the "Project") (a) to finance improvements to the Township's sewer system, and (b) to pay the costs of issuing and insuring the Bonds; and

WHEREAS, the Township has obtained a realistic cost estimate for the Project improvements through a professional estimate from a qualified person as set forth on Exhibit A hereto; and

WHEREAS, notice of the Township's intention to consider adoption of this Ordinance has been duly advertised in accordance with the Debt Act;

NOW, THEREFORE, BE IT ENACTED AND ORDAINED BY THE BOARD OF SUPERVISORS OF EAST NORRITON TOWNSHIP AS FOLLOWS:

Section 1. Approval and Authorization of the Project. The Project is hereby approved and authorized to be undertaken. The realistic cost estimate for the Project improvements is set forth on Exhibit A. The estimated useful life of the Project improvements is hereby determined to be in excess of 20 years.

Section 2. Authorization of Nonelectoral Debt and General Obligation Bonds. The incurring of nonelectoral debt of the Township in the amount of \$3,305,000 is hereby authorized through the issuance of the Township's General Obligation Bonds, Series of 1993. The Bonds shall be issued for the purpose of providing funds for (i) the financing of improvements to the Township sewer system; and (ii) the payment of the costs of issuing and insuring the Bonds.

Section 3. Provisions of Bonds. The Bonds shall be issued as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof. The Bonds shall be dated September 1, 1993, and shall mature in the principal amounts, on the dates and shall bear interest until maturity or redemption at the rates per annum (calculated on the basis of a 360 day year consisting of twelve 30 day months) set forth on Schedule I hereto. Interest on the Bonds shall be payable on each May 1 and November 1, commencing May 1, 1994 (each an "Interest Payment Date").

The Bonds shall be payable as to principal and interest and premium, if any, when due in lawful money of the United States of America. The principal amounts of the Bonds shall be payable at the principal corporate trust office of the Paying Agent named herein, in Norristown, Pennsylvania. Interest on each Bond is payable by check drawn on the Paying Agent, which shall be mailed to the person in whose name the Bond is registered on the registration books maintained by the Paying Agent, at the close of business on the fifteenth day (whether or not a business day) preceding each Interest Payment Date (the "Regular Record Date"), irrespective of any transfer or exchange of the Bonds subsequent to such Regular Record Date and prior to such Interest Payment Date, unless the Township shall default in the payment of interest due on such Interest Payment Date.

In the event the Township shall default in the payment of interest due on any Interest Payment Date, such interest shall cease to be payable to registered owners of the Bonds as of the Regular Record Date. Whenever moneys thereafter become available for the payment of the defaulted interest, the Paying Agent on behalf of the Township shall immediately establish a "special interest payment date" for the payment of the defaulted interest and a "special record date" (which shall be a business day) for determining the registered owners of Bonds entitled to such payments; provided however, that the special record date shall be at least 10 days but not more than 15 days prior to the special interest payment date. Notice of each date so established shall be mailed by the Paying Agent on behalf of the Township to each registered owner of a Bond at least 10 days prior to the special record date, but not more than 30 days prior to the special interest payment date. The defaulted interest shall be paid on the special interest payment date by check mailed to the registered owners of the Bonds, as shown on the registration books kept by the Paying Agent as of the close of business on the special record date.

The Township, solely for the convenience of the owners of the Bonds, may cause CUSIP (Committee on Uniform Security Identification Procedures) numbers to be printed on the Bonds. No representation is or shall be made as to the accuracy of such numbers either as printed on the Bonds or as contained in any notice of redemption, and the Township shall have no liability of any sort with respect thereto.

The Bonds shall be substantially in the form set forth in Exhibit B hereto, with such changes, additions or deletions as may be approved by the officers of the Township executing the Bonds. Provisions for the registration, transfer and exchange of the Bonds shall be as set forth in the form of Bonds.

Section 4. Execution of Bonds. The Bonds shall be executed by the manual or facsimile signature of the Chairman of the Township Board of Supervisors and shall have a facsimile of the corporate seal of the Township affixed thereto, duly attested by the manual or facsimile signature of the Secretary or Assistant Secretary of the Township and such officers are hereby authorized and directed to execute the Bonds in such manner. The Chairman or any member of the Board of Supervisors or authorized official of the Township is authorized and directed to deliver, or cause to be delivered, the Bonds to the purchasers thereof upon receipt of the purchase price thereof. The Bonds shall not be valid or binding in the hands of the owners thereof unless authenticated by the manual signature of a duly authorized officer of the Paying Agent.

Section 5. Redemption

(a) Optional Redemption. Bonds maturing on and after May 1, 1999 are subject to redemption prior to maturity, at the option of the Township, from monies available for such purpose, in whole at any time or in part from time to time, and if in part within a maturity by lot, in any order of maturity, on any date on or after May 1, 1998, at a price equal to 100% of the principal amount thereof, together with accrued interest to the date fixed for redemption.

(b) Notice of Redemption. Notice of redemption shall be given by the Paying Agent at least 30 days but not more than 60 days prior to the date fixed for redemption by mailing a copy of the redemption notice to each registered owner of Bonds to be redeemed at the address of such registered owner appearing on the registration books kept by the Paying Agent or by another method of giving notice which is acceptable to the Paying Agent and customarily used by fiduciaries for similar notices at the time such notice is given, unless such notice is waived by the registered owner of the Bonds to be redeemed. Failure to mail any notice of redemption or any defect therein or in the mailing thereof shall not affect the validity of the redemption of any other Bonds for which proper notice shall have been given.

Section 6. Paying Agent, Registrar and Sinking Fund Depository. Continental Bank, Norristown, Pennsylvania is hereby appointed Paying Agent, Registrar and Sinking Fund Depository with respect to the Bonds (the "Paying Agent"). The proper officers of the Township are hereby authorized and directed to contract with the Paying Agent regarding the terms and conditions of its services as Paying Agent, Registrar and Sinking Fund Depository for the Bonds. The Paying Agent may be removed at any

time, at the request of the Bond Insurer, AMBAC Indemnity Corporation ("AMBAC"), for any breach of its obligations as Paying Agent. AMBAC shall receive prior written notice of any Paying Agent resignation. Any additional or successor paying agent, registrar or sinking fund depository appointed pursuant to this Ordinance shall be a bank, national banking association or a trust company duly authorized to exercise trust powers in the Commonwealth of Pennsylvania. Such successor shall be subject to examination by federal or state authority, have a combined net capital and surplus in excess of \$100,000,000, and otherwise be qualified under the Debt Act. Notwithstanding any other provision of this Ordinance, no removal, resignation or termination of the Paying Agent shall take effect until a successor, acceptable to AMBAC, shall be appointed.

Section 7. Sinking Fund. There is hereby established a Sinking Fund for the Bonds to be held by the Paying Agent irrevocably in trust for the benefit of the holders of the Bonds, which shall be designated "Sinking Fund - East Norriton Township 1993 General Obligation Bonds" (the "1993 Sinking Fund"). The Township hereby covenants to deposit or cause to be deposited into the 1993 Sinking Fund the amounts of principal of and interest due on the Bonds as set forth on Schedule I, or such greater or lesser amount as at the time of such deposit shall be sufficient to pay the principal or redemption price of and interest on the Bonds becoming due on the appropriate principal or interest payment date, which amounts shall be applied exclusively to the payment of such principal, redemption price and interest and to no other purpose, until the principal or redemption price of and interest on the Bonds have been fully paid and satisfied. The Township shall make such deposits to the Sinking Fund not later than the date when interest or principal is due on the Bonds. The Paying Agent is hereby authorized without further authorization or direction from the Township to pay from the 1993 Sinking Fund the principal or redemption price of and interest on the Bonds as the same becomes due and payable. Funds on deposit in the Sinking Fund, to the extent not required for immediate payment of the Bonds, shall be secured and invested at the direction of the Township as permitted by Section 1004 of the Debt Act.

Section 8. General Obligation Covenant. The Township hereby covenants with the registered owners of the Bonds that the Township (i) shall include the amount of the debt service on the Bonds for each fiscal year in which such sums are payable in its budget for such fiscal year, (ii) shall appropriate such amounts from its general revenues for the payment of such debt service, and (iii) shall duly and punctually pay or cause to be paid from the 1993 Sinking Fund or any other of its revenues or funds the

principal of and interest on the Bonds at the dates and places and in the manner stated in the Bonds according to the true intent and meaning thereof. For such budgeting, appropriation and payment, the Township hereby pledges its full faith, credit and taxing power. The foregoing covenant shall be specifically enforceable. Nothing in this Section shall be construed to give the Township any taxing power not granted by another provision of law.

Section 9. Debt Statement and Application for Approval. The Chairman of the Township's Board of Supervisors and the Secretary of the Township are hereby authorized and directed to prepare and verify a Debt Statement with a Borrowing Base Certificate appended thereto, as provided by Section 410 of the Debt Act. The Secretary of the Township is hereby authorized to certify and file with the Pennsylvania Department of Community Affairs an application for approval of the issuance of the Bonds, accompanied by a certified transcript of the proceedings of the Board of Supervisors relating to the issuance and sale of the Bonds and the Township's verified Debt Statement in accordance with Section 411 of the Debt Act, and to pay all necessary filing fees in connection therewith.

Section 10. Municipal Bond Insurance. The purchase of a Municipal Bond Insurance Policy guaranteeing the payment of the principal of and interest on the Bonds when due is hereby authorized and approved. The commitment of AMBAC (the "Bond Insurer") to provide such insurance on the terms and conditions set forth therein is hereby accepted, and the proper officers of the Township are hereby authorized and directed to execute such commitment on behalf of the Township. The cost of such municipal bond insurance shall be paid by the Township from the proceeds of the sale of the Bonds.

Section 10.1 Notice. (a) While the Municipal Bond Insurance Policy is in effect, the Township shall furnish to AMBAC:

(i) as soon as practicable after the filing thereof, a copy of any financial statement of the Township and a copy of any audit and annual budget of the Township;

(ii) a copy of any notice to be given to the registered owners of the Bonds, including, without limitation, notice of any redemption of or defeasance of Bonds, and any certificate rendered pursuant to this Ordinance relating to the security for the Bonds; and

(iii) such additional information it may reasonably request.

(b) The Township shall notify AMBAC of any failure of the Township to provide relevant notices, certificates, etc.

(c) The Township will permit AMBAC to discuss the affairs, finances and accounts of the Township or any information AMBAC may reasonably request regarding the security for the Bonds with appropriate officers of the Township. The Township will permit AMBAC to have access to the Project and have access to and to make copies of all books and records relating to the Bonds at any reasonable time.

(d) AMBAC shall have the right to direct an accounting at the Township's expense, and the Township's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from AMBAC shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Bonds.

(e) Notwithstanding any other provision of this Ordinance, the Township shall immediately notify AMBAC if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any event of default hereunder.

Section 10.2 Payment Procedure Pursuant to the Policy.
As long as the bond insurance shall be in full force and effect, the Township and the Paying Agent agree to comply with the following provisions:

(a) At least one (1) day prior to all Interest Payment Dates the Paying Agent will determine whether there will be sufficient funds to pay the principal of or interest on the Bonds on such Interest Payment Date. If the Paying Agent determines that there will be insufficient funds for such purpose, the Paying Agent shall so notify AMBAC. Such notice shall specify the amount of the anticipated deficiency, the Bonds to which such deficiency is applicable and whether such Bonds will be deficient as to principal or interest, or both. If the Paying Agent has not so notified AMBAC at least one (1) day prior to an Interest Payment Date, AMBAC will make payments of principal or interest due on the Bonds on or before the first (1st) day next following the date on which AMBAC shall have received notice of nonpayment from the Paying Agent.

(b) the Paying Agent shall, after giving notice to AMBAC as provided in (a) above, make available to AMBAC and, at AMBAC's direction, to the United States Trust Company of New York, as insurance trustee for AMBAC or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Township maintained by the Paying Agent and all records relating to the funds and accounts maintained under this Ordinance.

(c) the Paying Agent shall provide AMBAC and the Insurance Trustee with a list of registered owners of Bonds entitled to receive principal or interest payments from AMBAC under the terms of the Municipal Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of Bonds entitled to receive full or partial interest payments from AMBAC and (ii) to pay principal upon Bonds surrendered to the Insurance Trustee by the registered owners of Bonds entitled to receive full or partial principal payments from AMBAC.

(d) the Paying Agent shall, at the time it provides notice to AMBAC pursuant to (a) above, notify registered owners of Bonds entitled to receive the payment of principal or interest thereon from AMBAC (i) as to the fact of such entitlement, (ii) that AMBAC will remit to them all or a part of the interest payments next coming due upon proof of Bondholder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from AMBAC, they must surrender their Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Bonds to be registered in the name of AMBAC) for payment to the Insurance Trustee, and not the Paying Agent, and (iv) that should they be entitled to receive partial payment of principal from AMBAC, they must surrender their Bonds for payment thereon first to the Paying Agent, who shall note on such Bonds the portion of the principal paid by the Paying Agent and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) in the event that the Paying Agent has notice that any payment of principal or interest on a Bond which has become due for payment and which is made to a Bondholder by or on behalf of the Township has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in

accordance with the final, nonappealable order of a court having competent jurisdiction, the Paying Agent shall, at the time AMBAC is notified pursuant to (a) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from AMBAC to the extent of such recovery if sufficient funds are not otherwise available, and the Paying Agent shall furnish to AMBAC its records evidencing the payments of principal of and interest on the Bonds which have been made by the Paying Agent and subsequently recovered from registered owners and the dates on which such payments were made.

(f) in addition to those rights granted AMBAC under this Ordinance, AMBAC shall, to the extent it makes payment of principal of or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Paying Agent shall note AMBAC's rights as subrogee on the registration books of the Township maintained by the Paying Agent upon receipt from AMBAC of proof of the payment of interest thereon to the registered owners of the Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Paying Agent shall note AMBAC's rights as subrogee on the registration books of the Township maintained by the Paying Agent upon surrender of the Bonds by the registered owners thereof together with proof of the payment of principal thereof.

(g) the Township and the Paying Agent shall agree for the benefit of AMBAC that,

(i) notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by AMBAC pursuant to the Municipal Bond Insurance Policy, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Township, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Township to the registered owners shall continue to exist and shall run to the benefit of AMBAC and AMBAC shall be subrogated to the rights of such registered owners.

(ii) they will accordingly pay to AMBAC the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this Ordinance and the Bonds, but only from the sources and in the manner provided herein for the payment of principal of and

interest on the Bonds to holders, and will otherwise treat AMBAC as the owner of such rights to the amount of such principal and interest.

(iii) notwithstanding any other provision of this Ordinance, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Ordinance, the Paying Agent shall consider the effect on the Bondholders as if there were no Municipal Bond Insurance Policy.

Section 10.3 Consent of Bond Insurer.

(a) Any provision of this Ordinance expressly recognizing or granting rights in or to AMBAC may not be amended in any manner which affects the rights of AMBAC hereunder without the prior written consent of AMBAC.

(b) Unless otherwise provided in this Section, AMBAC's consent shall be required in addition to Bondholder consent, when required, for the following purposes: (i) execution and delivery of any supplemental Ordinance, (ii) removal of the Paying Agent and selection and appointment of any successor paying agent and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Bondholder consent.

(c) Any reorganization plan with respect to the Township must be acceptable to AMBAC. In the event of any reorganization or liquidation, AMBAC shall have the right to vote on behalf of all bondholders who hold AMBAC-insured bonds absent a default by AMBAC under the applicable Municipal Bond Insurance Policy insuring such Bonds.

(d) Anything in this Ordinance to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined herein, AMBAC shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Paying Agent for the benefit of the Bondholders under this Ordinance, including, without limitation: (i) the right to accelerate the principal of the Bonds as described in this Ordinance, and (ii) the right to annul any declaration of acceleration, and AMBAC shall also be entitled to approve all waivers of events of default.

(e) Upon the occurrence of an event of default, the Paying Agent may, with the consent of AMBAC, and shall, at the direction of AMBAC or 25% of the Bondholders with the consent of AMBAC, by written notice to the Township and AMBAC, declare

the principal of the Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Ordinance or in the Bonds to the contrary notwithstanding.

Section 11. Private Sale of Bonds. It is hereby determined after due deliberation and investigation that a private sale by negotiation of the Bonds, pursuant to the terms of the Bond Purchase Proposal, dated August 25, 1993 (the "Purchase Contract") of Arthurs, LeStrange & Company, Incorporated, Philadelphia, Pennsylvania (the "Underwriter"), a copy of which is appended hereto as Exhibit C, is in the best financial interest of the Township. As set forth in the Purchase Contract, the Underwriter has proposed to purchase the Bonds for an aggregate price of \$3,267,222.85 (representing the principal amount thereof, less an Underwriter's discount of \$24,787.50 and an original issue discount of \$22,098.25), plus accrued interest. The proposal of the Underwriters to purchase the Bonds on the terms and conditions set forth in the Purchase Contract is hereby accepted and approved, and the Chairman of the Board of Supervisors is hereby authorized and directed to evidence such acceptance by executing and delivering the Purchase Contract to the Underwriter.

Section 12. Preliminary Official Statement and Official Statement. The Preliminary Official Statement, dated August 19, 1993 (the "Preliminary Official Statement"), prepared by the Underwriter on behalf of the Township, and the use and distribution of the Preliminary Official Statement prior to the date of this Ordinance in connection with the public marketing of the Bonds, is hereby ratified and approved. The Preliminary Official Statement is hereby deemed final by the Township within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), except for the omission of such information as is permitted to be omitted therefrom by Rule 15c2-12. An Official Statement of the Township, dated August 25, 1993 (the "Official Statement"), in substantially the form of the Preliminary Official Statement, with such additions and changes as may be permitted or required by Rule 15c2-12 or otherwise required and approved by the Chairman of the Board of Supervisors, is hereby authorized, and the Chairman of the Board of Supervisors is hereby authorized and directed to execute and deliver the Official Statement to the Underwriter for use in connection with the public sale of the Bonds, and such use and distribution in accordance with Rule 15c2-12 is hereby approved.

Section 13. Tax Covenants and Determinations

(a) The Township hereby covenants that it will not make any use of the proceeds of the Bonds or do or suffer any other action at any time during the term thereof which would cause the Bonds to be arbitrage bonds within the meaning of Section 103(b)(2) and Section 148 of the United States Internal Revenue Code of 1986, as amended (the "Code"), and the applicable regulations thereunder, or which would otherwise cause the interest on the Bonds not to be exempt from federal income taxation.

(b) The Township further covenants that:

(1) Not more than ten percent (10%) of the proceeds of the Bonds ("Allowable Portion") will be used directly or indirectly in any trade or business carried on by any person other than a governmental unit;

(2) If the Allowable Portion is used directly or indirectly in any trade or business carried on by any person other than a governmental unit, the amount used (i) for purposes that are not related to the purposes for which the Bonds are being issued and (ii) for purposes that are disproportionate but related to the purposes for which the Bonds are being issued shall not exceed five percent (5%) of the proceeds of the Bonds. For purposes of this subsection (2) the terms "related" and "disproportionate" shall have the meanings given thereto in Section 141(b)(3) of the Code;

(3) If proceeds of the Bonds are used directly or indirectly to make or finance loans to any person other than a governmental unit, the amount so used will not exceed five percent (5%) of the proceeds of the Bonds;

(4) The Township shall timely file with the Philadelphia, Pennsylvania office of the Internal Revenue Service, Form 8038-G, Information Return for Tax-Exempt Governmental Bond Issues required by and in accordance with Section 149(e) of the Code;

(5) The Township shall take no action that would cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code;

(6) (a) The Township shall make or cause to be made the rebate required by Section 148(f) of the Code ("Rebate") in the manner described in applicable Treasury Regulations, as such regulations and statutory provision may be modified insofar as they apply to the Bonds;

(b) No "nonpurpose investments" purchased with "gross proceeds" of the Bonds (as defined in applicable Treasury Regulations) shall be purchased for an amount exceeding the fair market value of such nonpurpose investment as of the date of purchase.

(c) The Township hereby designates the Bonds as "qualified tax exempt obligations" within the meaning of Section 265(b)(3) of the Code and acknowledges that the registered owners of the Bonds will rely on the representations of the Township in this paragraph in determining that the interest received by the registered owners of the Bonds with respect to the Bonds is interest received with respect to a "qualified tax exempt obligation" within the meaning of Section 265(b)(3) of the Code and that such designation and representation is a condition to purchasing the Bonds. The Township hereby represents to the registered holders of the Bonds that it does not reasonably expect to issue additional notes, bonds or other debt obligations, including capital leases or installment purchases of equipment, during calendar year 1993 after the date of this Ordinance in an amount which, when aggregated with the Bonds and with any other notes, bonds, or debt obligations, including capital leases or installment purchases of equipment, issued by the Township during calendar year 1993, will exceed \$10,000,000.

Section 14. Interested Parties. (a) To the extent that this Ordinance confers upon or gives or grants to AMBAC any right, remedy or claim under or by reason of this Ordinance, AMBAC is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right remedy or claim conferred, given or granted hereunder.

(b) nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Township, AMBAC, the Paying Agent and the registered owners of the Bonds, any right, remedy or claim under or by reason of this Ordinance or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Ordinance contained by and on behalf of the Township shall be for the sole and exclusive benefit of the Township, AMBAC, the Paying Agent and the registered owners of the Bonds.

Section 15. Further Action. The proper officers of the Township are hereby authorized, directed and empowered on behalf of the Township to execute any and all agreements, instruments and documents, and to do or cause to be done any and all acts and

things necessary or proper for the carrying out of the purposes of this Ordinance, and to make such elections (if any) with respect to the Bonds under Section 148(f)(4)(C) of the Code as such officers may deem appropriate and desirable.

Section 16. Amendment and Modification. This Ordinance may not be amended or modified without the prior written consent of AMBAC (which consent shall not be unreasonably withheld) and, insofar as such amendment would adversely affect their rights hereunder, without the consent of the registered holders of not less than 51% of the Bonds outstanding; provided however, no such amendment or modification may be made which would affect the terms of payment of the principal of or interest on the Bonds without the consent of the registered owners of all of the affected Bonds. Copies of all amendments of this Ordinance shall be sent to Standard & Poor's Corporation.

Section 17. Inconsistent Ordinances Repealed. All ordinances or parts of ordinances inconsistent herewith are hereby rescinded, cancelled and annulled.

Section 18. Effective Date. This Ordinance shall be effective immediately upon its adoption, and shall be valid and effective for all purposes on the fifth day following advertisement of final enactment hereof, as provided in Section 103 of the Debt Act.

ENACTED AND ORDAINED, this 25th day of August, 1993.

IN WITNESS WHEREOF, we have hereunto set our hand and affixed the corporate seal of the Township this 25th day of August, 1993.

BOARD OF SUPERVISORS
EAST NORRITON TOWNSHIP

BY: Lewis H. McIlwain
Chairman

BY: J. B. Farley
Vice Chairman

BY: Joseph L. Rouss Jr.
Supervisor

ATTEST:

Helmut J. Barwald
Secretary
East Norriton Township