

ORDINANCE NO. 1281

ORDINANCE AUTHORIZING THE INCURRING OF NONELECTORAL DEBT FOR THE PURPOSE OF PROVIDING FUNDS FOR A CAPITAL PROJECT, BY THE ISSUANCE OF GENERAL OBLIGATION BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF \$2,140,000; FINDING A SALE BY NEGOTIATION TO BE IN THE BEST INTEREST OF THE BOROUGH; PROVIDING FOR MATURITIES, INTEREST RATES AND REDEMPTION FEATURES; COVENANTING TO PAY DEBT SERVICE; PLEDGING FULL FAITH, CREDIT AND TAXING POWER FOR THE PAYMENT OF THE BONDS; APPOINTING A PAYING AGENT, REGISTRAR AND SINKING FUND DEPOSITORY; ESTABLISHING A SINKING FUND; APPROPRIATING THE BOND PROCEEDS; ACCEPTING A PROPOSAL; RATIFYING PRIOR ADVERTISEMENT AND DIRECTING FURTHER ADVERTISEMENT; AUTHORIZING THE PAYMENT OF EXPENSES; RATIFYING THE PRELIMINARY OFFICIAL STATEMENT; AUTHORIZING APPROVAL OF THE FINAL OFFICIAL STATEMENT; AUTHORIZING THE OPENING OF A CLEARING FUND; ADOPTING A FORM OF BOND; AUTHORIZING THE EXECUTION AND DELIVERY OF A DISCLOSURE AGREEMENT; AND REPEALING INCONSISTENT ORDINANCES.

As Enacted on July 15, 2003

WHEREAS, the Borough of Avalon (the "Borough") desires to undertake a project (the "2003 Capital Project") consisting of (a) the acquisition, construction, and equipping of the Avalon Municipal Building and attached parking garage, the demolition of the existing municipal building, and capital improvements to various Borough facilities; and (b) paying the costs of issuing the Bonds; and

WHEREAS, the Borough has received estimates for the cost of the 2003 Capital Project; and

WHEREAS, the Borough intends to issue its bonds in accordance with the terms of this Ordinance and the Local Government Unit Debt Act, 53 Pa.C.S. §§8001 *et seq.*, as amended (the "Debt Act"), to pay the costs of the 2003 Capital Project; and

WHEREAS, H-T Capital Markets, A Division of Hefren-Tillotson, Inc. (the "Purchaser") has presented to the Borough a proposal (the "Proposal") for the purchase of bonds;

NOW, THEREFORE, BE AND IT HEREBY IS ORDAINED AND ENACTED by the Borough Council of the Borough of Avalon that:

#### SECTION 1. The Project.

The Borough hereby undertakes as a project the 2003 Capital Project. The description of the 2003 Capital Project contained in the recitals to this Ordinance is hereby incorporated into this Section by reference as if set out at length.

#### SECTION 2. Incurrence of Indebtedness.

For the purpose of providing funds for and toward the payment of costs, as such term is used in the Debt Act, of the 2003 Capital Project, the incurring of nonelectoral debt by the Borough in the amount of \$2,140,000 is hereby authorized. Such debt shall be evidenced by an issue of general obligation bonds of the Borough in the aggregate principal amount of \$2,140,000, designated "Borough of Avalon, General Obligation Bonds, Series of 2003" (the "Bonds").

#### SECTION 3. Approval of Private Sale.

After considering the advantages and disadvantages of a public sale of the Bonds, the Borough Council hereby determines that a private sale by negotiation is in the best financial interests of the Borough.

#### SECTION 4. Acceptance of Proposal.

The Proposal presented to this meeting by the Purchaser is hereby accepted. The Bonds are hereby awarded to the Purchaser at a negotiated sale at the price stated on Schedule A which is attached hereto and incorporated herein by reference as if set out here at length. The proper officers and officials are hereby authorized and directed to execute and deliver an acceptance of

the Proposal to the Purchaser. One counterpart of the Proposal shall be filed with the records of the Borough.

SECTION 5. Maturity and Interest Rates.

The Bonds shall bear interest and mature as set out on Schedule A.

SECTION 6. Appointment of Paying Agent, Registrar and Sinking Fund Depository.

National City Bank of Pennsylvania, Pittsburgh, Pennsylvania, is hereby appointed Paying Agent (the "Paying Agent") and Registrar (the "Registrar") for the Bonds and Sinking Fund Depository (the "Sinking Fund Depository") for the Series of 2003 Bonds Sinking Fund created hereby. The Secretary is hereby authorized and directed to contract with such entity for its services as Sinking Fund Depository, Paying Agent and Registrar at such initial and annual charges as shall be appropriate and reasonable for such services. The Borough may, by Ordinance, from time to time, appoint a successor Paying Agent, Sinking Fund Depository or Registrar to fill a vacancy or for any other reason.

SECTION 7. Form of Bond, Interest Payment Dates and Record Dates.

The Bonds shall be issued in fully registered form without coupons and shall be numbered in such manner as may be satisfactory to the Borough and the Paying Agent. Pursuant to recommendations promulgated by the Committee on Uniform Security Identification Procedures, "CUSIP" numbers may be printed on the Bonds. Each Bond shall be dated as of the date of its authentication. The Bonds shall be issued in denominations of \$5,000 or any whole multiple thereof. The Bonds shall bear interest from the appropriate June 1 or December 1 (each, an "Interest Payment Date") immediately preceding their respective dates of authentication, unless: (a) a Bond shall be authenticated as of a date after a Record Date and on or before the next succeeding Interest Payment Date, in which case such Bond shall bear interest from such next succeeding Interest Payment Date or (b) a Bond shall be authenticated on or prior to the Regular Record Date preceding December 1, 2003, in which case such Bond shall bear interest from July 15, 2003; or (c) as shown on the records of the Paying Agent, interest on the Bonds shall be in default, in which event the Bond shall bear interest from the date on which interest was last paid on the Bond until such sum is paid, or if no interest has been paid, from July 15, 2003.

The term "Regular Record Date" with respect to any Interest Payment Date shall mean the May 15 or November 15 immediately preceding such Interest Payment Date. The person in whose name any Bond is registered at the close of business on any Regular Record Date with respect to any Interest Payment Date shall be entitled to receive the interest payable on such Interest Payment Date notwithstanding the cancellation of such Bond upon any transfer or exchange thereof subsequent to such Regular Record Date and prior to such Interest Payment Date, except if and to the extent that the Borough defaults in the payment of the interest due on such Interest Payment Date, in which case such defaulted interest shall be paid to the persons in whose names outstanding Bonds are registered at the close of business on a Special Record Date established by the Paying Agent, notice of which shall have been mailed not less than ten (10)

days prior to such Special Record Date to the persons in whose name the Bonds are registered at the close of business on the fifth (5<sup>th</sup>) day preceding the date of mailing.

SECTION 8. Bond Register, Registrations and Transfer.

The Borough shall cause to be kept at the designated corporate trust office of the Paying Agent a register (the "Bond Register") in which, subject to such reasonable regulations as it may prescribe, the Borough shall provide for the registration of Bonds and the registration of transfers and exchanges of Bonds. No transfer or exchange of any Bond shall be valid unless made at such office and registered in the Bond Register.

Upon surrender of any Bond at the designated corporate trust office of the Paying Agent for registration of transfer, the Borough shall execute and the Paying Agent shall authenticate and deliver in the name of the transferee or transferees, a new Bond or Bonds of any authorized denomination, of the same interest rate and maturity, and in the same aggregate principal amount as the Bond so surrendered.

Any Bond shall be exchangeable for other Bonds of the same maturity and interest rate, in any authorized denomination, in an aggregate principal amount equal to the principal amount of the Bond or Bonds presented for exchange. Upon surrender of any Bond for exchange at the principal corporate trust office of the Paying Agent, the Borough shall execute and the Paying Agent shall authenticate and deliver in exchange therefor the Bond or Bonds which the owner making the exchange shall be entitled to receive.

All Bonds issued upon any registration of transfer or exchange shall be valid obligations of the Borough, evidencing the same debt and entitled to the same benefits under this Ordinance as the Bonds surrendered for such registration of transfer or exchange.

Every Bond presented or surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer, in form and with guaranty of signature satisfactory to the Borough and the Registrar, duly executed by the Registered Owner thereof or his duly authorized agent or legal representative.

No service charge shall be made for any transfer or exchange of any Bond, but the Borough may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

The Borough shall not be required to register the transfer of or exchange any Bond: (a) in the case of Bonds then considered for redemption, during a period beginning at the close of business on the fifteenth (15th) day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is mailed; (b) once selected for redemption in whole or in part until after the redemption date; or (c) during a period beginning at the close of business on the fifteenth (15th) day next preceding the date of maturity of the Bond and ending at the close of business on the date of maturity.

## SECTION 9. Execution and Authentication.

The Bonds shall be executed on behalf of the Borough by the President of the Borough Council, and shall have a facsimile of the corporate seal of the Borough affixed thereto, duly attested by the Secretary and said officers are hereby authorized and directed to execute the Bonds. The Bonds shall be authenticated by the manual execution of the Certificate of Authentication by a duly authorized officer of the Paying Agent. No Bond shall be valid until such Certificate of Authentication shall have been duly executed by the Paying Agent and such authentication shall be conclusive and the only proof that any Bond has been issued pursuant to this Ordinance and is entitled to any benefits conferred thereon under the provisions of this Ordinance. To the extent that any one signature on a Bond (including the signature of the officer of the Paying Agent) is manual, all other signatures may be by facsimile. The President of the Borough Council or Treasurer or Secretary or any of such officers is hereby authorized and directed to deliver the Bonds to the Purchaser and receive payment therefor on behalf of the Borough after sale of the same in the manner required by law and this Ordinance.

## SECTION 10. General Obligation Covenant.

The Bonds are hereby declared to be general obligations of the Borough. The Borough hereby covenants with the Registered Owners from time to time of the Bonds outstanding pursuant to this Ordinance that it will include the amount of the debt service as specified in this Section, subject to appropriate adjustment in the event of the optional redemption of any Bonds prior to maturity, on the Bonds for each fiscal year in which such sums are payable, in its budget for that year, will appropriate such amounts for such payments and will duly and punctually pay or cause to be paid the principal of the Bonds and the interest thereon on the dates, at the places and in the manner stated therein, according to the true intent and meaning thereof, and for such budgeting, appropriation and payment, the Borough does hereby pledge its full faith, credit and taxing power. The amount of the debt service which the Borough hereby covenants to pay on the Bonds in each year is shown on Schedule B which is attached hereto and incorporated herein by reference as if set out here at length.

As provided in the Debt Act, the foregoing covenants are specifically enforceable.

## SECTION 11. Redemption.

(a) Optional. The Bonds are subject to redemption prior to maturity at the option of the Borough as shown on Schedule C.

(b) Mandatory. The Bonds are subject to mandatory redemption on the dates (each, a "Mandatory Redemption Date") and in the amounts shown on Schedule C. The Borough covenants to cause the Bonds to be redeemed on the Mandatory Redemption Dates and in the amounts shown on Schedule C, subject to its right which is reserved in Section 12, to satisfy that obligation by delivering to the Paying Agent and Sinking Fund Depository no later than forty-five (45) days before any Mandatory Redemption Date, for cancellation, Bonds of the maturity which are subject to mandatory redemption on that Mandatory Redemption Date.

(c) Notice. Notice of any redemption shall be given by mailing a notice of redemption by first class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days prior to the redemption date to the Registered Owners of Bonds to be redeemed at the addresses which appear in the Bond Register, provided, however, that neither failure to mail such notice nor any defect in the notice so mailed or in the mailing thereof with respect to any one Bond shall affect the validity of the proceedings for the redemption of any other Bond. If the Borough shall have duly given notice of redemption and shall have deposited with the Paying Agent funds for the payment of the redemption price of the Bonds so called for redemption, with accrued interest thereon to the date fixed for redemption, interest on such Bonds shall cease to accrue after such redemption date.

(d) CUSIP Numbers. Notices of redemption shall contain the applicable CUSIP numbers pertaining to the Bonds called for redemption (if then generally in use), and shall also contain the serial identification numbers printed on the Bonds.

(e) Selection by Lot. If less than all Bonds maturing on any one date are to be redeemed at any time, the Paying Agent shall select by lot the Bonds to be redeemed at such time.

(f) Portions of Bonds. Any portion of any Bond of a denomination larger than \$5,000 may be redeemed, but only in the principal amount of \$5,000 or any integral multiple thereof. Prior to selecting Bonds for redemption, the Paying Agent shall assign numbers to each \$5,000 portion of any Bond of a denomination larger than \$5,000 and shall treat each portion as a separate Bond in the denomination of \$5,000 for purposes of selection for redemption. Upon surrender of any Bond for redemption of a portion thereof, the Paying Agent shall authenticate and deliver to the Registered Owner thereof a new Bond or Bonds of the same maturity and in any authorized denominations requested by the Registered Owner in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered.

## SECTION 12. Sinking Fund.

(a) Deposit. There is hereby established a sinking fund to be known as "Borough of Avalon, Series of 2003 Bonds Sinking Fund" (the "Series of 2003 Bonds Sinking Fund") into which the Borough covenants to deposit, and into which the Treasurer is hereby authorized and directed to deposit (i) on or before December 1, 2003, and on or before each Interest Payment Date thereafter to and including June 1, 2033, amounts sufficient to pay the interest due on such dates on the Bonds then outstanding, and (ii) on or before June 1, 2004, and on or before each June 1 thereafter to and including June 1, 2033, amounts sufficient to pay the principal of the Bonds due on each such date at maturity or pursuant to the mandatory redemption requirements hereof. Should the amounts covenanted to be paid into the Series of 2003 Bonds Sinking Fund be, at any time, in excess of the net amounts required at such time for the payment of interest and principal, whether by reason of funds already on deposit in the Series of 2003 Bonds Sinking Fund or by reason of the purchase or redemption of Bonds, or for some similar reason, the amounts covenanted to be paid may be reduced to the extent of the excess.

(b) Credit for Bonds Delivered. The Borough may satisfy any part of its obligations with respect to clause (a)(ii) by delivering to the Paying Agent and Sinking Fund Depository, for cancellation, Bonds maturing or subject to mandatory redemption on the date on which such deposit is required. The Borough shall receive credit against such deposit for the face amount of the Bonds so delivered, provided that such Bonds are delivered to and received by the Paying Agent and Sinking Fund Depository (i) on or before the maturity date of the Bonds for which credit is requested, in the case of a deposit required for the payment of Bonds at maturity, or (ii) in the case of a deposit required to be made on a Mandatory Redemption Date, no later than forty-five (45) days prior to the Mandatory Redemption Date for which credit is requested.

(c) Application of Funds. All sums in the Series of 2003 Bonds Sinking Fund shall be applied exclusively to the payment of principal and interest covenanted to be paid by Section 10 hereof as the same from time to time become due and payable and the balance of said moneys over and above the sum so required shall remain in the Series of 2003 Bonds Sinking Fund, to be applied to the reduction of future required deposits; subject, however, to investment or deposit at interest as authorized by law and as permitted by Section 23 hereof. The Series of 2003 Bonds Sinking Fund shall be kept as a separate account at the principal corporate trust office of the Sinking Fund Depository. The Sinking Fund Depository, without further authorization other than as herein contained, shall pay from the moneys in the Series of 2003 Bonds Sinking Fund, the interest on the Bonds as and when due to the Registered Owners on the appropriate Record Date and principal of the Bonds, as and when the same shall become due, to the Registered Owners thereof.

(d) Optional Deposits. Notwithstanding the foregoing, in the case of optional redemption of any or all of the Bonds as permitted by Section 11 hereof, the Treasurer is hereby authorized and directed to deposit, from time to time, before the appropriate optional redemption date, funds which shall be sufficient when they, either alone or together with the interest to be earned thereon, if any, will equal the principal of the Bonds so called for redemption and the premium, if any, and the interest thereon to the date fixed for redemption.

### SECTION 13. Disposition of Proceeds.

All moneys derived from the sale of the Bonds shall be deposited in the Clearing Account created pursuant to Section 21 hereof and shall be and hereby are appropriated substantially to payment of the cost of the 2003 Capital Project, including but not limited to payment of the costs and expenses of preparing, issuing and marketing the Bonds, and the payment of interest on the Bonds from July 15, 2003, to the date of delivery and shall not be used for any other purposes, except as to any insubstantial amounts of money which may remain after fulfilling the purposes set forth herein, which minor amounts of remaining moneys shall promptly upon their determination be deposited in the Series of 2003 Bonds Sinking Fund and used for the payment of interest on the Bonds. Promptly on the deposit of the proceeds of the Bonds, the Borough shall cause the transfers to the 2003 Project Account.

#### SECTION 14. Cost and Realistic Useful Life.

Reasonable cost estimates have been obtained for the Project by taking bids and with the assistance of architects, engineers, financial advisors and other persons qualified by experience. The cost of the 2003 Capital Project is at least \$2,140,000 and its useful life is at least forty (40) years. Therefore, the maturities of the Bonds are in accordance with the Debt Act (53 Pa.C.S. §8142(a)(2)). In addition, in accordance with the Debt Act (53 Pa.C.S. §8142(b)(1)), the maturities of the Bonds have been fixed so as to result in issue on at least an approximately level annual debt service plan.

#### SECTION 15. Internal Revenue Code Covenants.

(a) General. The Borough hereby covenants with the Registered Owners, from time to time, of the Bonds that no part of the proceeds of the Bonds will be used, at any time, directly or indirectly, in a manner which would cause the Bonds to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") and the Regulations thereunder proposed or in effect at the time of such use and applicable to the Bonds, and that it will comply with the requirements of that section and the Regulations throughout the term of the Bonds.

The Borough agrees to take all actions necessary to preserve and maintain the tax exempt status of the Bonds and of the interest thereon, under all laws currently in effect and any that may become effective. The Borough covenants that it will not intentionally use any portion of the proceeds of the Bonds to acquire, or to replace funds used directly or indirectly to acquire, investment property with a yield materially higher than the yield on the Bonds as prohibited by Section 148(a) of the Code. The Borough covenants to expend the proceeds of the Bonds within the temporary periods prescribed by Section 148(c) of the Code and the regulations thereunder.

(b) Rebate. The Borough covenants that it will rebate, to the extent required by law, to the U.S. Treasury, at the times and in the manner required by the Code, all investment income derived from investing the proceeds of the Bonds in an amount which exceeds the amount which would have been derived from the investment of the proceeds of the Bonds at a yield not in excess of the yield on the Bonds, but only if such rebate is required by the Code.

(c) Qualified Tax-Exempt Obligation Designation. The Borough hereby designates the Bonds as Qualified Tax-Exempt Obligations pursuant to Section 265(b)(3) of the Code and represents and expects that the total amount of its obligations so designated and to be designated during the current calendar year does not and will not exceed \$10,000,000.

(d) Filing. The Borough will file IRS Form 8038-G and any other forms or information required by the Code to be filed in order to permit the interest on the Bonds to be excluded from gross income tax for federal income tax purposes.

SECTION 16. Advertising.

The action of the officers of the Borough in advertising a summary of this Ordinance, as required by law, is ratified and confirmed. The officers of the Borough or any of them, are authorized and directed to advertise a notice of enactment of this Ordinance in a newspaper of general circulation in the Borough of Avalon within fifteen (15) days after final enactment. The Secretary is hereby directed to make a copy of this Ordinance available for inspection by any citizen during normal office hours.

SECTION 17. Appointment of Professionals.

The Borough hereby appoints Eckert Seamans Cherin & Mellott, LLC, as Bond Counsel, for the purpose of rendering any and all necessary opinions with respect to the Bonds.

SECTION 18. Filing With Department of Community and Economic Development.

The Secretary is hereby authorized and directed to prepare, verify and file with the Department of Community and Economic Development, in accordance with the Debt Act, a transcript of the proceedings relating to the issuance of the Bonds including the Debt Statement and Borrowing Base Certificate required by the Debt Act (53 Pa.C.S. §8110), and to take other necessary action, and to prepare and file all necessary documents with the Department of Community Affairs including, if necessary or desirable, any statements required to exclude any portion of the debt evidenced by the Bonds from the appropriate debt limit as self-liquidating or subsidized debt.

SECTION 19. General Authorization.

The officers and officials of the Borough are hereby authorized and directed to execute and deliver such other documents and to take such other action as may be necessary or appropriate in order to effect the execution, issuance, sale and delivery of the Bonds, all in accordance with this Ordinance.

SECTION 20. Official Statements.

The Preliminary Official Statement prepared with respect to the Bonds is hereby approved. The President of the Borough Council is hereby authorized to execute and approve a Final Official Statement relating to the Bonds provided that the Final Official Statement shall have been approved by the Borough's Solicitor. The distribution of the Preliminary Official Statement is hereby ratified and the Purchaser is hereby authorized to use the Preliminary and the Final Official Statements in connection with the sale of the Bonds.

## SECTION 21. Clearing Account and Project Account.

(a) The Borough hereby creates with the Paying Agent a special fund to be known as the Borough of Avalon 2003 Clearing Account (the "Clearing Account") which shall be held as a trust fund for the benefit of the Borough until disbursed in accordance with the provisions hereof. The Borough shall deliver the net proceeds (including accrued interest) derived from the sale of the Bonds to the Paying Agent for deposit to the Clearing Account. Upon written directions from the Borough signed by the President of the Governing Body and the Secretary, the Paying Agent shall pay, out of the Clearing Account the costs and expenses of the issuance of the Bonds, shall transfer the amount of accrued interest to the Series of 2003 Bonds Sinking Fund and deposit the specified amount to the Project Account described in (b) below. The written direction from the Borough shall state the names of the respective payees, the purpose for which the expenditure has been incurred, for the purpose of the transfer, whichever is applicable, and shall contain a certification that each item of expense for which payment has been requested has been properly incurred and is then unpaid, and that each transfer which is requested is in accordance with the provisions of this Ordinance.

(b) The Borough covenants to establish, and does hereby establish, a separate account in the name of the Borough to be known as the "Borough of Avalon Series of 2003 Project Account" (referred to herein as the "Project Account"). The Project Account shall be constituted of the net proceeds from the sale of the Bonds (after payment of costs of issuance of the Bonds), all moneys earned from the investment of funds therein and any other moneys which the Borough shall desire to deposit therein. The Project Account shall be expended first for the payment of all necessary and proper costs of the 2003 Capital Project, and then for any other lawful purpose as provided in the Borough Code, the Debt Act and other applicable laws.

## SECTION 22. Payment of Expenses.

All expenses incurred in connection with issuance of the Bonds shall be paid out of the proceeds derived from the issuance of the Bonds and deposited in the Clearing Account and the proper officers and officials are authorized to sign and deliver requests for payment of such expenses.

## SECTION 23. Investment.

Any moneys in the Project Account may be invested or deposited as permitted by applicable law for funds of the Borough. Any moneys in the Series of 2003 Bonds Sinking Fund not required for prompt expenditure may, at the direction of the Borough, be invested in bonds or obligations which are direct obligations of, or are fully guaranteed as to principal and interest by, the United States of America or may be deposited at interest in time accounts or certificates of deposit or other interest bearing accounts of any bank or bank and trust company, savings and loan association or building and loan association. To the extent that such deposits are insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or similar Federal agency, they need not be secured. Otherwise, such deposits shall be secured as public deposits or as trust funds. Any such investments or deposits shall mature or be subject to redemption at the option of the holder, or be subject to withdrawal at the option of

the depositor, not later than the date upon which such moneys are required to be paid to the Registered Owners.

SECTION 24. Continuing Disclosure Agreement.

The Borough shall enter into a Continuing Disclosure Agreement to provide for the continuing disclosure required by the applicable regulations of the Securities and Exchange Commission. The proper officers of the Borough are authorized to execute and deliver a Disclosure Agreement in such form as may be approved by the Borough Solicitor.

SECTION 25. Authorization of Officers.

Any authorization granted to, power conferred on, or direction given to the President, Manager, Secretary or Treasurer, shall be deemed to run to the Vice President, Assistant or Acting Secretary, Assistant or Acting Manager or Assistant Treasurer, respectively, as if such latter titles had been expressly included in the text hereof which grants such authorization, confers such power or gives such direction.

SECTION 26. Bond Form.

The form of the Bonds shall be substantially as follows:

[FACE OF BOND]

UNITED STATES OF AMERICA  
COMMONWEALTH OF PENNSYLVANIA  
COUNTY OF ALLEGHENY

BOROUGH OF AVALON  
GENERAL OBLIGATION BOND, SERIES OF 2003

No.  
CUSIP

Interest Rate:  
Maturity Date:

Borough of Avalon, County of Allegheny, Commonwealth of Pennsylvania (the "Borough"), for value received, and intending to be legally bound, promises to pay to \_\_\_\_\_, or registered assigns, (the "Registered Owner") the principal amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_) on the maturity date stated above upon presentation and surrender of this Bond at the designated corporate trust office of National City Bank of Pennsylvania (the "Paying Agent") in Pittsburgh, Pennsylvania, and to pay interest thereon at the above-stated rate from the June 1 or December 1 immediately preceding the date hereof (unless this Bond is dated after a Regular Record Date but on or before the next succeeding June 1 or December 1 date, then from such next succeeding June 1 or December 1, or unless this Bond is dated on or prior to the Regular Record Date preceding December 1, 2003, then from July 15, 2003, or unless, as shown on the records of the Paying Agent, interest on the Bond shall be in default, in which event the Bond shall bear

interest from the date on which interest was last paid on the Bond until such sum is paid, or if no interest has been paid, from July 15, 2003) semiannually on June 1 or December 1 of each year during the term of this Bond (beginning December 1, 2003), or until payment of said principal sum has been made or provided for.

The principal of, and premium, if any, and interest on this Bond are payable in such coin or currency of the United States of America as at the time and place of payment is legal tender for payment of public and private debts, at the designated corporate trust office of the Paying Agent; provided that, interest will be paid by check mailed to the person who is the registered owner on the appropriate record date at his address as it appears on the Bond Register described below, unless written demand is made by such person for payment in legal tender at such office.

THE TERMS AND PROVISIONS OF THIS BOND ARE CONTINUED ON THE REVERSE SIDE HEREOF AND SUCH TERMS AND PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH HERE.

This Bond shall not be valid or become obligatory for any purpose unless the certificate of authentication hereon shall have been signed by the manual signature of an officer of the Paying Agent.

IN WITNESS WHEREOF, the Borough has caused this Bond to be duly executed and dated as of the date of its authentication.

ATTEST:	BOROUGH OF AVALON
<u>/s/ Facsimile Signature</u>	By <u>/s/ Facsimile Signature</u>
Secretary	President

[SEAL]

[BACK OF BOND]

This Bond is one of a duly authorized issue of \$2,140,000, principal amount, General Obligation Bonds, Series of 2003 (the "Bonds") of the Borough which have been 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 of Avalon enacted on July 15, 2003. The Bonds have been issued for the purpose of obtaining funds to pay the costs of a capital project.

Interest payable on any interest payment date will be paid to the person in whose name this Bond is registered (the "Record Owner") at the close of business on the May 15 or November 15 (the "Regular Record Date") immediately preceding the relevant interest payment date. Any such interest which is not deposited with the Paying Agent on or before any such interest payment date for payment to the Record Owner on the Regular Record Date shall forthwith cease to be payable to the Record Owner on the Regular Record Date, and shall be paid

to the person in whose name this Bond is registered on a special record date for the payment of such defaulted interest to be fixed by the Paying Agent, notice of which shall be given to all registered owners not less than ten (10) days prior to such special record date, all as provided in the Ordinance.

The Bonds maturing on June 1 of the years 2022, 2027 and 2033, are subject to mandatory redemption, in part, in the order of maturity and by lot within a maturity, in the amounts stated in the Ordinance, prior to their stated maturity dates, on June 1, 2019, and on June 1 of each year thereafter (except 2022 and 2027) upon payment of the redemption price of 100% of the principal amount to be redeemed together with accrued interest to the date fixed for redemption.

The Bonds maturing on or after June 1, 2014, are subject to redemption at the option of the Borough prior to their stated maturity dates, as a whole, or in part from time to time, on June 1, 2013, or on any date thereafter, in any order of maturity as selected by the Borough, in each case, upon payment of 100% of the principal amount to be redeemed together with interest accrued to the date fixed for redemption.

If less than all Bonds maturing on any one date are to be redeemed at any time, the Bonds to be called for redemption at such time shall be chosen by the Paying Agent, by lot.

Notice of redemption of any Bond shall be given to the registered owner of such Bond by first class mail, not less than thirty (30) nor more than sixty (60) days prior to the redemption date, in the manner and upon the terms and conditions set forth in the Ordinance. A portion of a Bond of a denomination larger than \$5,000 may be redeemed, and in such case, upon the surrender of such Bond, there shall be issued to the registered owner thereof, without charge therefor, a Bond or Bonds for the unredeemed balance of the principal amount of such Bond, all as more fully set forth in the Ordinance. If notice of redemption shall have been duly given, the Bonds or portions thereof specified in that notice shall become due and payable at the applicable redemption price on the redemption date designated in that notice, and if, on that redemption date, moneys are held by the Sinking Fund Depository for the payment of the redemption price of the Bonds to be redeemed, together with interest to the redemption date, then from and after the redemption date, interest on such Bonds shall cease to accrue.

The Borough, pursuant to recommendations made by the Committee on Uniform Security Identification Procedures, has caused CUSIP numbers to be printed on the Bonds, and has directed the Paying Agent to use such numbers in notices of redemption and other notices, if any, as a convenience to the registered owners of the Bonds. No representation is made by the Borough as to the accuracy of such numbers either as printed on the Bonds or as contained in any notice and reliance may be placed only on the identification number printed hereon.

This Bond may be transferred or exchanged only on the Bond Register (the "Bond Register") maintained by the Borough at the principal corporate trust office of the Paying Agent upon surrender hereof by the Registered Owner at such office duly endorsed by, or accompanied by a written instrument of transfer duly executed by, the Registered Owner or his duly authorized

agent or legal representative, in each case, in form and with a guaranty of signature satisfactory to the Borough and the Paying Agent.

No service charge shall be made for any transfer or exchange of any Bond, but the Borough may require payment of any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

The Borough shall not be required to register the transfer or exchange of any Bond: (a) in the case of Bonds then considered for redemption, during a period beginning at the close of business on the fifteenth (15th) day next preceding any date of selection of Bonds to be redeemed and ending at the close of business on the day on which the applicable notice of redemption is mailed; (b) once selected for redemption in whole or in part; or (c) during a period beginning at the close of business on the fifteenth (15th) day next preceding the date of maturity of the Bond and ending at the close of business on the date of maturity.

Subject to the provisions of this Bond and of the Ordinance relating to payment of interest, the Borough and the Paying Agent may treat the Registered Owner of this Bond as the absolute owner hereof, for all purposes, whether or not this Bond shall be overdue, and neither the Borough nor the Paying Agent shall be affected by any notice to the contrary.

No recourse shall be had for the payment of the principal of or interest on this Bond, 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 Bond.

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 Bond 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 the issuance of this Bond or in the creation of the debt of which this Bond is evidence, exist, have happened and have been performed in regular and due form and manner as required by law; that this Bond, 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 and applicable to the Borough; and that the Borough has established with the Paying Agent as Sinking Fund Depository a sinking fund for the Bonds and has agreed to deposit therein amounts sufficient to pay the principal of and interest on the Bonds as the same shall become due and payable.

This Bond is hereby declared to be a general obligation of the Borough. The Borough, in the Ordinance authorizing the issuance of the Bonds, has covenanted with the registered owners, from time to time, of the Bonds that the Borough will include the amount of the debt service charges on the Bonds for each fiscal year in which such sums are payable, in its budget for that year, that it will appropriate such amounts to the payment of such debt service, and will duly and

punctually pay or cause to be paid the principal of every Bond, and the interest thereon, on the dates and at the places and in the manner stated in the Bonds, according to the true intent and meaning thereof, and for such budgeting, appropriation and payment, the Borough has pledged its full faith, credit and taxing power. This covenant is specifically enforceable.

[FORM OF PAYING AGENT'S AUTHENTICATION CERTIFICATE FOR FACE OF BOND]

Paying Agent's Authentication Certificate

This Bond is one of the Borough of Avalon, General Obligation Bonds, Series of 2003, described in the within-mentioned Ordinance. The text of opinion printed hereon is the text of the opinion of Eckert Seamans Cherin & Mellott, LLC, Bond Counsel, of Pittsburgh, Pennsylvania, an executed counterpart of which, dated and delivered on the date of original delivery of and payment for said Bonds, is on file with the undersigned.

NATIONAL CITY BANK OF PENNSYLVANIA,  
Paying Agent

By \_\_\_\_\_  
Authorized Officer

Dated:

\* \* \* \* \*

STATEMENT OF INSURANCE

Financial Guaranty Insurance Policy No.\_\_\_\_ (the "Policy") with respect to payments due for principal of and interest on this Bond has been issued by Ambac Assurance Corporation ("Ambac Assurance"). The Policy has been delivered to The Bank of New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Ambac Assurance or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

\* \* \* \* \*

[TEXT OF OPINION OF ECKERT SEAMANS CHERIN & MELLOTT, LLC, BOND COUNSEL, OF PITTSBURGH, PENNSYLVANIA]

\* \* \* \* \*

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM - as tenants in common  
TEN ENT - as tenants by the entireties  
JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF. TRANS. MIN. ACT-  
Custodian  
(Cust) (Minor)  
under Uniform Transfers to Minors  
Act \_\_\_\_\_  
(State)

Additional abbreviations may also be used though not in the list above.

[FORM OF ASSIGNMENT]

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

Please insert Social Security or other identifying number of assignee

\_\_\_\_\_

Please print or typewrite name and address including postal zip code of transferee

\_\_\_\_\_ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

\_\_\_\_\_ Agent to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated \_\_\_\_\_

Signature(s) Guaranteed: \_\_\_\_\_

NOTICE: Signature(s) must be guaranteed by a member of an approved Signature Guarantee Medallion Program.

NOTICE: The signature(s) to this assignment must correspond with the name(s) as written upon the face of the Bond, in every particular, without alteration or enlargement or any change whatever.

SECTION 27. Bond Insurance. The Borough hereby accepts a commitment from Ambac Assurance Corporation (the "Bond Insurer") to issue its financial guaranty insurance policy insuring the payment when due of the principal of and interest on the Bonds, authorizes the payment of an appropriate premium to the Bond Insurer, authorizes the printing of an appropriate statement of insurance on the Bonds and covenants to comply with the Bond Insurer's requirements set forth in such commitment.

(a) Definitions.

"AMBAC Assurance" shall mean AMBAC Assurance Corporation, a Wisconsin-domiciled stock insurance company.

"Financial Guaranty Insurance Policy" shall mean the financial guaranty insurance policy issued by AMBAC Assurance insuring the payment when due of the principal of and interest on the Bonds as provided therein.

(b) AMBAC Assurance Consent.

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

(2) Consent of AMBAC Assurance in Addition to Bondholder Consent. Unless otherwise provided in this Section, AMBAC Assurance's consent shall be required in addition to Bondholder consent, when required, for the following purposes: (i) execution and delivery of any supplemental Ordinance, or any amendment, supplement or change to or modification of the Ordinance; (ii) removal of the Sinking Fund Depository or Paying Agent and selection and appointment of any successor sinking fund depository or paying agent; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Bondholder consent.

(3) Consent of AMBAC Assurance in the Event of Insolvency. Any reorganization or liquidation plan with respect to the Borough must be acceptable to AMBAC Assurance. In the event of any reorganization or liquidation, AMBAC Assurance shall have the right to vote on behalf of all Bondholders who hold AMBAC Assurance-insured bonds absent a default by AMBAC Assurance under the applicable Financial Guaranty Insurance Policy insuring such Bonds.

(4) Consent of AMBAC Assurance Upon Default. Anything in this Ordinance to the contrary notwithstanding, upon the occurrence and continuance of an event of default as described in the Debt Act, AMBAC Assurance shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Sinking Fund Depository for the benefit of the Bondholders under the Debt Act, including, without limitation: (i) the right to accelerate the principal of the Bonds as described in the Debt Act, and (ii) the

right to annul any declaration of acceleration, and AMBAC Assurance shall also be entitled to approve all waivers of events of default.

(c) Notices to be given to AMBAC Assurance.

(1) While the Financial Guaranty Insurance Policy is in effect, the Borough shall furnish to AMBAC Assurance:

A. To the attention of the Surveillance Department:

(i) as soon as practicable after the filing thereof, a copy of any financial statement of the Borough and a copy of any audit and annual report of the Borough at no cost to Ambac;

(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, at no cost to Ambac;

(iii) To the extent that the Borough has entered into a continuing disclosure agreement with respect to the Bonds, AMBAC Assurance shall be included as a party to be notified.

(iv) such additional information it may reasonably request.

B. To the attention of the General Counsel Office:

(i) The Borough shall notify AMBAC Assurance of any failure of the Borough to provide relevant notices, certificates, etc.; and

(ii) Notwithstanding any other provision of this Ordinance, the Borough and the Paying Agent and Sinking Fund Depository shall immediately notify AMBAC Assurance 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.

(2) The Borough will permit AMBAC Assurance to discuss the affairs, finances and accounts of the Borough or any information AMBAC Assurance may reasonably request regarding the security for the Bonds with appropriate officers of the Borough. The Paying Agent and Sinking Fund Depository or Borough as appropriate will permit AMBAC Assurance to have access to and to make copies of all books and records relating to the Bonds at any reasonable time.

(3) AMBAC Assurance shall have the right to direct an accounting at the Borough's expense, and the Borough's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from AMBAC Assurance 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.

(d) **Defeasance.** Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by AMBAC Assurance pursuant to the Financial Guaranty Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Borough, and all covenants, agreements and other obligations of the Borough to the registered owners shall continue to exist and shall run to the benefit of AMBAC Assurance, and AMBAC Assurance shall be subrogated to the rights of such registered owners.

(e) **Payment Procedure Pursuant to the Financial Guaranty Insurance Policy.** As long as the bond insurance shall be in full force and effect, the Borough, the Paying Agent and Sinking Fund Depository shall comply with the following provisions:

(1) At least one (1) day prior to all Interest Payment Dates, the Paying Agent and Sinking Fund Depository will determine whether there will be sufficient funds in the Funds and Accounts to pay the principal of or interest on the Bonds on such Interest Payment Date. If the Paying Agent and Sinking Fund Depository determines that there will be insufficient funds in such Funds or Accounts, the Paying Agent and Sinking Fund Depository shall so notify AMBAC Assurance. 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 and Sinking Fund Depository has not so notified AMBAC Assurance at least one (1) day prior to an Interest Payment Date, AMBAC Assurance 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 Assurance shall have received notice of nonpayment from the Paying Agent and Sinking Fund Depository.

(2) The Paying Agent and Sinking Fund Depository shall, after giving notice to AMBAC Assurance as provided in (1) above, make available to AMBAC Assurance and, at AMBAC Assurance's direction, to The Bank of New York, as insurance trustee for AMBAC Assurance or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Borough maintained by the Paying Agent and Sinking Fund Depository, and all records relating to the Funds and Accounts maintained under this Ordinance.

(3) The Paying Agent and Sinking Fund Depository shall provide AMBAC Assurance and the Insurance Trustee with a list of registered owners of Bonds entitled to receive principal or interest payments from AMBAC Assurance under the terms of the Financial Guaranty 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 Assurance 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 Assurance.

(4) The Paying Agent and Sinking Fund Depository shall, at the time it provides notice to AMBAC Assurance pursuant to (1) above, notify registered owners of Bonds entitled to receive the payment of principal or interest thereon from AMBAC Assurance (i) as to the fact of such entitlement, (ii) that AMBAC Assurance 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 Assurance, 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 Assurance) for payment to the Insurance Trustee, and not the Paying Agent and Sinking Fund Depository, and (iv) that should they be entitled to receive partial payment of principal from AMBAC Assurance, they must surrender their Bonds for payment thereon first to the Paying Agent and Sinking Fund Depository, who shall note on such Bonds the portion of the principal paid by the Paying Agent and Sinking Fund Depository, 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.

(5) In the event that the Paying Agent and Sinking Fund Depository has notice that any payment of principal of or interest on a Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Borough 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 and Sinking Fund Depository shall, at the time AMBAC Assurance is notified pursuant to (1) 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 Assurance to the extent of such recovery if sufficient funds are not otherwise available, and the Paying Agent and Sinking Fund Depository shall furnish to AMBAC Assurance its records evidencing the payments of principal of and interest on the Bonds which have been made by the Paying Agent and Sinking Fund Depository and subsequently recovered from registered owners and the dates on which such payments were made.

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

(f) Interested Parties.

(1) AMBAC Assurance as Third Party Beneficiary. To the extent that this Ordinance confers upon or gives or grants to AMBAC Assurance any right, remedy or claim under or by reason of this Ordinance, AMBAC Assurance 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.

(2) Parties Interested Herein. 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 Borough, AMBAC Assurance, the Paying Agent and Sinking Fund Depository, 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 Borough shall be for the sole and exclusive benefit of the Borough, AMBAC Assurance, the Paying Agent and Sinking Fund Depository, and the registered owners of the Bonds.

SECTION 28. Disclosure Agreement. The Borough covenants that it will enter into and comply with a Disclosure Agreement (the "Disclosure Agreement") for the benefit of the owners of the Bonds at or prior to the closing for the issuance of the Bonds. Pursuant to the Disclosure Agreement, the Borough will provide certain financial and operating information on an annual basis and notice of certain events to each Nationally Recognized Municipal Securities Information Repository, the appropriate state repository, if any, and the Municipal Securities Rulemaking Board, if applicable, in accordance with United States Securities and Exchange Commission Rule 15c2-12. The Disclosure Agreement is hereby approved in the form presented to this meeting. The President or Vice President of the Borough Council is hereby authorized and directed to execute and deliver the Disclosure Agreement on behalf of the Borough with such changes as have been approved by the Solicitor and Bond Counsel, and the Secretary of the Borough is hereby authorized and directed to seal and attest the Disclosure Agreement.

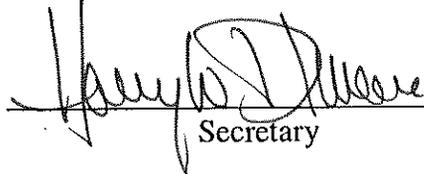
SECTION 29. Repealer.

All ordinances and resolutions or parts thereof, not in accordance with this Ordinance are hereby repealed insofar as they conflict with this Ordinance.

*{Remainder of page intentionally left blank}*

ENACTED by the Borough Council of the Borough of Avalon, in lawful session assembled, on July 15, 2003.

ATTEST:

  
Secretary

[SEAL]

BOROUGH OF AVALON

By   
Edward R. Clicker  
Council President

Examined and Approved by Me This  
15th Day of July, 2003:

By   
Mayor Daniel K. Bricmont, Esquire

SCHEDULE A

Borough of Avalon  
 Allegheny County, Pennsylvania  
 General Obligation Bonds  
 Series of 2003  
 \$2,140,000

Dated: July 15, 2003

Due: June 1 as shown below

<u>Date</u>	<u>Amount</u>	<u>Coupon</u>	<u>Yield</u>	<u>Price</u>
6/1/04	\$35,000	1.100%	1.300%	99.841%
6/1/05	40,000	1.375%	1.500%	99.778
6/1/06	40,000	1.500%	1.650%	99.590
6/1/07	40,000	2.000%	2.000%	100.000
6/1/08	40,000	2.125%	2.375%	98.871
6/1/09	40,000	2.500%	2.700%	98.931
6/1/10	40,000	2.750%	3.000%	98.470
6/1/11	45,000	3.000%	3.150%	98.967
6/1/12	40,000	3.200%	3.350%	98.862
6/1/13	45,000	3.300%	3.450%	98.758
6/1/14	50,000	3.400%	3.550%	98.660
6/1/15	45,000	3.500%	3.700%	98.098
6/1/16	50,000	3.700%	3.850%	98.491
6/1/17	55,000	3.800%	3.950%	98.411
6/1/18	55,000	3.750%	4.000%	97.223
6/1/22	240,000	4.150%	4.25%	98.709
6/1/27	365,000	4.300%	4.500%	97.091
6/1/33	875,000	4.500%	4.656%	97.500

Purchase Price \$2,068,628.45 net of underwriting discount of \$27,820.00 and original issue discount of \$43,551.55, plus accrued interest to the date of delivery and payment for the Bonds.

SCHEDULE B

Borough of Avalon  
 Allegheny County, Pennsylvania  
 General Obligation Bonds  
 Series of 2003  
 \$2,140,000

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total Principal and Interest</u>	<u>Annual Total</u>
8/14/2003					
12/1/2003			\$31,622.83	\$ 31,622.83	\$ 31,622.83
6/1/2004	\$ 35,000	1.100%	41,853.75	76,853.75	
12/1/2004			41,661.25	41,661.25	118,515.00
6/1/2005	40,000	1.375%	41,661.25	81,661.25	
12/1/2005			41,386.25	41,386.25	123,047.50
6/1/2006	40,000	1.500%	41,386.25	81,386.25	
12/1/2006			41,086.25	41,086.25	122,472.50
6/1/2007	40,000	2.000%	41,086.25	81,086.25	
12/1/2007			40,686.25	40,686.25	121,772.50
6/1/2008	40,000	2.125%	40,686.25	80,686.25	
12/1/2008			40,261.25	40,261.25	120,947.50
6/1/2009	40,000	2.500%	40,261.25	80,261.25	
12/1/2009			39,761.25	39,761.25	120,022.50
6/1/2010	40,000	2.750%	39,761.25	79,761.25	
12/1/2010			39,211.25	39,211.25	118,972.50
6/1/2011	45,000	3.000%	39,211.25	84,211.25	
12/1/2011			38,536.25	38,536.25	122,747.50
6/1/2012	40,000	3.200%	38,536.25	78,536.25	
12/1/2012			37,896.25	37,896.25	116,432.50
6/1/2013	45,000	3.300%	37,896.25	82,896.25	
12/1/2013			37,153.75	37,153.75	120,050.00
6/1/2014	50,000	3.400%	37,153.75	87,153.75	
12/1/2014			36,303.75	36,303.75	123,457.50
6/1/2015	45,000	3.500%	36,303.75	81,303.75	
12/1/2015			35,516.25	35,516.25	116,820.00
6/1/2016	50,000	3.700%	35,516.25	85,516.25	
12/1/2016			34,591.25	34,591.25	120,107.50
6/1/2017	55,000	3.800%	34,591.25	89,591.25	
12/1/2017			33,546.25	33,546.25	123,137.50
6/1/2018	55,000	3.750%	33,546.25	88,546.25	
12/1/2018			32,515.00	32,515.00	121,061.25
6/1/2019	60,000*	4.150%	32,515.00	92,515.00	
12/1/2019			31,270.00	31,270.00	123,785.00
6/1/2020	55,000*	4.150%	31,270.00	86,270.00	
12/1/2020			30,128.75	30,128.75	116,398.75
6/1/2021	60,000*	4.150%	30,128.75	90,128.75	
12/1/2021			28,883.75	28,883.75	119,012.50
6/1/2022	65,000	4.150%	28,883.75	93,883.75	
12/1/2022			27,535.00	27,535.00	121,418.75
6/1/2023	65,000*	4.300%	27,535.00	92,535.00	
12/1/2023			26,137.50	26,137.50	118,672.50
6/1/2024	70,000*	4.300%	26,137.50	96,137.50	
12/1/2024			24,632.50	24,632.50	120,770.00

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total Principal and Interest</u>	<u>Annual Total</u>
6/1/2025	75,000*	4.300%	24,632.50	99,632.50	
12/1/2025			23,020.00	23,020.00	122,652.50
6/1/2026	75,000*	4.300%	23,020.00	98,020.00	
12/1/2026			21,407.50	21,407.50	119,427.50
6/1/2027	80,000	4.300%	21,407.50	101,407.50	
12/1/2027			19,687.50	19,687.50	121,095.00
6/1/2028	85,000*	4.500%	19,687.50	104,687.50	
12/1/2028			17,775.00	17,775.00	122,462.50
6/1/2029	85,000*	4.500%	17,775.00	102,775.00	
12/1/2029			15,862.50	15,862.50	118,637.50
6/1/2030	165,000*	4.500%	15,862.50	180,862.50	
12/1/2030			12,150.00	12,150.00	193,012.50
6/1/2031	170,000*	4.500%	12,150.00	182,150.00	
12/1/2031			8,325.00	8,325.00	190,475.00
6/1/2032	180,000*	4.500%	8,325.00	188,325.00	
12/1/2032			4,275.00	4,275.00	192,600.00
6/1/2033	190,000	4.500%	4,275.00	194,275.00	

\*To be paid by mandatory redemption.

## SCHEDULE C

Borough of Avalon  
Allegheny County, Pennsylvania  
General Obligation Bonds  
Series of 2003  
\$2,140,000

### 1. Optional Redemption

The Bonds maturing on or after June 1, 2014, are subject to redemption at the option of the Borough prior to their stated maturity dates, as a whole, or in part from time to time, on June 1, 2013, or on any date thereafter, in any order of maturity as selected by the Borough, in each case, upon payment of 100% of the principal amount to be redeemed, together with interest accrued to the date fixed for redemption.

### 2. Mandatory Redemption

The Bonds maturing on June 1 of the years 2022, 2027 and 2033, are subject to mandatory redemption, in part, in the order of maturity and by lot within a maturity, on the following dates and in the following principal amounts, upon payment of 100% of the principal amount to be redeemed, together with interest accrued to the date fixed for redemption:

Bonds scheduled to mature June 1, 2022

<u>Date (June 1)</u>	<u>Principal Amount</u>
2019	\$60,000
2022	55,000
2021	60,000
2022	65,000*

Bonds scheduled to mature June 1, 2027

<u>Date (June 1)</u>	<u>Principal Amount</u>
2023	\$65,000
2024	70,000
2025	75,000
2026	75,000
2027	80,000*

Bonds scheduled to mature June 1, 2027

<u>Date (June 1)</u>	<u>Principal Amount</u>
2028	\$85,000
2029	85,000
2030	165,000
2031	170,000
2032	180,000
2033	190,000*

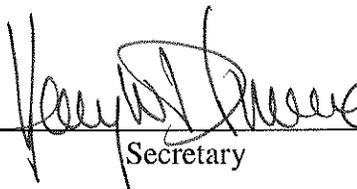
\* At maturity.

CERTIFICATE

I, the undersigned, Secretary of the Borough of Avalon, Allegheny County, Pennsylvania (the "Borough"), hereby certify that: (a) attached to this Certificate is a true, correct and complete copy of an Ordinance (the "Ordinance") which was duly enacted at a meeting of the Borough Council of the Borough on July 15 , 2003, at which a quorum was present and acting throughout, and which was at all times open to the public; (b) the Ordinance was duly recorded in the Borough's Ordinance Book, and a summary of the Ordinance was published as required by law in a newspaper of general circulation in the Borough; (c) the Borough met the advance notice requirements of Act No. 1986-84 by advertising the date of the meeting and posting a notice of the meeting at the public meeting place of the Borough Council; (d) the total number of members of the Borough Council is nine (9); and (e) the vote upon the Ordinance was called and duly recorded upon the minutes and that the members voted in the following manner:

	Yes	No	Abstain	Absent
Edward R. Klicker	✓	_____	_____	_____
Edward Repp	✓	_____	_____	_____
Victoria Donnelly	_____	_____	_____	✓
David Haslett	✓	_____	_____	_____
William McCormick	✓	_____	_____	_____
Patrick Narcisi	✓	_____	_____	_____
David Pfeiffer	✓	_____	_____	_____
Daniel Sefik	✓	_____	_____	_____
Bruce R. Tindle	✓	_____	_____	_____

WITNESS my hand and seal of the Borough of Avalon on July 15, 2003.

By   
Secretary

[SEAL]

**\$2,140,000**  
**BOROUGH OF AVALON**  
**(Allegheny County, Pennsylvania)**  
**General Obligation Bonds, Series of 2003**

**PURCHASE CONTRACT**

Members of the Council  
BOROUGH OF AVALON  
640 California Avenue  
Avalon, PA 15202

July 15, 2003

Honorable Members of the Council:

H-T Capital Markets, A Division of Hefren-Tillotson, Inc. (the "Purchaser"), acting not as fiduciary or agent for you, but for its own account, offers to enter into this Purchase Contract with the Borough of Avalon, Allegheny County, Pennsylvania (the "Borough"), subject to your acceptance by execution of this Purchase Contract and its delivery to the Purchaser at or prior to 11:00 p.m., prevailing local time, on the date hereof.

1. On the basis of the representations and agreements contained herein, but subject to the terms and conditions herein set forth, the Purchaser hereby agrees to purchase from the Borough, and the Borough hereby agrees to sell to the Purchaser, \$2,140,000 aggregate principal amount of the Borough's General Obligation Bonds, Series of 2003, dated and maturing on the dates and in the amounts and paying interest at rates shown on Schedule I hereto at a the principal amount of \$2,140,000 less original issue discount of (\$43,551.55) and less underwriter's discount of (\$27,820). The Underwriter shall also pay interest accrued on the Bonds from July 15, 2003, to the date of Closing (as hereinafter defined).

Pursuant to, and subject to the terms of this Purchase Contract, the Borough shall be obligated to sell simultaneously all the Bonds to the Purchaser and the Purchaser shall be obligated to purchase all the Bonds, and the entire amount of Bonds shall be delivered by the Borough and accepted and paid for by the Purchaser at the Closing (as defined herein).

The Borough will deliver the Bonds to the Purchaser in definitive form against payment of the purchase price therefor in immediately available funds at the office of Eckert Seamans Cherin & Mellott, LLC, Pittsburgh, Pennsylvania ("Bond Counsel") at 10:00 a.m., prevailing local time, on August 14, 2003, or at such other time or place as the Purchaser and the Borough agree upon and such payment and delivery is herein referred to as the "Closing".

The Bonds shall be printed or lithographed on steel engraved borders and shall be prepared and delivered as registered Bonds in minimum maturity value denominations of \$5,000 and integral amounts of \$5,000 in excess thereof and registered in such names as requested by the Purchaser at least three business days before the Closing. The Bonds shall be available for examination and packaging by the Purchaser at least twenty-four hours prior to the Closing at such location as the Purchaser and the Borough may mutually agree.

2. The Bonds are authorized to be issued under the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as codified by the Act of December 19, 1996 (P.L. 1158, No. 177), 53 Pa.C.S.A. §8001 *et seq.* (the "Debt Act"), with the approval of the Pennsylvania Department of Community and Economic Development, and pursuant to a Ordinance of the Members of Council of the Borough adopted on July 15, 2003 (the "Ordinance").

3. Simultaneously with the execution of the Purchase Contract, or prior to the Closing, the Borough shall deliver to the Purchaser:

(a) Two copies of the final Official Statement (and each amendment and supplement thereto) of the Borough relating to the Bonds (the "Official Statement"), duly executed on behalf of the Borough by its Council President;

(b) Two certified copies of the Ordinance; and

(c) Such additional certificates, instruments, opinions and other documents as the Purchaser shall request.

The Borough agrees to provide the Purchaser with a reasonable number of additional copies of the foregoing as the Purchaser shall request and the Borough authorizes the foregoing and the Preliminary Official Statement to be used in connection with the rating, offer, sale and distribution of the Bonds.

4. The Borough represents and warrants to the Purchaser that:

(a) The Borough is a political subdivision of the Commonwealth of Pennsylvania (the "State") duly organized and validly existing under the Constitution and laws of the State, and has, and at the date of the Closing will have, full legal right, power and authority (i) to enter into this Purchase Contract, (ii) to execute and deliver the Ordinance, (iii) to execute, issue, sell and deliver the Bonds to the Purchaser as provided herein, (iv) to irrevocably pledge the full faith, credit and taxing power of the Borough to secure the Bonds, and (v) to carry out and to consummate the transactions contemplated by this Purchase Contract, the Ordinance, the Preliminary Official Statement and the Official Statement;

(b) The Preliminary Official Statement (including the statistical and other financial data included therein), as of its date and as of the date hereof, is in "near final" form pursuant to Securities and Exchange Commission Rule 15(c)(2)-12 (the "Rule") and did not and does not contain any untrue statement of a material fact or omit to state any material fact which should have been included therein or which was necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading;

(c) The Official Statement (including the statistical and other financial data included therein), as of its date, will be correct and complete in all material respects and will not contain any untrue statement of a material fact or omit to state any material fact which should be included therein or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they are made, not misleading;

(d) The Borough has complied, and will at the Closing be in compliance, in all respects relating to the Bonds, with the Ordinance and with the Debt Act;

(e) By official action of the Members of Council of the Borough prior to or concurrently with Borough acceptance hereof, the Borough has duly authorized and approved the Preliminary Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the Borough of the obligations on its part contained in the Ordinance, the Bonds and this Purchase Contract;

(f) The Borough is not in breach of or in default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, bond ordinance, agreement or other instrument to which the Borough is a party or is otherwise subject; and the execution and delivery of the Bonds, and this Purchase Contract, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, bond, ordinance, agreement or other instrument to which the Borough is a party or is otherwise subject;

(g) All approvals, consents and orders of any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to the performance by the Borough of its obligations hereunder and under the Ordinance and on the Bonds have been obtained or will be obtained prior to Closing;

(h) The Bonds and the Ordinance conform to the descriptions thereof contained in the Official Statement and the Bonds, when issued, authenticated and delivered in accordance with the Ordinance and sold to Purchaser as provided herein, will be validly issued and outstanding obligations of the Borough;

(i) The terms and provisions of the Ordinance comply in all respects with the requirements of the Debt Act and the Ordinance constitutes a valid, legal and binding obligation of the Borough enforceable in accordance with its terms;

(j) Except as disclosed in the Preliminary Official Statement and the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, pending or, to the knowledge of the Members of Council of the Borough, threatened against, the Borough, affecting the existence of the Borough or the titles of its officers to their respective offices or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the revenues or assets of the Borough pledged or to be pledged to pay the principal of, redemption premium, if any, and interest due on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Ordinance, or this Purchase Contract or contesting in any way the completeness or

accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the Borough or any authority for the issuance of the Bonds or execution and delivery of the Ordinance or this Purchase Contract; nor, to the knowledge of the Borough, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds, the Ordinance or this Purchase Contract;

(k) Any certificate signed by an authorized officer of the Borough and delivered to the Purchaser shall be deemed a representation or warranty to the Purchaser as to the statements made therein; and

(l) The net proceeds received from the Bonds shall be used in accordance with the Debt Act, and the Ordinance, initially for the purposes and in the approximate amounts set forth in "Composition of the Bond Issue" attached hereto as Schedule II.

5. The Borough also covenants with the Purchaser that:

(a) If between the date of this Purchase Contract and the date ninety (90) days following the Closing, an event occurs affecting the Borough, or the transactions contemplated by the Ordinance which could cause the Official Statement to contain an untrue statement of a material fact or to omit to state a material fact which should be included therein for the purposes for which the Official Statement was to be used or which is necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Borough shall notify the Purchaser and if in the opinion of the Borough, the Purchaser or Bond Counsel such event requires an amendment or supplement to the Official Statement, the Borough will amend or supplement the Official Statement in a form and in a manner jointly approved by the Borough, the Purchaser and Bond Counsel;

(b) Between the date of this Purchase Contract and the Closing, the Borough will not, without the prior approval of the Purchaser, issue any bonds, notes or other obligations for borrowed money pursuant to the Debt Act; and

(c) The Borough covenants and agrees to enter into a written agreement or contract, constituting an undertaking (the "Undertaking") to provide ongoing disclosure about the Borough, for the benefit of the Bondholders on or before the date of delivery of the Bonds as required by Section (b) (5) (i) of the Rule, which Undertaking will be in the form summarized in the Preliminary Official Statement, with such changes as may be agreed to in writing by the Underwriter.

6. The Purchaser may terminate its obligations hereunder by written notice to the Borough if, at any time subsequent to the date hereof and on or prior to the Closing:

(a) (i) legislation (including any amendment thereto) is introduced in, pending before, favorably reported by, tentatively decided upon or passed by either House of Congress, or any Committee thereof, or announced by the Chairman of any such Committee, or recommended to the Congress for passage by the President of the United States or the United States Department of the Treasury or the Internal Revenue Service, or favorably reported for passage to either House of the Congress by any Committee of such House to which such legislation has been referred for consideration, or (ii) a decision shall have been rendered by a court established under

Article III of the Constitution of the United States, or the United States Tax Court, or (iii) an order, ruling, regulation or communication (including a press release) shall have been issued by or on behalf of the Treasury Department of the United States or the Internal Revenue Service or other governmental agency, in each case referred to in clauses (i), (ii) and (iii), with the purpose or effect, directly or indirectly, of imposing Federal income taxation upon interest to be received by any holders of the Bonds or income taxation by the State; or

(b) legislation shall be enacted or any action shall be taken by the Securities and Exchange Commission including, without limitation, a stop order, ruling or regulation, which, in the opinion of Bond Counsel, has the effect of requiring the offer or sale of the Bonds to be registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the Ordinance to be qualified under the Trust Indenture Act of 1939, as amended; or

(c) in the sole and exclusive judgment of the Purchaser, payment for and delivery of the Bonds is rendered impracticable or inadvisable because (i) trading in securities generally shall have been suspended on the New York Stock Exchange, Inc., or a general banking moratorium shall have been established by Federal, New York or State authorities, or (ii) the State shall have taken any action, whether administrative, legislative, judicial or otherwise the effect of which, in the sole and exclusive judgment of the Purchaser, will adversely affect the marketability of the Bonds, or (iii) a war involving the United States or other national calamity shall have occurred, the effect of which, in the judgment of the Purchaser, will adversely effect the marketability of the Bonds; or

(d) there shall have occurred any material adverse change in the local economy or in the affairs of the Borough; or

(e) there shall have occurred any change which, in the sole and exclusive judgment of the Purchaser or the Borough, makes unreasonable or unreliable any of the assumptions upon which payment of debt service on the Bonds is predicated or materially and adversely affects the market price or the marketability of the Bonds.

7. The obligation of the Purchaser to purchase and pay for the Bonds is subject to the accuracy of the representations and warranties of the Borough herein as of the date hereof and as of the Closing, to the accuracy of statements to be made on behalf of the Borough hereunder, to the performance by the Borough of its obligations hereunder and to the following additional conditions:

(a) At the Closing, the Ordinance and all official action of the Borough relating thereto shall be in full force and effect, and shall not have been amended, modified or supplemented, and the Official Statement shall not have been amended or supplemented, except in either case as may have been agreed to by the Purchaser;

(b) The Bonds shall carry the approving legal opinion Eckert Seamans Cherin & Mellott, LLC, Pittsburgh, Pennsylvania, Bond Counsel. The opinion shall state, among other things, that the interest on the Bonds is excludable from Federal income taxation under existing law. Certain other legal matters will be passed upon Meyer Darragh Buckler Bebenek & Eck, P.L.L.C., Pittsburgh, Pennsylvania, Solicitor for the Borough;

(c) Prior to delivery of the Bonds, the Department of Community and Economic Development of the State shall approve the proceedings relating to the issuance of the Bonds under the provisions of the Debt Act;

(d) At the Closing, the Purchaser shall receive a certificate, dated the date of Closing, signed by the President or other authorized officer of the Borough Council to the effect that:

(i) except as disclosed in the Official Statement, no litigation or other proceedings are pending or, to his/her knowledge, threatened in any court or other tribunal of competent jurisdiction, state or Federal, in any way (a) restraining or enjoining the issuance, sale or delivery of the Bonds, or (b) questioning or affecting the validity of this Purchase Contract, the Bonds and the Ordinance, the pledge to the Bondholders of any moneys or other security provided under the Ordinance, or any other transaction referred to in the Preliminary Official Statement and the Official Statement, or (c) questioning or affecting the organization or existence of the Borough or the title to office of the officers thereof, or (d) questioning or affecting the power and authority of the Borough to issue the Bonds or to execute and deliver the Ordinance and this Purchase Contract;

(ii) to his/her best knowledge and belief, the Preliminary Official Statement and the Official Statement do not contain any untrue statement of a material fact or omit to state any material fact which should be included therein, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading; and

(iii) the Borough has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing and the representations and warranties of the Borough contained herein are true, complete and correct as of the Closing;

(e) At the Closing, the Borough shall furnish, at the Borough's expense, such additional legal opinions, certificates, instruments and other documents as Bond Counsel, the Purchaser or the Solicitor to the Borough may reasonably request to enable such counsel to render their respective opinions or to evidence compliance with legal requirements, the truth and accuracy, as of the date hereof and as of the date of the Closing, of the representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction on or prior to the date of the Closing of all agreements then to be performed and all conditions then to be satisfied. All the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere, in this Purchase Contract shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Purchaser;

(f) At the Closing, the Purchaser shall receive a copy of the transcript.

(g) At the Closing, the Bonds shall have received a commitment for insurance from Ambac Assurance Corporation (the "Municipal Bond Insurer").

8. Whether or not the Closing shall take place hereunder, the Purchaser shall be under no obligation to pay, and the Borough shall pay or cause to be paid out of Bond proceeds or otherwise, any expenses incident to the performance of the Borough's obligations hereunder, including, but not limited to, the cost of printing the Bonds, the Preliminary Official Statement and the Official Statement, DTC Registration fees, CUSIP Service filing fees, Clearing fees, the fees and expenses of Bond Counsel and the Solicitor to the Borough, the fees and expenses of the Paying Agent, the fees and expenses relating to rating the Bonds, and the fees and expenses of any other counsel, consultants, accountants or other experts retained by the Borough in connection with the issuance and sale of the Bonds. Provided, however, if the Closing does not take place due to Purchaser terminating this agreement, Purchaser shall be responsible for said costs.

9. Any notice or other communication to be given to the Borough under this Purchase Contract may be given by delivering the same in writing to the Borough at its address set forth above, and any notice or other communication to be given to the Purchaser under this Purchase Contract may be given by delivering the same in writing to: James McCarthy, H-T Capital Markets, (A Division of Hefren-Tillotson, Inc.) 503 Martindale Street, 7<sup>th</sup> Floor, D.L. Clark Building, Pittsburgh, Pennsylvania 15212.

10. This Purchase Contract is made solely for the benefit of the Borough and the Purchaser (including their successors or assigns) and no other person shall acquire or have any right hereunder or by virtue hereof. All the representations, warranties, covenants and agreements contained herein shall remain operative and in full force and effect and shall survive delivery of and payment for the Bonds hereunder and regardless of any investigation made by the Purchaser or on their behalf.

11. This Purchase Contract shall be governed by the laws of the State.

12. This Purchase Contract shall become effective upon the execution of the acceptance hereof by the Borough.

13. All representations, warranties and agreements contained in this Purchase Contract shall survive the Closing.

Very truly yours,

H-T CAPITAL MARKETS  
A Division of Hefren-Tillotson, Inc.

By

A handwritten signature in black ink, appearing to be "J. McCarthy", is written over a horizontal line. The signature is stylized and cursive.

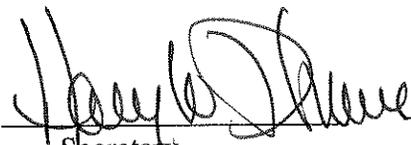
ACCEPTED by Ordinance enacted by the Members of the Council of the Borough of Avalon, Allegheny County, Pennsylvania, on July 15, 2003.

BOROUGH OF AVALON

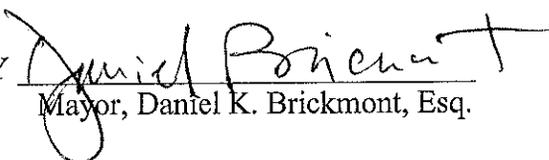
BY   
President

(SEAL)

ATTEST:

BY   
Secretary

Examined and approved by me this 15<sup>th</sup> day of July, 2003.

BY   
Mayor, Daniel K. Brickmont, Esq.

**\$2,140,000**  
**BOROUGH OF AVALON**  
**(Allegheny County, Pennsylvania)**  
**General Obligation Bonds, Series of 2003**

**SCHEDULE I**

**MATURITY SCHEDULE**

**Dated:** July 15, 2003

**Due:** June 1 as shown below

<u>Year</u>	<u>Amount</u>	<u>Coupon</u>	<u>Yield</u>	<u>Price</u>
6/1/04	\$35,000	1.10%	1.30%	99.841
6/1/05	40,000	1.375%	1.50%	99.778
6/1/06	40,000	1.50%	1.65%	99.590
6/1/07	40,000	2.00%	2.00%	100.000
6/1/08	40,000	2.125%	2.375%	98.871
6/1/09	40,000	2.50%	2.70%	98.931
6/1/10	40,000	2.75%	3.00%	98.470
6/1/11	45,000	3.00%	3.15%	98.967
6/1/12	40,000	3.20%	3.35%	98.862
6/1/13	45,000	3.30%	3.45%	98.758
6/1/14	50,000	3.40%	3.55%	98.660
6/1/15	45,000	3.50%	3.70%	98.098
6/1/16	50,000	3.70%	3.85%	98.491
6/1/17	55,000	3.80%	3.95%	98.411
6/1/18	55,000	3.75%	4.00%	97.223
6/1/22	240,000	4.15%	4.25%	98.709
6/1/27	365,000	4.30%	4.50%	97.091
6/1/33	875,000	4.50%	4.656%	97.500

\$2,140,000  
**BOROUGH OF AVALON**  
 (Allegheny County, Pennsylvania)  
 General Obligation Bonds, Series of 2003

SCHEDULE I-A

REDEMPTION PROVISIONS

**Optional Redemption:**

The Bonds maturing on and after June 1, 2014 are subject to redemption at the option of the Borough in whole or in part June 1, 2013 or on any date thereafter at 100% of the principal amount thereof plus interest accrued to the date of redemption.

**Mandatory Redemption:**

The Bonds maturing on June 1, 2022, 2027 and 2033 are subject to mandatory redemption by lot, at a redemption price of 100% of the principal amount thereof plus interest accrued to the date set for redemption, on June 1 in the years and in the principal amounts as follows:

<u>Redemption Year</u>	<u>Principal Amount to be Redeemed</u>	<u>Redemption Year</u>	<u>Principal Amount to be Redeemed</u>
2019	\$60,000	2028	\$85,000
2020	55,000	2029	85,000
2021	60,000	2030	165,000
2022*	65,000	2031	170,000
		2032	180,000
2023	65,000	2033*	190,000
2024	70,000		
2025	75,000		
2026	75,000		
2027*	80,000		

\*Final Maturity

**\$2,140,000**  
**BOROUGH OF AVALON**  
**(Allegheny County, Pennsylvania)**  
**General Obligation Bonds, Series of 2003**

**SCHEDULE II**

**COMPOSITION OF THE BOND ISSUE**

**Sources and Uses of Funds:**

The estimated sources and uses of proceeds of the Bonds are summarized as follows:

<i>Sources of Funds</i>	
Bond Proceeds.....	\$2,140,000.00
Accrued Interest.....	6,743.10
Less: Original Issue Discount.....	<u>(43,551.55)</u>
<b>TOTAL SOURCES.....</b>	<b><u>\$2,103,191.55</u></b>
 <i>Uses of Funds</i>	
Deposit to Project Fund.....	\$2,000,000.00
Accrued Interest (1).....	6,743.10
Costs of Issuance (2).....	94,158.35
Miscellaneous.....	<u>2,290.10</u>
<b>TOTAL USES.....</b>	<b><u>\$2,103,191.55</u></b>

- (1) *Accrued interest will be deposited in the Debt Service Fund and applied to the initial interest payment on the Bonds.*
- (2) *Includes underwriter's discount, legal fees and expenses, municipal bond insurance premium, printing, ratings, paying agent, miscellaneous fees, expenses and costs.*