

RESOLUTION No. 18-8

RESOLUTION PROVIDING FOR ISSUANCE OF
\$2,450,000 PUBLIC FACILITY BOND
(MYSTIC HARBOUR EFFLUENT DISPOSAL AND REUSE PROJECT)
SERIES 2018

A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF WORCESTER COUNTY (THE "BOARD") PROVIDING FOR THE ISSUANCE AND SALE BY COUNTY COMMISSIONERS OF WORCESTER COUNTY, MARYLAND (THE "COUNTY") OF ITS PUBLIC FACILITY BOND (MYSTIC HARBOUR EFFLUENT DISPOSAL AND REUSE PROJECT), SERIES 2018, IN THE PRINCIPAL AMOUNT OF \$2,450,000 (THE "BOND"), TO BE ISSUED PURSUANT TO THE AUTHORITY OF SECTIONS 11-401 AND 19-501 TO 19-510, INCLUSIVE, OF THE LOCAL GOVERNMENT ARTICLE OF THE ANNOTATED CODE OF MARYLAND, SECTIONS 9-601 TO 9-699, INCLUSIVE, OF THE ENVIRONMENT ARTICLE OF THE ANNOTATED CODE OF MARYLAND AND SECTION PW5-204 OF THE CODE OF PUBLIC LOCAL LAWS OF WORCESTER COUNTY, MARYLAND; PROVIDING FOR THE FORM, TENOR, DENOMINATION, MATURITY DATE AND OTHER PROVISIONS OF THE BOND; PROVIDING FOR THE SALE OF THE BOND TO THE UNITED STATES OF AMERICA, ACTING THROUGH RURAL UTILITIES SERVICE, UNITED STATES DEPARTMENT OF AGRICULTURE, FOR THE PURPOSE OF (1) FINANCING A PORTION OF THE COSTS OF PLANNING, DESIGN AND CONSTRUCTION OF AN EFFLUENT DISPOSAL AND REUSE PROJECT FOR THE MYSTIC HARBOUR SERVICE AREA (THE "PROJECT"), AND COSTS, FEES AND EXPENSES INCURRED BY THE COUNTY IN CONNECTION WITH THE ISSUANCE AND SALE OF THE BOND; PROVIDING THAT THE BOND SHALL BE ISSUED AND SOLD UPON THE FULL FAITH AND CREDIT OF THE COUNTY; PROVIDING FOR THE DISBURSEMENT OF THE PROCEEDS OF THE SALE OF THE BOND; AUTHORIZING THE PRESIDENT OF THE BOARD OF COUNTY COMMISSIONERS OF WORCESTER COUNTY TO SPECIFY, PRESCRIBE, DETERMINE, PROVIDE FOR OR APPROVE CERTAIN MATTERS, DETAILS, FORMS, DOCUMENTS OR PROCEDURES APPROPRIATE TO THE AUTHORIZATION, SALE, SECURITY, ISSUANCE, DELIVERY, OR PAYMENT OF OR FOR THE BOND; PROVIDING FOR THE ASSESSMENT AND LEVY IN EACH YEAR, SO LONG AS ANY PORTION OF THE BOND IS OUTSTANDING AND UNPAID, OF (1) ASSESSMENTS ON AN EQUIVALENT DWELLING UNIT ("EDU") BASIS, CHARGES AND, IF NECESSARY, AD VALOREM TAXES ON ALL PROPERTY IN THE MYSTIC HARBOUR SANITARY SERVICE AREA TO PAY THE PRINCIPAL OF AND INTEREST ON THE BOND, AND (2) IF NECESSARY, AD VALOREM TAXES ON ALL REAL AND PERSONAL PROPERTY SUBJECT TO TAXATION WITHIN WORCESTER COUNTY, SUFFICIENT, TOGETHER WITH OTHER AVAILABLE FUNDS, TO PROVIDE FUNDS FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BOND AS THEY SHALL RESPECTIVELY BECOME DUE AND PAYABLE; AND GENERALLY PROVIDING FOR AND DETERMINING VARIOUS MATTERS IN CONNECTION THEREWITH.

RECITALS

County Commissioners of Worcester County, Maryland (the "County"), is a body politic and corporate and a political subdivision duly formed and existing under the Constitution and the Laws of the State of Maryland.

Pursuant to Sections 11-401 and 19-501 to 19-510, inclusive, of the Local Government Article of the Annotated Code of Maryland, as amended (the "Act"), and Sections 9-601 to 9-699, inclusive, of the Environment Article of the Annotated Code of Maryland, as amended (the "Sanitary District Act"), the County is authorized to issue its general obligation bonds and pledge the full faith and credit of the County in the manner prescribed in the Sanitary District Act to pay all or a portion of the costs of a project (as defined in the Sanitary District Act); and pursuant to Section PW5-204 of Subtitle II of Title 5 of the Public Works Article of the Code of Public Local Laws of Worcester County ("Section PW5-204") and Section 11-401 of the Local Government Article of the Annotated Code of Maryland, the County is authorized, among other things, (a) to exercise all the powers of a water or sewer authority or sanitary district or commission, and (b) to acquire, construct, operate and maintain water and sewerage systems as the Board of County Commissioners of Worcester County (the "Board") considers to be in the public interest and necessary to protect the general health and welfare. The County has determined that (a) a public needs exists in Worcester County to finance a portion of the costs of an effluent disposal and reuse project for the Mystic Harbour Service Area (the "Service Area") (the "Project"), and (b) the financing of the costs of the Project is a proper public purpose which may be financed by the issuance of the County's general obligation Bond pursuant to the Act and the Sanitary District Act.

Pursuant to the authority granted to it under the Act, the Sanitary District Act and Section PW5-204 (collectively, the "Enabling Legislation"), the County desires (a) to provide by resolution for the issuance of the County's general obligation bond in the principal amount of \$2,450,000 (the "Bond"), and to pledge its full faith and credit and taxing power to the repayment thereof, for the purpose of (i) financing a portion of the costs of the Project, and (ii) paying costs, fees and expenses incurred by the County in connection with the issuance and sale of the Bond (provided that the amount so borrowed shall be used for no other purpose whatsoever except as expressly provided herein or as expressly authorized by the Board), (b) to prescribe the manner of the sale of the Bond and the terms and conditions under which it shall be offered for sale, to provide for the use of the proceeds of the sale of the Bond, (c) to provide for and determine various matters in connection therewith and (d) to assess and levy, in each year, so long as any portion of the Bond is outstanding and unpaid, assessments on an equivalent dwelling unit ("EDU") basis on all properties in the Service Area, charges and, if necessary, ad valorem taxes on all real and personal property subject to taxation within first, the Service Area and second, Worcester County, sufficient in rate and amount, together with other moneys available therefor, to pay the interest payable in that year on the Bond and the principal of the Bond maturing in that year.

The County has obtained a written commitment dated April 30, 2015 from the United States of America, acting through Rural Utilities Service, United States Department of Agriculture (hereinafter referred to as "the Government") to purchase the Bond and it is the

intention of the County by this Resolution to provide for the issuance and sale of the Bond to the Government.

NOW, THEREFORE, in accordance with the Enabling Legislation:

SECTION 1. BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF WORCESTER COUNTY, That all terms used herein with an initial capital letter and defined in the Recitals hereof shall have the meanings given such terms therein, unless the context clearly indicates a contrary meaning.

SECTION 2. AND BE IT FURTHER RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF WORCESTER COUNTY, (a) That the County shall borrow upon its full faith and credit and issue and sell upon the Bond upon its full faith and credit in the principal amount of Two Million Four Hundred Fifty Thousand Dollars (\$2,450,000), pursuant to the authority of the Enabling Legislation and to be known as the “County Commissioners of Worcester County, Maryland Public Facility Bond (Mystic Harbour Effluent Disposal and Reuse Project), Series 2018” (the “Bond”). The proceeds from the sale of the Bond shall be used for the purpose of providing permanent financing for a portion of the costs of the Project, including, without limitation, paying costs, fees and expenses incurred by the County in connection with the issuance and sale of the Bond.

(b) The County expects to reimburse a portion of the funds expended by the County upon the Project with proceeds of the Bond, and to pay, or reimburse the County for the payment of, costs, fees and expenses incurred by the County in connection with the issuance and sale of the Bond.

(c) The Bond shall be sold to the Government and shall be dated as of the date of delivery to the Government (the “Closing Date”); shall be issued as a single, fully-registered bond in the principal amount of \$2,450,000; shall be numbered R-1; and shall be initially registered in the name of “United States of America, acting through Rural Utilities Service, United States Department of Agriculture”.

(d) The Bond shall bear interest at a rate equal to the lower of (i) 2.75% per annum (i.e., the interest rate set by the Government at the time it approved the issuance of the Bond) or (ii) the market rate established by the Government for the calendar quarter in which the Bond is issued in accordance with Section 1780.13 of Title 7 of the Code of Federal Regulations;

(e) The Bond shall be repaid as follows: installments of principal and interest shall be payable on sums actually advanced on the date which is three full months following the Closing Date, and quarterly thereafter, the principal and interest on the Bond shall be payable in 160 equal consecutive quarterly installments. The entire unpaid principal balance of the Bond and all accrued and unpaid interest thereon shall be due and payable 40 years following the Closing Date. Payments of the principal amount of and interest on the Bond shall be made by the County through the Preauthorized Debit (PAD) process, so long as the Bond is registered in the name of the Government, unless otherwise required by the Government. Notwithstanding the foregoing, the County and the Government may agree to any other commercially reasonable method of

payment of principal of and interest on the Bond (including, by way of illustration and not in limitation, by wire or electronic funds transfer).

(f) The single, fully-registered bond shall be in substantially the form set forth in Exhibit A hereto, which form, together with the statement of maturity of quarterly installments of principal and interest therein set forth and all of the covenants and conditions therein contained, is hereby adopted by the County as and for the form of obligation to be incurred by the County and such covenants and conditions are hereby made binding upon the County, including the promise to pay therein contained.

(g) The Chief Administrative Officer of the County (the "Chief Administrative Officer") shall maintain a register for the registration of the Bond and transfer of ownership thereof and shall act as Bond registrar.

SECTION 3. AND BE IT FURTHER RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF WORCESTER COUNTY, That the Bond shall be executed on behalf of the County by the President of the Board by his or her manual signature and shall bear the corporate seal of the County attested by the manual signature of the Chief Administrative Officer. In the event that any official whose signature shall appear on the Bond shall cease to be such official prior to the delivery of the Bond such signature shall nevertheless be valid and sufficient for all purposes, the same as if such official had remained in office until delivery.

SECTION 4. AND BE IT FURTHER RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF WORCESTER COUNTY, That the payment of the principal of and interest on the Bond when due and payable shall be backed by the full faith and credit of the County. However, it is intended that the debt service on the Bond shall be paid first from the source described in Section 9(g)(i) of this Resolution and second from the source described in Section 9(g)(ii) and (iii) of this Resolution.

SECTION 5. AND BE IT FURTHER RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF WORCESTER COUNTY, (a) That the County may prepay on any payment date the entire unpaid principal amount of the Bond or, from time to time in the inverse chronological order of the installments of principal, such lesser portion thereof as the County may determine, in an amount equal to the principal amount to be prepaid plus accrued interest to the date of such payment.

(b) Unless notice of prepayment shall be waived in writing by the registered owner of the Bond, a notice calling for prepayment of the installments of principal to be prepaid shall be mailed by the County, postage prepaid, at least 30 days prior to the prepayment date, to the registered owner of the Bond, at its last address appearing on the registration books kept by the County. Such notice shall specify the installments of principal to be prepaid, the date fixed for prepayment and the prepayment price, and shall further state that on such date the installments of principal called for prepayment will be due and become payable and shall be paid through the Preauthorized Debit (PAD) process, so long as the Bond is registered in the name of the Government (unless otherwise required by the Government or unless the County and the Government agree to another commercially reasonable method of prepayment (including, by

way of illustration and not in limitation, by wire or electronic funds transfer)), and that from and after such date, interest thereon shall cease to accrue. Provided, however, that failure to mail any such notice or any defect in the notice so mailed, or in the mailing thereof, shall not affect the validity of any prepayment proceedings, except where the Government is the registered owner.

(c) On the date designated for prepayment, notice having been mailed or waived, and moneys for the payment of the prepayment price plus accrued interest being held by the County, the installments of principal so called for prepayment shall become due and payable at the prepayment price provided for prepayment of such installments of principal on such date, interest on such installments of principal so called for prepayment shall cease to accrue, and the registered owner of the Bond shall have no rights in respect to the installments of principal so called for prepayment except to receive payment of the prepayment price thereof, plus accrued interest thereon to the prepayment date from such moneys held by the County. (Notwithstanding the foregoing sentence, if the Government is the registered owner of the Bond, interest will cease to accrue on the principal so called for prepayment upon payment through the Preauthorized Debit (PAD) process, so long as the Bond is registered in the name of the Government (unless otherwise required by the Government or unless the County and the Government agree to another commercially reasonable method of prepayment (including, by way of illustration and not in limitation, by wire or electronic funds transfer)); and, if the Government has assigned the Bond and insured the payment thereof, interest will cease to accrue on the principal so called for prepayment on the effective date of such prepayment. The effective date of every such payment made by the County, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by the County, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.)

SECTION 6. AND BE IT FURTHER RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF WORCESTER COUNTY, In case the Bond shall become mutilated or be destroyed, lost or stolen, the County may cause to be executed and delivered a new Bond of like date and tenor and bearing the same or a different number, in exchange and substitution for each Bond mutilated, destroyed, lost or stolen, upon the registered owner paying the reasonable expenses and charges of the County in connection therewith and, in the case of any Bond being destroyed, lost or stolen upon the registered owner filing with the County evidence satisfactory to it that such Bond was destroyed, lost or stolen, and his ownership thereof, and furnishing the County with indemnity satisfactory to it, except that when the Government is the registered owner, no indemnity will be required. Any Bond so issued in substitution for a Bond so mutilated, destroyed, lost or stolen shall constitute an original contractual obligation on the part of the County and of the County under this Resolution whether or not the Bond in exchange for which said new Bond is issued shall at any later date be presented for payment and such payment shall be enforceable by anyone, and any such new Bond shall be entitled to the benefits of this Resolution, in the manner and to the extent provided herein.

SECTION 7. AND BE IT FURTHER RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF WORCESTER COUNTY, That the President of the Board is hereby authorized, prior to execution and delivery of the Bond, to make such changes or modifications in the Bond as may be required or deemed appropriate by her in order to accomplish the purpose of the transactions authorized by this Resolution, provided that such changes shall be within the scope of the transactions authorized by this Resolution; and the execution of the Bond by the President of the Board shall be conclusive evidence of the approval by the President of the Board of all changes or modifications in the form of the Bond and the due execution of the Bond on behalf of the County, and the Bond shall thereupon become binding upon the County in accordance with its terms.

SECTION 8. AND BE IT FURTHER RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF WORCESTER COUNTY, (a) The proceeds of the Bond shall be paid to or for the account of the County as determined by the Chief Administrative Officer, and shall be used, in the following priority when and as required, and when approved by the Government (if the Government is the registered owner), to pay:

(i) all costs and expenses incurred in connection with the design and construction of the Project (including costs of planning, engineering and inspections);

(ii) all fees and expenses of bond counsel and counsel to the County in connection with the authorization, issuance and sale of the Bond; and

(iii) the cost of printing and delivery of the Bond, if any.

(b) For the purposes of this Resolution the cost of the design and construction of the Project shall embrace the cost of designing and constructing the same and, without intending thereby to limit or restrict any proper definition of such costs under the provisions of this Resolution or the Act, shall include the following: expenses of administration properly chargeable to the Project, legal expenses and fees, financing charges, costs of audits and of preparing and issuing the Bond, planning, engineering and inspection expenses and all other items of expense not elsewhere in this Resolution specified, incident to the design, construction and equipping of the Project, the financing thereof, the placing of the same in operation (including the initial premiums on any insurance required or obtained by the County) and any abstracts of title, title insurance, cost of surveys and other expenses in connection with such design and construction.

(c) After the design and construction of the Project have been completed and the Project is in operation and all costs and expenses in connection therewith have been paid, any balance of the proceeds of the sale of the Bond which have been advanced to the County shall be applied to the next maturing principal installments of the Bond, and, in the event the entire proceeds of the Bond have not been advanced to the County, the payments of principal and interest provided for in Section 2 of this Resolution will be adjusted accordingly.

Pending expenditure as contemplated hereby, the County may invest all or part of such balance of the proceeds of sale of the Bond in such manner as may be permitted by law;

provided, however, that no such investment shall be made which would cause the Bond to be an "arbitrage bond", as more fully set forth in Section 13 below.

SECTION 9. AND BE IT FURTHER RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF WORCESTER COUNTY, That the County covenants with and for the benefit of the registered owner from time to time of the Bond, that so long as the Bond or installments of principal thereunder shall remain outstanding and unpaid:

(a) The County will duly and punctually pay, or cause to be paid, to the registered owner of the Bond the principal of the Bond and interest accruing thereon, at the dates and places and in the manner mentioned in the Bond, according to the true intent and meaning thereof.

(b) The County will promptly proceed to design and construct the Project. The County will, upon the completion of the design and construction of the Project, operate and maintain the Project in good operating condition.

(c) The County will pay all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed upon or in respect of the Project or any part thereof, or any revenues therefrom, when the same shall become due. It will duly observe and comply with all valid requirements of any municipal or governmental authority relative to the Project or any part thereof, and will not create or suffer to be created any lien or charge (except for liens or charges, if any, validly created and existing as of the date of delivery to the Government) on the Project or any part thereof, or upon the revenues therefrom. It will pay or cause to be discharged within a reasonable time after the same shall accrue, any such lien or charge and also all lawful claims and demands for labor, materials, supplies, or other objects which, if unpaid, might by law become a lien upon the Project or any part thereof, or the revenues therefrom; providing, however, that nothing herein contained shall require the County to pay or to cause to be discharged or make provision for, any such lien, charge, claim or demand so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

(d) The County will (i) establish and enforce reasonable rules and regulations covering the use and operation of the Project and each and every part thereof, (ii) comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body which may be applicable to the Project, and (iii) observe and comply with all of the provisions of the Act as now in force and effect or as the same may be hereafter from time to time amended.

(e) The County covenants that in accordance with the provisions of the Act, it will cause to be levied against all assessable property within the Service Area, annually, so long as any of the Bond is outstanding and not paid; (i) assessments on an EDU basis on all properties in the Service Area in rate and amount sufficient to pay such principal of and interest on the Bond as and when due and payable; and (ii) if, in any taxable year for property taxes in Worcester County, the County determines that there will be insufficient assessments on an EDU basis or other funds available to pay principal of and interest on the Bond during such taxable year, a tax on all assessable property within the geographical limits of the Service Area without limitation as to rate or amount and sufficient to provide such sum or sums as the County may deem sufficient

and necessary in conjunction with any further funds then available for the purpose, to pay the principal of and interest on the Bond as the same become due and payable; (iii) in the event that the taxes so levied in any fiscal year shall prove inadequate for the above purposes, the County shall cause to be levied additional taxes in the succeeding fiscal year to make up such deficiency; and (iv) the full faith and credit of the County is hereby irrevocably pledged to the punctual payment of the principal of and interest on the Bond as the same become due.

SECTION 10. AND BE IT FURTHER RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF WORCESTER COUNTY, That the County covenants and agrees that so long as the Government is the registered owner of the Bond:

(a) It will provide for, execute, and comply with Form FHA 400-4, "Assurance Agreement"; and Form FHA 400-1, "Equal Opportunity Agreement", including an "Equal Opportunity Clause", which clause is to be incorporated in, or attached as a rider to, each construction contract and subcontract involving in excess of \$10,000.

(b) It will indemnify the Government for any payments made or losses suffered by the Government on behalf of the County in connection with the Project. Such indemnification shall be payable from the same source of funds pledged to pay the Bond or any other legally permissible source.

(c) Upon default in the payments of any principal and accrued interest on the Bond or in the performance of any covenant or agreement contained herein or in the instruments incident to making or insuring the loan evidenced by the Bond, the Government, at its option, may (i) declare the entire principal amount then outstanding and accrued interest immediately due and payable, (ii) for the account of the County incur and pay reasonable expenses for repair, maintenance, and operation of the Project and such other reasonable expenses as may be necessary to cure the cause of default, and/or (iii) take possession of the Project, repair, maintain and operate or rent the Project. Default under the provisions of this Resolution or any instrument incident to the making or insuring of the loan evidenced by the Bond may be construed by the Government to constitute default under any other instrument held by the Government and executed or assumed by the County, and default under any such instrument may be construed by the Government to constitute default hereunder.

(d) It will not sell, transfer, lease or otherwise encumber the Project or any portion thereof or interest therein, and will not permit others to do so, without the prior written consent of the Government.

(e) It will not defease the Bond or borrow money from any source or enter into any contract or agreement or incur any other liabilities in connection with making enlargements, extensions or improvements to the Project (exclusive of normal maintenance) without obtaining the prior written consent of the Government if such undertaking would involve the source of funds pledged to payment of the Bond.

(f) It will place the proceeds of the Bond on deposit in an account and in a manner approved by the Government; the proceeds of the Bond may be deposited in institutions insured

by the State of Maryland or the Federal Government or invested in readily marketable securities backed by the full faith and credit of the United States. Any income from these accounts will be considered as revenues of the system.

(g) It will comply with applicable Federal and State laws and regulations and continually operate and maintain the Project in good condition.

(h) It will impose and collect the taxes, rates and charges above set forth; all use of the Project shall be subject to the full rates prescribed in the rules and regulations of the County; and no free use of the Project will be permitted.

(i) It will cause to be levied and collected such taxes and assessments as may be necessary to continually operate and maintain the Project in good condition, establish adequate reserves and meet installments on the Bond when the same become due if, for any reason, gross revenues are insufficient.

(j) It will (i) establish and maintain such books and records relating to the operation of the Project and its financial affairs and provide for the annual audit thereof in such manner as may be required by the Government, (ii) provide the Government, without its request, a copy of each such audit, (iii) make and forward to the Government such additional information and reports as it may from time to time require, and (iv) provide the Government at all reasonable times access to all books and records relating to the Project and access to the property of the Project so that the Government may ascertain that the County is complying with the provisions hereof and of the instruments incident to the purchase of the Bond by the Government.

(k) It will serve any applicant within the service area of the Project who desires services and can be feasibly and legally served, and will obtain the concurrence of the Government prior to refusing services to such applicant. Upon failure to provide services which are feasible and legal, such applicant shall have a direct right of action against the County pursuant to this Resolution.

(l) It will not (i) cause or permit any voluntary dissolution of its organization, (ii) merge or consolidate with any other organization, or (iii) dispose of or transfer its title to the Project or any part thereof, including land and interests in land, by sale, mortgage, lease or other encumbrance, without obtaining the prior written consent of the Government.

(m) It will comply with the measures identified in the Government's environmental impact analysis for the Project for the purpose of avoiding or reducing the adverse environmental impacts of the Project's construction or operation.

(n) It will acquire and maintain such insurance coverage including fidelity bonds as may be required by the Government.

SECTION 11. AND BE IT FURTHER RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF WORCESTER COUNTY, That, if at any time while the Government is the registered owner of the Bond, it shall appear to the Government that the County is able to

refinance the principal amount then outstanding on the Bond, in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private sources, at reasonable rates and terms for loans for similar purposes and periods of time, the County will, as required by Section 333(c) of the Consolidated Farm and Rural Development Act of 1961 (7 U.S.C. 1983((c)) upon request of the Government, apply for and accept such loan in sufficient amount to repay the Government and will take all such action as may be required in connection with such loan.

SECTION 12. AND BE IT FURTHER RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF WORCESTER COUNTY, That the provisions of this Resolution shall constitute a contract with the purchaser and registered owner from time to time of the Bond, and this Resolution shall not be repealed, modified or altered while the Bond or any portion thereof remain outstanding and unpaid.

SECTION 13. AND BE IT FURTHER RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF WORCESTER COUNTY, (a) That the County covenants that it will not make any use of the proceeds of the Bond or any moneys, securities or other obligations on deposit to the credit of the County or otherwise which may be deemed by the Internal Revenue Service to be proceeds of the Bond pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and the Income Tax Regulations thereunder (collectively, the "Code"), which would cause the Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code.

(b) The County further covenants that it will comply with those provisions of Section 148 of the Code which are applicable to the Bond on the date of issuance of the Bond and which may subsequently lawfully be made applicable to the Bond. To the extent that provisions of Section 148 of the Code apply to only a portion of the Bond, proceeds thereof or other moneys, securities or other obligations deemed to be proceeds, it is intended that the covenants of the County contained in this Section of this Resolution be construed so as to require the County to comply with Section 148 of the Code only to the extent of such applicability.

(c) The County further covenants that it will not (i) take any action, (ii) fail to take any action, or (iii) make any use of the proceeds of the Bond, which would cause the interest on the Bond to be or become subject to federal income taxes in the hands of the registered owners thereof.

SECTION 14. AND BE IT FURTHER RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF WORCESTER COUNTY, That the Bond shall be sold to the Government for cash at a price of par in accordance with the terms and provisions of this Resolution.

SECTION 15. AND BE IT FURTHER RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF WORCESTER COUNTY, That the President of the Board, the Chief Administrative Officer, the Finance Officer of the County and other officials of the County are hereby authorized and empowered to do all such acts and things, and to execute, acknowledge, seal and deliver such documents and certificates, as the President of the Board may determine to be necessary to carry out and comply with the provisions of this Resolution, subject to the limitations set forth in, the Enabling Legislation and any limitations set forth in this Resolution.

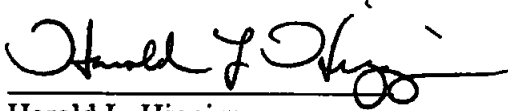
SECTION 16. AND BE IT FURTHER RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF WORCESTER COUNTY, That the Board hereby finds that (a) the Project is a “project” within the meaning of Section 9-601(j) of the Sanitary District Act, and (b) the completion of the Project is in the public interest of the citizens of the Service Area and of Worcester County and necessary to protect the general health and welfare of the residents of Worcester County.

SECTION 17. AND BE IT FURTHER RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF WORCESTER COUNTY, That the provisions of this Resolution are severable, and if any provision, sentence, clause, section or part hereof is held to be illegal, invalid, or unconstitutional or inapplicable to any person or circumstance, such illegality, invalidity or unconstitutionality, or inapplicability shall not affect or impair any of the remaining provisions, sentences, clauses, sections, or parts of this Resolution or their application to other persons or circumstances. It is hereby declared to be the legislative intent that this Resolution would have been passed if such illegal, invalid or unconstitutional provision, sentence, clause, section or part had not been included herein, and if the person or circumstances to which this Resolution or any part hereof are inapplicable had been specifically exempted herefrom.

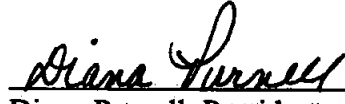
SECTION 18. AND BE IT FURTHER RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF WORCESTER COUNTY, That this Resolution shall become effective as of the date of its passage and approval by the Board.

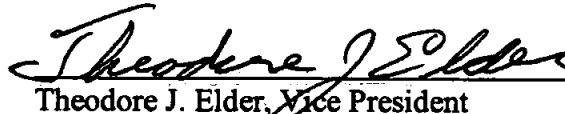
Passed and approved this 6th day of
March, 2018:

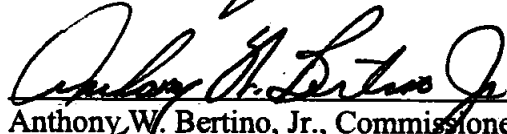
ATTEST:

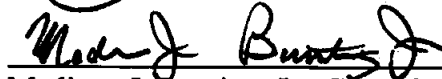

Harold L. Higgins
Chief Administrative Officer

COUNTY COMMISSIONERS OF
WORCESTER COUNTY, MARYLAND



Diana Purnell, President


Theodore J. Elder, Vice President


Anthony W. Bertino, Jr., Commissioner


Madison J. Bunting, Jr., Commissioner


James C. Church, Commissioner


Merrill W. Lockfaw, Jr., Commissioner


Joseph M. Mitrecic, Commissioner

United States of America
State of Maryland
County Commissioners of Worcester County, Maryland
Public Facility Bond
(Mystic Harbour Effluent Disposal and Reuse Project)
Series 2018
Dated _____, _____

No. R-1

\$2,450,000

COUNTY COMMISSIONERS OF WORCESTER COUNTY, MARYLAND, a public corporate body duly organized and existing under the Constitution and laws of the State of Maryland (the "District"), hereby promises to pay to UNITED STATES OF AMERICA, acting through RURAL UTILITIES SERVICE, UNITED STATES DEPARTMENT OF AGRICULTURE, or its successors (the "Government"), or its registered assigns, the principal amount of Two Million Four Hundred Fifty Thousand Dollars (\$2,450,000), plus interest on the unpaid principal balance of sums actually advanced at the rate of ___% per annum, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payments to be made as follows: (a) commencing on the ___ day of _____, _____, and on the same day of each _____, _____, _____ and _____ thereafter to and including the ___ day of _____, [Date of Maturity], equal quarterly payments of principal and interest in the amount of _____ (\$_____) shall be due and payable; and (b) the entire unpaid principal balance and all accrued and unpaid interest thereon shall be due and payable on the ___ day of _____, [Date of Maturity]. Payments made on the indebtedness evidenced hereby, regardless of when made, shall be applied first to interest computed to the payment due date and next to principal. Other payments (regardless of the source of funds from which such payments may be made) which, after payment of interest to the payment date if the quarterly payment is insufficient to pay all such interest, shall be applied to the principal last to become due hereunder and shall not affect the obligation of the County to pay the remaining installments as scheduled. Payment of the principal and interest shall be made at the offices of the County, One West Market Street, Snow Hill, Maryland, 21863, or, so long as the Government is the registered owner of this Bond, through the Preauthorized Debit (PAD) process (unless otherwise required by the Government or unless the County and the Government agree to another commercially reasonable method of payment (including, by way of illustration and not in limitation, by wire or electronic funds transfer)).

This bond, designated as "County Commissioners of Worcester County, Maryland Public Facility Bond (Mystic Harbour Effluent Disposal and Reuse Project), Series 2018" (the "Bond"), is a general obligation of the County, a body politic and corporate and a code county of the State of Maryland (the "County"), in the principal amount of \$2,450,000, and has been duly issued by the County for the purpose of financing a portion of the costs of the planning, design and construction of effluent disposal and reuse Project for the Mystic Harbour Service Area, in Worcester County, Maryland, and costs, fees and expenses of issuance incurred by the County in

connection with the issuance of the Bond.

This Bond is issued pursuant to the authority of Sections 11-401 and 19-501 through 19-510, inclusive, of the Local Government Article of the Annotated Code of Maryland, Sections 9-601 to 9-699, inclusive, of the Environment Article of the Annotated Code of Maryland and Section PW5-204 of Subtitle II of Title 5 of the Public Works Article of the Code of Public Local Laws of Worcester County (collectively, the "Enabling Legislation"). This Bond is issued upon the full faith and credit of the County and is the unconditional general obligation of the County.

In any case where any date of payment of interest or of principal and interest on the Bond, or the date fixed for any prepayment of the Bond, shall be a Saturday, Sunday or legal holiday observed by the County, then payment of such interest or principal and interest need not be made on such date but may be made on the next succeeding day which is not a Saturday, Sunday or legal holiday observed by the County, and interest shall continue to accrue until the date such payment is actually made.

The County may prepay on any payment date the entire unpaid principal amount of the Bond or, from time to time in the inverse chronological order of the installments of principal, such lesser portion thereof as the County may determine, at the principal amount thereof plus accrued interest to the date of such payment.

Unless notice of prepayment shall be waived in writing by the registered owner of the Bond, a notice calling for prepayment of the installments of principal to be prepaid shall be mailed by the County, postage prepaid, at least 30 days prior to the prepayment date, to the registered owner of the Bond, at its address appearing on the registration books kept by the County as provided in the Bond Resolution adopted on _____, 2018 (the "Bond Resolution"), by the Board of County Commissioners of Worcester County, the governing body of the County. Such notice shall specify the installments of principal to be prepaid, the date fixed for prepayment and the prepayment price, and shall further state that on such date the installments of principal called for prepayment will be due and become payable through the Preauthorized Debit (PAD) process, so long as this Bond is registered in the name of the Government (unless otherwise required by the Government or unless the County and the Government agree to another commercially reasonable method of prepayment (including, by way of illustration and not in limitation, by wire or electronic funds transfer)), and that from and after such date, interest thereon shall cease to accrue. Provided, however, that failure to mail any such notice or any defect in the notice so mailed, or in the mailing thereof, shall not affect the validity of any prepayment proceedings, except where the Government is the registered owner.

On the date designated for prepayment, notice having been published or waived, and moneys for the payment of the prepayment price plus accrued interest being held by the County, the installments of principal so called for prepayment shall become due and payable at the prepayment price provided for prepayment of such installments of principal on such date, interest on such installments of principal so called for prepayment shall cease to accrue, and the registered owner of the Bond shall have no rights in respect to the installments of principal so called for prepayment except to receive payment of the prepayment price thereof, plus accrued

interest thereon to the prepayment date from such moneys held by the County.

The County may treat the person in whose name the Bond is registered as the absolute owner hereof, whether or not the Bond shall be overdue, for the purpose of receiving payment thereof and for all other purposes whatsoever, and shall not be affected by any notice to the contrary, except as provided below.

The Bond is assignable and upon such assignment the assignor shall promptly notify the County by registered mail, and the assignee shall surrender the Bond to the County for transfer on the registration records and verification of the principal amount hereof and interest hereon paid or unpaid, and every such assignee shall take the Bond subject to such condition.

If the total amount of the indebtedness evidenced hereby is not advanced at the time of delivery hereof, the proceeds hereof shall be advanced to the County as requested by the County and approved by the Government, if necessary, and interest shall accrue on the amount of each advance from its actual date as shown on the Record of Advances attached hereto and made a part hereof. In the event the entire proceeds hereof are not advanced to the County, the payments of principal and interest hereinabove provided for shall be adjusted accordingly.

If the Government at any time assigns the Bond and insures the payment thereof, the County shall continue to make payments to the Government as collection agent for the holder.

While the Bond is held by an insured lender, prepayments as above authorized made by the County may, at the option of the Government, be remitted by the Government to the holder promptly or, except for the final payment, be retained by the Government and remitted to the holder on either a calendar quarter basis or an annual installment due date basis. The effective date of every payment made by the County, except payments retained and remitted by the Government on an annual installment due date basis, shall be the date of the United States Treasury check by which the Government remits the payment to the holder. The effective date of any prepayment retained and remitted by the Government to the holder on an annual installment due date basis shall be the date of the prepayment by the County, and the Government will pay the interest to which the holder is entitled accruing between the effective date of any such prepayment and the date of the Treasury check to the holder.

Any amount advanced or expended by the Government for the collection hereof or to preserve or protect any security hereof, or otherwise under the terms of any security or other instrument executed in connection with the indebtedness evidenced hereby, at the option of the Government, shall become a part of and bear interest at the same rate as the principal of the indebtedness evidenced hereby and be immediately due and payable by the County to the Government without demand. The County agrees to use the proceeds hereof solely for purposes authorized by the Government.

The County hereby certifies that it is unable to obtain sufficient credit elsewhere to finance its actual needs at reasonable rates and terms, taking into consideration prevailing rates and terms in or near its community for loans for similar purposes and periods of time, and its legal borrowing authority and powers.

If at any time it shall appear to the Government that the County is able to refinance the principal amount then outstanding on the Bond, in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private sources, at reasonable rates and terms for loans for similar purposes and periods of time, the County will, as required by Section 333(c) of the Consolidated Farm and Rural Development Act of 1961 (7 U.S.C. 1983(c)), upon request of the Government, apply for and accept such loan in sufficient amount to repay the Government and will take all action as may be required in connection with such loan.

The Bond is given as evidence of a loan to the County made or insured by the Government pursuant to the Consolidated Farm and Rural Development Act. The Bond shall be subject to the present regulations of the Government and its future regulations not inconsistent with the express provisions hereof.

As declared by Section 9-689 of the Environment Article of the Annotated Code of Maryland, the Bond shall have all the qualities and incidents of negotiable instruments under the laws of the State of Maryland, notwithstanding the reference herein to the Bond Resolution and nothing contained in the Bond or in the Bond Resolution shall affect or impair the negotiability of the Bond. The Bond is issued with the intent that the laws of the State of Maryland shall govern its construction.

No recourse shall be had for the payment of the principal of, the interest on, or for any claim based hereon or on the Bond Resolution against any elected or appointed official or employee, past, present or future of the County or any agency thereof; and any such recourse, claim or liability is expressly waived by acceptance by the registered owner of the delivery of the Bond. It is hereby certified and recited that each and every act, condition and thing required to exist, to be done, to have happened and to be performed precedent to and in the issuance of the Bond 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 Articles of Incorporation of the County, the Bond Resolution and the proceedings of the County, and that the Bond, together with all other indebtedness of the County, is within every debt and other limit prescribed by the Constitution and laws of the State of Maryland.

[SIGNATURE APPEARS ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the County Commissioners of Worcester County, Maryland has caused this Bond to be signed in its name by the manual signature of the President of the Board of County Commissioners of Worcester County and has caused its corporate seal to be affixed hereto and attested by the manual signature of its Chief Administrative Officer, all as of the ____ day of _____, 2018.

COUNTY COMMISSIONERS OF
WORCESTER COUNTY, MARYLAND

(Seal)

By: _____
President of the Board of County
Commissioners of Worcester County

Attest:

Chief Administrative Officer

(Form of Assignment)

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto the within Bond, and does hereby irrevocably constitute and appoint _____ Attorney to transfer the same on the books of the County at the offices of the County in Snow Hill, Maryland, 21863.

Dated: _____

Witness:
