

RESOLUTION NO. 5-01  
EFFECTIVE DATE: August 13, 2001

A RESOLUTION OF THE COMMISSIONERS OF LEONARDTOWN AUTHORIZING AND EMPOWERING THE COMMISSIONERS OF LEONARDTOWN, PURSUANT TO THE AUTHORITY OF SECTIONS 9-1601 TO 9-1622, INCLUSIVE, OF THE ENVIRONMENT ARTICLE OF THE ANNOTATED CODE OF MARYLAND (1996 REPLACEMENT VOLUME, AS REPLACED, SUPPLEMENTED OR AMENDED), SECTIONS 31 TO 37, INCLUSIVE, OF ARTICLE 23A OF THE ANNOTATED CODE OF MARYLAND (1998 REPLACEMENT VOLUME, AS REPLACED, SUPPLEMENTED OR AMENDED), SECTION 719 OF THE CHARTER OF THE TOWN OF LEONARDTOWN, AS PUBLISHED IN MUNICIPAL CHARTERS OF MARYLAND, VOLUME 5, 1990 REPLACEMENT EDITION, AS REPLACED, SUPPLEMENTED OR AMENDED, AND ORDINANCE NO. 105, PASSED BY THE COUNCIL OF THE TOWN ON AN EMERGENCY BASIS ON AUGUST 13, 2001, TO ISSUE AND SELL, UPON ITS FULL FAITH AND CREDIT, A GENERAL OBLIGATION INSTALLMENT BOND IN THE AGGREGATE PRINCIPAL AMOUNT OF ONE MILLION FOUR HUNDRED THOUSAND DOLLARS (\$1,400,000.00) TO BE DESIGNATED "THE COMMISSIONERS OF LEONARDTOWN WATER QUALITY BOND, SERIES 2001", THE BOND TO BE ISSUED AND SOLD AND THE PROCEEDS THEREOF TO BE USED AND APPLIED FOR THE PUBLIC PURPOSE OF FINANCING OR REFINANCING ALL OR A PORTION OF THE COST OF ONE OR MORE OF THE FOLLOWING: THE ACQUISITION, CONSTRUCTION, RENOVATION, UPGRADING, IMPROVEMENT AND EQUIPPING OF COMPONENTS OF THE TOWN'S WASTEWATER SYSTEM, INCLUDING (WITHOUT LIMITATION) COMPONENTS RELATING TO BIOLOGICAL NUTRIENT REMOVAL PROCESSES, TOGETHER WITH THE ACQUISITION OF NECESSARY PROPERTY RIGHTS AND EQUIPMENT, RELATED SITE AND UTILITY IMPROVEMENTS, RELATED ARCHITECTURAL, FINANCIAL, LEGAL, PLANNING, DESIGN AND ENGINEERING EXPENSES AND COSTS OF ISSUANCE OF THE BOND; PRESCRIBING, APPROVING AND ADOPTING THE FORM AND TENOR OF THE BOND, THE TERMS AND CONDITIONS FOR THE ISSUANCE AND SALE OF THE BOND BY PRIVATE SALE, WITHOUT PUBLIC BIDDING, TO THE MARYLAND WATER QUALITY FINANCING ADMINISTRATION, AND ALL OTHER DETAILS INCIDENT THERETO, AND AUTHORIZING THE MAYOR, ON BEHALF OF THE TOWN, TO ADJUST AND FIX CERTAIN DETAILS OF THE BOND; APPROVING, AND AUTHORIZING AND DIRECTING THE EXECUTION AND DELIVERY OF, A LOAN AGREEMENT WITH THE MARYLAND WATER QUALITY FINANCING ADMINISTRATION PURSUANT TO WHICH ADVANCES WILL BE MADE UNDER THE BOND; AUTHORIZING EACH OF THE MAYOR, THE TOWN ADMINISTRATOR AND THE TREASURER TO TAKE CERTAIN ACTIONS WITH RESPECT TO THE LOAN AGREEMENT AND DESIGNATING EACH OF THE MAYOR, THE TOWN ADMINISTRATOR AND THE TREASURER AS AN "AUTHORIZED OFFICER" FOR PURPOSES OF THE LOAN AGREEMENT; PROVIDING FOR THE DISBURSEMENT OF ADVANCES OF THE BOND; PROVIDING THAT THE PRINCIPAL OF AND INTEREST ON THE BOND WILL BE

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PAYABLE IN THE FIRST INSTANCE FROM REVENUES RECEIVED BY THE TOWN IN CONNECTION WITH THE OPERATION OF THE WASTEWATER SYSTEM SERVING THE TOWN AND SURROUNDING AREAS; PROVIDING FOR THE LEVY AND COLLECTION OF AD VALOREM TAXES SUFFICIENT FOR THE PROMPT PAYMENT OF THE INSTALLMENTS OF PRINCIPAL OF AND INTEREST ON THE BOND; PLEDGING THE FULL FAITH AND CREDIT AND UNLIMITED TAXING POWER OF THE TOWN TO THE PROMPT PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BOND; PROVIDING THAT THE PRINCIPAL OF AND INTEREST ON THE BOND ALSO MAY BE PAID FROM ANY OTHER SOURCES OF REVENUE LAWFULLY AVAILABLE TO THE TOWN FOR SUCH PURPOSE; AUTHORIZING AND DIRECTING OFFICIALS AND EMPLOYEES OF THE TOWN TO TAKE ANY AND ALL ACTION NECESSARY TO COMPLETE AND CLOSE THE SALE AND DELIVERY OF THE BOND; MAKING CERTAIN REPRESENTATIONS AND DESIGNATIONS RELATING TO TAX MATTERS; RATIFYING AND CONFIRMING THE APPOINTMENT OF CERTAIN TOWN OFFICIALS; PROVIDING THAT NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN ORDINANCE NO. 105 OR THIS RESOLUTION, THE TOWN SHALL USE AND APPLY PROCEEDS OF THE BOND ONLY AS PERMITTED BY THE LOAN AGREEMENT, THE CLEAN WATER ACT (AS DEFINED IN THE LOAN AGREEMENT) AND THE ACT (AS DEFINED IN THE LOAN AGREEMENT); AND OTHERWISE GENERALLY RELATING TO THE ISSUANCE, SALE, DELIVERY AND PAYMENT OF AND FOR THE BOND.

RECITALS

1. The Commissioners of Leonardtown, a municipal corporation of the State of Maryland (the "Town"), is authorized and empowered by Sections 9-1601 to 9-1622, inclusive, of the Environment Article of the Annotated Code of Maryland (1996 Replacement Volume, as replaced, supplemented or amended) (the "Environment Article"), Sections 31 to 37, inclusive, of Article 23A of the Annotated Code of Maryland (1998 Replacement Volume, as replaced, supplemented or amended) (the "Enabling Act") and Section 719 of the Charter of the Town of Leonardtown, as published in Municipal Charters of Maryland, Volume 5, 1990 Replacement Edition, as replaced, supplemented or amended (the "Charter"), to borrow money for any proper

public purpose in connection with the wastewater system serving the Town and surrounding areas and to evidence such borrowing by the issuance and sale of its general obligation bonds.

2. Pursuant to Ordinance No. 105, passed pursuant to the Environment Article, the Enabling Act and the Charter by the Council of the Town on an emergency basis on August 13, 2001 (the "Ordinance"), the Town authorized the issuance and sale, upon its full faith and credit, of one or more series of its general obligation bonds in an aggregate principal amount not to exceed One Million Four Hundred Thousand Dollars (\$1,400,000.00) (the "Authorized Bonds"). The Ordinance provides that any such series may consist of one or more bonds and that any bond may be issued in installment form and/or draw-down form.

3. The Ordinance provides that the proceeds of the Authorized Bonds are to be used and applied for the public purpose of financing or refinancing all or a portion of the cost of one or more of the following: the acquisition, construction, renovation, upgrading, improvement and equipping of components of the Town's wastewater system, including (without limitation) components relating to biological nutrient removal processes, together with the acquisition of necessary property rights and equipment, related site and utility improvements, related architectural, financial, legal, planning, design and engineering expenses, costs of issuance and, if the Council so determines pursuant to a resolution, interest during construction and for a reasonable period thereafter (collectively, the "Authorized Project").

4. The Town has determined that it is in the best interest of the Town and its citizens to issue and sell a single general obligation installment bond to the Maryland Water Quality Financing Administration in accordance with, and pursuant to, the authority contained in the Environment

Article, the 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 bond are to be used and applied as herein set forth in connection with the Authorized Project.

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSIONERS OF LEONARDTOWN that:

SECTION 1. Pursuant to the authority of the Environment Article, the Enabling Act, the Charter and the Ordinance, the Town hereby determines to issue and sell, upon its full faith and credit, a general obligation installment bond for the public purpose of financing or refinancing all or a portion of the cost of one or more of the following: the acquisition, construction, renovation, upgrading, improvement and equipping of components of the Town's wastewater system, including (without limitation) components relating to biological nutrient removal processes, together with the acquisition of necessary property rights and equipment, related site and utility improvements, related architectural, financial, legal, planning, design and engineering expenses and costs of issuance of the Bond described herein (collectively, the "Project"). Although the Ordinance authorizes the use of proceeds of the Authorized Bonds to pay interest during construction and for a reasonable period thereafter, the Town will not use proceeds of the Bond for such purpose and such purpose is not included within the definition of the Project. The bond shall be issued in the aggregate principal amount of One Million Four Hundred Thousand Dollars (\$1,400,000.00) and shall be designated as "The Commissioners of Leonardtown Water Quality Bond, Series 2001" (the "Bond").

SECTION 2. (a) The Bond shall be issued and sold upon the full faith and credit of the Town, shall be dated the date of its delivery, shall be numbered R-1 and shall be issued in the form of a single, fully-registered installment bond, without coupons attached.

(b) The principal advanced under the Loan Agreement (as hereinafter defined) shall be paid in installments on the dates and in the amounts as set forth in the following schedule, as such schedule may be amended in accordance with the terms of the Bond and the Loan Agreement:

<u>Due</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>	<u>Due</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>
2004	\$85,742.59	2012	\$ 94,328.02
2005	86,771.50	2013	95,459.95
2006	87,812.76	2014	96,605.47
2007	88,866.51	2015	97,764.74
2008	89,932.91	2016	98,937.91
2009	91,012.11	2017	100,125.17
2010	92,104.25	2018	101,326.61
2011	93,209.50		

(c) The Bond, or so much of the principal amount thereof as shall have been advanced from time to time under the terms of the Loan Agreement, shall bear interest from its dated date at an annual rate of interest equal to 25% of the average of the Bond Buyer 11-Bond Index for the calendar month prior to the month in which the initial advance of proceeds of the Bond occurs, provided that the rate determined by such calculation may be rounded down by the Maryland Water Quality Financing Administration (the "Administration") in its sole discretion. Interest due on the unpaid principal amounts advanced under the Loan Agreement shall accrue on the basis of a 30-day month, 360-day year from the date of the respective advances of such

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principal amount, and shall be paid on February 1, 2002, and semiannually thereafter on the 1st day of August and February in each year until the principal amount of the Bond has been paid.

(d) The payment dates and principal installments provided for in the foregoing subsections (b) and (c) are based on an anticipated date of issuance for the Bond of September 12, 2001 and an assumption that the interest rate payable on the Bond if the Bond is issued in September 2001, as determined pursuant to subsection (c) above, will not change from the interest rate payable on the Bond if the Bond were to be issued in August 2001, as determined pursuant to subsection (c) above (which interest rate for an August 2001 issuance is one and two-tenths per centum (1.2%) per annum). Notwithstanding the foregoing, in the event the interest rate payable if the Bond is issued in September 2001 (or any other month) differs from the interest rate payable if the Bond were issued in August 2001, in each case as determined in accordance with subsection (c) above, and provided that the interest rate payable on the Bond, as determined in accordance with subsection (c) above, does not exceed two and five-tenths per centum (2.5%) per annum, the Mayor, on behalf of the Town, is hereby authorized and empowered to approve on behalf of the Town such final interest rate and to adjust such principal and interest payment dates and principal installment amounts (including, without limitation, by adjusting the first date on which interest will be due and by adjusting such amounts to reflect the interest rate determined in accordance with subsection (c) above) as required by the Administration, in order to meet the requirements of Section 9-1605(d)(1)(ii) of the Environment Article or to meet other requirements of the Administration, such approval and adjustment to be evidenced conclusively by the Mayor's execution and delivery of the Bond. In the event the Mayor does not approve the final interest rate

determined in accordance with subsection (c) above pursuant to this subsection (d), the Bond shall not be issued as contemplated by this Resolution.

(e) If the Administration determines at any time to reduce the maximum amount of the Loan Commitment (as defined in the Loan Agreement) in accordance with Section 3.08 of the Loan Agreement, the Maximum Principal Amount of the Bond (as defined in the Bond) shall be reduced accordingly and the Maximum Principal Amount as so reduced shall be amortized as provided in the Loan Agreement. In such event, as determined by the Administration, the Town may execute and deliver (in the manner provided in Section 4 hereof for the original issuance of the Bond) a new Bond evidencing such reduction in the Loan Commitment or the Administration may deliver, and the Mayor, on behalf of the Town, shall acknowledge in writing, a certificate setting forth such reamortized payment schedule (as adjusted as provided for in subsection (d) hereof), which shall be attached to the Bond and shall replace and supersede for all purposes the foregoing payment schedule. The Mayor, on behalf of the Town, is hereby authorized and directed to approve, execute and deliver any such certificate relating to a reamortized payment schedule and any other certificates, documents or evidence required by the Administration under Section 3.08 of the Loan Agreement.

(f) The Town shall pay (i) a late charge for any payment of principal or interest on the Bond that is received later than the tenth (10th) day following its due date, in an amount equal to 5% of such payment, and (ii) interest on overdue installments of principal and (to the extent permitted by law) interest at the Default Rate provided for in the Loan Agreement, which

Default Rate shall be equal to 100% of the average of the Bond Buyer 11-Bond Index for the calendar month prior to the month in which the initial advance of proceeds of the Bond occurs.

(g) Both the principal of and interest on the Bond will be paid to the registered owner in lawful money of the United States of America, at the time of payment, and will be paid by electronic funds transfer, or by check or draft mailed (by depositing such check or draft, correctly addressed and postage prepaid, in the United States mails on or before the payment date) to the registered owner at such address as the registered owner may designate from time to time by a notice in writing delivered to the Town Secretary.

SECTION 3. The Bond shall be subject to mandatory prepayment, in whole or in part, as, when and to the extent required by the United States Environmental Protection Agency's (and its successors) State Revolving Fund Program Regulations. Otherwise, the Bond may be prepaid by the Town, in whole or in part, only at such times and in such amounts, and upon payment by the Town of such prepayment premium or penalty, as the Director of the Administration, in his or her discretion, may specify and approve.

SECTION 4. The Bond 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 Bond and attested by the signature of the Town Secretary. In the event any official whose signature shall appear on the Bond shall cease to be such official prior to the delivery of the Bond, or, in the event any such official whose signature shall appear on the Bond shall have become such after the date of issue thereof, said Bond shall nevertheless be a valid and binding obligation of the Town in accordance with its terms.



SECTION 5. The Bond shall be transferable only after the first principal payment date as set forth in the Bond or the date upon which the Maximum Principal Amount has been borrowed, whichever is earlier, upon the books of the Town at the office of the Town Secretary, by the registered owner in person or by his attorney duly authorized in writing, upon surrender thereof, together with a written instrument of transfer satisfactory to the Town Secretary, duly executed by such registered owner or his duly authorized attorney. The Town shall, within a reasonable time, issue in the name of the transferee a new registered bond or bonds, in such denominations as the Town shall by resolution approve, in an aggregate principal amount equal to the unpaid principal amount of the bond or bonds surrendered and with the same maturities and interest rate. If more than one bond is issued upon any such transfer, the installment of principal and interest to be paid on each such bond on each payment date shall be equal to the product of the following formula: the total installment due on each payment date multiplied by a fraction, the numerator of which shall be the principal amount of such bond and the denominator of which shall be the aggregate principal amount of bonds then outstanding and unpaid. The new bond or bonds shall be delivered to the transferee only after payment of any taxes on and any shipping or insurance expenses relating to such transfer. The Town may deem and treat the party in whose name the Bond is registered as the absolute owner thereof for the purpose of receiving payment of or on account of the principal thereof and interest due thereon and for all other purposes.

SECTION 6. Except as provided hereinafter, the Bond shall be issued in substantially the form attached hereto as Exhibit A and incorporated by reference herein. Appropriate variations and insertions to provide dates, numbers and amounts, and modifications not

altering its substance, including, without limitation, to reflect matters determined in accordance with Sections 2(b), (c), (d) and (f) hereof, may be made by the Mayor. All of the covenants contained in the form attached hereto as Exhibit A are hereby adopted by the Town as and for the form of obligation to be incurred by the Town, and the covenants and conditions are hereby made binding upon the Town, including the promise to pay therein contained.

SECTION 7. The Town hereby determines to sell the Bond by private sale, without public bidding, which sale by private 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 flexible terms and the beneficial interest rate. Therefore, and pursuant to the authority of the Environment Article, the Enabling Act and the Charter, the Bond shall be sold by private sale, without public bidding, for a price of the par amount of the Bond (such purchase price to be advanced in accordance with the Loan Agreement) to the Administration, in accordance with the substantially final form of the Loan Agreement attached hereto as Exhibit B (the "Loan Agreement"), the terms and conditions of which Loan Agreement are hereby incorporated by reference herein and approved by and adopted as the obligation of the Town. The Mayor is hereby authorized and directed to complete, execute and deliver the Loan Agreement for and in the name of the Town with such changes, insertions and deletions not substantially altering the substance of the Loan Agreement as shall be approved by the Mayor, such approval to be evidenced conclusively by the Mayor's execution and delivery of the Loan Agreement. Notwithstanding anything to the contrary contained in this Resolution, advances under the Loan Agreement or the Bond and prepayment or payment of the principal of and interest on the Bond shall be made in accordance with the Loan Agreement. The Town agrees to abide by

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and perform the covenants and agreements set forth in the Loan Agreement as though such covenants and agreements were set forth in full in this Resolution. The Town hereby expressly acknowledges its absolute and unconditional obligation to make Administrative Fee payments to the Administration in accordance with the Loan Agreement.

SECTION 8. As soon as may be practicable after the adoption of this Resolution, the Bond shall be suitably prepared in definitive form, executed and delivered to the Administration contemporaneously with the receipt of the initial advance of the proceeds of the Bond. The Mayor, the Town Administrator, the Town Secretary, the Treasurer and all other officials and employees of the Town are expressly authorized, empowered and directed to take any and all action necessary to complete and close the sale and delivery of the Bond to the Administration and to negotiate, approve, execute and deliver all documents, certificates and instruments necessary or appropriate in connection therewith. The Mayor and the Treasurer, or either of them, on behalf of the Town, are hereby further authorized, empowered and directed to prepare or cause to be prepared, negotiate or cause to be negotiated, approve, execute and deliver, upon the advice of legal counsel, any tax representation letter or similar document required by the St. Mary's County Metropolitan Commission (the "Commission") in connection with the issuance by the Commission of any tax-exempt obligations to fund Project costs. Each of the Mayor, the Town Administrator and the Treasurer is hereby expressly authorized to take any necessary actions under the Loan Agreement or the Bond in order to requisition advances on behalf of the Town. Each of the Mayor, the Town Administrator and the Treasurer is hereby expressly designated an "Authorized Officer" for purposes of the Loan Agreement.

SECTION 9. Each advance of the proceeds of the Bond shall be paid directly to the Town and shall be deposited by the Treasurer or other appropriate Town official in the proper municipal accounts, or shall be paid at the direction of the Authorized Officer, or shall be paid as otherwise required by the Administration. Advances under the Bond shall be used and applied by the Town exclusively and solely for the public purpose described in Section 1 hereof. Nothing in this Resolution shall be construed to authorize the expenditure of any moneys except for a proper public purpose.

SECTION 10. (a) The principal of and interest on the Bond will be payable in the first instance from revenues received by the Town in connection with the operation of the wastewater system serving the Town and surrounding areas. In the event such moneys are insufficient in any fiscal year to provide for the prompt payment, when due, of the principal of and interest on the Bond, the Town shall levy or cause to be levied, for each and every fiscal year during which the Bond 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 payment, when due, of the principal of and interest on the Bond payable in each such fiscal year and, in the event the proceeds from the collection of the taxes so levied may prove inadequate for such purposes in any fiscal year, additional taxes shall be levied in the subsequent fiscal year to make up any 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 Bond as and when the same are 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 Bond. The Town hereby covenants with the registered owner of the Bond to take any action that may be appropriate from time to time during the period that the Bond remains outstanding and unpaid to provide the funds necessary to pay promptly the principal and 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 Bond 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 Bond 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 for the purpose of assisting the Town in accomplishing the type of project or projects which the Bond is issued to finance, 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 11. (a) The Mayor and the Treasurer are the officials of the Town responsible for the issuance of the Bond within the meaning of Section 1.148-2(b)(2) of the Arbitrage Regulations (defined below). The Mayor and the Treasurer also shall be the officials of the Town responsible for the execution and delivery (on the date of the issuance of the Bond) of a certificate of the Town (the "Section 148 Certificate") that complies with the requirements of Section 148 ("Section 148") of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable regulations thereunder (the "Arbitrage Regulations"). Such officials are hereby

authorized and directed to execute and deliver the Section 148 Certificate to counsel rendering an opinion on the validity and tax-exempt status of the Bond on the date of the issuance of the Bond.

(b) The Town shall set forth in the Section 148 Certificate its reasonable expectations as to relevant facts, estimates and circumstances relating to the use of the proceeds of the Bond or of any monies, securities or other obligations to the credit of any account of the Town which may be deemed to be proceeds of the Bond pursuant to Section 148 or the Arbitrage Regulations (collectively, the “Bond Proceeds”). The Town covenants with the Administration that the facts, estimates and circumstances set forth in the Section 148 Certificate will be based on the Town’s reasonable expectations on the date of issuance of the Bond and will be, to the best of the certifying officials’ knowledge, true and correct as of that date.

(c) The Town covenants with the registered owner of the Bond that it will not make, or (to the extent that it exercises control or direction) permit to be made, any use of the Bond Proceeds that would cause the Bond to be an “arbitrage bond” within the meaning of Section 148 and the Arbitrage Regulations, and that it will comply with those provisions of Section 148 and the Arbitrage Regulations as may be applicable to the Bond on the date of the issuance of the Bond, and which may subsequently lawfully be made applicable to the Bond, as long as the Bond remains outstanding and unpaid.

SECTION 12. The Town specifically covenants that it will comply with the provisions of the Code applicable to the Bond, including, without limitation, compliance with provisions regarding the timing of the expenditure of the proceeds of the Bond, the use of such proceeds and the facilities financed with such proceeds, the restriction of investment yields, the

filing of information with the Internal Revenue Service and the rebate of certain earnings resulting from the investment of the proceeds of the Bond. The Town further covenants that it shall make such use of the proceeds of the Bond, regulate the investment of the proceeds thereof and take such other and further actions as may be required to maintain the exemption from federal income taxation of interest on the Bond. All officers, employees and agents of the Town are hereby authorized and directed to provide such certifications of facts and estimates regarding the amount and use of the proceeds of the Bond as may be necessary or appropriate.

SECTION 13. For purposes of Section 148(f)(4)(D) of the Code (relating to the exception for small governmental units from the arbitrage rebate requirement), the Town represents and certifies that (i) the Town has general taxing powers, (ii) the Bond is not a “private activity bond” within the meaning of Section 141 of the Code, (iii) at least ninety-five percent (95%) of the proceeds of the Bond are to be used for local governmental activities of the Town, and (iv) the aggregate face amount of all tax-exempt bonds (other than private activity bonds) issued by the Town (and all subordinate entities of the Town) during calendar year 2001 is not reasonably expected to exceed Five Million Dollars (\$5,000,000.00).

SECTION 14. The Town hereby designates the Bond as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Code (relating to the exception from the disallowance of the deduction for that portion of a financial institution’s interest expense which is allocable to tax-exempt interest) and, in connection therewith, represents and certifies that (i) the Bond is not a “private activity bond” within the meaning of Section 141 of the Code, (ii) the reasonably anticipated amount of tax-exempt obligations (excluding private activity bonds other

than qualified 501(c)(3) bonds) which will be issued by the Town (and all subordinate entities of the Town) during calendar year 2001 does not exceed Ten Million Dollars (\$10,000,000.00), and (iii) not more than Ten Million Dollars (\$10,000,000.00) of obligations issued by the Town (and all subordinate entities of the Town) during calendar year 2001, including the Bond, have been or will be designated qualified tax-exempt obligations by the Town.

SECTION 15            The Council hereby ratifies and confirms the appointment (i) as of June 7, 2000, of Laschelle E. Miller as Town Administrator, (ii) as of July 8, 1996, of Rebecca L. Sothoron as Treasurer, (iii) as of October 23, 2000, of Malynda L. Shumaker as Town Secretary and (iv) as of July 7, 1992, of Karen H. Abrams as Town Attorney.

SECTION 16.            Notwithstanding anything to the contrary contained in the Ordinance or this Resolution, the Town shall use and apply proceeds of the Bond only as permitted by the Loan Agreement, the Clean Water Act (as defined in the Loan Agreement) and the Act (as defined in the Loan Agreement).

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SECTION 17. This Resolution shall become effective immediately upon its adoption by the Council and its approval by the Mayor; provided that, the Bond may not be issued and the Loan Agreement may not be delivered until the Ordinance becomes effective in accordance with its terms and the provisions of the Charter.

[SEAL]

ATTEST:

Malinda L. Shumaker  
Malinda L. Shumaker, Town Secretary

THE COMMISSIONERS OF  
LEONARDTOWN

By: Ruth W. Proffitt  
Ruth W. Proffitt, Vice-President

By: Michael L. Bridges  
Michael L. Bridges, Councilmember

By: Charles R. Faunce  
Charles R. Faunce, Councilmember

By: Walter R. Gillette  
Walter R. Gillette, Councilmember

By: Walter Wise  
Walter Wise, Councilmember

Introduced: August 13, 2001

Adoption: August 13, 2001

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Approved by the Mayor this 13<sup>th</sup> day of August, 2001.

By: J. Harry Norris, III  
J. Harry Norris, III, Mayor

Effective: August 13, 2001

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EXHIBIT A

FORM OF BOND

\$1,400,000.00

R-1

REGISTERED

UNITED STATES OF AMERICA  
STATE OF MARYLAND

THE COMMISSIONERS OF LEONARDTOWN  
WATER QUALITY BOND, SERIES 2001  
Dated \_\_\_\_\_, 2001

PAYMENTS OF PRINCIPAL AND INTEREST ON THIS BOND ARE MADE  
BY CHECK, DRAFT OR ELECTRONIC FUNDS TRANSFER  
TO THE REGISTERED OWNER AND IT CANNOT  
BE DETERMINED FROM THE FACE OF THIS BOND WHETHER  
ALL OR ANY PART OF THE PRINCIPAL OF OR INTEREST  
ON THIS BOND HAS BEEN PAID.

REGISTERED OWNER: Maryland Water Quality Financing Administration

The Commissioners of Leonardtown, a municipal corporation of the State of Maryland (the "Borrower"), hereby acknowledges itself obligated to pay to the Registered Owner shown above, the principal amount of \$1,400,000.00 (the "Maximum Principal Amount") or so much thereof as shall have been advanced from time to time under the terms of the Loan Agreement dated as of \_\_\_\_\_, 2001 (the "Loan Agreement") by and between the Borrower and the Maryland Water Quality Financing Administration (the "Administration"), plus interest on the unpaid principal advanced under the terms of the Loan Agreement at the rate of \_\_\_\_\_ per centum (\_\_\_\_%) per annum.

The principal advanced under the Loan Agreement shall be paid in installments on the dates and in the amounts as set forth in the following schedule, as such schedule may be amended in accordance with the terms hereof:

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<u>Due</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>	<u>Due</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>
2004	\$85,742.59	2012	\$ 94,328.02
2005	86,771.50	2013	95,459.95
2006	87,812.76	2014	96,605.47
2007	88,866.51	2015	97,764.74
2008	89,932.91	2016	98,937.91
2009	91,012.11	2017	100,125.17
2010	92,104.25	2018	101,326.61
2011	93,209.50		

If the Administration determines at any time to reduce the maximum amount of the Loan Commitment (as defined in the Loan Agreement) in accordance with Section 3.08 of the Loan Agreement, the Maximum Principal Amount shall be reduced accordingly and the Maximum Principal Amount as so reduced shall be amortized in accordance with Section 3.08 of the Loan Agreement. The Administration shall deliver, and the Borrower shall acknowledge in writing, a certificate setting forth such reamortized payment schedule, which shall be attached hereto and shall replace and supersede for all purposes the foregoing payment schedule. Any such reduction shall not affect the obligation of the Borrower to pay the principal of and interest on this bond as and when the same shall become due.

Notwithstanding the foregoing, all outstanding unpaid principal amounts advanced under the Loan Agreement, if not previously due hereunder, shall be due on that date which is 20 years after the date of completion of the Project (as defined in the Loan Agreement), as certified by the Borrower to the Administration pursuant to Section 2.02(d) of the Loan Agreement.

Interest due on the unpaid principal amounts advanced under the Loan Agreement shall accrue on the basis of a 30-day month, 360-day year from the date of the respective advances of such principal amount, and shall be paid on February 1, 2002, and semiannually thereafter on the 1st day of August and February in each year until the principal amount hereof has been paid.

This bond is subject to prepayment only in accordance with Section 3.10 of the Loan Agreement.

Both the principal of and interest on this bond will be paid to the registered owner in lawful money of the United States of America, at the time of payment, and will be paid by electronic funds transfer, or by check or draft mailed (by depositing such check or draft, correctly addressed and postage prepaid, in the United States mails on or before the payment date) to the registered owner at such address as the registered owner may designate from time to time by a notice in writing delivered to the Town Secretary.

This bond is issued pursuant to and in full conformity with the provisions of Sections 31 to 37, inclusive, of Article 23A of the Annotated Code of Maryland, as amended, Section 719 of the Charter of the Town of Leonardtown, as published in Municipal Charters of Maryland, Volume 5, 1990 Replacement Edition and 2000 Supplement, as amended, and the Maryland Water Quality Financing Administration Act (codified as Sections 9-1601 to 9-1622, inclusive, of the Environment Article of the Annotated Code of Maryland, as amended), and by virtue of due proceedings had and taken by the Borrower, particularly Ordinance No.\_\_\_\_, passed by the Council of the Borrower on \_\_\_\_\_, 2001, approved by the Mayor on \_\_\_\_\_, 2001 and effective on \_\_\_\_\_, 2001, and Resolution No. \_\_\_\_\_, adopted by the Commissioners of the Borrower on \_\_\_\_\_, 2001, approved by the Mayor on \_\_\_\_\_, 2001 and effective on \_\_\_\_\_, 2001 (collectively, the "Resolution").

This bond, together with the Loan Agreement, evidences the Loan (as defined in the Loan Agreement) to the Borrower from the Maryland Water Quality Financing Administration. In accordance with the Loan Agreement, the principal amount of the Loan, being the amount denominated as principal under this bond, is subject to reduction or adjustment by the Administration in accordance with the Loan Agreement.

The full faith and credit and unlimited taxing power of the Borrower are hereby irrevocably pledged to the prompt payment of the principal of and interest on this bond according to its terms, and the Borrower does hereby covenant and agree to pay the principal of and interest on this bond at the dates and in the manner prescribed herein.

This bond is transferable only after the first principal payment date as set forth above or the date upon which the Maximum Principal Amount has been borrowed, whichever is earlier, upon the books of the Borrower at the office of the Town Secretary by the registered owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof, together with a written instrument of transfer satisfactory to the Town Secretary, duly executed by the registered owner or his duly authorized attorney. The Borrower shall, within a reasonable time, issue in the name of the transferee a new registered bond or bonds, in such denominations as the Borrower shall by resolution approve, in an aggregate principal amount equal to the unpaid principal amount of the bond or bonds surrendered and with the same maturities and interest rate. If more than one bond is issued upon any such transfer, the installment of principal and interest to be paid on each such bond on each payment date shall be equal to the product of the following formula: the total installment due on each payment date multiplied by a fraction, the numerator of which shall be the principal amount of such bond and the denominator of which shall be the aggregate principal amount of bonds then outstanding and unpaid. The new bond or bonds shall be delivered to the transferee only after payment of any taxes on and any shipping or insurance expenses relating to such transfer. The Borrower may deem and treat the party in whose name this bond 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.

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It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Maryland and the Resolution to exist, to have happened or to have been performed precedent to or in the issuance of this bond, exist, have happened and have been performed, and that the issuance of this bond, together with all other indebtedness of the Borrower, is within every debt and other limit prescribed by said Constitution or statutes.

IN WITNESS WHEREOF, this bond has been executed by the manual signature of the Mayor and the seal of the Borrower has been affixed hereto, attested by the manual signature of the Town Secretary, all as of the \_\_\_\_\_ day of \_\_\_\_\_, 2001.

(SEAL)

ATTEST:

THE COMMISSIONERS OF  
LEONARDTOWN

\_\_\_\_\_  
Town Secretary

By: \_\_\_\_\_  
Mayor

ORIGINAL

EXHIBIT B

FORM OF LOAN AGREEMENT

[See Attached]

ORIGINAL

**LOAN AGREEMENT**

**By and Between**

**MARYLAND WATER QUALITY  
FINANCING ADMINISTRATION**

**and**

**THE COMMISSIONERS OF LEONARDTOWN**

**Dated as of           , 2001**

1005 @ 2UA



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