
**DRINKING WATER
LOAN AND SECURITY AGREEMENT**

By and Between

**MARYLAND WATER QUALITY
FINANCING ADMINISTRATION**

and

[NAME OF PRIVATE BORROWER]

Dated as of _____

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DRINKING WATER LOAN AND SECURITY AGREEMENT

THIS DRINKING WATER LOAN AND SECURITY AGREEMENT, made this ____ day of ____, 200_ between the **MARYLAND WATER QUALITY FINANCING ADMINISTRATION** (the "Administration"), a unit of the Department of the Environment (the "Department") of the State of Maryland (the "State"), and [NAME OF PRIVATE BORROWER], a [CORPORATION OR OTHER ENTITY] organized under the laws of [_____] (the "Borrower").

RECITALS

The Federal Safe Drinking Water Act ("SDWA"), as amended, authorizes the Environmental Protection Agency ("EPA") to award grants to qualifying States to establish and capitalize State drinking water treatment revolving loan funds ("SRFs") for the purpose of providing loans and certain other forms of financial assistance (but not grants) to finance, among other things, the construction and improvement of publicly-owned and privately-owned water supply systems.

As contemplated by the SDWA, the General Assembly of the State has amended the Maryland Water Quality Financing Administration Act, codified at Sections 9-1601 through 9-1622 of the Environment Article of the Annotated Code of Maryland, as amended (the "Act"), establishing an SRF designated the Maryland Drinking Water 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 "borrower" (as defined in the Act) for the purpose of financing all or a portion of the cost of a "water supply system" project (as defined in the Act).

The Borrower, which is a "borrower" within the meaning of the Act, has applied to the Administration for a loan from the Fund to assist in the financing of a certain project or projects of the Borrower (the "Project," as defined herein) which constitutes a "water supply system" within the meaning of the Act. The Project is one designated for funding in an Intended Use Plan promulgated by the Administration in accordance with regulations issued by the EPA pursuant to the SDWA, and the Project conforms to the applicable "county plan" adopted pursuant to the requirements of Subtitle 5 of Title 9 of the Environment Article of the Annotated Code of Maryland, as amended.

The Director of the Administration has determined that the making of a loan to the Borrower for the purpose of assisting the financing of the Project, on the terms and conditions hereinafter set forth, is necessary and desirable in the public interest, will promote the health, safety and welfare of the inhabitants of the State and the United States by assisting in ensuring that public drinking water remains safe, adequate and affordable, and will further the purposes of the SDWA and the Act.

NOW THEREFORE, in consideration of the mutual promises and covenants hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Borrower and the Administration, each intending to be legally bound, hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions.

Unless specifically provided otherwise or the context otherwise requires, when used in this Agreement:

"**Accounts**" shall have the meaning given in Section 2.03.

"**Account Debtor**" means any Person as to whom the Borrower is a creditor, and including any person obligated to the Borrower in respect of any Account, Instrument, Chattel Paper, General Intangible, Investment Property, or Document, and including any maker of any Item of Payment given to the Borrower other than cash, and any guarantor, endorser, or surety and any Person that provides security for any Account, Instrument, Chattel Paper, General Intangible, Investment Property, or Document.

"**Act**" means the Maryland Water Quality Financing Administration Act, Sections 9-1601 through 9-1622 of the Environment Article, Annotated Code of Maryland, and all acts supplemental thereto or amendatory thereof.

"**Administration**" means the Maryland Water Quality Financing Administration, a unit of the Department of the Environment of the State, and its successors and assigns.

"**Administrative Fee**" means the fee payable by the Borrower pursuant to this Agreement for the general administrative services and other functions and expenses of the Administration.

"**Affiliate**" means as to any Person, any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person, and including any Subsidiary of such Person. For purposes of this definition, "control" (and with correlative meanings, the terms "controlling," "controlled by," and "under common control with"), as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through ownership of voting securities, by agreement or otherwise.

"**Agreement**" means this Drinking Water Loan and Security Agreement, including the Exhibits attached hereto and any amendments hereto.

"**Application**" means the application for the Loan submitted by the Borrower to the Administration, together with any amendments thereto.

"**Article 9**" means Article 9 of the UCC.

"**Authorized Officer**" means, in the case of the Borrower, any person authorized by law, by the Borrower's organizational documents or by a resolution of the governing body of the Borrower to perform any act or execute any document.

"**Board**" means the Board of Public Works of the State.

"**Bonds**" means any series of revenue bonds issued by the Administration under the Act.

"**Borrower**" means the Person that is identified in the first paragraph of this Agreement, and its successors and assigns as permitted hereunder.

"**Business Day**" means a day other than a Saturday, Sunday, or day on which the offices of the Administration or commercial banks in the State are authorized or obligated to remain closed.

"**Capitalized Lease Obligation**" means, as to any Person, the obligations and liabilities of such Person whether primary, secondary, contingent, direct or indirect, joint or several, or for payment or for performance under a lease that are required to be classified and accounted for as Capital Lease Obligations under GAAP and, for purposes of this definition, the amount of such Capitalized Lease Obligations at any date shall be the capitalized amount of such Capitalized Lease Obligations at such date, determined in accordance with GAAP.

"**Chattel Paper**" shall have the meaning given in Section 2.03.

"**Change Orders**" means any amendments or modifications to any Plans and Specifications or any general construction contract for the Project.

"**Collateral**" shall have the meaning given in Section 2.03.

"**Collateral Account**" means the Borrower's non-interest bearing deposit account at the Collateral Account Bank controlled by the Administration into which Items of Payment processed through the Lock-Box or otherwise received by the Borrower or the Administration are deposited in accordance with the terms of this Agreement for the benefit of the Administration and disbursed in accordance with the terms of this Agreement.

"**Collateral Account Bank**" means the bank selected by the Borrower to act as the Collateral Account Bank, subject to the Administration's approval.

"**Collection Costs**" means all costs and expenses of administering and enforcing this Agreement and the other Credit Documents, and including any and all costs and expenses of collecting the Obligations and exercising the Administration's rights and remedies as against the

Collateral, or as against the Borrower, or any trustee, receiver or debtor-in-possession, and any and all costs and expenses incurred by the Administration at any time in enforcing, defending, protecting, perfecting, and maintaining the Administration's Lien and priority in the Collateral, and any other costs and expenses incurred by the Administration after the occurrence of any Default or Event of Default, with regard to any matters relating to the Credit Documents, and regardless of whether a Default or Event of Default shall have been declared or any remedies shall have been exercised, and including any and all such costs and expenses incurred by the Administration in or relating to any bankruptcy or insolvency proceedings. Collection Costs include, without limitation, court costs, filing fees, attorney's fees, paralegal fees, litigation expenses of any kind, the fees and expenses of experts, consultants, accountants, engineers, appraisers, surveyors, receivers, trustees, warehousemen, and auctioneers, the costs and expenses of collecting, repossessing, transporting, storing, maintaining, insuring, and repairing any Collateral, the costs and expenses of advertising, marketing, and selling any Collateral, all applicable taxes, including all applicable recordation taxes, documentary stamps, transfer taxes, and sales taxes relating to the creation or perfection of the Administration's Lien on the Collateral or any sale, transfer or other disposition of the Collateral.

"Credit Document" means this Agreement, and each and every other agreement of any kind, promissory note, instrument, application, assignment, certificate, guaranty, indemnity, bond, financing statement, or other document that evidences, secures, guarantees or otherwise relates directly or indirectly to the Obligations, and all amendments, modifications, supplements, extensions and replacements hereof and thereof, from time to time.

"Default" means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, constitute an Event of Default.

"Department" means the Maryland Department of the Environment, and its successors.

"Director" means the Director of the Administration.

"Document" shall have the meaning given in Section 2.03.

"Eligible Project Costs" means all those costs of the Project permitted by the Act to be funded by a loan from the Fund and which have been approved by the Director.

"EPA" means the United States Environmental Protection Agency, and its successors.

"Equipment" shall have the meaning given in Section 2.03.

"Event of Default" means any occurrence or event specified in Section 4.01 hereof.

"Fiscal Year of the Borrower" means the period of 12 consecutive months set out as Exhibit A to this Agreement.

"Fiscal Year of the Administration" means the period of 12 consecutive months commencing July 1 in any calendar year and ending on June 30 of the succeeding calendar year.

"Fund" means the Maryland Drinking Water Revolving Loan Fund.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, which are in effect as of the Loan Closing Date.

"General Intangible" shall have the meaning given in Section 2.03.

"Governmental Authority" means the United States, the State of Maryland, or any of their political subdivisions, agencies, departments, commissions, boards, bureaus or instrumentalities, including any local authority having jurisdiction over the Project, and including EPA, the Department, the Board and the Administration.

"Indebtedness" means with respect to any Person, without duplication, (i) all Obligations of such Person for borrowed money, (ii) all Obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all Capitalized Lease Obligations of such Person, (iv) all Obligations of such Person issued or assumed as the deferred purchase price of property, all conditional sale Obligations and all Obligations of such Person under any title retention agreement (but excluding federal, state or local taxes owed by such Person and trade accounts payable and other accrued liabilities arising in the ordinary course of business), (v) all Obligations of such Person for the reimbursement of any obligor on any letter of credit, banker's acceptance or similar credit transaction, (vi) guarantees and other contingent Obligations of such Person in respect of Indebtedness referred to in clauses (i) through (v) above and clause (viii) below, (vii) all Obligations of any other Person of the type referred to in clauses (i) through (vi) above which are secured by any lien on any property or asset of such Person, the amount of such obligation being deemed to be the lesser of the fair market value of such property or asset or the amount of the obligation so secured, and (viii) all Obligations of such Person in respect of Interest Swap Obligations of such Person. For purposes hereof, the amount outstanding at any time of any Indebtedness with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP.

"Independent Counsel" means any attorney or attorneys duly admitted to practice law before the highest court of the State of Maryland who have regularly engaged in the practice of law as their primary occupation for at least five years.

"Independent Public Accountant" means an individual, partnership or corporation engaged in the accounting profession, either entitled to practice, or having members or officers entitled to practice, as a certified public accountant under the laws of the State of Maryland and in fact independent.

"Instrument" shall have the meaning given in Section 2.03.

"Interest Swap Obligations" means the obligations of any Person pursuant to any arrangement with any other Person, whereby, directly or indirectly, such Person is entitled to receive from time to time periodic payments calculated by applying either a floating or a fixed rate of interest on a stated notional amount in exchange for periodic payments made by such other Person calculated by applying a fixed or a floating rate of interest on the same notional amount and shall include, without limitation, interest rate swaps, caps, floors, collars and similar agreements.

"Investment" means, with respect to any Person, any direct or indirect loan or other extension of credit (including, without limitation, a guarantee) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or any purchase or acquisition by such Person of any equity interest, bonds, notes, debentures or other securities or evidences of Indebtedness issued by, any Person. "Investment" shall exclude extensions of trade credit by the Borrower and its Subsidiaries on commercially reasonable terms in the ordinary course of business.

"Investment Property" shall have the meaning given in Section 2.03.

"Item of Payment" means all checks, draft, cash, and other remittances of payment of, or on account of, any Accounts, Instruments, Chattel Paper, Documents, Investment Property, or General Intangibles, or received as proceeds of the sale or lease of any of the Borrower's Property or as payment for any services rendered by the Borrower to any Person.

"Lien" means any security agreement, deed of trust, mortgage (real estate or chattel), title retention contract, grant, pledge, security interest, assignment, lien or other arrangement for security purposes, and includes any of the foregoing arising by operation of statute or other law or the application of equitable principles, whether perfected or unperfected, avoidable or unavoidable, consensual or nonconsensual, and any financing statement or other similar notice document, whether or not filed, and any agreement to give a financing statement or other similar notice document.

"Lien Notice" means any instrument, document, agreement, or notice given to, or filed, recorded, or registered with, any Person (including any governmental authority), and regardless of whether required by any law, for the purpose of effecting, perfecting, protecting, maintaining, registering, or giving notice of any Lien (or the possibility of a Lien and regardless of whether any Lien other than the Lien Notice exists or the effect of the Lien Notice) upon any of the Borrower's Property (including any Collateral), or for any precautionary purposes, including any of the following that may be given to, or filed, recorded, or registered with, any Person (including any Governmental Authority) for any of the foregoing purposes, financing statements, vehicle security interest or lien filings, mortgages, deeds of trust, judgments, leases, indentures, security agreements, collateral assignments, and notices of any of the foregoing.

"Loan" means the aggregate amounts which are advanced from time to time by the Administration to the Borrower pursuant to the terms and provisions of this Agreement.

"Loan Closing Date" means the date on which the Note is executed and delivered to the Administration.

"Loan Commitment" means that amount which the Administration is obligated to lend to the Borrower pursuant to the terms and provisions of this Agreement and subject to the satisfaction of the conditions set forth in this Agreement, as such amount may be adjusted as provided in this Agreement.

"Loan Year" means the period beginning on the first February 1 on which principal of the Loan is payable and each February 1 thereafter and ending on the immediately succeeding January 31.

"Lock-Box" means the Borrower's lock-box administered by the Collateral Account Bank, in accordance with the terms of a lock-box agreement between the Borrower and the Collateral Account Bank for the benefit of the Administration, to which address the Borrower instructs Account Debtors to mail Items of Payment.

"Maximum Annual Debt Service" means, when used with reference to the Note for any Loan Year, as of any particular date of computation, the greatest amount required in the then-current or any future Loan Year to pay the debt service requirements of such Note.

"Note" means the bond, note or other obligation executed and delivered by the Borrower to the Administration to evidence the Loan, such Note to be substantially in the form attached hereto as Exhibit E.

"Obligations" means all obligations for principal, premium, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness. "Obligations" include all existing and hereafter arising Indebtedness, and liabilities of the Borrower to the Administration arising under or pursuant to this Agreement, whether primary, secondary, contingent, direct or indirect, joint or several, or for payment or for performance, and including (but not limited to) the Borrower's Obligations to pay to the Administration as and when due all principal, interest, costs and expenses (including all Collection Costs) and fees arising from or relating to this Agreement including such thereof as may arise in respect of letters of credit issued, advised, confirmed, or paid by the Administration on the Borrower's application or for the Borrower's account. "Obligations" include all of the Borrower's Obligations, indebtedness, and liabilities to the Administration for payment or performance under this Agreement and the Note, and including any thereof arising before, during, or after the initial or any renewal term of this Agreement or the Note or after the commencement of any case with respect to the Borrower under the United States Bankruptcy Code or any similar statute (including the payment of interest and other amounts which would accrue and become due but for the commencement and pendency of such case).

"Permitted Encumbrance" means any encumbrance which constitutes a "Permitted Encumbrance" listed on Exhibit F to this Agreement.

"Permitted Indebtedness" means, without duplication, each of the following:

(i) Indebtedness incurred on the Loan Closing Date under the Note and this Agreement;

(ii) other Indebtedness of the Borrower and its Subsidiaries outstanding on the Loan Closing Date and listed in Exhibit F hereto reduced by the amount of any scheduled amortization payments or mandatory prepayments when actually paid or permanent reductions thereon;

(iii) Interest Swap Obligations of the Borrower or any of its Subsidiaries covering Permitted Indebtedness of the Borrower or any of its Subsidiaries; *provided, however*, that such Interest Swap Obligations are entered into to protect the Borrower and its Subsidiaries from fluctuations in interest rates on Permitted Indebtedness to the extent the notional principal amount of such Interest Swap Obligation does not exceed the principal amount of the Indebtedness to which such Interest Swap Obligation relates;

(iv) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within five Business Days of incurrence;

(v) Indebtedness of the Borrower or any of its Subsidiaries represented by letters of credit for the account of the Borrower or such Subsidiary, as the case may be, in order to provide security for workers' compensation claims, payment obligations in connection with self-insurance or similar requirements in the ordinary course of business;

(vi) Refinancing Indebtedness;

(vii) Capitalized Lease Obligations and Purchase Money Indebtedness of the Borrower and its Subsidiaries incurred in the ordinary course of business in an amount not to exceed the maximum aggregate principal amount at any one time outstanding as set forth on Exhibit A;

(viii) guarantees of Permitted Indebtedness; and

(ix) additional Indebtedness of the Borrower and its Subsidiaries in an amount not to exceed the maximum aggregate principal amount at any one time outstanding as set forth on Exhibit A.

"Permitted Investments" means (i) Investments by the Borrower or any Subsidiary of the Borrower in any Person that is or will become immediately after such Investment a Subsidiary of the Borrower or that will merge or consolidate into the Borrower or a Subsidiary of the Borrower, (ii) Investments in the Borrower by any Subsidiary of the Borrower; *provided that*

any Indebtedness evidencing such Investment is unsecured and subordinated, pursuant to a written agreement, to the Borrower's Obligations to the Administration, (iii) investments in cash, (iv) loans and advances to employees, officers and directors of the Borrower and its Subsidiaries in the ordinary course of business for bona fide business purposes not in excess of \$[50,000] at any one time outstanding, (v) Investments in securities of trade creditors or customers received pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditors or customers or in good faith settlement of delinquent obligations of such trade creditors or customers, (vi) Investments made by the Borrower or its Subsidiaries as a result of consideration received in connection with an asset sale, (vii) obligations of one or more officers or other employees of the Borrower or any of its Subsidiaries in connection with such officers' or employees' acquisition of shares of equity interests of the Borrower so long as no cash is paid by the Borrower or any of its Subsidiaries to such officers or employees in connection with this acquisition of any such obligations, (viii) guarantees of Permitted Indebtedness, and (ix) additional Investments not to exceed an amount not to exceed the maximum aggregate principal amount at any one time outstanding as set forth on Exhibit A.

"Permitted Lien" means any (i) Lien in favor of the Borrower or the Administration, (ii) Lien for taxes which are not yet delinquent, (iii) deposits or pledges to secure obligations under worker's compensation, social security or similar laws, or under unemployment insurance in the ordinary course of the Borrower's business, and (iv) any Lien listed on Exhibit F to this Agreement.

"Person" means an individual, partnership, corporation, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

"Plans and Specifications" means the final plans and specifications for the construction of the Project prepared by the architect or engineer and approved by the Department.

"Project" means the project or projects of the Borrower described in Exhibit B to this Agreement.

"Project Budget" means the budget for the Project as set forth in Exhibit C to this Agreement, as revised in accordance with Section 2.02(d).

"Property" means any right, title or interest in or to property of any kind whatsoever, whether real, personal, or mixed, and whether tangible or intangible, including the Collateral.

"Purchase Money Indebtedness" means Indebtedness of the Borrower and its Subsidiaries incurred in the normal course of business for the purpose of financing all or any part of the purchase price, or the cost of installation, construction or improvement, of property.

"Refinance" means, in respect of any security or Indebtedness, to refinance, extend, renew, refund, repay, prepay, redeem, defease or retire, or to issue a security or Indebtedness in

exchange or replacement for, such security or Indebtedness in whole or in part. "Refinanced" and "Refinancing" shall have correlative meanings.

"Refinancing Indebtedness" means any Refinancing by the Borrower or any Subsidiary of the Borrower of Indebtedness that does not (i) result in an increase in the aggregate principal amount of Indebtedness of such Person as of the date of such proposed Refinancing (plus the amount of any interest and premium required to be paid under the terms of the instrument governing such Indebtedness and plus the amount of reasonable fees and expenses incurred by the Borrower or such Subsidiaries, as the case may be, in connection with such Refinancing) except to the extent that any such increase in Indebtedness is otherwise permitted by this Indenture or (ii) create Indebtedness with (A) a Weighted Average Life to Maturity that is less than the Weighted Average Life to Maturity of the Indebtedness being Refinanced or (B) a final maturity earlier than the final maturity of the Indebtedness being Refinanced; *provided* that (x) if such Indebtedness being Refinanced is Indebtedness of the Borrower, then such Refinancing Indebtedness shall be Indebtedness solely of the Borrower and (y) if such Indebtedness being Refinanced is subordinate or junior to the Notes, then such Refinancing Indebtedness shall be subordinate to the Notes at least to the same extent and in the same manner as the Indebtedness being Refinanced.

"Related Financing" means any bond, note, agreement or other instrument or transaction (other than this Agreement or the Note) pursuant to which the Borrower obtains any monies that may be expended to pay costs of the Project.

"Requirement" means any law, ordinance, code, order, rule or regulation of a Governmental Authority, including, without limitation, the State primary drinking water regulations or a condition in a construction permit issued by the Department.

"Safe Drinking Water Act" means Title XIV of the Public Health Service Act, P.L. 93-523, as amended, 42 U.S.C. Section 300f, et seq., and the rules and regulations promulgated thereunder.

"State" means the State of Maryland.

"Subsidiary", with respect to any Person, means (i) any corporation of which the outstanding equity interests having at least a majority of the votes entitled to be cast in the election of directors under ordinary circumstances shall at the time be owned, directly or indirectly, by such Person or (ii) any other Person of which at least a majority of the voting interest under ordinary circumstances is at the time, directly or indirectly, owned by such Person.

"Trustee" means the trustee for the Bonds.

"UCC" means the Uniform Commercial Code, as codified and in effect in Maryland.

Section 1.02. Rules of Construction.

Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Agreement:

- (a) words importing the singular number include the plural number and words importing the plural number include the singular number;
- (b) words of the masculine gender include correlative words of the feminine and neuter genders;
- (c) words importing persons include any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or agency or political subdivision thereof;
- (d) the terms "agree" and "agreement" shall include and mean "covenant", and all agreements contained in this Agreement are intended to constitute covenants and shall be enforceable as such;
- (e) the headings and the Table of Contents set forth in this Agreement are solely for convenience of reference and shall not constitute a part of this Agreement or affect its meaning, construction or effect;
- (f) any reference to a particular Article or Section shall be to such Article or Section of this Agreement unless the context shall otherwise require; and
- (g) any reference to the governing body of the Borrower shall be to the board of directors, members, partners or other persons (as the case may be) with the authority to act on behalf of the Borrower pursuant to the Borrower's organizational documents and agreements.

ARTICLE II

REPRESENTATIONS AND COVENANTS OF BORROWER

Section 2.01. Representations and Covenants of Borrower.

The Borrower represents for the benefit of the Administration as follows:

- (a) Organization and Authority. The Borrower:
 - (i) is a "borrower" as defined in the Act;
 - (ii) is in good standing and authorized to engage in business in the State of Maryland;

(iii) has all requisite power and authority and all necessary licenses and permits required as of the date hereof to own and operate the Project, to enter into this Agreement, to execute and deliver the Note, and to carry out and consummate all transactions contemplated by this Agreement;

(iv) shall provide the Administration with any change in address;

(v) shall not, in a single transaction or series of related transactions, consolidate with or merge into another Person, without the written consent of the Administration;

(vi) shall not engage in any businesses which are not the same, similar, reasonably related or necessary to the businesses in which the Borrower and its Subsidiaries are engaged on the Loan Closing Date or which are not reasonable extensions or expansions thereof or any business ancillary thereto or supportive thereof;

(vii) is not a party to, or bound by, any contract or instrument, or subject to any charter or other corporate restriction, materially and adversely affecting the business, property, assets, operations or condition, financial or otherwise, of the Borrower or any of its Subsidiaries; and

(viii) possesses all patents, patent rights or licenses, trademarks, trademark rights, trade names, trade name rights, and copyrights which are required (if any are required) to conduct its business as now conducted or intended to be conducted without known conflict with the rights of others. All patents, licenses, trademarks and copyrights owned by the Borrower or any of its Subsidiaries, are listed on Exhibit G hereto.

(b) Taxes. The Borrower and its Subsidiaries have filed and will continue to file all United States income tax returns and all state income tax returns which are required to be filed, and have paid, or made adequate provisions for the payment of, all taxes which have or may become due pursuant to said returns or pursuant to any assessment received by the Borrower or any of its Subsidiaries, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided.

(c) Financial Statements; Annual Audit. (i) The Borrower represents that it has provided the Administration with its most recent consolidated financial statements which were audited by an Independent Public Accountant in accordance with GAAP applied on a consistent basis. If financial statements audited by an Independent Public Accountant are not available, the Borrower represents that it has provided its most recent unaudited consolidated financial statements which were prepared in accordance with GAAP applied on a consistent basis. The Borrower represents that said financial statements fairly and accurately present the financial position and results of the consolidated operations of the Borrower as of the dates, and for the periods, indicated in the statements.

The Borrower further represents that there has been no material adverse change in the financial position of, or the operations of, the Borrower and its consolidated Subsidiaries

from the date of said financial statements through the date hereof and that as of this date the Borrower has no knowledge of any fact or circumstance which indicates, or should indicate to a reasonable observer familiar with the business of the Borrower, that any material adverse change in the financial condition or operations of the Borrower or its Subsidiaries may occur after the date hereof. The Borrower shall be deemed to have the knowledge of each of its employees, directors and shareholders.

(ii) The Borrower will furnish to the Administration, within 90 days of the end of the Fiscal Year of the Borrower, consolidated balance sheets and statements of income and retained earnings and changes in financial position of the Borrower, all in reasonable detail, with applicable footnotes and prepared after audit in accordance with GAAP applied on a consistent basis (except as specifically noted therein), and certified without objection by an Independent Public Accountant acceptable to the Administration, showing the financial condition of the Borrower and its consolidated Subsidiaries at the end of the then most recently concluded Fiscal Year of the Borrower and the results of its operations during such year. If consolidated balance sheets and statements of income and retained earnings and changes in financial position have not been prepared after audit and certified by an Independent Public Accountant, then the Borrower will furnish to the Administration, within 90 days of the end of the Fiscal Year of the Borrower, unaudited consolidated balance sheets and statements of income and retained earnings and changes in financial position of the Borrower, all in reasonable detail, with applicable footnotes and prepared in accordance with GAAP applied on a consistent basis showing the financial condition of the Borrower and its consolidated Subsidiaries at the end of the then most recently concluded Fiscal Year of the Borrower and the results of its operations during such year.

(iii) The Borrower will furnish to the Administration a written statement of the Borrower or its accountant that, in making the examination necessary for their report on such financial statements in the ordinary course, they have not obtained any knowledge of any Event of Default, or any event which upon notice or lapse of time or both would constitute an Event of Default (or, if such accountants shall have obtained knowledge of any Event of Default or such other event, disclosing in such statement such Event of Default or other event and the nature thereof).

(d) Full Disclosure. (i) There is no fact that the Borrower has not disclosed to the Administration in writing that materially adversely affects or (so far as the Borrower can now foresee) that will materially adversely affect the properties, activities, prospects or condition (financial or other) of the Borrower and its Subsidiaries or the ability of the Borrower to make all payments due hereunder and otherwise perform its Obligations to the Administration under this Agreement and the Note.

(ii) The Borrower agrees to provide the Administration with unaudited financial statements and such other information regarding the Borrower, its Subsidiaries and their finances as the Administration may from time to time request. The Borrower further acknowledges that the Administration may issue one or more series of Bonds and that any or all of such Bonds may be secured in part by repayments of the Borrower with respect hereof. The

Borrower accordingly agrees to provide to the Administration such information regarding the Borrower, its Subsidiaries and their finances as the Administration may from time to time request for inclusion in the official statements or other offering documents to be distributed in connection with the sale of any such Bonds or any annual disclosure document or other informational document prepared from time to time by the Administration to be made available to prospective purchasers or holders of any of such Bonds. The Borrower shall also furnish to the Administration at its request a certificate of an Authorized Officer of the Borrower to the effect that any information so provided or included contains no material inaccuracy or omission in light of the purposes for which such information is provided or included. The Borrower agrees to notify the Administration promptly in writing of (A) any changes in the condition or affairs of the Borrower or its Subsidiaries (financial or other) that would cause any information regarding the Borrower and its Subsidiaries so provided or included in an official statement or any subsequent offering document, annual disclosure document or other informational document of the Administration that the Borrower has had an opportunity to review and certify as to its accuracy, to contain a material inaccuracy or omission in light of the purposes for which such information is so included, and (B) any event set forth in Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C), as such rule may be amended and supplemented.

(e) Pending Litigation. There are no proceedings pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower or any of its Subsidiaries in any court or before any Governmental Authority or arbitration board or tribunal that, if adversely determined, would materially adversely affect the properties, activities, prospects or condition (financial or other) of the Borrower, or the ability of the Borrower to make all payments due hereunder and otherwise perform its Obligations to the Administration, and that have not been disclosed in writing to the Administration in the Application or otherwise.

(f) Borrowing Legal and Authorized. The consummation of the transactions provided for in this Agreement and the Note and compliance by the Borrower and its Subsidiaries with the provisions of this Agreement and the Note:

(i) are within its powers, will not violate its articles, bylaws or other organizational documents and have been duly authorized by all necessary action on the part of the governing body of the Borrower; and

(ii) will not result in any breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrances upon any property or assets of the Borrower or any of its Subsidiaries pursuant to, any indenture, loan agreement or other instrument (other than this Agreement and the Note) or corporate restriction to which the Borrower or its Subsidiaries is a party or by which the Borrower or its Subsidiaries may be bound, nor will such action result in any violation of the provisions of laws, ordinances, governmental rules, regulations or court orders to which the Borrower or its Subsidiaries or properties or operations thereof is subject.

(g) No Defaults. No event has occurred and no condition exists that, upon execution of this Agreement and the Note or receipt of the Loan, would constitute a Default hereunder.

Neither the Borrower nor any of its Subsidiaries is in violation, or has received notice of any claimed violation, of any term of any agreement or other instrument to which it is a party or by which it or its property may be bound, which violation would materially adversely affect the properties, activities, prospects or condition (financial or other) of the Borrower or any of its Subsidiaries or the ability of the Borrower or any of its Subsidiaries to make all payments due hereunder and otherwise perform its Obligations to the Administration, and that have not been disclosed in writing to the Administration in the Application or otherwise.

(h) Governmental Consent; Project Consistency.

(i) The Borrower has obtained all permits and approvals required to date by any Governmental Authority for the making and performance by the Borrower of its Obligations to the Administration under this Agreement and the Note or for the Project and the financing thereof. No consent, approval or authorization of, or filing, registration or qualification with, any Governmental Authority that has not been obtained is required on the part of the Borrower as a condition to the execution and delivery of this Agreement and the Note or the consummation of any transaction herein contemplated.

(ii) The Project is consistent with (A) the local plan of the jurisdictions in which the Project is located as contemplated under Section 5-7A-02 of the State Finance and Procurement Article of the Annotated Code of Maryland, as amended; (B) the State Economic Growth, Resource Protection, and Planning Policy established in Section 5-7A-01 of the State Finance and Procurement Article of the Annotated Code of Maryland, as amended; and (C) all applicable provisions of *Subtitle 7B, "Priority Funding Areas,"* of Title 5 of the State Finance and Procurement Article of the Annotated Code of Maryland, as amended.

(i) No Conflicts. No member, director, officer, or employee of the Borrower, or its Subsidiaries, or agents, no consultant, no member or director of the governing body of the Borrower or any of its Subsidiaries who exercises or has exercised any authority over the Project during such person's tenure, shall have any interest, direct or indirect, in any contract or subcontract, or its proceeds, in any activity, or benefit therefrom, which is part of the Project.

(j) Use of Proceeds. The Borrower will apply the proceeds of the Loan from the Administration as described in Exhibit B attached hereto and made a part hereof (i) to finance all or a portion of the Eligible Project Costs; and (ii) to reimburse the Borrower for all or a portion of the Eligible Project Costs paid or incurred prior to the date hereof in anticipation of reimbursement by the Administration. Except as provided in Section 3.03(c) of this Agreement, before each and every advance of the proceeds of the Loan to the Borrower, the Borrower shall submit to the Administration a requisition meeting the requirements of Section 3.03 of this Agreement.

(k) Loan Closing Submissions. On or before the Loan Closing Date, the Borrower will cause to be delivered to the Administration each of the following items:

(i) an opinion of Independent Counsel, acceptable to the Administration, dated as of the Loan Closing Date, substantially in the form set forth in Exhibit D to this Agreement;

(ii) fully executed counterparts of this Agreement and the Note;

(iii) copies of the resolution or other official action of the governing body of the Borrower authorizing the execution and delivery of this Agreement and the Note, certified by an appropriate officer of the Borrower;

(iv) a certificate, dated as of the Loan Closing Date, signed by an Authorized Officer of the Borrower and in form satisfactory to the Administration, confirming the Borrower's Obligations to the Administration under and representations in the Drinking Water Loan and Security Agreement as of such date; and

(v) such other certificates, documents, opinions and information as the Administration may require.

Section 2.02. Particular Covenants of the Borrower.

(a) Maintenance of Project; Insurance. The Borrower shall (i) keep, operate and maintain, or cause to be kept, operated and maintained, the Project and the Collateral in good working order, condition and repair; (ii) make or cause to be made all needed and proper replacements to the Project so that the Project will at all times be in good operating condition, fit and proper for the purposes for which it was originally erected or installed; (iii) not permit any waste of the Project; (iv) observe and comply with, or cause to be observed and complied with, all Requirements; and (v) operate, or cause to be operated, the Project in the manner in which similar projects are operated by persons operating a first-class facility of a similar nature. The Borrower shall maintain or cause to be maintained at its sole cost and expense insurance with respect to the Project, both during its construction and thereafter, against such casualties and contingencies and in such amounts as are customarily maintained by entities similarly situated and as are consistent with sound business practice.

(b) Sale or Disposition of Project. The Borrower reasonably expects that no portion of the Project will be sold prior to the final maturity date of the Loan. In the event that the Borrower shall sell or otherwise dispose of any portion of the Project prior to the final maturity date of the Loan, the Borrower shall apply the net proceeds thereof to the prepayment of the Loan or as the Administration shall otherwise direct unless the Borrower shall have obtained the prior written consent of the Administration to some other proposed application of such net proceeds.

(c) Inspections; Information. The Borrower shall permit the Administration or its designee to examine, visit and inspect, at any and all reasonable times (including, without limitation, any time during which the Project is under construction or in operation), the property

constituting the Project and the Collateral, to attend all construction progress meetings relating to the Project and to inspect and make copies of any accounts, books and records, including (without limitation) its records regarding receipts, disbursements, contracts, investments and any other matters relating to the Project and the financing thereof, and shall supply such reports and information as the Administration may reasonably require in connection therewith. Without limiting the generality of the foregoing, the Borrower shall keep and maintain any books, records, and other documents that may be required under applicable federal and State statutes, regulations, guidelines, rules and procedures now or hereafter applicable to loans made by the Administration from the Fund, and as may be reasonably necessary to reflect and disclose fully the amount and disposition of the Loan, the total cost of the activities paid for, in whole or in part, with the proceeds of the Loan, and the amount and nature of all investments related to such activities which are supplied or to be supplied by other sources. All such books, records and other documents shall be maintained at the offices of the Borrower, as specified on Exhibit B attached hereto, for inspection, copying, audit and examination at all reasonable times by any duly authorized representative of the Administration. All such books, records and other documents shall be maintained until the completion of an audit of the Project by the EPA or notification from the State or the EPA that no audit is required.

(d) Completion of the Project; Payment of Excess Costs of the Project. The Borrower shall proceed diligently to complete the Project in accordance with the Plans and Specifications, the State primary drinking water regulations and with any requirements set forth in the construction and other required permits. The Borrower shall satisfy all applicable Requirements for operation of the Project by the completion of the Project, and shall commence operation of the Project promptly upon its completion. No substantial changes may be made to the Plans and Specifications, the general construction contract or the Project Budget, or in the construction of the Project without the prior written approval of the Administration in its discretion. The Borrower shall pay any amount required for the acquisition, construction and equipping of the Project in excess of the amount available to be loaned to the Borrower hereunder. Upon the completion of the Project, the Borrower shall deliver to the Administration a certificate of the Authorized Officer of the Borrower certifying that the Project was completed as of the date set forth in such certificate.

(e) Cancellation of Loan. As provided by Section 9-1606(e) of the Act, the Borrower, unless it is a “disadvantaged community” pursuant to the SDWA, acknowledges and agrees that its loan obligation to make the payments due hereunder and under the Note is cancelable only upon repayment in full thereof, and that neither the Administration, the Secretary of the Department, nor the Board is authorized to forgive the repayment of all or any portion of the loan from the Administration to the Borrower hereunder.

(f) Indemnification. To the extent permitted by law, the Borrower releases the Administration, the Fund, the Department, the Board and the State from, agrees that the Administration, the Fund, the Department, the Board and the State shall not have any liability for, and agrees to protect, indemnify and save harmless the Administration, the Fund, the Department, the Board and the State from and against, any and all liabilities, suits, actions,

claims, demands, losses, expenses and costs of every kind and nature incurred by, or asserted or imposed against, the Administration, the Fund, the Department, the Board or the State, as a result of or in connection with the Project, the financing thereof, or this Agreement. To the extent permitted by law, all money expended by the Administration, the Fund, the Department, the Board or the State as a result of such liabilities, suits, actions, claims, demands, losses, expenses or costs, together with interest at the rate provided in the Note from the date of such payment, shall constitute an additional indebtedness of the Borrower and shall be immediately and without notice due and payable by the Borrower to the Administration.

(g) Non-discrimination. The Borrower certifies that it does not discriminate, and covenants that it shall not discriminate, on the basis of (1) political or religious opinion or affiliation, marital status, race, color, creed or national origin, or (2) sex or age, except where sex or age constitutes a bona fide occupational qualification, or (3) the physical or mental handicap of a qualified handicapped individual. At such times as the Administration requests, the Borrower shall submit to the Administration information relating to the Borrower's operations, with regard to political or religious opinion or affiliation, marital status, physical or mental handicap, race, color, creed, sex, age, or national origin, on a form to be prescribed by the Administration.

(h) Compliance with Requirements. The Borrower acknowledges that the Loan and this Agreement are subject to, and the Borrower agrees to comply with, all Requirements applicable to the Project and the financing thereof, including (without limiting the generality of the foregoing) the SDWA, the Act, and all other applicable State and federal statutes and such rules, regulations, orders and procedural guidelines as may be promulgated from time to time by the EPA, the Board, the Department, the Administration, or other Governmental Authority.

(i) Related Financing. The Borrower agrees that any Related Financing must be approved by the Administration and that the proceeds of any Related Financing shall be expended to pay costs of the Project on a monthly basis proportionately with the proceeds of the Loan, taking into account the total amount of the proceeds of such Related Financing available to pay costs of the Project and the maximum amount of the Loan Commitment. The Borrower agrees to provide the Administration upon its request with such information as the Administration deems reasonably necessary to determine whether the Borrower is in compliance with the provisions of this Section and to amend Exhibit F to this Agreement to include such Related Financing as a Permitted Indebtedness.

(j) No Recourse. No recourse shall be had by the Borrower for any claims based on this Agreement against any member, officer, employee or other agent of the Administration alleging personal liability on the part of such person, all such liability, if any, being expressly waived by the Borrower by the execution and delivery of this Agreement.

(k) Limitations on Restricted Payments. The Borrower will not, and will not cause or permit any of its Subsidiaries to, directly or indirectly, (i) declare or pay any dividend or make any distribution, on or in respect of shares of the Borrower's equity interests to holders of such equity interests, (ii) purchase, redeem or otherwise acquire or retire for value any equity interests

of the Borrower or any warrants, rights or options to purchase or acquire shares of any class of such equity interests, (iii) make any principal payment on, purchase, defease, redeem, prepay, decrease or otherwise acquire or retire for value, prior to any scheduled final maturity, scheduled repayment or scheduled sinking fund payment, any indebtedness of the Borrower that is subordinate or junior in right of payment to the Obligations to the Administration, or (iv) make any Investment (other than a Permitted Investment) (each of the foregoing actions set forth in clauses (i), (ii), (iii) and (iv) being referred to as a "Restricted Payment"), if at the time of such Restricted Payment or immediately after giving effect thereto, a Default or an Event of Default shall have occurred and be continuing.

(l) Limitation on the Incurrence of Additional Debt. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, create, incur, assume, guarantee, acquire, become liable, contingently or otherwise, with respect to, or otherwise become responsible for payment of (collectively, "incur") any Indebtedness other than Permitted Indebtedness; *provided, however*, that if no Default or Event of Default shall have occurred and be continuing at the time of or as a consequence of the incurrence of any such additional Indebtedness, the Borrower and its Subsidiaries may incur additional Indebtedness with the written consent of the Administration in accordance with the terms of this Agreement.

(m) Restrictions on Subsidiaries and Affiliates. The Borrower will not, and will not permit any of its Subsidiaries or Affiliates to enter into, renew or extend any contract, agreement, transaction or arrangement with or for the benefit of any Subsidiary or Affiliate of the Borrower (including without limitation the sale, purchase or lease of assets, property or services from or to any Subsidiary or Affiliate of the Borrower), unless such transaction is on terms that are no less favorable to the Borrower or the relevant Subsidiary or Affiliate than those that would have been obtained in a comparable transaction by the Borrower or such Subsidiary or Affiliate with an unrelated person.

Section 2.03. Covenants of Borrower relating to Security.

(a) Security Interest. (i) The Borrower hereby collaterally assigns to the Administration, and grants the Administration a security interest in, all of the Borrower's now owned and hereafter acquired, created or arising Property described below, and in each case regardless of where such Property may be located and whether such Property may be in the possession of the Borrower, one of its Subsidiaries, the Administration, or a third party, and, if any of such Property may be held or stored with any Person other than the Borrower, together with all of the Borrower's rights now owned and hereafter acquired, created or arising relating to the storage, withdrawal and retrieval thereof and access thereto (all of which Property described below and all such rights of storage, withdrawal, retrieval and access, in each case both now owned and hereafter acquired, created or arising, being referred to herein as "Collateral"):

(A) All of the Borrower's now owned and hereafter acquired, created or arising "accounts" (as defined in Article 9) ("Accounts") arising from the sale or lease or other disposition of the Borrower's goods or other property; and

(B) All of the Borrower's now owned and hereafter acquired, created or arising "chattel paper" (as defined in Article 9) ("Chattel Paper"); and

(C) All of the Borrower's now owned and hereafter acquired, created or arising "documents" (as defined in Article 9) ("Documents"); and

(D) All of Debtor's "equipment" (as defined in Article 9) and equipment which are or are to become fixtures ("Equipment"); and

(E) All fixtures located upon or within the real estate described in Exhibit A attached hereto or the buildings thereon or now or hereafter attached to, or installed in, or used in connection with such real estate in the buildings located thereon, whether or not permanently affixed.

(F) All of the Borrower's now owned and hereafter acquired, created or arising "general intangibles" (as defined in Article 9) ("General Intangibles"), and

(G) All of the Borrower's now owned and hereafter acquired, created or arising promissory notes or other "instruments" (as defined in Article 9) or agreements evidencing the Borrower's right to payment from any Person or Persons, and including, without limitation, all of the Borrower's "instruments" ("Instruments"); and

(H) All of the Borrower's now owned and hereafter acquired, created or arising "inventory" ("Inventory"); and

(I) All of the Borrower's now owned and hereafter acquired, created or arising cash and non-cash "proceeds" (as the term is used in Article 9) and all other amounts received in respect of any sale, exchange, lease, license, transfer, redemption, or other disposition of any Collateral, and including insurance proceeds, and any other thing of value paid or received in respect of any of the foregoing Collateral, including, without limitation, interest and dividend payments made on or in respect of any of the foregoing Collateral, and distributions made in respect of any of the foregoing Collateral ("Proceeds"); and

(J) All of the Borrower's now owned and hereafter acquired, created or arising "products" of Collateral ("Products"); and

(K) All of the Borrower's now owned and hereafter acquired, created or arising books, records, documents, ledger cards, invoices, bills of lading and other shipping evidence, credit files, computer programs, tapes, discs, diskettes, and other data and software storage medium and devices, customer lists, mailing lists, mailing labels, business forms and stationery, and other property and general intangibles evidencing or relating to the foregoing Collateral or any Account Borrower (including any rights of the Borrower with respect to the foregoing maintained with or by any other person) ("Records").

(L) All receipts, revenues, rentals, income and other moneys, including user fees, received by or on behalf of the Borrower and all rights to receive the same, whether in the form of accounts receivable, contract rights, general intangibles or other rights, and the proceeds of such rights, whether now existing or hereafter coming into existence or whether now owned or held or hereafter acquired; provided, however, that there shall be excluded those gifts, grants, bequests, donations and contributions heretofore or hereafter made, designated at the time of the making thereof by the donor or maker thereof as being for certain specific purposes, and the income derived therefrom to the extent required by such designation ("Receipts")

(ii) The Borrower shall execute and deliver all instruments and documents requested by the Administration to perfect and protect its security interest to execute and deliver all further instruments and documents and take all further action that may be necessary or desirable or that the Administration may request in order (i) to perfect and protect the security interest created or purported to be created hereby, (ii) to enable the Administration to exercise and enforce its rights and remedies hereunder with respect to the Collateral or (iii) to otherwise effect the purposes of this Agreement; including, without limitation, (A) informing the Administration in writing of the location of the Collateral and of any changes in the Collateral's location, (B) executing and delivering to the Administration such financing statements, continuation statements and other documents as the Administration may reasonably request, and (C) paying the costs of filing any notices or statements in any public office in which the Administration deems filing or recording to be necessary or desirable.

(b) Lock-Box and Collateral Account. (i) The Borrower shall obtain and maintain a Lock-Box administered by the Collateral Account Bank in accordance with the Collateral Account Bank's standard Lock-Box service and shall direct each Account Borrower to make payments to the Lock-Box address.

(ii) The Borrower shall open and maintain the Collateral Account for the benefit of the Administration. The Administration alone shall have control of the Collateral Account, including the power to access and make withdrawals from the Collateral Account in the Administration's discretion at any time and from time to time without notice to the Borrower. Unless otherwise instructed by another provision of this Agreement, the Borrower shall deposit, or cause to be deposited, all Items of Payment to the Collateral Account within one (1) day after receipt thereof by the Borrower, in precisely the form received, except for any necessary endorsement of the Borrower to permit the collection of such Items of Payment, which endorsement the Borrower agrees to make. Pending deposit to the Collateral Account, the Borrower will not commingle any Items of Payment with any other funds or property, but will hold them separate and in trust for the benefit of the Administration. Prior to an Event of Default, the Borrower may make withdrawals from the Collateral Account so long as such withdrawals are consistent with the provisions of this Agreement. Upon an Event of Default, the Administration shall be entitled to apply the funds in the Collateral Account against the Obligations to the Administration from time to time in Administration's sole discretion and without notice to the Borrower.

(c) Representations. The Borrower represents and warrants that the Borrower, or one of its Subsidiaries, owns and has, or upon the acquisition thereof by the Borrower will have, good and marketable title to all of the Property occupied, used, consumed, sold, or leased in the Borrower's business, and all other assets that the Borrower represents as being owned by the Borrower, including any assets listed or referred to in any financial statements, schedules listings, reports, or other documents submitted to the Administration at any time. The Administration's security interest in the Collateral is a first priority perfected security interest subject to no Liens other than Permitted Liens or Permitted Encumbrances.

(d) Power of Attorney; Collections by the Administration. The Borrower hereby appoints the Administration as the Borrower's attorney-in-fact, with power of substitution, which appointment is irrevocable and coupled with an interest, to do each of the following in the name of the Borrower or in the name of the Administration or otherwise, for the use and benefit of the Administration, but at the cost and expense of the Borrower, and with or without notice to the Borrower, upon and after the occurrence of a Default: (i) notify the Account Debtors and insurers to make payments directly to the Administration, and to take control of the cash and non-cash proceeds of any Collateral or insurance; (ii) renew, extend or compromise any of the Collateral or deal with the same as the Administration may deem advisable; (iii) release, exchange, substitute, or surrender all or any part of the Collateral; (iv) remove from the Borrower's place of business all Records relating to or evidencing any of the Collateral without cost or expense to the Administration; (v) make such use of the Borrower's places of business as may be reasonably necessary to administer, control and collect the Collateral; (vi) repair, alter or supply goods, if any, necessary to fulfill in whole or in part the purchase order or similar order of any Account Borrower; (vii) demand, collect, give receipt for, and give renewals, extensions, discharges and releases of any of the Collateral; (viii) institute and prosecute legal and equitable proceedings to enforce collection of, or realize upon, any of the Collateral; (ix) settle, renew, extend, compromise, compound, exchange or adjust claims with respect to any of the Collateral or any legal proceedings brought with respect thereto; (x) endorse the name of the Borrower upon any Item of Payment relating to the Collateral or upon any proof of claim in bankruptcy against an Account Debtor; (xi) institute and prosecute legal and equitable proceedings to reclaim any of the goods sold to any Account Debtor obligated on an Account at a time when such Account Debtor was insolvent; and (xii) receive and open all mail addressed to the Borrower and notify the postal authorities to change the address for the delivery of mail to the Borrower to such address as the Administration may designate.

(e) Taxes and other Claims. The Borrower shall pay all taxes and assessments affecting the Collateral and any accrued interest or penalty thereon, and (i) to submit to the Administration, at least five days before default or delinquency, a receipt or certified copy thereof, evidencing payment thereof, provided that the Borrower shall not be required to pay any such tax or assessment if it shall in good faith contest the validity thereof and, if so contested, shall provide for the payment thereof in a manner reasonably satisfactory to the Administration and (ii) to pay when due all encumbrances, rents, liens or charges, with interest, on the Collateral or any part thereof that appear to be prior or superior hereto, provided that the Borrower shall not

be required to pay any such encumbrances (except Permitted Encumbrances), rents, liens or charges if it shall in good faith contest the validity thereof and, if so contested, shall provide for the payment thereof in a manner reasonably satisfactory to the Administration.

(f) Limitations on Liens. The Borrower shall not store any Collateral with, or give possession or control of any Collateral to, any holder, bailee, warehouseman or other person, or create, incur, assume or suffer to exist any Lien or Lien Notice upon any Property of the Borrower other than Permitted Liens, except with the prior written consent of the Administration.

(g) State Withholding. As further security for the payment of the Note and any other amounts due hereunder, the Borrower hereby pledges the following to the Administration and grants a security interest therein to the Administration: (i) as authorized by Section 9-1606(d) of the Act, the Borrower's share of any and all monies collected by the State from time to time that would otherwise be payable to the Borrower, and (ii) to the maximum extent permitted by law, any and all other grants and other monies that the Borrower is or may from time to time be entitled to receive from the State or that may at any time be due from the State, or any department, agency, or instrumentality of the State, to the Borrower. The Borrower further agrees that, upon the occurrence of an Event of Default, among other things, the State Comptroller and the State Treasurer may (i) withhold any such amounts that the Borrower is then or may thereafter be entitled to receive and (ii) at the direction of the Administration, apply the amounts so withheld to the payment of any amounts then due or thereafter becoming due hereunder (including, without limitation, payments under the Note) until the Borrower's Obligations hereunder have been fully paid and discharged.

ARTICLE III

LOAN TO BORROWER; AMOUNTS PAYABLE; GENERAL AGREEMENTS

Section 3.01. The Loan.

Subject to the provisions of Sections 3.02, 3.03 and 3.07 hereof, the Administration hereby agrees to advance amounts under this Agreement to the Borrower, and the Borrower agrees to borrow and accept from the Administration amounts advanced under this Agreement, in an aggregate principal amount not to exceed the maximum amount of the Loan Commitment set forth on Exhibit B attached hereto.

Section 3.02. Availability of Funds.

The Administration expects to have, and shall use its best efforts to obtain and maintain, funds in an amount sufficient to make advances to the Borrower in accordance with the "Construction Cash Draw Schedule" included in Exhibit C attached hereto. The Borrower recognizes, however, that the Administration is a governmental entity with limited financial

resources and that the Administration's ability to make such advances may be adversely affected by events or circumstances beyond the Administration's control. The Borrower accordingly assumes the risk that monies may not be available to make advances of the Loan to the Borrower, and, in such event, the Borrower specifically agrees that the Administration shall have no obligation to lend any amounts to the Borrower in excess of the amount theretofore advanced to the Borrower.

Section 3.03. Requisitions and Disbursements; Conditions Precedent; Interest During Construction.

(a) Requisitions and Disbursements. Amounts shall be loaned from time to time to pay, or reimburse the Borrower for the payment of, Eligible Project Costs, upon receipt of requisitions of the Borrower. Each such requisition shall (i) state the names of the payees, (ii) describe in reasonable detail the purpose of each payment, (iii) state the amount of each payment (supported by appropriate paid invoices or other evidence satisfactory to the Administration that the amount requisitioned has been paid or has been incurred by the Borrower and is then due), (iv) state that the amount so requisitioned constitutes a part of the Eligible Project Costs and (v) state that no Default or Event of Default under this Agreement has occurred and is continuing provided, that this section shall not apply to advances made or deemed to have been made as provided in Section 3.03(c) hereto.

In no event shall the Administration be obligated to advance to the Borrower any amount so long as any Default or Event of Default under this Agreement shall have occurred and be continuing. The Administration shall not be required to advance monies on more than one day in each month, and the Administration shall not be required to advance monies for the Project sooner than, or in an amount greater than, the schedule of disbursements for the Project shown on the "Construction Cash Draw Schedule" included in Exhibit C attached hereto. The Administration may require the Borrower to submit requisitions in advance of each such disbursement date in such manner as shall be reasonably acceptable to the Administration.

(b) Conditions Precedent. Before making the first advance of Loan proceeds, the Administration shall receive the following in form and content satisfactory to the Administration:

(i) copies of the Plans and Specifications and of any Change Orders issued through the date of such advance, the general construction contract, and the Project Budget;

(ii) a survey showing the location of existing and proposed easements, rights-of-way and improvements, and the perimeter boundaries of the land upon which the Project will be located, if any Loan proceeds are to be used for acquisition of the land;

(iii) copies of all building permits, if any, pertaining to the Project;

(iv) cost breakdown in trade form showing all subcontracts which represent at least 10 percent of the costs of the Project, and indicating use of the proceeds of the Loan therefor;

(v) a fully executed copy of any contract for the purchase of real property constituting a portion of the Eligible Project Costs described in Exhibit C; and

(vi) evidence satisfactory to the Administration that the conditions (if any) set forth in Exhibit A to this Agreement have been satisfied.

In addition, it shall be a condition precedent to the Administration's obligation to make any advance of Loan proceeds under this Agreement that no Default or Event of Default shall have occurred and be continuing at the time of any such advance.

(c) Interest During Construction. In the event that the Administration has consented to permit the Borrower to pay interest on the Loan from proceeds of the Loan during all or a portion of the period of time related to construction of the Project (as itemized in Exhibit C) ("Construction Period Interest"), the Administration shall on each February 1, May 1, August 1 and November 1 during such period advance to the Borrower an amount equal to the interest on the Loan due on such February 1, May 1, August 1 or November 1 and not theretofore paid by the Borrower. Any such amount of Construction Period Interest advanced by the Administration shall constitute part of the principal amount of the Loan hereunder immediately upon its advance to the Borrower in accordance with this paragraph. Notwithstanding the advance of any Construction Period Interest to the Borrower in accordance with this Section, the Borrower shall pay directly to the Administration the Administrative Fee on the dates and in the amounts set forth in Section 3.04(c), and no amounts shall be advanced under the Loan for the payment of the Administrative Fee.

Section 3.04. Amounts Payable; Late Charges; Administrative Fee.

(a) Amounts Payable. The Borrower shall punctually repay the Loan in installments on the dates, in the amounts, and in the manner specified in the Note. The outstanding amount of the Loan shall bear interest at a rate per annum equal to the rate or rates of interest set forth in Exhibit B, and shall be payable in accordance with the amortization schedule as specified in Exhibit B attached hereto and more particularly set out in the Note (which amortization schedule is subject to adjustment in accordance with this Agreement and the Note). On or prior to the Loan Closing Date, the Borrower shall execute the Note to evidence such obligation. In addition, the Borrower shall pay to the Administration an Administrative Fee in accordance with paragraph (c) of this Section.

(b) Late Charges. In addition to the payments of principal and interest on the Loan required by paragraph (a) of this Section, the Borrower shall pay (i) a late charge for any payment of principal or interest on the Loan that is received later than the tenth day following its due date, in an amount equal to 5% of such payment, and (ii) interest on overdue installments of

principal and (to the extent permitted by law) interest at a rate equal to the Default Rate set forth in Exhibit B.

(c) Administrative Fee.

(i) On the date specified in Exhibit B for the first payment of the Administrative Fee and on each February 1, May 1, August 1, and November 1 thereafter that the Note remains outstanding and unpaid to and including the date of final maturity of the Note (each such date, an "Administrative Fee Payment Date"), the Borrower shall pay to the Administration an Administrative Fee. Subject to paragraph (iv) below, the Administrative Fee for any Administrative Fee Payment Date shall be the (A) Administrative Fee set forth in Exhibit B or (B) after any date on which the outstanding principal amount of the Loan Commitment is reduced by the Administration by a notice in writing to the Borrower in accordance with this Agreement (other than by reason of the repayment of the principal of the Loan) the Administrative Fee set forth in a notice from the Administration to the Borrower in connection with such reduction. Any adjustment of the Administrative Fee in accordance with the foregoing shall be prospective only, and the Administration shall in no event be obligated to refund any portion of any Administrative Fee payment theretofore received from the Borrower.

(ii) In prescribing the Administrative Fee for a loan with a term of twenty years or more for purposes of paragraph (i) above, the Administration shall employ the following formula, it being understood that any determinations as to the application of such formula shall be within the discretion of the Administration and any Administrative Fee Payment prescribed by the Administration in accordance with the foregoing shall be conclusive and binding upon the Administration and the Borrower: the Administrative Fee equals (A) the aggregate amount of all scheduled payments of principal of and interest on the Note, multiplied by the Percentage Rate (defined in paragraph (iv) below) then in effect, (B) divided by the total number of scheduled Administrative Fee Payment Dates. For example, if the aggregate amount of all scheduled payments of principal of and interest on the Note were \$5,000,000 and the Percentage Rate were 5%, and the total number of scheduled Administrative Fee Payment Dates were 84, the Administrative Fee to be paid each quarter would equal:

$$\frac{\$5,000,000 \times .05}{84} = \$2,976.19$$

(iii) In prescribing the Administrative Fee for a loan with a term of less than twenty years for purposes of paragraph (i) above, the Administration shall employ the following formula, it being understood that any determinations as to the application of such formula shall be within the discretion of the Administration and any Administrative Fee Payment prescribed by the Administration in accordance with the foregoing shall be conclusive and binding upon the Administration and the Borrower: the Administrative Fee equals (A) the aggregate amount of all scheduled payments of principal of and interest on the Note, multiplied by the Percentage Rate (defined in paragraph (iv) below) then in effect, (B) divided by 80. For example, if the aggregate

amount of all scheduled payments of principal of and interest on the Note were \$4,000,000 and the Percentage Rate were 5%, the Administrative Fee would equal:

$$\frac{\$4,000,000 \times .05}{80} = \$2,500$$

(iv) The Percentage Rate for each Fiscal Year of the Administration, shall be fixed as a uniform rate for all borrowers receiving loans from the Fund in order to provide sufficient revenues to pay the expenses of the Administration, as approved in the operating budget of the State by the General Assembly of the State; provided, however, that in no event shall the Percentage Rate exceed five percent (5%). In each Fiscal Year, the Administration shall review the Percentage Rate then in effect and adjust it for the immediately succeeding Fiscal Year of the Administration, to reflect its approved budget for the immediately succeeding Fiscal Year of the Administration, a retainage of not more than ten percent (10%) for an operating reserve within the Administration's general account, and other factors as reasonably determined by the Secretary. No later than June 1 following the end of the Session of the General Assembly in each Fiscal Year of the Administration, the Administration shall notify the Borrower of the newly established Percentage Rate, which shall be the Percentage Rate applicable to the immediately succeeding Fiscal Year of the Administration, and of any change in the amount of the Administrative Fee payable by the Borrower in such Fiscal Year of the Administration, as a result of the application of such Percentage Rate.

Section 3.05. Unconditional Obligations.

The Obligations of the Borrower to the Administration to make payments under the Note as and when due and all other payments required hereunder and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional. These Obligations shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever, regardless of any contingency, act of God, event or cause whatsoever. Such events or causes include (without limitation) any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the Project, commercial frustration of purpose, any change in the laws of the United States of America or of the State or any political subdivision of either or in the rules or regulations of any Governmental Authority, any failure of the Administration, the Department or the State to perform or observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Project, this Agreement, or otherwise or any rights of set-off, recoupment, abatement or counterclaim that the Borrower might otherwise have against the Administration, the Department or the State or any other party or parties. Such payments hereunder shall not constitute a waiver of any such rights.

Section 3.06. Loan Commitment.

The Borrower acknowledges and agrees that the monies attributable to the Borrower's Loan Commitment are the property of the Administration and are held by the Administration to provide for advances to be made to the Borrower in accordance with this Agreement or to be otherwise disposed of by the Administration in accordance with this Agreement.

Section 3.07. Reduction of Loan Commitment.

The Loan Commitment is subject to reduction in accordance with the provisions of this Section 3.07.

(a) Any portion of the Loan Commitment not advanced to the Borrower under Section 3.03 of this Agreement at the later of (1) two years from the date of this Agreement and (2) the earlier of one year following (i) actual completion of construction of the Project or (ii) the estimated completion date specified on Exhibit B attached hereto, shall no longer be available to be advanced to the Borrower and the amount of the Loan Commitment shall be reduced by an amount equal to the portion of the Loan Commitment not advanced, unless otherwise agreed to by the Administration in writing.

(b) The Administration may, by a notice in writing delivered to the Borrower, reduce the amount of the Loan Commitment if the Administration should for any reason determine that it will be unable to fund the full amount of the Loan Commitment (including, without limitation, a determination that the Eligible Project Costs to be paid with proceeds of the Loan are expected to be less than the maximum amount of the Loan Commitment), or if it determines that the Borrower is not proceeding satisfactorily and expeditiously with the Project in accordance with schedules and plans provided to the Administration, or if it determines that the Borrower is no longer able to make the certifications required under Section 3.03 in connection with the submission of requisitions. Such notice shall specify the reason for and the amount of the reduction.

(c) Any reduction in the amount of the Loan Commitment shall not affect the obligation of the Borrower to repay the Loan in accordance with the provisions of this Agreement and the Note.

(d) The Administration shall advise the Borrower in writing of any reduction in the amount of the Loan Commitment. In the event of any such reduction, the Borrower shall repay the Loan in accordance with such revised principal amortization schedule (prepared by applying such amount to reduce the installments of principal due under the Note in inverse order of payment, such that any such reduction is applied first to the last installment of principal due under the Note) as may be prescribed by the Administration in accordance with the provisions of the Note executed in connection therewith. The Administration may require, and the Borrower shall deliver, such certificates, documents, opinions and other evidence as the Administration may deem necessary or advisable in connection with any such reduction in the Loan

Commitment. If a new Note is delivered in connection with any such reduction, the Administration shall cancel the Note initially delivered to the Administration by the Borrower pursuant to this Agreement.

Section 3.08. Disclaimer of Warranties.

The Administration makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for particular purpose or fitness for use of the Project or any portion thereof or any other warranty with respect thereto. In no event shall the Administration be liable for any incidental, indirect, special or consequential damages in connection with or arising out of this Agreement or the Project or the existence, furnishing, functioning or use of the Project or any item or products or services provided for in this Agreement.

Section 3.09. Prepayments.

The Loan shall be subject to mandatory prepayment, in whole or in part, as, when and to the extent required by the EPA's State Revolving Fund Program Regulations. Otherwise, the Loan may be prepaid by the Borrower, in whole or in part, only at such times and in such amounts, and upon the payment by the Borrower of such prepayment premium or penalty, as the Director, in his or her discretion, may specify and approve.

Section 3.10. Assignment.

Neither this Agreement nor the Note may be assigned by the Borrower for any reason without the prior written consent of the Administration. The Administration may transfer, pledge or assign the Note and any or all rights or interests of the Administration under this Agreement without the prior consent of the Borrower.

ARTICLE IV

EVENTS OF DEFAULT AND REMEDIES

Section 4.01. Events of Default.

If any of the following events occur, it is hereby defined as and declared to be and to constitute an "Event of Default":

(a) failure by the Borrower to pay any amount required to be paid hereunder or under the Note when due, which failure shall continue for a period of 20 days;

(b) failure by the Borrower or one of its Subsidiaries to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Agreement,

other than as referred to in paragraph (a) of this Section, which failure shall continue for a period of 30 days after written notice, specifying such failure and requesting that it be remedied, is given to the Borrower by the Administration, unless the Administration shall agree in writing to an extension of such time prior to its expiration; provided, however, that if the failure stated in such notice is correctable but cannot be corrected within the applicable period, the Administration will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the Default is corrected;

(c) if (i) at any time any representation made by the Borrower in Section 2.01(h)(ii) is incorrect, or (ii) any other representation made by or on behalf of the Borrower contained in this Agreement, or in any instrument furnished in compliance with or with reference to this Agreement, the Loan Commitment or the Loan, is false or misleading in any material respect on the date on which such representation is made;

(d) if an order, judgment or decree is entered by a court of competent jurisdiction (i) appointing a receiver, trustee, or liquidator for the Borrower or one of its Subsidiaries; (ii) granting relief in involuntary proceedings with respect to the Borrower or one of its Subsidiaries under the federal bankruptcy act, or (iii) assuming custody or control of the Borrower or one of its Subsidiaries under the provision of any law for the relief of debtors, and the order, judgment or decree is not set aside or stayed within 60 days from the date of entry of the order, judgment or decree; or

(e) if the Borrower or one of its Subsidiaries (i) admits in writing its inability to pay its debts generally as they become due, (ii) commences voluntary proceedings in bankruptcy or seeking a composition of indebtedness, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a receiver, (v) consents to the assumption of custody or control of the Borrower or any of its Subsidiaries by any court of competent jurisdiction under any law for the relief of debtors, (vi) consents to the entry of an order for relief against it in an involuntary bankruptcy case or proceeding, or (vii) consents or acquiesces in the institution of a bankruptcy or insolvency proceeding against it.

Section 4.02. Notice of Default.

The Borrower shall give the Administration prompt telephonic notice, followed by prompt written confirmation, of the occurrence of any event referred to in Section 4.01(d) or (e) hereof and of the occurrence of any other event or condition that constitutes a Default or an Event of Default at such time as any senior administrative or financial officer of the Borrower becomes aware of the existence thereof.

Section 4.03. Remedies on Default.

Whenever any Event of Default referred to in Section 4.01 hereof shall have happened and be continuing, the Administration shall have the right to take one or more of the following remedial steps:

(a) declare all amounts due hereunder (including, without limitation, payments under the Note) to be immediately due and payable, and upon notice to the Borrower the same shall become immediately due and payable by the Borrower without further notice or demand; and

(b) take whatever other action at law or in equity that may appear necessary or desirable to collect the amounts then due and thereafter to become due hereunder or to enforce the performance and observance of any obligation, agreement or covenant of the Borrower hereunder.

(c) place a lien against property of the Borrower securing the loan which, subject to the tax liens of the federal, State, and local governments, shall have the same priority and status as a lien of the State for unpaid taxes under Sections 14-804 and 14-805 of the Tax-Property Article. The Administration may exercise the same rights and powers in enforcing such lien and collecting funds for the payment of amounts in default under the loan obligation as the State may exercise in collecting unpaid taxes under Subtitle 8 of the Tax-Property Article.

(d) apply the funds in the Collateral Account against the Obligations to the Administration from time to time as set forth in Section 2.03(b)(ii).

Section 4.04. Attorneys' Fees and Other Expenses.

The Borrower shall on demand pay to the Administration the reasonable fees and expenses of attorneys and the Trustee and other reasonable expenses incurred in the collection of any sum due hereunder or in the enforcement of performance of any other Obligations of the Borrower to the Administration upon an Event of Default and all reasonable and necessary sums that the Administration expends to enforce the terms of this Agreement.

Section 4.05. Application of Monies.

Any monies collected by the Administration pursuant to Section 4.03 hereof shall be applied (a) first, to pay any attorneys' fees or other fees and expenses owed by the Borrower pursuant to Section 4.04 hereof, (b) second, to pay interest due on the Loan, (c) third, to pay principal due on the Loan, (d) fourth, to pay any other amounts due hereunder, and (e) fifth, to pay interest and principal on the Loan and other amounts payable hereunder as such amounts become due and payable.

Section 4.06. No Remedy Exclusive; Waiver; Notice.

No remedy herein conferred upon or reserved to the Administration is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right, remedy or power accruing upon any Default or Event of Default shall impair any such right, remedy or power or shall be construed to be a waiver thereof, but any such right, remedy or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Administration to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be required in this Article.

ARTICLE V

MISCELLANEOUS

Section 5.01. Notices.

All amendments, notices, requests, objections, waivers, rejections, agreements, approvals, disclosures and consents of any kind made pursuant to this Agreement shall be in writing. Any such communication shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the Borrower at the address specified on Exhibit B attached hereto and to the Administration at Maryland Water Quality Financing Administration, 1800 Washington Blvd., Baltimore, Maryland 21230-1718, Attention: Director.

Section 5.02. Binding Effect.

This Agreement shall inure to the benefit of and shall be binding upon the Administration and the Borrower and their respective successors and assigns.

Section 5.03. Severability.

In the event any provision of this Agreement shall be held illegal, invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate, render unenforceable or otherwise affect any other provision hereof.

Section 5.04. Execution in Counterparts.

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.05. Applicable Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland.

Section 5.06. Captions.

The captions or headings in this Agreement are for convenience only and shall not in any way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

Section 5.07. Further Assurances.

The Borrower shall, at the request of the Administration, execute, acknowledge and deliver such further resolutions, conveyances, transfers, assurances, financing statements, certificates and other instruments as may be necessary or desirable for better assuring, conveying, granting, assigning and confirming the rights, security interests and agreements granted or intended to be granted by this Agreement and the Note.

Section 5.08. Entire Agreement.

This Agreement constitutes the entire agreement between the parties and supersedes all prior oral and written agreements between the parties hereto with respect to the Loan. In the event of any inconsistency between the provisions of this Agreement and anything contained in the Application, the provisions of this Agreement shall prevail.

Section 5.09. Amendment of this Agreement.

This Agreement, or any part hereof, may be amended from time to time by an instrument in writing jointly executed by the Administration and the Borrower except to the extent that an indenture prohibits such amendment.

Section 5.10. Disclaimer of Relationships.

The Borrower acknowledges that the obligation of the Administration is limited to making the Loan in the manner and on the terms set forth in this Agreement. Nothing in this Agreement nor any act of either the Administration or of the Borrower shall be deemed or construed by either of them, or by third persons, to create any relationship of third-party beneficiary, principal and agent, limited or general partnership, or joint venture, or of any association or relationship whatsoever involving the Borrower and the Administration.

Section 5.11. Effective Date.

The effective date of this Agreement shall be the date of the Administration's execution.

Section 5.12. Term of this Agreement.

Unless sooner terminated pursuant to Article IV of this Agreement, or by the mutual consent of the Borrower and the Administration, this Agreement shall continue and remain in full force and effect until the Loan, together with interest and all other sums due and owing in connection with this Agreement or the Loan, have been paid in full to the satisfaction of the Administration. Upon payment in full of the Loan together with interest and all other Obligations to the Administration due and owing in connection with this Agreement or the Loan from any source whatsoever, this Agreement shall be terminated.

Section 5.13. Delegation Not to Relieve Obligations.

The delegation by the Borrower of the planning, construction or carrying out of the Project shall not relieve the Borrower of any Obligations to the Administration under this Agreement and any other documents executed in connection with the Loan.

Section 5.14. Additional Terms.

This Agreement shall also be subject to the additional terms, modifications and deletions, if any, set forth in Exhibit A hereto. To the extent that the provisions herein and in Exhibit A attached hereto are inconsistent, the provisions in Exhibit A shall control.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered as of the day and year first above written.

(SEAL)

WITNESS:

MARYLAND WATER QUALITY FINANCING
ADMINISTRATION

Loan Officer

Jag Khuman
Director

(SEAL)

WITNESS:

[NAME OF BORROWER]:

Name:
Title:

Approved for form and legal sufficiency
this ____ day of _____, ____

Helen E. Akparanta
Senior Assistant Attorney General

EXHIBIT A
to Drinking Water Loan and Security Agreement

Borrower Name: _____
Address: _____

Attention: _____
Project Name: _____

**CONDITIONS TO INITIAL ADVANCE UNDER SECTION 3.03(b)(vi) OF
DRINKING WATER LOAN AND SECURITY AGREEMENT:**

**ADDITIONAL TERMS, MODIFICATIONS OR DELETIONS APPLICABLE TO
DRINKING WATER LOAN AND SECURITY AGREEMENT:**

“Fiscal Year of the Borrower” means the period of 12 consecutive months commencing on [_____] in any calendar year and ending on [_____] of the succeeding year.

Additional Indebtedness of the Borrower and its Subsidiaries will be permitted in the maximum aggregate principal amount of \$_____.

EXHIBIT B
to Drinking Water Loan and Security Agreement

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

DESCRIPTION OF THE LOAN

- (1) Project Name(s): _____
- (2) Maximum Principal Amount of Loan Commitment: \$ _____
- (3) Rate of Interest: _____% *(Based upon _____% of the _____ average of the Bond Buyer 11-Bond Index)*
- (4) Amortization Schedule:
 - (a) _____ years
\$1,000 Mini Principal Date: _____
Date of First of _____ Principal Payments: _____
 - (b) Level Principal _____; or
Level Debt Service _____
Other _____
- (5) Quarterly Administrative Fee: \$ _____, beginning _____.
- (6) Estimated Completion Date of Project(s): _____
- (7) Default Rate: _____% *(Based upon _____% of the _____ average of the Bond Buyer 11-Bond Index)*
- (8) Description of Project: _____

EXHIBIT C
to Drinking Water Loan and Security Agreement

Borrower Name: _____
Address: _____

Attention: _____
Project Name: _____

PROJECT BUDGET

Breakdown of Eligible Project Costs:

A. Portion of Eligible Project Costs to be directly financed:

<u>Description</u>	<u>Allocated Amount of Loan*</u>
Eligible Project Costs include administrative and legal expenses, planning/design engineering fees, construction costs, construction phase engineering/inspection fees and contingencies	
Subtotal Loan:	\$ _____

B. Portion of Eligible Project Costs for which Borrower will be reimbursed at closing, which the Borrower hereby certifies were paid or incurred prior to the date of the Agreement, in anticipation of being reimbursed through a loan from the Administration (and subject to compliance with Section 3.03(a) of the Agreement):

<u>Description</u>	<u>Allocated Amount of Loan</u>
Eligible Project Costs include administrative and legal expenses, planning/design engineering fees, construction costs, construction phase engineering/inspection fees and contingencies	
Total Reimbursement at Closing:	\$ _____
Total Loan:	\$ _____

C. Construction Cash Draw Schedule*

<u>Federal Quarter</u>	<u>Cash Disbursements*</u>
FFY 14 Q2 (Jan 14 – Mar 14)	
FFY 14 Q3 (Apr 14 – Jun 14)	
FFY 14 Q4 (Jul 14 – Sep 14)	
FFY 15 Q1 (Oct 14 – Dec 14)	
FFY 15 Q2 (Jan 15 – Mar 15)	
FFY 15 Q3 (Apr 15 – Jun 15)	
FFY 15 Q4 (Jul 15 – Sep 15)	
FFY 16 Q1 (Oct 15 – Dec 15)	

Total Disbursements: \$ _____

* SUBJECT TO CHANGE WITH CONSENT OF THE ADMINISTRATION IN ITS DISCRETION UNDER SECTION 2.02(d) OF THIS AGREEMENT

EXHIBIT D
to Drinking Water Loan and Security Agreement

OPINION OF BORROWER'S COUNSEL

[LETTERHEAD OF COUNSEL TO BORROWER]

[CLOSING DATE]

Maryland Water Quality
Financing Administration
1800 Washington Blvd.
Baltimore, Maryland 21230-1718

Ladies and Gentlemen:

We are counsel to [NAME OF BORROWER], a [CORPORATION OR OTHER ENTITY] organized under the laws of [_____] (the "Borrower") in connection with the loan (the "Loan") by Maryland Water Quality Financing Administration (the "Administration") to the Borrower of funds to finance all or a portion of the costs of a project (the "Project") described in Exhibit B to the Drinking Water Loan and Security Agreement dated as of _____, ____ (the "Agreement") by and between the Administration and the Borrower.

In this connection, we have reviewed such records, certificates and other documents as we have considered necessary or appropriate for the purposes of this opinion, including, without limitation, (i) the [Articles of Incorporation] of the Borrower, certified by the State Department of Assessments and Taxation, (ii) the By-laws of the Borrower, (iii) a Certificate of Good Standing of the Borrower, certified by the State Department of Assessments and Taxation, (iv) resolutions adopted by the Board of Directors of the Borrower on _____, _____, (v) the Agreement, (vi) the Note dated as of this date, from the Borrower to the Administration (the "Note"), (vii) the Uniform Commercial Code financing statements signed by the Borrower (the "Financing Statements"), [(viii) the Lock Box Agreement by and between _____ and the Borrower], and (ix) such other materials and documents as we deem relevant as a basis for rendering the opinions hereinafter set forth. The Agreement and the Note, are referred to herein collectively as the "Loan Documents." Based on such review, and such other considerations of law and fact as we believe to be relevant, we are of the opinion that:

(a) The Borrower is a validly created and existing [type of entity] in good standing and authorized to engage in business in the State of Maryland, possessing authority to acquire, construct and operate the Project and to enter into the Loan Documents and perform its Obligations to the Administration thereunder.

D-1

(b) The Borrower has duly authorized, executed and delivered the Loan Documents and, assuming due authorization, execution and delivery of the Agreement by the Administration, the Loan Documents constitute legal, valid and binding obligations of the Borrower enforceable in accordance with their respective terms.

(c) The Loan Documents and the enforceability thereof are subject to bankruptcy, insolvency, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors' rights and to general principles of equity.

(d) To the best of our knowledge after reasonable investigation, the Borrower has all necessary licenses, approvals and permits required to date under federal, state and local law to own, construct and acquire the Project.

(e) Neither the execution and delivery of the Loan Documents, the consummation of the transactions contemplated thereby, the acquisition and construction of the Project nor the fulfillment of or compliance with the terms and conditions of the Loan Documents conflicts with or results in a breach of or default under any of the terms, conditions or provisions of [organizational documents of] the Borrower or, to the best of our knowledge, after reasonable investigation any agreement, contract or other instrument, or law, ordinance, regulation, or judicial or other governmental order, to which the Borrower is now a party or by which the Borrower or its properties are otherwise subject or bound, and the Borrower is not otherwise in violation of any of the foregoing in a manner material to the transactions contemplated by the Loan Documents.

(f) To the best of our knowledge after reasonable investigation, there is no action, suit, proceeding or investigation, at law or in equity, before or by any court, governmental agency or public board or body pending or threatened against or affecting the Borrower that, if adversely determined, would materially affect the ability of the Borrower to perform its obligations under the Loan Documents, which has not been disclosed in writing to the Administration.

(g) With respect to all property

(i) in which the Borrower currently has rights within the meaning of Section 9-203(b)(2) of the Maryland Uniform Commercial Code,

(ii) in which a security interest subject to Article 9 of the Maryland Uniform Commercial Code is granted under the Loan Documents which may be perfected by the filing of financing statements, and

(iii) as to which one or more financing statements naming the Borrower as debtor are required to be on file at the time of the filing of the Financing Statement[s] among the financing statement records of the [Maryland State Department of Assessments and Taxation/land records of _____ County] (the "Filing Office") in order that any security interest in such property granted pursuant to Article 9 of the Maryland Uniform Commercial Code may be perfected at such time by filing, upon the due filing in the Filing Office[s] of the respective Financing Statement[s], duly completed and executed, the security interests in such property created under the Loan Documents will have been perfected and will have priority, at the time of such filing of the Financing Statement, over any other security interests in such property perfected by filing at such time.

We hereby authorize Bond Counsel to the Administration, to rely on this opinion as if we had addressed this opinion to them in addition to you.

Very truly yours,

D-3

EXHIBIT E
to Drinking Water Loan and Security Agreement

\$(MAX. AMT.)

R-1

REGISTERED
[NAME OF BORROWER]
DRINKING WATER NOTE, SERIES ____
Dated _____, ____

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

REGISTERED OWNER: Maryland Water Quality Financing Administration

_____, a [APPROPRIATE DESCRIPTION] (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 Drinking Water Loan and Security Agreement dated as of _____, ____ (the "Loan and Security 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 and Security Agreement at the rate of _____ per centum (____%) per annum.

The principal advanced under the Loan and Security Agreement shall be paid in quarterly 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>	<u>Due</u>	<u>Principal Amount</u>	<u>Due</u>	<u>Principal Amount</u>
11/01/14		11/01/19		11/01/24		11/01/29	
02/01/15		02/01/20		02/01/25		02/01/30	
05/01/15		05/01/20		05/01/25		05/01/30	
08/01/15		08/01/20		08/01/25		08/01/30	
11/01/15		11/01/20		11/01/25		11/01/30	
02/01/16		02/01/21		02/01/26		02/01/31	
05/01/16		05/01/21		05/01/26		05/01/31	
08/01/16		08/01/21		08/01/26		08/01/31	
11/01/16		11/01/21		11/01/26		11/01/31	
02/01/17		02/01/22		02/01/27		02/01/32	
05/01/17		05/01/22		05/01/27		05/01/32	
08/01/17		08/01/22		08/01/27		08/01/32	
11/01/17		11/01/22		11/01/27		11/01/32	
02/01/18		02/01/23		02/01/28		02/01/33	
05/01/18		05/01/23		05/01/28		05/01/33	
08/01/18		08/01/23		08/01/28		08/01/33	
11/01/18		11/01/23		11/01/28		11/01/33	
02/01/19		02/01/24		02/01/29		02/01/34	
05/01/19		05/01/24		05/01/29		05/01/34	
08/01/19		08/01/24		08/01/29		08/01/34	

If the Administration determines at any time to reduce the maximum amount of the Loan Commitment (as defined in the Loan and Security Agreement) in accordance with Section 3.07 of the Loan and Security Agreement, the Maximum Principal Amount shall be reduced accordingly and the Maximum Principal Amount as so reduced shall be amortized in accordance with Section 3.07 of the Loan and Security 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 note as and when the same shall become due.

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

Interest due on the unpaid principal amounts advanced under the Loan and Security 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 _____, ____, and quarterly thereafter on the 1st day of _____, _____, _____ and _____ in each year until the principal amount hereof has been paid.

This note is subject to prepayment only in accordance with Section 3.09 of the Loan and Security Agreement.

Both the principal of and interest on this note will be paid to the registered owner in lawful money of the United States of America, at the time of payment, and will be paid by electronic funds transfer, or by check or draft mailed (by depositing such check or draft, correctly addressed and postage prepaid, in the United States mails before the payment date) to the registered owner at such address as the registered owner may designate from time to time by a notice in writing delivered to the [INSERT BORROWER'S AUTHORIZED OFFICER].

This note is issued by virtue of due proceedings had and taken by the Borrower on _____, _____.

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

The Borrower hereby irrevocably and unconditionally promises prompt payment of the principal of and interest on this note according to its terms, and the Borrower does hereby covenant and agree to pay the principal of and interest on this note on the dates and in the manner prescribed herein and is secured as provided in the Loan and Security Agreement.

This note is transferable only after the first principal payment date as set forth above or the date upon which the Maximum Principal Amount has been borrowed, whichever is earlier, upon the books of the Borrower at the office of the [INSERT BORROWER'S AUTHORIZED OFFICER] by the registered owner hereof in person or by his attorney duly authorized in writing, upon surrender hereof, together with a written instrument of transfer satisfactory to the [INSERT BORROWER'S AUTHORIZED OFFICER], duly executed by the registered owner or his duly authorized attorney. The Borrower shall, within a reasonable time, issue in the name of the transferee a new registered note or notes, in such denominations as the Borrower shall by resolution approve, in an aggregate principal amount equal to the unpaid principal amount of the note or notes surrendered and with the same maturities and interest rate. If more than one note is issued upon any such transfer, the installment of principal and interest to be paid on each such note 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 note and the denominator of which shall be the aggregate principal amount of notes then outstanding and unpaid. The new note or notes 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 note 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 Organizational Documents to exist, to have happened or to have been performed precedent to or in the issuance of this note, exist, have happened and have been performed.

IN WITNESS WHEREOF, the Borrower has caused this note to be executed by the manual or facsimile signature of its duly authorized officers.

[NAME OF BORROWER]

By: _____
Name:
Title:

By: _____
Name:
Title:

Dated: _____

EXHIBIT F
to Drinking Water Loan and Security Agreement

PERMITTED ENCUMBRANCES

[to be completed]

PERMITTED LIENS

[to be completed]

PERMITTED INDEBTEDNESS AS OF LOAN CLOSING DATE

[to be completed]

EXHIBIT G
to Drinking Water Loan and Security Agreement

PATENTS AND TRADEMARKS

[to be completed]