

THE COMMISSIONERS OF LEONARDTOWN

RESOLUTION NO. 10-96

A RESOLUTION concerning

LEONARDTOWN RECREATION, INC. AND TUDOR HALL GOLF FACILITY

FOR the purpose of approving the purposes and activities of Leonardtown Recreation, Inc. (the "Corporation"), a nonprofit corporation organized under the laws of the State of Maryland to promote and facilitate recreational activities in the town of Leonardtown (the "Town"); approving the Articles of Incorporation and By-laws of the Corporation and authorizing the filing of the Articles of Incorporation with the State Department of Assessments and Taxation; approving the issuance, sale and delivery by the Maryland Economic Development Corporation of one or more series of its revenue bonds, pursuant to and in accordance with the authority of Article 83A, Section 5-201 through 5-216, inclusive, of the Annotated Code of Maryland (1995 Replacement Volume), and the loan of the net proceeds of such bonds to the Corporation for the purpose of financing all or a portion of the cost of the acquisition, construction, development, improvement, furnishing and equipping of a public golf course and related facilities to be located on Maryland Route 5, southeast of Maryland Route 243 within the geographical boundaries of the Town, together with the acquisition of all necessary property rights and equipment and all related architectural, financial, legal, planning, design and engineering expenses (the "Project"); providing that the bonds and the interest thereon shall be payable solely from revenues received from or made available to the Corporation and shall not constitute an indebtedness or a charge against the general credit or taxing powers of the Town and shall not constitute or give rise to any pecuniary liability of the Town; providing that the Town shall have no obligation to pay any costs related to the Project or the financing thereof; making certain legislative findings; authorizing and empowering officials, officers and employees of the Town to take any and all actions necessary or appropriate in connection with the issuance, sale and delivery of the bonds or to comply with the provisions of the Articles of Incorporation or the By-laws of the Corporation; and generally providing for and determining various matters and details in connection with the approval of the Corporation and the issuance and sale of such bonds.

RECITALS

The Mayor and Council have been requested to approve the purposes and activities of a corporation to be organized under the general nonprofit corporation law of the State of Maryland to promote and facilitate recreational activities in the Town, such corporation to be named "Leonardtown Recreation, Inc." (the "Corporation"). A copy of the Articles of Incorporation of the Corporation (the "Articles of Incorporation") is attached hereto as Exhibit A. A copy of the Bylaws of the Corporation is attached hereto as Exhibit B.

It is intended that the Articles of Incorporation of the Corporation will be filed with the Maryland State Department of Assessments and Taxation promptly following their approval by the Mayor and Council.

It is further intended that the Corporation shall be organized and formed such that certain obligations (within the meaning of the Code) issued by the Corporation shall be issued on behalf of the Town in accordance with the requirements of Rev. Rul. 63-20, 1963-1 C.B. 24 ("Rev. Rul. 6320") and Rev. Proc. 82-26, 1982-1 C.B. 426 ("Rev. Proc. 82-26"). As required by Rev. Proc. 8226, the Corporation will engage in activities that are essentially public in nature and is not organized for profit except to the extent of retiring indebtedness, and the corporate income of the Corporation will not inure to any private person.

The Town has been requested to approve the purposes and activities of the Corporation in order to facilitate the financing of the acquisition, construction and development of a public golf course and related facilities to be located on Maryland Route 5, southeast of Maryland Route 243 within the geographical boundaries of the Town (the "Project"). The Project will include of an 18 hole golf course, a driving range and a clubhouse, all for use by the general public.

It is intended that the Maryland Economic Development Corporation, a Maryland public corporation ("MEDCO") organized and existing under the provisions of Article 83A, Sections 5201 through 5-216, inclusive, of the Annotated Code of Maryland (1995 Replacement Volume) (the "MEDCO Act"), will issue one or more series of revenue bonds (collectively, the "Bonds") in accordance with the provisions of the MEDCO Act and lend the net proceeds thereof to the Corporation in order to finance all or a portion of the cost of acquiring, constructing, developing, improving, equipping and furnishing the Project, together with the acquisition of all necessary property rights and equipment and all related architectural, financial, legal, planning, design and engineering expenses.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND TOWN COUNCIL LEONARDTOWN, THAT:

SECTION 1. As required by Rev. Rul. 63-20 and Rev. Proc. 82-26, and subject to the provisions thereof:

1.1. The Town approves of the purposes and activities of the Corporation as identified in the Articles of Incorporation. The Town approves the Articles of Incorporation and By-laws of the Corporation and authorizes the filing of the Articles of Incorporation with the Maryland State Department of Assessments and Taxation. Prior to the filing of the Articles of Incorporation of the Corporation, the Mayor, with the advice and consent of the Council of the Town, may complete the Articles of Incorporation by inserting the names of the initial directors of the Corporation. The Articles of Incorporation and By-laws of the Corporation may be amended, from time to time, by the Corporation, so long as any such amendments are not inconsistent with the provisions of this Resolution.

1.2. The Town approves the issuance of the Bonds by MEDCO in connection with the financing of the Project as described in the recitals to this Resolution, subject to compliance with the further provisions of this Section 1. The Bonds shall be issued in an aggregate principal amount not to exceed Nine Million Dollars (\$9,000,000) and for a maximum term not to exceed thirty (30) years. The Town approves the loan of the proceeds of the Bonds to the Corporation in connection with the financing of the Project pursuant to a loan agreement to be entered into by and between MEDCO and the Corporation. The proceeds of the Bonds shall be used solely to provide tangible real or tangible personal property and for costs and reserves permitted under Rev. Proc. 82-26. It is anticipated that the Corporation may incur additional indebtedness for the purpose of financing costs of the Project which do not constitute tangible real or tangible personal property within the meaning of Rev. Proc. 82-26.

1.3. The Corporation shall have exclusive beneficial possession and use of a portion of the property financed by the Bonds, and any additions to that property, equivalent to 95 percent or more of its fair rental value for the life of the Bonds.

1.4. As required by Rev. Proc. 82-26, and as set forth in the Articles of Incorporation and By-laws of the Corporation, the Town shall (A) appoint the members of the governing board of the Corporation, and (B) have the power to remove, for cause, either directly or through judicial proceedings, any member of the governing board and appoint a successor.

1.5. The Town shall obtain upon discharge of the Bonds (within the meaning of Rev. Proc. 82-26) unencumbered fee title and exclusive use of the property financed by the Bonds, including any additions to the property, without demand or further action on its part. All leases, management contracts, and other similar encumbrances must terminate upon discharge of the Bonds, excluding, however, those encumbrances that do not significantly interfere with the enjoyment of the property, such as easements granted to utility companies. The Town will accept unencumbered fee title to the property financed with the Bonds, including any additions thereto, at such time as the Bonds are discharged without cost or charge to the Town at that time.

1.6. The indenture or other document under which the Bonds are issued shall provide that any other obligations issued by MEDCO or the Corporation either to make improvements to the property financed with the Bonds or to refund a prior issue of MEDCO's or the Corporation's obligations issued in connection with the Project, will be discharged no later than the latest maturity date of the original Bonds, regardless of whether the original Bonds are callable at an earlier date. In addition, the maturity date of the original Bonds or any other obligations issued by MEDCO or the Corporation with respect to the property financed with the original Bonds may not be extended beyond the latest maturity date of the original Bonds, regardless of whether the original Bonds are callable at an earlier date.

1.7. The proceeds of fire or other casualty insurance policies received in connection with damage to or destruction of the property financed with the Bonds, including any additions to the property, will, subject to the claims of holders of the Bonds, (a) be used to reconstruct the property, regardless of whether the insurance proceeds are sufficient to pay for the reconstruction, or (b) be remitted to the Town.

1.8. (a) A reasonable estimate of the fair market value of the property financed with the Bonds on the latest maturity date of the Bonds, regardless of whether the Bonds are callable at an earlier date, shall be equal to at least 20 percent of the original cost of the property financed by the Bonds. The estimated fair market value of the property shall be determined without including in the value any addition to the property or any increase or decrease for inflation or deflation during the term of the Bonds; and

(b) A reasonable estimate of the remaining useful life of the property on the latest maturity date of the Bonds, regardless of whether the Bonds are callable at an earlier date, shall be the longer of one year or 20 percent of the originally estimated useful life of the property financed by the Bonds.

(c) The Corporation shall provide the Town with an appraisal or appraisals conducted by an appraiser licensed in Maryland and having achieved the MAI designation, demonstrating that the fair market value of the property financed by the Bonds and the remaining useful life of such property, respectively, meets the requirements of (a) and (b) above. If the property

financed by the Bonds does not itself meet the requirements of (a) and (b) above, these requirements will be considered met if the Corporation is required to replace the property and the replacement property meets the requirements of (a) and (b) above.

SECTION 2. It is hereby found and determined as follows:

2.1. The Project is a recreational facility that will assist in promoting the health, recreation, welfare, enjoyment and enlightenment of the inhabitants of the Town.

2.2. The Project and the financing will assist in (a) relieving conditions of unemployment in the State and the Town; (b) encouraging the increase of industry and commerce and a balanced economy in the State and the Town; (c) retaining existing industry and commerce and attracting new industry and commerce in the State and the Town; (d) promoting economic development in the State and the Town; and (e) generally promoting the health, recreation, welfare and safety of the residents of the State and the Town.

2.3. The principal of, premium, if any, and interest on the Bonds shall be payable solely from the revenues received from the Corporation in connection with the financing of the Project or from any other monies made available to the Corporation for such purpose. NEITHER THE BONDS, THE LOAN NOR THE INTEREST THEREON SHALL EVER CONSTITUTE AN INDEBTEDNESS OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE TOWN WITHIN THE MEANING OF ANY CONSTITUTIONAL OR CHARTER PROVISION OR STATUTORY LIMITATION AND NEITHER SHALL CONSTITUTE OR GIVE RISE TO ANY PECUNIARY LIABILITY OF THE TOWN.


2.4. Neither the proceeds of the Bonds nor the payments of the principal of, premium, if any, or interest on the Bonds will be commingled with the Town's funds or will be subject to the absolute control of the Town, and the Town shall retain only those rights as are deemed necessary or desirable by the Town to ensure that the proceeds of the Bonds are used to accomplish the public purposes of this Resolution. The transactions provided for hereby are not subject to any procurement, purchasing, contracting or bidding requirements of any laws, regulations or requirements of the Town.

SECTION 3. The Town shall have no obligation to pay or cause to be paid and the Corporation shall pay or cause to be paid any costs and fees associated with the financing of the Project, including, without limitation, fees and expenses of bond counsel, underwriters, underwriters' counsel, trustee, trustee's counsel, financial advisors, feasibility consultants, appraisers, architects, engineers, and the manager and developer of the Project and their counsel.

SECTION 4. The Mayor, the Town Administrator, the Clerk-Treasurer, and all other officials, officers and employees of the Town are hereby authorized and empowered to take any and all actions necessary or appropriate and to prepare, review, approve, execute and deliver, as applicable, all documents, certificates or instruments necessary or appropriate in connection with the issuance, sale and delivery of the Bonds or to comply with the provisions of the Articles of Incorporation or the By-laws of the Corporation.

SECTION 5. This Resolution shall become effective immediately upon its adoption by the Council and its approval by the Mayor.

THE COMMISSIONERS OF LEONARDTOWN


Ruth W. Proffitt, Vice President


Bernard Y. Delahay, Councilman


Susan H. Erichsen, Councilwoman


Daniel W. Muchow, Councilman

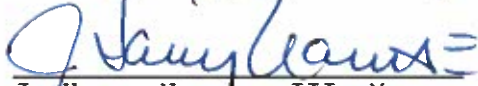

Walter Wise, Councilman

ATTEST:


Robert O. Guyther, Town Administrator

Adopted by the Council: December 16, 1996

Approved by the Mayor this 16th Day of December, 1996


J. Harry Norris, III, Mayor