ORDINANCE NO. 2014-04

PRESIDENT AND COMMISSIONERS
OF PRINCESS ANNE

GENERAL OBLIGATION REFUNDING BOND,
SERIES 2014A

ORDINANCE OF PRESIDENT AND COMMISSIONERS OF PRINCESS ANNE, A MUNICIPALITY OF THE STATE OF MARYLAND (THE "TOWN"), TO AUTHORIZE AND EMPOWER THE TOWN TO ISSUE AND SELL ITS GENERAL OBLIGATION BOND IN THE INITIAL PRINCIPAL AMOUNT NOT TO EXCEED $700,000, TO BE KNOWN AS "PRESIDENT AND COMMISSIONERS OF PRINCESS ANNE GENERAL OBLIGATION REFUNDING BOND, SERIES 2014A" (THE "BOND"), TO PNC BANK, NATIONAL ASSOCIATION, PURSUANT TO THE AUTHORITY OF SECTION 816 OF THE CHARTER OF THE TOWN, SECTIONS 19-301 to 19-309, INCLUSIVE, OF THE LOCAL GOVERNMENT ARTICLE OF THE ANNOTATED CODE OF MARYLAND AND SECTION 19-207 OF THE LOCAL GOVERNMENT ARTICLE OF THE ANNOTATED CODE OF MARYLAND, FOR THE PURPOSE OF (1) REFUNDING (A) THE TOWN'S PUBLIC IMPROVEMENT BONDS, 2001 SERIES A, AND (B) THE TOWN'S INFRASTRUCTURE NOTE, 1990, AS MODIFIED, INCLUDING PAYING ALL INTEREST PAYABLE IN CONNECTION WITH SUCH REFUNDING, AND (2) PAYING COSTS OF ISSUANCE OF THE BOND, OTHER COSTS OF REDEMPTION AND OTHER RELATED COSTS; PROVIDING THAT THE BOND SHALL BE ISSUED UPON THE FULL FAITH AND CREDIT OF THE TOWN; PROVIDING FOR THE DISBURSEMENT OF THE PROCEEDS OF THE SALE OF THE BOND AND FOR THE LEVY OF ANNUAL TAXES UPON ALL THE ASSESSABLE PROPERTY WITHIN THE TOWN OF PRINCESS ANNE FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BOND AS AND WHEN THE SAME SHALL BECOME DUE AND PAYABLE; PROVIDING FOR THE FORM, INTEREST RATE, MATURITY DATE AND OTHER PROVISIONS OF THE BOND; AND FOR RELATED PURPOSES.

RECITALS

The President and Commissioners of Princess Anne (the "Town") is a municipality of the State of Maryland organized and operating under a charter (the "Charter") adopted in accordance with Article XI-E of the Constitution of Maryland and Article 23A of the Annotated Code of Maryland (now codified as Title 4 of the Local Government Article of the Annotated Code of Maryland, as amended (the "Local Government Article")).

In 1990, the Community Development Administration ("CDA") issued its Community Development Administration Infrastructure Financing Bonds (Capital Guaranty Insured), 1990 Series A (the "1990 CDA Bonds") and lent a portion of the proceeds of the 1990 CDA Bonds in the original principal amount of $526,336 to the Town, as evidenced by the Town's Infrastructure Note, 1990, dated as of January 1, 1990 (the "1990 CDA Note").

In 1998, CDA refunded the 1990 CDA Bonds and as a result reduced the interest payable by the Town under the 1990 CDA Note.

On January 26, 2001, the Town issued and sold its Public Improvement Bonds, 2001 Series A, in the original principal amount of $500,000 (the "2001 USDA Bonds") to the United States of America, acting through the Rural Utilities Service, United States Department of Agriculture (collectively, the "USDA").

Under Section 816 of the Charter, the Town is given the power to borrow upon the faith and credit of the Town sums not exceeding 8% of the annual assessable tax base of the Town at any one time outstanding for the purposes set forth in the Charter.

The Town is authorized and empowered by Sections 19-301 to 19-309 of the Local Government Article to borrow money for any proper public purpose and to evidence such borrowing by the issuance and sale of its general obligation bonds in the manner therein described, subject to the provisions of the Charter of the Town.

Section 19-207 of the Local Government Article (the "Refunding Act") provides that a municipality authorized to issue bonds may issue new bonds to refund its outstanding bonds.

Refunding bonds may be issued under the authority of the Refunding Act for the public purpose of:

(a) Realizing for the municipality a savings in the total cost of debt service on a direct comparison or present value basis; or

(b) Debt restructuring that reduces the total cost of debt service; or

(c) Debt restructuring that the municipality determines is in its best interests, is consistent with its long-term financial plan, and realizes a financial objective of the municipality, including improvement of the relationship of debt service to a source of payment such as taxes, assessments, or other charges.

The Refunding Act further provides that (A) the power to issue refunding bonds under such section is in addition to any other power to borrow, and (B) the procedures for the issuance of refunding bonds shall be the same as those applicable to the bonds or other obligations being refunded, except that refunding bonds may be sold at private sale without soliciting bids if the municipality determines in a public meeting that such procedure is in the public interest.

The Refunding Act further provides that, for the purpose of determining whether refunding bonds issued thereunder are within any limits on debt that applies to the municipality, the amount of bonds that are being refunded shall be subtracted from the municipality's total outstanding debt and the amount of refunding bonds to be issued shall be added to the difference.

The Town has determined that it is in the best interest of the Town to issue its refunding general obligation bonds to refund the 1990 CDA Note and the 2001 USDA Bonds (collectively, the "Refunded Bonds"), including paying all interest payable in connection with the refunding of the Refunded Bonds, and to pay the costs of issuance of such bonds, other costs of redemption and other related costs.

Pursuant to Section 816 of the Charter, Sections 19-301 to 19-309, inclusive, of the Local Government Article and the Refunding Act, the Town has determined to issue its general obligation bond in the aggregate principal amount not to exceed Seven Hundred Thousand Dollars ($700,000), such bond to be designated "President and Commissioners of Princess Anne General Obligation Refunding Bond, Series 2014A" (the "Bond"), for the purpose of refunding the Refunded Bonds, including payment of all interest payable in connection with such redemption, and paying costs of issuance of the Bond, other costs of redemption and other related costs.

It is the intention of the Town by this Ordinance to provide for the issuance and sale of the Bond to PNC Bank, National Association (the "Bank").

NOW, THEREFORE, BE IT ORDAINED BY THE PRESIDENT AND COMMISSIONERS OF PRINCESS ANNE THAT:

SECTION 1

All terms used herein which are defined in the Recitals hereof shall have the meanings given such terms therein.

SECTION 2

The Town shall borrow upon its full faith and credit and shall issue and sell upon its full faith and credit its general obligation bond in an aggregate principal amount not to exceed Seven Hundred Thousand Dollars ($700,000) pursuant to the authority of Section 816 of the Charter, Sections 19-301 to 19-309, inclusive, of the Local Government Article and the Refunding Act, to be known as "President and Commissioners of Princess Anne General Obligation Refunding Bond, Series 2014A" (the "Bond"). The proceeds from the sale of the Bond shall be used for the purpose of refunding the Refunded Bonds, including paying all interest payable in connection with such refunding, and paying costs of issuance of the Bond, other costs of redemption and other related costs. The actual principal amount of the Bond shall be equal to the total of the amounts required for the purposes specified in the preceding sentence, as determined by the President of the Town (the "President") in writing prior to the issuance and delivery of the Bond.

SECTION 3

For the purpose of meeting the debt service requirements on the Bond, and in addition to such funds received from any other source as may from time to time be legally available and allocated for such purpose, the Town shall, if and when such funds are or will be

insufficient for such purpose, levy 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 timely payment 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 in any such fiscal year may prove inadequate for such purposes, 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 is hereby irrevocably pledged to the prompt payment of the maturing principal of and interest on the Bond as and when 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 timely to meet the debt service requirements on the Bond. The Town hereby covenants with the Registered Owner (hereinafter defined) of the Bond to take any action that may be appropriate from time to time during the period that the Bond remains outstanding and unpaid to provide the funds necessary to make the principal and interest payments due thereon and further covenants and agrees to levy and collect the taxes hereinabove described.

SECTION 4

The Bond shall be sold and delivered to PNC Bank, National Association (the "Bank").

SECTION 5

The Bond shall bear interest at the rate of 2.35% per annum, calculated on the basis of a 360-day year of twelve 30-day months, and interest shall be payable on September 1, 2014 and quarterly thereafter on the first day of each December, March, June and September so long as the Bond is outstanding.

SECTION 6

The principal of the Bond shall mature and be due and payable in installments on March 1, 2015 and annually thereafter on the first day of each March. The Bond shall mature on March 1, 2029, subject to redemption prior to maturity at the option of the Town and shall be subject to a mandatory put at the option of the Bank or any successor registered owner of the Bond (each, a "Registered Owner") on March 1, 2024.

SECTION 7

The Bond shall be dated as of the date of its delivery to the Bank, and shall be issued and sold as one fully-registered bond numbered R-1. (The date of delivery of the Bond is expected to be March 25, 2014, and all dates in this Ordinance are based on that expectation. If for any reason the Bond is not delivered on that date, the President is hereby authorized to make adjustments to any or all of such dates.). The Bond shall have the terms, tenor, details and specifications as set forth in the form of the Bond attached hereto as Exhibit A and shall be completed in accordance with the provisions of this Ordinance, with such changes therein as the President shall approve (such approval to be conclusively evidenced by the execution and

delivery of the Bond by the President). The covenants and conditions set forth in such form are incorporated into this Ordinance by reference and shall be binding upon the Town as though set forth in full herein.

SECTION 8

The Town may redeem the principal of the Bond, in whole or in part, at any time, upon at least 10 days' prior written notice to the Registered Owner of the Bond, but only upon payment of the applicable redemption price set forth in the following schedule, expressed as a percentage of the principal amount to be redeemed, together with accrued interest to the date fixed for redemption at the rate stated in the Bond:

| Redemption Dates | Redemption Prices |
|---|---|
| Closing Date to February 28, 2015 | 105% |
| March 1, 2015 to February 29, 2016 | 104% |
| March 1, 2016 to February 28, 2017 | 103% |
| March 1, 2017 to February 28, 2018 | 102% |
| March 1, 2018 to February 28, 2019 | 101% |
| March 1, 2019 and thereafter | 100% |

Any partial redemption shall be applied first to the payment of the principal balance due at the maturity of the Bond and thereafter to the unpaid installments of principal in the inverse order of their maturity.

SECTION 9

The Town has concluded and hereby determines and deems that it is in the best interests of the Town and the residents and taxpayers thereof to sell the Bond at a private negotiated sale pursuant to the Refunding Act. The Bond shall be issued and sold to the Bank, pursuant to the terms and conditions set forth herein, and shall initially be registered in the name of the Bank.

SECTION 10

The Bond shall be executed on behalf of the Town by the manual signature of the President and the seal of the Town shall be affixed thereto and attested by the Town Manager of the Town (the "Town Manager") by her manual signature. If any officer whose signature shall appear on the Bond shall cease to be such officer before the delivery of the Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until such delivery. The President is hereby authorized, empowered and directed to complete the form of the Bond attached hereto as Exhibit A and to make minor corrections thereto in any manner which he, in his discretion, shall deem necessary to complete the issuance and sale thereof, all as may be in the best interest of the Town.

SECTION 11

The Town Manager is hereby appointed and designated as bond registrar for the Bond (the "Bond Registrar"). The Bond Registrar shall maintain books of the Town for the registration and transfer of the Bond. The Bond may not be registered to bearer. In addition, the Town may from time to time, either prior to or following the issuance of the Bond, designate and appoint one or more banks, trust companies, corporations or other financial institutions to act as a substitute or alternate bond registrar or paying agent for the Bond, and any such substitute or alternate shall be deemed to be the Bond Registrar or an alternate Bond Registrar for all purposes specified in the resolution appointing such substitute or alternate. Any such appointment shall be made by the Commissioners by resolution; and the exercise of such power of appointment, no matter how often, shall not be an exhaustion thereof.

SECTION 12

The Bond shall be negotiable, subject to the provisions for registration and transfer contained in this Ordinance and in the Bond, and shall be registered as to both principal and interest. So long as the Bond remains outstanding, the Town shall maintain and keep, at the office of the Bond Registrar, registration books for the registration (including the name and address of the registered owner) and transfer of the Bond. The Bond shall be transferable only upon the registration books maintained by the Bond Registrar, which transfer shall be similarly noted on the registration table attached to the Bond as Exhibit A. At the written request of the Registered Owner or his attorney duly authorized in writing, and upon presentation of the Bond for transfer, together with (i) a written instrument of transfer satisfactory to the Bond Registrar duly executed by such registered owner or attorney and duly authorized in writing and (ii) a Certificate and Acknowledgement of Transferee in the form attached to the Bond as Exhibit B executed by the proposed successor registered owner of the Bond, the Bond Registrar shall cause the Bond to be transferred on the registration books, and the Bond Registrar shall note such transfer on the registration table attached to the Bond.

The Town and the Bond Registrar and the other parties to this transaction may deem and treat the person in whose name the Bond is registered upon the registration books of the Town as the absolute owner of the Bond, whether the Bond is overdue or not, for the purpose of receiving payment of, or on account of, the principal of and premium, if any, and interest on the Bond and for all other purposes, and all such payments so made to any such registered owner or upon its order shall be valid and effectual to satisfy and discharge the liability upon the Bond to the extent of the sum or sums so paid, and neither the Town, the Bond Registrar nor any other party to this transaction or any other person shall be affected by any notice to the contrary.

In the event the Bond is mutilated, lost, stolen or destroyed, the Town may execute a new Bond of like date, maturity, interest rate and denomination as that of the Bond mutilated, lost, stolen or destroyed; provided that, in case the Bond is mutilated, such mutilated Bond shall first be surrendered to the Town, and in the case the Bond is lost, stolen or destroyed, there shall be first furnished to the Town evidence of such loss, theft or destruction satisfactory to the Town, together with indemnity satisfactory to the Town. The Town may charge the registered owner the fees and expenses of the Town, if any, in connection with the foregoing.

SECTION 13

(a) The proceeds of the Bond shall be received by the Town Manager and shall be used, when and as required, to pay:

(i) the principal of and interest on the 1990 CDA Note and the 2001 USDA Bond on their respective redemption dates;

(ii) all fees and expenses of bond counsel and counsel to the Bank in connection with the authorization, issuance and sale of the Bond; and

(iii) all other costs, if any, charged by or for CDA in connection with the redemption of the 1990 CDA Note.

(b) In addition, in connection with the refunding of the 1990 CDA Note, the Town is hereby authorized to enter into an escrow deposit agreement with Manufacturers and Traders Trust Company as escrow deposit agent, in a form to be approved by the President, such approval to be evidenced by his execution and delivery of such escrow deposit agreement. In such event the moneys necessary to redeem the 1990 CDA Note shall be paid by or at the direction of the Town Manager to the escrow deposit agent on the date of delivery of the Bond.

SECTION 14

The provisions of this Ordinance shall constitute a contract with the purchaser and Registered Owner from time to time of the Bond, and this Ordinance shall not be repealed, modified or altered without the consent of the Registered Owner while the Bond or any portion thereof remain outstanding and unpaid.

SECTION 15

(a) The Town covenants that it will not make any use of the proceeds of the Bond or any moneys, securities or other obligations on deposit to the credit of the Town or otherwise which may be deemed by the Internal Revenue Service to be proceeds of the Bond pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and the Income Tax Regulations thereunder (collectively, the "Code"), which would cause the Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code.

(b) The Town further covenants that it will comply with those provisions of Section 148 of the Code which are applicable to the Bond on the date of issuance of the Bond and which may subsequently lawfully be made applicable to the Bond. To the extent that provisions of Section 148 of the Code apply to only a portion of the Bond, proceeds thereof or other moneys, securities or other obligations deemed to be proceeds, it is intended that the covenants of the Town contained in this Section of this Ordinance be construed so as to require the Town to comply with Section 148 of the Code only to the extent of such applicability.

(c) The Town further covenants that it will not (i) take any action, (ii) fail to take any action, or (iii) make any use of the proceeds of the Bond, which would cause the interest on the Bond to be or become subject to federal income taxes in the hands of the Registered Owner thereof.

SECTION 16

For purposes of Section 265(b)(3) of the Code (pertaining to expenses and interest relating to tax-exempt income), the Town hereby designates the Bond as a "qualified tax-exempt obligation" (within the meaning of Section 265(b)(3)(B) of the Code). The Town does not reasonably anticipate issuing, and will not designate, more than $10,000,000 of "qualified tax-exempt obligations" (as defined above) during calendar year 2014.

SECTION 17

So long as the Bank is the registered owner of the Bond, the Town shall deliver to the Bank a copy of its annual audited financial statements for each fiscal year, within one hundred eighty (180) days following the end of such fiscal year. Such audited financial statements shall be prepared without expense to the Bank and shall be prepared in accordance with generally accepted accounting principles applicable to governmental units and shall be certified by the Town Manager or other authorized officer of the Town with an original signature date.

SECTION 18

The officials and employees of the Town are hereby authorized and directed to do all acts and things required of them by the provisions of this Ordinance, for the full, punctual and complete performance of all the terms, covenants and provisions of the Bond and of this Ordinance and to do and perform all acts and to execute, seal and deliver all documents or instruments of writing which may be necessary or desirable to carry out the full intent and purposes of this Ordinance.

SECTION 19

The provisions of this Ordinance are severable, and if any provision, sentence, clause, section or part hereof is held to be illegal, invalid, unconstitutional or inapplicable to any person or circumstance, such illegality, invalidity, unconstitutionality or inapplicability shall not affect or impair any of the remaining provisions, sentences, clauses, sections, or parts of this Ordinance or their application to other persons or circumstances. It is hereby declared to be the legislative intent that this Ordinance would have been enacted if such illegal, invalid or unconstitutional provision, sentence, clause, section or part had not been included herein, and if the person or circumstances to which this Ordinance or any part hereof are in applicable has been specifically exempted therefrom.

SECTION 20

This Ordinance shall take effect immediately at the expiration of 20 days following its approval by the Commissioners. Any copy of this Ordinance duly certified by the Town Manager, or her successor in office, shall constitute evidence of the contents and provisions hereof.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE.]

Passed By the Commissioners: March 6, 2014

Effective Date: March 26, 2014

Garland Hayward, President

Brenda Benton, Town Manager