

1/3/12

**RESOLUTION NO. 2012-01**

A RESOLUTION OF THE TOWN OF KEEDYSVILLE, a municipal corporation of the State of Maryland, to issue and sell, upon its full faith and credit, its general obligation installment bond in the aggregate principal amount of One Million Nine Hundred Twenty-two Thousand Two Hundred Dollars (\$1,922,200.00), pursuant to the authority of Sections 31 to 37, inclusive, of Article 23A of the Annotated Code of Maryland (West 2002, as replaced, supplemented or amended), Sections 59 and 60 of the Charter of the Town of Keedysville, as published in Municipal Charters of Maryland, Volume 5, 2008 Replacement Edition, as replaced, supplemented or amended, and Ordinance No. 406, passed by the Council of the Town on April 3, 2006, approved by the Mayor of the Town on April 3, 2006 and effective on April 24, 2006, the bond to be designated "The Town of Keedysville Water System Improvements Bond of 2012", for the public purpose of refinancing costs of enhancing and improving the Town's water system, including (without limitation) by constructing a new water tank and pump system and replacing a water main and, in connection therewith, acquiring or paying for, as applicable, necessary property rights and equipment, related site and utility improvements, related architectural, financial, legal, planning, design, engineering and construction expenses, and costs of issuance; prescribing the form and tenor of the bond and the terms and conditions for the issuance and sale thereof at private negotiated sale without advertisement or publication of notice of sale to the United States of America on its own behalf or acting through any department, division, agency or instrumentality thereof; providing that the bond will be payable in the first instance from revenues received by the Town in connection with the operation of the Town's water system; providing for the levy and collection of ad valorem taxes sufficient for the prompt payment of the principal of and interest on the bond; providing that the full faith and credit and unlimited taxing power of the Town shall be irrevocably pledged to the payment of such principal and interest; providing that principal of and interest on the bond may be payable from other sources legally available for that purpose; making or providing for certain representations, certifications, determinations, designations, elections and filings relating to the tax-exempt status of the bond; providing for the prepayment of a certain bond anticipation note of the Town; authorizing and directing certain officials to approve and to amend, modify and replace from time to time written post-issuance tax compliance procedures pertaining to the bond and other non-conduit tax-exempt obligations of the Town; and generally relating to the issuance, sale, delivery and payment of and for the bond.

**RECITALS**

**WHEREAS**, The Town of Keedysville, a municipal corporation of the State of Maryland (the "Town"), is authorized and empowered by Sections 31 to 37, inclusive, of Article 23A of the Annotated Code of Maryland (West 2002, as replaced, supplemented or amended) (the "Enabling Act") and Sections 59 and 60 of the Charter of the Town of Keedysville, as published in Municipal Charters of Maryland, Volume 5, 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**, pursuant to Ordinance No. 406, passed pursuant to the authority of the Enabling Act and the Charter by the Council of the Town (the "Council") on April 3, 2006, approved by the Mayor of the Town (the "Mayor") on April 3, 2006 and effective on April 24, 2006 (the "Ordinance"), the Town authorized the issuance and sale, upon its full faith and credit, of one or more general obligation bonds, in one or more series, in an aggregate principal amount not to exceed One Million Nine Hundred Twenty-two Thousand Two Hundred Dollars (\$1,922,200.00) (the "Authorized Bonds"); and

**WHEREAS**, the Ordinance provides that the proceeds of the sale of the Authorized Bonds are to be used and applied for the public purpose of financing, refinancing or reimbursing all or a portion of the cost of enhancing and improving the Town's water system, including (without limitation) by constructing a new water tank and pump system and replacing a water main and, in connection therewith, acquiring or paying for, as applicable, necessary property rights and equipment, related site and utility improvements, related architectural, financial, legal, planning, design, engineering and construction expenses, costs of issuance and, if the Council so determines in a subsequent resolution, interest during construction and for a reasonable period thereafter (collectively, the "Authorized Project"); and

**WHEREAS**, pursuant to the Enabling Act, the Charter, Section 12 of Article 31 of the Annotated Code of Maryland (West 2002, as replaced, supplemented or amended), the Ordinance and a Resolution adopted by the Council on August 2, 2010 and effective on August 2, 2010, the Town issued and delivered to Susquehanna Bank on September 22, 2010 its \$1,922,000.00 The Town of Keedysville Water System Improvements Bond Anticipation Note of 2010 (the "Note") for the purpose of financing or reimbursing certain costs of the Authorized Project on an interim basis; and

**WHEREAS**, the Note is scheduled to mature on September 22, 2012, and the Town has the right to prepay the Note in whole or in part at any time upon ten (10) days prior written notice; and

**WHEREAS**, the Note was structured as a draw-down obligation and the Town has (or will have prior to issuance of the Bond provided for herein) submitted its final draw request under the Note; and

**WHEREAS**, with the consent of the United States of America, acting through the United States Department of Agriculture, and in accordance with Section 2 of the Ordinance, the Town desires to issue an Authorized Bond, in the form of a single general obligation installment bond in the amount of One Million Nine Hundred Twenty-two Thousand Two Hundred Dollars (\$1,922,200.00) and to apply proceeds of the same to prepay principal of the Note and interest thereon; and

**WHEREAS**, in accordance with Section 3 of the Ordinance, the Town has determined that it is in the best interests of the Town and its citizens to sell an Authorized Bond at private negotiated sale without advertisement or publication of notice of sale to the United States of America on its own behalf or acting through any department, division, agency or instrumentality thereof, based on the beneficial interest rate and other beneficial terms offered by such purchaser.

**NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE TOWN OF KEEDYSVILLE, that:**

SECTION 1. The Recitals to this Resolution are incorporated by reference herein and deemed a substantive part of this Resolution. Capitalized terms used in the Sections of this Resolution and not otherwise defined herein shall have the meanings given to such terms in the Recitals.

SECTION 2. Pursuant to the authority of the Enabling Act, the Charter and the Ordinance, the Town hereby determines to borrow money and incur indebtedness for the public purpose of refinancing a portion of the costs of enhancing and improving the Town's water system, including (without limitation) by constructing a new water tank and pump system and replacing a water main and, in connection therewith, acquiring or paying for, as applicable, necessary property rights and equipment, related site and utility improvements, related architectural, financial, legal, planning, design, engineering and construction expenses, and costs of issuance (collectively, the "Project"). The Town will effect such refinancing by applying proceeds of the Bond identified in Section 3 hereof to the prepayment in whole of outstanding principal of the Note and accrued interest thereon prior to maturity, thereby providing permanent financing for a portion of the costs of the Project. Proceeds of the Bond will be applied first to prepay principal of the Note and then to pay accrued interest; to the extent additional funds are needed to fully effect the prepayment of the Note, such additional funds shall be applied to pay interest on the Note or as otherwise required by the United States of America, acting through the United States Department of Agriculture. To the extent proceeds of the Bond are more than sufficient to prepay the outstanding principal balance of the Note and accrued interest thereon, such additional proceeds shall be applied to pay costs of issuance or as otherwise required by the United States of America, acting through the United States Department of Agriculture.

SECTION 3. To evidence the borrowing and indebtedness authorized in Section 2 of this Resolution, the Town, acting pursuant to the authority of the Enabling Act, the Charter and the Ordinance, shall issue and sell, upon its full faith and credit, a general obligation installment bond in the aggregate principal amount of One Million Nine Hundred Twenty-two Thousand Two Hundred Dollars (\$1,922,200.00), to be known as "The Town of Keedysville Water System Improvements Bond of 2012" (the "Bond"). The proceeds of the sale of the Bond shall be used and applied as described in the Recitals to this Resolution and as provided in Section 2 hereof.

SECTION 4. The Bond shall be issued and sold upon the full faith and credit of the Town, shall be dated the date of delivery, and shall be issued in the form of a single fully-regulated installment bond, without coupons attached, in the principal denomination of One Million Nine Hundred Twenty-two Thousand Two Hundred Dollars (\$1,922,200.00). The Bond shall bear interest on the unpaid principal balance from its date at the rate of three and seventy-five hundredths percent (3.75%) per annum. The principal of and interest on the Bond shall be paid in one hundred sixty (160) quarterly installments of Twenty-three Thousand Two Hundred Fifty-nine Dollars (\$23,259.00) each. Notwithstanding the foregoing, the last such installment payable on the Bond shall be in such greater or lesser amount as is calculated to be necessary to fully amortize principal and interest due on the Bond. The first installment of principal and

interest on the Bond shall be due and payable on the date three months following the date of delivery of the Bond (or such earlier date occurring within the third month following the date of issuance of the Bond as may be required by the Purchaser (as defined in Section 9 hereof) in accordance with applicable law and regulations) and subsequent installments of principal and interest shall be payable at three-month intervals thereafter until the principal of and interest on the Bond are fully paid, except that the final installment of the entire indebtedness evidenced by the Bond, if not sooner paid, shall be due and payable on the date that is forty (40) years from the date of issuance of the Bond (or such earlier date occurring within the month in which the 40<sup>th</sup> anniversary of the date of issuance of the Bond occurs as may be required by the Purchaser in accordance with applicable law and regulations), and except that prepayments may be made as provided in Section 5 of this Resolution.

SECTION 5. The Town shall have the right to prepay scheduled installments, or any portion thereof, at any time at par without premium or penalty. Prepayments and any refunds or extra payments, as designated in the regulations of the United States of America according to the source of funds involved shall, after payment of interest then due on the Bond, be applied to the installments of principal last to become due under the Bond and shall not affect the obligation of the Town to pay the remaining principal of and interest on the Bond as and when due. Notice of prepayment shall be given at least thirty (30) days prior to the prepayment date (or such fewer number of days as is acceptable to the registered owner of the Bond) by mailing to the registered owner a notice fixing the prepayment date and the amount to be prepaid.

SECTION 6. The Bond shall be executed in the name of the Town and on its behalf by the Mayor. The corporate seal of the Town shall be affixed to the Bond and attested to by the signature of the Clerk-Treasurer of the Town (the "Clerk-Treasurer"). The principal of and interest on the Bond shall be paid by check or draft mailed (by depositing such check or draft, correctly addressed and postage prepaid, in the United States mail on or before the payment date) to the registered owner at its address as it appears in the books kept for that purpose at the office of the Clerk-Treasurer, if such address is within the United States of America; otherwise, the principal of and interest on the Bond shall be paid at the office of the Clerk-Treasurer in Keedysville, Maryland. For so long as the registered owner of the Bond is the United States of America, acting through any department, division, agency or instrumentality thereof, principal of and interest on the Bond shall be paid through the Preauthorized Debit (PAD) process, unless otherwise required by such registered owner. Notwithstanding the foregoing, the Clerk-Treasurer and the registered owner may agree to any other commercially reasonable method of payment of principal of and interest on the Bond (including, by way of illustration and not in limitation, by wire or electronic funds transfer). In the event any official whose signature appears on the Bond shall cease to be such official prior to delivery of the Bond, or, in the event any official whose signature appears on the Bond shall have become such official after the date of issue thereof, the Bond shall, nevertheless, be a valid and legally binding obligation of the Town in accordance with its terms.

SECTION 7. The Bond shall be transferable only upon the books kept for that purpose by the Clerk-Treasurer at the Town office, by the registered owner thereof in person or by his duly authorized attorney, upon surrender thereof, together with a written instrument of transfer satisfactory to the Clerk-Treasurer, duly executed by such registered owner or duly authorized

attorney. At the expense of any transferor, other than the United States of America on its own or acting through any department, division, agency or instrumentality thereof, the Town shall, within a reasonable time, issue in the name of the transferee a new registered bond or bonds, in denominations of \$100.00 and integral multiples thereof and in such odd denomination or denominations as may be requested by the transferee and approved by the Clerk-Treasurer on behalf of the Town, or as otherwise required by the regulations of the United States of America, if applicable, in an aggregate principal amount equal to the unpaid principal amount of the Bond surrendered, and with the same maturity, series, installment payment dates 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 the bonds of the same series bearing interest at the same rate on such 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 of the same series bearing interest at the same rate then outstanding and unpaid, or as otherwise required by the regulations of the United States of America, as applicable. No Bond shall be transferred upon the books kept by the Town except upon payment of any taxes on, and any shipping or insurance expenses relating to, such transfer; provided, however, that if the United States of America or any department, division, agency or instrumentality thereof is the owner of the bond or bonds sought to be transferred, the costs thereof shall be borne by the Town. In the event the Bond is ever transferred or exchanged for more than one bond of such series, references in this Resolution to the "Bond" shall be deemed to refer to all bonds of such series and references in this Resolution to the "owner" of the Bond shall be deemed to refer to the registered owners of all bonds of the same series as the Bond, as the context requires.

SECTION 8. Except as provided hereinafter or in a resolution or resolutions of the Council adopted prior to the issuance of the Bond, the Bond shall be issued in substantially the form attached hereto as Exhibit A and incorporated by reference herein. Appropriate variations and insertions shall be made by the Mayor to provide dates, numbers and amounts, and modifications not altering the substance of the Bond may be made by the Mayor. All of the covenants contained in Exhibit A, as such form may be modified and finally executed and delivered as provided in this Resolution, are hereby adopted by the Town as and for the form of obligation to be incurred by the Town, and the covenants and conditions are hereby made binding upon the Town, including the promise to pay therein contained.

SECTION 9. The Bond shall be sold at a private negotiated sale without advertisement or publication of notice of sale to the United States of America on its own behalf or acting through any department, division, agency or instrumentality thereof (the "Purchaser") at a price of par.

SECTION 10. As soon as may be practicable, the Bond shall be suitably prepared in definitive form, executed and delivered to the Purchaser upon receipt of the purchase price therefor. The Mayor, the Assistant Mayor, the Clerk-Treasurer and all other appropriate officials and employees of the Town are expressly authorized, empowered and directed to take any and all action necessary to complete and close the award, sale and delivery of the Bond to the Purchaser and to carry out and effectuate the transactions contemplated hereby, and to negotiate, execute and deliver all documents, certificates and instruments necessary or appropriate in connection

therewith, including, without limitation, making such changes or modifications in the form of Bond adopted herein as may be necessary or appropriate to comply with United States of America regulations, practices and policies applicable from time to time.

SECTION 11. The proceeds of the sale of the Bond shall be paid (i) directly to the Town and shall be deposited by the Clerk-Treasurer or other appropriate municipal official in the proper municipal accounts and/or (ii) directly to a third party at the direction of the Mayor (or the Assistant Mayor in the absence of the Mayor) and/or the Clerk-Treasurer. The proceeds of the sale of the Bond are hereby appropriated for the purposes set forth in this Resolution and shall be used and applied by the Town exclusively and solely for the public purpose described in Section 2 hereof. If the proceeds received from the sale of the Bond exceed the amount actually expended or required for such public purpose, the amount of such unexpended excess shall be applied to the prepayment of the Bond, unless a supplemental ordinance is enacted by the Council to provide for the expenditure of that excess for some other valid purpose authorized by the Enabling Act and the Charter, and except that the unexpended excess shall be applied in accordance with United States of America regulations, practices and policies applicable from time to time.

SECTION 12. The principal of and interest on the Bond will be payable in the first instance from revenues received by the Town in connection with the operation of the Town's water system. In the event such revenues are or will be insufficient in any fiscal year to provide for the prompt payment, when due, of the principal of and interest on the Bond, the Town 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. The full faith and credit and unlimited taxing power of the Town 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 Town hereby covenants and agrees with the registered owner of the Bond to take any action that may be lawfully appropriate from time to time during the period that the Bond remains outstanding and unpaid to provide the funds necessary to pay promptly the principal and interest due thereon. The Town hereby covenants and agrees with the registered owner of the Bond to levy and collect the taxes hereinabove described. The foregoing provisions shall not be construed so as to prohibit the Town from paying the principal of and interest on the Bond from the proceeds of the sale of any other obligations of the Town or from any other funds legally available for that purpose. The Town 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 Town for the purpose of assisting the Town in accomplishing the type of project or projects which the Bond is issued to refinance or are otherwise available for such purpose, and to the extent of any such funds received or receivable in any fiscal year, the taxes hereby required to be levied may be reduced proportionately.

SECTION 13. (a) The Mayor and the Clerk-Treasurer are the officials of the Town responsible for the issuance of the Bond within the meaning of Section 1.148-2(b)(2) of the Arbitrage Regulations (defined below). The Mayor and the Clerk-Treasurer also shall be the officials of the Town responsible for the execution and delivery (on the date of the issuance of the Bond) of a certificate of the Town (the "Section 148 Certificate") that complies with the requirements of Section 148 of the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder (the "Arbitrage Regulations"); and such officials are hereby authorized and directed to execute and deliver the Section 148 Certificate to counsel rendering an opinion on the validity of the Bond on the date of the issuance of the Bond.

(b) The Town shall set forth in the 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 to the credit of any account of the Town which may be deemed to be proceeds of the Bond pursuant to Section 148 or the Arbitrage Regulations (collectively, the "Bond Proceeds"). The Town covenants with the registered owner of the Bond that the facts, estimates and circumstances set forth in the Section 148 Certificate will be based on the Town's reasonable expectations on the date of issuance of the Bond and will be, to the best of the certifying officials' knowledge, true and correct as of that date.

(c) The Town covenants with the registered owner 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, and that it will comply with those provisions of Section 148 and the Arbitrage Regulations as may be applicable to the Bond on the date of issuance and which may subsequently lawfully be made applicable to the Bond as long as the Bond remains outstanding and unpaid.

(d) In connection with their execution and delivery of the Section 148 Certificate, either or both of the authorized officials identified in this Section 13 are hereby authorized and empowered, on behalf of the Town, to make any designations, elections, determinations or filings on behalf of the Town provided for in or permitted by the Internal Revenue Code of 1986, as amended, and the Arbitrage Regulations and to reflect the same in the Section 148 Certificate and/or the IRS Form 8038-G filed in connection with the issuance of the Bond or any other documentation deemed appropriate by bond counsel to the Town.

(e) The Town covenants that it will comply with the provisions of the Internal Revenue Code of 1986, as amended, applicable to the Bond, including, without limitation, compliance with provisions regarding the timing of the expenditure of the proceeds of the Bond, the use of such proceeds and the facilities refinanced with such proceeds, the restriction of investment yields, the filing of information with the Internal Revenue Service, and the rebate of certain earnings resulting from the investment of the proceeds of the Bond or payments in lieu thereof. The Town 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 lawful actions as may be required to maintain the exemption from federal income taxation of interest on the Bond. All appropriate officers, employees and agents of the Town are hereby authorized and directed 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.

SECTION 14. For purposes of Section 148(f)(4)(D) of the Internal Revenue Code of 1986, as amended (relating to the exception for small governmental units from the arbitrage rebate requirement) the Town represents and certifies that (i) the Town has general taxing powers, (ii) the Bond is not a "private activity bond" within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended, (iii) at least ninety-five percent (95%) of the proceeds of the Bond are to be used for local governmental activities of the Town, and (iv) the aggregate face amount of all tax-exempt bonds (other than private activity bonds) issued by the Town (and all on-behalf-of issuers and subordinate entities of the Town) during calendar year 2012 is not reasonably expected to exceed Five Million Dollars (\$5,000,000).

SECTION 15. The Mayor (or the Assistant Mayor in the absence of the Mayor) and the Clerk-Treasurer, on behalf of the Town, are hereby each individually authorized to take all action necessary to effectuate the prepayment of the Note, including (without limitation) giving any notices required in connection with such prepayment. Any prior action taken by one or both of such officials in connection with giving notice of prepayment of the Note is hereby ratified, confirmed and approved.

SECTION 16. The Mayor and the Clerk-Treasurer, on behalf of the Town, working with bond counsel to the Town, are hereby authorized and directed in connection with the issuance of the Bond to provide for the preparation and approval of comprehensive written post-issuance tax compliance procedures to be followed with respect to the Bond and other outstanding tax-exempt obligations of the Town and tax-exempt obligations of the Town to be issued in the future, excluding conduit issues. The Mayor and the Clerk-Treasurer's approval of such written procedures shall be evidenced conclusively by their signature thereon. The Mayor and the Clerk-Treasurer, on behalf of the Town, working with bond counsel to the Town, are hereby further authorized and empowered to approve the amendment, modification or replacement of the then-existing post-issuance tax compliance procedures from time to time, such approval to be evidenced conclusively by such officials' signatures thereon. Any such post-issuance tax compliance procedures shall be maintained in the records of the Town but need not be filed in any court records.

SECTION 17. References in this Resolution to the Clerk-Treasurer shall be deemed to be to the official of the Town often referred to as the Town Administrator, unless (i) there is no separately appointed Town Administrator and/or (ii) a separate Clerk-Treasurer (A) has been appointed in accordance with the Charter and (B) the applicable provisions of the Charter and any applicable provisions of the Town Code require that the Clerk-Treasurer exercise any of the specific rights, duties and obligations assigned to the Clerk-Treasurer in this Resolution.

SECTION 18. This Resolution shall become effective immediately upon its adoption.

[SIGNATURES ON THE FOLLOWING PAGE]



**COUNCIL OF THE TOWN OF  
KEEDYSVILLE**



[SEAL]

ATTEST:

*Nirah L. G...*  
Clerk-Treasurer

*[Signature]*  
Mayor

*[Signature]*  
Assistant Mayor

*[Signature]*  
Councilmember

*[Signature]*  
Councilmember

\_\_\_\_\_  
Councilmember

Introduced: 1/3/12, 2012  
Adopted: 1/3/12, 2012  
Effective: 1/3/12, 2012

(Form of Bond)

\$1,922,200.00

No. R-\_\_\_\_\_

REGISTERED

UNITED STATES OF AMERICA

STATE OF MARYLAND

THE TOWN OF KEEDYSVILLE

Water System Improvements Bond of 2012

Dated \_\_\_\_\_, 2012

PAYMENTS OF PRINCIPAL OF AND INTEREST ON THIS BOND ARE MADE BY CHECK OR DRAFT TO THE REGISTERED OWNER OR BY OTHER COMMERCIALY REASONABLE METHOD 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.

THE TOWN OF KEEDYSVILLE, a municipal corporation of the State of Maryland (the "Town"), hereby acknowledges itself indebted and for value received promises to pay to \_\_\_\_\_, the registered owner, the principal amount of \_\_\_\_\_ Dollars (\$\_\_\_\_\_), plus interest on the unpaid balance from the date hereof at the rate of \_\_\_\_\_ percent (\_\_\_\_%) per annum. The principal of and interest on this bond shall be paid in quarterly installments of \$\_\_\_\_\_ each, commencing on \_\_\_\_\_, \_\_\_\_\_ and each \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ thereafter until the principal of and interest on this bond are fully paid (provided that the last such installment shall be in such greater or lesser amount as is calculated to be necessary to fully amortize principal and interest due on this bond), except that the final installment of the entire indebtedness evidenced by this bond, if not sooner paid, shall be payable on \_\_\_\_\_, 2052, and except that prepayments may be made as provided below.

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 check or draft mailed (by depositing such check or draft, correctly addressed and postage prepaid, in the United States mail on or before the payment date) to the registered owner at his address as it appears in the books kept for that purpose at the Clerk-Treasurer of the Town (the "Clerk-Treasurer"), if such address is within the United States of America and otherwise, the principal of and interest on this bond shall be paid at the Town office in Keedysville, Maryland, unless the registered owner and the Clerk-Treasurer agree to a different place or manner of payment; provided that, for so long as the registered owner is the United States of America, acting through any department, division, agency or instrumentality thereof, principal and interest on this bond shall be paid through the

Preauthorized Debit (PAD) process, unless such registered owner requires a different payment process.

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 (West 2002, as replaced, supplemented or amended), Sections 59 and 60 of the Charter of the Town of Keedysville, as published in Municipal Charters of Maryland, Volume 4, 2008 Replacement Edition, as replaced, supplemented or amended, and by virtue of due proceedings had and taken by the Town, particularly Ordinance No. 406, passed by the Council of the Town (the "Council") on April 3, 2006, approved by the Mayor of the Town on April 3, 2006 and effective on April 24, 2006 (the "Ordinance"), and a Resolution, adopted by the Council on \_\_\_\_\_, 2012 and effective on \_\_\_\_\_, 2012 (the "Resolution").

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

The payment of the principal of and interest on this bond shall be provided for in the first instance from revenues received by the Town in connection with the operation of the Town's water system. In the event such revenues are or will be insufficient to pay the principal of and interest on this bond, the Town shall levy and collect, in each and every fiscal year in which this bond is 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 such payments when due. In the event the proceeds from the taxes so levied in any fiscal year are inadequate for such purpose, the Town shall levy additional taxes in the succeeding fiscal year to make up any deficiency.

This bond is transferable only upon the books kept for that purpose at the Town office 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-Treasurer, duly executed by the registered owner or his duly authorized attorney. At the expense of any transferor, other than the United States of America or any department, division, agency or instrumentality thereof, the Town shall, within a reasonable time, issue in the name of the transferee a new registered bond or bonds, in denominations of \$100.00 and integral multiples thereof and in such odd denomination or denominations as may be requested by the transferee and approved by the Clerk-Treasurer on behalf of the Town, or as otherwise required by the regulations of the United States of America, if applicable, in an aggregate principal amount equal to the unpaid principal amount of the bond or bonds of the same series surrendered, and with the same maturities, installment payment dates 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 such payment date shall be equal to the product of the following formula: the total installment due on the bonds of the same series bearing interest at the same rate on such 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 the bonds of the

same series bearing interest at the same rate then outstanding and unpaid, or, if the registered owner is the United States of America or any department, division, agency or instrumentality thereof, as otherwise required by the regulations of the United States of America, as applicable. Except for transfers made by the United States of America on its own behalf or acting through any department, division, agency or instrumentality thereof, 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 Town 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 Town has the right to prepay scheduled installments, or any portion thereof, at any time at par without premium or penalty. Prepayments (and, if this bond is registered in the name of the United States of America or any department, division, agency or instrumentality thereof, any refunds or extra payments, as designated in the regulations of the United States of America according to the source of funds involved) shall, after payment of interest then due on this bond, be applied to the installments of principal last to become due under this bond and shall not affect the obligation of the Town to pay the remaining principal of and interest on this bond as and when due. Notice of prepayment shall be given at least thirty (30) days prior to the prepayment date (or such fewer number of days as is acceptable to the registered owner of this bond) by mailing to the registered owner a notice fixing the prepayment date and the amount to be prepaid.

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Maryland, the Charter of the Town, the Ordinance 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 Town, is within every debt and other limit prescribed by said Constitution or statutes or Charter.

IN WITNESS WHEREOF this bond has been executed by the manual signature of the Mayor of The Town of Keedysville and the corporate seal of The Town of Keedysville has been affixed hereto, attested by the manual signature of the Clerk-Treasurer, all as of this \_\_\_\_ day of \_\_\_\_\_, 2012.

(SEAL)

ATTEST:

THE TOWN OF KEEDYSVILLE

\_\_\_\_\_  
Clerk-Treasurer

By: \_\_\_\_\_  
Mayor

(Form of Transfer)

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ the within bond and all rights thereunder and does hereby constitute and appoint \_\_\_\_\_ to transfer the within bond on the books of the Town kept for the registration thereof, with full power of substitution in the premises.

Dated:

In the presence of:

\_\_\_\_\_

\_\_\_\_\_(SEAL)  
Notice: The signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular without alteration or enlargement or any change what ever.