

RESOLUTION NO. 3474

A RESOLUTION OF THE COUNCIL OF THE CITY OF SALISBURY (THE "COUNCIL") AUTHORIZING AND EMPOWERING CITY OF SALISBURY (THE "CITY") TO ISSUE AND SELL, UPON ITS FULL FAITH AND CREDIT, A SERIES OF GENERAL OBLIGATION BONDS IN THE FORM OF A SINGLE BOND IN AN ORIGINAL PRINCIPAL AMOUNT NOT TO EXCEED \$4,874,910, TO BE DESIGNATED AS PROVIDED HEREIN, THE BOND TO BE ISSUED AND SOLD AND THE PROCEEDS THEREOF TO BE USED AND APPLIED FOR THE PUBLIC PURPOSE OF FINANCING OR REIMBURSING COSTS OF A PROJECT GENERALLY REFERRED TO BY THE CITY AS THE "NAYLOR MILL WATER MAIN EXTENSION PROJECT," TOGETHER WITH RELATED COSTS AND COSTS OF ISSUANCE, AS FURTHER DESCRIBED HEREIN AND ALL TO THE EXTENT PERMITTED BY THE MARYLAND WATER INFRASTRUCTURE FINANCING ADMINISTRATION (THE "ADMINISTRATION"); PRESCRIBING, APPROVING AND ADOPTING THE SUBSTANTIALLY FINAL 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 ADMINISTRATION, AND OTHER DETAILS INCIDENT THERETO, AND AUTHORIZING THE MAYOR OF THE CITY, ON BEHALF OF THE CITY, TO DETERMINE CERTAIN DETAILS OF THE BOND; PROVIDING THAT THE BOND WILL BE SUBJECT TO FORGIVENESS AS PROVIDED HEREIN; APPROVING THE SUBSTANTIALLY FINAL FORM OF, AND AUTHORIZING AND DIRECTING THE COMPLETION, EXECUTION AND DELIVERY OF, A DRINKING WATER LOAN AGREEMENT (THE "LOAN AGREEMENT") WITH THE ADMINISTRATION PURSUANT TO WHICH ADVANCES WILL BE MADE UNDER THE BOND; AUTHORIZING AND DIRECTING THE PAYMENT OF ANY FEES OR COSTS PROVIDED FOR IN THE LOAN AGREEMENT THAT ARE NOT PAYABLE FROM BOND PROCEEDS; PLEDGING ANY MONEYS THAT THE CITY IS ENTITLED TO RECEIVE FROM THE STATE OF MARYLAND, INCLUDING THE CITY'S SHARE OF INCOME TAX REVENUES, TO SECURE ITS OBLIGATIONS UNDER THE LOAN AGREEMENT; ACKNOWLEDGING THE RIGHT OF THE ADMINISTRATION TO ACCELERATE PAYMENT ON THE BOND UPON AN EVENT OF DEFAULT UNDER THE LOAN AGREEMENT; AUTHORIZING OFFICIALS PROVIDED FOR IN SECTION SC7-25 OF THE CHARTER TO TAKE CERTAIN ACTIONS WITH RESPECT TO THE LOAN AGREEMENT, DESIGNATING CERTAIN OFFICIALS AS "AUTHORIZED OFFICERS," AND PROVIDING FOR ADDITIONAL OR REPLACEMENT DESIGNATIONS OF AUTHORIZED OFFICERS FOR PURPOSES OF THE LOAN AGREEMENT; PROVIDING FOR THE DISBURSEMENT OF ADVANCES OF THE BOND; PLEDGING THE FULL FAITH AND CREDIT AND UNLIMITED TAXING POWER OF THE CITY TO THE PAYMENT OF DEBT SERVICE ON THE BOND (IF ANY); PROVIDING FOR IMPOSITION OF AD VALOREM TAXES SUFFICIENT FOR THE PAYMENT OF DEBT SERVICE ON THE BOND (IF ANY); PROVIDING THAT DEBT SERVICE ON THE BOND (IF ANY) WILL BE PAYABLE IN THE FIRST INSTANCE FROM REVENUES OF THE WATER SUPPLY SYSTEM SERVING THE CITY, INCLUDING FEES FOR USE OF OR CONNECTION TO SUCH SYSTEM, AND IN THE SECOND INSTANCE FROM REVENUES ACCOUNTED FOR IN THE CITY'S

GENERAL FUND, ALL TO THE EXTENT SUCH REVENUES ARE LAWFULLY AVAILABLE FOR SUCH PURPOSE; PROVIDING FOR PAYMENT OF DEBT SERVICE (IF ANY) ON THE BOND FROM OTHER SOURCES; PROVIDING THAT THE CITY SHALL USE AND APPLY PROCEEDS OF THE BOND ONLY AS PERMITTED BY THE LOAN AGREEMENT AND CERTAIN STATUTES IDENTIFIED HEREIN; AUTHORIZING APPROPRIATE OFFICIALS TO TAKE CERTAIN ACTIONS IN CONNECTION WITH THE BOND; PROVIDING THAT THE PROVISIONS OF THIS RESOLUTION SHALL BE LIBERALLY CONSTRUED; AND OTHERWISE GENERALLY RELATING TO THE ISSUANCE, SALE, DELIVERY AND PAYMENT OF AND FOR THE BOND AUTHORIZED HEREBY.

RECITALS

WHEREAS, City of Salisbury, a municipal corporation of the State of Maryland and a municipality within the meaning of the Enabling Act identified below (the “City”), is authorized and empowered by Sections 19-301 to 19-309, inclusive, of the Local Government Article of the Annotated Code of Maryland (the “Enabling Act”), and Sections SC7-45 and SC7-46 of the Charter of the City of Salisbury (the “Charter”), to borrow money for any proper public purpose and to evidence such borrowing by the issuance and sale of its general obligation bonds; and

WHEREAS, the City is undertaking a project generally referred to by it as the “Naylor Mill Water Main Extension Project” (or by similar names) (the “Project”) that involves the extension of the City’s water service to the Naylor Mill Mobile Home Park (the “MHP”), including (without limitation) the design, construction and installation of water mains and associated fittings, valves and appurtenances, including along Naylor Mill Road and within the MHP, and the removal and reconstruction of existing pavement in connection with the installation of water mains, and in connection with the Project, the City has undertaken or paid for or will undertake or pay for, as applicable, related study, architectural, engineering, planning, design, document development, bidding, demolition, razing, removal, acquisition, construction, improvement, installation, modification, renovation, reconstruction, repair, rehabilitation, replacement, improvement, equipping, inspection, and construction management activities, including with respect to related improvements and appurtenances; to the extent applicable, the acquisition of necessary property rights and equipment; related site and utility improvements; site restoration; contingencies; related financial, legal and administrative expenses; and costs of issuance of any borrowing therefor (collectively, “Costs of the Project” or “Costs”); and has determined to borrow money for the public purpose of financing, reimbursing or refinancing all or a portion of the costs of any components of any of the foregoing and any related costs (collectively, “Costs of the Project” or “Costs”), all as authorized by the Administration identified below; and

WHEREAS, the federal Safe Drinking Water Act, as amended (the “Safe Drinking Water Act”), authorizes the U.S. Environmental Protection Agency (the “EPA”) to award grants to qualifying states to establish and capitalize drinking water treatment revolving loan funds (“SRFs”) for the purpose of providing loans and certain other forms of financial assistance to finance, among other things, the construction and improvement of publicly-owned and privately-owned water supply systems; and

WHEREAS, as contemplated by the Safe Drinking Water Act, the General Assembly of Maryland has amended the Maryland Water Infrastructure Financing Administration Act (previously known as the Maryland Water Quality Financing Administration Act), codified as Sections 9-1601 through 9-1622, inclusive, of the Environment Article of the Annotated Code of Maryland (the “MWIFA Act”), establishing an SRF designated as the Maryland Drinking Water Revolving Loan Fund (the “Fund”) to be maintained and administered by the Maryland Water Infrastructure Financing Administration (previously known as the Maryland Water Quality Financing Administration, and referred to in this Resolution as the “Administration,” including with respect to any successors thereto); and

WHEREAS, the MWIFA Act authorizes the Administration, among other things, to make a loan from the Fund to a “local government” (as defined in the MWIFA Act) for the purpose of financing or refinancing all or a portion of the cost of a “water supply system” project (as defined in the MWIFA Act); and

WHEREAS, the City is a “local government” within the meaning of the MWIFA Act, the Project is a “water supply system” project within the meaning of the MWIFA Act, and the City has applied to the Administration for a loan or loans from the Fund for Project purposes; and

WHEREAS, the Administration’s Intended Use Plan Funding notification to the City provides for loan funding approved in two different federal fiscal years in the respective maximum original principal amounts of \$2,762,822 and \$2,112,088 (for an aggregate maximum original principal amount of \$4,874,910) for the purpose of financing or reimbursing Costs of the Project, with such loan funding being characterized as “principal forgiveness” within the meaning of the Administration’s loan programs; and

WHEREAS, on April 1, 2026, the Maryland Board of Public Works approved the Administration providing loan funding to the City for purposes of the Project in the maximum original principal amount of \$4,874,910; and

WHEREAS, the MWIFA Act authorizes a local government to issue one or more bonds, notes or other evidences of obligation (each, a “loan obligation” as defined in the MWIFA Act) to evidence its indebtedness under a loan agreement with respect to a loan from the Administration, to sell any such bond, note or other evidence of obligation to the Administration at private sale, without public bidding, and to establish a dedicated source of revenues for repayment of such loan; and

WHEREAS, pursuant to the authority of the MWIFA Act, the Enabling Act and Sections SC7-45 and SC7-46 of the Charter, the City has determined to borrow money from the Administration for the public purpose of financing or reimbursing all or a portion of any one or more components of such Costs of the Project as the Administration shall approve; and

WHEREAS, pursuant to Ordinance No. 3002, passed by the Council of the City (the “Council”) on May 26, 2026, approved by the Mayor of the City (the “Mayor”) prior to adoption of this Resolution and effective as of the date of the Mayor’s approval (the “Ordinance”), the Council authorized the issuance and sale to the Administration at private sale, without public bidding, and upon its full faith and credit, of its general obligation bonds in one or more series in an original

aggregate principal amount not to exceed \$4,874,910 (which were referred to as the “Bonds” or, individually, as a “Bond” in the Ordinance) in order to finance, reimburse or refinance any one or more components of Costs of the Project, and determined that any such bond may be issued in installment form and/or draw-down form; and

WHEREAS, the Ordinance provides that the Council, pursuant to one or more resolutions, shall determine, or provide for the final determination by any authorized official(s), of details relating to any such series of the authorized bonds, including, without limitation, approving the substantially final forms of such series and the loan agreement relating thereto; and

WHEREAS, as of the date of introduction of this Resolution, the Administration has advised that it will make a single loan to the City for Project purposes, such loan to be in a maximum original principal amount not to exceed \$4,874,910.00 and to be evidenced by the issuance by the City to the Administration of a series of general obligation bonds of the City in the form of a single general obligation bond the interest on which (if any) is includable in gross income for federal income tax purposes and the payment of which is subject to forgiveness as described herein; and

WHEREAS, pursuant to the provisions of the MWIFA Act, the Enabling Act and Sections SC7-45 and SC7-46 of the Charter, the Council of the City, the legislative body of the City (the “Council”), desires to provide for the issuance, sale and delivery of such bond pursuant to this Resolution.

SECTION 1. NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SALISBURY, MARYLAND that:

(a) The Recitals to this Resolution are deemed a substantive part of this Resolution and incorporated by reference herein. Capitalized terms used in this Resolution and not otherwise defined in the Sections of this Resolution shall have the meanings given to such terms in the Recitals.

(b) Subject to the provisions of subsections (c) and (d) below, references in this Resolution to any official by title shall be deemed to refer (i) to any official authorized under the Charter, the code of ordinances of the City (the “City Code”) or other applicable law or authority to act in such titled official’s stead in the event of a vacancy in such position or during the absence, disability or unavailability of such titled official, (ii) to any person who has been elected, appointed or designated to fill such position in an acting or interim capacity under the Charter, the City Code or other applicable law or authority, (iii) to any person who serves in a “deputy,” “associate” or “assistant” capacity as such an official, provided that the applicable responsibilities, rights or duties referred to herein have been delegated to such deputy, associate or assistant in accordance with the Charter, the City Code or other applicable law or authority, (iv) to the extent an identified official commonly uses another title not provided for in the Charter or the City Code, the official, however known, who is charged under the Charter, the City Code or other applicable law or authority (including this Resolution) with the applicable responsibilities, rights or duties referred to herein, and/or (v) in the event the position of any official who is referred to by title in this Resolution is vacant or the person holding such position is absent, disabled or otherwise unavailable at the time any action authorized to be taken by such official in accordance with the provisions of this Resolution shall occur, and no person has authority to act in such official’s stead pursuant to applicable law or authority (including in an acting or interim capacity or in a deputy, associate or assistant position), references

in this Resolution to such official shall be deemed to be to such other City official as designated by the Council by resolution, motion or voice vote in a public meeting of the Council, or by other appropriate action, with written evidence of any such designation pursuant to the preceding sentence being provided to the Administration. The Council is sometimes referred to as the “council,” the “City Council” or the “city council” in the Charter or the City Code, as applicable.

(c) Except as otherwise may be required under the Charter with respect to execution of the Bond (as defined in Section 2(a) below), it is the intention of the Council that, with respect to any authority granted to the Mayor pursuant to this Resolution, if there is a vacancy in the position of the Mayor or in the absence, disability or unavailability of the Mayor, such authority shall be exercised in the following order of priority: (A) first, by any Acting Mayor of the City appointed by the Council in accordance with the Charter (the “Acting Mayor”), (B) second, if no Acting Mayor has been appointed or in the absence, disability or unavailability of any incumbent Acting Mayor, by the City Administrator of the City (the “City Administrator”), and (C) third, if the position of the City Administrator is vacant or in the absence, disability or unavailability of the incumbent City Administrator, by the Deputy City Administrator of the City (the “Deputy City Administrator”).

(d) Section 14 of the Ordinance designates the City officials, in order of priority, who may attest to the impression or affixing of the City seal in connection with the Bond or the Loan Agreement (as defined in Section 7(a) below) if the position of the City Clerk of the City (the “City Clerk”) is vacant or in the absence, disability or unavailability of the incumbent City Clerk, subject to any applicable provisions of the Charter, including with respect to the City seal to be impressed or affixed on the Bond.

(e) References in this Resolution to “officials” of the City shall be construed to also refer to employees of the City where applicable.

(f) References in this Resolution to the “principal amount” of the Bond shall be construed to mean the par amount of the Bond.

(g) References in this Resolution to the “Project,” to “Costs of the Project” and to “Costs” are intended to include any modifications or amendments to components of the Project as provided for in City budgetary materials or made by other appropriate actions and that are acceptable to the Administration.

(h) References in this Resolution to any statutory or legislative authority shall be deemed to refer to such statutory or legislative authority as replaced, supplemented or amended, to the extent applicable.

(i) To the extent that applicable laws, orders, regulations or other authority allow for signatures of City officials to be made by digital, facsimile, electronic or other means, the provisions of such applicable laws, orders, regulations or other authority allowing signatures to be made in a manner other than manually shall apply to any signatures of City officials provided for in or contemplated by this Resolution, including on this Resolution. In addition, this Resolution may be executed in counterparts.

SECTION 2. AND BE IT FURTHER RESOLVED that:

(a) Pursuant to the authority of the MWIFA Act, the Enabling Act and Sections SC7-45 and SC7-46 of the Charter, the City hereby determines to issue and sell, upon its full faith and credit, a series of general obligation bonds for the public purpose of financing or reimbursing Costs of the Project, all to the extent permitted by the Administration. Such series shall consist of a single general obligation bond issued in an original principal amount not to exceed Four Million Eight Hundred Seventy-Four Thousand Nine Hundred Ten Dollars (\$4,874,910.00) and shall be designated as the “City of Salisbury Drinking Water Bond, Series 2026 (Taxable PF)” or by such additional or different designation as may be required by the Administration (the “Bond”). Payment of the Bond shall be subject to forgiveness by the Administration in accordance with Section 3(e) hereof. The Mayor, on behalf of the City, is hereby authorized and directed to determine and approve the final original principal amount of the Bond, provided that the final original principal amount of the Bond shall not exceed Four Million Eight Hundred Seventy-Four Thousand Nine Hundred Ten Dollars (\$4,874,910.00), such determination and approval to be evidenced conclusively by the Mayor’s execution and delivery of the Bond reflecting such finally determined principal amount pursuant to Sections 4 and 6 hereof.

(b) The Administration generally refers to the Project in various materials, including in the Loan Agreement, as the “Naylor Mill MHP Water System Extension and PFAS Remediation.”

(c) Principal of the Bond shall be applied to Costs of the Project only as permitted by the Administration.

SECTION 3. AND BE IT FURTHER RESOLVED that:

(a) The Bond shall be issued and sold upon the full faith and credit of the City, 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 bond, without coupons attached. The Bond shall be issued in draw-down form.

(b) The principal of the Bond advanced under the Loan Agreement shall be payable upon demand by the Administration upon the occurrence of certain circumstances provided for in the Loan Agreement, together with interest at an annual rate equal to one hundred percent (100%) of the average of the Bond Buyer 11-Bond Index for the calendar month prior to the month in which the Bond is delivered (provided that the rate determined by such calculation may be rounded down by the Administration in its sole discretion) accruing from the date on which such demand is made by the Administration, which demand may be made at any time prior to that date which is the ten (10) year anniversary of the date of delivery of the Bond. Until such time as the Administration may make demand for payment of the Bond in accordance with the Loan Agreement, if ever, the Bond shall bear interest at the rate of 0.00% per annum.

(c) The City shall pay a late charge for any payment of principal of or interest on the Bond that is received later than the thirtieth (30th) day following its date of demand, in an amount equal to 5% of such payment.

(d) If the Administration determines at any time following delivery of the Bond to reduce the maximum amount of the Loan Commitment (as defined in the Loan Agreement) relating to the Bond in accordance with Section 3.08 of the Loan Agreement, the Maximum Principal Amount (as defined in the Bond) of the Bond shall be reduced accordingly. In such event, as determined by the Administration, the City may execute and deliver (in the manner provided in Sections 4 and 6 hereof for the original delivery of the Bond or as then-required or permitted by applicable law) a new Bond evidencing such reduction in the Loan Commitment relating to the Bond and/or the Mayor may execute and deliver any certificates, documents or instruments acknowledging and providing for such reduction, as required by the Administration.

(e) PURSUANT TO THE SAFE DRINKING WATER ACT (AS DEFINED IN THE LOAN AGREEMENT), AND SECTION 9-1605.1(d)(8) OF THE MWIFA ACT, THE ADMINISTRATION SHALL FORGIVE REPAYMENT OF THE PRINCIPAL AMOUNT OF THE LOAN (AS DEFINED IN THE LOAN AGREEMENT) AND THE INTEREST PAYABLE THEREON UNDER ARTICLE III OF THE LOAN AGREEMENT AND THE BOND SO LONG AS THE CITY PERFORMS ALL OF ITS OTHER OBLIGATIONS UNDER THE LOAN AGREEMENT. UPON DETERMINATION BY THE ADMINISTRATION THAT ANY SUCH OTHER OBLIGATIONS UNDER THE LOAN AGREEMENT HAVE NOT BEEN PERFORMED BY THE CITY, PAYMENT OF THE PRINCIPAL OF THE LOAN EVIDENCED BY THE BOND AND THE INTEREST THEREON FROM THE DATE OF DEMAND AT THE RATE DETERMINED IN ACCORDANCE WITH SUBSECTION (b) ABOVE WILL BE DUE AND PAYABLE UPON DEMAND. IF THE ADMINISTRATION HAS NOT DEMANDED PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BOND BY THAT DATE WHICH IS THE TEN (10) YEAR ANNIVERSARY OF THE DATE OF DELIVERY OF THE BOND, THEN THE ADMINISTRATION SHALL BE DEEMED TO HAVE FORGIVEN REPAYMENT OF THE LOAN EVIDENCED BY THE BOND AND INTEREST THEREON, THE BOND SHALL BE DEEMED CANCELLED AND THE LOAN EVIDENCED BY THE BOND AND THE LOAN AGREEMENT SHALL BE DEEMED TERMINATED AND OF NO FURTHER FORCE AND EFFECT.

(f) Both the principal of and interest on the Bond (if any) will be paid to the registered owner thereof 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 mail before the payment date) to the registered owner at such address as the registered owner may designate from time to time by notice in writing delivered to the Director of Finance of the City (the "Director of Finance").

SECTION 4. AND BE IT FURTHER RESOLVED that the Bond shall be executed in the name of the City and on its behalf by the Mayor. The corporate seal of the City shall be affixed to, impressed upon or otherwise reproduced on the Bond and attested by the signature of the City Clerk. 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 delivery thereof, the Bond shall nevertheless be a valid and binding obligation of the City in accordance with its terms. The provisions of this Section 4 are subject to the provisions of subsections (b) – (d) of Section 1 of this Resolution.

SECTION 5. AND BE IT FURTHER RESOLVED that:

(a) The Bond shall be transferable only after the date upon which the Maximum Principal Amount of the Bond has been borrowed. The Bond shall be transferable upon the books of the City at the office of the Director of Finance, 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 Director of Finance, duly executed by such registered owner or his duly authorized attorney. The City shall, within a reasonable time, issue in the name of the transferee a new registered bond or bonds of the same series as the Bond surrendered, in such denominations as the Council 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 interest rate of 0.0%, same Default Rate and same principal forgiveness provisions. 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 City may deem and treat the party in whose name a 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. References in this Resolution to the Bond shall be deemed to refer to any bond or bonds transferred for such Bond in accordance with the provisions of this Section 5, and references in this Resolution to the registered owner of the Bond shall be deemed to refer to any or all of the registered owners of bonds of such series contemplated by this Section 5. Any new bond issued in transfer or exchange may be executed and sealed as provided in Section 4 hereof with respect to the original execution and delivery of the Bond, or as otherwise required or permitted by then-applicable law, and appropriate changes may be made to the form of any bond delivered in transfer or exchange to account for the dated date of such bond and, to the extent applicable, the then-outstanding principal amount of such bond transferred or exchanged for the new bond.

(b) If at any time when an action needs to be taken in accordance with subsection (a) above the position of the Director of Finance is vacant or in the absence, disability or unavailability of the incumbent Director of Finance, the authority to act as registrar for the Bond shall be exercised in the following order of priority: (i) first, by the Assistant Director of Finance Operations of the City appointed in accordance with the Charter (the "Assistant Director of Finance Operations"), (ii) second, if there is no incumbent Assistant Director of Finance Operations or in the absence, disability or unavailability of the incumbent Assistant Director of Finance Operations, by the Assistant Director of Finance Accounting appointed in accordance with the Charter (the "Assistant Director of Finance Accounting"), (iii) third, if there is no incumbent Assistant Director of Finance Accounting or in the absence, disability or unavailability of the incumbent Assistant Director of Finance Accounting, by the City Administrator, (iv) fourth, if there is no incumbent City Administrator or in the absence, disability or unavailability of the incumbent City Administrator, by the Deputy City Administrator, and (v) fifth, if there is no incumbent Deputy City Administrator or in the absence, disability or unavailability of the incumbent Deputy City Administrator, by any incumbent Assistant City Administrator of the City (the "Assistant City Administrator").

SECTION 6. AND BE IT FURTHER RESOLVED that unless the Council provides otherwise by resolution adopted prior to issuance of the Bond, the Bond shall be issued in substantially the form of Exhibit F to the substantially final form of the Loan Agreement that is attached hereto as Exhibit A. Appropriate variations and insertions may be made by the Mayor to the form of bond set forth as Exhibit F to the substantially final form of the Loan Agreement attached hereto as Exhibit A

to provide dates, numbers, the Default Rate, amounts, and information regarding the Ordinance and this Resolution, including, without limitation, to reflect matters determined in accordance with Sections 2 and 3 hereof, and other modifications not materially altering the substance of such form may be made by the Mayor. The form of bond set forth as Exhibit F to the substantially final form of the Loan Agreement attached hereto as Exhibit A, as the same may be finally completed as provided in this Section 6, is hereby adopted by the City as and for the form of obligation to be incurred by the City, and the covenants and conditions contained in such final form of the Bond are hereby made binding upon the City, including the promise to pay therein contained (to the extent applicable).

SECTION 7. AND BE IT FURTHER RESOLVED that:

(a) As authorized by the MWIFA Act and Sections SC7-45 and SC7-46 of the Charter, the City hereby determines to sell the Bond by private sale, without public bidding, which sale by private sale is hereby deemed by the City to be in its best interest and in the interest of its citizens due, in part, to the benefit of the structure of the Bond as a draw-down obligation, the provisions regarding forgiveness and early termination of the Bond, and the lower costs of issuance typically incurred with a private sale to the Administration in a direct purchase transaction as compared to a public sale at competitive bid or a negotiated underwriting. Therefore, and pursuant to the authority of the MWIFA Act and Sections SC7-45 and SC7-46 of the Charter, the Bond shall be sold to the Administration by private sale, without public bidding, for a price of the principal amount of the Bond or so much of the principal amount of such Bond as is advanced to the City in accordance with the Drinking Water Loan Agreement to be entered into between the City and the Administration (the “Loan Agreement”), the substantially final form of which is attached hereto as Exhibit A. The Bond is referred to in the Loan Agreement as the “Note.”

(b) The Bond shall be sold to the Administration and the purchase price of the Bond shall be advanced to the City in accordance with the provisions of the Loan Agreement.

(c) The substantially final form of the Loan Agreement attached hereto as Exhibit A reflects the expectation, as of the date of introduction of this Resolution, that the final original principal amount of the Bond will be Four Million Eight Hundred Seventy-Four Thousand Nine Hundred Ten Dollars (\$4,874,910.00). The Mayor, on behalf of the City, is hereby authorized and directed to complete, execute and deliver the Loan Agreement for and in the name of the City with such changes, insertions and deletions as are approved by the Mayor to reflect matters determined in accordance with the provisions of this Resolution, to comply with program requirements of the Administration, to complete or modify the exhibits to the substantially final form of the Loan Agreement attached hereto as Exhibit A to reflect determinations made prior to delivery of the Bond, or to make modification that are determined by the Mayor not to be materially adverse to the interests of the City; the Mayor’s approval of any such changes, insertions or deletions shall be evidenced conclusively by the Mayor’s execution and delivery of the final form of the Loan Agreement containing the same. To the extent required or provided for in the Loan Agreement, the City Clerk shall attest to the affixing, impression or reproduction of the City seal thereon. The provisions of this subsection (c) are subject to the provisions of Section 1 of this Resolution.

(d) Notwithstanding anything to the contrary contained in this Resolution, advances under the Loan Agreement or the Bond, payment of the principal of and interest on the Bond (if any), and transfer or exchange of the Bond shall be made in accordance with the Loan Agreement.

(e) As authorized by Section 9-1606(d) of the MWIFA Act and in furtherance of Section 7 of the Ordinance, the City hereby pledges any moneys that the City is entitled to receive from the State of Maryland, including the City's share of the income tax revenues collected by the State, to secure its obligations under the Loan Agreement, subject to any limitations on such pledge provided for in the Loan Agreement in accordance with this Section 7. Such pledge shall be evidenced by and detailed in the Loan Agreement.

(f) In furtherance of Section 6(b) of the Ordinance, the City hereby acknowledges the provisions of Article IV of Loan Agreement (Events of Default and Remedies), which allow for, among other remedies, principal of and interest on the Bond to be declared immediately due and payable upon the occurrence of an event of default provided for in the Loan Agreement.

(g) Notwithstanding any other provisions of this Resolution, in the event of a discrepancy between the provisions of this Resolution and the executed and delivered Bond or the executed and delivered Loan Agreement, the provisions of the Bond or the Loan Agreement, as applicable, shall control. The City agrees to abide by and perform the covenants and agreements set forth in the Loan Agreement as finally executed and delivered in accordance with this Section 7 as though such covenants and agreements were set forth in full in this Resolution.

SECTION 8. AND BE IT FURTHER RESOLVED that:

(a) As soon as may be practicable after the enactment of this Resolution, the Bond shall be suitably prepared in definitive form, executed and delivered to the Administration upon a date mutually satisfactory to the Administration and the Mayor.

(b) Any two of the officials provided for in the applicable provisions of Section SC7-25 of the Charter are hereby authorized to requisition advances under the Loan Agreement or the Bond. In addition, to the extent the actions of an Authorized Officer contemplated in the Loan Agreement do not fit within the provisions of Section SC7-25 of the Charter, the Mayor, the City Administrator and the Director of Finance are each hereby expressly designated as an "Authorized Officer" for purposes of the Loan Agreement and, except as may be required by Section SC7-25 of the Charter, may take any action, make any determination, or grant or withhold any approvals, consents or directions that are delegated to an Authorized Officer under the provisions of the Loan Agreement. By voice vote, motion or other appropriate action in a public meeting of the Council, and for purposes of the Loan Agreement, the Council may (i) designate one or more additional officials as an Authorized Officer with respect to activities not covered by the applicable provisions of Section SC7-25 of the Charter, or (ii) remove the designation of any Authorized Officer, with or without designating another Authorized Officer in place of the Authorized Officer whose designation was removed; written evidence of any such designation, removal of designation or replacement designation shall be provided to the Administration.

SECTION 9. AND BE IT FURTHER RESOLVED that each advance of the proceeds of the Bond shall be paid directly to the City and shall be deposited by the Director of Finance or other appropriate City official in the proper municipal account or accounts, or shall be paid at the direction of the Authorized Officer or, to the extent required by applicable provisions of Section SC7-25 of the Charter, shall be paid at the direction of any two officials provided for in such Section, or shall be paid as otherwise required by the Administration. Advances under the Bond shall be used

and applied by the City exclusively and solely for the public purposes described in Section 2 hereof. Nothing in this Resolution shall be construed to authorize the expenditure of any moneys except for a proper public purpose. The proceeds of the Bond are hereby appropriated for the purposes set forth in this Resolution.

SECTION 10. AND BE IT FURTHER RESOLVED that:

(a) The full faith and credit and unlimited taxing power of the City are hereby pledged to the prompt payment of the principal of and interest on the issued Bond (if any) as and when the same are payable and to the imposition of the taxes hereinbelow described as and when such taxes may become necessary in order to provide sufficient funds to meet the debt service requirements of the Bond (if any). Subject to the further provisions of this Section 10, the City shall impose, for each and every year in which the Bond may be outstanding, ad valorem taxes on all real and tangible personal property in the City that is subject to assessment for unlimited municipal taxation at a rate and in an amount sufficient to pay the principal of and interest on the Bond (if any) in each year in which the Bond is outstanding and, in the event the proceeds from the taxes so imposed may prove inadequate for such purpose, additional taxes shall be imposed in the subsequent year to make up any deficiency. The City hereby covenants with the registered owner of the Bond to take any action that may be lawfully 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 (if any).

(b) Notwithstanding the provisions of subsection (a) above, the principal of and interest on the issued Bond (if any) will be payable in the first instance from revenues received by the City in connection with the operation of the water supply system serving the City, including fees for use of or connection to such system, and in the second instance from revenues accounted for in the City's General Fund, all to the extent such revenues are lawfully available for such purpose (including appropriation for such purpose as may be required). To the extent of any funds received or receivable as described in this subsection (b) or subsection (c) below in any fiscal year, the taxes required to be imposed in accordance with subsection (a) of this Section 10 may be reduced proportionately.

(c) The foregoing provisions shall not be construed so as to prohibit the City from paying the principal of and interest on the Bond (if any) from the proceeds of the sale of any other obligations of the City or from any other funds legally available for that purpose. The City may apply to the payment of the principal of or interest on the Bond (if any) 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 City for the purpose of assisting the City in accomplishing the type of project or projects which the Bond is issued to finance or reimburse or are otherwise available for such purpose, 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.

(d) Water supply system revenues and moneys in the City's General Fund, to the extent lawfully available for such purpose (including by being appropriated for such purpose as may be required), are intended to be the dedicated source of revenues required by Section 9-1605.1(d)(1)(i) of the MWIFA Act with respect to the Bond. The Loan Agreement may describe such dedicated revenues by references that are similar but not identical to any references contained in this Resolution.

SECTION 11. AND BE IT FURTHER RESOLVED that:

(a) The City officials identified in this Resolution and all other appropriate officials of the City are expressly authorized, empowered and directed to (i) take any and all action necessary to complete and close the sale and delivery of the Bond, (ii) negotiate, approve, execute and deliver all documents, certificates and instruments necessary or appropriate in connection therewith, and (iii) carry out the transactions contemplated by the Ordinance, any ordinance amendatory of or supplemental to the Ordinance, this Resolution, any resolution (including any amendatory or supplemental resolution) adopted in furtherance of this Resolution, and any such documents, certificates or instruments executed and delivered in connection with the issuance of the Bond, all to the extent any particular action is within the scope of such official's authority and all to the extent authorization with respect to such particular action has not otherwise been expressly delegated to one or more City officials by or in accordance with the Ordinance or this Resolution.

(b) The negotiation, approval, execution and delivery of any documents, certificates, instruments, applications or requests relating to the Bond by any City official prior to the adoption of this Resolution, are hereby ratified, confirmed and approved.

SECTION 12. AND BE IT FURTHER RESOLVED that notwithstanding anything to the contrary contained in this Resolution, the City shall use and apply proceeds of the Bond only as permitted by the Loan Agreement, the Safe Drinking Water Act and the MWIFA Act (referred to in the Loan Agreement as the "Act").

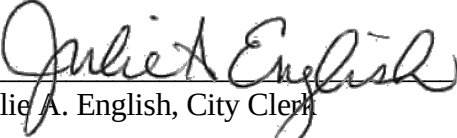
SECTION 13. AND BE IT FURTHER RESOLVED that the provisions of this Resolution shall be liberally construed in order to effectuate the transactions contemplated by this Resolution.

SECTION 14. AND BE IT FURTHER RESOLVED that this Resolution shall become effective upon adoption by the Council and approval by the Mayor. Pursuant to Charter Section SC7-46.A, this Resolution may not be petitioned to referendum.

[CONTINUED ON FOLLOWING PAGE]

THIS RESOLUTION was introduced and duly adopted at a meeting of the Council of the City of Salisbury held on the 8 day of June, 2026.

ATTEST:



Julie A. English, City Clerk



April R. Jackson, President
Salisbury City Council

APPROVED BY ME THIS 9th DAY OF June, 2026:



Randolph J. Taylor, Mayor

#244496;58111.050

EXHIBIT A

SUBSTANTIALLY FINAL FORM OF THE LOAN AGREEMENT

[See Attached]

DRINKING WATER LOAN AGREEMENT

By and Between

MARYLAND WATER INFRASTRUCTURE
FINANCING ADMINISTRATION

and

City of Salisbury

Dated as of TBD, 2026

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LOAN AGREEMENT

THIS LOAN AGREEMENT, made this TBD day of TBD, 2026, between the Maryland Water Infrastructure Financing Administration (the “Administration”), a unit of the Department of the Environment (the “Department”) of the State of Maryland (the “State”), and the City of Salisbury, a body corporate of the State (the “Borrower”).

RECITALS

The federal Safe Drinking Water Act (“SDWA”), as amended, authorizes the Environmental Protection Agency (“EPA”) to award grants to qualifying States to establish and capitalize State drinking water treatment revolving loan funds (“SRFs”) for the purpose of providing loans and certain other forms of financial assistance (but not grants) to finance, among other things, the construction and improvement of publicly-owned and privately-owned water supply systems.

As contemplated by the SDWA, the General Assembly of the State has amended the Maryland Water Infrastructure Financing Administration Act, codified at Sections 9-1601 through 9-1622 of the Environment Article of the Annotated Code of Maryland, as amended (the “Act”), establishing an SRF designated the Maryland Drinking Water Revolving Loan Fund (the “Fund”) to be maintained and administered by the Administration. The Act authorizes the Administration, among other things, to make a loan from the Fund to a “local government” (as defined in the Act) for the purpose of financing all or a portion of the cost of a “water supply system” project (as defined in the Act).

The Borrower, which is a “local government” within the meaning of the Act, has applied to the Administration for a loan from the Fund to assist in the financing of a certain project or projects of the Borrower (the “Project,” as defined herein) which constitutes a “water supply system” within the meaning of the Act. The Project is one designated for funding in an Intended Use Plan promulgated by the Administration in accordance with regulations issued by the EPA pursuant to the SDWA, and the Project conforms to the applicable “county plan” adopted pursuant to the requirements of Subtitle 5 of Title 9 of the Environment Article of the Annotated Code of Maryland, as amended.

The Director of the Administration has determined that the making of a loan to the Borrower for the purpose of assisting the financing of the Project, on the terms and conditions hereinafter set forth, is necessary and desirable in the public interest, will promote the health, safety and welfare of the inhabitants of the State and the United States by assisting in ensuring that public drinking water remains safe, adequate and affordable, and will further the purposes of the SDWA and the Act.

NOW THEREFORE, in consideration of the mutual promises and covenants hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and the Administration, each intending to be legally bound, hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless specifically provided otherwise or the context otherwise requires, when used in this Agreement:

“Act” means the Maryland Water Infrastructure Financing Administration Act, Sections 9-1601 through 9-1622 of the Environment Article, Annotated Code of Maryland, and all acts supplemental thereto or amendatory thereof.

“Administration” means the Maryland Water Infrastructure Financing Administration, a unit of the Department of the Environment of the State, and its successors and assigns.

“Administrative Fee” means the fee payable by the Borrower pursuant to this Agreement for the general administrative services and other functions and expenses of the Administration.

“Agreement” means this Loan Agreement, including the Exhibits attached hereto and any amendments hereto.

“Application” means the application for the Loan submitted by the Borrower to the Administration, together with any amendments thereto.

“Authorized Officer” means, in the case of the Borrower, any person authorized by law or by a resolution of the governing body of the Borrower to perform any act or execute any document on behalf of the Borrower.

“Board” means the Board of Public Works of the State.

“Bonds” means any series of revenue bonds issued by the Administration under the Act.

“Borrower” means the local government, individual or entity that is identified in the first paragraph of this Agreement, and its successors and assigns.

“Business Day” means a day other than a Saturday, Sunday, or day on which the offices of the Administration or commercial banks in the State are authorized or obligated to remain closed.

“Change Orders” means any amendments or modifications to any Plans and Specifications or any general construction contract for the Project.

“Default” means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, constitute an Event of Default.

“Default Rate” means the interest rate so specified in Exhibit B of this Agreement.

“Department” means the Maryland Department of the Environment, and its successors.

“Director” means the Director of the Administration.

“Eligible Project Costs” means all those costs of the Project permitted by the Act to be funded by a loan from the Fund and which have been approved by the Director.

“EPA” means the United States Environmental Protection Agency, and its successors.

“Event of Default” means any occurrence or event specified in Section 4.01 hereof.

“Fiscal Year” means the period of 12 consecutive months commencing on July 1 in any calendar year and ending on June 30 of the succeeding calendar year.

“Fund” means the Maryland Drinking Water Revolving Loan Fund.

“Governmental Authority” means the United States, the State of Maryland, or any of their political subdivisions, agencies, departments, commissions, boards, bureaus or instrumentalities, including any local authority having jurisdiction over the Project, and including EPA, the Department, the Board and the Administration.

“Independent Counsel” means any attorney or law firm with attorneys duly admitted to practice law before the highest court of any state who has or have regularly engaged in the practice of law as the primary occupation of such attorney or attorneys for at least five years. Independent Counsel may also serve as bond counsel if qualified to act as bond counsel.

“Independent Public Accountant” means an individual, partnership or corporation engaged in the accounting profession, either entitled to practice, or having members or officers entitled to practice, as a certified public accountant under the laws of the State of Maryland and, in fact, independent.

“Loan” means the aggregate amounts which are advanced from time to time by the Administration to the Borrower pursuant to the terms and provisions of this Agreement.

“Loan Closing Date” means the date on which the Note is executed and delivered to the Administration.

“Loan Commitment” means that amount which the Administration is obligated to lend to the Borrower pursuant to the terms and provisions of this Agreement and subject to the satisfaction of the conditions set forth in this Agreement, as such amount may be adjusted as provided in this Agreement.

“Loan Year” means the period beginning on the first February 1 on which principal of the Loan is payable and each February 1 thereafter and ending on the immediately succeeding January 31.

“Note” means the bond, note or other obligation executed and delivered by the Borrower to the Administration to evidence the Loan, such Note to be substantially in the form attached hereto as Exhibit F.

“Plans and Specifications” means the final plans and specifications for the construction of the Project prepared by the architect or engineer and approved by the Department.

“Project” means the project or projects of the Borrower described in Exhibit B to this Agreement.

“Project Budget” means the budget for the Project as set forth in Exhibit C to this Agreement, as revised in accordance with Section 2.02(d).

“Related Financing” means any bond, note, agreement or other instrument or transaction (other than this Agreement or the Note) pursuant to which the Borrower obtains any monies that may be expended to pay costs of the Project.

“Requirement” means any law, ordinance, code, order, rule or regulation of a Governmental Authority, including, without limitation, the State primary drinking water regulations or a condition in a construction permit issued by the Department.

“Safe Drinking Water Act” means Title XIV of the Public Health Service Act, P.L. 93-523, as amended, 42 U.S.C. § 300f, et seq., and the rules and regulations promulgated thereunder.

“State” means the State of Maryland.

“Trustee” means the trustee for the Bonds.

Section 1.02. Rules of Construction. Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Agreement:

(a) words importing the singular number include the plural number and words importing the plural number include the singular number;

(b) words of the masculine gender include correlative words of the feminine and neuter genders;

(c) words importing persons include any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or agency or political subdivision thereof;

(d) the terms “agree” and “agreement” shall include and mean “covenant”, and all agreements contained in this Agreement are intended to constitute covenants and shall be enforceable as such;

(e) the headings and the Table of Contents set forth in this Agreement are solely for convenience of reference and shall not constitute a part of this Agreement or affect its meaning, construction or effect; and

(f) any reference to a particular Article or Section shall be to such Article or Section of this Agreement unless the context shall otherwise require.

ARTICLE II

REPRESENTATIONS AND COVENANTS OF BORROWER

Section 2.01. Representations of Borrower. The Borrower represents for the benefit of the Administration as follows:

(a) Corporate Organization and Authority. The Borrower:

(i) is a “local government” as defined in the Act; and

(ii) has all requisite power and authority and all necessary licenses and permits required as of the date hereof to own and operate the Project, to enter into this Agreement, to execute and deliver the Note, and to carry out and consummate all transactions contemplated by this Agreement.

(b) Full Disclosure. There is no fact that the Borrower has not disclosed to the Administration in writing that materially adversely affects or (so far as the Borrower can now foresee) that will materially adversely affect the properties, activities, prospects or condition (financial or other) of the Borrower or the ability of the Borrower to make all payments due hereunder and otherwise perform its obligations under this Agreement and the Note.

(c) Pending Litigation. There are no proceedings pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower in any court or before any Governmental Authority or arbitration board or tribunal that, if adversely determined, would materially adversely affect the properties, activities, prospects or condition (financial or other) of the Borrower, or the ability of the Borrower to make all payments due hereunder and otherwise perform its obligations under this Agreement and the Note, and that have not been disclosed in writing to the Administration in the Application or otherwise.

(d) Borrowing Legal and Authorized. The consummation of the transactions provided for in this Agreement and the Note and compliance by the Borrower with the provisions of this Agreement and the Note:

(i) are within its powers and have been duly authorized by all necessary action on the part of the governing body of the Borrower; and

(ii) will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrances upon any property or assets of the Borrower pursuant to, any indenture, loan agreement or other instrument (other than this Agreement and the Note) to which the Borrower is a party or by which the Borrower may be bound, nor will such action result in any violation of the provisions of laws, ordinances, governmental rules, regulations or court orders to which the Borrower or its properties or operations is subject.

(e) No Defaults. No event has occurred and no condition exists that, upon execution of this Agreement and the Note or receipt of the Loan, would constitute a Default hereunder. The Borrower is not in violation, and has not received notice of any claimed violation, of any term of any agreement or other instrument to which it is a party or by which it or its property may be bound, which violation would materially adversely affect the properties, activities, prospects or condition (financial or other) of the Borrower or the ability of the Borrower to make all payments due hereunder and otherwise perform its obligations under this Agreement and the Note, and that have not been disclosed in writing to the Administration in the Application or otherwise.

(f) Governmental Consent; Project Consistency.

(i) The Borrower has obtained all permits and approvals required to date by any Governmental Authority for the making and performance by the Borrower of its obligations under this Agreement and the Note or for the Project and the financing thereof. No consent, approval or authorization of, or filing, registration or qualification with, any Governmental Authority that has not been obtained is required on the part of the Borrower as a condition to the execution and delivery of this Agreement and the Note or the consummation of any transaction herein contemplated.

(ii) The Project is consistent with (A) the local plan of the Borrower as contemplated under Section 5-7A-02 of the State Finance and Procurement Article of the Annotated Code of Maryland, as amended; (B) the State Economic Growth, Resource Protection, and Planning Policy established in Section 5-7A-01 of the State Finance and Procurement Article of the Annotated Code of Maryland, as amended; and (C) all applicable provisions of *Subtitle 7B, "Priority Funding Areas,"* of Title 5 of the State Finance and Procurement Article of the Annotated Code of Maryland, as amended.

(g) No Conflicts. No member, officer, or employee of the Borrower, or its designees, or agents, no consultant, no member of the governing body of the Borrower or of any Governmental Authority, who exercises or has exercised any authority over the Project during such person's tenure, shall have any interest, direct or indirect, in any contract or subcontract, or its proceeds, in any activity, or in any benefit therefrom, which is part of the Project.

(h) Use of Proceeds. The Borrower will apply the proceeds of the Loan from the Administration as described in Exhibit B attached hereto and made a part hereof (i) to finance all or a portion of the Eligible Project Costs; and (ii) to reimburse the Borrower for all or a portion of the Eligible Project Costs paid or incurred prior to the date hereof in anticipation of reimbursement by the Administration. Except as provided in Sections 3.01 and 3.03(c) of this Agreement, before each and every advance of the proceeds of the Loan to the Borrower, the Borrower shall submit to the Administration a requisition meeting the requirements of Section 3.03 of this Agreement.

(i) Loan Closing Submissions. On or before the Loan Closing Date, the Borrower will cause to be delivered to the Administration each of the following items:

(i) an opinion of Independent Counsel, acceptable to the Administration, dated as of the Loan Closing Date, substantially in the form set forth in Exhibit D to this Agreement;

(ii) fully executed counterparts of this Agreement and the Note;

(iii) copies of the ordinance, resolution or other official action of the governing body of the Borrower authorizing the execution and delivery of this Agreement and the Note, certified by an appropriate officer of the Borrower;

(iv) a certificate, dated as of the Loan Closing Date, signed by an Authorized Officer of the Borrower and in form satisfactory to the Administration, confirming the Borrower's obligations under and representations in the Loan Agreement as of such date; and

(v) such other certificates, documents, opinions and information as the Administration may require.

Section 2.02. Particular Covenants of the Borrower.

(a) Maintenance of Project; Insurance. The Borrower shall (i) keep, operate and maintain, or cause to be kept, operated and maintained, the Project in good working order, condition and repair; (ii) make or cause to be made all needed and proper replacements to the Project so that the Project will at all times be in good operating condition, fit and proper for the purposes for which it was originally erected or installed; (iii) not permit any waste of the Project; (iv) observe and comply with, or cause to be observed and complied with, all Requirements; and (v) operate, or cause to be operated, the Project in the manner in which similar projects are operated by persons operating a first-class facility of a similar nature. The Borrower shall maintain or cause to be maintained at its sole cost and expense insurance with respect to the Project, both during its

construction and thereafter, against such casualties and contingencies and in such amounts as are customarily maintained by governmental entities similarly situated and as are consistent with sound governmental practice.

(b) Sale or Disposition of Project. The Borrower reasonably expects that no portion of the Project will be sold prior to the final maturity date of the Loan. In the event that the Borrower shall sell or otherwise dispose of any portion of the Project prior to the final maturity date of the Loan, the Borrower shall apply the net proceeds thereof to the prepayment of the Loan or as the Administration shall otherwise direct unless the Borrower shall have obtained the prior written consent of the Administration to some other proposed application of such net proceeds.

(c) Inspections; Information. The Borrower shall permit the Administration or its designee to examine, visit and inspect, at any and all reasonable times (including, without limitation, any time during which the Project is under construction or in operation), the property constituting the Project, to attend all construction progress meetings relating to the Project and to inspect and make copies of any accounts, books and records, including (without limitation) its records regarding receipts, disbursements, contracts, investments and any other matters relating to the Project and the financing thereof, and shall supply such reports and information as the Administration may reasonably require in connection therewith. Without limiting the generality of the foregoing, the Borrower shall keep and maintain any books, records, and other documents that may be required under applicable federal and State statutes, regulations, guidelines, rules and procedures now or hereafter applicable to loans made by the Administration from the Fund, and as may be reasonably necessary to reflect and disclose fully the amount and disposition of the Loan, the total cost of the activities paid for, in whole or in part, with the proceeds of the Loan, and the amount and nature of all investments related to such activities which are supplied or to be supplied by other sources. All such books, records and other documents shall be maintained at the offices of the Borrower, as specified on Exhibit B attached hereto, for inspection, copying, audit and examination at all reasonable times by any duly authorized representative of the Administration. All such books, records and other documents shall be maintained until the completion of an audit of the Project by the EPA or notification from the State or the EPA that no audit is required.

(d) Completion of the Project; Payment of Excess Costs of the Project. The Borrower shall proceed diligently to complete the Project in accordance with the Plans and Specifications, the State primary drinking water regulations and with any requirements set forth in the construction and other required permits. The Borrower shall satisfy all applicable Requirements for operation of the Project by the completion of the Project, and shall commence operation of the Project promptly upon its completion. No substantial changes may be made to the Plans and Specifications, the general construction contract or the Project Budget, or in the construction of the Project without the prior written approval of the Administration in its discretion. The Borrower shall pay any amount required for the acquisition, construction and equipping of the Project in excess of the amount available to be loaned to the Borrower hereunder. Upon the completion of the Project, the Borrower shall deliver to the Administration

a certificate of the Borrower certifying that the Project was completed as of the date set forth in such certificate.

(e) Cancellation of Loan. As provided by Section 9-1606(e) of the Act, the Borrower, unless it is a “disadvantaged community” pursuant to the SDWA, acknowledges and agrees that its obligation to make the payments due hereunder and under the Note is cancelable only upon repayment in full of the Loan, and that neither the Administration, the Secretary of the Department, nor the Board is authorized to forgive the repayment of all or any portion of the Loan, except for loans made in accordance with Section 9-1605.1(d)(10) of the Act.

(f) Dedicated Source of Revenue. Pursuant to the SDWA, the Borrower has established one or more dedicated sources of revenue for repayment of the Loan, as described in Exhibit E attached hereto as a part hereof.

(g) Indemnification. To the extent permitted by law, the Borrower releases the Administration, the Fund, the Department, the Board and the State from, agrees that the Administration, the Fund, the Department, the Board and the State shall not have any liability for, and agrees to protect, indemnify and save harmless the Administration, the Fund, the Department, the Board and the State from and against, any and all liabilities, suits, actions, claims, demands, losses, expenses and costs of every kind and nature incurred by, or asserted or imposed against, the Administration, the Fund, the Department, the Board or the State, as a result of or in connection with the Project or the financing thereof. To the extent permitted by law, all money expended by the Administration, the Fund, the Department, the Board or the State as a result of such liabilities, suits, actions, claims, demands, losses, expenses or costs, together with interest at the rate provided in the Note from the date of such payment, shall constitute an additional indebtedness of the Borrower and shall be immediately and without notice due and payable by the Borrower to the Administration.

(h) Non-discrimination. The Borrower certifies that it does not discriminate, and covenants that it shall not discriminate, on the basis of (1) political or religious opinion or affiliation, marital status, race, color, creed or national origin, or (2) sex or age, except where sex or age constitutes a bona fide occupational qualification, or (3) the physical or mental handicap of a qualified handicapped individual. At such times as the Administration requests, the Borrower shall submit to the Administration information relating to the Borrower’s operations, with regard to political or religious opinion or affiliation, marital status, physical or mental handicap, race, color, creed, sex, age, or national origin, on a form to be prescribed by the Administration.

(i) Compliance with Requirements. The Borrower acknowledges that the Loan and this Agreement are subject to, and the Borrower agrees to comply with, all Requirements applicable to the Project and the financing thereof, including (without limiting the generality of the foregoing) the SDWA, the Act, and all other applicable State and federal statutes and such rules, regulations, orders and procedural guidelines as may be promulgated from time to time by the EPA, the Board, the Department, the Administration, or other Governmental Authority.

(j) Annual Audit. Within nine (9) months of the end of each Fiscal Year (unless such period is changed to comply with terms of the Administration's financings, or a Requirement, in which case the Administration shall notify the Borrower in writing), the Borrower shall cause financial statements of the Borrower to be prepared with respect to such Fiscal Year in accordance with generally accepted accounting principles, applicable to governmental units, consistently applied, which financial statements shall be audited by, and accompanied by a report of, an Independent Public Accountant. Such financial statements and report shall be delivered upon completion to the Administration within the nine (9) month period or within thirty (30) days from receipt of a report from the auditor, whichever period is shorter.

(k) Additional Disclosure Information. The Borrower agrees to provide the Administration with such information regarding the Borrower and its finances as the Administration may from time to time request. The Borrower further acknowledges that the Administration may issue one or more series of bonds pursuant to one or more bond indentures, and that any or all of such bonds may be secured in part by repayments of the Borrower with respect to the Loan. The Borrower accordingly agrees to provide to the Administration such information regarding the Borrower and its finances as the Administration may from time to time request for inclusion in the official statements or other offering documents to be distributed in connection with the sale of any such bonds or any annual disclosure document or other informational document prepared from time to time by the Administration to be made available to prospective purchasers or holders of any of such bonds. The Borrower shall also furnish to the Administration at its request a certificate of an Authorized Officer of the Borrower to the effect that any information so provided or included contains no material inaccuracy or omission in light of the purposes for which such information is provided or included. The Borrower agrees to notify the Administration promptly in writing of (a) any changes in the condition or affairs of the Borrower (financial or other) that would cause any information regarding the Borrower so provided or included in an official statement or any subsequent offering document, annual disclosure document or other informational document of the Administration that the Borrower has had an opportunity to review and certify as to its accuracy, to contain a material inaccuracy or omission in light of the purposes for which such information is so included, and (b) upon request from the Administration, any event set forth in Securities and Exchange Commission Rule 15c-12(b)(5)(i)(C), as such rule may be amended and supplemented.

(l) Related Financing. The Borrower agrees that the proceeds of any Related Financing shall be expended to pay costs of the Project on a monthly basis proportionately with the proceeds of the Loan, taking into account the total amount of the proceeds of such Related Financing available to pay costs of the Project and the maximum amount of the Loan Commitment. The Borrower agrees to provide the Administration upon its request with such information as the Administration deems reasonably necessary to determine whether the Borrower is in compliance with the provisions of this Section 2.02(l).

ARTICLE III

LOAN TO BORROWER; AMOUNTS PAYABLE; GENERAL AGREEMENTS

Section 3.01. The Loan. Subject to the provisions of Sections 3.02, 3.03 and 3.08 hereof, the Administration hereby agrees to advance amounts under this Agreement to the Borrower, and the Borrower agrees to borrow and accept from the Administration amounts advanced under this Agreement, in an aggregate principal amount not to exceed the maximum amount of the Loan Commitment set forth on Exhibit B attached hereto.

Section 3.02. Availability of Funds. The Administration expects to have, and shall use its best efforts to obtain and maintain, funds in an amount sufficient to make advances to the Borrower in accordance with the “Construction Cash Draw Schedule” included in Exhibit C attached hereto. The Borrower recognizes, however, that the Administration is a governmental entity with limited financial resources and that the Administration’s ability to make such advances may be adversely affected by events or circumstances beyond the Administration’s control. The Borrower accordingly assumes the risk that monies may not be available to make advances of the Loan to the Borrower, and, in such event, the Borrower specifically agrees that the Administration shall have no obligation to lend any amounts to the Borrower in excess of the amount theretofore advanced to the Borrower.

Section 3.03. Disbursements and Capitalized Interest.

(a) Requisitions and Disbursements. Amounts shall be loaned from time to time to pay, or reimburse the Borrower for the payment of, Eligible Project Costs, upon receipt of requisitions of the Borrower. Each such requisition shall (i) state the names of the payees, (ii) describe in reasonable detail the purpose of each payment, (iii) state the amount of each payment (supported by appropriate paid invoices or other evidence satisfactory to the Administration that the amount requisitioned has been paid or has been incurred by the Borrower and is then due), (iv) state that the amount so requisitioned constitutes a part of the Eligible Project Costs, and (v) state that no Default or Event of Default under this Agreement has occurred and is continuing; provided, that this section shall not apply to advances made or deemed to have been made as provided in Section 3.03(c) hereof. The Administration shall not be required to advance monies on more than one day in each month, and the Administration shall not be required to advance monies for the Project sooner than, or in an amount greater than, the schedule of disbursements for the Project shown on the “Construction Cash Draw Schedule” included in Exhibit C attached hereto. The Administration may require the Borrower to submit requisitions in advance of each such disbursement date in such manner as shall be reasonably acceptable to the Administration.

(b) Conditions Precedent. Before making the first advance of Loan proceeds, the Administration shall receive the following in form and content satisfactory to the Administration:

(i) copies of the Plans and Specifications and of any Change Orders issued through the date of such advance, the general construction contract, and the Project Budget;

(ii) a survey showing the location of existing and proposed easements, rights-of-way and improvements, and the perimeter boundaries of the land upon which the Project will be located, if any Loan proceeds are to be used for acquisition of the land;

(iii) copies of all building permits, if any, pertaining to the Project;

(iv) cost breakdown in trade form showing all subcontracts which represent at least 10 percent of the costs of the Project, and indicating use of the proceeds of the Loan therefor;

(v) a fully executed copy of any contract for the purchase of real property constituting a portion of the Eligible Project Costs described in Exhibit C; and

(vi) evidence satisfactory to the Administration that the conditions (if any) set forth in Exhibit A to this Agreement have been satisfied.

In addition, it shall be a condition precedent to the Administration's obligation to make any advance of Loan proceeds under this Agreement that no Default or Event of Default shall have occurred and be continuing at the time of any such advance.

(c) Interest During Construction. In the event that the Administration has consented to permit the Borrower to pay interest on the Loan from proceeds of the Loan during all or a portion of the period of time related to construction of the Project (as itemized in Exhibit C) ("Construction Period Interest"), the Administration shall on each February 1 and August 1 during such period advance to the Borrower and immediately apply to the interest then due and owing, an amount equal to the interest on the Loan due on such February 1 or August 1 and not theretofore paid by the Borrower. Any such amount of Construction Period Interest advanced by the Administration shall constitute part of the principal amount of the Loan hereunder immediately upon its advance to the Borrower in accordance with this paragraph. Notwithstanding the advance of any Construction Period Interest to the Borrower in accordance with this Section, the Borrower shall pay directly to the Administration the Administrative Fee on the dates and in the amounts set forth in Section 3.04(c), and no amounts shall be advanced under the Loan for the payment of the Administrative Fee.

Section 3.04. Amounts Payable.

(a) Loan Payments. The Borrower shall punctually repay the Loan in installments on the dates, in the amounts, and in the manner specified in the Note. The outstanding amount of the Loan shall bear interest at a rate per annum equal to the rate or rates of interest set forth in Exhibit B, and shall be payable in accordance with the amortization schedule as specified in Exhibit B attached hereto and more particularly set out in the Note (which amortization schedule is subject to adjustment in accordance with this Agreement and the Note).

On or prior to the Loan Closing Date, the Borrower shall execute the Note to evidence such obligation. In addition, the Borrower shall pay to the Administration an Administrative Fee in accordance with paragraph (c) of this Section.

(b) Late Charges. In addition to the payments of principal and interest on the Loan required by paragraph (a) of this Section, the Borrower shall pay (i) a late charge for any payment of principal or interest on the Loan that is received later than the tenth 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 a rate equal to the Default Rate set forth in Exhibit B. Amounts payable pursuant to this paragraph (b) shall be immediately due and payable to the Administration, and interest at the Default Rate shall continue to accrue on overdue installments of principal and (to the extent permitted by law) interest until such amounts are paid in full.

(c) Administrative Fee. (i) On the date specified in Exhibit B for the first payment of the Administrative Fee and on each August 1 thereafter that the Note remains outstanding and unpaid to and including the date of final maturity of the Note (each such date, an “Administrative Fee Payment Date”), the Borrower shall pay to the Administration an Administrative Fee. Subject to paragraph (iv) below, the Administrative Fee for any Administrative Fee Payment Date shall be (A) the Administrative Fee set forth in Exhibit B or (B) after any date on which the outstanding principal amount of the Loan Commitment is reduced by the Administration by a notice in writing to the Borrower in accordance with this Agreement (other than by reason of the repayment of the principal of the Loan), the Administrative Fee set forth in a notice from the Administration to the Borrower in connection with such reduction. Any adjustment of the Administrative Fee in accordance with the foregoing shall be prospective only, and the Administration shall in no event be obligated to refund any portion of any Administrative Fee payment theretofore received from the Borrower.

(ii) In prescribing the Administrative Fee for purposes of paragraph (i) above, the Administration shall employ the following formula, it being understood that any determinations as to the application of such formula shall be within the discretion of the Administration and any Administrative Fee Payment prescribed by the Administration in accordance with the foregoing shall be conclusive and binding upon the Administration and the Borrower: the Administrative Fee equals (A) the aggregate amount of all scheduled payments of principal of and interest on the Note, multiplied by the Percentage Rate (defined in paragraph (iii) below) then in effect, (B) divided by the total number of scheduled Administrative Fee Payment Dates. For example, if the aggregate amount of all scheduled payments of principal of and interest on the Note were \$5,000,000 and the Percentage Rate were 5%, and the total number of scheduled Administrative Fee Payment Dates were 31, the Administrative Fee to be paid each year would equal:

$$\frac{\$5,000,000 \times .05}{31} = \$8,064.52$$

(iii) The Percentage Rate for each Fiscal Year shall be fixed as a uniform rate for all borrowers receiving loans from the Fund in order to provide sufficient revenues to pay the expenses of the Administration, as approved in the operating budget of the State by the General

Assembly of the State; provided, however, that in no event shall the Percentage Rate exceed five percent (5%). In each Fiscal Year, the Administration shall review the Percentage Rate then in effect and adjust it for the immediately succeeding Fiscal Year to reflect its approved budget for the immediately succeeding Fiscal Year, a retainage of not more than ten percent (10%) for an operating reserve within the Administration's general account, and other factors as reasonably determined by the Secretary. No later than June 1 following the end of the Session of the General Assembly in each Fiscal Year, the Administration shall notify the Borrower of the newly established Percentage Rate, which shall be the Percentage Rate applicable to the immediately succeeding Fiscal Year, and of any change in the amount of the Administrative Fee payable by the Borrower in such Fiscal Year as a result of the application of such Percentage Rate.

Section 3.05. Sources of Payment.

(a) Dedicated Revenues. In accordance with Section 2.02(f) hereof, the principal of and interest on the Note, and any other amounts due from time to time under this Agreement, shall be payable in the first instance from the dedicated source of revenues described in Exhibit E attached hereto.

(b) General Obligation. In addition, the Note constitutes a general obligation of the Borrower, to the payment of which the full faith and credit and taxing power of the Borrower are pledged.

(c) State Withholding. As further security for the payment of the Note and any other amounts due hereunder, the Borrower hereby pledges the following to the Administration and grants a security interest therein to the Administration: (i) as authorized by Section 9-1606(d) of the Act, the Borrower's share of any and all income tax revenues collected by the State from time to time that would otherwise be payable to the Borrower, and (ii) to the maximum extent permitted by law, any and all other tax revenues, grants, and other monies that

the Borrower is or may from time to time be entitled to receive from the State or that may at any time be due from the State, or any department, agency, or instrumentality of the State, to the Borrower. The Borrower further agrees that, upon the occurrence of an Event of Default, among other things, the State Comptroller and the State Treasurer may (i) withhold any such amounts that the Borrower is then or may thereafter be entitled to receive and (ii) at the direction of the Administration, apply the amounts so withheld to the payment of any amounts then due or thereafter becoming due hereunder (including, without limitation, payments under the Note) until the Borrower's obligations hereunder have been fully paid and discharged.

Section 3.06. Unconditional Obligations. The obligations of the Borrower to make payments under the Note as and when due and all other payments required hereunder and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever, regardless of any contingency, act of God, event or cause whatsoever, including (without limitation) any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the Project, commercial frustration of purpose, any change in the laws of the United States of America or of the State or any political subdivision of either or in the rules or regulations of any Governmental Authority, any failure of the Administration, the Department or the State to perform or observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Project, this Agreement, or otherwise or any rights of set-off, recoupment, abatement or counterclaim that the Borrower might otherwise have against the Administration, the Department or the State or any other party or parties; provided, however, that payments hereunder shall not constitute a waiver of any such rights.

Section 3.07. Loan Commitment. The Borrower acknowledges and agrees that the monies attributable to the Borrower's Loan Commitment are the property of the Administration and are held by the Administration to provide for advances to be made to the Borrower in accordance with this Agreement or to be otherwise disposed of by the Administration in accordance with this Agreement.

Section 3.08. Reduction of Loan Commitment. The Loan Commitment is subject to reduction in accordance with the provisions of this Section 3.08.

(a) Any portion of the Loan Commitment not advanced to the Borrower under Section 3.03 of this Agreement at the later of (1) two years from the date of this Agreement and (2) the earlier of one year following (i) actual completion of construction of the Project or (ii) the estimated completion date specified on Exhibit B attached hereto, shall no longer be available to be advanced to the Borrower and the amount of the Loan Commitment shall be reduced by an amount equal to the portion of the Loan Commitment not advanced, unless otherwise agreed to by the Administration in writing.

(b) The Administration may reduce the amount of the Loan Commitment if the Administration should for any reason determine that it will be unable to fund the full amount of the Loan Commitment (including, without limitation, a determination that the Eligible Project Costs to be paid with proceeds of the Loan are expected to be less than the maximum amount of the Loan Commitment), or if it determines that the Borrower is not proceeding satisfactorily and expeditiously with the Project in accordance with schedules and plans provided to the Administration, or if it determines that the Borrower is no longer able to make the certifications required under Section 3.03 in connection with the submission of requisitions.

(c) Any reduction in the amount of the Loan Commitment shall not affect the obligation of the Borrower to repay the Loan in accordance with the provisions of this Agreement and the Note.

(d) The Administration shall advise the Borrower in writing of any reduction in the amount of the Loan Commitment. Such notice shall specify the reason for and the amount of the reduction. In the event of any such reduction, the Borrower shall repay the Loan in accordance with such revised principal amortization schedule (prepared by applying such amount to reduce the installments of principal due under the Note in inverse order of payment, such that any such reduction is applied first to the last installment of principal due under the Note) as may be prescribed by the Administration in accordance with the provisions of the Note executed in connection therewith. The Administration may require, and the Borrower shall deliver, such certificates, documents, opinions and other evidence as the Administration may deem necessary or advisable in connection with any such reduction in the Loan Commitment. If a new Note is delivered in connection with any such reduction, the Administration shall cancel the Note initially delivered to the Administration by the Borrower pursuant to this Agreement.

Section 3.09. Disclaimer of Warranties. The Administration makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for particular purpose or fitness for use of the Project or any portion thereof or any other warranty with respect thereto. In no event shall the Administration be liable for any incidental, indirect, special or consequential damages in connection with or arising out of this Agreement or the Project or the existence, furnishing, functioning or use of the Project or any item or products or services provided for in this Agreement.

Section 3.10. Prepayments. The Loan shall be subject to mandatory prepayment, in whole or in part, as, when and to the extent required by the EPA's State Revolving Fund Program Regulations. Otherwise, the Loan may be prepaid by the Borrower, in whole or in part, only at such times and in such amounts, and upon the payment by the Borrower of such prepayment premium or penalty, as the Director, in his or her discretion, may specify and approve.

Section 3.11. Assignment. Neither this Agreement nor the Note may be assigned by the Borrower for any reason without the prior written consent of the Administration. The Administration may transfer, pledge or assign the Note and any or all rights or interests of the Administration under this Agreement without the prior consent of the Borrower.

ARTICLE IV

EVENTS OF DEFAULT AND REMEDIES

Section 4.01. Events of Default. If any of the following events occur, it is hereby defined as and declared to be and to constitute an “Event of Default”:

(a) failure by the Borrower to pay any amount required to be paid hereunder or under the Note when due, which failure shall continue for a period of 20 days;

(b) failure by the Borrower to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Agreement, other than as referred to in paragraph (a) of this Section, which failure shall continue for a period of 30 days after written notice specifying such failure and requesting that it be remedied is given to the Borrower by the Administration, unless the Administration shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in such notice is correctable but cannot be corrected within the applicable period, the Administration will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the Default is corrected;

(c) if (i) at any time any representation made by the Borrower in Section 2.01(f)(ii) is incorrect, or (ii) any other representation made by or on behalf of the Borrower contained in this Agreement, or in any instrument furnished in compliance with or with reference to this Agreement, the Loan Commitment or the Loan, is false or misleading in any material respect on the date on which such representation is made;

(d) if an order, judgment or decree is entered by a court of competent jurisdiction (i) appointing a receiver, trustee, or liquidator for the Borrower; (ii) granting relief in involuntary proceedings with respect to the Borrower under the federal bankruptcy act, or (iii) assuming custody or control of the Borrower under the provision of any law for the relief of debtors, and the order, judgment or decree is not set aside or stayed within 60 days from the date of entry of the order, judgment or decree; or

(e) if the Borrower (i) admits in writing its inability to pay its debts generally as they become due, (ii) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a receiver, or (v) consents to the assumption of custody or control of the Borrower by any court of competent jurisdiction under any law for the relief of debtors.

Section 4.02. Notice of Default. The Borrower shall give the Administration prompt telephonic notice by contacting the Director of the Administration, followed by prompt written confirmation, of the occurrence of any event referred to in Section 4.01(d) or (e) hereof and of the occurrence of any other event or condition that constitutes a Default or an Event of Default at such time as any senior administrative or financial officer of the Borrower becomes aware of the existence thereof.

Section 4.03. Remedies on Default. Whenever any Event of Default referred to in Section 4.01 hereof shall have happened and be continuing, the Administration shall have the right to take one or more of the following remedial steps:

(a) declare all amounts due hereunder (including, without limitation, payments under the Note) to be immediately due and payable, and upon notice to the Borrower the same shall become immediately due and payable by the Borrower without further notice or demand; and

(b) take whatever other action at law or in equity that may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce the performance and observance of any obligation, agreement or covenant of the Borrower hereunder.

Section 4.04. Attorneys' Fees and Other Expenses. The Borrower shall on demand pay to the Administration the reasonable fees and expenses of attorneys and the Trustee and other reasonable expenses incurred in the collection of any sum due hereunder or in the enforcement of performance of any other obligations of the Borrower upon an Event of Default.

Section 4.05. Application of Monies. Any monies collected by the Administration pursuant to Section 4.03 hereof shall be applied (a) first, to pay any attorneys' fees or other fees and expenses owed by the Borrower pursuant to Section 4.04 hereof, (b) second, to pay interest due on the Loan, (c) third, to pay principal due on the Loan, (d) fourth, to pay any other amounts due hereunder, and (e) fifth, to pay interest and principal on the Loan and other amounts payable hereunder as such amounts become due and payable.

Section 4.06. No Remedy Exclusive; Waiver; Notice. No remedy herein conferred upon or reserved to the Administration is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right, remedy or power accruing upon any Default or Event of Default shall impair any such right, remedy or power or shall be construed to be a waiver thereof, but any such right, remedy or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Administration to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

ARTICLE V

MISCELLANEOUS

Section 5.01. Notices. All notices, requests, objections, waivers, rejections, agreements, approvals, disclosures and consents of any kind made pursuant to this Agreement shall be in writing, unless expressly stated otherwise herein. Any such communication shall be

sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the Borrower at the address specified on Exhibit B attached hereto and to the Administration at Maryland Water Infrastructure Financing Administration, 1800 Washington Blvd., Baltimore, Maryland 21230-1718, Attention: Director.

Section 5.02. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Administration and the Borrower and their respective successors and assigns.

Section 5.03. Severability. In the event any provision of this Agreement shall be held illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

Section 5.04. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.05. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland.

Section 5.06. Captions. The captions or headings in this Agreement are for convenience only and shall not in any way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

Section 5.07. Further Assurances. The Borrower shall, at the request of the Administration, execute, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements, certificates and other instruments as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights, security interests and agreements granted or intended to be granted by this Agreement and the Note.

Section 5.08. Entire Agreement. This Agreement constitutes the entire agreement between the parties and supersedes all prior oral and written agreements between the parties hereto with respect to the Loan. In the event of any inconsistency between the provisions of this Agreement and anything contained in the Application, the provisions of this Agreement shall prevail.

Section 5.09. Amendment of this Agreement. This Agreement, or any part hereof, may be amended from time to time hereafter only by an instrument in writing jointly executed by the Administration and the Borrower, and if applicable, only to the extent permitted by any bond indenture secured by the Loan.

Section 5.10. Disclaimer of Relationships. The Borrower acknowledges that the obligation of the Administration is limited to making the Loan in the manner and on the terms set forth in this Agreement. Nothing in this Agreement and no act of either the Administration or of

the Borrower shall be deemed or construed by either of them, or by third persons, to create any relationship of third-party beneficiary, principal and agent, limited or general partnership, or joint venture, or of any association or relationship whatsoever involving the Borrower and the Administration.

Section 5.11. Effective Date. The effective date of this Agreement shall be the Loan Closing Date, provided this Agreement shall have been executed and delivered by all of the parties hereto on or prior to such date.

Section 5.12. Term of this Agreement. Unless sooner terminated pursuant to Article IV of this Agreement, or by the mutual consent of the Borrower and the Administration, this Agreement shall continue and remain in full force and effect until the Loan, together with interest and all other sums due and owing in connection with this Agreement or the Loan, have been paid in full to the satisfaction of the Administration. Upon payment in full of the Loan together with interest and all other sums due and owing in connection with this Agreement or the Loan from any source whatsoever, this Agreement shall be terminated.

Section 5.13. Delegation Not to Relieve Obligations. The delegation by the Borrower of the planning, construction or carrying out of the Project shall not relieve the Borrower of any obligations under this Agreement and any other documents executed in connection with the Loan.

Section 5.14. Additional Terms. This Agreement shall also be subject to the additional terms, if any, set forth in Exhibit A hereto. The terms, if any, set forth in Exhibit A shall be deemed to be a part of this Agreement as if set forth in full herein. In the case of any conflict between the terms set forth in Exhibit A and any term of this Agreement, the terms set forth in Exhibit A shall be controlling.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the day and year first above written.

(SEAL)

LENDER:

WITNESS:

MARYLAND WATER INFRASTRUCTURE
FINANCING ADMINISTRATION

Name: MiYarnie Johnson
Title: Loan Coordinator

By:

Name: Adriana Caldarelli
Title: Director

(SEAL)

ATTEST:

BORROWER:

CITY OF SALISBURY

Name: Julie A. English
Title: City Clerk

By:

Name: Randolph J. Taylor
Title: Mayor

Approved for form and legal sufficiency

Approved for form and legal sufficiency

this ____ day of _____, 2026

this ____ day of _____, 2026

Name: Lindsey A. Rader
Local Attorney for Borrower

Name: Mary R. Sheppard
Assistant Attorney General

EXHIBIT A
to Loan Agreement

Borrower Name: City of Salisbury
Address: 125 N. Division Street
Salisbury, MD 21801-5030
Attention: Randolph J. Taylor, Mayor

Project Name: Naylor Mill MHP Water System Extension & PFAS Remediation

CONDITIONS TO INITIAL ADVANCE UNDER SECTION 3.03(b)(vi) OF LOAN AGREEMENT:

NONE

ADDITIONAL TERMS APPLICABLE TO LOAN AGREEMENT:

The provisions of this Exhibit A shall be deemed to be a part of the foregoing Agreement as if set forth in full therein. In the case of any conflict between this Exhibit A and any provision thereof, the provisions of this Exhibit A shall be controlling, notwithstanding any other provisions contained in the Agreement.

1. Pursuant to the Safe Drinking Water Act and Section 9-1605.1(d)(8) of the Environment Article of the Annotated Code of Maryland, as amended, the Administration shall forgive repayment of the principal amount of the Loan and the interest payable thereon under Article III hereof and the Note, so long as the Borrower performs all of its other obligations under the Loan Agreement. Upon determination by the Administration that any such other obligations under the Loan Agreement have not been performed by the Borrower, payment of the principal of the Loan and the interest thereon will be due and payable on demand. If the Administration has not demanded payment of the principal of and interest on the Note prior to TBD , 2036, then the Administration shall be deemed to have forgiven repayment of the Loan evidenced by the Note and interest thereon, the Note shall be deemed cancelled and the Loan Agreement shall be terminated and of no further force and effect.
2. Section 2.02(k) "Additional Disclosure Information" is deleted in its entirety.
3. The last sentence of Section 3.03(c) "Interest During Construction" is deleted in its entirety.

EXHIBIT A
to Loan Agreement

Borrower Name: City of Salisbury
Address: 125 N. Division Street
Salisbury, MD 21801-5030
Attention: Randolph J. Taylor, Mayor

Project Name: Naylor Mill MHP Water System Extension & PFAS Remediation

ADDITIONAL TERMS APPLICABLE TO LOAN AGREEMENT (CONT.):

4. The last sentence of Section 3.04(a) “Amounts Payable” is deleted in its entirety.
5. Section 3.04(b) is deleted in its entirety and inserted in place thereof is the following: “(b) Late Charges. The Borrower shall pay a late charge for any payment of principal or interest on the Loan that is received later than the 30th day following its date of demand, in an amount equal to 5% of such payment.”
6. Section 3.04(c) “Administrative Fee” is deleted in its entirety.
7. Section 3.10 “Prepayments” is deleted in its entirety.
8. The Borrower agrees to comply with the Davis-Bacon Act requirements of Section 1450(e) of the Safe Drinking Water Act for the entirety of construction contract costs of the Project, and shall include specific language regarding compliance in its contracts and subcontracts.
9. The Borrower agrees to comply with the Use of American Iron and Steel requirement of federal law, which provides that all of the iron and steel products used in the Project are produced in the United States, unless a waiver is granted.
10. The Borrower agrees to comply with EPA’s Final Financial Assistance Conflict of Interest Policy, and report any instances of actual or potential conflicts of interest in the award, administration, or monitoring of subawards arising from procurements or other actions. Any conflicts of interest must be immediately disclosed to the Administration within 30 days of discovery for further guidance. The EPA’s Final Financial Assistance Conflict of Interest Policy is found at: <https://www.epa.gov/grants/epas-final-financial-assistance-conflict-interest-policy>

EXHIBIT A
to Loan Agreement

Borrower Name: City of Salisbury
Address: 125 N. Division Street
Salisbury, MD 21801-5030
Attention: Randolph J. Taylor, Mayor

Project Name: Naylor Mill MHP Water System Extension & PFAS Remediation

ADDITIONAL TERMS APPLICABLE TO LOAN AGREEMENT (CONT.):

11. If this Project is financed with the use of federal funds under CFDA # 66.468, the Borrower may be subject to a single audit to be undertaken by an independent auditor in accordance with uniform administrative requirements, cost principles, and audit requirements for federal awards, 2 C.F.R. § 200.501 (see generally, Subpart F – Audit Requirements of 2 C.F.R. Part 200). The Borrower hereby agrees to obtain such single audit, if required by the Single Audit Act.
12. Borrower agrees to comply with 2 CFR 200.216, which requires that EPA recipients and subrecipients, including borrowers under EPA funded revolving loan fund programs, are prohibited from obligating or expending loan or grant funds to procure or obtain; extend or renew a contract to procure or obtain; or enter into a contract (or extend or renew a contract) to procure or obtain equipment, services, or systems that use covered telecommunications equipment or services as a substantial or essential component of any system, or as critical technology as part of any system. As described in Public Law 115-232, section 889, covered telecommunications equipment is telecommunications equipment produced by Huawei Technologies Company or ZTE Corporation (or any subsidiary or affiliate of such entities).
13. The Borrower agrees to comply with all federal requirements applicable to the assistance received (including those imposed by the Infrastructure Investment and Jobs Act, Public Law No. 117-58) which the Borrower understands includes, but is not limited to, the following requirements: that all of the iron and steel, manufactured products, and construction materials used in the Project are to be produced in the United States (“Build America, Buy America Requirements”) unless (i) the Borrower has requested and obtained a waiver pertaining to the Project that has been approved by the Administration, or the Project is otherwise covered by a general applicability waiver; or (ii) all of the contributing federal agencies have otherwise advised the Borrower in writing that the Build America, Buy America Requirements are not applicable to the Project.

EXHIBIT A
to Loan Agreement

Borrower Name: City of Salisbury
Address: 125 N. Division Street
Salisbury, MD 21801-5030
Attention: Randolph J. Taylor, Mayor

Project Name: Naylor Mill MHP Water System Extension & PFAS Remediation

14. The Borrower further agrees to comply with all record keeping and reporting requirements under all applicable legal authorities, including any reports required by EPA and/or the State, such as performance indicators of program deliverables, information on costs and project progress. The Borrower understands that (i) each contract and subcontract related to the Project is subject to audit by appropriate federal and state entities and (ii) failure to comply with the applicable legal requirements and this Agreement may result in a Default or Event of Default hereunder and the Administration may exercise remedies available to it on default, including but not limited to declaring all amounts due hereunder and under the Note immediately due and payable, terminating and/or requiring repayment of grants, cooperative agreements, direct assistance or other types of financial assistance, and/or other remedial actions.
15. The Borrower must disclose, in a timely manner, in writing to the EPA, the Administration, and the EPA Office of Inspector General all violations of civil False Claims Act violations and Federal criminal law violations involving fraud, bribery, or gratuity violations in connection with the Loan (including any contracts or subcontracts thereunder). The “credible evidence” standard shall be used. This is commonly defined as information “that is worthy of belief, trustworthy evidence.” Using this standard means that the Borrower does not need to make a firm legal determination that a civil or criminal law has been violated before they are required to disclose the violation to the Administration, EPA, and the EPA OIG. Disclosures to the EPA OIG should be made using the form located at https://www.epaoig.gov/sites/default/files/document/2023-04/disclosure_fillable_form_3-5-21.pdf. The form can be completed online or emailed to OIG.Hotline@epa.gov. The Borrower is also required to report certain civil, criminal, or administrative proceedings to SAM.gov. Failure to make required disclosures can result in any of the remedies described in 2 CFR 200.339. (See also 2 CFR part 180, 31 U.S.C. 321, and 41 U.S.C. 2313).

EXHIBIT B
to Loan Agreement

Borrower Name: City of Salisbury
Address: 125 N. Division Street
Salisbury, MD 21801-5030
Attention: Randolph J. Taylor, Mayor

Project Name: Naylor Mill MHP Water System Extension & PFAS Remediation

DESCRIPTION OF THE LOAN

- (1) Project Name(s): Naylor Mill MHP Water System Extension & PFAS Remediation
- (2) Maximum Principal Amount of Loan Commitment: \$ **4,874,910**
- (3) Rate of Interest: 0.00 %
- (4) Amortization Schedule: Due on demand, with interest accruing at the Default Rate from the date of demand, in accordance with Exhibit A to this Loan Agreement.
- (5) Estimated Completion Date of Project(s): May 18, 2027
- (6) Default Rate: TBD % (Based upon the TBD average of the Bond Buyer 11-Bond Index)
- (7) Description of Project: The proposed project is to extend the City of Salisbury's water service to the Naylor Mill Mobile Home Park (MHP) to provide residents with a drinking water source that has PFAS levels below EPA's Health Advisory Limit (HAL). The work consists of the construction of 16- and 8-inch water mains and all associated fittings, valves, and appurtenances along Naylor Mill Road and within the Naylor Mill MHP. The project will also require the removal and reconstruction of existing pavement necessary for the water main's installation. The Naylor Mill MHP relies on two wells for water service, however Well 1 has been taken out of service due to elevated concentration of PFOS and PFOA. Currently, the community's drinking water system is operating solely from Well 2, with no alternative source should Well 2 require repair or test highly for PFAS compounds in the ongoing quarterly sampling. This project will improve the quality and reliability of drinking water service to the MHP by supplying residents with water from Salisbury's Paleo Water Treatment Plant.
- (8) Address for Borrower's Office(s) Where Books and Records Are Kept, if different from address printed above: Same

EXHIBIT C
to Loan Agreement

Borrower Name: City of Salisbury
Address: 125 N. Division Street
Salisbury, MD 21801-5030
Attention: Randolph J. Taylor, Mayor

Project Name: Naylor Mill MHP Water System Extension & PFAS Remediation

PROJECT BUDGET

Breakdown of Eligible Project Costs:

A. Portion of Eligible Project Costs to be directly financed:

<u>Description</u>	<u>Allocated Amount of Loan*</u>
Eligible Project Costs include administrative and legal expenses, planning/design engineering fees, construction costs, construction phase engineering/inspection fees and contingencies	
Subtotal Loan:	<u>\$ 4,874,910</u>

B. Portion of Eligible Project Costs for which Borrower will be reimbursed at closing, which the Borrower hereby certifies were paid or incurred prior to the date of the Agreement, in anticipation of being reimbursed through a loan from the Administration (and subject to compliance with Section 3.03(a) of the Agreement):

<u>Description</u>	<u>Allocated Amount of Loan</u>
Eligible Project Costs include administrative and legal expenses, planning/design engineering fees, construction costs, construction phase engineering/inspection fees and contingencies	

Total Reimbursement at Closing: \$ 0
Total Loan: \$ 4,874,910

EXHIBIT C
to Loan Agreement

Borrower Name: City of Salisbury
Address: 125 N. Division Street
Salisbury, MD 21801-5030
Attention: Randolph J. Taylor, Mayor

Project Name: Naylor Mill MHP Water System Extension & PFAS Remediation

C. Construction Cash Draw Schedule*

<u>Federal Quarter</u>	<u>Cash Disbursements*</u>
FFY 26 Q4 (Jul 26 – Sep 26)	\$ 406,000.00
FFY 27 Q1 (Oct 26 – Dec 26)	\$ 862,500.00
FFY 27 Q2 (Jan 27 – Mar 27)	\$1,223,000.00
FFY 27 Q3 (Apr 27 – June 27)	\$1,191,700.00
FFY 27 Q4 (Jul 27 – Sep 27)	\$1,116,134.00
FFY 28 Q1 (Oct 27 – Dec 27)	\$ 75,576.00

Total Disbursements: \$ 4,874,910.00

* SUBJECT TO CHANGE WITH CONSENT OF THE ADMINISTRATION IN ITS DISCRETION UNDER SECTION 2.02(d) OF THIS AGREEMENT

OPINION OF BORROWER'S COUNSEL

[LETTERHEAD OF COUNSEL TO BORROWER]

[CLOSING DATE]

Maryland Water Infrastructure
Financing Administration
1800 Washington Blvd.
Baltimore, Maryland 21230-1718

Ladies and Gentlemen:

We are counsel to [NAME OF BORROWER], a [body politic and corporate and a political subdivision] [municipal corporation] [other appropriate description] of the State of Maryland (the "Borrower") in connection with the loan (the "Loan") by Maryland Water Infrastructure Financing Administration (the "Administration") to the Borrower of funds to finance all or a portion of the costs of a project (the "Project") described in Exhibit B to the Drinking Water Loan Agreement dated as of _____, 2026 (the "Agreement") by and between the Administration and the Borrower.

In this connection, we have reviewed such records, certificates, and other documents as we have considered necessary or appropriate for the purposes of this opinion, including, without limitation, the Agreement and the Borrower's \$ _____ Drinking Water Bond, Series 2026, dated _____, 2026 (the "Note"). The Agreement and the Note are referred to herein collectively as the "Loan Documents". Based on such review, and such other considerations of law and fact as we believe to be relevant, we are of the opinion that:

(a) The Borrower is a validly created and existing [body politic and corporate and a political subdivision] [municipal corporation] [other appropriate description] of the State of Maryland, possessing authority to acquire, construct and operate the Project and to enter into the Loan Documents and perform its obligations thereunder.

(b) The Borrower has duly authorized, executed and delivered the Loan Documents and, assuming due authorization, execution and delivery of the Agreement by the Administration, the Loan Documents constitute legal, valid and binding obligations of the Borrower enforceable in accordance with their respective terms.

(c) The Note is a general obligation of the Borrower to which its full faith and credit is pledged payable, if and to the extent not paid from other sources as described in the Agreement, from ad valorem taxes, unlimited as to rate and amount, which the Borrower is empowered to levy on all real and tangible personal property within its corporate limits subject to assessment for unlimited taxation by the Borrower.

(d) The Loan Documents and the enforceability thereof are subject to bankruptcy, insolvency, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors' rights and to general principles of equity.

(e) To the best of our knowledge after reasonable investigation, the Borrower has all necessary licenses, approvals and permits required to date under federal, state and local law to own, construct and acquire the Project.

(f) Neither the execution and delivery of the Loan Documents, nor the consummation of the transactions contemplated thereby, nor the acquisition and construction of the Project, nor the fulfillment of or compliance with the terms and conditions of the Loan Documents, conflicts with or results in a breach of or default under any of the terms, conditions or provisions of the charter or laws governing the Borrower (including any limit on indebtedness) or, to the best of our knowledge after reasonable investigation, any agreement, contract or other instrument, or law, ordinance, regulation, or judicial or other governmental order, to which the Borrower is now a party or by which the Borrower or its properties are otherwise subject or bound, and the Borrower is not otherwise in violation of any of the foregoing in a manner material to the transactions contemplated by the Loan Documents.

(g) To the best of our knowledge after reasonable investigation, there is no action, suit, proceeding or investigation, at law or in equity, before or by any court, governmental agency or public board or body pending or threatened against or affecting the Borrower that, if adversely determined, would materially affect the ability of the Borrower to perform its obligations under the Loan Documents, which has not been disclosed in writing to the Administration.

We hereby authorize Bond Counsel to the Administration to rely on this opinion as if we had addressed this opinion to them in addition to you.

Very truly yours,

EXHIBIT E
to Loan Agreement

Borrower Name: City of Salisbury
Address: 125 N. Division Street
Salisbury, MD 21801-5030
Attention: Randolph J. Taylor, Mayor

Project Name: Naylor Mill MHP Water System Extension & PFAS Remediation

DESCRIPTION OF DEDICATED REVENUES*

In the first instance, from water user charges, including any and all fees for use of the water system or connection thereto, and in the second instance from revenues on deposit in the Borrower's General Fund. In addition, the full faith and credit and unlimited taxing power of the Borrower is pledged to the payment of debt service.

* The identification of the dedicated source or sources of revenues above is intended to specify a source or sources of revenues available in sufficient amount to provide for the payment of the costs of operating and maintaining the Project as well as the payment of the costs of debt service of any borrowing incurred to finance the Project. The specification of a dedicated source or sources of revenues above is not intended to constitute an undertaking by the Borrower to pledge, segregate or otherwise set aside any specific funds of the Borrower with the expectation that such funds would be used to pay the debt service on the Loan.

\$(MAX. AMT.)

R-1

REGISTERED

UNITED STATES OF AMERICA
STATE OF MARYLAND

[NAME OF BORROWER]
DRINKING WATER BOND, SERIES 2026
Dated _____, 2026

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 Infrastructure Financing
Administration

_____, a [body politic and corporate] [municipal corporation] [other appropriate description] of the State of Maryland (the “Borrower”), hereby acknowledges itself obligated to pay to the Registered Owner shown above, the principal amount of \$_____ (the “Maximum Principal Amount”) or so much thereof as shall have been advanced from time to time under the terms of the Drinking Water Loan Agreement dated as of _____, 2026 (the “Loan Agreement”) by and between the Borrower and the Maryland Water Infrastructure Financing Administration (the “Administration”), plus interest on the unpaid principal advanced under the terms of the Loan Agreement as provided for herein.

At any time prior to _____, the principal advanced under the Loan Agreement shall be payable in full on demand by the Administration in accordance with the Loan Agreement and the second succeeding paragraph below, together with interest at the rate of _____ per centum (_____%) per annum (the “Default Rate”) accruing from the date on which such demand is made by the Administration.

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. 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 in accordance with the terms hereof.

PURSUANT TO THE SAFE DRINKING WATER ACT AND SECTION 9-1605.1(d)(8) OF THE ENVIRONMENT ARTICLE OF THE ANNOTATED CODE OF MARYLAND, AS AMENDED, THE ADMINISTRATION SHALL FORGIVE REPAYMENT OF THE PRINCIPAL AMOUNT OF THE LOAN (AS DEFINED IN THE LOAN AGREEMENT) UNDER ARTICLE III OF THE LOAN AGREEMENT AND THIS BOND, SO LONG AS THE BORROWER PERFORMS ALL OF ITS OTHER OBLIGATIONS UNDER THE LOAN AGREEMENT. UPON DETERMINATION BY THE ADMINISTRATION THAT ANY SUCH OTHER OBLIGATIONS UNDER THE LOAN AGREEMENT HAVE NOT BEEN PERFORMED BY THE BORROWER, PAYMENT OF THE PRINCIPAL OF THE LOAN WILL BE DUE AND PAYABLE ON DEMAND, ALONG WITH INTEREST ACCRUING AND PAYABLE AT THE DEFAULT RATE FROM THE DATE OF DEMAND. IF THE ADMINISTRATION HAS NOT DEMANDED PAYMENT OF THE PRINCIPAL OF THIS BOND PRIOR TO _____, THEN THE ADMINISTRATION SHALL BE DEEMED TO HAVE FORGIVEN REPAYMENT OF THE LOAN EVIDENCED BY THIS BOND, THIS BOND SHALL BE DEEMED CANCELLED AND THE LOAN EVIDENCED BY THIS BOND AND THE LOAN AGREEMENT SHALL BE TERMINATED AND OF NO FURTHER FORCE AND EFFECT.

This bond is subject to a late charge for any payment of principal or interest that is received later than the 30th day following its date of demand in accordance with Section 3.04(b) of the Loan Agreement. Any 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 demand.

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 mail 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 [INSERT BORROWER'S AUTHORIZED OFFICER].

This bond is issued pursuant to and in full conformity with the provisions of [INSERT BORROWER'S LOCAL ACT(S)] and the Maryland Water Infrastructure 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 [AN ORDINANCE AND OR A RESOLUTION] (numbered ____) [INSERT BORROWER'S AUTHORIZING ORDINANCE OR RESOLUTION] (collectively, the "Resolution") adopted by Borrower.

This bond, together with the Loan Agreement, evidences the Loan (as defined in the Loan Agreement) to the Borrower from the Maryland Water Infrastructure 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 Maximum Principal Amount has been borrowed upon the books of the Borrower at the office of the [INSERT BORROWER'S AUTHORIZED OFFICERS] 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 [INSERT BORROWER'S AUTHORIZED OFFICER], 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 of the same series and with the same maturity and interest rate and the same forgiveness provisions. 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.

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 [INSERT AUTHORIZED OFFICERS] and the seal of the Borrower has been affixed hereto, attested by the manual signature of the [INSERT AUTHORIZED OFFICER], all as of the __ day of ____, 2026.

(SEAL)

ATTEST:

[NAME OF BORROWER]

[AUTHORIZED OFFICER]

By: _____
[AUTHORIZED OFFICER]