

**AVON GROVE SCHOOL DISTRICT  
CHESTER COUNTY, PENNSYLVANIA**

**RESOLUTION**

A RESOLUTION AUTHORIZING THE INCURRENCE OF GENERAL OBLIGATION INDEBTEDNESS PURSUANT TO THE PENNSYLVANIA LOCAL GOVERNMENT UNIT DEBT ACT; SPECIFYING THAT SUCH INDEBTEDNESS IS TO BE INCURRED TO PROVIDE FUNDS FOR THE PURCHASE OF LAND FOR CONSTRUCTION OF A NEW SECONDARY SCHOOL, FOR OTHER ONGOING OR PROPOSED CAPITAL PROJECTS AS DETERMINED BY THE SCHOOL DISTRICT, AND TO PAY THE COSTS AND EXPENSES OF ISSUING THE DEBT; DETERMINING THAT SUCH DEBT WILL BE NONELECTORAL DEBT OF THE SCHOOL DISTRICT; ACCEPTING A PROPOSAL FOR THE PURCHASE OF THE DEBT BY PRIVATE SALE BY INVITATION; PROVIDING THAT SUCH DEBT, WHEN ISSUED, WILL CONSTITUTE A GENERAL OBLIGATION OF THE SCHOOL DISTRICT; FIXING THE SUBSTANTIAL FORM, DATE, MATURITY DATES, INTEREST RATES, INTEREST PAYMENT DATES, PLACE OF PAYMENT OF PRINCIPAL AND INTEREST, AND TAX-FREE PROVISIONS OF THE BONDS EVIDENCING THE DEBT; AUTHORIZING EXECUTION AND ATTESTATION OF THE BONDS; PROVIDING COVENANTS RELATED TO DEBT SERVICE APPLICABLE TO THE BONDS AND PLEDGING THE FULL FAITH, CREDIT AND TAXING POWER OF THE SCHOOL DISTRICT; CREATING A SINKING FUND IN CONNECTION WITH SUCH DEBT AND AUTHORIZING SPECIFIED OFFICERS OF THE SCHOOL DISTRICT TO CONTRACT FOR A SINKING FUND DEPOSITORY/PAYING AGENT; AUTHORIZING AND DIRECTING SPECIFIED OFFICERS OF THE SCHOOL DISTRICT TO TAKE APPROPRIATE ACTS TO EFFECT THE ISSUANCE OF THE BONDS, INCLUDING WITHOUT LIMITATION, THE PREPARATION OF A DEBT STATEMENT AND BORROWING BASE CERTIFICATE, AND THE FILING OF SPECIFIED DOCUMENTS WITH THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT; DESIGNATING THE STATUS OF THE BONDS UNDER SECTION 265 (B) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED; SETTING FORTH CERTAIN COVENANTS PRECLUDING THE SCHOOL DISTRICT FROM TAKING ACTION WHICH WOULD AFFECT THE TAX EXEMPT STATUS OF THE BONDS; AND OTHER APPROPRIATE PROVISIONS.

Avon Grove School District (the "School District") is undertaking various capital projects, including the purchase of land for construction of a new secondary school and other ongoing or proposed capital projects as determined by the School District (the "Projects"). The estimated completion date of the Projects is November, 2009.

The School District has determined to fund a portion of the costs of the Projects by the issuance of its General Obligation Bonds, Series A of 2007 (the "Bonds") hereinafter authorized. Proceeds of the Bonds will also be used to pay costs and expenses incurred in issuance of the Bonds.

The School District has obtained realistic cost estimates through actual bids, option agreements, or professional estimates from registered architects, professional engineers or other persons qualified to make such estimates, and has determined that the costs of the Projects, as such costs are defined in Section 8007 of the Local Government Unit Debt Act of the

Commonwealth of Pennsylvania, as codified by the Act of December 19, 1996 (53 Pa. Cons. Stat. Chs. 80-82) (the "Act"), will be in excess of the proceeds of the Bonds and any interest to be earned thereon.

The total bond discount and other costs related to the issuance and sale of the Bonds are \$105,550.75. In order to provide funds sufficient to pay a portion of the costs of the Projects and to pay the bond discount and other costs related to the issuance and sale of Bonds, total funds of \$9,930,000.00 are required.

The School District has determined to issue the Bonds at this time in the principal amount of \$9,930,000. Proceeds of the Bonds, including accrued interest and an original issue premium of \$2,035.75 to be paid by the bond purchaser at settlement for the Bonds, will be sufficient to fund a portion of the Projects and to pay the costs related to the issuance and sale of the Bonds.

The School District has determined that a private sale of the Bonds by invitation is in the best interest of the School District. The School District has received a proposal from PNC Capital Markets for the purchase of the Bonds.

The Bonds will be issued pursuant to this Resolution, and approximately \$9,827,653.36 of the proceeds of the Bonds will be allocated to the School District for payment of a portion of the costs of the Projects. The remainder of the proceeds will be used to pay the costs of issuing and selling the Bonds.

The School District desires to authorize the issuance and sale of the Bonds for purposes recited herein and other necessary action.

NOW, THEREFORE, BE IT RESOLVED by the Board of School Directors of Avon Grove School District, Chester County, Pennsylvania, as follows:

Section 1. The School District will incur indebtedness, pursuant to the Act, in the total amount of \$9,930,000 for the purpose of providing funds for payment of a portion of the costs of the Projects, and for the costs and expenses of issuing the Bonds.

Section 2. The School Board determines and states that the realistic, estimated useful life of the Projects to which the proceeds of the Bonds relate is in excess of 30 years.

Section 3. In order to evidence the indebtedness authorized by this Resolution, the School District will issue, pursuant to the Act and this Resolution, \$9,930,000 aggregate principal amount of General Obligation Bonds, Series A of 2007.

Section 4. The indebtedness authorized by this Resolution is non-electoral debt.

Section 5. The President (or a Vice President), Treasurer (or Assistant Treasurer), and Secretary (or Assistant Secretary), of the School Board, and the Business Manager of the School District, or any one of such officers alone, are authorized and directed to prepare, verify and file the Debt Statement required by Section 8110 of the Act, to execute and deliver the Bonds in the name of the School District, and to take other necessary or appropriate action, including if necessary or desirable, any statements required to qualify any portion of the debt

from the appropriate debt limit as self-liquidating or subsidized debt, or to designate all or any portion of the Bonds as “qualified tax-exempt obligations” under Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the “Code”).

Section 6. The Bonds, when issued, will be General Obligation Bonds and will constitute general obligations of the School District.

Section 7. The School District covenants with the registered owners of the Bonds outstanding pursuant to this Resolution that:

(a) the School District will include in its budget, for each fiscal year in which such sums are payable, the amounts of debt service on the Bonds issued hereunder which will be payable in each such fiscal year so long as any of the Bonds remain outstanding;

(b) the School District will appropriate such amounts to the payment of such debt service; and

(c) the School District will duly and punctually pay or cause to be paid, from the sinking fund hereinafter established, or from other funds, the principal of every bond and the interest thereon at the dates and places and in the manner stated in the Bonds according to the true intent and meaning thereof.

For such budgeting, appropriation and payment, the School District pledges its full faith, credit and taxing power. The covenant contained in this section is specifically enforceable.

Section 8. The Bonds will be issued in fully registered book-entry only form, substantially in the form set forth in Exhibit “A” with appropriate omissions, insertions and variations.

Section 9. The Bonds will be dated as of December 1, 2007, will bear interest from such date, payable initially on May 15, 2008, and semi-annually thereafter on November 15 and May 15 of each year until maturity or the dates fixed for redemption, at the rates per annum, and will mature on the dates and years as set forth in the Debt Service Schedule attached hereto as Exhibit “B” and made a part hereof.

The Bonds are issuable only in the form of registered bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof. The School District and the Paying Agent will not be required (a) to issue or transfer any bonds during a period beginning at the opening of business on the 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 given, or (b) to transfer any bonds which have been selected or called for redemption in whole or in part.

The principal of and interest on the Bonds will be payable in lawful money of the United States of America at the corporate trust office of U.S. Bank National Association in Philadelphia, Pennsylvania, which is appointed Paying Agent and Registrar for the Bonds and Sinking Fund Depository and is herein called the “Paying Agent.”

The Bonds stated to mature on or after November 15, 2013 are subject to redemption prior to maturity at the option of the School District in whole or in part on November 15, 2012, or any date thereafter, upon payment of a redemption price of 100% of principal amount plus interest accrued to the date fixed for redemption. If less than all the Bonds of a particular maturity are to be redeemed, the bonds of such maturity to be redeemed will be drawn by lot by the Paying Agent. In the event that a bond is of a denomination larger than \$5,000, a portion of such bond may be redeemed, but portions of bonds will be redeemed only in the principal amount of \$5,000 or any integral multiple thereof.

The Bonds stated to mature on November 15, 2023 are subject to mandatory redemption prior to maturity at a price equal to the principal amount thereof, together with accrued interest to the fixed for mandatory redemption, on November 15 of the years and in the principal amounts set forth in the following schedule, as selected by lot by the Paying Agent:

<u>Year (11/15)</u>	<u>Principal Amount</u>
2022	\$575,000

The remaining \$595,000, of the Bonds stated to mature on November 15, 2023 will be paid at maturity or upon earlier optional redemption.

The Bonds stated to mature on November 15, 2025 are subject to mandatory redemption prior to maturity at a price equal to the principal amount thereof, together with accrued interest to the fixed for mandatory redemption, on November 15 of the years and in the principal amounts set forth in the following schedule, as selected by lot by the Paying Agent:

<u>Year (11/15)</u>	<u>Principal Amount</u>
2024	\$620,000

The remaining \$645,000, of the Bonds stated to mature on November 15, 2025 will be paid at maturity or upon earlier optional redemption.

The Bonds stated to mature on November 15, 2027 are subject to mandatory redemption prior to maturity at a price equal to the principal amount thereof, together with accrued interest to the fixed for mandatory redemption, on November 15 of the years and in the principal amounts set forth in the following schedule, as selected by lot by the Paying Agent:

<u>Year (11/15)</u>	<u>Principal Amount</u>
2026	\$675,000

The remaining \$700,000, of the Bonds stated to mature on November 15, 2027 will be paid at maturity or upon earlier optional redemption.

Each such redemption will be upon at least thirty (30) days, and not more than sixty (60) days, prior written notice by mailing a copy of the official redemption notice by first class mail to the registered owners of the Bonds to be redeemed at their addresses shown on the registration books maintained by the Paying Agent, unless such notice is waived in writing by the registered owners of the Bonds to be called for redemption. Notice of redemption having been given as aforesaid, and funds sufficient for redemption having been deposited with the Paying Agent, the

Bonds or portions thereof so called for redemption will become due and payable on the date fixed for redemption and interest thereafter will cease to accrue thereon, whether the Bonds are presented for payment or not.

All official notices of redemption will state:

- (a) the redemption date;
- (b) the redemption price;
- (c) if less than all outstanding bonds are to be redeemed, the identification (and, in the case of partial redemption, their respective principal amounts) of the Bonds to be redeemed;
- (d) that on their redemption date the redemption price will become due and payable upon each such bond or portion thereof called for redemption, and that interest thereon will cease to accrue from and after said date; and
- (e) the place where the Bonds are to be surrendered for payment of their redemption price, which place of payment will be the office of the Paying Agent.

In addition, the Paying Agent will cause copies of such notice of redemption to be sent by certified mail, overnight delivery service, telecopy, or similarly secure service acceptable to the Paying Agent, to Depository Trust Company at least two (2) business days in advance of the date notices addressed to registered owners are deposited in the United States mail.

In addition to the foregoing notice, further notice may be given, if deemed appropriate by the Paying Agent as a notice of refunding or otherwise, but no defect in said further notice will in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. The further notice of redemption given hereunder will contain such information as deemed appropriate by the Paying Agent and Bond Counsel, and will be mailed to each presently registered owner of Bonds to be redeemed, at their addresses shown on the registration books, and will also be sent to Moody's Investor Services, Inc., Standard and Poors Corporation, and the *Bond Buyer*, or one or more other national information services that disseminate notices of redemption of obligations such as the Bonds.

Prior to any redemption date, the School District will deposit with the Paying Agent an amount of money sufficient to pay the redemption price of all the Bonds or portions of the Bonds which are to be redeemed on that date.

Upon the payment of the redemption price of the Bonds being redeemed, each check or other transfer of funds issued for such purpose will bear the CUSIP number identifying, by issue and maturity, the bonds or portions thereof being redeemed with the proceeds of such check or other transfer.

Section 10. The School Board has discussed the merits of alternative methods of selling the Bonds and has determined that a private sale of the Bonds by invitation is in the best interest of the School District.

Section 11. The Bonds are awarded and sold at private sale by invitation to PNC Capital Markets, Philadelphia, Pennsylvania, (the "Purchaser"), with the principal amounts for each maturity as set forth in Exhibit "B" and otherwise, at the price and in accordance with the other terms and conditions contained in the purchase proposal presented to this meeting (the "Purchase Proposal"), which is accepted. A copy of the Purchase Proposal is attached to this Resolution as Exhibit "C" and will be lodged with the official minutes of this meeting; the terms and conditions of the Purchase Proposal are incorporated herein by reference. The officers of the School District are authorized and directed to endorse the acceptance of the School District on the Purchase Proposal and to deliver an executed copy thereof to the Purchaser.

In addition to the conditions set forth in the purchase proposals referenced above, such awards and sales are conditional upon the following:

- (a) all provisions of this Resolution becoming effective;
- (b) approval of the Department of Community and Economic Development of the Commonwealth of Pennsylvania for the issuance of the Bonds;
- (c) approval of the Pennsylvania Department of Education, to the extent such approval is determined to be necessary by the School District; and
- (d) approval of any other governmental agency, the approval of which is determined to be necessary by the School District.

Section 12. The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Bonds on behalf of the firms which participate in the DTC book-entry system ("DTC Participants"). The ownership of one fully registered bond for each maturity of the Bonds will be registered in the name of Cede & Co., as nominee for DTC. Each bond will be in the aggregate principal amount of such maturity as shown on Exhibit "B" attached hereto. The School District will cause the Bonds to be delivered to DTC for the benefit of the purchaser of the Bonds on or before the date of issuance of the Bonds.

Pursuant to the book-entry only system, any person for whom a DTC Participant acquires an interest in the Bonds (the "Beneficial Owner") will not receive certificated bonds and will not be the registered owner thereof. Ownership interest in the Bonds may be purchased by or through DTC Participants. Each DTC Participant will receive a credit balance in the records of DTC in the amount of such DTC Participant's interest in the Bonds, which will be confirmed in accordance with DTC's standard procedures. Receipt by the Beneficial Owners (through any DTC Participant) of timely payment of principal, redemption price, and interest on the Bonds, is subject to DTC making such payment to DTC Participants and such DTC Participants making payment to Beneficial Owners. Neither the School District nor the Paying Agent will have any direct responsibility or obligation to such DTC Participants or the persons for whom they act as nominees for any failure of DTC to act or make any payment with respect to the Bonds.

The School District is authorized to execute such documents as may be necessary or desirable in connection with DTC's services as securities depository. The School District may appoint a successor securities depository.

DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the School District and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, the proper officers of the School District are authorized to designate a successor securities depository or to deliver certificates to the Beneficial Owners of the Bonds.

The School District will give notice, or cause the Paying Agent to give notice, to DTC in accordance with the Blanket Letter of Representations for the redemption or other retirement of the Bonds. The School District will provide the form of notice. Upon receipt of such notice, DTC will forward the notice to the DTC Participants for subsequent forwarding of such notice to the Beneficial Owners of the Bonds. The School District will pay the customary charges for such mailing.

Section 13. The School District covenants that there will be and there is established a sinking fund for the Bonds to be held by the Paying Agent (or such substitute or successor Paying Agent, which will hereafter be appointed in accordance with the provisions of the Act) in the name of the School District, but subject to withdrawal only by the Paying Agent. The sinking fund will be known as the "Sinking Fund, Avon Grove School District, General Obligation Bonds, Series A of 2007" (the "Sinking Fund").

The Paying Agent is authorized and directed to pay from the Sinking Fund the principal of and interest on the Bonds as the same become due and payable in accordance with the terms thereof and the School District covenants that such monies, to the extent required, will be applied to such purpose.

All monies deposited in the Sinking Fund for the payment of the Bonds which have not been claimed by the holders or owners thereof after two years from the date when payment is due, except where such monies are held for the payment of outstanding checks, drafts or other instruments of the Paying Agent, will be returned to the School District. Nothing contained herein will relieve the School District of its liability to the registered owners of unrepresented bonds.

Section 14. The School District will not assume the payment of any tax or taxes in consideration of the purchase of the Bonds.

Section 15. The officers of this School District are authorized to enter into an Agreement with U.S. Bank National Association, providing for the confirmation and acceptance of the appointments herein made as Paying Agent and Sinking Fund Depository for the Bonds, for its compensation in such capacities, for the administration of the Sinking Fund and for such other matters as counsel may recommend be included in the Agreement and as the officers may approve by their execution of the Agreement. The officers of this School District are further authorized to contract with U.S. Bank National Association, or one or more other banks or bank and trust companies, to the extent deemed necessary or advisable, for additional services as trustee, fiscal agent, sinking fund depository or paying agent.

Section 16. The School District covenants with the holders of the Bonds that no part of the proceeds of the Bonds will at any time be used directly or indirectly to acquire securities

or obligations, the acquisition of which would cause any of the Bonds to be “arbitrage bonds” as currently defined in Section 148 of the Code, or under any similar statutory provisions, or any currently enacted rule or regulation promulgated thereunder or under former Section 103(c) of the Internal Revenue Code of 1954, with the effect that interest on the Bonds would no longer be exempt from federal income taxes. The School District further covenants that it will comply with the terms of Section 148 of the Code and said rules and regulations throughout the term of the Bonds and will make no investment inconsistent with the foregoing covenant. The School District further covenants that it will promptly and timely comply with the reporting and filing requirements of Section 149(e) of the Code.

The School District covenants with the holders of the Bonds that it will comply with the arbitrage rebate requirements of Section 148 of the Code, as such requirements may apply to earnings on the investment of the proceeds of the Bonds. The School District covenants to maintain any proceeds of the Bonds which may be invested (until such time as they are needed) in segregated investments which readily will permit a determination of earnings on the proceeds. To the extent that the amount earned on all nonpurpose investments (as defined in Section 148 of the Code) exceeds the amount which would have been earned if such nonpurpose investments were invested at a rate equal to the yield on the Bonds, the School District will, unless otherwise exempt, pay to the United States the amount of rebate calculated in accordance with Section 148 and the regulations promulgated pursuant thereto.

Section 17. The School District will purchase municipal bond insurance for the Bonds from Financial Security Assurance in accordance with the terms of the Purchase Proposal.

Section 18. The Bonds will be executed by the President or Vice President of the School Board of the School District and attested by the Secretary or Treasurer of the School District. The School District seal will be impressed upon the Bonds. The Bonds will be authenticated by the manual signature of the Paying Agent, which will also certify that the approving opinion of Bond Counsel, which will be affixed to each bond, is an accurate reproduction of the approving opinion delivered at the closing for the Bonds.

Section 19. Upon receipt of the purchase price for the Bonds, including interest thereon accrued to the date of delivery, if any, the proper officers of the School District will pay said amount to the Paying Agent and said amount will be deposited in a settlement account (the “Settlement Account”). From the Settlement Account, the Paying Agent will disburse approximately \$9,827,653.36 to the School District to pay a portion of the costs of the Projects.

Remaining funds in the Settlement Account will be disbursed from time to time by the Paying Agent, pursuant to written instructions from the President or Vice President of the School Board or the Business Manager of the School District, to pay issuance costs in connection with the Bonds, and any balance ultimately remaining in any such reserve will, upon written instructions of the President or Vice President of the School Board or the Business Manager of the School District, be deposited in the Sinking Fund or otherwise applied according to said instructions.

Section 20. For the purpose of expediting the closing and the issuance and delivery of the Bonds, or in the event that the President or the Secretary of the School Board is absent or otherwise unavailable for the purpose of executing documents, or for the purpose of taking any

other action which they or either of them may be authorized to take pursuant to this Resolution, the Vice President or the Treasurer of the School Board, respectively, or the Business Manager of the School District, are authorized and directed to execute documents, or otherwise to act on behalf of the School District in their stead.

Section 21. The proper officers of the School District are authorized and directed to take all such action, execute, deliver, file and/or record all such documents, publish all notices which may be necessary or appropriate to issue the Bonds, to authorize the payment from the Settlement Account of issuance costs of the Bonds, to obtain and pay for bond insurance for the Bonds, and otherwise to comply with the provisions of the Resolution or the Act, in the name and on behalf of the School District.

Section 22. The School District covenants that, in accordance with the provisions of Rule 15c2-12 (the "Rule") promulgated by The Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, it will provide continuing disclosure for the benefit of the holders of the Bonds. Such continuing disclosure will be in conformance with the Rule and will relate to the financial and operating data of the School District and to the occurrence of certain material events as contemplated by the Rule. The officers of the School District are authorized to enter into a Continuing Disclosure Agreement to set forth the School District's obligations under the Rule, and to document the School District's agreement to provide the required disclosure under the Rule.

Section 23. This Resolution is enacted pursuant to, and the Bonds issued hereunder will be subject to, the provisions of the Act and all of the mandatory provisions thereof will apply hereunder whether or not explicitly stated herein.

Section 24. This Resolution constitutes a contract with the holders or registered owners of the Bonds from time to time outstanding hereunder and will be enforceable in accordance with the provisions of the laws of the Commonwealth of Pennsylvania.

Section 25. In case any one or more of the provisions contained in this Resolution or in any bond issued pursuant hereto will for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provision of this Resolution or of the Bonds, and this Resolution or the Bonds will be construed and enforced as if such invalid, illegal or unenforceable provisions had never been contained therein.

Section 26. All resolutions and parts of resolutions heretofore adopted to the extent that the same are inconsistent herewith are repealed.

Section 27. This Resolution will take effect on the earliest date permitted by the Act.



This Bond is one of a duly authorized issue of \$9,930,000 aggregate principal amount of General Obligation Bonds, Series A of 2007 of the School District (the "Bonds"), all of like tenor, except as to principal amount, interest rate, and date of maturity. The Bonds are issued in accordance with the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as codified by the Act of December 19, 1996 (53 Pa. Cons. Stat. Chs. 80-82) (the "Act") without the assent of the electors, pursuant to a Resolution (the "Resolution") of the School Board of the School District duly adopted on October 25, 2007. The Bonds are issued for the purpose of providing funds for the purchase of land for construction of a new secondary school, other ongoing or proposed capital projects as determined by the School District, and paying issuance costs incurred in connection with the Bonds.

The Bonds maturing on or after November 15, 2013 are subject to redemption prior to maturity at the option of the School District as a whole or in part on November 15, 2012 or any date thereafter, upon payment of a redemption price of one hundred percent (100%) of the principal amount plus accrued interest to the dates fixed for redemption. If less than all the Bonds of a particular maturity are to be redeemed, the Bonds of such maturity to be redeemed will be drawn by lot by the Paying Agent. In the event that a bond is of a denomination larger than \$5,000, a portion of such bond may be redeemed, but portions of bonds will be redeemed only in the principal amount of \$5,000 or any integral multiple thereof. The Paying Agent in its discretion may determine the particular bonds (if there is more than one) registered in the name of any registered owner which are to be redeemed, in whole or in part.

The Bonds stated to mature on November 15, 2023 are subject to mandatory redemption prior to maturity at a price equal to the principal amount thereof, together with accrued interest to the fixed for mandatory redemption, on November 15 of the years and in the principal amounts set forth in the following schedule, as selected by lot by the Paying Agent:

<u>Year (11/15)</u>	<u>Principal Amount</u>
2022	\$575,000

The remaining \$595,000 of the Bonds stated to mature on November 15, 2023 will be paid at maturity or upon earlier optional redemption.

The Bonds stated to mature on November 15, 2025 are subject to mandatory redemption prior to maturity at a price equal to the principal amount thereof, together with accrued interest to the fixed for mandatory redemption, on November 15 of the years and in the principal amounts set forth in the following schedule, as selected by lot by the Paying Agent:

<u>Year (11/15)</u>	<u>Principal Amount</u>
2024	\$620,000

The remaining \$645,000 of the Bonds stated to mature on November 15, 2025 will be paid at maturity or upon earlier optional redemption.

The Bonds stated to mature on November 15, 2027 are subject to mandatory redemption prior to maturity at a price equal to the principal amount thereof, together with accrued interest to the fixed for mandatory redemption, on November 15 of the years and in the principal amounts set forth in the following schedule, as selected by lot by the Paying Agent:

<u>Year (11/15)</u>	<u>Principal Amount</u>
2026	\$675,000

The remaining \$700,000 of the Bonds stated to mature on November 15, 2027 will be paid at maturity or upon earlier optional redemption.

Each such redemption will be upon at least thirty (30) days, and not more than sixty (60) days, prior written notice by mailing a copy of the official redemption notice by first class mail, postage prepaid, to the registered owners of the Bonds to be redeemed at their addresses shown in the registration books maintained by the Paying Agent unless such notice is waived in writing by the registered owners of the Bonds to be called for redemption. Notice of redemption having been given as aforesaid, and funds sufficient for redemption having been deposited with the Paying Agent, the Bonds so called for redemption will become due and payable on the date fixed for redemption, and thereafter interest will cease to accrue thereon, whether the bonds are presented for payment or not.

If the date for payment of the principal of, or interest on this Bond is Saturday, Sunday, legal holiday or a day on which banking institutions in the city where the corporate trust office of the Paying Agent is located are authorized by law or by executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or day on which the banking institutions are authorized to close, and payment will have the same effect as if made on the nominal date for payment.

The School District, 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 giving notices, if any, as a convenience to the bondholders. No representation is made as to the accuracy of such numbers either as printed on the Bonds or as contained in any notice, and the School District will have no liability of any sort with respect thereto.

No recourse will be had for the payment of the principal of or interest on this Bond, or for any claim based hereon or on the Resolution, against any school board member, officer or employee, past, present or future, of the School District or of any successor body, as such, either directly or through the School District 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 school board members, officers or employees is released as a condition of and as consideration for the issuance of this Bond.

The Bonds are issued only in the form of registered bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof. The School District and the Paying Agent will not be required (a) to issue or transfer any bonds during a period beginning at the opening of business on the fifteenth 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 given, or (b) to transfer any bonds which have been selected or called for redemption in whole or in part.

Subject to the provisions described below concerning the book-entry system, this Bond is transferable or exchangeable by the registered owner hereon in person or by his attorney duly authorized in writing at the corporate trust office of the Bond Registrar in Philadelphia, Pennsylvania, but only in the manner, subject to the limitations, and upon payment of the charges provided in the Resolution, and upon surrender and cancellation of this Bond. Upon such transfer, a new bond

or bonds of the same maturity and interest rate and of authorized denomination or denominations, for the aggregate principal amount which the registered owner hereof is entitled to receive, will be issued to the transferee in exchange for this Bond. This Bond may be transferred upon the registration books upon delivery to the Bond Registrar of the bond, accompanied by a written instrument or instruments of transfer in form and with guarantee of signatures satisfactory to the Bond Registrar, duly executed by the registered owner of the bond to be transferred or his attorney-in-fact or legal representative, containing written instructions as to the details of the transfer of such bond, along with the social security number or federal employer identification number of such transferee, and if such transferee is a trust, the name and social security number or federal employer identification number of the settlor and beneficiaries of the trust, the date of the trust and the name of the trustee. In all cases of transfer of a bond, the Bond Registrar will enter the transfer of ownership on the registration books of the School District and will authenticate and deliver in the name of the transferee or transferees a new, fully registered bond or bonds of authorized denominations of the same maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time in accordance with the provisions of the Resolution. The Bond Registrar may charge the owner of such bonds for every such transfer of a bond in an amount sufficient to reimburse it for any tax, or other governmental charge required to be paid with respect to such transfer and may require that such charge be paid before any such new bond will be delivered.

The School District and the Paying Agent may treat the person in whose name this Bond is registered on the bond register as the absolute owner of the bond for all purposes and neither the School District nor the Paying Agent will be affected by any notice to the contrary. The Bonds are being issued by means of a book-entry system, with actual bond certificates evidencing ownership of the Bonds immobilized at the Depository Trust Company, New York, New York (the "Securities Depository"), or its successor as Securities Depository. So long as the Bonds are issued in book-entry form, transfers of beneficial ownership of the Bonds will be effected on the records of the Securities Depository and its participants pursuant to the rules and procedures established by the Securities Depository.

So long as the Bonds are issued in book-entry form, actual bond certificates are not available for distribution to the beneficial owners. The Bonds will be registered in the name of, and the principal, redemption price, and interest on the Bonds are payable to Cede & Co., as nominee of the Securities Depository. Transfer of principal, redemption price, and interest payments to participants of the Securities Depository is the responsibility of the Securities Depository; transfers of principal, redemption price, and interest to beneficial owners of the Bonds by participants of the Securities Depository will be the responsibility of such participants and other nominees of beneficial owners. The School District and the Paying Agent are not responsible or liable for maintaining, supervising or reviewing the records maintained by the Securities Depository, its participants or persons acting through such participants.

So long as the Bonds are issued in book-entry form, if less than all of the principal amount of bonds of a particular maturity is to be redeemed, the Securities Depository and its direct and indirect participants will determine by lot, in accordance with their customary practices, the interest of each direct or indirect participant to be redeemed.

If the Bonds are no longer registered to a Securities Depository or its nominee, this Bond may be registered as transferred only upon the registration books kept for that purpose at the corporate trust office of the Bond Registrar as provided above. In addition, if the Bonds are no longer registered to a Securities Depository, this Bond may be exchanged by the registered owner hereof or his or her duly authorized attorney upon presentation at the corporate trust office of the Paying Agent for an equal aggregate principal amount of bonds of the same maturity and in any authorized denomination in the manner, subject to the conditions and upon payment of charges, if any, provided in the Resolution.

It is certified 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 School District is within every debt or other limit prescribed by the Constitution and the statutes of the Commonwealth of Pennsylvania; that the School District has established with the Paying Agent as Sinking Fund Depository, a sinking fund for the Bonds and will deposit therein amounts sufficient to pay the principal of and interest on the Bonds as the same will become due and payable; and that for the prompt and full payment of all obligations of this Bond, the full faith, credit and taxing power of the School District are irrevocably pledged.

This Bond will not be entitled to any benefit under the Resolution nor be valid nor become obligatory for any purpose unless the Certificate of Authentication printed hereon is duly executed.

#### STATEMENT OF INSURANCE

#### OPINION

We have acted as Bond Counsel in connection with the issuance by Avon Grove School District, Chester County, Pennsylvania (the "School District"), of \$9,930,000 General Obligation Bonds, Series A of 2007, dated December 1, 2007 (the "Bonds").

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds are issued in accordance and in compliance with the provisions of the Local Government Unit Debt Act of the Commonwealth of Pennsylvania, as codified by the Act of December 19, 1996 (53 Pa. Cons. Stat. Chs. 80-82), ("the Act"), without the assent of the electors, and pursuant to a resolution adopted by the Board of School Directors of the School District on October 25, 2007.
2. The Bonds are valid and binding obligations of the School District.
3. The School District has established with the Paying Agent, as Sinking Fund Depository, a sinking fund in which it has covenanted to deposit amounts sufficient to pay the principal of and interest on the Bonds as the same become due and payable and, to the extent required, to apply such amounts to such purposes.

4. The School District has further covenanted that it will include in its budget for each fiscal year in which the Bonds are outstanding, and will appropriate in each such fiscal year, the amount of the debt service on the Bonds for such year, that it will duly and punctually pay or cause to be paid, the principal of and interest on the Bonds at the dates and place and in the manner stated on the Bonds; and for such budgeting, appropriation and payment, the School District has irrevocably pledged its full faith, credit and taxing power. For purposes of such payments, the School District has covenanted that it will exercise its ad valorem taxing power, within limitations provided by law, upon all taxable property within the School District. The Bonds were not authorized prior to the effective date of Act 1 of Special Session 2006 (the "Taxpayer Relief Act") and therefore School District's obligation to increase the rate of ad valorem taxes in amounts sufficient to pay principal of and interest on the Bonds when due is subject to the referendum requirements set forth under the Taxpayer Relief Act. However, it is our understanding that the School District intends to include sufficient tax millage in its 2007-2008 budget to cover the full amount of the debt service on the Bonds within the limits of the index as determined by the Pennsylvania Department of Education ("PDE"). The Taxpayer Relief Act does provide that a school district must receive approval of PDE prior to increasing the rate of any ad valorem taxes. There is no guarantee that PDE will grant such approval and we express no opinion regarding the ability of the School District to obtain such approval from PDE. The Bonds are additionally secured by the "state aid intercept" provisions of Section 633 of the Public School Code of 1949, as amended by Act 150 of 1975.

5. The School District has designated the Bonds as "qualified tax-exempt obligations" as defined in Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the "Code"), and the Bonds meet all of the requirements of, and therefore are, "qualified tax-exempt obligations" under Section 265(b)(3)(B) of the Code, and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Code), a deduction is allowed for 80 percent of the portion of such financial institutions' interest expense allocable to interest on the Bonds. The opinions set forth in the preceding sentence are subject to the condition that the School District comply with all requirements of the Code, and any regulations promulgated thereunder, that must be satisfied subsequent to the issuance of the Bonds, in order that the Bonds continue to constitute qualified tax exempt obligations for purposes of Section 265(b)(3) of the Code. Failure to comply with such requirements may cause the Bonds to cease to constitute qualified tax exempt obligations, with the result that the Bonds would have to be taken into account by financial institutions (as defined in Section 265(b)(5) of the Code) for purposes of determining the allocation of interest expense to tax-exempt interest under Sections 265(b)(1) and (2) of the Code retroactive to the date of issuance of the Bonds.

6. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the School District comply with all requirements of the Code, and any regulations promulgated thereunder, that must be satisfied subsequent to the issuance of the Bonds, in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The School District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

7. Under the laws of the Commonwealth of Pennsylvania as presently enacted and construed, the Bonds and the interest thereon will be free from taxation for state and local purposes within the Commonwealth of Pennsylvania, but this exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the interest thereon. Under the laws of the Commonwealth, profits, gains or income derived from the sale, exchange or other disposition of certain government obligations, including the Bonds, may be subject to state and local taxation within the Commonwealth of Pennsylvania.

The rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

Very truly yours,  
Kegel Kelin Almy & Grimm LLP

**TRANSFER**

FOR VALUE RECEIVED, \_\_\_\_\_ ("Transferor"), the undersigned, sells, assigns and transfers unto \_\_\_\_\_ ("Transferee") (Social Security or Federal Employer Identification Number \_\_\_\_\_), this Bond and all rights thereunder, and irrevocably constitutes and appoints \_\_\_\_\_ as attorney to transfer this Bond on the books kept for registration thereof, with full power of substitution in the premises.

NOTICE: No transfer will be registered and no new bond will be issued in the name of the Transferee, unless the signature to this assignment corresponds with the name as it appears upon the face of this Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or Federal Employer Identification Number of the Transferee is applied. If the Transferee is a trust, attach names and Social Security or Federal Employer Identification Number of the settlor and beneficiaries, the date of the trust and the name of the trustee.

\_\_\_\_\_  
Date

Signature Guarantee:

\_\_\_\_\_  
Note: signature(s) must be guaranteed by an approved eligible guarantor institution, an institution which is a participant in a Securities Transfer Association recognized Medallion Signature Guarantee Program.

AVON GROVE SCHOOL DISTRICT  
 Series A of 2007  
 Bank Qualified New Money

Dated 12/1/2007

1	2	3	4	5	6	7	8	9
<u>Date</u>	<u>Principal</u>	<u>Rate</u>	<u>Yield</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Proposed Fiscal Year Debt Service</u>	<u>Less: State Aid</u>	<u>Proposed Local Effort</u>
5/15/2008				175,158.26	175,158.26	175,158.26	0.00	175,158.26
11/15/2008	340,000	4.000	3.350	192,246.88	532,246.88			
5/15/2009				185,446.88	185,446.88	717,693.75	0.00	717,693.75
11/15/2009	350,000	4.000	3.375	185,446.88	535,446.88			
5/15/2010				178,446.88	178,446.88	713,893.75	0.00	713,893.75
11/15/2010	365,000	4.000	3.400	178,446.88	543,446.88			
5/15/2011				171,146.88	171,146.88	714,593.75	0.00	714,593.75
11/15/2011	380,000	4.000	3.430	171,146.88	551,146.88			
5/15/2012				163,546.88	163,546.88	714,693.75	0.00	714,693.75
11/15/2012	395,000	4.000	3.450	163,546.88	558,546.88			
5/15/2013				155,646.88	155,646.88	714,193.75	0.00	714,193.75
11/15/2013	410,000	3.500	3.500	155,646.88	565,646.88			
5/15/2014				148,471.88	148,471.88	714,118.75	0.00	714,118.75
11/15/2014	425,000	3.500	3.520	148,471.88	573,471.88			
5/15/2015				141,034.38	141,034.38	714,506.25	0.00	714,506.25
11/15/2015	440,000	3.550	3.550	141,034.38	581,034.38			
5/15/2016				133,224.38	133,224.38	714,258.75	0.00	714,258.75
11/15/2016	460,000	3.600	3.600	133,224.38	593,224.38			
5/15/2017				124,944.38	124,944.38	718,168.75	0.00	718,168.75
11/15/2017	475,000	3.625	3.625	124,944.38	599,944.38			
5/15/2018				116,335.00	116,335.00	716,279.38	0.00	716,279.38
11/15/2018	490,000	3.650	3.680	116,335.00	606,335.00			
5/15/2019				107,392.50	107,392.50	713,727.50	0.00	713,727.50
11/15/2019	510,000	3.700	3.730	107,392.50	617,392.50			
5/15/2020				97,957.50	97,957.50	715,350.00	0.00	715,350.00
11/15/2020	530,000	3.700	3.750	97,957.50	627,957.50			
5/15/2021				88,152.50	88,152.50	716,110.00	0.00	716,110.00
11/15/2021	550,000	4.000	4.030	88,152.50	638,152.50			
5/15/2022				77,152.50	77,152.50	715,305.00	0.00	715,305.00
11/15/2022	575,000	4.050	4.070	77,152.50	652,152.50			
5/15/2023				65,508.75	65,508.75	717,661.25	0.00	717,661.25
11/15/2023	595,000	4.050	4.070	65,508.75	660,508.75			
5/15/2024				53,460.00	53,460.00	713,968.75	0.00	713,968.75
11/15/2024	620,000	4.050	4.100	53,460.00	673,460.00			
5/15/2025				40,905.00	40,905.00	714,365.00	0.00	714,365.00
11/15/2025	645,000	4.050	4.100	40,905.00	685,905.00			
5/15/2026				27,843.75	27,843.75	713,748.75	0.00	713,748.75
11/15/2026	675,000	4.050	4.100	27,843.75	702,843.75			
5/15/2027				14,175.00	14,175.00	717,018.75	0.00	717,018.75
11/15/2027	700,000	4.050	4.100	14,175.00	714,175.00			
5/15/2028				0.00	0.00	714,175.00	0.00	714,175.00
11/15/2028				0.00	0.00			
5/15/2029				0.00	0.00	0.00	0.00	0.00
TOTALS	9,930,000			4,548,988.89	14,478,988.89	14,478,988.89	0.00	14,478,988.89

PE%= 0.00% Estimated  
 AR%= 52.47%  
 1 Mill= 1,700,000 Estimated