

**Resolution 2-15
Resolution Relating to Post-Issuance
Tax Compliance Procedures for
Non-Conduit Tax-Exempt
Obligations**

RESOLUTION

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

RECITALS

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

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

WHEREAS, the Town anticipates issuing a general obligation bond to the Maryland Water Quality Financing Administration in spring 2015 in order to finance, reimburse or refinance a portion of the costs of upgrading the Town's wastewater treatment plant and undertaking improvements to achieve enhanced nutrient removal (the "2015 Bond"); and

WHEREAS, bond counsel to the Town has recommended that the Town adopt written post-issuance compliance procedures with respect to tax-exempt obligations issued by the Town for non-conduit borrowings, which procedures will apply to the 2015 Bond, any outstanding non-conduit tax-exempt obligations of the Town, and future non-conduit tax-exempt obligations of the Town.

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

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

Section 2. The substantially final form of the Post-Issuance Tax Compliance Procedures for Non-Conduit Tax-Exempt Obligations attached hereto as Exhibit A (the "Procedures") are hereby approved, and the Mayor, the Town Administrator and the Treasurer, on behalf of the Town, working with bond counsel to the Town, are hereby authorized and directed to make and approve changes thereto in order to conform the same to actual or recommended Town practices, to correct typographical or grammatical errors, to cure ambiguities and inconsistencies, or to conform to applicable law as advised by bond counsel to the Town, and to execute the final form of the Procedures on behalf of the Town. The approval of the final form of the Procedures by the Mayor, the Town Administrator and the Treasurer shall be evidenced conclusively by their signatures thereon. The final Procedures shall be maintained in the records of the Town but need not be filed in any court records. All appropriate officials and employees of the Town are hereby authorized, directed and empowered to comply with the Procedures with respect to the 2015 Bond and any other obligations of the Town that are, or become, subject to the Procedures.

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


ADOPTED THIS 9th day of February, 2015.

ATTEST:

COUNCIL OF THE TOWN OF LEONARDTOWN



Laschelle McKay, Town Administrator



Daniel W. Burris, Mayor

(SEAL)

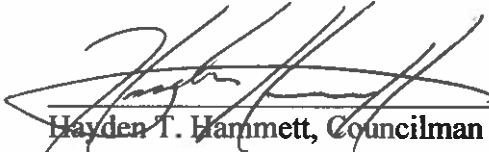


Leslie E. Roberts, Vice President



Thomas M. Combs, Councilman

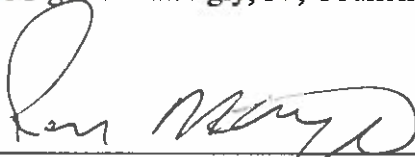
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Hayden T. Hammett, Councilman



J. Maguire Mattingly, IV, Councilman



Roger L. Mattingly, Councilman

#170826;50023.001

THE COMMISSIONERS OF LEONARDTOWN
POST-ISSUANCE TAX COMPLIANCE PROCEDURES
FOR NON-CONDUIT TAX-EXEMPT OBLIGATIONS

The purpose of these Post-Issuance Tax Compliance Procedures for Non-Conduit Tax-Exempt Obligations (the “Procedures”) is to establish procedures to be followed by The Commissioners of Leonardtown (the “Town”) following the issuance by the Town of any tax-exempt obligations to be used for the Town’s purposes (i.e., excluding conduit issues). Examples of tax-exempt obligations issued for the Town’s purposes include, but are not limited to, general obligation bonds (including, without limitation, tax-exempt general obligation bonds issued by the Town to the Community Development Administration or the Maryland Water Quality Financing Administration to evidence loans obtained from such State-level administrations, or to the United States of America acting through the United States Department of Agriculture, to evidence loans obtained from Rural Development or Rural Utilities Service), general obligation bond anticipation notes, revenue bonds (the proceeds of which are *not* loaned to a conduit borrower or the facilities financed by which are *not* leased to a conduit borrower), tax increment financing bonds, special taxing district bonds, loans from a bank, and tax-exempt lease purchase agreements, any of such obligations the interest on which is intended to be excludable from gross income of the registered owners thereof for federal income tax purposes (collectively, the “Obligations”).

The Town may revise or amend these Procedures from time to time and, upon consultation with appropriate professionals (e.g., bond counsel, financial advisor, rebate analyst), may deviate from these Procedures in applicable cases.

For each issue of Obligations, the Town Administrator and the Treasurer will confirm which Town official(s)/employee(s) will have primary responsibility for complying with these Procedures. In addition, the Town Administrator and the Treasurer shall at least annually, and upon the resignation, termination or death of any such designated official(s)/employee(s), re-assess whether any such primary responsibility needs to be re-assigned. Any such assignment may be made in the applicable Tax Certificate (as defined below under Part I, “Promptly Following Closing”) or in other written form that is accessible to applicable Town officials and employees, and any such re-assignment may be made in a supplement to the applicable Tax Certificate or in other written form that is accessible to applicable Town officials and employees. Notwithstanding the foregoing provisions of this paragraph, in the event the position of Town Administrator or Treasurer is vacant at any time that the Town Administrator and the Treasurer are to make an assignment in accordance with this paragraph, and no other official has the authority to act in such titled official’s stead as described further herein, the remaining official shall be responsible for determining which Town official(s)/employee(s) shall have primary responsibility for compliance with these Procedures. If no such assignment is made, the Treasurer will be the default official responsible for complying with these Procedures. If no such assignment is made and the position of Treasurer is vacant, the Town Administrator will be the default official responsible for complying with these Procedures.

The finalizing and approval of these initial Procedures were authorized by Section 2 of Resolution 2-15 adopted by the Council of the Town on February 9, 2015 and effective on February 9, 2015, and were developed in anticipation of a tax-exempt general obligation bond to be issued by the Town to the Maryland Water Quality Financing Administration for certain wastewater system improvements (the “2015 Bond”).

Unless and until responsibility for complying with these Procedures with respect to the 2015 Bond is otherwise provided for herein or is delegated to one or more other Town official(s)/employee(s) in accordance herewith, the Treasurer shall have primary responsibility for complying with these Procedures with respect to the 2015 Bond once issued.

References in these Procedures to any official by title shall be deemed to refer (i) to any official authorized under the Charter of the Town (the “Charter”) or the code of ordinances of the Town (the “Town Code”) 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 the Town Code or other applicable law, (iii) to any person who serves in a “Deputy” or “Assistant” capacity as such an official, provided that the applicable responsibilities, rights or duties referred to herein have been delegated to such deputy 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 Town Code, the official, however known, who is charged under the Charter or the Town Code or other applicable law or authority with the applicable responsibilities, rights or duties referred to herein.

The following provisions of these Procedures may not be applicable to each series of Obligations.

I. Promptly Following Closing:

- Create, or to the extent already created update, a list of buildings, facilities, improvements and equipment that have been or will be financed, reimbursed or refinanced in whole or in part with proceeds of Obligations (the “Obligation-Funded Capital Projects”) OR if a master list of Town capital assets is maintained, indicate on such master list which assets constitute Obligation-Funded Capital Projects (in either such case, the “Asset List”). To the extent possible, the Asset List should indicate (i) the scheduled maturity date of Obligations and (ii) any date(s) as of which Obligations are prepaid/redeemed in whole or in part prior to maturity.
- Confirm whether the bond year referenced in the tax certificate (by whatever name known—e.g., Tax and Section 148 Certificate, Non-Arbitrage Certificate, Tax Compliance Agreement and Arbitrage Certificate, etc.--the “Tax Certificate”) will be followed or another bond year will be followed.
- Confirm internally the method to be used of allocating expenditures of Obligation proceeds and investment earnings thereon, particularly with respect to capital projects to be funded from multiple sources (e.g., specific tracing, first-in/first-out, ratable allocation, gross proceeds spent first).

- Advise Town officials and employees with responsibility for selling, leasing, otherwise allowing use of (by concession, license or other type of use arrangement), providing for the operation and management of, or disposing of Town assets which Obligation-Funded Capital Projects have been added to the Asset List, and that the planned use of such Obligation-Funded Capital Projects and any change in such planned use must be vetted in accordance with Part V, "Use of Obligation-Funded Capital Projects" below.
- Set up tickler system with reminders for complying with applicable yield restriction requirements, arbitrage rebate calculation requirements and periodic review of Asset List.

II. Investments, Yield Restriction and Arbitrage Rebate:

- During acquisition/construction period for Obligation-Funded Capital Projects, monitor investment and expenditure of Obligations proceeds and any replacement proceeds to comply with investment temporary periods and investment yield restriction periods and compliance with 6-month, 18-month or 24-month spending period exceptions from arbitrage rebate requirements, if applicable.
- With respect to Obligations issued for advance refunding or current refunding purposes, monitor investment and expenditure of Obligations proceeds to comply with investment temporary periods, investment yield restriction purposes, treatment of any transferred proceeds and applicable expenditure periods outlined in the Tax Certificate.
- Confirm that any intended investments are within the Town's adopted investment policy and are allowed by federal and Maryland law.
- Determine likelihood of compliance with arbitrage rebate spending period exceptions, including small issuer exception, if applicable. The Tax Certificate will address certain matters regarding to arbitrage rebate requirements.
- Review copies of investment statements as received to determine if investments are within any required restriction limits and retain copies of investment statements as described below under Part VI, "Record Retention".
- Make/sell investments at fair market value. For investments to be made in securities traded on established markets, yield-restricted defeasance escrows, guaranteed investment contracts and certificates of deposit, consult with bond counsel, financial advisor and/or other applicable advisors to ensure compliance with applicable bidding regulations or safe harbors.
- If arbitrage rebate exception not likely to be available, determine whether rebate calculations to be made by qualified Town officials or employees or engage Town accountant or rebate analyst to perform necessary calculations and filings.
- Provide copies of investment statements and any other materials requested to permit proper calculation of arbitrage rebate payments or payments in lieu thereof.
- Assure timely payment of required rebate amounts or payments in lieu thereof by using tickler system.
- Retain copies of all rebate calculations and filings made in connection with rebate payments or payments in lieu thereof as described below under Part VI, "Record Retention".

III. Use of Obligations Proceeds:

- Monitor use of Obligations proceeds (including sale, gross, replacement or transferred proceeds and investment earnings thereon) throughout term of issue to ensure compliance with covenants and restrictions contained in the Tax Certificate and in authorizing ordinances/resolutions (to ensure that Obligations proceeds are applied to authorized capital projects and other authorized costs, if applicable (e.g., costs of issuance and capitalized interest)).
- Consult immediately with bond counsel if the Town (i) desires to spend Obligations proceeds on capital projects or other authorized costs not listed in authorizing ordinances/resolutions or (ii) determines that Obligations proceeds have not been spent on capital projects or other authorized costs listed in authorizing ordinances/resolutions.

IV. Accounting for Expenditures:

- Maintain and update Asset List as applicable.
- Allocate expenditures and investment of Obligations proceeds by consistently applied accounting method.
- Maintain records identifying expenditures of Obligations proceeds, including investment earnings.
- Make written reimbursement allocations in timely manner to extent required by U.S. Treasury Regulation Section 1.150-2 (commonly referred to as the “reimbursement regulations”).
- Make written final allocation of expenditure of Obligations proceeds, including investment earnings, not later than 18 months after the date an expenditure is made or, if later, the date the Obligation-Funded Capital Project is placed in service, and within outside limit of the earlier of 60 days after fifth (5th) anniversary of the issue date or 60 days after retirement of the issue (including by prepayment/redemption).

V. Use of Obligation-Funded Capital Projects:

- Review Asset List and confer with Town officials and employees responsible for overseeing use of Town capital assets at least annually to determine whether existing or any planned use of Obligation-Funded Capital Projects is/will be in compliance with the covenants and restrictions contained in the Tax Certificate.
- Immediately consult with bond counsel in the event any existing or planned use of Obligation-Funded Capital Projects is/will not be in compliance with covenants and restrictions contained in the Tax Certificate and follow advice of bond counsel to remediate such non-compliance (which advice may include compliance with the “change-in-use” provisions as described in the succeeding bullet point, if such option is still available time-wise, or participating in the Internal Revenue Service’s Voluntary Closing Agreement Program).
- Before selling, leasing, otherwise allowing the use of (by concession, license or other type of use arrangement), arranging for the operation and management of, or disposing of, Obligation-Funded Capital Projects, that was not specifically provided for in the Tax Certificate, and before modifying or extending any such arrangements, even if

contemplated by the Tax Certificate, consult with bond counsel and other advisors (including financial advisor, as necessary) to determine whether such planned use or disposition is in accordance with the Tax Certificate and applicable law and to determine whether the “change-in-use” provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and the applicable U.S. Treasury Regulations need to be complied with. *Notes—(1) Any such consultation should be made before contemplated use or disposition is approved or any agreements relating to the same are entered into. (2) Consult with bond counsel and other applicable advisors even if intended user is another Maryland municipal corporation or county or other Maryland governmental entity to ensure that (A) such user’s intended use does not contemplate private business use/private payments or security through further arrangement, and (B) that a governmental entity other than a Maryland municipal corporation or county qualifies as a governmental entity for purposes of the Code and the applicable U.S. Treasury Regulations. (3) Non-profit corporations (including 501(c)(3) entities) and the federal government and its departments, agencies and instrumentalities qualify as private business users for purposes of the Code and the applicable U.S. Treasury Regulations.*

- To the extent bond counsel advises that compliance with “change-in-use” provisions of the Code and the applicable U.S. Treasury Regulations is necessary, do not take any contemplated actions without consulting with bond counsel and following bond counsel’s advice, and promptly comply with any filing or other requirements as advised by bond counsel.

VI. Record Retention:

Retain the following while the Obligations are outstanding (either to maturity or redemption/prepayment in full), plus three (3) years, unless applicable provisions of the Code or the U.S. Treasury Regulations have been changed—

- Closing transcript (whether in binder or CD form).
- CP Notice 152 received from the Internal Revenue Service upon filing of the related Form 8038-G.
- Copies of all materials relating to acquisition/construction of Obligation-Funded Capital Projects, including acquisition contracts, construction contracts, installation contracts, purchase orders, invoices, etc.
- Copies of reimbursement allocations made in accordance with U.S. Treasury Regulation Section 1.150-2, if applicable.
- Copies of written allocations of expenditures of Obligation proceeds (including investment earnings thereon and proceeds of Obligations spent to refund other Obligations).
- Copies of all investment statements, investment agreements, investment purchase agreements, investment sale agreements, investment confirmations, investment receipts and records of paid administrative costs and any bidding documents or evidence of safe harbor compliance related to investments.

VII. Miscellaneous:

- Promptly following adoption of these Procedures, the assigned or default official(s)/employee(s) shall comply with the applicable provisions of these Procedures with regard to any outstanding Obligations of the Town in addition to the 2015 Bond.
- The official(s)/employee(s) with primary responsibility for complying with these Procedures shall be allowed to use the services of other appropriate Town officials or employees in carrying out their responsibilities.
- To the extent practical and feasible, the Town shall use electronic tickler systems to comply with these Procedures, with back-up paper tickler systems employed for critical dates.
- The official(s)/employee(s) of the Town primarily responsible for complying with these Procedures shall be allowed to consult with bond counsel and other advisors (e.g. financial advisor, rebate analyst), at the cost of the Town, as necessary to ensure compliance herewith.
- The official(s)/employee(s) of the Town primarily responsible for complying with these Procedures shall periodically review the "Tax Exempt Bonds" section of the Internal Revenue Service's website at www.irs.gov (after typing in address, go to "Information For" drop down bar at upper right of homepage) (as such section may be reorganized from time to time) to see if new information has been posted to such site that impacts the Town's tax-exempt obligations, including under the sub-tab marked "Issuers".
- The official(s)/employee(s) of the Town primarily responsible for complying with these Procedures shall, as he/she/they deem necessary or advisable, request authorization to attend conferences or webinars regarding tax-exempt obligations and to purchase resource guides and, in undertaking any continuing education (e.g., at Maryland Municipal League or Maryland Government Finance Officers Association conferences), shall take advantage of seminars or presentations offered on tax-exempt obligations.
- Before establishing funds or accounts or identifying other sources of revenue to pay debt service on the Obligations that are not contemplated by the Tax Certificate, consult with bond counsel to determine whether same constitute "replacement proceeds" that are subject to yield restriction and arbitrage rebate requirements and comply with bond counsel's advice, including supplementing the Tax Certificate, if necessary.
- For any calendar year in which the Town has designated "qualified tax-exempt obligations" earlier in the year, ensure that any tax-exempt obligations issued later in such calendar year for any purpose will not cause the Town to exceed the \$10 million "bank-qualified" limit or any other bank-qualification limit applicable for such calendar year. *Note: tax-exempt lease-purchase agreements count against the bank-qualification limit as do, under applicable law in effect in 2015, "qualified 501(c)(3) bonds".* Consult with bond counsel before issuing any tax-exempt obligation that may cause the applicable "bank-qualification" limit to be exceeded.
- To the extent a potential or actual violation of the Tax Certificate is discovered, consult immediately with bond counsel and other applicable advisors to determine a course of action to remediate such violation.
- Consult with bond counsel immediately in the event any change in interest rate is triggered under the applicable bond documents in order to determine whether a "reissuance" of the Obligations has occurred for purposes of the Code and the applicable


U.S. Treasury Regulations that requires further action. Examples of such interest rate changes include exercise by the registered owner of a right to adjust the interest rate or a change in the federal income tax treatment of a registered owner triggering such an adjustment, in each case in accordance with the applicable Obligation documents.

- Consult with bond counsel before determining to enter into an agreement or arrangement with registered owners of the Obligations (or other applicable parties) to change interest rates, amortization schedules, payment dates, prepayment/redemption provisions, security for the Obligations or a change in obligor in order to determine whether such contemplated action will cause a “reissuance” of the Obligations for purposes of the Code and applicable U.S. Treasury Regulations and the actions needed to be taken in connection with any such reissuance, and promptly comply with the recommendations of bond counsel.
- To the extent the Town maintains written job descriptions for official(s)/employee(s) that have responsibility for compliance with these Procedures, the Town shall add references to these Procedures to such job descriptions.

[SIGNATURE ON FOLLOWING PAGE]

The foregoing Procedures are established on behalf of The Commissioners of Leonardtown as of the 11th day of February, 2015.

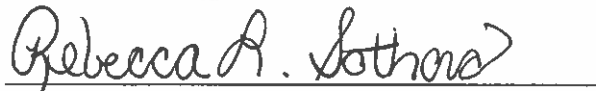
APPROVED:



Daniel W. Burris, Mayor



Laschelle E. McKay, Town Administrator



Rebecca L. Sothoron, Treasurer