

Resolution No. 1867

A RESOLUTION OF THE COUNCIL OF THE CITY OF SALISBURY (THE "COUNCIL") TO AUTHORIZE AND EMPOWER CITY OF SALISBURY (THE "CITY"), PURSUANT TO THE AUTHORITY OF SECTIONS 9-1601 TO 9-1622, INCLUSIVE, OF THE ENVIRONMENT ARTICLE OF THE ANNOTATED CODE OF MARYLAND, SECTIONS 31 TO 37, INCLUSIVE, OF ARTICLE 23A OF THE ANNOTATED CODE OF MARYLAND, SECTIONS SC7-45 AND SC7-46 OF THE CHARTER OF THE CITY, AND ORDINANCE NO. 2086, PASSED BY THE COUNCIL ON SEPTEMBER 28, 2009, APPROVED BY THE MAYOR OF THE CITY (THE "MAYOR") ON SEPTEMBER 30, 2009 AND EFFECTIVE ON SEPTEMBER 30, 2009, TO ISSUE AND SELL, UPON ITS FULL FAITH AND CREDIT, A GENERAL OBLIGATION BOND IN THE PRINCIPAL AMOUNT OF TWO MILLION SEVEN HUNDRED FIFTY-SIX THOUSAND FOUR HUNDRED DOLLARS (\$2,756,400.00), TO BE DESIGNATED "CITY OF SALISBURY WATER QUALITY BOND, SERIES 2009 (ARRA)" OR AS OTHERWISE 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 INCURRED IN CONNECTION WITH THE ACQUISITION, CONSTRUCTION, REHABILITATION, UPGRADING, INSTALLATION, IMPROVEMENT AND EQUIPPING OF A SEWAGE LIFT STATION AND RELATED FORCE MAINS, WATER MAINS AND SEWER LINES AND OTHER ASSOCIATED IMPROVEMENTS AND APPURTENANCES, TOGETHER WITH RELATED COSTS AND COSTS OF ISSUANCE AS PROVIDED HEREIN; PRESCRIBING, APPROVING AND ADOPTING THE FORM AND TENOR OF THE BOND, THE TERMS AND CONDITIONS FOR THE ISSUANCE AND SALE OF THE BOND BY PRIVATE SALE, WITHOUT PUBLIC BIDDING, TO THE MARYLAND WATER QUALITY FINANCING ADMINISTRATION, AND ALL OTHER DETAILS INCIDENT THERETO, AND AUTHORIZING THE MAYOR, ON BEHALF OF THE CITY, TO ADJUST AND FIX CERTAIN DETAILS OF THE BOND; APPROVING, AND AUTHORIZING AND DIRECTING THE EXECUTION AND DELIVERY OF, A LOAN AGREEMENT WITH THE MARYLAND WATER QUALITY FINANCING ADMINISTRATION PURSUANT TO WHICH ADVANCES WILL BE MADE UNDER THE BOND; AUTHORIZING CERTAIN OFFICIALS TO TAKE CERTAIN ACTIONS UNDER THE LOAN AGREEMENT AND DESIGNATING AUTHORIZED OFFICERS FOR PURPOSES OF THE LOAN AGREEMENT; PROVIDING FOR THE DISBURSEMENT OF ADVANCES OF THE BOND; PROVIDING THAT THE PRINCIPAL OF AND INTEREST ON THE BOND WILL BE PAYABLE IN THE FIRST INSTANCE FROM REVENUES RECEIVED BY THE CITY IN CONNECTION WITH THE OPERATION OF THE WASTEWATER SYSTEM AND THE WATER SUPPLY SYSTEM SERVING THE CITY AND SURROUNDING AREAS, INCLUDING CHARGES FOR USE OR CONNECTION; PROVIDING FOR THE LEVY AND COLLECTION OF AD VALOREM TAXES SUFFICIENT FOR THE PROMPT PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BOND; PLEDGING THE FULL FAITH AND CREDIT AND UNLIMITED TAXING POWER OF THE CITY TO THE PROMPT PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BOND; PROVIDING THAT THE PRINCIPAL OF AND INTEREST ON THE BOND ALSO MAY BE PAID FROM ANY OTHER

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SOURCES OF REVENUE LAWFULLY AVAILABLE TO THE CITY FOR SUCH PURPOSE; AUTHORIZING AND DIRECTING OFFICIALS AND EMPLOYEES OF THE CITY TO TAKE ANY AND ALL ACTION NECESSARY TO COMPLETE AND CLOSE THE SALE AND DELIVERY OF THE BOND; PROVIDING THAT NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THE ORDINANCE AUTHORIZING THE BOND OR THIS RESOLUTION, THE CITY SHALL USE AND APPLY PROCEEDS OF THE BONDS ONLY AS PERMITTED BY THE LOAN AGREEMENT, THE CLEAN WATER ACT (AS DEFINED IN THE LOAN AGREEMENT) AND THE ACT (AS DEFINED IN THE LOAN AGREEMENT); AND OTHERWISE GENERALLY RELATING TO THE ISSUANCE, SALE, DELIVERY AND PAYMENT OF AND FOR THE BOND.

RECITALS

WHEREAS, City of Salisbury, a municipal corporation of the State of Maryland (the "City"), is authorized and empowered by, Sections 31 to 37, inclusive, of Article 23A of the Annotated Code of Maryland, as replaced, supplemented or amended (the "Enabling Act") and Sections SC7-45 and SC7-46 of the Charter of the City of Salisbury, as published in Municipal Charters of Maryland, Volume 7, 2008 Replacement Edition, as replaced, supplemented or amended (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, Title VI of the Federal Water Pollution Control Act (commonly known as the "Clean Water Act"), as amended by the Water Quality Act of 1987 ("Title VI"), authorizes the U.S. Environmental Protection Agency (the "EPA") to award grants to qualifying states to establish and capitalize state water pollution control revolving funds ("SRFs") for the purpose of providing loans and other forms of financial assistance (but not grants) to finance, among other things, the construction of publicly-owned wastewater treatment facilities, and the implementation of estuary conservation management plans and nonpoint source management programs; and

WHEREAS, as contemplated by Title VI, the General Assembly of Maryland at its 1988 session enacted the Maryland Water Quality Financing Administration Act, codified at Sections 9-1601 through 9-1622, inclusive, of the Environment Article of the Annotated Code of Maryland (as replaced, supplemented or amended, the "MWQFA Act"), establishing the Maryland Water Quality Financing Administration (the "Administration") and establishing an SRF designated the Maryland Water Quality Revolving Loan Fund (the "SRF Fund") to be maintained and administered by the Administration; and

WHEREAS, the MWQFA Act authorizes the Administration, among other things, to make a loan from the SRF Fund to a "local government" (as defined in the MWQFA Act) for the purpose of financing or refinancing all or a portion of the cost of a "wastewater facility" project (as defined in the MWQFA Act); and

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WHEREAS, in accordance with the American Recovery and Reinvestment Act of 2009 (the "ARRA"), the EPA has awarded a grant to the Administration (the "ARRA Funds") for deposit into the SRF Fund to be used to finance eligible projects; and

WHEREAS, the MWQFA Act authorizes a local government to issue a bond, note or other evidence of obligation (a "loan obligation" as defined in the MWQFA 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 Ordinance No. 2086, passed pursuant to the MWQFA Act, the Enabling Act and the Charter by the Council of the City (the "Council") on September 28, 2009, approved by the Mayor of the City (the "Mayor") on September 30, 2009 and effective on September 30, 2009 (the "Ordinance"), the City authorized the issuance and sale, upon its full faith and credit, of one or more general obligation bonds in an aggregate principal amount not to exceed Three Million Dollars (\$3,000,000.00) (the "Authorized Bonds"), and the Ordinance provides that any such series may consist of one or more bonds and that any bond may be issued in installment form and/or draw-down form; and

WHEREAS, the Ordinance provides that the proceeds of the Authorized Bonds are to be used and applied for the public purpose of financing, reimbursing or refinancing costs incurred in connection with the acquisition, construction, rehabilitation, upgrading, installation, improvement and equipping of a sewage lift station and related force mains, water mains and sewer lines and other associated improvements and appurtenances including, without limitation, SCADA equipment, gas mains, demolition activities and necessary paving and repaving, together with the acquisition of necessary property rights and equipment, related site and utility improvements, construction-related planning, design and engineering costs, related financial and legal expenses and costs of issuance (collectively, the "Project"); and

WHEREAS, the City is a "local government" within the meaning of the MWQFA Act, the Project is a "wastewater facility" project within the meaning of the MWQFA Act, the Project is designated for funding in an Intended Use Plan promulgated by the Administration in accordance with regulations issued by the EPA pursuant to Title VI, 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 replaced, supplemented or amended, and the City has applied to the Administration for a loan or loans from the SRF Fund for Project purposes, any of which may be made in whole or in part from ARRA Funds; and

WHEREAS, the Ordinance provides that any series of the Authorized Bonds shall be sold to the Administration and the City has determined that it is in the best interest of the City and its citizens to issue and sell to the Administration at this time a single series of general obligation bonds

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consisting of a single installment bond in order to finance or reimburse costs of the Project in accordance with, and pursuant to, the authority contained in the MWQFA Act, the Enabling Act, the Charter and the Ordinance, and upon the terms and conditions set forth in this Resolution, the proceeds of which general obligation bond are to be used and applied as herein set forth in connection with the Project; and

WHEREAS, the Director of Internal Services of the City (the "Director of Internal Services") has advised that issuance of the Bond provided for herein shall not cause the City to violate the debt limit set forth in Section SC7-48 of the Charter.

SECTION 1. NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SALISBURY, MARYLAND that pursuant to the authority of the MWQFA Act, the Enabling Act, the Charter and the Ordinance, the City hereby determines to issue and sell, upon its full faith and credit, a single general obligation bond for the public purpose of financing or reimbursing costs of the Project, all to the extent permitted by the Administration. Such bond shall be issued in the principal amount of Two Million Seven Hundred Fifty-six Thousand Four Hundred Dollars (\$2,756,400.00) and shall be designated as the "City of Salisbury Water Quality Bond, Series 2009 (ARRA)" or by such additional or different designation as may be required by the Administration (the "Bond").

SECTION 2. 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 installment form as authorized pursuant to the Ordinance.

(b) The principal advanced under the Loan Agreement (as defined in Section 7) shall be paid in one installment of One Thousand Dollars (\$1,000.00) on August 1, 2011 and thereafter in installments on the dates and in the amounts as set forth in the following schedule, as such schedule may be amended in accordance with the terms of the Bond and the Loan Agreement:

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<u>Due</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>	<u>Due</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>
2012	\$145,021.05	2022	\$145,021.05
2013	145,021.05	2023	145,021.06
2014	145,021.05	2024	145,021.05
2015	145,021.05	2025	145,021.06
2016	145,021.05	2026	145,021.05
2017	145,021.05	2027	145,021.06
2018	145,021.05	2028	145,021.05
2019	145,021.05	2029	145,021.06
2020	145,021.05	2030	145,021.05
2021	145,021.06		

The Mayor is hereby authorized and empowered to make immaterial changes to the foregoing amortization schedule to correct typographical or calculation errors, such approval and changes to be evidenced conclusively by the Mayor's execution and delivery of the Bond in accordance with Section 6 of this Resolution.

(c) The Bond, or so much of the principal amount thereof as shall have been advanced from time to time under the terms of the Loan Agreement, shall bear interest from its dated date at an annual rate of interest equal to zero percent (0.00%) per annum. Accordingly, no actual interest shall be due on the Bond except to the extent interest on overdue installments of principal and interest is due in accordance with the provisions of the Loan Agreement, as more particularly described in subsection (f) below.

(d) The payment dates and principal installments provided for in the foregoing subsections (b) and (c) are based on an anticipated date of delivery for the Bond in December 2009 and an estimated completion date for the Project in December 2010. Notwithstanding the foregoing, in the event the Bond, for whatever reason, is delivered later than December 2009 or the estimated completion date for the Project is determined prior to the delivery of the Bond to be earlier or later than December 2010, the Mayor, on behalf of the City, is hereby authorized and directed to adjust and change such principal payment dates and principal installment amounts (including, without limitation, by adjusting the dates on which principal will commence and will otherwise be due and by adjusting the principal amounts set forth in subsection (b) above to reflect any change in the payment dates) as required by the Administration in order to meet the requirements of Section 9-1605(d)(1) of the MWQFA Act or to meet other requirements of the Administration, such approval and adjustment to be evidenced conclusively by the Mayor's execution and delivery of the Bond.

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

(f) The City shall pay (i) a late charge for any payment of principal of or interest on the Bond that is received later than the tenth (10th) day following its due date, in an amount equal to 5% of such payment, and (ii) interest on overdue installments of principal and (to the extent permitted by law) interest at the Default Rate provided for in the Loan Agreement, which Default Rate shall be equal to 100% of the average of the Bond Buyer 11-Bond Index for the calendar month prior to the month in which the Bond is delivered. Amounts payable pursuant to this subsection (f) 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.

(g) Both the principal of and interest on the Bond 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 mails 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 City Clerk.

(h) Notwithstanding the foregoing provisions of this Section 2, in the event of a discrepancy between the provisions of the Loan Agreement and this Section 2, the provisions of the Loan Agreement shall control.

SECTION 3. BE IT FURTHER RESOLVED that the Bond shall be subject to mandatory prepayment, in whole or in part, as, when and to the extent required by the EPA's (and its successors) State Revolving Fund Program Regulations. Otherwise, the Bond may be prepaid by the City, in whole or in part, only at such times and in such amounts, and upon payment by the City of such prepayment premium or penalty, as the Director of the Administration, in his or her discretion, may specify and approve.

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SECTION 4. 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 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, said Bond shall nevertheless be a valid and binding obligation of the City in accordance with its terms.

SECTION 5. BE IT FURTHER RESOLVED that the Bond shall be transferable only after the first principal payment date as set forth in such Bond or the date upon which the Maximum Principal Amount of such Bond has been borrowed, whichever is earlier. The Bond shall be transferable upon the books of the City at the office of the City Clerk, 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 City Clerk, 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 City shall by resolution approve, in an aggregate principal amount equal to the unpaid principal amount of the bond or bonds surrendered, and with the same maturities and interest rate. If more than one bond is issued upon any such transfer of the Bond, the installment of principal and interest to be paid on each such bond on each payment date shall be equal to the product of the following formula: the total installment due on each payment date multiplied by a fraction, the numerator of which shall be the principal amount of such bond and the denominator of which shall be the aggregate principal amount of bonds then outstanding and unpaid. The new bond or bonds shall be delivered to the transferee only after payment of any taxes on and any shipping or insurance expenses relating to such transfer. The 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, as applicable.

SECTION 6. BE IT FURTHER RESOLVED that except as provided hereinafter, the Bond shall be issued in substantially the form attached hereto as Exhibit A and incorporated by reference herein. Appropriate variations and insertions to provide dates, numbers and amounts, and modifications not altering its substance, including, without limitation, to reflect matters determined in accordance with Section 2 hereof, may be made by the Mayor. All of the covenants contained in the form attached hereto as Exhibit A, as the same may be completed as provided in this Section 6, are hereby adopted by the City as and for the form of obligation to be incurred by the City, and the covenants and conditions are hereby made binding upon the City, including the promise to pay therein contained.

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SECTION 7. BE IT FURTHER RESOLVED that 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 negotiated flexible terms and the beneficial interest rate. Therefore, and pursuant to the authority of the MWQFA Act, the Enabling Act, the Charter and the Ordinance, the Bond shall be sold by private sale, without public bidding, for a price of the par amount of the Bond (such purchase price to be advanced in accordance with the Loan Agreement (defined below) to the Administration, in accordance with the substantially final form of the Loan Agreement attached hereto as Exhibit B (the "Loan Agreement"), the terms and conditions of which Loan Agreement are hereby incorporated by reference herein and approved by and adopted as the obligations of the City. The Mayor 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 not substantially altering the substance of the Loan Agreement as shall be approved by the Mayor, such approval to be evidenced conclusively by the Mayor's execution and delivery of the Loan Agreement. Notwithstanding anything to the contrary contained in this Resolution, advances under the Loan Agreement or the Bond and prepayment or payment of the principal of and interest on the Bond shall be made in accordance with the Loan Agreement. The 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. BE IT FURTHER RESOLVED that as soon as may be practicable after the adoption of this Resolution, the Bond shall be suitably prepared in definitive form, executed and delivered to the Administration. The Mayor, the City Administrator, the Director of Internal Services, the City Clerk and all other officials and employees of the City are expressly authorized, empowered and directed to take any and all action necessary to complete and close the sale and delivery of the Bond to the Administration and to negotiate, approve, execute and deliver all documents, certificates and instruments necessary or appropriate in connection therewith. Any two of the President of the Council, the Vice-President of the Council, the Director of Internal Services and the Assistant Director of Internal Services-Finance of the City (the "Assistant Director of Internal Services-Finance") are hereby expressly authorized to take any necessary actions under the Loan Agreement or the Bond in order to requisition advances on behalf of the City; provided that, if Section SC7-25 of the Charter is amended to authorize different or additional City officials to requisition advances under the Loan Agreement or the Bond, such different or additional officials are hereby authorized to take such actions. Any two of the President of the Council, the Vice-President of the Council, the Director of Internal Services and the Assistant Director of Internal Services-Finance are hereby expressly designated an "Authorized Officer" for purposes of the Loan Agreement. 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 Internal Services are each hereby expressly designated an "Authorized Officer" for purposes of the Loan Agreement.

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SECTION 9. 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 Internal Services or other appropriate City official in the proper municipal accounts, or shall be paid at the direction of the Authorized Officer, or shall be paid as otherwise required by the Administration. Advances under the Bond shall be used and applied by the City exclusively and solely for the public purpose described in Section 1 hereof. Nothing in this Resolution shall be construed to authorize the expenditure of any moneys except for a proper public purpose. The proceeds of the Bond are hereby appropriated for the purposes set forth in this Resolution.

SECTION 10. BE IT FURTHER RESOLVED that (a) the principal of and interest on the Bond will be payable in the first instance from revenues received by the City in connection with the operation of the wastewater system and the water supply system serving the City and surrounding areas, including charges for the use of or connection to such systems. In the event such moneys are insufficient in any fiscal year to provide for the prompt payment, when due, of the principal of and interest on the Bond, the City shall levy or cause to be levied, for each and every fiscal year during which the Bond may be outstanding, ad valorem taxes upon all real and tangible personal property within its corporate limits subject to assessment for unlimited municipal taxation in rate and amount sufficient to provide for the payment, when due, of the principal of and interest on the Bond payable in each such fiscal year and, in the event the proceeds from the collection of the taxes so levied may prove inadequate for such purposes in any fiscal year, additional taxes shall be levied in the subsequent fiscal year to make up any deficiency.

(b) The full faith and credit and unlimited taxing power of the City are hereby irrevocably pledged to the prompt payment of the principal of and interest on the Bond as and when the same are payable and to the levy and collection of the taxes hereinabove described as and when such taxes may become necessary in order to provide sufficient funds to meet the debt service requirements of the Bond. The City hereby covenants with the registered owner of the Bond to take any action that may be appropriate from time to time during the period that the Bond remains outstanding and unpaid to provide the funds necessary to pay promptly the principal and interest due thereon.

(c) The foregoing provisions shall not be construed so as to prohibit the City from paying the principal of and interest on the Bond 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 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, 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.

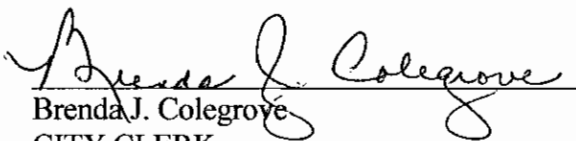
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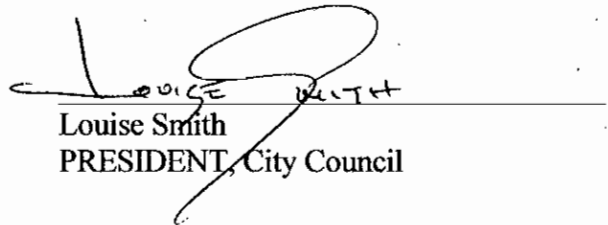
SECTION 11. BE IT FURTHER RESOLVED that notwithstanding anything to the contrary contained in the Ordinance or this Resolution, the City shall use and apply proceeds of the Bond only as permitted by the Loan Agreement, the Clean Water Act and the Act (as defined in the Loan Agreement).

SECTION 12. BE IT FURTHER RESOLVED that this Resolution shall become effective upon adoption by the Council and approval by the Mayor. Pursuant to Charter Section SC7-46A, this Resolution may not be petitioned to referendum.

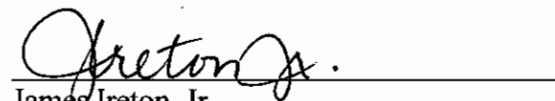
THIS RESOLUTION was introduced, read and adopted at a meeting of the Council of the City of Salisbury held on the 23rd day of November, 2009.

ATTEST:


Brenda J. Colegrove
CITY CLERK


Louise Smith
PRESIDENT, City Council

Approved by me this 24th day of
November, 2009.


James Ireton, Jr.
MAYOR, City of Salisbury

#125862;58111.014

EXHIBIT A

FORM OF BOND

\$2,756,400.00

R-__

REGISTERED

UNITED STATES OF AMERICA
STATE OF MARYLAND

CITY OF SALISBURY
WATER QUALITY BOND, SERIES 2009 (ARRA)
Dated _____, 2009

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

REGISTERED OWNER: Maryland Water Quality Financing Administration

City of Salisbury, a municipal corporation of the State of Maryland (the "Borrower"), hereby acknowledges itself obligated to pay to the Registered Owner shown above, the principal amount of \$2,756,400.00 (the "Maximum Principal Amount") or so much thereof as shall have been advanced from time to time under the terms of the Loan Agreement dated as of _____, 2009 relating to this bond (the "Loan Agreement") by and between the Borrower and the Maryland Water Quality Financing Administration (the "Administration"), plus interest on the unpaid principal advanced under the terms of the Loan Agreement at the rate of zero per centum (0.00%) per annum.

The principal advanced under the Loan Agreement shall be paid in one installment of One Thousand Dollars (\$1,000.00) on August 1, 2011 and thereafter in installments on the dates and in the amounts as set forth in the following schedule, as such schedule may be amended in accordance with the terms hereof:

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<u>Due</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>	<u>Due</u> <u>February 1</u>	<u>Principal</u> <u>Amount</u>
2012	\$145,021.05	2022	\$145,021.05
2013	145,021.05	2023	145,021.06
2014	145,021.05	2024	145,021.05
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2017	145,021.05	2027	145,021.06
2018	145,021.05	2028	145,021.05
2019	145,021.05	2029	145,021.06
2020	145,021.05	2030	145,021.05
2021	145,021.06		

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

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

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

Both the principal of and interest on this bond will be paid to the registered owner in lawful money of the United States of America, at the time of payment, and will be paid by electronic funds transfer, or by check or draft mailed (by depositing such check or draft, correctly addressed and postage prepaid, in the United States mails 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 City Clerk.

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This bond is issued pursuant to and in full conformity with the provisions of Sections 31 to 37, inclusive, of Article 23A of the Annotated Code of Maryland, as amended, Sections SC7-45 and SC7-46 of the Charter of the City of Salisbury, as published in Municipal Charters of Maryland, Volume 7, 2008 Replacement Edition, as amended, and the Maryland Water Quality Financing Administration Act (codified as Sections 9-1601 to 9-1622, inclusive, of the Environment Article of the Annotated Code of Maryland, as amended), and by virtue of due proceedings had and taken by the Borrower, particularly Ordinance No. 2086, passed by the Council of the Borrower on September 28, 2009, approved by the Mayor on September 30, 2009 and effective on September 30, 2009 and Resolution No. ____, adopted by the Council of the Borrower on ____, 2009, approved by the Mayor on ____, 2009 and effective on ____, 2009 (collectively, the "Resolution").

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

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

This bond is transferable only after the first principal payment date as set forth above or the date upon which the Maximum Principal Amount has been borrowed, whichever is earlier, upon the books of the Borrower at the office of the City Clerk 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 City Clerk, 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 with the same maturities and interest rate. If more than one bond is issued upon any such transfer, the installment of principal and interest to be paid on each such bond on each payment date shall be equal to the product of the following formula: the total installment due on each payment date multiplied by a fraction, the numerator of which shall be the principal amount of such bond and the denominator of which shall be the aggregate principal amount of bonds then outstanding and unpaid. The new bond or bonds shall be delivered to the transferee only after payment of any taxes on and any shipping or insurance expenses relating to such transfer. The Borrower may deem and treat the party in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal hereof and interest due hereon and for all other purposes.

Resolution No. 1867

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

IN WITNESS WHEREOF, this bond has been executed by the manual signature of the Mayor and the seal of the Borrower has been affixed hereto, attested by the manual signature of the City Clerk, all as of the _____ day of _____, 2009.

(SEAL)

ATTEST:

CITY OF SALISBURY

City Clerk

By: _____

Mayor

Resolution No. 1867

EXHIBIT B

FORM OF LOAN AGREEMENT

[See Attached]

LOAN AGREEMENT

By and Between

MARYLAND WATER QUALITY
FINANCING ADMINISTRATION

and

CITY OF SALISBURY

Dated as of , 2009

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LOAN AGREEMENT

THIS LOAN AGREEMENT, made this day of , 2009 between the Maryland Water Quality Financing Administration (the "Administration"), a unit of the Department of the Environment (the "Department") of the State of Maryland (the "State"), and City of Salisbury, a municipal corporation of the State (the "Borrower").

RECITALS

Title VI of the Federal Water Pollution Control Act (commonly known as the "Clean Water Act"), as amended by the Water Quality Act of 1987 ("Title VI"), authorizes the Environmental Protection Agency ("EPA") to award grants to qualifying States to establish and capitalize State water pollution control revolving 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 wastewater treatment facilities and the implementation of estuary conservation management plans and nonpoint source management programs.

As contemplated by Title VI, the General Assembly of the State at its 1988 session enacted the Maryland Water Quality 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 Water Quality 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 "wastewater facility" project (as defined in the Act).

In accordance with the American Recovery and Reinvestment Act of 2009 ("ARRA"), the EPA has awarded a grant to the Administration (the "ARRA Funds") for deposit into the Fund to be used to finance eligible projects.

The Borrower, which is a "local government" within the meaning of the Act, has applied to the Administration for a loan from the Fund, which loan shall be made in whole or in part from ARRA Funds, to assist in the financing of a certain project or projects of the Borrower (the "Project," as defined herein) which constitutes a "wastewater facility" 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 Title VI, 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 the prevention of pollution of the environment, and will further the purposes of Title VI 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 Quality 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 Quality 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.

“ARRA” means the American Recovery and Reinvestment Act of 2009, as may be amended from time to time, and rules, guidance, and regulations promulgated thereunder.

“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.

“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 (as defined in the Act) 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.

“Clean Water Act” means the Water Pollution Control Act of 1972, PL 92-500, as amended, 33 U.S.C. § 1251 et seq., and rules and regulations promulgated thereunder.

“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.

“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 Water Quality 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 attorneys duly admitted to practice law before the highest court of any state who have regularly engaged in the practice of law as their

primary occupation for at least five years. Independent Counsel may also serve as Bond Counsel if it qualifies 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, a condition set forth in a National Pollution

Discharge Elimination System ("NPDES") permit or in a construction permit issued by the Department.

"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 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 Section 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, 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;

(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 (i) 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, and in accordance with any requirements set forth in the construction and NPDES 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 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.

(f) Dedicated Source of Revenue. Pursuant to the Clean Water Act, 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. The Borrower further agrees to comply with all applicable civil rights laws. 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 Clean Water Act, the ARRA, 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 150 days of the end of each Fiscal Year, 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.

(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 the Indenture, 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) any event set forth in Securities and Exchange Commission Rule 15c2-12(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. (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. In no event shall the Administration be obligated to advance to the Borrower any amount so long as any Default or Event of Default under this Agreement shall have occurred and be continuing. 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 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. (a) Amounts Payable. 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 the (A) 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 a loan with a term of twenty years or more 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 (iv) 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 21, the Administrative Fee to be paid each year would equal:

$$\frac{\$5,000,000 \times .05}{21} = \$11,904.76$$

(iii) In prescribing the Administrative Fee for a loan with a term of less than twenty years 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 (iv) below) then in effect, (B) divided by 20. For example, if the aggregate amount of all scheduled payments of principal of and interest on the Note were \$4,000,000 and the Percentage Rate were 5%, the Administrative Fee to be paid each year would equal:

$$\frac{\$4,000,000 \times .05}{20} = \$10,000.00$$

(iv) 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, by a notice in writing delivered to the Borrower, 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. Such notice shall specify the reason for and the amount of the reduction.

(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. 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 amendments, notices, requests, objections, waivers, rejections, agreements, approvals, disclosures and consents of any kind made pursuant to this Agreement shall be in writing. 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 Quality 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 if and to the extent permitted by the Indenture and by an instrument in writing jointly executed by the Administration and the Borrower.

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 nor any 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 date of the Administration's execution.

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.

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)

WITNESS:

MARYLAND WATER QUALITY FINANCING
ADMINISTRATION

Jag Khuman
Director

(SEAL)

ATTEST:

BORROWER: _____

Name:
Title:

By: _____
Name:
Title:

Approved for form and legal sufficiency

this ____ day of _____, 200__

Approved for form and legal sufficiency

this ____ day of _____, 200__

Local Attorney for
Borrower

Helen E. Akparanta
Assistant Attorney General

Draft

EXHIBIT A to Loan Agreement

Borrower Name: City of Salisbury
Address: 125 N. Division Street
Salisbury, Maryland 21801-4940
Attention: The Honorable James P. Ireton, Jr., Mayor

Project Name:

THIS PROJECT HAS BEEN FINANCED WITH THE USE OF FEDERAL FUNDS UNDER CFDA #: 66.458 AND THE BORROWER MAY BE SUBJECT TO A SINGLE AUDIT PURSUANT TO OMB CIRCULAR A-133 TO BE UNDERTAKEN BY AN INDEPENDENT AUDITOR.

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. The first regularly scheduled payment of interest on the Loan shall be N/A.
2. The last sentence of Section 3.03(c) "Interest During Construction" is deleted in its entirety.
3. The last sentence of Section 3.04(a) "Amounts Payable" is deleted in its entirety.
4. Section 3.04(c) "Administrative Fee" is deleted in its entirety.

5. The Borrower shall begin construction of the Project by December 31, 2009, and the Project shall be completed without unnecessary delays and within the approved budget.
6. The Borrower agrees to comply with the Buy American Requirement of ARRA, which provides that all of the iron, steel, and other manufactured goods used as materials in the Project are produced or manufactured in the United States, unless a waiver is granted.
7. The Borrower agrees to comply with the provisions of the "MDE Insert" provided by the Department, and shall include the "MDE Insert" in bidding documents that outlines certain contractor responsibilities (e.g. Federal wage rates, Buy American provision, Minority & Women Business participation, Debarment, Anti-kickback etc.)
8. The Borrower shall post a sign at the Project site displaying the ARRA logo in the manner and format prescribed by the Administration prior to initiating construction.
9. The Borrower agrees to allow a representative of the U.S. Office of the Inspector General to (a) examine any of its records, records of its contractors, and subcontractors, and (b) interview any of its officers or employees, contractors, or subcontractors regarding this transaction. The Borrower is aware that providing false, fictitious or misleading information with respect to the receipt and disbursement of ARRA Funds may result in criminal, civil or administrative fines and/or penalties and any findings or audits shall be posted on the United States Inspector General's website and linked to www.recovery.gov, except information protected from disclosure.
10. The Borrower agrees to require, in its contract documents, that all contractors and subcontractors maintain all project, payroll and accounting records relating to the Loan for a minimum period of three years after final payment on the Project, and shall include in the contract documents that the State or federal government may audit any records in conjunction with the Project, in person or by requesting a copy of the records.
11. The Borrower agrees that no ARRA Funds are to be used in lobbying the federal government or in litigation against the United States unless authorized under existing law. The Borrower shall abide by OMB Circulars A-21, A-87 or A-122 which prohibit the use of federal grant funds (such as ARRA Funds) for litigation against the United States or for lobbying or other political activities.
12. The Borrower agrees to comply with (a) 40 CFR Part 34: New Restrictions on Lobbying. The Borrower is required to submit certifications and disclosure forms to the Administration, which forms shall be provided to the Borrower; and (b) the Byrd Anti-Lobbying Amendment, and understands that any prohibited expenditure under Title 40 CFR Part 34 or failure to file certification or lobbying forms shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such expenditure.

13. The Borrower certifies that it is not Debarred or Suspended from receiving financial assistance and agrees to comply with Subpart C of 2 CFR Part 180 and 2 CFR Part 1532 regarding Debarment and Suspension.
14. The Borrower agrees to comply with 42 U.S.C. 6962, Section 6002 which requires that preference be given in procurement programs to purchase of specific products containing recycled materials in any acquisition of items exceeding \$10,000 or where the quantity of items in the preceding year was \$10,000 or more.
15. The Borrower agrees to comply with Section 1553 of ARRA regarding protection of whistleblowers.
16. The Borrower shall promptly refer to EPA's Inspector General any credible evidence that an employee, agent, contractor, subcontractor or other person has committed a false claim under the False Claims Act or has committed a criminal or civil violation of laws pertaining to fraud, conflict of interest, bribery, gratuity or similar misconduct involving ARRA Funds.
17. The Borrower shall not use ARRA Funds for a casino or other gambling establishment, aquarium, zoo, golf course or swimming pool.
18. The Borrower agrees to comply with the Reporting and Registration Requirements of Section 1512 of ARRA.
19. The Borrower agrees to comply with the Wage Rate Requirements of Section 1606 of ARRA and shall include specific language regarding compliance in its contracts and subcontracts.
20. The Borrower shall ensure that payments made to consultants by the Borrower, or by any of its contractors or subcontractors, is limited to the maximum daily rate for a Level IV of the Executive Schedule (formerly GS-18) of the federal government, to be adjusted annually.
21. The Borrower shall maintain records that separately identify the expenditure of ARRA Funds, and if subject to a Single Audit, the Borrower shall specifically identify the expenditure of ARRA Funds on the Schedule of Expenditures of Federal Awards (SEFA).
22. This Agreement is subject to all applicable provisions of ARRA and any guidance documents and regulations promulgated thereunder.

Draft

EXHIBIT B
to Loan Agreement

Borrower Name: City of Salisbury
Address: 125 N. Division Street
Salisbury, Maryland 21801-4940
Attention: The Honorable James P. Ireton, Jr., Mayor

Project Name: Delmarva Power/Naylor Mill Road Sewage Lift Station

DESCRIPTION OF THE LOAN

- (1) Project Name: Delmarva Power/Naylor Mill Road Sewage Lift Station
- (2) Maximum Principal Amount of Loan Commitment: \$\$2,756,400
- (3) Rate of Interest: 0 %
- (4) Amortization Schedule:
 - (a) 19 years from the earliest of Estimated Construction Completion Dates

\$1,000 ~~Mini~~Principal Date: August 2011
First of 20 Amortizing Principal Payment Dates: February 2012
 - (b) Level Principal _____; or
Level Debt Service X
- (5) Annual Administrative Fee: N/A
- (6) Estimated Completion Date of Project: December 2010
- (7) Default Rate: 1% (Based upon the ~~2009~~ average of the Bond Buyer 11- Bond Index)
- (8) Description of Project: The project includes the construction of a replacement of sewage lift station and the associated downstream force main and gravity sewer. The existing station has reached the end of its useful life in terms of the condition of the equipment and also in the overall station capacity. This project will replace the dilapidated equipment, provide an emergency backup generator.

Draft

EXHIBIT C
to Loan Agreement

Borrower Name: _____
Address: _____
Attention: _____
Project Name: _____

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>
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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>
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C. Construction Cash Draw Schedule

OPINION OF BORROWER'S COUNSEL

[LETTERHEAD OF COUNSEL TO BORROWER]

[CLOSING DATE]

Maryland Water Quality
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 Quality 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 Loan Agreement dated as of _____, 2009 (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 \$ _____ Water Quality Bond, Series 2009, (ARRA) dated _____, 2009 (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, the consummation of the transactions contemplated thereby, 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, 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,

DRAFT

EXHIBIT E
to Loan Agreement

Borrower Name: City of Salisbury
Address: 125 N. Division Street
Salisbury, Maryland 21801-4940
Attention: The Honorable James P. Ireton, Jr., Mayor
Project Name: Delmarva Power/Naylor Mill Road Sewage Lift Station

DESCRIPTION OF DEDICATED REVENUES

Water and sewer user charges, including any and all fees for use of the public sewer and water supply systems or connection to it.

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]
WATER QUALITY BOND, SERIES 2009 (ARRA)
Dated _____, 2009

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

REGISTERED OWNER: Maryland Water Quality Financing
Administration

_____, 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 Loan Agreement dated as of _____, 2009 (the "Loan Agreement") by and between the Borrower and the Maryland Water Quality Financing Administration (the "Administration"), plus interest on the unpaid principal advanced under the terms of the Loan Agreement at the rate of _____ per centum (___%) per annum.

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

<u>Due</u> <u>[February 1]</u>	<u>Principal</u> <u>Amount</u>	<u>Due</u> <u>[February 1]</u>	<u>Principal</u> <u>Amount</u>
2010		2019	
2011		2020	
2012		2021	
2013		2022	
2014		2023	
2015		2024	
2016		2025	
2017		2026	
2018		2027	

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

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

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

Both the principal of and interest on this bond will be paid to the registered owner in lawful money of the United States of America, at the time of payment, and will be paid by electronic funds transfer, or by check or draft mailed (by depositing such check or draft, correctly addressed and postage prepaid, in the United States mails 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 Quality Financing Administration Act (codified as Sections 9-1601 to 9-1622, inclusive, of the Environment Article of the Annotated Code of Maryland, as amended), and by virtue of due proceedings had and taken by the Borrower, particularly [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 Quality Financing Administration. In accordance with the Loan Agreement, the principal amount of the Loan, being the amount denominated as principal under this bond, is subject to reduction or adjustment by the Administration in accordance with the Loan Agreement.

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

This bond is transferable only after the first principal payment date as set forth above or the date upon which the Maximum Principal Amount has been borrowed, whichever is earlier, upon the books of the Borrower at the office of the [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 and with the same maturities and interest rate. If more than one bond is issued upon any such transfer, the installment of principal and interest to be paid on each such bond on each payment date shall be equal to the product of the following formula: the total installment due on each payment date multiplied by a fraction, the numerator of which shall be the principal amount of such bond and the denominator of which shall be the aggregate principal amount of bonds then outstanding and unpaid. The new bond or bonds shall be delivered to the transferee only after payment of any taxes on and any shipping or insurance expenses relating to such transfer. The Borrower may deem and treat the party in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal hereof and interest due hereon and for all other purposes.

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 ____, 2009.

(SEAL)

ATTEST:

[OFFICER]

By: _____
[OFFICER]