

**Resolution 2-17
Resolution Relating to Post-Issuance
Tax Compliance Procedures for
Conduit Tax-Exempt Obligations**

RESOLUTION

A RESOLUTION of the Council of The Commissioners of Leonardtown approving the substantially final form of, and authorizing and directing certain officials to finalize and execute, on behalf of The Commissioners of Leonardtown, a Maryland municipal corporation, written post-issuance tax compliance procedures for conduit tax-exempt obligations that are designed to ensure compliance with applicable post-closing provisions of the Internal Revenue Code of 1986, as amended, and related U.S. Treasury Regulations; and determining various matters in connection therewith.

RECITALS

WHEREAS, The Commissioners of Leonardtown, a Maryland municipal corporation (the "Town"), has from time to time issued, and expects in the future to issue, conduit obligations of various types the interest on which is expected to be excludable from gross income for federal income tax purposes under the provisions of the Internal Revenue Code of 1986, as amended (the "Tax Code"), and related U.S. Treasury Regulations; and

WHEREAS, the Internal Revenue Service has strongly recommended that issuers of tax-exempt obligations in the nature of conduit revenue obligations or other conduit obligations put in place written procedures designed to address post-issuance compliance with provisions of the Tax Code and the related U.S. Treasury Regulations; and

WHEREAS, the Town has been asked to issue tax-exempt conduit revenue bonds in one or more series (the "2017 Conduit Bonds") and to loan the proceeds thereof to St. Mary's Ryken, Inc. (the "School") in order to (i) refund the outstanding principal balance of certain conduit revenue obligations the Town issued for the benefit of the School in 2009, (ii) finance or refinance costs of additional projects on the School's campus and (iii) pay or fund costs of issuance, reserves and other costs permitted under the Maryland Economic Development Revenue Bond Act; and

WHEREAS, bond counsel to the Town has recommended that the Town adopt written post-issuance compliance procedures with respect to tax-exempt obligations issued by the Town for conduit issues, which procedures will apply to the 2017 Conduit Bonds and future conduit tax-exempt obligations of the Town.

NOW, THEREFORE BE IT RESOLVED by the Council of the Town of Leonardtown as follows:

Section 1. The Recitals to this Resolution are incorporated by reference in and made a substantive part of this Resolution. Capitalized terms used in the Sections of this Resolution and not otherwise defined therein shall have the meanings given to such terms in the Recitals to this Resolution.

Section 2. The substantially final form of the Post-Issuance Tax Compliance Procedures for Conduit Tax-Exempt Obligations attached hereto as Exhibit A (the "Procedures") are hereby approved, and the Mayor, the Town Administrator and the Treasurer, on behalf of the Town, working with bond counsel to the Town, are hereby authorized and directed to make and approve changes thereto in order to conform the same to actual or recommended Town practices, to correct typographical or grammatical errors, to cure ambiguities and inconsistencies, or to conform to applicable law as advised by bond counsel to the Town, and to execute the final form of the Procedures on behalf of the Town. The approval of the final form of the Procedures by the Mayor, the Town Administrator and the Treasurer shall be evidenced conclusively by their signatures thereon. The final Procedures shall be maintained in the records of the Town but need not be filed in any court records. All appropriate officials and employees of the Town are hereby authorized, directed and empowered to comply with the Procedures with respect to the 2017 Conduit Bonds and any other obligations of the Town that become subject to the Procedures.

Section 3. This Resolution shall take effect immediately upon adoption.

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INTRODUCED this 13th day of February, 2017, and
ADOPTED this 13th day of February, 2017.

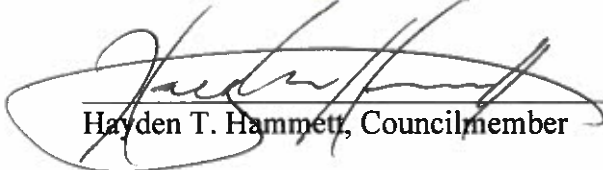
ATTEST:

COUNCIL:

Laschelle E. McKay
Laschelle E. McKay, Town Administrator
(SEAL)

Leslie E. Roberts
Leslie E. Roberts, Vice President


Thomas M. Combs, Councilmember


Hayden T. Hammett, Councilmember


J. Maguire Mattingly IV, Councilmember

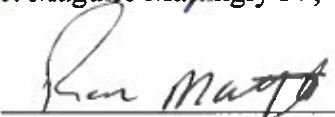

Roger L. Mattingly, Councilmember

EXHIBIT A

SUBSTANTIALLY FINAL FORM OF POST-ISSUANCE
TAX COMPLIANCE PROCEDURES
FOR CONDUIT TAX-EXEMPT OBLIGATIONS

THE COMMISSIONERS OF LEONARDTOWN

**POST-ISSUANCE TAX COMPLIANCE PROCEDURES
FOR CONDUIT TAX-EXEMPT OBLIGATIONS**

The purpose of these Post-Issuance Tax Compliance Procedures for Conduit Tax-Exempt Obligations (the “Procedures”) is to establish policies and procedures to be followed by The Commissioners of Leonardtown, a Maryland municipal corporation (the “Town”), and borrowers or other obligors with respect to the Town’s tax-exempt conduit obligations (in each such case, a “Borrower”) in order to effect the ongoing compliance with requirements of federal income tax law to preserve and maintain the federal income tax-exempt status of such conduit obligations issued by the Town. For purposes of these Procedures, tax-exempt conduit obligations are referred to as the “Conduit Obligations”. Conduit Obligations include, but are not limited to, “qualified 501(c)(3) bonds” and “qualified small issue bonds” issued under the authority of the Maryland Economic Development Revenue Bond Act (the “Act”), the Internal Revenue Code of 1986, as amended (the “Code”), and the applicable U.S. Treasury Regulations (the “Treasury Regulations”). References in these Procedures are intended to include any type of tax-exempt obligation issued pursuant to the Act, provided that the Town is not the sole obligor with respect to such tax-exempt obligation, as well as any other type of tax-exempt conduit obligation that is commonly considered a conduit issue.

The development of these Procedures was authorized by Resolution No. 2-17, adopted by the Council of the Town on February 13, 2017 and effective on February 13, 2017, and was undertaken in connection with the anticipated authorization of certain revenue bonds to be issued pursuant to the authority of the Act and, to the extent applicable, the Code and the Treasury Regulations, for the benefit of St. Mary’s Ryken, Inc. Applicability of these Procedures is *not* limited solely to any Conduit Obligations issued pursuant to such Resolution.

1. The Borrower with respect to each issue of Conduit Obligations will remain responsible for ensuring compliance with all applicable requirements under the Code and the Treasury Regulations necessary to preserve and maintain federal income tax exemption of such issue of Conduit Obligations. Except as provided in paragraph 4 below, the Town will not monitor compliance by a Borrower with respect to requirements of the Code and the Treasury Regulations or these Procedures.

2. Bond counsel shall include provisions in the tax certificate(s) for each issue of Conduit Obligations (by whatever name(s) known, e.g., the Tax and Section 148 Certificate, the Tax Certificate and Compliance Agreement, or the Non-Arbitrage Certificate, or by another

name, the "Tax Certificate") and in any other applicable agreements or documents (e.g., loan agreements, financing and bond purchase agreements, etc.) that require continuing compliance by the Borrower with requirements of the Code and the Treasury Regulations necessary to preserve and maintain the federal income tax exemption with respect to such issue of Conduit Obligations. Such requirements shall include, without limitation, provisions designed to ensure compliance with (i) arbitrage rebate calculation and payment, if applicable, under the Code and the Treasury Regulations and (ii) the remediation of "non-qualified bonds" due to a change in use of the financed or refinanced facilities or improvements. The Town and the Borrower may execute and deliver the same Tax Certificate with respect to each issue of Conduit Obligations or separate Tax Certificates.

3. In order to give further effect to post-issuance tax compliance, bond counsel for each issue of Conduit Obligations shall require as part of the Tax Certificate that the Borrower adopt or approve, and agree to comply with, written procedures and responsibilities (in each such case, the "Borrower Procedures") designed to ensure post-issuance tax compliance with respect to such issue of Conduit Obligations. In each such case the Borrower Procedures shall, at a minimum:

- Identify or provide for the identification of one or more compliance officers who shall have primary responsibility for ensuring ongoing compliance for that issue, and provide for transfer of responsibilities due to the vacancy in the position for a compliance officer.
- Address compliance with arbitrage rebate spending exceptions, calculation and payment; investment yield and other investment restrictions; tracking of expenditures of Conduit Obligation proceeds; final allocations of Conduit Obligation proceeds; monitoring of the usage of facilities financed or refinanced with Conduit Obligation proceeds, including (without limitation) usage through leases, sales, transfers or management/operation agreements; remediation of "non-qualified bonds" within the meaning of the Code and the Treasury Regulations; document and record retention; and any related filings due to the Internal Revenue Service.
- Allow the Borrower to obtain advice and counsel from applicable third parties, including (without limitation) legal counsel, financial advisors and/or rebate analysts.
- Provide for training and education of responsible officials, officers or employees of the Borrower.
- Address periodic review by the Borrower of the Borrower Procedures by the compliance officer(s) or other responsible representative(s) of the Borrower to ensure compliance therewith.

The Borrower Procedures for each issue of Conduit Obligations must be satisfactory to the bond counsel and, to the extent applicable, issuer's counsel, for such issue.

4. In order to provide the opportunity for periodic review of post-issuance tax compliance by the Town, the Borrower Procedures shall require either (i) periodically, or (ii) upon request, that the Borrower's compliance officer(s), on behalf of the Borrower, acknowledge

in writing that the Borrower is in material compliance with the provisions of (i) the Tax Certificate (such that the Borrower has not taken, or omitted to take, any action that would adversely affect the federal income tax exemption of the Conduit Obligations) and (ii) the Borrower Procedures, or identify any areas of material non-compliance. Any such written acknowledgment shall be filed with one or more Town officials specified in the Borrower Procedures.

5. Notwithstanding the foregoing provisions of these Procedures, any Borrower Procedures may deviate from the provisions of these Procedures based on the advice of counsel that such Borrower Procedures are satisfactory for purposes of the Code and the Treasury Regulations.

[SIGNATURES ON FOLLOWING PAGE]

#193341,50023.001

The foregoing Procedures are approved on behalf of The Commissioners of Leonardtown as of the _____ day of _____, 2017.

Daniel W. Burris, Mayor

Laschelle E. McKay, Town Administrator

Rebecca L. Sothoron, Treasurer

THE COMMISSIONERS OF LEONARDTOWN

POST-ISSUANCE TAX COMPLIANCE PROCEDURES FOR CONDUIT TAX-EXEMPT OBLIGATIONS

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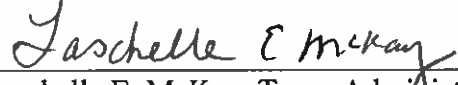
[SIGNATURES ON FOLLOWING PAGE]

#193341;50023.001


The foregoing Procedures are approved on behalf of The Commissioners of Leonardtown
as of the 15th day of February, 2017.



Daniel W. Burris, Mayor



Laschelle E. McKay, Town Administrator



Rebecca L. Sothoron, Treasurer