

## A RESOLUTION ENTITLED

16- 72

A Resolution of the Board of County Commissioners of Queen Anne's County, Maryland, authorizing the issuance and sale by Queen Anne's County, Maryland (the "Borrower") of two general obligation bonds in an aggregate principal amount not exceeding Thirty-Six Million Dollars (\$36,000,000) pursuant to the authority of 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 (2014 Replacement Volume and 2015 Supplement)) and Sections 24-42 through 24-49 of the Queen Anne's County Code (the "Public Local Law"), the bonds, to be designated "Queen Anne's County Sanitary District Water Quality Bond, Series 2016A" in a principal amount not to exceed Thirty-Four Million Dollars (\$34,000,000) and "Queen Anne's County Sanitary District Water Quality Bond, Series 2016B" in a principal amount not to exceed Two Million Dollars (\$2,000,000) (with such modifications or other designations or titles as may be agreed to by the Borrower and Maryland Water Quality Financing Administration (the "Administration")), the net proceeds of the sale thereof to be used and applied for the public purpose of financing or refinancing improvements to a wastewater facility as more particularly described herein, together with the acquisition of all necessary property rights and equipment, and related architectural, financial, legal, planning and engineering expenses, whether or not specifically stated; authorizing the execution of two loan agreements between the Borrower and the Administration; prescribing the form and tenor of the bonds and the loan agreements and the terms and conditions for the issuance and sale thereof at private sale to the Administration; providing for the prompt payment of the maturing principal of and interest on the bonds; covenanting to levy and collect all taxes necessary to provide for the payment of the principal of and interest on such bonds; pledging the full faith and credit of the Borrower to the payment of principal and interest on such bonds; and generally relating to the issuance, sale and delivery of the bonds.

### RECITALS

Title VI of the Federal Water Pollution Control Act, as amended by the Water Quality Act of 1987 (the "Clean Water Act"), authorizes the United States 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 certain other forms of financial assistance to finance, among other things, the construction and improvement of publicly-owned wastewater treatment facilities and the implementation of estuary conservation management plans and the implementation of nonpoint source management programs.

As contemplated by the Clean Water Act, 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 of the Environment Article of the Annotated Code of Maryland (as amended, the “Act”), establishing the Maryland Water Quality Financing Administration (the “Administration”) and 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” (as defined in the Act).

Queen Anne’s County, Maryland a body politic and corporate of the State of Maryland (the “Borrower”) is a “local government” within the meaning of the Act. The Borrower has applied to the Administration for loans from the Fund to assist in the financing of a certain project of the Borrower which constitutes a “wastewater facility” within the meaning of the Act. As contemplated by the Act, the Administration and the Borrower will enter into two loan agreements to effect and evidence the loans. The Borrower has determined that it will issue its bonds, which bonds will each constitute a “loan obligation” within the meaning of the Act, to evidence its payment obligations under the loan agreements.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF QUEEN ANNE’S COUNTY:

Section 1. Pursuant to the authority of 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 (2014 Replacement Volume and 2015 Supplement)) (as amended, the “Act”), and Sections 24-42 through 24-49 of the Queen Anne’s County Code (the “Public Local Law”), Queen Anne’s County, Maryland, a body politic and corporate of the State of Maryland (the “Borrower”), hereby determines to borrow money in an aggregate maximum

principal amount not to exceed Thirty-Six Million Dollars (\$36,000,000) (the “Loan”) and incur indebtedness for the public purpose of financing or refinancing improvements to the wastewater system and related architectural, financial, legal, planning and engineering expenses permitted under the Clean Water Act, as described in Exhibit A (the “Project”). The Project constitutes a “wastewater facility” within the meaning of the Act.

Section 2. (a) As contemplated by the Act, a portion of the Loan shall be made and incurred in accordance with the provisions of a loan agreement (the “Series 2016A Loan Agreement”) between the Borrower and the Maryland Water Quality Financing Administration (the “Administration”). The Series 2016A Loan Agreement is approved in substantially the form set forth in Exhibit B-1 attached hereto as a part hereof, with such insertions, omissions or variations as may be deemed necessary or appropriate and approved by the officers executing the same (their execution of the Series 2016A Loan Agreement to constitute conclusive evidence of such approval). The Borrower hereby approves the form of and authorizes the execution and delivery of the Series 2016A Loan Agreement by the President of the Board of County Commissioners of Queen Anne’s County (the “Board”) in substantially the form set forth in Exhibit B-1, including all covenants and conditions set forth therein.

(b) To evidence the payment obligations of the Borrower under the Series 2016A Loan Agreement, the Borrower, acting pursuant to the authority of the Act and the Public Local Law hereby determines to issue and sell, upon its full faith and credit, a general obligation bond, in a maximum principal amount not to exceed Thirty-Four Million Dollars (\$34,000,000), to be known as “Queen Anne’s County Sanitary District Water Quality Bond, Series 2016A” (with such modifications or other designations or titles as may be agreed to by the Borrower and the Administration) (the “Series 2016A Bond”). The Series 2016A Bond shall be dated the date of delivery and shall be issued in the form of one fully registered installment bond, without coupons attached, numbered R-1. The Series 2016A Bond, which is tax-exempt, shall bear

interest at a rate not to exceed 25% of the average of the Bond Buyer 11-Bond Index for the month preceding the date of delivery. Unless otherwise authorized by the President of the Board, the first payment of principal on the Series 2016A Bond shall be paid on February 1, 2021, and subsequent installments of principal shall be payable annually each February 1 until the principal on the Series 2016A Bond is fully paid, except that the final installment of the entire indebtedness evidenced by the Series 2016A Bond, if not sooner paid or sooner due and payable, shall be due and payable on February 1, 2050, and except that prepayments may be made as provided in the Series 2016A Loan Agreement. Interest due on the unpaid principal amounts advanced under the Series 2016A Loan Agreement shall accrue on the basis of a 30-day month, 360-day year from the date of the respective advances of such principal amount, and shall be paid on February 1, 2017, and semiannually thereafter on the 1st day of August and February in each year until the principal amount has been paid.

(c) The Series 2016A Bond shall be executed in the name of the Borrower and on its behalf by the President of the Board. The corporate seal of the Borrower shall be affixed to the Series 2016A Bond, attested by the signature of the Clerk to the Board (the "Clerk"). The principal of and interest on the Series 2016A Bond shall be paid by the Borrower by electronic funds transfer, check or draft mailed (by depositing such check or draft, correctly addressed and postage prepaid, in the United States mail before the payment date) to the registered owner at its address as it appears on the books kept for that purpose at the office of the Director of Budget, Finance and Information Technology in Centreville, Maryland. In the event any official whose signature appears on the Series 2016A Bond or the Series 2016A Loan Agreement ceases to be an official prior to the delivery of the Series 2016A Bond or the Series 2016A Loan Agreement, or shall have become such official after the date of this Resolution, the Series 2016A Bond and the Series 2016A Loan Agreement shall, nevertheless, each be a valid and legally binding obligation of the Borrower in accordance with its terms.

(d) Except as provided hereinafter or in a Resolution or Resolutions of the Borrower adopted prior to the issuance of the Series 2016A Bond, the Series 2016A Bond shall be issued in substantially the form set forth in Exhibit C-1. Appropriate variations and insertions shall be made to provide dates, numbers and amounts, and modifications not materially altering the substance of this Resolution may be made by the President of the Board. All of the covenants contained in Exhibit C-1 are hereby adopted by the Borrower as and for the form of obligation to be incurred by the Borrower, and the covenants and conditions contained therein are hereby made binding upon the Borrower, including the promise to pay therein contained.

Section 3. (a) As contemplated by the Act, a portion of the Loan, in the principal amount determined in accordance with the provisions of the Series 2016B Loan Agreement (hereinafter defined) not to exceed Two Million Dollars (\$2,000,000) shall be made in accordance with the provisions of a loan agreement between the Borrower and the Administration (the "Series 2016B Loan Agreement" and, collectively with the Series 2016A Loan Agreement, the "Loan Agreements" and each a "Loan Agreement"). The Series 2016B Loan Agreement shall be in substantially the form set forth in Exhibit B-2 attached hereto as a part hereof, with such insertions, omissions or variations as may be deemed necessary or appropriate and approved by the officers executing the same (their execution of the Series 2016B Loan Agreement to constitute conclusive evidence of such approval), or with such insertions, omission or variations as may be approved by a resolution of the Board supplemental hereto. The Borrower hereby approves the form of and authorizes the execution and delivery of the Series 2016B Loan Agreement in substantially the form set forth in Exhibit B-2, including all covenants and conditions set forth therein.

(b) To evidence the payment obligations of the Borrower under the Series 2016B Loan Agreement, the Borrower, acting pursuant to the authority of the Act and the Public Local Law hereby determines to issue and sell, upon its full faith and credit, a general obligation bond, in a maximum principal amount not to exceed Two Million Dollars

(\$2,000,000), to be known as “Queen Anne’s County Sanitary District Water Quality Bond, Series 2016B” (the “Series 2016B Bond” and, collectively with the Series 2016A Bond, the “Bonds” and each a “Bond”). The Series 2016B Bond shall be dated the date of delivery and shall be issued in the form of one fully registered bond, without coupons attached, number R-1. The principal advanced under the Series 2016B Loan Agreement shall be payable upon demand by the Administration in accordance with the Series 2016B Loan Agreement, together with interest at the Default Rate (as defined in the Series 2016B Loan Agreement, the “Default Rate”) accruing from the date on which such demand is made by the Administration, which demand may be made at any time prior to that date that is the ten (10) year anniversary of the date of delivery of the Series 2016B Bond. The determination of the interest rate on the Series 2016B Bond by the Administration in accordance with the foregoing shall be conclusive.

(c) Pursuant to the Clean Water Act, as amended by federal appropriations or authorization acts, and Section 9-1605(d)(9) of the Act, as amended, the Administration shall forgive repayment of that portion of the principal amount of the Loan evidenced by the Series 2016B Bond and the interest payable thereon under Article III of the Series 2016B Loan Agreement and the Series 2016B Bond so long as the Borrower performs all of its other obligations under the Series 2016B Loan Agreement. Upon determination by the Administration that any such other obligations under the Series 2016B Loan Agreement have not been performed by the Borrower, payment of that portion of the principal amount of the Loan evidenced by the Series 2016B Bond and the interest thereon from the date of demand at the Default Rate will be due and payable on demand. If the Administration has not demanded payment of the principal of and interest on the Series 2016B Bond prior to that date that is the ten (10) year anniversary of the date of issuance of the Series 2016B Bond, then the Administration shall be deemed to have forgiven repayment of that portion of the principal amount of the Loan evidenced by the Series 2016B Bond and interest thereon, the Series 2016B

Bond shall be deemed cancelled and the Series 2016B Loan Agreement shall be deemed terminated and of no further force and effect.

(d) Except as provided hereinafter or in a resolution or resolutions of the Borrower adopted prior to the issuance of the Series 2016B Bond, the Series 2016B Bond shall be issued in substantially the form set forth in Exhibit C-2. Appropriate variations and insertions shall be made to provide dates, numbers and amounts, and modifications not materially altering the substance of this Resolution may be made by the President of the Board. All of the covenants contained in Exhibit C-2 are hereby adopted by the Borrower as and for the form of obligation to be incurred by the Borrower, and the covenants and conditions contained therein are hereby made binding upon the Borrower, including the promise to pay therein contained.

Section 4. The Bonds shall be sold to the Administration at a private (negotiated) sale, without public bidding, in accordance with the provisions of the Act. The President of the Board is authorized and directed to enter into such agreements with the Administration as he shall deem to be in the best interests of the Borrower in order to accomplish the public purposes of this Resolution.

Section 5. Each Loan Agreement and each Bond shall be executed on behalf of and in the name of the Borrower by the President of the Board. The corporate seal of the Borrower shall be affixed to each Loan Agreement and each Bond, attested by the signature of the Clerk. The principal of and interest on each Bond shall be paid by the Borrower when due in accordance with the terms and conditions of the applicable Loan Agreement and Bond. The Loan Agreements and the Bonds shall be valid and legally binding obligations of the Borrower enforceable in accordance with their respective terms.

The officers of the Borrower authorized to execute the Loan Agreements and the Bonds are expressly authorized to execute and deliver from time to time (a) such amendments to any Loan Agreement as shall be deemed necessary or appropriate by such officers to cure any

defect or ambiguity in such Loan Agreement, to add any provision thereto beneficial to the Borrower or to comply with Administration practices and policy from time to time and (b) such amendments to any Bond (or a new Bond or Bonds in replacement thereof) in accordance with the applicable Loan Agreement and such Bond as shall be necessary to provide for the reamortization of the principal installments due thereunder, as applicable, in the event that the total amount advanced thereunder shall be less than the maximum principal amount of such Bond, so long as neither the aggregate principal amount of such Bond, the amount of any principal installment thereunder in any year, nor the interest rate thereon shall be increased.

Section 6. The President of the Board is expressly authorized and empowered to take any and all action necessary or appropriate to complete and close the delivery of the Bonds. The President of the Board is expressly authorized to make such changes or modifications in the forms adopted herein as may be necessary or appropriate.

Section 7. The Director of Budget, Finance and Information Technology of the Borrower or, in his absence, the President of the Board, is hereby designated to receive payment on behalf of the Borrower of the proceeds of the sale of the Bonds. Such proceeds shall be used and applied by the Borrower exclusively and solely for the public purposes described in Section 1 of this Resolution. If the proceeds received from the sale of the Bonds exceed the amount needed for such public purposes, the unexpended excess shall be applied as soon as may be practicable to the prepayment of the Bonds as provided for in this Resolution for the Loan Agreements, unless a supplemental resolution is passed and approved by the Board to provide for the expenditure of that excess for some other valid purpose authorized by the Act and the Public Local Law.

Section 8. For the purpose of paying the maturing principal of and interest on the Bonds when due, the Borrower has established or shall establish a dedicated source of revenues as described in the Loan Agreements. In the event that such revenues are insufficient to meet the debt service requirements in any fiscal year in which any Bond is outstanding, the

Borrower shall levy in such year upon all real and tangible personal property within its corporate limits subject to assessment for taxation ad valorem taxes in rate and amount sufficient to meet and pay promptly the principal of and interest on such Bond in each such fiscal year. If the proceeds from the collection of taxes so levied in any such fiscal year are inadequate for such payment, additional taxes shall be levied in the succeeding fiscal year to make up such deficiency. The full faith and credit and unlimited taxing power of the Borrower are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds as and when they become due and 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 Bonds. The Borrower hereby covenants and agrees with the registered owners of the Bonds to levy and collect the taxes hereinabove described and to take any further action that may be appropriate from time to time during the period that such Bond remains outstanding and unpaid to provide the funds necessary to pay promptly the principal thereof and the interest due thereon.

Section 9. The President of the Board and the Director of Budget, Finance and Information Technology shall be the certifying officials for the Borrower responsible for the execution and delivery on the date of the issuance of the Series 2016A Bond of a certificate of the Borrower (the "Tax and Section 148 Certificate") that complies with the requirements of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code") and the applicable regulations thereunder (the "Arbitrage Regulations"). They are hereby authorized and directed to execute and deliver the Tax and Section 148 Certificate to counsel rendering an opinion on the validity of the Series 2016A Bond on the date of its issuance. The Tax and Section 148 Certificate shall set out the reasonable expectations of the Borrower as to relevant facts, estimates and circumstances relating to the use of the proceeds of the Series 2016A Bond or of any moneys, securities or other obligations to the credit of any account of the Borrower which may be deemed to be bond proceeds under Section 148 of the Code or the Arbitrage Regulations

(collectively, the “Bond Proceeds”). The Borrower covenants with the owner of the Series 2016A Bond that the facts, estimates and circumstances set forth in the Tax and Section 148 Certificate will be based on the Borrower's reasonable expectations on the date of the issuance of the Series 2016A Bond and will be, to the best of the certifying official's knowledge, true, correct and complete as of that date.

Section 10. The Borrower covenants and agrees with the registered owner of the Series 2016A Bond that it will not make, or (to the extent that it exercises control or direction) permit to be made, any use of the Bond Proceeds that would cause the Series 2016A Bond to be an “arbitrage bond” within the meaning of Section 148 of the Code and the Arbitrage Regulations. The Borrower further covenants that it will comply with Section 148 of the Code and the regulations thereunder which are applicable to the Series 2016A Bond on the date of its issuance and which may subsequently lawfully be made applicable to the Series 2016A Bond. The Borrower further covenants that it shall make such use of the proceeds of the Series 2016A Bond, regulate the investment of the proceeds thereof, and take such other and further actions as may be required to maintain the excludability from gross income for federal income tax purposes of interest on the Series 2016A Bond. Without limiting the generality of the foregoing, the Borrower further covenants with the registered owner of the Series 2016A Bond that it will not take any action or (to the extent that it exercises control or direction) permit any action to be taken that would cause the Series 2016A Bond (or any portion thereof) to be “federally guaranteed” within the meaning of Section 149(b) of the Code, and that it will not make, or (to the extent that it exercises control or direction) permit to be made, any use of the proceeds of the Series 2016A Bond (or any portion of such proceeds) that would cause the Series 2016A Bond (or any portion thereof) to be “private loan bond” within the meaning of Section 141(c) of the Code. All officers, employees and agents of the Borrower are hereby authorized and directed to take such actions, and to provide such certifications of facts and estimates regarding the amount and use of the proceeds of the Series 2016A Bond, as may be necessary or appropriate from time

to time to comply with, or to evidence the Borrower's compliance with, the covenants set forth in this Section.

Section 11. The President of the Board may make such covenants or agreements in connection with the issuance of the Series 2016A Bond on behalf of the Borrower as he/she shall deem advisable in order to assure the registered owner of the Series 2016A Bond that interest thereon shall be and remain excludable from gross income for federal income tax purposes, and such covenants or agreements shall be binding on the Borrower so long as the observance by the Borrower of any such covenants or agreements is necessary in connection with the maintenance of the exclusion of the interest on the Series 2016A Bond from gross income for federal income tax purposes. The foregoing covenants and agreements may include such covenants or agreements on behalf of the Borrower regarding compliance with the provisions of the Code as the President of the Board shall deem advisable in order to assure the registered owner of the Series 2016A Bond that the interest thereon shall be and remain excludable from gross income for federal income tax purposes, including (without limitation) covenants or agreements relating to the investment of Bond Proceeds, the payment of certain earnings resulting from such investment to the United States, limitations on the times within which, and the purpose for which, Bond Proceeds may be expended, or the use of specified procedures for accounting for and segregating Bond Proceeds. The President of the Board may also make such elections on behalf of the Borrower under the Code as he shall deem advisable in connection with the issuance of the Series 2016A Bond. Such covenants, agreements and elections may be set forth in the Tax and Section 148 Certificate.

Section 12. The Borrower hereby covenants and agrees to pay all administrative fees and expenses charged by the Administration under the Loan Agreements.

Section 13. In accordance with the requirements of Section 24-46 of the Public Local Law, the Borrower hereby finds, determines and confirms that after the execution of the Loan Agreements and the issuance of the Bonds, the total bonded indebtedness under said



**CERTIFICATE**

**I HEREBY CERTIFY**, that this is a true and correct copy of Resolution No. 16-72 of the Board of County Commissioners of Queen Anne's County adopted on September 27, 2016.

**IN TESTIMONY WHEREOF**, I have hereunto set my hand and affixed the seal of Queen Anne's County this 27 day of Sept, 2016.

[SEAL OF COUNTY]

*Margie A. Houck*

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Margie A. Houck  
Clerk

Exhibit A to Resolution

The Project

The Project consists of the construction of a public sewer system to a significant portion of Kent Island in order to alleviate public health concerns related to failed septic systems in an area that is important to the Chesapeake Bay.

Form of Series 2016A Loan Agreement

Exhibit B-2 to Resolution

Form of Series 2016B Loan Agreement

Form of Series 2016A Bond

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R-1

REGISTERED

UNITED STATES OF AMERICA  
STATE OF MARYLAND

QUEEN ANNE'S COUNTY SANITARY DISTRICT  
WATER QUALITY BOND, SERIES 2016A  
Dated \_\_\_\_\_, 201\_

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

Queen Anne's County, Maryland, a body politic and 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 \$\_\_\_\_\_ (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 \_\_\_\_\_, 201\_ (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>Principal Amount</u>	<u>Due</u>	<u>Principal Amount</u>
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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 on the same basis as the foregoing payment 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 30 years after the date of completion of the Project (as defined in the Loan Agreement), as certified by the Borrower to the Administration pursuant to Section 2.02(d) of the Loan Agreement.

Interest due on the unpaid principal amounts advanced under the Loan Agreement shall accrue on the basis of a 30-day month, 360-day year from the date of the respective advances of such principal amount, and shall be paid on February 1, 2017, and semiannually thereafter on the 1st day of August and February in each year until the principal amount hereof has been paid.

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

Both the principal of and interest on this bond will be paid in lawful money of the United States of America, at the time of payment, and will be paid by electronic funds transfer, 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 Clerk of the Board of County Commissioners of Queen Anne's County (the "Clerk").

This bond is issued pursuant to and in full conformity with the provisions of 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 (2014 Replacement Volume and 2015 Supplement)), and Sections 24-42 through 24-49 of the Queen Anne's County Code (the Public Local Law"), and by virtue of due proceedings taken by the Borrower, particularly Resolution 16-\_\_ adopted by the Board of County Commissioners of Queen Anne's County on [September 27, 2016] (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 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 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 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 President of the Board of County Commissioners of Queen Anne's County and the seal of the Borrower has been affixed hereto, attested by the manual signature of the Clerk, all as of the 27 day of Sept, 2016

(SEAL)

QUEEN ANNE'S COUNTY, MARYLAND

ATTEST:

Mary A. Houch  
Clerk

By: [Signature]  
President of the Board of County  
Commissioners of Queen Anne's County

Form of Series 2016B Bond

\$ \_\_\_\_\_

R-1

REGISTERED

UNITED STATES OF AMERICA  
STATE OF MARYLAND

QUEEN ANNE'S COUNTY SANITARY DISTRICT  
WATER QUALITY BOND, SERIES 2016B

Dated \_\_\_\_\_, 201\_

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

Queen Anne's County, Maryland, a body politic and 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 \$ \_\_\_\_\_ (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 \_\_\_\_\_, 201\_ (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 as provided for herein.

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

If the Administration determines at any time to reduce the maximum amount of the Loan Commitment (as defined in the Loan Agreement) in accordance with Section 3.08 of the Loan Agreement, the Maximum Principal Amount shall be reduced accordingly. Any such

reduction shall not affect the obligation of the Borrower to pay the principal of and interest on this bond as and when the same shall become due in accordance with the terms hereof.

PURSUANT TO THE CLEAN WATER ACT, AS AMENDED BY FEDERAL APPROPRIATION OR AUTHORIZATION ACTS AND SECTION 9-1605(d)(9) OF THE ENVIRONMENT ARTICLE OF THE ANNOTATED CODE OF MARYLAND, AS AMENDED, THE ADMINISTRATION SHALL FORGIVE REPAYMENT OF THE PRINCIPAL AMOUNT OF THE LOAN (AS DEFINED IN THE LOAN AGREEMENT) AND THE INTEREST PAYABLE THEREON UNDER ARTICLE III OF THE LOAN AGREEMENT AND THIS BOND, SO LONG AS THE BORROWER PERFORMS ALL OF THE ITS OTHER OBLIGATIONS UNDER THE LOAN AGREEMENT. UPON DETERMINATION BY THE ADMINISTRATION THAT ANY SUCH OTHER OBLIGATIONS UNDER THE LOAN AGREEMENT HAVE NOT BEEN PERFORMED BY THE BORROWER, PAYMENT OF THE PRINCIPAL OF THE LOAN AND THE INTEREST THEREON WILL BE DUE AND PAYABLE ON DEMAND. IF THE ADMINISTRATION HAS NOT DEMANDED PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THIS BOND PRIOR TO \_\_\_\_\_, THEN THE ADMINISTRATION SHALL BE DEEMED TO HAVE FORGIVEN REPAYMENT OF THE LOAN EVIDENCED BY THIS BOND AND INTEREST THEREON, THIS BOND SHALL BE DEEMED CANCELLED AND THE LOAN EVIDENCED BY THIS BOND AND THE LOAN AGREEMENT SHALL BE TERMINATED AND OF NO FURTHER FORCE AND EFFECT.

Both the principal of and interest on this bond will be paid in lawful money of the United States of America, at the time of payment, and will be paid by electronic funds transfer, 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 Clerk of the Board of County Commissioners of Queen Anne's County (the "Clerk").

This bond is issued pursuant to and in full conformity with the provisions of 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 (2014 Replacement Volume and 2015 Supplement)), and Sections 24-42 through 24-49 of the Queen Anne's County Code (the Public Local Law"), and by virtue of due proceedings taken by the Borrower, particularly Resolution 16-[ ] adopted by the Board of County Commissioners of Queen Anne's County on [September 27, 2016] (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 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 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 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 President of the Board of County Commissioners of Queen Anne's County and the seal of the Borrower has been affixed hereto, attested by the manual signature of the Clerk, all as of the 27 day of Sept, 2016.

(SEAL)

ATTEST:

Marge Houck  
Clerk

QUEEN ANNE'S COUNTY, MARYLAND

By:

[Signature]  
President of the Board of County  
Commissioners of Queen Anne's County