

Resolution No. 2-16
Resolution Regarding General Obligation
Borrowing for Property Acquisition/Renovation

RESOLUTION

A RESOLUTION OF THE COUNCIL OF THE TOWN OF LEONARDTOWN (the “Town”) authorizing the issuance and sale of the Town’s general obligation installment note in the aggregate principal amount of Six Hundred Fifty Thousand Dollars (\$650,000.00), subject to reduction as described herein, the note to be designated “The Commissioners of Leonardtown Taxable Public Improvements Note of 2016”, and the proceeds of the sale thereof to be used and applied for the public purpose of financing, reimbursing or refinancing costs of acquiring certain real property located at 22670 Washington Street, Leonardtown, Maryland, and related property appurtenances as described herein, and the renovation of the same for a new Town Hall, together with costs related to such undertaking; prescribing the form and tenor of the note and the terms and conditions for the issuance and sale thereof by private (negotiated) sale without advertisement or solicitation of competitive bids to Community Bank of the Chesapeake; prescribing other details incident to the sale, issuance and delivery of the note; providing for the levy and collection of ad valorem taxes necessary for the prompt payment of the principal of and interest on the note; providing that the full faith and credit and unlimited taxing power of the Town shall be pledged to the payment of such principal and interest; providing that the principal of and interest on the note may be paid from any other sources of revenue lawfully available for such purpose; authorizing the Mayor to agree to certain additional or other terms relating to the note; providing that the provisions of this Resolution shall be liberally construed; and otherwise generally relating to the sale, issuance, delivery and payment of and for the note.

RECITALS

WHEREAS, The Commissioners of Leonardtown, a municipal corporation of the State of Maryland and a municipality within the meaning of the Enabling Act identified below (the “Town”), is authorized and empowered by Sections 19-301 to 19-309, inclusive, of the Local Government Article of the Annotated Code of Maryland (previously codified as Sections 31 to 37, inclusive, of Article 23A of the Annotated Code of Maryland), as replaced, supplemented or amended (the “Enabling Act”), and Section 719 of the Charter of the Town of Leonardtown, as replaced, supplemented or amended (the “Charter”), to borrow money for any proper public purpose and to evidence such borrowing by the issuance and sale of its general obligation bonds, notes or other evidences of indebtedness; and

WHEREAS, pursuant to Ordinance No. 175, passed by the Council of the Town (the “Council”) on May 18, 2016, approved by the Mayor of the Town (the “Mayor”) on May 18, 2016 and effective on June 8, 2016 (the “Ordinance”), the Town authorized the issuance and sale from time to time, upon its full faith and credit, of one or more series of general obligation bonds, notes or other evidences of indebtedness in an aggregate principal amount not to exceed Six Hundred Fifty Thousand Dollars (\$650,000.00) (the “Authorized Indebtedness”); and

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WHEREAS, the Ordinance provides that the proceeds of the sale of the Authorized Indebtedness are to be used and applied for the public purpose of financing, reimbursing or refinancing costs of acquiring certain real property located at 22670 Washington Street, Leonardtown, Maryland and the related rights, ways, privileges, easements, land and improvements appurtenant or related thereto, and the fixtures, equipment and personal property attached or appurtenant to such land and improvements, which acquisition and related activities were approved by Ordinance No. 174, passed by the Council on April 18, 2016, approved by the Mayor on April 18, 2016 and effective on May 9, 2016, and undertaking renovations on such property, for use of the same as a new Town Hall, and, in connection with such undertakings, acquiring or paying for, as applicable, the acquisition of necessary property rights and equipment (including acquisition costs of such real and personal property, fixtures and equipment), related site improvements and utilities, related architectural, planning, design, engineering, surveying, bidding, document development, permitting, acquisition, construction, improvement, installation, modification, demolition, removal, renovation, reconstruction, rehabilitation, equipping, inspection, construction administration and related costs, related financial, administrative and legal expenses, costs of related activities, including (without limitation) closing costs, moving expenses and information technology improvements, and costs of issuance of any borrowing therefor (collectively, the “Project”); and

WHEREAS, the Ordinance further provides that the Authorized Indebtedness may be issued from time to time in one or more series and that any such series may be issued as one or more bonds, notes or other evidences of indebtedness, including in the form of a commercial loan or line of credit or similar facility, and that any such indebtedness may be issued in installment form and/or draw-down form; and

WHEREAS, the Ordinance provides that each series of the Authorized Indebtedness shall be sold by private (negotiated) sale without advertisement or solicitation of competitive bids due to the size of the financing, market conditions, the ability to time the market, and the ability to negotiate terms and to thereby achieve a beneficial interest rate or rates and other beneficial terms and the lower costs of issuance typically associated with a private (negotiated) sale, unless the Council determines by resolution that it would be more advantageous to sell any series of the Authorized Indebtedness by the solicitation of competitive bids at public sale; and

WHEREAS, the Town asked Community Bank of the Chesapeake to submit a proposal to purchase a series of the Authorized Indebtedness, and such bank submitted a proposal for a commercial installment loan that the Council finds to be advantageous to the Town due to the bank being willing to structure the loan with (i) a 12-month interest only advance period followed by a permanent period of five, 10 or 15 years, and (ii) the right of the Town to prepay the loan in whole or in part at any time; and

WHEREAS, the Council has determined that it is in the best interests of the Town and its citizens to issue and sell one series of the Authorized Indebtedness, in the principal amount of \$650,000.00 (subject to adjustment downward as described herein), in the form of a single general obligation installment note in accordance with, and pursuant to, the authority contained in the

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Enabling Act, the Charter and the Ordinance, and upon the terms and conditions set forth in this Resolution, the proceeds of which general obligation installment note are to be used and applied as herein set forth.

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

SECTION 1. (a) The Recitals to this Resolution constitute an integral part of this Resolution and are incorporated herein by reference. Capitalized terms used in the Sections of this Resolution that are not otherwise defined herein shall have the meanings given to such terms in the Recitals to this Resolution.

(b) References in this Resolution to any official by title shall be deemed to refer (i) to any official authorized under the Charter or other applicable law to act in such titled official's stead during the absence or disability of such titled official, (ii) to any person who has been elected, appointed or designated to fill such position in an acting capacity under the Charter or other applicable law, (iii) to any person who serves in a "Deputy", "Associate" or "Assistant" capacity as such an official, provided that the applicable responsibilities, rights or duties referred to herein have been delegated to such deputy, associate or assistant in accordance with applicable law or authority, and/or (iv) to the extent an identified official commonly uses another title not provided for in the Charter or the code of ordinances of the Town (the "Town Code"), the official, however known, who is charged under the Charter, the Town Code or other applicable law or authority with the applicable responsibilities, rights or duties referred to herein. For example, as of the date of introduction of this Resolution, the person who holds the position of Town Secretary referred to in Section 801 of the Charter is now commonly referred to as the Executive Secretary. The titles of the officials of the Town referred to in this Resolution correspond to the titles of such officials as provided for in the Charter.

SECTION 2. (a) Pursuant to the authority of the Enabling Act, the Charter and the Ordinance, the Town hereby determines to borrow money and incur indebtedness for the public purpose of financing, reimbursing or refinancing all or a portion of the costs of any components of the Project.

(b) Proceeds of the Note identified in Section 3 below are hereby appropriated to finance, reimburse or refinance costs of the Project.

SECTION 3. To evidence the borrowing and indebtedness authorized in Section 2 of this Resolution, the Town, acting pursuant to the authority of the Enabling Act, the Charter and the Ordinance, hereby determines to issue and sell, upon its full faith and credit, its general obligation installment note in the original principal amount of Six Hundred Fifty Thousand Dollars (\$650,000.00) or such lesser original principal amount as the Mayor shall determine with the assistance of the Town Administrator of the Town (the "Town Administrator") and the Treasurer of the Town (the "Treasurer") is needed to accomplish the Project. Such note shall be designated "The Commissioners of Leonardtown Taxable Public Improvements Note of 2016" (the "Note"). In the event the Mayor, on behalf of the Town, with the advice of the Town Administrator and the Treasurer, determines that the Note should be issued in an original principal amount less than Six

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Hundred Fifty Thousand Dollars (\$650,000.00) in order to accomplish the Project, the Mayor, on behalf of the Town, is hereby authorized and empowered to approve such lesser original principal amount, such approval to be evidenced conclusively by the Mayor's execution and delivery of the Note reflecting such lesser original principal amount in accordance with Sections 6 and 8 hereof. In addition, in the event the Purchaser (as defined in Section 9 hereof) determines it would like the Note to be issued with a different designation, the Mayor, on behalf of the Town, is hereby authorized and empowered to agree to a different designation of the Note, such designation to be evidenced conclusively by the Mayor's execution and delivery of the Note containing such different designation, and in such event all references to the Note in this Resolution shall be construed to be to the obligation issued by the Town as so re-designated.

SECTION 4. (a) The Note shall be dated the date of its delivery and shall be issued in the form of a single, fully-registered note, without coupons attached. Subject to the further provisions of this Section 4, the Note shall mature, subject to prior prepayment as provided for in accordance with Section 5 of this Resolution, on July 1, 2027.

(b) Subject to the further provisions of this Section 4 and the provisions of Section 5 of this Resolution, on or prior to July 1, 2017, the Town shall be required to prepay principal of the Note previously advanced so that the outstanding principal balance of the Note on such date is Two Hundred Thousand Dollars (\$200,000.00), or such greater or lesser principal amount as to which the Purchaser shall have agreed in its sole discretion. Such date is referred to herein as the "Conversion Date" and the principal amount of the Note outstanding on the Conversion Date (after the Town makes any required prepayments in accordance with the prior sentence) is referred to herein as the "Conversion Amount".

(c) Subject to the further provisions of this Section 4 and the provisions of Section 5 of this Resolution, the Conversion Amount of the Note shall be payable in monthly installments beginning on August 1, 2017, and continuing on the first (1st) calendar date of each month thereafter until maturity or prior prepayment in whole. Principal of and interest on the Note as of the Conversion Date shall be amortized on a roughly level debt service basis. The Mayor, on behalf of the Town, with the advice of the Town Administrator and the Treasurer, is hereby authorized and empowered to approve changes to the format of the principal amortization schedule prior to the issuance and delivery of the Note to meet a requirement of the Purchaser, such revised amortization schedule to be prepared by the Purchaser and reflected in the executed and delivered Note, and the Mayor's approval thereof to be evidenced conclusively by his execution and delivery of the Note reflecting such revised amortization schedule as provided for in Sections 6 and 8 hereof.

(d) Subject to the further provisions of this Section 4, the Note shall bear interest from its date of issuance and delivery to but not including July 1, 2017 at a per annum rate equal to the prime rate as announced by *The Wall Street Journal*, adjusted as of the first (1st) calendar day of each month or, to the extent the first (1st) calendar day of any month is not a business day (as defined in subsection (k) below, on the date specified by the Purchaser. In the event *The Wall Street Journal* (or any successor publication) is no longer published in print, electronic or other applicable form, the registered owner of the Note shall use a measure of the prime rate most closely aligned with the methodology previously employed by *The Wall Street Journal* in determining any such

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monthly adjustment of the per annum interest rate borne by the Note pursuant to application of the formula provided for in this subsection (c). From and after July 1, 2017, the Note shall bear interest at a per annum rate equal to three and seventy-five hundredths (3.75%) percent. The period during which interest only on the Note is payable in accordance with the provisions of this Resolution is referred to as the “Interest Only Period”, and the period during which principal of the Note is amortized is referred to as the “Permanent Period”.

(e) Subject to the further provisions of this Section 4 and the provisions of Section 5 of this Resolution, interest on the Note during the Interest Only Period shall be payable monthly on the tenth (10th) calendar day of each month, commencing July 10, 2016 and ending on July 10, 2017, unless the Town prepays the outstanding principal of the Note in whole prior to July 10, 2017, in which case the last installment of interest shall be paid on the date that principal of the Note is prepaid in whole. Subject to the further provisions of this Section 4 and the provisions of Section 5 of this Resolution, interest on the Note during the Permanent Period shall be payable monthly on the first (1st) calendar day of each month, commencing August 1, 2017 and continuing until maturity or prior prepayment in whole, provided that the last installment of interest shall be paid on any date that principal of the Note is prepaid in whole.

(f) Interest on the Note shall be computed on the basis or bases specified by the Purchaser for the Interest Only Period and the Permanent Period. For purposes of calculating the interest due on the Note during the Interest Only Period, unpaid outstanding principal on any date shall be an amount equal to the amount of principal previously advanced under the Note, less any principal prepaid in accordance with Section 5 of this Resolution. For purposes of calculating the interest due on the Note during the Permanent Period, unpaid outstanding principal on any date shall be an amount equal to the Conversion Amount, less any principal installment paid in accordance with subsection (c) above, and less any principal of the Conversion Amount prepaid in accordance with Section 5 of this Resolution.

(g) The registered owner of the Note will make advances of the principal amount of the Note to the Town as provided herein to be applied to finance, reimburse and/or refinance costs of the Project. Once advances totaling Six Hundred Fifty Thousand Dollars (\$650,000.00) have been made under the Note during the Interest Only Period, no further advances may be made under the Note, even if the Town has prepaid a portion of the principal amount of the Note previously advanced. Subject to the further provisions of this Section 4, the period on which draws may be made under the Note shall end on June 30, 2017.

(h) The registered owner of the Note will make advances to the Town following receipt of a request for an advance executed by any one or more of the Mayor, the Town Administrator or the Treasurer. By resolution or motion, the Council may authorize one or more additional or different officials, officers, employees or agents to request advances under the Note or revoke the authorization of any official, officer, employee or agent previously authorized to execute requests for advances. The registered owner of the Note may request that the Town provide it with evidence that the necessary permits and approvals relating to the amounts requested under any particular draw request are in place before such registered owner funds a requested draw, and draw requests shall otherwise be subject to the approval of the registered owner of the Note. Upon the failure of

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the Town to make timely payments on the Note or to comply with the provisions of this Resolution with regard to draw requests, the registered owner of the Note may withhold future advances until the payment failure or other breach has been cured. Any advance of the principal of the Note, and the then-outstanding principal amount of the Note and the amount available to be drawn on the Note, shall be noted on the registration books for the Note maintained by the Treasurer or noted on other records maintained by the Treasurer, but failure to make any such notation shall not affect the validity or legal effect of any such advance made; absent manifest error, the records of the registered owner of the Note shall be conclusive as to the amounts advanced under the Note.

(i) The dates set forth in the foregoing subsections (a) through (h) above are based on information provided by the Purchaser, assuming that the Note shall be issued and delivered in June 2016. Notwithstanding the foregoing provisions of this Section 4, the Mayor, on behalf of the Town, with the advice of the Town Administrator and the Treasurer and the concurrence of the Purchaser, may determine prior to the issuance and delivery of the Note that any one or more of the following dates shall be changed to meet the Purchaser's requirements: (i) the maturity date, (ii) the date on which the Interest Only Period shall end, (iii) the date on which no further advances under the Note may be made, (iv) the Conversion Date, (v) the interest payment dates during the Interest Only Period, including the first and last interest payment dates during such period, and (vi) the principal and interest payment dates during the Permanent Period, including the first and last payment dates during such period. Any such adjustments provided for in this subsection (i) shall be reflected in the Note as finally executed and delivered in accordance with the provisions of Sections 6 and 8 hereof.

(j) The registered owner of the Note shall provide written notice to the Treasurer (or any other official specified by the Mayor or the Town Administrator in writing) of the interest and any principal due on the Note in accordance with the registered owner's standard practice, but failure to provide such notice shall not affect the amount of, or the Town's obligation to pay, principal or interest due on the Note.

(k) If a monthly payment date falls on a Saturday, Sunday or a day on which the Town, banks in the State of Maryland and/or banks in the state in which the registered owner of the Note is located are not required to be open, payment may be made on the next succeeding day (a "business day") that is not a Saturday, Sunday or a day on which the Town, banks in the State of Maryland and/or banks in the state in which the registered owner of the Note is located are not required to be open, and no interest shall accrue on the amount owed as of such regularly scheduled payment date for the intervening period.

(l) Principal of and interest on the Note shall be payable in lawful money of the United States of America. The principal of the Note, at maturity or upon prior prepayment in whole, shall be payable by check or draft at the office of the Treasurer in Leonardtown, Maryland, upon presentment of the Note, unless the Treasurer and the registered owner of the Note agree on a different place or manner of payment (provided that no interest shall be payable beyond the applicable maturity date or prepayment date if the registered owner of the Note presents the same after such date). Principal of the Note, prior to maturity or prior prepayment in whole, and interest on the Note will be payable by check or draft mailed to the registered owner thereof at the address

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designated by the registered owner in writing to the Treasurer unless the Treasurer and the registered owner agree on a different manner of payment. The Treasurer, on behalf of the Town, is hereby authorized and empowered to make the agreements provided for in this Section 4(l).

(m) The provisions of this Section 4 are subject to the provisions of Section 10(b) and 13 of this Resolution.

SECTION 5. (a) The Note shall be subject to prepayment prior to maturity at the option of the Town, in whole or in part on any date, at a prepayment price of the principal amount of the Note to be prepaid, plus accrued interest on the principal amount prepaid to the date fixed for prepayment, without premium or penalty. No notice is required prior to effecting any such prepayment of the Note in whole or in part; provided that, in the event the Town does determine to give the registered owner notice of prepayment, any such notice may be conditional.

(b) The provisions of this Section 5 are subject to the provisions of Section 10(b) and 13 of this Resolution.

SECTION 6. The Note shall be executed in the name of the Town and on its behalf by the Mayor. The corporate seal of the Town shall be affixed to the Note and attested by the signature of the Town Administrator or the Town Secretary of the Town (the "Town Secretary"). In the event any official of the Town whose signature appears on the Note shall cease to be such official prior to the delivery of the Note, or, in the event any such official whose signature appears on the Note shall have become such after the date of issue thereof, the Note shall nevertheless be a valid and binding obligation of the Town in accordance with its terms.

SECTION 7. The Note shall be transferable only upon the books kept for that purpose by the Treasurer at Leonardtown, Maryland, by the registered owner thereof in person or by the registered owner's attorney duly authorized in writing, upon surrender thereof, together with (i) a written certification substantially to the effect provided for in Section 9(b) of this Resolution satisfactory to the Treasurer and duly executed by the transferee and (ii) a written instrument of transfer in a form satisfactory to the Treasurer and duly executed by the registered owner or the registered owner's duly authorized attorney. Upon such transfer there shall be issued in the name of the transferee a new registered note of the same series in principal amount equal to the unpaid principal amount of the Note surrendered, and with the same provisions regarding, as applicable, the Conversion Date, the Conversion Amount, the Interest Only Period, the Permanent Period, the maturity date, payment dates during the Interest Only Period, installment payment dates during the Permanent Period and bearing interest by the same method during the Interest Only Period and at the same rate during the Permanent Period.

SECTION 8. Except as provided hereinafter or in a resolution of the Council adopted prior to the delivery of the Note, the Note shall be issued substantially in the form attached hereto as Exhibit A and incorporated by reference herein. Appropriate variations and insertions may be made by the Mayor to such form to provide dates, numbers and amounts, to carry into effect the provisions of this Resolution (including, without limitation, Sections 3, 4, 5, 10(b) and 13 hereof), to

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reflect additional requirements of the Purchaser in connection with its proposal to purchase the Note, or to comply with recommendations of legal counsel. All of the covenants contained in the form of the Note as finally executed and delivered by the Mayor in accordance with the provisions of Section 6 hereof and this Section 8 are hereby adopted by the Town as and for the form of obligation to be incurred by the Town, and the covenants and conditions contained therein are hereby made binding upon the Town, including the promise to pay therein contained. The execution and delivery of the Note in final form by the Mayor in accordance with the provisions of this Resolution shall be conclusive evidence of the approval by the Mayor of the final form of the Note and any variations, insertions, omissions, notations, legends or endorsements authorized by this Resolution.

SECTION 9. (a) The Town hereby ratifies, confirms, approves and adopts as actions of the Town all actions taken by the Mayor, the Town Administrator, the Treasurer and bond counsel to the Town, on behalf of the Town, to clarify terms of the Purchaser's proposal. The Council hereby determines that it shall be in the best interests of the Town to sell the Note by private (negotiated) sale without advertisement or solicitation of competitive bids to Community Bank of the Chesapeake (by whatever legal name known or specified by such bank, the "Purchaser"), which private (negotiated) sale is hereby deemed by the Town to be in its best interest and in the interest of its citizens due, in part, to the benefit of negotiated terms, beneficial interest rate calculation methods and advantageous prepayment terms. Therefore, and pursuant to the authority of the Enabling Act, the Charter and the Ordinance, the Note shall be sold by private (negotiated) sale to the Purchaser for a price of par, with no payment of accrued interest at closing, such purchase price to be advanced in accordance with the provisions of this Resolution.

(b) The Note shall be sold for investment purposes only and not for resale to the general public. Accordingly, as a condition to delivery of the Note and prior to the issuance and delivery of the Note, the Purchaser shall furnish to the Town a certificate acceptable to bond counsel to the Town generally to the effect that (i) the Purchaser has such knowledge and experience in financial and business matters, including purchase and ownership of taxable municipal obligations, that it is capable of evaluating the risks and merits represented by the Note; (ii) the Purchaser has made its own independent and satisfactory inquiry of the financial condition of the Town, including inquiry into financial statements and other information relating to the financial condition of the Town, and of any other matters deemed to be relevant to a reasonably informed decision to make the loan to the Town represented by the Note; (iii) the Purchaser has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Town and the Note; (iv) the Purchaser is not acting as an "underwriter" or "Participating Underwriter" as defined in Securities and Exchange Commission Rule 15c2-12, as replaced, supplemented or amended, and is not purchasing the Note for more than one account or with a view to distributing the Note; (v) if the Note is subsequently sold, transferred or disposed of, such sale, transfer or disposition will be made only in compliance with any applicable federal and state securities laws and any other applicable laws; and (vi) the Purchaser understands and acknowledges that (A) the Note (1) is not being registered under the Securities Act of 1933, as amended, and is not being registered or otherwise qualified for sale under the "blue sky" laws and regulations of any state, (2) will not be listed on any stock or other

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securities exchange, (3) will carry no rating from any rating service, and (4) will not be readily marketable, and (B) no disclosure document is being prepared in connection with the issuance and sale of the Note.

(c) As required by the Purchaser's proposal, (i) the Town shall pay to the Purchaser a loan fee in the amount of \$1,750.00 on the date of issuance and delivery of the Note, or such later date as is acceptable to the Purchaser, (ii) the Town shall provide the registered owner of the Note with its audited financial statements within sixty (60) days of completion thereof and such other financial information as the registered owner of the Note may request from time to time in accordance with the Purchaser's requirements, and (iii) during the period the Purchaser is the registered owner of the Note, to the extent not prohibited by applicable law, the Town shall open and maintain operating account(s) at the Purchaser. In addition, all costs relating to the negotiation, authorization and approval of the Note shall be borne by the Town, whether or not the Note is issued and delivered.

SECTION 10. (a) The Note shall be suitably prepared in definitive form, executed and delivered to the Purchaser on such date as shall be mutually acceptable to the Mayor, the Town Administrator, the Purchaser and bond counsel to the Town; provided that, the Note shall not be delivered on a date later than July 15, 2016, unless agreed to by the Purchaser in its sole and absolute discretion. The Mayor and/or the Town Administrator, on behalf of the Town, are expressly authorized, empowered and directed to negotiate, execute, deliver or counter-sign the Purchaser's proposal, to the extent required by the Purchaser. The Mayor, the Town Administrator, the Treasurer, the Town Secretary and all other appropriate officials and employees are expressly authorized, empowered and directed to (i) negotiate, approve, execute and deliver any written agreements, documents, certificates or instruments required by the Purchaser to reflect or memorialize any of the matters contemplated by this Resolution, including, without limitation, Sections 3, 4, 5, 10(b) or 13 hereof, and (ii) take any and all action necessary to complete and close the sale, issuance and delivery of the Note to the Purchaser and to negotiate, approve, execute and deliver all customary documents, certificates and instruments necessary or appropriate in connection therewith.

(b) To the extent the provisions set forth in Sections 4 and 5 of this Resolution do not comport with the provisions specified by the Purchaser in its proposal, the Mayor, on behalf of the Town, with the advice of bond counsel to the Town, is hereby authorized and empowered to include in the final form of the Note such provisions as modified as required by the Purchaser, the Mayor's approval of any such modifications to be evidenced conclusively by the Mayor's execution and delivery of the final form of the Note containing such modifications in accordance with the provisions of Sections 6 and 8 of this Resolution, and to the extent of any discrepancy between Sections 4 and 5 hereof and the final provisions of the Note, the provisions so included in the executed Note shall control.

SECTION 11. To the extent proceeds of the Note are not advanced by the registered owner of the Note to a third party to pay costs of the Project, the Treasurer or other appropriate official is hereby designated and authorized to receive payment on behalf of the Town of the proceeds of the sale of the Note as the same are advanced to the Town and to invest such proceeds if

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such proceeds are not immediately applied by the Town to pay third parties for costs of the Project. Any proceeds of the Note advanced to the Town shall be deposited in the proper account or accounts of the Town, may be invested within the limits prescribed by Maryland and federal law, and shall be used and applied exclusively to finance, reimburse or refinance the costs of the Project as described herein. If the proceeds received from the sale of the Note exceed the amount needed for the public purposes hereinabove described, the amount of such unexpended excess shall be applied to pay debt service on the Note or to prepay the Note, unless a supplemental ordinance and/or resolution is passed by the Council to provide for the expenditure of that excess for some other valid purpose authorized by the Enabling Act, the Charter or other applicable law. Investment earnings on proceeds of the Note, if any, held by the Town may be applied to pay costs of the Project, to pay subsequent debt service payments on the Note, to prepay the Note or for any other legal purpose. Nothing in this Resolution shall be construed to authorize the expenditure of any moneys except for a proper public purpose.

SECTION 12. (a) For the purpose of paying the principal of and interest on the Note when due, the Town shall levy or cause to be levied, for each and every fiscal year during which the Note may be outstanding, ad valorem taxes upon all real and tangible personal property within its corporate limits subject to assessment for unlimited municipal taxation in rate and amount sufficient to provide for the prompt payment, when due, of the principal of and interest on the Note in each such fiscal year. If the proceeds from the taxes so levied in any such fiscal year are inadequate for such payment, additional taxes shall be levied in the succeeding fiscal year to make up such deficiency.

(b) The full faith and credit and unlimited taxing power of the Town are hereby irrevocably pledged to the prompt payment of the principal of and interest on the Note as and when they become due and payable and to the levy and collection of the taxes hereinabove described as and when such taxes may become necessary in order to provide sufficient funds to meet the debt service requirements of the Note. The Town hereby covenants and agrees with the registered owner, from time to time, of the Note to levy and collect the taxes hereinabove described and to take any further action that may be appropriate from time to time during the period that the Note remains outstanding and unpaid to provide the funds necessary to pay promptly the principal thereof and the interest due thereon.

(c) The foregoing provisions shall not be construed so as to prohibit the Town from paying the principal of and interest on the Note from the proceeds of the sale of any other obligations of the Town or from any other funds legally available for that purpose. The Town may apply to the payment of the principal of or interest on the Note any funds received by it from the State of Maryland or the United States of America, or any governmental agency or instrumentality, or from any other source, if such funds are granted or paid to the Town or are otherwise available to the Town for the purpose of assisting the Town in the type of project which the Note is issued to finance, reimburse or refinance, and to the extent of any such funds received or receivable in any fiscal year, the taxes hereby required to be levied may be reduced proportionately.

SECTION 13. The provisions of this Resolution shall be liberally construed in order to effectuate the transactions contemplated by this Resolution. Notwithstanding the foregoing

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provisions of this Resolution, and in addition to the authority contained in Section 10(b) of this Resolution, the Mayor, with the advice of the Town Administrator, the Treasurer and bond counsel to the Town, is hereby authorized and empowered to agree to terms relating to the Note that (i) accurately reflect the provisions of the Purchaser's proposal to the purchase the Note, to the extent such terms are not accurately reflected herein, (ii) are more favorable to the Town than the terms reflected in this Resolution, and/or (iii) are not more favorable to the Town but are not uncommon for municipal obligations in the nature of the Note, any of which such other terms shall be reflected in the final form of the Note executed and delivered by the Mayor in accordance with Sections 6 and 8 of this Resolution and/or in other applicable closing documents, certificates and instruments executed and delivered by appropriate Town officials pursuant to the authority of this Resolution, and to the extent of any discrepancy among the provisions of this Resolution and the executed and delivered Note and/or closing documents, certificates and instruments, the provisions of such executed and delivered Note and/or closing documents, certificates and instruments shall control.

SECTION 14. This Resolution shall take effect immediately upon adoption.

ADOPTED THIS _____ day of _____, 2016.

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ATTEST:

COUNCIL OF THE TOWN OF LEONARDTOWN

Laschelle McKay, Town Administrator

Daniel W. Burris, Mayor

(SEAL)

Leslie E. Roberts, Vice President

Thomas M. Combs, Councilman

Hayden T. Hammett, Councilman

J. Maguire Mattingly, IV, Councilman

Roger L. Mattingly, Councilman

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Note: This form shall be completed prior to delivery of the Note to reflect matters determined in accordance with the provisions of this Resolution, including, without limitation, Sections 3, 4, 5, 10(b) and 13 thereof. Brackets indicate certain (but not necessarily all) provisions of the following form of Note that may be subject to modification in accordance with the provisions of such Sections.

EXHIBIT A

(Form of Note)

No. R-__ UNITED STATES OF AMERICA
STATE OF MARYLAND \$_____
THE COMMISSIONERS OF LEONARDTOWN

[TAXABLE PUBLIC IMPROVEMENTS NOTE OF 2016]

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Date</u>
[July 1, 2027]	Wall Street Journal Prime Rate during the Interest Only Period as described herein, and 3.75% during Permanent Period	_____, 2016

Registered Owner: COMMUNITY BANK OF THE CHESAPEAKE

Original Principal Sum: DOLLARS

IT CANNOT BE DETERMINED FROM THE FACE OF THIS NOTE WHETHER ALL OR ANY PORTION OF THE PRINCIPAL AMOUNT HAS BEEN PAID OR PREPAID. EACH PAYMENT OF A PRINCIPAL INSTALLMENT SHALL BE NOTED BY THE REGISTERED OWNER OF THIS NOTE ON ITS BOOKS AND RECORDS, WHICH NOTATION WHEN MADE WILL BE PRESUMED CORRECT ABSENT MANIFEST ERROR. THE REGISTERED OWNER'S FAILURE TO MAKE APPROPRIATE NOTATION OF ANY SUCH PAYMENT OR PREPAYMENT SHALL NOT LIMIT OR OTHERWISE AFFECT THE OBLIGATIONS OF THE TOWN HEREUNDER AND SHALL NOT AFFECT THE VALID PAYMENT AND DISCHARGE OF SUCH OBLIGATION EFFECTED BY SUCH PAYMENT OR PREPAYMENT.

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The Commissioners of Leonardtown, a municipal corporation organized and existing under the Constitution and laws of the State of Maryland and a municipality within the meaning of the Enabling Act identified herein (the “Town”), hereby acknowledges itself indebted for value received and promises to pay to the registered owner shown above, or registered assignee or legal representative, the Conversion Amount determined as described below, payable in installments on the [1st] calendar day of each month, commencing [August 1, 2017] to and including [July 1, 2027], plus interest on the unpaid balance as set forth herein, subject to prior prepayment as hereinafter provided.

The registered owner of this note shall make advances of the Original Principal Sum hereof to the Town in accordance with the Resolution (defined herein). Once advances totaling Six Hundred Fifty Thousand Dollars (\$650,000.00) have been made under this note, no further advances may be made, even if the Town has prepaid a portion of any prior advance. The registered owner of this note shall make a notation as to the date and amount of each advance on its records, but the failure to make any such notation shall not affect the validity or legal effect of any advance made. The registered owner of this note may request that the Town provide it with evidence that the necessary permits and approvals relating to the amounts requested under any particular draw request are in place before such registered owner funds a requested draw, and draw requests shall otherwise be subject to the approval of the registered owner of this note. Upon the failure of the Town to make timely payments on this note or to comply with the provisions of the Resolution with regard to draw requests, the registered owner of this note may withhold future advances until the payment failure or other breach has been cured. No advances may be made after [June 30, 2017].

On or prior to [July 1, 2017] (the “Conversion Date”), the Town shall be required to prepay principal of this note previously advanced so that the outstanding principal balance of this Note on the Conversion Date is Two Hundred Thousand Dollars (\$200,000.00), or such greater or lesser principal amount as to which the registered owner of this note shall have agreed in its sole discretion. The principal amount of this note so outstanding on the Conversion Date is referred to herein as the “Conversion Amount”. Assuming the Conversion Amount is Two Hundred Thousand Dollars (\$200,000.00), principal of and interest on this note during the Permanent Period (defined below) shall be paid in the amounts set forth on Schedule A attached hereto. If the registered owner of this note agrees to a different Conversion Amount, such registered owner shall provide the Town with a replacement Schedule A amortizing principal and interest installments due on this note during the Permanent Period and the Mayor of the Town (the “Mayor”) or the Town Administrator of the Town (the “Town Administrator”) may acknowledge such replacement Schedule A on behalf of the Town.

From the Original Issue Date set forth above to but not including [July 1, 2017] (the “Interest Only Period”), this note shall bear interest at a rate which is equal to the prime rate as announced by *The Wall Street Journal*, adjusted as of the [1st] calendar day of each month, or in the event the 1st calendar day of a month is not a business day (as determined as described below), as of the _____. In the event *The Wall Street Journal* (or any successor publication) is no longer published in print, electronic or other applicable form, the registered owner of this note shall use a measure of the prime rate most closely aligned with the methodology previously employed by

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The Wall Street Journal in determining any monthly adjustment of the interest rate borne by this note pursuant to application of the formula provided for in this paragraph. From and after the Conversion Date to and including the date of maturity or prior prepayment in whole of this note (the “Permanent Period”), this note shall bear interest at the rate of three and seventy-five hundredths percent (3.75%) per annum.

During the Interest Only Period, interest on the principal amount of this note advanced and outstanding shall be payable on the [10th] calendar day of each month until maturity or prior prepayment in whole, commencing [July 10, 2016]. This note shall bear interest from the most recent date to which interest has been paid or, if no interest has been paid, from the date of its delivery.

Interest shall be computed on a _____-day basis during the Interest Only Period and on a _____-day basis during the Permanent Period. For purposes of calculating the interest due on this note during the Interest Only Period, unpaid outstanding principal on any date shall be an amount equal to the amount of the Original Principal Sum previously advanced, less any principal prepaid as set forth below. For purposes of calculating the interest due on this note during the Permanent Period, unpaid outstanding principal on any date shall be an amount equal to the Conversion Amount, less any regularly scheduled principal installment paid in accordance with the terms of this note, and less any principal of the Conversion Amount prepaid as set forth below. The registered owner of this note shall provide written notice to the Town Administrator (or any other official specified by the Mayor or the Town Administrator in writing) of the interest and any principal due on this note prior to each interest payment date, but failure to provide such notice shall not affect the amount of, or the Town’s obligation to pay, principal or interest due on this note.

Principal of and interest on this note shall be payable in lawful money of the United States of America. The principal of this note, at maturity or upon prior prepayment in whole, shall be payable by check or draft upon presentment of this note at the office of the Treasurer of the Town (the “Treasurer”) in Leonardtown, Maryland, unless the Treasurer and the registered owner agree on a different place or manner of payment (provided that no interest shall be payable beyond the applicable maturity date or prepayment date if the registered owner of this note presents the same after such date). Principal of this note, prior to maturity or prior prepayment in whole, and interest on this note will be payable by check or draft mailed to the registered owner at the address designated by the registered owner in writing to the Treasurer, unless the Treasurer and the registered owner hereof agree on a different manner of payment. If a principal payment date or interest payment date falls on a Saturday, Sunday or a day on which the Town, banks in the State of Maryland and/or banks in the state in which the registered owner of this note is located are not required to be open, payment may be made on the next succeeding day that is not a Saturday, Sunday or a day on which the Town, banks in the State of Maryland and/or banks in the state in which the registered owner of this note is located are not required to be open, and no interest shall accrue on the amount owed as of such regularly scheduled payment date for the intervening period.

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This note is the duly authorized note of the Town, aggregating \$_____ in original principal amount, dated the date of its delivery and designated “[The Commissioners of Leonardtown Taxable Public Improvements Note of 2016]”. This note is issued pursuant to and in full conformity with the provisions of Sections 19-301 to 19-309, inclusive, of the Local Government Article of the Annotated Code of Maryland (previously codified as Sections 31 to 37, inclusive, of Article 23A of the Annotated Code of Maryland), as replaced, supplemented or amended, and Section 719 of the Charter of the Town of Leonardtown, as replaced, supplemented or amended, and by virtue of due proceedings had and taken by the Council of the Town (the “Council”), particularly Ordinance No. 175, which was passed by the Council on May 18, 2016, approved by the Mayor on May 18, 2016 and became effective on June 8, 2016 (the “Ordinance”), and Resolution No. _____, which was adopted by the Council on June __, 2016 and became effective on June __, 2016 (the “Resolution”).

This note is transferable only upon the books kept for that purpose at the office of the Treasurer, by the registered owner hereof in person, or by his duly authorized attorney, upon surrender hereof, together with a written instrument of transfer in the form attached hereto and satisfactory to the Treasurer and duly executed by the registered owner or his duly authorized attorney, and evidence satisfactory to the Treasurer of compliance with Sections 7 and 9(b) of the Resolution.

This note may be transferred or exchanged at the office of the Treasurer. Upon such transfer, the Town shall issue in the name of the transferee a new registered note of the same series in principal amount equal to the unpaid principal amount of this note surrendered, and with the same provisions regarding, as applicable, the Conversion Date, the Conversion Amount, the Interest Only Period, the Permanent Period, the maturity date, payment dates during the Interest Only Period, installment payment dates during the Permanent Period and bearing interest by the same method during the Interest Only Period and at the same rate during the Permanent Period. In each case, the Treasurer may require payment by the registered owner of this note requesting transfer or exchange hereof of any tax, fee or other governmental charge, shipping charges and insurance that may be required to be paid with respect to such transfer or exchange, but otherwise no charge shall be made to the registered owner hereof for such transfer or exchange.

The Town may deem and treat the party in whose name this note is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal hereof and interest due hereon and for all other purposes.

This note shall be subject to prepayment prior to maturity at the option of the Town, in whole or in part on any date, at a prepayment price of the principal amount being prepaid, plus interest accrued on the principal amount prepaid to the date fixed for prepayment, without premium or penalty. No notice of prepayment shall be required, but in the event the Town elects to give notice of prepayment any such notice may be conditional. In the event this note is not prepaid by the Town on any date for which a prepayment notice has been given, such prepayment notice shall be considered void and this note shall continue in full force and effect. Any partial prepayment of principal of this note shall be applied against the remaining principal

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balance of this note as the Town directs, unless the registered owner of this note otherwise requires such principal amount prepaid to be applied in a specific manner.

The date and amount of all payments and prepayments shall be noted by the registered owner of this note on its books and records, which notation when made will be presumed correct absent manifest error. The registered owner's failure to make appropriate notation of any such payment or prepayment shall not limit or otherwise affect the obligations of the Town hereunder.

The full faith and credit and unlimited taxing power of The Commissioners of Leonardtown are hereby unconditionally and irrevocably pledged to the payment of the principal of and interest on this note according to its terms, and the Town does hereby covenant and agree to pay punctually the principal of and the interest on this note, at the dates and in the manner mentioned herein, according to the true intent and meaning hereof.

It is hereby certified and recited that each and every act, condition and thing required to exist, to be done, to have happened or to be performed precedent to and in the issuance of this note, does exist, has been done, has happened and has been performed in full and strict compliance with the Constitution and laws of the State of Maryland, the Ordinance and the Resolution, and that this note, together with all other indebtedness of the Town, is within every debt and other limit prescribed by the Constitution and laws of the State of Maryland and that due provision has been made for the levy and collection of an annual ad valorem tax or taxes upon all the legally assessable property within the corporate limits of the Town in rate and amount sufficient to provide for the payment, when due, of the principal of and interest on this note.

IN WITNESS WHEREOF, The Commissioners of Leonardtown has caused this note to be executed in its name by the manual signature of the Mayor and its corporate seal to be affixed hereto, attested by the manual signature of the [Town Administrator][Town Secretary], all as of the Original Issue Date set forth above.

(SEAL)

ATTEST:

THE COMMISSIONERS OF
LEONARDTOWN

By: _____
[Town Administrator][Town Secretary]

By: _____
Mayor

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(Form of Instrument of Transfer)

ASSIGNMENT

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

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS,
INCLUDING ZIP CODE OF ASSIGNEE)

the within note and all rights thereunder and does hereby constitute and appoint _____

attorney to transfer the within note on the books kept for the registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Notice: Signatures must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

Notice: The signature to this assignment must correspond with the name as it appears upon the face of the within note in every particular, without alteration or enlargement or any change whatsoever.

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SCHEDULE A

[\$650,000]

THE COMMISSIONERS OF LEONARDTOWN
[TAXABLE PUBLIC IMPROVEMENTS NOTE OF 2016]

AMORTIZATION SCHEDULE OF CONVERSION AMOUNT

[See Attached]

[TO BE PREPARED BY THE PURCHASER AND ATTACHED TO THE EXECUTED AND
DELIVERED NOTE]

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