RESOLUTION 2016-18
COUNTY COMMISSIONERS OF KENT COUNTY, MARYLAND
DELTA HEIGHTS WATER DISTRIBUTION SYSTEM EXTENSION PROJECT

RESOLUTION of County Commissioners of Kent County, Maryland (the "County") authorizing the issuance, upon the full faith and credit of the County, of a general obligation installment bond in the principal amount not to exceed Four Hundred Seventy Six Thousand Dollars ($476,000.00), under the authority of Sections 19-501 *et seq.* of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume, as amended and supplemented) and Section 3-9.1 of the Code of Public Local Laws of Kent County, Maryland, to be designated "County Commissioners of Kent County General Obligation Bond (Delta Heights Water Distribution System Extension Project)" (the "Bond"); the net proceeds of the sale of the Bond to be used and applied for the public purpose of financing and refinancing, respectively, a portion of the cost of improvements to the water distribution system servicing the Delta Heights and Tolchester service areas, together with the acquisition of all necessary property rights and equipment, together with any related construction, architectural, financial, fiscal, legal, design, planning and engineering expenses; prescribing the form and tenor of the Bond and the terms and conditions for the issuance and sale of the Bond; providing for the levy and collection of any taxes necessary for the prompt payment of the maturing principal of and interest on the Bond and pledging the full faith and credit and taxing power of the County be irrevocably and unconditionally pledged to the payment of the principal and interest on the Bond, and generally relating to the issuance and delivery of the Bond.

RECITALS

County Commissioners of Kent County, Maryland (the "County") plans to finance and refinance the cost of improvements to the water distribution system servicing the Delta Heights and Tolchester service areas, including the costs of acquisition and development of property rights and the acquisition and installation of equipment, together with any related architectural, financial, fiscal, legal, design, planning and engineering expenses (the "Project").

The County has received commitments for permanent financing of the Project from the United States of America, acting through Rural Utilities Service, United States Department of Agriculture ("USDA"), of a loan in the amount of $476,000.00 and a grant in the amount of $950,000.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNTY COMMISSIONERS OF KENT COUNTY (the "County"), That;

Section 1. Acting pursuant to the authority of Sections 9-501 *et seq.* of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume, as amended and supplemented), and Section 3-9.1 of the Code of Public Local Laws of Kent County Maryland

(together, the "Enabling Law"), the County hereby determines to borrow money and incur indebtedness for the public purpose of financing or refinancing (i) the cost of constructing improvements to the water distribution system servicing the Delta Heights and Tolchester service areas, including the costs of acquisition and development of property rights and the acquisition and installation of equipment, together with any related architectural, financial, fiscal, legal, design, planning and engineering expenses, and (ii) the costs of issuing such indebtedness (collectively, the "Project").

Section 2. To evidence the borrowing and indebtedness authorized in Section 1 of this Resolution, the County, acting pursuant to the authority of the Enabling Law, shall issue and sell, upon its full faith and credit, a general obligation bond in principal amount not to exceed Four Hundred Seventy Six Thousand Dollars ($476,000.00) to be known as the "County Commissioners of Kent County General Obligation Bond (Delta Heights Water Distribution System Extension Project)" (the "Bond"). There shall be added to the title of the Bond a designation corresponding to the year in which the Bond is issued so that, if the Bond is issued on or after January 1, 2016 and before January 1, 2017, the Bond shall be known as the "County Commissioners of Kent County General Obligation Bond (Delta Heights Water Distribution System Extension Project), Series 2016," in addition to such other designation or modifications to the above-designation as the County and the purchaser of the Bond deem appropriate. The Bond shall be dated the delivery date and shall be issued in the form of a single fully registered installment bond, without coupons attached. The Bond shall bear interest at a rate not to exceed 2.375% per annum. The interest and principal on the Bond shall be paid in quarterly installments and the final payment on the Bond shall be paid on a date not later than forty years from the date of issuance, except that prepayments may be made at the option of the County in accordance with the rules and regulations of the United

States of America, acting through Rural Utilities Service, United States Department of Agriculture (the "USDA") in effect from time to time in the event that the USDA is the purchaser of the Bond.

Section 3. The Bond shall be executed in the name of the County and on its behalf by the President of the Board of Commissioners of the County (the "President of the Board"). The corporate seal of the County shall be affixed to the Bond, attested by the manual signature of the Clerk to the Board of County Commissioners (the "Clerk"). The principal of and interest on the Bond shall be paid by the County by electronic funds transfer (including, without limitation, any pre-authorized debit payment process pursuant to which the County authorized payments to be withdrawn electronically from an account of the County's on or about the day that principal or interest is due) to the registered owner thereof as such registered owner appears on the books kept for the registration of the Bond at the office of the Clerk in Chestertown, Maryland, or by such other payment method as is agreed to by the holder of the Bond. In the event any official whose signature appears on the Bond ceases to be an official prior to the delivery of the Bond, or shall have become such official after the date of this Resolution, the Bond shall, nonetheless, be a valid and legally binding obligation of the County in accordance with its terms.

Section 4. The Bond shall be transferable only upon the books kept for that purpose at the office of the Clerk by the registered owner in person or by the duly authorized attorney of the registered owner, upon surrender thereof, together with a written instrument of transfer satisfactory to the Clerk, duly executed by such registered owner or duly authorized attorney.

Section 5. Except as provided hereinafter or in a Resolution or Resolutions of the County adopted prior to the issuance of the Bond, the Bond shall be issued in substantially the following registered installment bond form. Appropriate variations and insertions shall be made to provide dates, numbers and amounts, and modifications not altering its substance may be made by

the President of the Board. All of the covenants contained in the following form are hereby adopted by the County as and for the form of obligation to be incurred by the County, and the covenants and conditions contained therein are hereby made binding upon the County, including the promise to pay therein contained:

[Remainder of page left blank intentionally]

FORM OF BOND

R-_ $[_____]

REGISTERED

UNITED STATES OF AMERICA
STATE OF MARYLAND

COUNTY COMMISSIONERS OF KENT COUNTY
GENERAL OBLIGATION BOND (DELTA HEIGHTS WATER DISTRIBUTION SYSTEM EXTENSION PROJECT), SERIES 2016

Dated: _____, 2016

PAYMENTS OF PRINCIPAL OF AND INTEREST ON THIS BOND ARE MADE BY 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

COUNTY COMMISSIONERS OF KENT COUNTY, a body politic and corporate and a political subdivision of the State of Maryland (the "County"), hereby acknowledges itself indebted and for value received promises to pay to the UNITED STATES OF AMERICA, acting through Rural Utilities Service, United States Department of Agriculture ("USDA"), the registered owner, the principal amount of [_____] Dollars ($_____) plus interest on the unpaid principal balance from the date hereof at the rate of [_____]% per annum. The principal of and interest on this bond shall be paid in quarterly installments of [_____] Dollars ($_____) on the [1st] day of [_____], and the [1st] day of [January], [April], [July] and [October] thereafter until the principal of and interest on this bond are fully paid, except that the final installment of the entire indebtedness evidenced by this bond, if not sooner paid, shall be payable on [_____ 1], 20[__] and except that prepayments may be made as provided below. Each and every quarterly installment shall include a payment of a portion of the principal of this bond.

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 (including, without limitation, any pre-authorized debit payment process pursuant to which the County authorizes payments to be withdrawn electronically from an account of the County's on or about the day that principal or interest is due) to the registered owner hereof as such registered owner appears on the books kept for the registration and registration of transfers of the bond at the office of the Clerk to the Board of County Commissioners (the "Clerk") in Chestertown, Maryland, or by such other payment method as is agreed to by the holder of the Bond.

This bond is issued pursuant to and in full conformity with the provisions of Sections 19-501 *et seq.* of Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume, as amended and supplemented) (the "Enabling Act"), Section 3-9.1 of the Code of Public Local Laws of Kent County Maryland and by virtue of due proceedings had and taken by the County Commissioners of Kent County, particularly a resolution adopted on _____, 2016 (the "Resolution").

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

This bond is transferable only upon the books of the County at the office of the Clerk by the registered owner hereof in person or by the attorney of such registered owner 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 the duly authorized attorney of the registered owner. At the expense of any transferor other than the United States of America, the County shall, within a reasonable time, issue in the name of the transferee a new registered bond or bonds, in denominations of One Thousand Dollars ($1,000.00) or any larger denominations or such other denominations as the County 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 unpaid principal amount of such bond and the denominator of which shall be the aggregate principal amount of bonds then outstanding and unpaid. Except for transfers made by the United States of America, 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 County 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.

The County has the right to prepay scheduled installments, or any portion thereof, at any time at par without premium or penalty in accordance with the rules and regulations of USDA in the event that the bond is sold to USDA.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Maryland, the Enabling Act, Section 3-9.1 of the Code of Public Local Laws of Kent County 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 County, is within every debt and other limit prescribed by said Constitution or statutes.

[Remainder of page left blank intentionally]

IN WITNESS WHEREOF, this bond has been executed by the manual signature of the President of the Board of Commissioners and the corporate seal of the County has been affixed hereto, attested by the manual signature of the Clerk, all as of the __ day of _____, 201__.

[SEAL]

ATTEST:

COUNTY COMMISSIONERS OF KENT COUNTY

_____
Clerk

By: _____
President of the Board of Commissioners

(Form of Transfer)

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers the within bond to _____ and hereby authorizes the Clerk to the Board of County Commissioners to transfer this bond on the books of the County.

Dated: _____(SEAL)

Witness:

_____

PAYMENT GRID

Date of Payment	Principal Amount Paid	Principal Amount Outstanding	Holder's Signature

Section 6. The Bond shall be sold at private, negotiated sale for cash at par, to USDA, public advertisement and sale of the Bond not being required by the terms of the Enabling Law and in the best interests of the County being hereby declared to be served by such private sale. The President of the Board is expressly authorized and empowered to take any and all action necessary to complete and close the sale and delivery of the Bond to USDA, including, without limitation, making such changes or modifications in the form adopted herein as may be necessary or appropriate.

Section 7. The County shall establish, hold and maintain a debt service reserve fund (the "Debt Service Reserve Fund"), which Debt Service Reserve Fund is hereby pledged as security for payment of principal and interest on the Bond, if required by USDA. The Debt Service Reserve Fund shall be funded by the County in accordance with the requirements of USDA.

Section 8. The County shall levy or cause to be levied upon all real and tangible personal property within its boundaries subject to assessment for taxation ad valorem taxes in rate and amount sufficient in each and every fiscal year in which the Bond is outstanding to provide for the prompt payment, when due, of the principal of and interest on the Bond; and if the proceeds from the taxes so levied in any fiscal year should be 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 County are hereby irrevocably and unconditionally pledged to the prompt payment of the principal of and interest on the Bond as and when such Bond shall 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 pay the debt service requirements on the Bond. The County hereby covenants and agrees with the registered owner or owners of the Bond 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 the Bond remains outstanding and unpaid to provide the funds necessary to pay promptly the principal thereof and the interest due thereon. The County 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 legally available source, if such funds are available for the purpose of assisting the County 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.

Section 9. (a) The President of the Board and the County Administrator of the County (the "County Administrator") shall be the officials of the County responsible for the issuance of the Bond within the meaning of Section 1.148-2 of the Arbitrage Regulations (defined below). The President of the Board and the County Administrator shall also be the officials of the County responsible for the execution and delivery on the date of the issuance of the Bond of a certificate or certificates of the County (the "Tax and Section 148 Certificate") that complies with the requirements of Section 148 ("Section 148") of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable regulations thereunder (the "Arbitrage Regulations"), and such officials 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 Bond on the date of issuance of the Bond.

(b) The County shall set forth in the Tax and Section 148 Certificate its reasonable expectations as to relevant facts, estimates and circumstances relating to the use of the proceeds of the Bond or of any monies, securities or other obligations on deposit to the credit of any account of the County which may be deemed to be proceeds of the Bond pursuant to Section

148 or the Arbitrage Regulations (the "Bond Proceeds"). The County covenants that the facts, estimates and circumstances set forth in the Tax and Section 148 Certificate will be based on the County's reasonable expectations on the date of the issuance of the Bond, and will be, to the best of the certifying officials' knowledge, true and correct as of that date.

(c) The County covenants and agrees with the registered owner or owners of the 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 Bond to be an "arbitrage bond" within the meaning of Section 148 and the Arbitrage Regulations. The County further covenants that it will comply with Section 148 and the Arbitrage Regulations which are applicable to the Bond on the date of issuance thereof and which may subsequently be made applicable thereto as long as the Bond remains outstanding and unpaid. The President of the Board and the County Administrator are hereby authorized and directed to prepare or cause to be prepared and to execute any certification, opinion or other document, including, without limitation, the Tax and Section 148 Certificate, which may be required to assure that the Bond will not be deemed to be an "arbitrage bond" within the meaning of Section 148 and the Arbitrage Regulations. All officers, employees and agents of the County 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 Bond as may be necessary or appropriate from time to time to comply with, or to evidence the County's compliance with, the covenants set forth in this Section.

(d) The County further covenants that it shall make such use of the proceeds of the 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 such Bond.

(e) The County further covenants with the registered owner or owners of the Bond (i) 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 Bond or a portion of the Bond to be "federally guaranteed" within the meaning of Section 149(b) of the Code, and (ii) 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 Bond or a portion of such proceeds that would cause the Bond or a portion of the Bond to be a "private activity bond" within the meaning of Section 141(a) of the Internal Revenue Code of 1986, as amended.

(f) The President of the Board may make such covenants or agreements in connection with the issuance of the Bond as he shall deem advisable in order to assure the registered owner or owners of the 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 County so long as the observance by the County of any such covenants or agreements is necessary in connection with the maintenance of the exclusion of the interest on the Bond from gross income for federal income tax purposes. The foregoing covenants and agreements may include such covenants or agreements on behalf of the County regarding compliance with the provisions of the Code, as the President of the Board shall deem advisable in order to assure the registered owner or owners of the 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 of America, 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. Such covenants and agreements may be set forth in a Tax and Section 148 Certificate.

Section 10. The President of the Board and any other authorized official of the County are hereby authorized to enter into any additional agreements which they deem to be necessary or desirable in order to carry out the provisions of this Resolution.

[Remainder of page left blank intentionally]

Section 11. This Resolution was read and passed this 29th day of November, 2016.

[SEAL]

COUNTY COMMISSIONERS OF KENT COUNTY

William W. Pickrum, President

Ronald H. Fithian, Member

William A. Short, Member

ATTEST:

Clerk to the County Commissioners
of Kent County

[Signature page to Resolution]