

**ORDINANCE 2009-09**

**AN ORDINANCE OF THE BOARD OF COMMISSIONERS OF THE TOWNSHIP OF LOWER ALLEN DETERMINING TO INCUR DEBT IN THE MAXIMUM PRINCIPAL AMOUNT OF \$9,000,000; DETERMINING THAT SUCH DEBT SHALL BE INCURRED AS LEASE RENTAL DEBT IN THE FORM OF A GUARANTY AGREEMENT WITH RESPECT TO A GUARANTEED SEWER REVENUE NOTE TO BE AUTHORIZED AND ISSUED BY LOWER ALLEN TOWNSHIP AUTHORITY; BRIEFLY DESCRIBING THE PROJECT FOR WHICH SAID DEBT IS TO BE INCURRED AND SPECIFYING THE REALISTIC ESTIMATED USEFUL LIFE OF SAID PROJECT; AUTHORIZING AND DIRECTING PROPER OFFICERS OF THIS TOWNSHIP TO PREPARE, EXECUTE, VERIFY AND FILE, AS APPROPRIATE, THE DEBT STATEMENT, BORROWING BASE CERTIFICATE AND OTHER APPROPRIATE DOCUMENTS REQUIRED BY THE LOCAL GOVERNMENT UNIT DEBT ACT OF THE GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA, AND AUTHORIZING AND DIRECTING PROPER OFFICERS OF THIS TOWNSHIP, UPON RECEIPT OF APPROVAL OF THE PENNSYLVANIA DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT, TO EXECUTE, ATTEST AND DELIVER, AS APPROPRIATE, A GUARANTY AGREEMENT WITH RESPECT TO THE SAID AUTHORITY'S GUARANTEED SEWER REVENUE NOTE; APPROVING THE FORM OF SAID GUARANTY AGREEMENT; GUARANTEEING PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SAID GUARANTEED SEWER REVENUE NOTE AND MAKING CERTAIN COVENANTS WITH RESPECT THERETO; SETTING FORTH THE DEBT SERVICE TO WHICH SAID GUARANTY IS APPLICABLE; ESTABLISHING A SINKING FUND AND APPOINTING A SINKING FUND DEPOSITORY WITH RESPECT TO SAID GUARANTY; AND PROVIDING FOR AND AUTHORIZING PROPER OFFICERS OF THIS TOWNSHIP TO TAKE ALL OTHER REQUIRED, NECESSARY OR DESIRABLE RELATED ACTION IN CONNECTION WITH SAID GUARANTY AGREEMENT.**

**WHEREAS,** The Township of Lower Allen, Cumberland County, Pennsylvania (the "Township"), is a municipality of the Commonwealth of Pennsylvania (the "Commonwealth") and is a Local Government Unit, as defined in the Pennsylvania Local Government Unit Debt Act, 53 Pa. C.S. Chs. 80-82 (the "Act"); and

**WHEREAS,** Lower Allen Township Authority (the "Authority") is a municipality authority existing under laws of the Commonwealth, has been incorporated pursuant to appropriate action of the Board of Commissioners of this Township and is governed and existing under provisions of the Pennsylvania Municipality Authorities Act, 53 Pa. C.S. Ch. 56; and

**WHEREAS,** This Township and the Authority heretofore determined that it was in the public interest and welfare of the citizens of this Township that the Authority undertakes the acquisition and construction of additions, alterations and improvements to the Authority's existing sanitary sewage treatment and disposal facilities and paying of all related costs and expenses (the "Project"); and

**WHEREAS,** The Authority, with the approval of this Township, has determined to enter into interim financing arrangements with respect to the Project and in connection therewith the Authority has received a proposal for purchase of its Guaranteed Sewer Revenue Note, in the maximum principal amount of \$9,000,000, to be dated as of the

date of delivery thereof (the "Note"), the proceeds of which Note will be applied for and towards payment of costs and expenses of the Project; and

**WHEREAS,** The guaranty of this Township with respect to payment of the principal of and interest on the Note is a condition of the sale of the Note; and

**WHEREAS,** This Township, in order to assist the Authority with the interim financing of the Project and the Authority's issuance of the Note, is willing to guaranty the payment of the principal of and interest on the Note, pursuant to the authority set forth in the Act.

**NOW, THEREFORE, BE IT ENACTED AND ORDAINED** by the Board of Commissioners of the Township of Lower Allen, Cumberland County, Pennsylvania, as follows:

**Section 1.** The Board of Commissioners of this Township authorizes and requests the Authority to undertake the interim financing, to the extent required, of costs and expenses of the Project.

**Section 2.** The Board of Commissioners of this Township hereby determines that the realistic estimated useful life of the facilities contemplated by the Project is in excess of 30 years.

**Section 3.** The Board of Commissioners of this Township hereby determines to incur "debt", as such term is defined in the Act, as "lease rental debt", as such phrase is defined in the Act, in the form of a Guaranty Agreement, in connection with the Authority's interim financing of the Project.

**Section 4.** The debt to be incurred, as lease rental debt, as set forth in Section 3 hereof, shall be in the maximum principal amount of \$9,000,000. Such debt shall be evidenced by the Guaranty Agreement hereinafter defined.

**Section 5.** This Township shall enter into a Guaranty Agreement, to be dated as provided therein (herein referred to as the "Guaranty Agreement"), substantially in the form referred to in Section 6 hereof, with respect to the Project and the Note.

**Section 6.** The Guaranty Agreement shall be substantially in the form presented to this meeting, which form is approved; and a copy of the Guaranty Agreement, in the form so presented to this meeting and so approved, shall be filed with the Secretary of this Township for inspection, at reasonable times, by interested persons requesting such inspection.

**Section 7.** Proper officers of this Township are authorized and directed: (a) to prepare, verify and file with the Pennsylvania Department of Community and Economic Development (the "Department"), a debt statement as required by Section 8110 of the Act; (b) to prepare, execute and file with the Department the borrowing base certificate to be appended to the debt statement referred to in subparagraph (a) of this Section 7; (c) to prepare, execute and file the application with the Department together with a complete and accurate transcript of the proceedings relating to the incurring of lease rental debt, of which debt the Guaranty

Agreement will be evidence, as required, by Section 8111(b) of the Act; (d) to pay or to cause to be paid to the Department all filing fees required by the Act in connection with the foregoing; and (e) to take other required, necessary and/or appropriate action.

**Section 8.** The President or Vice President of the Board of Commissioners of this Township and the Secretary of this Township are authorized and directed to execute and deliver the Guaranty Agreement, as applicable, in behalf of this Township, in substantially the form approved in Section 6 hereof, or with such changes as such officers shall approve, their execution to constitute conclusive evidence of such approval; Provided, however, that such execution and delivery of the Guaranty Agreement shall be subject to compliance by this Township with applicable provisions of the Act. This Township authorizes delivery of the Guaranty Agreement to Orrstown Bank, the registered owner of the Note for purposes set forth in the Guaranty Agreement.

**Section 9.** This Township hereby guarantees the full payment of the principal of and interest on the Note of the Authority and in furtherance thereof covenants and agrees with the registered owner of the Note that if the Authority shall fail to pay the full amount of the principal of and interest on the Note when the same become due and payable, at the times and place, under the terms and conditions and in the manner prescribed in the Note, this Township will pay the full amount of such principal and interest to the registered owner of the Note, at the times and in the manner set forth in the Note.

This Township covenants and agrees with the registered owner of the Note that this Township shall include the amounts payable in respect of its guaranty of debt service on the Note for each fiscal year of this Township in which such sums are payable in its budget for that fiscal year, and that this Township, in the event the Authority shall fail to pay the full amount of the principal of and interest on the Note when due and payable, at the times and place, under terms and conditions and in the manner prescribed in the Note, shall appropriate from its general revenues and duly and punctually pay or cause to be paid from its sinking fund

or any other of its funds or revenues the full amount of such principal and interest on the dates and at the place and in the manner stated in the Note according to the true intent and meaning hereof. For such budgeting, appropriation and payment this Township hereby does pledge its full faith, credit and taxing power and hereby does agree that this covenant shall be specifically enforceable.

This Township agrees that the estimated debt service in each fiscal year with respect to the Note to which the foregoing guaranty shall apply is as follows:

<b><u>Fiscal Year</u></b> <b><u>Ending December 31</u></b>	<b><u>Estimated</u></b> <b><u>Debt Service</u></b>
2009	\$ 166,050.00
2010	\$ 332,100.00
2011	\$ 660,919.25
2012	\$ 658,373.25
2013	\$ 660,366.00
2014	\$8,106,862.00

**Section 10.** There is created a sinking fund of this Township for the guaranty of this Township related to the Note, to be known as "Sinking Fund - Lower Allen Township Authority, Guaranteed Sewer Revenue Note". Said sinking fund shall be administered in the manner provided by the Act for the administration of sinking funds created pursuant to the Act.

This Township covenants and agrees to pay into the aforesaid sinking fund all moneys, if any, required to be paid to the registered owner of the Note pursuant to provisions of the Guaranty Agreement on or before the dates required for such payment pursuant to terms of the Guaranty Agreement. Moneys so deposited shall be paid to the registered owner of the Note by the sinking fund depository appointed in Section 11 hereof, in behalf of this Township, pursuant to terms of the Guaranty Agreement on the dates and in the manner required by terms of the Guaranty Agreement.

**Section 11.** This Township appoints Orrstown Bank as the sinking fund depository with respect to the sinking fund created pursuant to Section 10 hereof. Proper officers of this Township are authorized and directed to contract with Orrstown Bank for its services as sinking fund depository in connection with the sinking fund created pursuant to Section 10 hereof.


**Section 12.** Proper officers of this Township are authorized and directed to execute all documents and to take such other action as may be necessary to carry out the intent and purposes of this Ordinance and the undertakings of this Township under the Guaranty Agreement.

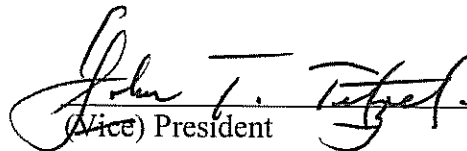
**Section 13.** This Ordinance shall become effective as provided by Section 8003 of the Act.

**DULY ENACTED AND ORDAINED**, this 11<sup>th</sup> day of May, 2009, by the Board of Commissioners of the Township of Lower Allen, Cumberland County, Pennsylvania, in lawful session duly assembled.

**ATTEST:**  
(Corporate Seal)

**BOARD OF COMMISSIONERS**  
**LOWER ALLEN TOWNSHIP**

  
\_\_\_\_\_  
(Assistant) Secretary

  
\_\_\_\_\_  
(Vice) President



**ORRSTOWN  
BANK**  
*A Tradition of Excellence*

May 5, 2009

77 East King Street  
P.O. Box 250  
Shippensburg, PA 17257

Lower Allen Township Authority:  
Attention: Bruce Barnes  
Milt Lopus Associates, Inc.  
301 Market Street, 7<sup>th</sup> Floor  
Harrisburg, PA 17101

Dear Lower Allen Township Authority:

I am pleased to inform you that Orrstown Bank (hereinafter "Bank") has approved the application submitted by you, Lower Allen Township Authority (hereinafter "Borrower"). The terms and conditions of the approval are as follows:

<b>Amount &amp; Type of Loan</b>	\$9,000,000.00 Tax-Exempt Non Revolving Line of Credit
<b>Use of Loan Proceeds</b>	The loan proceeds will be used to fund the Authority's Capital Improvement Projects.
<b>Term of Loan</b>	5 year term with a 12 month interest only draw down period.
<b>Interest Rate</b>	Bank Qualified Tax-Free interest rate fixed at 3.69% for five (5) years.  Should at any time the interest received by the Bank be deemed to be taxable, the note will become due and payable immediately.
<b>Amortization</b>	Accrued interest on the outstanding principal balance will be paid quarterly with the outstanding principal balance being fully repaid at the end of the 5 year fixed rate term. Additional principal payments will be made on an annual basis, based upon a 240 month (two hundred forty) amortization period, the first principal payment being due on June 15, 2011 and annually thereafter.
<b>Collateral:</b>	The loan will be secured by a pledge of and lien on the revenues of the Lower Allen Township Authority and guaranteed by the Lower Allen Township with a pledge of and lien on the Lower Allen Township's full faith credit and taxing power.

Lower Allen Township Authority  
May 5, 2009

Orrstown Bank  
Commitment Letter

**Other Fees &  
Conditions**

1. The Authority will provide at its expense the opinion of Legal Counsel stating that the Sewer Revenue Note is a valid and binding obligation of Lower Allen Township Authority, and that the interest is exempt from Federal and State income taxes, subject to customary conditions.
2. The Bank will require a loan origination fee of \$10,000.00. This fee will also include any costs incurred by the Bank, from the Bank's Legal Counsel, for reviewing the loan and related documents.
3. The Loan documents will be subject to satisfactory review by a Bank appointed Attorney.
4. The Borrower shall maintain all available investment accounts with the Bank during the life of the loan. These funds will be deposited with the Bank as soon as practicable and in any case within one month of the current maturity dates. In the event that these deposits are not transferred, the Bank reserves the right to increase the loan rate to 3.89% back dated to the date of loan settlement.
5. The Bank is requiring the Borrower and Guarantor to provide the Bank with annual CPA-prepared financial statements during the life of the loan.
6. A loan resolution satisfactory to the Bank containing additional covenants, terms and conditions is required to be executed at settlement. The final loan documentation may contain additional covenants, terms and conditions, which will supersede the terms and conditions stated herein.
7. The principals must sign all documentation. The Bank will not accept signatures by powers of attorney.
8. The Borrower will pay all legal fees, accounting fees, and any and all other fees incurred by the Bank in connection with this loan transaction. These fees will be paid, even if the loan does not settle.
9. The Bank has a right to cancel this commitment if there is any material change (in the sole opinion of the Bank) in the financial position of the Borrower from the date of the application or if the collateral is substantially destroyed prior to the settlement.

Lower Allen Township Authority  
May 5, 2009

Orrstown Bank  
Commitment Letter

This commitment letter constitutes a loan offer. Please indicate your acceptance of the aforementioned loan terms by signing and returning this original commitment letter. I have enclosed a copy of this letter for your records. Once the Bank has received this original signed commitment letter, we will initiate the preparation of the loan documentation and will establish a tentative settlement date.

The Bank's commitment to extend the loan under the terms and conditions outlined above will terminate if the Bank does not receive this signed letter on or May 30, 2009. If this commitment letter is accepted, settlement must occur on or before June 30, 2009. This commitment will be terminated if settlement does not occur on or before June 30, 2009.

Thank you for the opportunity to accommodate you with this loan. If you have any questions, please feel free to contact me at 791-2783.

Very truly yours,

**ORRSTOWN BANK**

*Kelly M. Cook*

for

Gary R. Holder  
Vice President and  
Regional Senior Loan Officer

Lower Allen Township Authority  
May 5, 2009

Orrstown Bank  
Commitment Letter

ACCEPTANCE

Intending to be bound, the undersigned accept the aforementioned loan terms and agree to the terms and conditions as stated.

Robert J. Toom  
Chairman  
Lower Allen Township Authority

5-7-09  
Date

P. W. Bach  
Secretary  
Lower Allen Township Authority

5-7-2009  
Date

John T. Toom  
President  
Lower Allen Township

5/11/09  
Date

Annas Lutie  
Secretary  
Lower Allen Township

5/11/09  
Date

t

**GUARANTY AGREEMENT**

**THIS GUARANTY AGREEMENT**, dated as of June 15, 2009, made and executed by the **TOWNSHIP OF LOWER ALLEN**, Cumberland County, Pennsylvania (the "Township"), a municipality organized and existing under laws of the Commonwealth of Pennsylvania (the "Commonwealth"), and delivered to Orrstown Bank (the "Bank"), a banking corporation organized and existing under laws of the Commonwealth.

**WITNESSETH:**

**WHEREAS**, The Township is a Local Government Unit, as defined in the Local Government Unit Debt Act, as amended, 53 Pa. C.S. Chs. 80-82 (the "Act"), of the Commonwealth; and

**WHEREAS**, Lower Allen Township Authority (the "Authority") is a municipality authority existing under laws of the Commonwealth, has been incorporated pursuant to appropriate action of the Board of Commissioners of the Township and is governed and existing under provisions of the Pennsylvania Municipality Authorities Act, 53 Pa. C. S. Ch. 56, as amended and supplemented; and

**WHEREAS**, The Township and the Authority heretofore determined that it was in the public interest and welfare of the citizens of the Township that

the Authority undertake the acquisition and construction of additions, alterations and improvements to its existing sanitary sewage treatment and disposal facilities and paying of all related costs and expenses (the "Project"); and

**WHEREAS**, The Authority, with the approval of the Township, has determined to enter into interim financing arrangements with respect to the Project and has received from the Bank a proposal for the purchase of its Guaranteed Sewer Revenue Note, in the maximum principal amount of \$9,000,000, to be dated as of the date of delivery thereof (the "Note"), the proceeds of which Note, together with other available funds, will be applied for and towards payment of costs and expenses of the Project; and

**WHEREAS**, In order to assist the Authority with sale and issuance of the Note the Township has indicated its willingness to guarantee the full payment of the principal of and interest on the Note, pursuant to power and authority set forth in the Act.

**NOW, THEREFORE**, the Township, intending to be legally bound, hereby covenants and agrees as follows:

1. The Township hereby guarantees the full payment of the principal of and interest on the Note and in furtherance thereof covenants and agrees with the Bank, as registered owner of the Note that if the Authority shall fail

to pay the full amount of the principal of and interest on the Note when the same become due and payable, at the times and place, under the terms and conditions, and in the manner prescribed in the Note, the Township will pay the full amount of such principal and interest to the Bank as the registered owner of the Note, at the times and in the manner set forth in the Note.

The Township agrees and hereby covenants with the Bank as registered owner of the Note that the Township shall include the full amount of debt service on the Note, for each Fiscal Year (which term shall mean the fiscal year of the Township, from time to time designated by law) in which such sums are payable in its budget for that Fiscal Year, and that the Township, in the event the Authority shall fail to pay the full amount of the principal of and interest on the Note when due and payable, at the times and place, under terms and conditions and in the manner prescribed in the Note, shall appropriate from its general revenues and duly and punctually pay or cause to be paid from its sinking fund established therefor or any other of its funds or revenues the full amount of such principal and interest on the dates and at the place and in the manner stated in the Note according to the true intent and meaning hereof. For such budgeting, appropriation and payment, the Township hereby does pledge its full faith, credit and taxing power and hereby does agree that this covenant shall be specifically enforceable.

The Township agrees that the estimated debt service in each Fiscal Year with respect to the Note to which the foregoing guaranty shall apply is as follows:

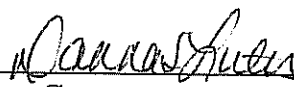
<u>Fiscal Year</u> <u>Ending December 31</u>	<u>Estimated</u> <u>Debt Service</u>
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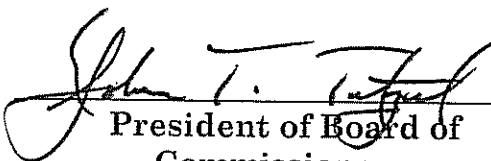
2. This Guaranty Agreement may not be assigned by the Township nor may its obligations arising hereunder be in any manner whatsoever alienated by the Township. This Guaranty Agreement shall inure to the benefit of the Bank as registered owner of the Note. The Township acknowledges that the Bank as registered owner of the Note shall materially rely on the existence of this Guaranty Agreement and the Township's due performance of its obligations hereunder.

IN WITNESS WHEREOF, the TOWNSHIP OF LOWER ALLEN, Cumberland County, Pennsylvania, has caused this Guaranty Agreement to be executed in its behalf by the President of its Board of Commissioners and the official seal of the Township to be hereunto affixed and attested by the Secretary of the Township and to be delivered to the Bank, as registered owner of the Note.

ATTEST:

TOWNSHIP OF LOWER ALLEN,  
Cumberland County, Pennsylvania

  
Secretary

By:   
President of Board of  
Commissioners

**ACCEPTANCE AND ACKNOWLEDGMENT**

Orrstown Bank, as registered owner of the Guaranteed Sewer Revenue Note of Lower Allen Township Authority, acknowledges receipt of and accepts an executed counterpart of the foregoing Guaranty Agreement, all as of June , 2009.

**By: \_\_\_\_\_**  
**Authorized Representative**