

Township of Honey Brook
Chester County, Pennsylvania

ORDINANCE #184-2016

AN ORDINANCE OF THE BOARD OF SUPERVISORS OF THE TOWNSHIP OF HONEY BROOK, CHESTER COUNTY, PENNSYLVANIA SETTING FORTH ITS INTENT TO ISSUE A GENERAL OBLIGATION NOTE (THE "NOTE") IN THE MAXIMUM PRINCIPAL AMOUNT OF \$4,176,000 DOLLARS PURSUANT TO THE LOCAL GOVERNMENT UNIT DEBT ACT, 53 PA.C.S. § 8001 ET SEQ., AS AMENDED AND SUPPLEMENTED (THE "ACT"); FINDING THAT A PRIVATE SALE BY INVITATION IS IN THE BEST FINANCIAL INTERESTS OF THE TOWNSHIP; DETERMINING THAT THE NOTE SHALL EVIDENCE NONELECTORAL DEBT OF THE TOWNSHIP; SPECIFYING THAT SUCH INDEBTEDNESS BE INCURRED TO PROVIDE FUNDS FOR A CERTAIN PROJECT OF THE TOWNSHIP WHICH INCLUDES, AMONG OTHER THINGS: (1) THE CURRENT REFUNDING OF THE TOWNSHIP'S GENERAL OBLIGATION NOTE, SERIES OF 2008; AND (2) THE COSTS AND EXPENSES OF ISSUANCE OF THE NOTE; SETTING FORTH THE REASONABLE ESTIMATED LIVES OF THE CAPITAL PROJECTS THAT ARE TO BE REFINANCED BY THE NOTE; ACCEPTING A PROPOSAL FOR THE PURCHASE OF THE NOTE AT A PRIVATE SALE BY INVITATION; PROVIDING THAT THE NOTE, WHEN ISSUED, SHALL CONSTITUTE A GENERAL OBLIGATION OF THE TOWNSHIP; FIXING THE TERMS AND CONDITIONS OF THE NOTE; SETTING FORTH THE SUBSTANTIAL FORM OF THE NOTE; AUTHORIZING EXECUTION AND ATTESTATION OF THE NOTE; PROVIDING COVENANTS RELATED TO DEBT SERVICE APPLICABLE TO THE NOTE TO THE EXTENT REQUIRED BY THE ACT; AND PLEDGING THE FULL FAITH, CREDIT AND TAXING POWER OF THE TOWNSHIP IN SUPPORT THEREOF; DESIGNATING THE PAYING AGENT TO BE THE SINKING FUND DEPOSITORY; PROVIDING A COVENANT TO ENSURE PROMPT AND FULL PAYMENT OF AMOUNTS DUE WHEN DUE; AUTHORIZING AND DIRECTING SPECIFIED OFFICERS OF THE TOWNSHIP TO PERFORM CERTAIN SPECIFIED, REQUIRED, NECESSARY OR APPROPRIATE ACTS; TO EFFECT THE ISSUANCE OF THE NOTE, INCLUDING, WITHOUT LIMITATION, THE PREPARATION OF A DEBT STATEMENT AND BORROWING BASE CERTIFICATE, AND THE FILING OF SPECIFIED DOCUMENTS WITH THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT, ALL AS REQUIRED BY THE ACT; DECLARING THAT THE DEBT TO BE EVIDENCED BY THE NOTE, TOGETHER WITH ALL OTHER INDEBTEDNESS OF THE TOWNSHIP, WILL NOT BE IN EXCESS OF ANY APPLICABLE LIMITATION IMPOSED BY THE ACT; AUTHORIZING PROPER OFFICERS OF THE TOWNSHIP TO DELIVER THE NOTE UPON THE APPROVAL OF THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT; SETTING FORTH CERTAIN COVENANTS PRECLUDING THE TOWNSHIP FROM TAKING ACTIONS WHICH WOULD CAUSE THE NOTE TO BECOME "ARBITRAGE BONDS" OR "PRIVATE ACTIVITY BONDS,"

AS THOSE TERMS ARE USED IN THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), AND APPLICABLE REGULATIONS PROMULGATED THEREUNDER; DESIGNATING THE NOTE AS A "QUALIFIED TAX-EXEMPT OBLIGATION" UNDER SECTION 265(b) OF THE CODE; AUTHORIZING THE EXECUTION OF A CONTINUING DISCLOSURE CERTIFICATE AND COVENANTING TO COMPLY WITH THE PROVISIONS THEREOF; PROVIDING WHEN THIS ORDINANCE SHALL BECOME EFFECTIVE; PROVIDING FOR SEVERABILITY OF PROVISIONS; AND REPEALING ALL ORDINANCES OR PARTS OF ORDINANCES INSOFAR AS THE SAME SHALL BE INCONSISTENT HEREWITH.

WHEREAS, the Township of Honey Brook, Chester County, Pennsylvania (the "Township"), is a township organized under the laws of the Commonwealth of Pennsylvania;

WHEREAS, the Township has engaged PFM Financial Advisors, LLC (the "Financial Advisor") to evaluate whether the Township could benefit financially from currently refunding its General Obligation Note, Series of 2008 (the "2008 Note") through the issuance of its General Obligation Note in the maximum amount of Four Million One Hundred Sixty-Seven Thousand Dollars (\$4,167,000) (the "Note");

WHEREAS, the Township, in contemplation of the issuance and sale of its Note, has determined that the Note shall be offered for sale at a private sale by invitation pursuant to the provisions of the Local Government Unit Debt Act, 53 Pa.C.S.A. § 8001 *et seq.*, as reenacted and amended (the "Act") and has determined that a private sale by invitation is in the best financial interests of the Township;

WHEREAS, the Financial Advisor has solicited proposals from a number of lenders to purchase the Note;

WHEREAS, in consultation with the Financial Advisor, the Township has decided to accept the proposal of ACNB Bank (the "Bank" or the "Purchaser") dated October 7, 2016 (the "Bank Proposal") to purchase the Note upon the terms and conditions set forth in the Bank Proposal, including, without limitation, the Township's receipt of approval from the Department of Community and Economic Development of the Commonwealth ("DCED") relating to the incurring of the indebtedness to be evidenced by the Note;

WHEREAS, the Township has heretofore issued its 2008 Note in the aggregate principal amount of Four Million Three Hundred Thousand Dollars (\$4,300,000), of which approximately Three Million Ninety-Six Thousand Dollars (\$3,096,000) remains outstanding;

WHEREAS, the 2008 Note was issued to DNB First, National Association;

WHEREAS, the Township desires to authorize the current refunding of the 2008 Note for the purpose of reducing the total debt service over the life of the 2008 Note; and

WHEREAS, the Note which is being issued to currently refund the 2008 Note will not be outstanding through a maturity date that could not have been included in the issue of the 2008 Note.

NOW, THEREFORE, BE IT ORDAINED AND ENACTED by the Board of Supervisors of the Township of Honey Brook, Chester County, Pennsylvania, and it is hereby ordained and enacted by the authority of the same as follows:

SECTION 1. The Note is being issued for the purpose of currently refunding the 2008 Note and paying the costs and expenses of such current refunding. The Note is being issued as provided in the Act.

SECTION 2. In compliance with Section 8161 of the Act, the Township hereby determines that a private sale by negotiation is in the best financial interests of the Township. Subject to the approval of DCED, the Township hereby accepts the Bank Proposal, a copy of which is attached hereto as Exhibit A. The Chairman of the Board of Supervisors is hereby authorized and directed to accept and execute the Bank Proposal in the name and on behalf of the Township. The Secretary is hereby authorized and directed to attest to such acceptance and execution.

SECTION 3. The Note is nonelectoral debt, as defined in the Act. The capital projects being refinanced by the Note have useful lives in excess of fifteen (15) years.

SECTION 4. The Note is being issued in an amount not to exceed Four Million One Hundred Sixty-Seven Thousand Dollars (\$4,167,000). The Note will bear interest at the fixed rate of 2.58% per annum for the first (1st) ten (10) years of the loan and, thereafter, at a variable rate not to exceed 3.67% until maturity, which is twenty (20) years from the date of the loan, now anticipated to be December 1, 2036. Beginning December 1, 2017, the Township will make annual payments of principal in such amounts as set forth in the Note. The Township will pay accrued interest each June 1st and December 1st, with the first such payment on June 1, 2017. The Note will bear such other terms and conditions as are set forth in the Bank Proposal. The Note is reasonably expected to be substantially similar in form and substance to the Note attached hereto as Exhibit B.

SECTION 5. The Note is expected to be issued on or around December 1, 2016. The Chairman of the Board of Supervisors is hereby authorized to provide the proceeds of the Note to DNB First, National Association, the Paying Agent for the 2008 Note, to be used to satisfy the Township's obligations under the 2008 Note.

SECTION 6. The Note is hereby declared to be a general obligation of the Township. The Township shall include the amount of debt service on the Note for each fiscal year in which such sums are payable in its budget for that year; shall appropriate such amounts to the payment of such debt service; and shall duly and punctually pay or cause to be paid the principal of the Note and the interest thereon at the dates and places and in the manner stated in the Note; for such budgeting, appropriation and payment, the full faith, credit and taxing power of the Township is hereby irrevocably pledged.

SECTION 7. The Note will be executed in the name and under the corporate seal of the Township by the Chairman of the Board of Supervisors and attested to by the Secretary. The Chairman is hereby authorized and directed to deliver the Note to the Purchaser and to receive payment therefrom on behalf of the Township. The Chairman and Secretary are authorized and directed to prepare, verify and file the debt statement required by Section 8110 of the Act and to take other necessary 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.

SECTION 8. In accordance with Section 256(b) of the Internal Revenue Code of 1986, as amended (the "Code"), the Township hereby finds, determines and designates the Note as a "qualified tax-exempt obligation" as defined in Section 265(b)(3)(B) of the Code, for the purposes of Section 265(b) of the Code. The Township determines that it and all entities with which it is aggregated under Section 265(b)(3)(E) of the Code have not issued, and do not reasonably expect to issue, tax-exempt obligations which, in the aggregate, exceed or will exceed Ten Million Dollars (\$10,000,000) during the calendar year of 2016. The Township also determines that it will not engage in any action or inaction which will or may cause the Note to fail or cease to constitute a "qualified tax-exempt obligation" under Section 265(b)(3) of the Code after the date of issuance of the Note.

SECTION 9. There is hereby created and established a sinking fund (the "Sinking Fund") to be known as "Sinking Fund General Obligation Note, Series of 2016" for the payment of the principal and interest on the Note which shall be paid from funds deposited into the Sinking Fund by the Township. The Chairman and Secretary are hereby authorized to contract with Purchaser for its services as "Sinking Fund Depository" for the Note, including as paying agent for the same. The Sinking Fund shall be maintained until the Township's obligations to the Purchaser under the Note are satisfied in full. The Township will ensure that the Sinking Fund Depository shall withdraw the appropriate amounts from the Sinking Fund to apply to payments due to the Purchaser under the Note when due and without further action required by the Township.

SECTION 10. The Township covenants to and with the holders from time to time of the Note that the Township: (i) shall include in its budget in each fiscal year the amount of the debt service for the Note for each fiscal year of the Township in which sums are payable under the Note, (ii) shall appropriate from its general revenues in each such fiscal year the amount required to pay debt service on the Note for such year, and (iii) shall duly and punctually pay or cause to be paid from its sinking fund or any of its other revenues or funds the principal amount of the Note and the interest due thereon at the dates and place and in the manner stated in the Note. For such budgeting, appropriation and payment the Township shall and does pledge, irrevocably, its full faith, credit and taxing power. As provided in Section 8104 of the Act, the foregoing covenant of the Township shall be enforceable specifically.

SECTION 11. It is hereby declared that the debt to be evidenced by the Note, together with all other indebtedness of the Township, is not in excess of any applicable limitation imposed by the Act upon the incurring of debt by the Township.

SECTION 12. The Township covenants to and with the holders of the Note that it will make no use of the proceeds of the Note or do or suffer any other action which, if such use or action had been reasonably expected on the date of issue of the Note, would cause the Note to be an "arbitrage bond" or "private activity bond" as those terms are defined in Sections 141 and 148 of the Code and the applicable regulations thereunder. The Township further covenants that it will comply with the requirements of Sections 141 and 148 of the Code throughout the term of the Note. In addition, the Chairman of the Board of Supervisors is hereby authorized and directed to execute and deliver, in the name of and on behalf of the Township, any and all documents or other instruments which Note Counsel may reasonably request in connection with the providing of its opinion that the Note is not an "arbitrage bond" or "private activity bond" as aforementioned.

SECTION 13. The action of the proper officers in connection with the Note and the advertising of this Ordinance as required by law in the *Daily Local News*, a newspaper of general circulation, is ratified and confirmed. An advertisement publishing the enactment of this Ordinance will be published in the *Daily Local News* within fifteen (15) days following the date hereof.

SECTION 14. The Chairman of the Board of Supervisors and Secretary of the Township are hereby further authorized to execute and deliver such other documents and take any and all other action as may be necessary or proper to effect the completion of the financing or the intent and purposes of this Ordinance, including, without limitation, to take any and all action necessary to cause the 2008 Note to "no longer be deemed to be outstanding" as of the date of delivery of the Note, within the meaning and for the purposes of Section 8250 of the Act and to cause the redemption of all of the 2008 Note on or before December 1, 2016.

SECTION 15. In the event any provision, section, sentence, clause or part of this Ordinance shall be held to be invalid, such invalidity shall not affect or impair any remaining provision, section, sentence, clause or part of this Ordinance, it being the intent of the Township that the remainder of this Ordinance shall remain in full force and effect.

SECTION 16. All ordinances or parts of ordinances not in accord with this Ordinance are hereby repealed insofar as they conflict herewith.

SECTION 17. This Ordinance shall be effective in accordance with Section 8003 of the Act.

DULY ORDAINED AND ENACTED as an Ordinance of the Township of Honey Brook,
Chester County, on this 12th day of October, 2016.



TOWNSHIP OF HONEY BROOK,
Chester County, Pennsylvania

By: Jim Gher
Chairman

Attest: [Signature]
Secretary

Exhibit A

October 7, 2016



Honey Brook Township
500 Suplee Rd,
Honey Brook PA 19344

RE: Request for Proposal

Dear Board of Supervisors:

I am pleased to submit for Honey Brook Township's (Township) consideration, ACNB Bank's (Bank) proposal for a General Obligation Note Series of 2016. Proceeds from the Note will be used to refinance all or a portion of principal on the Township's General Obligation Note 2008 and to pay for the costs of issuing the Note. The Bank's terms and conditions are stated within this proposal letter.

The Note, in registered form, will be in the form of a Bank Loan, in an amount not to exceed \$ 4,167,000. The Note will be structured as a Term Loan. The Township will have the following term options: 1. estimated term of approximately eighteen years (18 years), maturity December 1, 2034; 2. estimated term of approximately twenty (20 years), maturity December 1, 2036. The Note will have a tax status of tax-exempt and bank qualified. Settlement will occur at the convenience of all parties on or around November 22, 2016, at which time all funds will be disbursed.

INTEREST RATE:

2.26% (3.42% taxable) fixed for approximately five years, ending December 1, 2021, thereafter, variable, indexed to 66% of the current Wall Street Journal Prime (taxable rate would be Wall Street Journal Prime). After the expiration of the fixed rate term, the Note would have a cap of 3.67% (5.56% taxable);

2.39% (3.62% taxable) fixed for approximately seven years, ending December 1, 2023, thereafter, variable, indexed to 66% of the current Wall Street Journal Prime (taxable rate would be Wall Street Journal Prime). After the expiration of the fixed rate term, the Note would have a cap of 3.67% (5.56% taxable);

2.58% (3.91% taxable) fixed for approximately ten years, ending December 1, 2026, thereafter, variable, indexed to 66% of the current Wall Street Journal Prime (taxable rate would be Wall Street Journal Prime). After the expiration of the fixed rate term, the Note would have a cap of 3.67% (5.56% taxable);

Interest on the Note shall be calculated on the basis of a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months;

The Township's Note Counsel will deliver a legal opinion confirming the exclusion of interest from gross income for Federal and State purposes under Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended;

If at any time or from time to time after the date of the Note it shall be determined that the treatment of interest by the Bank or any participant no longer qualifies as tax-exempt and bank qualified, then the Bank, in its discretion, may increase the interest rate payable on the Note to the "Taxable Rate" (as stated in the Interest Rate" section of the Note), which Taxable Rate may, at the discretion of the Bank, be made applicable retroactive to the date of issuance of the Note or the date the Note is determined to no longer be tax-exempt and bank qualified. In addition, in the event such Internal Revenue Service action shall require the Bank or any participant in the Note to pay Federal income taxes on interest received prior to the date the Taxable Rate becomes effective, or shall disallow the Bank's allocable interest expense under Section 265 (b)(3)B of the Code with respect to the Note, in the discretion of the Bank, and within 90 days after its demand therefore, the Township shall pay, during such period, as additional interest, an amount equal to the difference between the interest made subject to Federal income taxation by such IRS Action or disallowed under Section 265 (b)(3)B of the Code. The obligation under the immediately preceding sentence shall survive payment in full of the Note. Under no circumstances shall the Bank be obligated to refund or return to the Township any interest paid by the Township.

AMORTIZATION:

During the term of the loan, accrued interest will be payable semiannually on June 1 and December 1, commencing on June 1, 2017.

Principal of the Note shall be fully amortized over the term of the loan by annual principal payments each December 1, commencing on December 1, 2017;

COLLATERAL:

The Note will be issued by the Township pursuant to and secured by an ordinance duly enacted by the Township (the "Ordinance"). The Note shall be a general obligation of the Township, payable from general taxes and other general revenues of the Township. The Township shall covenant in the Ordinance that it will include in its budget for each fiscal year the amount of the debt service for that year of the Township in which principal and/or interest on the Note is payable, that it will appropriate from its general revenues in each such year, the amount of the debt service on the Note for such year, and will duly pay or cause to be paid when due the principal of and interest due on the Note. For such budgeting, appropriation and payment, the Township shall irrevocably pledge its full faith, credit and taxing power.

LOAN DOCUMENTS:

The Township's Note Counsel, shall prepare the Ordinance, including the form of Note, embodying the terms of this commitment letter and Term Sheet, dated September 16, 2016, and include any and all documents, opinions, and agreements required to evidence compliance with the Pennsylvania Local Government Unit Debt Act, the Internal Revenue Code and other appropriate statutes, regulations and judicial decisions, including an opinion certifying that the Bond is being issued as "qualified tax-exempt, bank qualified as defined in Section 265 (b)(3)B of the IRC.

Note Counsel shall supply the Bank with drafts of all of the loan documents and resolutions for review and approval no less than one week prior to any scheduled loan settlement.

Payment for such services by the Township's Note Counsel shall be the responsibility of the Township;

CLOSING DOCUMENTS:

At settlement, Township shall furnish to the Bank:

An Opinion of the Township's Note Counsel and/or Solicitor, substantially to the effect that: 1.) the Township has the right and power under the laws of the Commonwealth of Pennsylvania to enact the Ordinance and to issue the Note; 2.) the Ordinance has been duly and lawfully enacted by the Board of Supervisors of the Township in accordance with applicable laws and the Ordinance has not been amended, modified or repealed since the date of its enactment and is in full force and effect on the date of delivery of the Note; 3.) under existing laws of the Commonwealth of Pennsylvania, the interest on the Note is free from Pennsylvania personal income taxation and Pennsylvania corporate net income taxation, but such exemption does not extend to gift, estate, succession or inheritance taxes or any other taxes not levied or assessed directly on the Note or the interest thereon; 4.) interest on the Note is excluded from gross income for purposes of federal income taxation under existing statutes, regulations, rulings, and court decisions, subject to the condition that the Township complies with all applicable federal income tax law requirements that must be satisfied subsequent to the issuance of the Note in order that the interest thereon continues to be excluded from gross income for purposes of federal income taxation; and 5.) the Note has been duly authorized and executed by the Township and is a valid, binding and enforceable general obligation of the Township;

A certificate of appropriate officers of the Township and an opinion of the Township Solicitor, substantially to the effect that no litigation of any nature is pending or, to the knowledge of the signer, threatened: 1) seeking to restrain or enjoin or restraining or enjoining: (a) execution and delivery by the Township of the documents evidencing and securing the Note; or (b) execution, authentication, issuance, deliver or sale of the Note; or 2) otherwise affecting the ability of the Township to carry out the terms, provisions,

covenants and agreements contained in the Ordinance; or 3) in any manner affecting or questioning proceedings and authority of the Township for execution, issuance, delivery or sale of the Note; or 4) affecting, directly or indirectly, or questioning: (a) the validity of the Note; or (b) the creation, organization and existence of the Township; or 5) affecting the ability of the Township to undertake and to complete the projects to be financed with proceeds of the Note;

Approval of the Pennsylvania Department of Community and Economic Development to issue and deliver the Note, in compliance with the Pennsylvania Local Government Unit Debt Act, as amended (the Act); and

Such other documents, certificates and instruments as shall be required by Note Counsel to evidence compliance with, or to comply with, the provisions of the Code, and applicable regulations thereunder, with respect to the exclusion of interest payable on the Note from gross income for federal income tax purposes;

OTHER TERMS AND CONDITIONS:

The principal of and interest on the Note shall be payable to the ACNB Bank, Gettysburg Pennsylvania, in any coin or currency of the United States which, at the respective times of payment, is legal tender for the payment of public and private debts;

Prepayment:

The principal amount of the Note shall be subject to prepayment prior to maturity, at the option of the Township, as a whole or, from time to time, in part, on any date, upon payment of the principal amount to be redeemed together with accrued interest thereon to the date fixed for prepayment and without any premium or penalty. Any partial prepayment of principal may be credited against such stated installments of principal on the Note as the Township may designate in writing to the Bank at the Time of prepayment; otherwise a partial prepayment shall be applied against the principal installments last, by date, due and payable;

Event of Default:

In an Event of Default, ACNB Bank shall have such rights as may be vested in such registered owner by the provisions of the Local Government Unit Debt Act;

Fees:

By accepting this commitment, Township agrees to pay all fees stated in this proposal in connection with this transaction. Township shall pay the following fees at settlement including the following:

Bank/Attorney Fees: \$ 4,500

Financial Information:

Township shall furnish the Bank with CPA-prepared financial statements in the form of audited statement when available, as well as other information that the Lender shall reasonably request;

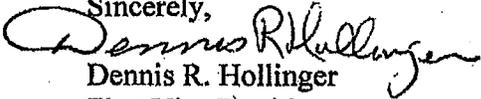
It is understood and agreed that all covenants and obligations contained in this proposal shall survive the execution of the Township's Note and related loan documents, and shall continue in full force and effect until the loan has been repaid in full. There are no other agreements and any modifications of this proposal shall be in writing and agreed to by all parties. To the knowledge of the Township, no action, suit or proceeding is pending or threatened wherein an unfavorable disposition could materially adversely affect the loan or the property, assets, operations, or financial condition of the Township. This commitment is not assignable by the Township;

The Bank will retain Eugene E. Pepinsky, Jr. Esquire as our legal counsel. Mr. Pepinsky is a partner with the law firm of Keefer Wood Allen & Rahal, LLP;

The Bank acknowledges that the Township reserves the right to reject any and all proposals received in connection with this request for proposals;

This commitment is valid until October 20, 2016, unless accepted;

We at ACNB Bank appreciate the opportunity to provide our financial services to the Honey Brook Township. Should any questions arise after review of this proposal, please free to contact me my phone at 339-5010. We look forward to your favorable response to our proposal.

Sincerely,

Dennis R. Hollinger
First Vice President
Sr. Government Banking Officer

ACCEPTANCE

Date

Name

Title

Name

Title

OPTION 1
FORM OF PROPOSAL
Honey Brook Township
General Obligation Bond, Series of 2016
(Tax-Exempt)

The Bank (the "Bank" or "Lender") hereby agrees to the purchase of the General Obligation Bond, Series of 2016 (the "Bond"), to be issued by the Honey Brook Township, Chester County, Pennsylvania (the "Township") in the proposed principal amount of \$3,867,000 subject to the terms and conditions set forth in the term sheet dated September 16, 2016 (the "Term Sheet"), which is attached hereto and incorporated herein by this reference. The final aggregate principal amount of any one maturity or the entire issue itself shall not differ from the original principal amount of any one maturity or the entire issue itself as presented on the Preliminary Bond Amortization Schedule by more than \$300,000. The Bank agrees to be legally bound to such terms from the date of the Form of Proposal to the Closing Date of the Bond.

Interest Rate. The Township shall only consider proposals which clearly express the rate of interest and/or the method of setting such rate of interest and the maximum rate of interest to be charged during the full term of the Bond. Therefore, the Bank must respond to I or II or III or IV below, or any combination, if the Bank wishes to provide an option.

I. Fixed Rate of Interest

A fixed rate of interest for the term of the Bond equal to NA_per anum.

and/or

II. Variable Rate of Interest - (5 Year Fixed Rate, Variable Rate Thereafter)

Initial Interest Rate: The initial interest rate on the Bond shall be 2.26% (3.42% taxable) for a period of approximately five years, ending December 1, 2021.

Interest Rate Reset: After the initial fixed interest rate period, the rate shall be reset at 66 % of the Wall Street Journal Prime (Prime) (taxable rate will be Wall Street Journal Prime).

and/or

III. Variable Rate of Interest - (7 Year Fixed Rate, Variable Rate Thereafter)

Initial Interest Rate: The initial interest rate on the Bond shall be 2.39% (3.62% taxable) for a period of approximately seven years, ending December 1, 2023.

Interest Rate Reset: After the initial fixed interest rate period, the rate shall be reset at 66 % of the Wall Street Journal Prime (Prime) (taxable rate will be Wall Street Journal Prime).

and/or

IV. Variable Rate of Interest - (10 Year Fixed Rate, Variable Rate Thereafter)

Initial Interest Rate: The initial interest rate on the Bond shall be 2.58% (3.91% taxable) for a period of approximately ten years, ending December 1, 2026.

Interest Rate Reset: After the initial fixed interest rate period, the rate shall be reset at 66% of the Wall Street Journal Prime (Prime) (taxable tax will be Wall Street Journal Prime).

Maximum Tax-Free Interest Rate for Options II through IV 3.67%

Maximum Taxable Interest Rate for all options (only in the event of change in tax status) 5.56%

Cost & Expenses.

The Bank shall request the reimbursement of its lender fees, subject to a maximum of \$ 4,500.

OPTION 2
FORM OF PROPOSAL
Honey Brook Township
General Obligation Bond, Series of 2016
(Tax-Exempt)

The Bank (the "Bank" or "Lender") hereby agrees to the purchase of the General Obligation Bond, Series of 2016 (the "Bond"), to be issued by the Honey Brook Township, Chester County, Pennsylvania (the "Township") in the proposed principal amount of \$3,867,000 subject to the terms and conditions set forth in the term sheet dated September 16, 2016 (the "Term Sheet"), which is attached hereto and incorporated herein by this reference. The final aggregate principal amount of any one maturity or the entire issue itself shall not differ from the original principal amount of any one maturity or the entire issue itself as presented on the Preliminary Bond Amortization Schedule by more than \$300,000. The Bank agrees to be legally bound to such terms from the date of the Form of Proposal to the Closing Date of the Bond.

Interest Rate. The Township shall only consider proposals which clearly express the rate of interest and/or the method of setting such rate of interest and the maximum rate of interest to be charged during the full term of the Bond. Therefore, the Bank must respond to I or II or III or IV below, or any combination, if the Bank wishes to provide an option.

I. Fixed Rate of Interest

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and/or

II. Variable Rate of Interest - (5 Year Fixed Rate, Variable Rate Thereafter)

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and/or

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Initial Interest Rate: The initial interest rate on the Bond shall be 2.39% (3.62% taxable) for a period of approximately seven years, ending December 1, 2023.

Interest Rate Reset: After the initial fixed interest rate period, the rate shall be reset at 66 % of the Wall Street Journal Prime (Prime) (taxable rate will be Wall Street Journal Prime).

and/or

IV. Variable Rate of Interest - (10 Year Fixed Rate, Variable Rate Thereafter)

Initial Interest Rate: The initial interest rate on the Bond shall be 2.58% (3.91% taxable) for a period of approximately ten years, ending December 1, 2026.

Interest Rate Reset: After the initial fixed interest rate period, the rate shall be reset at 66% of the Wall Street Journal Prime (Prime) (taxable rate will be Wall Street Journal Prime).

Maximum Tax-Free Interest Rate for Options II through IV 3.67%

Maximum Taxable Interest Rate for all options (only in the event of change in tax status) 5.56%

Cost & Expenses.

The Bank shall request the reimbursement of its lender fees, subject to a maximum of \$ 4,500.

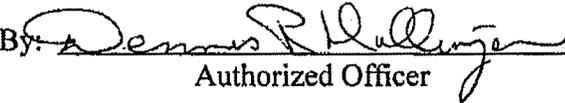
The Bank acknowledges that the Township reserves the right to reject any and all proposals received in connection with this request for proposals.

Date: October 7, 2016

Respectfully submitted,

ACNB Bank

[Name of Bank]

By: 
Authorized Officer

Dennis R. Hollinger

[typed or printed name of officer]

Address:

100 V Twin Dr

[Address for Correspondence]

Gettysburg PA. 17325

Tel. No. 717.339.5010

[Telephone Number]

Fax No. 717.502.8910

[Fax Number]

E-mail dhollinger@acnb.com

ACCEPTED this ___ day of _____, 2016

HONEY BROOK TOWNSHIP

By: _____
Authorized Officer

Exhibit B

**TOWNSHIP OF HONEY BROOK
CHESTER COUNTY, PENNSYLVANIA**

GENERAL OBLIGATION NOTE, SERIES OF 2016

Amount: \$3,855,000

Date: November 22, 2016

FOR VALUE RECEIVED, THE TOWNSHIP OF HONEY BROOK, CHESTER COUNTY, PENNSYLVANIA, a local government unit existing by and under the laws of the Commonwealth of Pennsylvania (the “**Maker**”), promises to pay to the order of ACNB BANK, a Pennsylvania financial institution with offices at 16 Lincoln Square, Gettysburg, Pennsylvania 17325 (the “**Payee**”), at the address set forth above or at any other place as the Payee may from time to time designate in writing, the maximum principal amount of **THREE MILLION EIGHT HUNDRED FIFTY-FIVE THOUSAND AND NO/100 DOLLARS (\$3,855,000.00)**, together with interest thereon at the rates hereinafter provided, payable in United States currency.

1. Definitions. As used herein, the following terms shall have the meanings indicated unless the context clearly otherwise requires:

“**Code**” – shall mean the Internal Revenue Code of 1986, as amended, and the regulations heretofore and hereafter promulgated thereunder, or any successor statute and any future amendments to the Internal Revenue Code of 1986 or any successor statute.

“**Maturity**” – December 1, 2036.

“**Payee**” – shall mean the Payee identified above and its assigns.

2. Interest.

a. Tax-Exempt Rate. Commencing on the date of advance and continuing until December 1, 2026, the outstanding principal balance will bear interest at the fixed rate of 2.58%. Thereafter, the outstanding principal balance will bear interest at a variable rate equal to 66% of the then current Wall Street Journal Prime Rate, provided, however that the variable rate shall not exceed 3.67%.

b. Taxable Rate. If at any time or from time to time after the date of the Note it shall be determined that the treatment of interest by the Payee or any participant no longer qualifies as tax-exempt and bank qualified, then the Payee, in its discretion, may increase the interest rate payable on the Note to the taxable rate set forth below, which taxable rate may, at the discretion of the Payee, be made applicable retroactive to the date of issuance of the Note or the date the Note is determined to no longer be tax-exempt and bank qualified. In addition, in the event such Internal Revenue Service action shall require the Payee or any participant in the Note to pay Federal income taxes on interest received prior to the date the taxable rate becomes effective, or shall disallow the Payee’s allocable interest expense under Section 265 (b)(3)B of the Code with respect to the Note, in the discretion of the Payee, and within ninety (90) days after its demand therefore, the Maker shall pay, during such period, as additional interest, an

amount equal to the difference between the interest made subject to Federal income taxation or disallowed under Section 265 (b)(3)B of the Code. The obligation under the immediately preceding sentence shall survive payment in full of the Note. Under no circumstances shall the Payee be obligated to refund or return to the Maker any interest paid by the Maker. The taxable rate shall be 3.91% prior to December 1, 2026 and, thereafter, shall be a variable rate equal to the then current Wall Street Journal Rate, provided, however that the variable taxable rate shall not exceed 5.56%.

c. Computation. Interest shall be calculated on the basis of a year of three hundred sixty (360) days comprised of twelve (12) months of thirty (30) days each.

3. Payment.

a. Commencing December 1, 2017 and continuing on each December 1st thereafter until and including Maturity, the Maker will pay to the Payee annual principal payments in the amounts set forth on the schedule attached hereto as Exhibit A.

b. Commencing June 1, 2017 and continuing on each December 1st and June 1st thereafter until and including Maturity, the Maker will pay to the Payee semi-annual payments of accrued interest.

c. The Maker will pay the Payee the outstanding principal balance, accrued interest, late charges, and other amounts due under this Note no later than Maturity.

d. Except as otherwise set forth expressly herein, all payments shall be applied first to payment in full of any costs incurred in the collection of any sum due under this Note, including (without limitation) reasonable attorneys' fees, then to the payment in full of accrued, unpaid interest and finally to the reduction of the unpaid principal balance of this Note.

e. All payments of principal and/or interest and other sums due under this Note shall be payable to Payee at P.O. Box 3129, Gettysburg, Pennsylvania 17325; provided, however, that the foregoing may be changed, from time to time, by the Payee upon prior delivery to the Maker of substitute instructions.

f. All principal, interest and other sums due under this Note shall be paid in lawful money of the United States of America in immediately available funds which, at the time of payment, shall be legal tender for the payment of all debts, public and private.

g. The principal amount of the Note shall be subject to prepayment, prior to maturity, at the option of Maker, as a whole or, from time to time, in part, on any date, upon payment of the principal amount to be redeemed together with interest accrued thereupon to the date fixed for prepayment and without any premium or penalty. Any partial prepayment of principal may be credited against such stated installments of principal on the Note as the Maker may designate in writing to Payee at the time of prepayment; otherwise, a partial prepayment shall be applied against the principal installment last, by date, due and payable.

4. Security for Note. This Note is secured by the full faith, credit and taxing power of the Maker, as set forth in the Maker's Ordinance No. 2016-_____ dated October 12, 2016.

5. Events of Default. Any of the following events shall constitute an "Event of Default" under this Note:

a. the Maker's failure to pay any installment of principal and/or interest or any other sum due under this Note, or any other amount payable to the Payee whether under this Note or pursuant to any other instrument evidencing an obligation of the Maker to pay the Payee, within fifteen (15) days after the same shall become due and payable;

b. any representation or warranty made by the Maker in this Note or in any other loan document, or in any certificate, financial statement or other statement furnished at any time under or in connection with this Note, shall prove to be false or misleading in any material respect as of the date when made;

c. failure by the Maker to observe or perform any other covenants, conditions or provisions contained in this Note or in any other loan document;

d. the Maker's failure to cure any default of this Note, other than as described in Section 5(a), within fifteen (15) days after the Payee gives notice of such default to the Maker; provided, however, that if such failure is of such nature that it can be corrected, but not within such period, the same shall not constitute an Event of Default so long as the Payee's interests shall not be prejudiced and the Maker institutes corrective action within such fifteen (15) day period and is diligently pursuing the same.

6. Remedies. At any time after occurrence of an Event of Default, the Payee may, at the Payee's option and sole discretion and, except as expressly set forth in this Section, without notice or demand, do any one or more of the following, to the extent permitted under the Local Government Unit Debt Act (the "**Debt Act**"), together with such other remedies available to the Payee under the Debt Act:

a. without declaring the unpaid principal balance to be due, collect all installments of interest and all other sums due under this Note, from time to time, by any action provided in this Note;

b. declare the entire unpaid principal balance of this Note, together with interest accrued thereon (at the applicable rate or rates provided above) and all other sums due from the Maker under this Note to be due and payable immediately; and

c. exercise any other right or remedy as may be provided in this Note or which is provided at law or in equity.

7. Remedies Cumulative. The rights and remedies provided to the Payee herein: (a) are not exclusive and are in addition to any other rights and remedies the Payee may have at law or in equity, including under the Debt Act, (b) shall be cumulative and concurrent, (c) may be pursued singly, successively or together against the Maker, and/or any collateral secured by Payee at the sole discretion of the Payee, and (d) may be exercised as often as occasion therefor shall arise. The failure to exercise or delay in exercising any such right or remedy shall not be construed as a waiver or release thereof.

8. Maker's Waivers. The Maker hereby waives presentment for payment, demand, notice of demand, notice of nonpayment or dishonor, protest and notice of protest of this Note, and all other notices not expressly provided for in this Note in connection with the delivery, acceptance, performance, default, or enforcement of the payment of this Note.

9. Maker Representations and Warranties. The Maker represents and warrants to the Payee that:

a. Organization and Qualification. The Maker is a Township duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania. Maker is a "local government unit" as defined in the Debt Act.

b. Power and Authority. The Maker has the corporate power to execute, deliver and perform this Note, including, without limitation, to borrow the amount evidenced by this Note and to create the security interests provided in this Note. The Maker has taken all necessary corporate action to authorize the transactions contemplated hereunder on the terms and conditions of this Note. The Maker has received the approval of the Pennsylvania Department of Community and Economic Development to issue this Note to the Payee and has complied with all of the terms and conditions of the Debt Act.

c. Enforceability. This Note constitutes the valid obligation of the Maker, legally binding upon it and enforceable in accordance with its terms, except as enforceability of the foregoing may be limited by any Bankruptcy Law and the availability of equitable remedies.

d. Conflict with Other Instruments. The execution, delivery and performance of this Note will not violate or contravene: (i) any provision of any existing law or regulation or decree of any court, governmental authority, bureau or agency having jurisdiction in or over the Maker or any of its properties or assets; (ii) organizational documents of the Maker; or (iii) any mortgage, indenture, security agreement, contract, undertaking or other agreement to which the Maker is a party or that purports to be binding upon it or any of its properties or assets.

e. Litigation. There are no actions, suits or proceedings before any court or governmental department or agency (whether or not purportedly on behalf of the Maker) pending or, to the knowledge of the Maker, threatened: (i) with respect to any of the transactions contemplated by this Note or (ii) against or affecting the Maker or any of its properties that, if adversely determined, would have a material adverse effect upon the financial condition, business or operations of the Maker or its ability to make payments under this Note.

f. Financial Condition. All balance sheets, profit and loss statements, and other financial statements of the Maker which have heretofore been delivered to the Payee in anticipation of the Payee's purchase of this Note, and all financial statements and data of the Maker that will hereafter be furnished to the Payee after the Payee's purchase of this Note, are or will be (when furnished) true and correct and do or will (when furnished) present fairly, accurately and completely the consolidated financial position of the Maker and the results of its operations as of the dates and for the periods for which the same are furnished. There has been no material adverse change in the business, properties, operations or condition (financial or otherwise) of the Maker since the date of the financial statements that were most recently furnished by the Maker to the Payee. No event has occurred that could reasonably be expected to interfere substantially with the normal business operations of the Maker, except as disclosed in writing to the Payee heretofore or concurrently herewith.

g. Use of Proceeds. The Note will be used for and towards the current refunding of: (i) that certain Township of Honey Brook, Chester County, Pennsylvania General Obligation Note, Series of 2008; and (ii) the payment of issuance costs and expenses related to the issuance of the Note.

h. Qualified Tax Exempt Designation. The Maker has designated this Note as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3)(B) of the Code.

10. Tax Covenant. The Maker will make no use of the proceeds hereof or do or suffer any other action which, if such use or action has been reasonably expected on the date of issuance hereof would cause this Note to be an "arbitrage bond" or a "private activity bond" as those phrases are defined in Sections 103(b)(2), 141 and 148 of the Code, and the regulations applicable thereto.

11. Additional Covenants. In addition to the other covenants set forth herein, Maker covenants to:

a. Annual Financial Statement. Provide the Payee with a copy of its annual audited corporate financial statements within one hundred eighty (180) days of the end of Maker's fiscal year, as prepared by an independent outside accounting firm.

b. Additional Requested Information. Provide the Payee with such additional information or operating reports as are reasonably requested by the Payee.

12. Miscellaneous.

a. Time of Essence. Time is of the essence of each and every provision of this Note.

b. Successors and Assigns. The provisions of this Note shall bind and inure to the benefit of the Payee and the Maker and their respective successors and permitted assigns. The Maker may not assign its rights or delegate its duties under this Note without the written

consent of the Payee, which consent the Payee shall not be obligated to provide.

c. Number and Gender. As to all pronouns and other terms in this Note, the singular shall include the plural and vice versa and any gender shall include the other gender, as the context may require.

d. Amendment of Note. This Note may be modified, amended, discharged or waived only by an agreement in writing signed by the party against whom enforcement of any such modification, amendment, discharge or waiver is sought.

e. Governing Law. This Note shall be governed by and construed according to the internal domestic laws (not including the conflict of laws provision) of the Commonwealth of Pennsylvania.

f. Notice. All notices, requests, demands and other communications given pursuant to any provision of this Note shall be given in writing by hand delivery or by U.S. mail with return receipt requested and postage prepaid, addressed to the party for which it is intended at the address of that party first stated above or such other address of which that party shall have given notice in the manner provided herein. Notice shall be deemed to have been given when the notice is deposited in the mail or, in the case of hand delivery, upon the actual delivery thereof.

IN WITNESS WHEREOF, and intending to be legally bound, Maker has executed this Note under seal the day and year first written above.

EXHIBIT A

PRINCIPAL AMORTIZATION SCHEDULE

HONEY BROOK TOWNSHIP SERIES OF 2016 MAXIMUM SCHEDULE

<u>Date</u>	<u>Principal</u>	<u>Max Rate</u>	<u>Interest</u>	<u>Semi-Annual Debt Service</u>	<u>Fiscal Year Debt Service</u>
FY 2016					
6/1/2017		3.6700	110,073.88	110,073.88	
12/1/2017	154,000	3.6700	104,045.29	258,045.29	368,119.17
6/1/2018		3.6700	100,429.05	100,429.05	
12/1/2018	160,000	3.6700	99,635.38	259,635.38	360,064.43
6/1/2019		3.6700	95,902.35	95,902.35	
12/1/2019	165,000	3.6700	95,101.98	260,101.98	356,004.32
6/1/2020		3.6700	91,270.50	91,270.50	
12/1/2020	169,000	3.6700	90,463.41	259,463.41	350,733.90
6/1/2021		3.6700	86,551.81	86,551.81	
12/1/2021	173,000	3.6700	85,738.03	258,738.03	345,289.84
6/1/2022		3.6700	81,746.33	81,746.33	
12/1/2022	178,000	3.6700	80,925.85	258,925.85	340,672.18
6/1/2023		3.6700	76,835.71	76,835.71	
12/1/2023	183,000	3.6700	76,008.53	259,008.53	335,844.23
6/1/2024		3.6700	71,819.94	71,819.94	
12/1/2024	187,000	3.6700	70,986.04	257,986.04	329,805.98
6/1/2025		3.6700	66,717.33	66,717.33	
12/1/2025	192,000	3.6700	65,876.74	257,876.74	324,594.07
6/1/2026		3.6700	61,509.59	61,509.59	
12/1/2026	185,000	3.6700	60,662.29	245,662.29	307,171.88
6/1/2027		3.6700	56,416.89	56,416.89	
12/1/2027	179,000	3.6700	55,562.90	234,562.90	290,979.79
6/1/2028		3.6700	51,420.90	51,420.90	
12/1/2028	185,000	3.6700	50,560.20	235,560.20	286,981.10
6/1/2029		3.6700	46,301.38	46,301.38	
12/1/2029	192,000	3.6700	45,433.98	237,433.98	283,735.36
6/1/2030		3.6700	41,040.01	41,040.01	
12/1/2030	199,000	3.6700	40,165.91	239,165.91	280,205.92
6/1/2031		3.6700	35,636.80	35,636.80	
12/1/2031	207,000	3.6700	34,756.00	241,756.00	277,392.80
6/1/2032		3.6700	30,073.39	30,073.39	
12/1/2032	214,000	3.6700	29,185.88	243,185.88	273,259.27
6/1/2033		3.6700	24,368.10	24,368.10	
12/1/2033	221,000	3.6700	23,473.89	244,473.89	268,841.99
6/1/2034		3.6700	18,520.97	18,520.97	
12/1/2034	228,000	3.6700	17,620.06	245,620.06	264,141.02
6/1/2035		3.6700	12,531.99	12,531.99	
12/1/2035	238,000	3.6700	11,624.38	249,624.38	262,156.36
6/1/2036		3.6700	6,346.11	6,346.11	
12/1/2036	246,000	3.6700	5,431.78	251,431.78	257,777.89
TOTALS	3,855,000		2,308,771.52	6,163,771.52	6,163,771.52