

FIRE AND RESCUE
REVOLVING LOAN FUND
LOAN APPLICATION PROCESS

PRESENTED TO:
BOARD OF COUNTY COMMISSIONERS

SEPTEMBER 29, 1998

ST. MARY'S COUNTY GOVERNMENT

**FIRE AND RESCUE REVOLVING LOAN FUND
LOAN APPLICATION PROCESS
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Fire and Rescue Revolving Loan Fund
St. Mary's County Policies and Procedures Legislative Intent
(Chapter 46 — St. Mary's County Code)

Purpose of the Fund: To establish a continuing, nonlapsing, revolving fund to provide low interest loans to volunteer fire, ambulance, and rescue departments to finance the purchase of fire fighting equipment and to finance land acquisition and construction costs. The Fund can be charged for the costs of administration but cannot be used for operational expenses of fire, ambulance, and rescue departments.

Revenue Sources: To include funds appropriated by the County (up to \$2,000,000 in general obligation bonds may be issued by the County for this purpose); repayment of principal and interest on loans from the Fund; proceeds from the sale, lease, rental or disposal of property or other collateral held or acquired by the County to secure the repayment of a loan made from the Fund; moneys from any source to effect the purposes of the Loan Fund including federal, state, or private grants; and investment earnings of the Fund.

Amount of Loan: The County may loan up to 75% of the purchase price of new fire fighting, rescue, and emergency medical service machinery and equipment for a term not to exceed the normal useful life of the equipment as determined by National Fire Protection Association standards or 15 years, whichever is less. Additionally, the County may loan up to 90 percent of the costs of land acquisition and construction costs.

Administrative Procedures for Loan Approval

I. Authority

- A. Administrative procedures in accordance with legal provisions of the County Code.
1. The Fund is to be managed and supervised as prescribed by the Board of County Commissioners.
 2. Applications shall be as prescribed by the Board of County Commissioners.
 3. The Fire Board and Ambulance and Rescue Association shall review and evaluate loan applications from the respective departments.
 4. An officer of the County shall be designated by the Board of County Commissioners to review loan applications.
 5. If sufficient moneys exist in the Fund, a loan may be approved by the Board of County Commissioners.

1. II. Loan Approval Procedures

A. St. Mary's County volunteer fire department or rescue squad may apply for a loan from the Revolving Fund on the required Loan Application Form

B. Responsibilities of the St. Mary's County Fire Board

1. Review and evaluate loan applications from the volunteer fire departments for need, practicality, and financial ability of the borrower.
2. Provide a recommendation to the Emergency Services Committee as to approval or disapproval.
3. Assign an order of priority to the application from the volunteer fire departments prior to submission to the Emergency Services Committee.

C. Responsibilities of the St. Mary's County Ambulance and Rescue Association

1. Review and evaluate loan applications from the volunteer rescue squads for need, practicality, and financial ability of the borrower.
2. Provide a recommendation to the Emergency Services Committee as to approval or disapproval.
3. Assign an order of priority to the application from the volunteer rescue squads prior to submission to the Emergency Services Committee.

D. Responsibilities of the Emergency Services Committee

1. Review the loan applications of the volunteer fire departments and rescue squads as well as the recommendations and priorities of the Fire Board and Ambulance and Rescue Association.
2. Forward the loan application, Fire Board or Rescue Association recommendations, and the recommendation of the Emergency Services Committee to the St. Mary's County Department of Finance.

E. Responsibilities of the St. Mary's County Department of Finance

1. In conjunction with County bond counsel, review the loan applications and other materials submitted by the Emergency Services Committee to insure that all the required information has been provided.
2. Evaluate the loan applications in accordance with the priorities established by the Fire Board and the Ambulance and Rescue Association and in consideration of recommendations made by the Emergency Services Committee.
3. Evaluate the loan applications relative to the need for the equipment or facilities, the financial ability of the borrower, the projected sources of repayment, estimated costs, and the expected useful life of the equipment or facilities. Review all other information required to be submitted as part of the application process to determine the eligibility of the fire department or rescue squad for loan approval.
4. Provide a written recommendation to the County Administrator relative to the loan application.

F. Responsibilities of the County Administrator

1. Review the recommendation of the Department of Finance and obtain any additional information required from the Emergency Services Committee.
2. Prepare a written recommendation for presentation to the Board of County Commissioners and notify the Emergency Services Committee as to that recommendation.

G. Responsibilities of the Board of County Commissioners

1. Review the recommendation of the County Administrator and request any additional information as required, including any communications necessary with the Emergency Services Committee and the requesting fire department or rescue squad.
2. Approve or disapprove the loan application.

H. Responsibilities of the Office of the County Attorney:

1. Coordinate with Fire or Rescue Squad to:
 - a. Schedule closing;
(THE OFFICE OF THE COUNTY ATTORNEY WILL NEED THIRTY (30) DAYS NOTICE PRIOR TO CLOSING);
 - b. Determine date of first payment and subsequent payments;
 - c. Confirm loan amount;
 - d. Confirm names of officers signing the documents. (usually the President, Chief, Recording Secretary and Treasurer, depending on Corporate requirements);
 - e. Obtain signed copy of contract for the equipment/land being purchased.
2. Prepare Security Agreement.
3. Prepare Purchase Money Note.
4. Prepare Green Sheet/Agenda Request.
5. Appear before Board of County Commissioners to request that a Motion be made to authorize the Commissioner President to sign the Security Agreement.
6. Conduct Closing.
7. Furnish copies of signed documents, check and coupon book to Fire/Rescue Squad.
8. Return original Purchase Money Note to Finance Department.
9. Maintain original Security Agreement.
10. Upon payoff of the loan, file a Release of Lien with MVA.

III. Required Loan Documentation

A. Loan Document

1. Name of Applicant
2. Address and Telephone of Applicant
3. Applicant's Federal ID Number 4: Date of Application
4. Amount of Loan Requested
5. Facilities/Equipment to be Purchased with Loan Proceeds
6. Fair Value of Facilities/Equipment
7. Proposed Costs and Expenditures to Acquire the Facilities/Equipment
8. Source of Funds Other than Proceeds to Acquire the Facilities/Equipment
9. Expected Useful Life of. the Facilities/Equipment
10. Source of Funds to Repay the Loan
11. Name and Title of Applicant's Representative
12. Application Attachments
 - a. Articles of Incorporation or Charter of the Applicant.
 - b. Bylaws of the Applicant
 - c. List of Members of the Applicant
 - d. Non-profit status determination letter from the IRS (if available)
 - e. Audited financial statements of the applicant for the most recent fiscal year
 - f. Current equipment inventory (if applicable)

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 - b. Acceleration
 - c. Costs of Collection
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 - f. Acceleration of Other Obligations to the Secured Party
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 1. Interest Rate
 2. Principal Repayment 3, Interest Repayment
 3. Late Charge
 4. Manner and Application of Payments
 5. Default Interest Rate
 6. Prepayment
 7. Loan Documents
 8. Waiver
 9. Provision of Financial Information
 10. Events of Default
 11. Remedies
 12. Expenses
 13. Security
 14. Confession of Judgment
 15. Remedies Cumulative
 16. Consent to Jurisdiction
 17. Notice
 18. Invalidity of Any Part
 19. Miscellaneous
 20. Waiver of Trial by Jury

4. **IV, Loan Processing and Accounting**
 - A. Responsibilities of the Fire Department or Rescue Squad
 1. Adhere to the provisions of the Term Loan Note, including:
 - a. The timely payment of monthly principal and interest to the Director of Finance
 - b. Payment of any late charges if applicable
 - c. All other provisions of the note
 2. Adhere to the provisions of the Security Agreement
 3. Provide a monthly accounting of expenditures to the Department of Finance
 - B. Responsibilities of the Department of Finance
 1. Establish a separate fund to account for the approved loans
 2. Issue general obligation bonds to provide initial financing for the Fund
 3. Distribute the funds to the borrower upon loan approval
 4. Charge the Fund with appropriate administrative expenses
 5. Monitor investment earnings applicable to the Fund
 6. Assure borrower adherence to monthly payment schedule
 7. Review borrower project expenditures for conformity with approved loan application
 8. Preparation and presentation of annual loan status reports to the Board of County Commissioners

FIRE AND RESCUE REVOLVING LOAN FUND

LOAN EXAMPLE

Principal Amount of Loan:	\$500,000
Term of Note:	15 Years
Interest Rate: (recommended rate)	0.5%
Monthly Payment:	\$2,883.82
Annual Payment:	\$34,605.90
Total Payment:	\$519,088.46

Principal Amount of Loan:	\$500,000
Term of Note:	15 Years
Interest Rate: (bond issue true interest cost)	4.789%
Monthly Payment:	\$3,899.23
Annual Payment:	\$46,790.75
Total Payment:	\$701,861.27

**BOARD OF COUNTY COMMISSIONERS OF ST. MARY'S COUNTY,
MARYLAND
FIRE AND RESCUE REVOLVING FUND
LOAN APPLICATION**

Board of County Commissioners of St. Mary's County, Maryland
Governmental Center
23115 Leonard Hall Drive
P. O. Box 653
Leonardtown, Maryland 20650

Ladies and Gentlemen:

The undersigned volunteer fire, ambulance or rescue department (the "Applicant") hereby applies for a loan from the Board of County Commissioners of St. Mary's County, Maryland, Fire and Rescue Revolving Loan Fund.

Name of Applicant: _____

Address of Applicant: _____

Telephone: _____

Applicant's Federal Employee Identification Number: _____

Date of Application: _____

Amount of Loan Requested: _____

Equipment/Facilities to be Purchases with Loan Proceeds: _____

(add attachments if necessary)

Fair Value of Equipment/Facilities:\$ _____

Proposed Costs and Expenditures to Acquire the Equipment/Facilities:\$ _____

Source of Funds Other than Loan Proceeds (if any) to Acquire the Equipment/Facilities:

(add attachments if necessary)

Expected Useful Life of the Equipment/Facilities: _____

Source of Funds to Repay the Loan: _____

(add attachments if necessary)

Attached to this Application are the following Documents:

- Articles of Incorporation or Charter of the Applicant.
- Bylaws of the Applicant.
- Non-Profit status determination letter from the IRS (if available)
- Most recent available financial statements of the Applicant, as audited by a certified Public Accountant.

(Name of Applicant)

By:

President

Secretary

Treasurer

Fire Chief/Rescue Chief

SECURITY AGREEMENT

THIS SECURITY AGREEMENT, dated as of the _____ day of _____, 20__, by and between _____, a Maryland not-for-profit corporation (the "Borrower") and BOARD OF COUNTY COMMISSIONERS FOR ST. MARY'S COUNTY, a body politic and corporate and a political subdivision of the State of Maryland (the "Secured Party").

WITNESSETH:

WHEREAS, the Borrower has executed and delivered to the Secured Party as Payee thereunder that certain Term of Loan Note of even date herewith (together with all extensions and renewals thereof and substitutions therefore, the "Note") in the principal amount of _____ THOUSAND DOLLARS (\$____,000.00) for the purpose of financing a _____ to be used in the activities of the Borrower more specifically described in Schedule A attached hereto as a part hereof (the "_____"); and

WHEREAS, it is a condition precedent to the borrowing, under the Note that the Borrower shall have granted the security interest in the _____ and other assets contemplated by this Agreement.

NOW, THEREFORE, in consideration of the foregoing and in order to induce the Secured Party to lend funds as contemplated by the Note, the Borrower hereby agrees with the Secured Party as follows:

1. Security Interest. In order to secure (i) the payment of all principal of and interest on the Note as and when the same become due and payable (whether by lapse of time, acceleration or otherwise), (ii) the payment of all interest, fees and charges payable by the Borrower under the terms of this Agreement and the Note (collectively, the "Loan Documents"), (iii) the payment of all other indebtedness, obligations and liabilities arising under, and the observance and performance of all covenants and agreements contained in, the Loan Documents, and (iv) the payment in full of all expenses and charges, legal or otherwise, including reasonable attorneys' fees, suffered or incurred by the Secured Party in collecting or enforcing payment of the Note or any or all of the other foregoing indebtedness or in realizing upon, protecting or preserving any collateral security for the Note or such other indebtedness (all of such indebtedness, obligations and liabilities referred to in the immediately foregoing clauses (i) through (iv) being hereinafter collectively referred to as the "Obligations"), the Borrower hereby grants to the Secured Party a security interest in, and acknowledges and agrees that the Secured Party has and shall continue to have a continuing security interest in the _____; including, without limitation (a) all parts, equipment, vehicles, accessories and attachments now owned or hereafter acquired by the Borrower for use on, with or with respect to the _____; (b) all documents and records relating to the _____; (c) all accessions and additions to and substitutions and replacements of the _____; (d) all proceeds and products of the

_____, whether now existing or hereafter arising; and (e) all insurance on and with respect to the _____ and all proceeds of such insurance, whether now existing or hereafter arising. All of the foregoing assets, rights and other things in which the Borrower hereby grants to the Secured Party a security interest is hereinafter collectively referred to as the "Collateral".

2. General Covenants, Warranties and Representations. The Borrower hereby covenants with, and warrants and represents to, the Secured Party that:

(a) Title. The Borrower is the sole and lawful owner of the Collateral and has good and marketable title thereto. The Collateral and every part thereof is and will remain free and clear of all security interests, liens (including, without limitation, mechanics, laborers and statutory liens), attachments, levies and encumbrances of every kind, nature and description whatsoever, however arising and whether voluntary or involuntary, other than the security interest of the Secured Party therein; and the Borrower will warrant and defend its title to the Collateral against all claims and demands of all persons at any time claiming the same or any interest therein.

(b) Location. The Collateral is in the Borrower's possession at _____, Maryland _____. The Borrower's chief principal place of business is located at _____, Maryland _____, and the Borrower has no other offices or places of business in the United States.

(c) Other Liens. Without limiting the scope of Section 2(a) hereof, the Borrower will give the Secured Party prompt notice of any default of any obligation secured by any senior, junior or subordinated lien, mortgage, security interest, encumbrance or claim on any of the Collateral and notice of any foreclosure or threat of foreclosure of any such senior, junior or subordinated lien, mortgage, security interest or encumbrance, whether or not the same is permitted by the terms of this Agreement or subsequently consented to by the Secured Party.

(d) Assessments; Maintenance; Use. The Borrower will pay promptly when due all taxes, assessments and governmental charges and levies upon or against the Collateral, in each case before the same become delinquent and before penalties accrue thereon, unless and to the extent that the same are being contested in good faith by appropriate proceedings; and the Borrower at its own cost and expense will maintain, keep and preserve the Collateral in good repair, working order and condition (including, without limitation, making all necessary and proper repairs, replacements and additions to the Equipment so that the efficiency thereof shall be fully preserved and maintained) and will not waste or destroy the Collateral or any part thereof and will not be negligent in the care or use of any Collateral and will not use or permit the use of the Collateral in violation of any statute, ordinance or other governmental requirement or the limitations of any applicable insurance policies.

(e) Disposition. The Borrower will not without the Secured Party's prior written consent, which may be withheld for any reason whatsoever, sell, assign, transfer, lease or otherwise dispose of the Collateral or any part thereof.

(f) Insurance.

(i) The Borrower will insure the _____ and all other insurable Collateral against such risks and hazards as are typically insured against by other similarly situated municipal or volunteer fire or rescue departments, including in any event, however, loss or damage by fire, theft, burglary, collision and such other hazards as the Secured Party may from time to time reasonably specify. All such insurance shall be in amounts, under forms of policies and by insurers reasonably acceptable to the Secured Party, shall provide that no cancellation of such insurance shall be effective without thirty (30) days' prior written notice to the Secured Party and shall contain loss payable clauses in favor of the Secured Party and name the Secured Party as an additional insured, as its interests may appear, and mortgagee; and all premiums thereon shall be paid by the Borrower, and the policies evidencing such insurance (or certificates therefore) shall be delivered to the Secured Party. The Borrower hereby authorizes and directs each insurance company to pay all insurance proceeds directly and solely to the Secured Party, and not to the Borrower and the Secured Party jointly.

(ii) In case of any material loss, damage to or destruction of the Collateral or any part thereof, the Borrower shall promptly give written notice thereof to the Secured Party, generally describing the nature and extent of such loss, damage or destruction. In case of any loss, damage to or destruction of the Collateral or any part thereof, the Borrower, whether or not the insurance proceeds (if any) received on account of such loss, damage or destruction shall be sufficient for that purpose, shall at its sole cost and expense immediately repair or replace the Collateral so lost, damaged or destroyed. The Borrower hereby authorizes the Secured Party at the Secured Party's option to adjust, compromise and settle any losses under any insurance covering the Collateral or any part thereof, and the Borrower does hereby irrevocably constitute the Secured Party, its officers, agents and attorneys, as its attorneys-in-fact, with full power and authority to effect such adjustment, compromise and/or settlement and to endorse any drafts drawn by an insurer of the Collateral or any part thereof and to do everything necessary to carry out such purposes and to receive and receipt for any unearned premiums due under policies of such insurance. Net insurance proceeds received by the Secured Party under the provisions hereof or under any policy or policies of insurance covering the Collateral or any part thereof shall be applied at the Secured Party's option to the reduction of the Obligations in a manner consistent with Section 4(j) hereof, provided, however, that the Secured Party agrees to release such insurance proceeds to the Borrower for replacement or restoration of the portion of the Collateral lost, damaged or destroyed if, but only if, (A) no Event of Default or Potential Default shall have occurred or be continuing at the time of release, (B) written application for such release is received from the Borrower, (C) the Secured Party has received evidence reasonably

satisfactory to it that the Collateral lost, damaged or destroyed has been or will promptly be replaced or restored to its condition immediately prior to the loss, damage, destruction or other event giving rise to the payment of such insurance proceeds, and (D) such insurance proceeds do not exceed fifty percent (50%) of the outstanding unpaid principal balance of the Note as of the time of release. All insurance proceeds shall be subject to the lien and security interest of the Secured Party hereunder. The Borrower shall not take out separate insurance concurrent in form or contributing in the event of loss with that required in this Section 2(f), unless the Secured Party is included therein as a named insured, with loss payable and mortgagee endorsements as required herein. The Borrower shall immediately notify the Secured Party whenever any such separate insurance is applied for and shall promptly deliver to the Secured Party the policies or certificates evidencing the same.

(iii) The Borrower will also obtain and maintain in full force and effect (A) insurance generally known as public liability coverage (including vehicle liability coverage), insuring the Borrower and the Secured Party against all claims or demands made by any person or persons whatsoever for injuries received in connection with the use, operation or maintenance of the Collateral or any part thereof, with minimum limits of Five Hundred Thousand Dollars (\$500,000.00) on account of bodily injuries to or death of one person and One Million Dollars (\$1,000,000.00) on account of bodily injuries to or death of more than one person as the result of any one accident or disaster; (B) property damage insurance against claims for damage to property (including loss of use) occurring in connection with the use, operation or maintenance of the Collateral upon, in or about the premises or area where the Collateral or any part thereof is located or operated, with a limit of not less than Five Hundred Thousand Dollars (\$500,000) in respect of damage to the property of any one owner; and (C) insurance covering bodily injuries to or death of persons serving as volunteer firefighters or EMS personnel or in other volunteer activities of the Borrower in amounts usually carried by volunteer fire departments or rescue squads conducting operations which are similar to those conducted by the Borrower. All such insurance shall be under forms of policies and by insurers reasonably acceptable to the Secured Party, shall provide that no cancellation of such insurance shall be effective without thirty (30) days' prior written notice to the Secured Party and shall name the Secured Party as an additional insured, as its interests may appear, and mortgagee; and all premiums thereon shall be paid by the Borrower, and the policies evidencing such insurance (or certificates therefor) shall be delivered to the Secured Party.

(iv) The Borrower shall arrange for appropriate certification as to the satisfaction of the requirements set forth in this Section 2(f) to be delivered to the Secured Party by each insurer or underwriter therefore, which certification shall specifically acknowledge that the insurance is in conformity with this Section 2(f). Annually on each anniversary of the date hereof, the Borrower shall furnish to the Secured Party a report describing in reasonable detail the insurance then carried and maintained on and with respect to the Collateral and certifying that such insurance complies with the terms hereof and, if the Secured Party shall so request, a copy of each

applicable policy. The Borrower will advise the Secured Party in writing promptly of any default in the payment of any premium and of any other act or omission on the part of the Borrower or any of its officers, employees or agents which might invalidate or render unenforceable by the Borrower, in whole or in part, any insurance required by this Section 2(f). The Borrower will also advise the Secured Party in writing at least thirty (30) days prior to the expiration or termination date of any insurance carried and maintained pursuant to this Section 2(f).

(g) Access. Except for periodic use in the ordinary course of the operations of the Borrower, the Borrower will not remove the Collateral from the location(s) specified in Section 2(b) hereof without the Secured Party's prior written consent (provided, nevertheless, that if for any reason Collateral is at any time kept or located at locations other than its present location(s) or locations hereafter consented to by the Secured Party, the Secured Party shall nevertheless have and retain a security interest therein), and the Borrower will allow the Secured Party free access to and right of inspection of the Collateral during regular business hours and at other reasonable times.

(h) Identification. The Borrower agrees from time to time to deliver to the Secured Party such evidence of the existence and identity of the Collateral and of its availability as collateral security under this Agreement as the Secured Party may reasonably request promptly upon the Secured Party's request.

(i) Leases; Governmental Requirements. The Borrower will comply with the terms and conditions of all leases covering the premises wherein any of the Collateral is located or operated and with all orders, ordinances, laws, statutes, rules and regulations of every city, state, federal or other governmental entity, department or agency having jurisdiction with respect to such premises, the Collateral or the conduct of the Borrower's operations thereon.

(j) Preservation by Secured Party. The Secured Party may, at its option, discharge any taxes, liens, security interests or other encumbrances at any time levied or placed on the Collateral and may pay for the maintenance and preservation of the Collateral, including the purchasing of insurance therefor; and the Borrower will immediately reimburse the Secured Party on demand for any payment made or any expense incurred by the Secured Party pursuant to the foregoing authority, together with interest at the default rate of interest stated in Section 6 of the Note (the "Default Rate"). All such expenditures and interest shall have the benefit of and be secured by the security interest herein granted.

(k) First Lien. As of the date hereof, the security interest of the Secured Party in the Collateral has been duly perfected under the Uniform Commercial Code as enacted in Maryland ("UCC") or other applicable law in every appropriate jurisdiction and constitutes a first priority lien upon the Collateral and every part thereof; and the Borrower covenants that the Secured Party's security interest shall remain a first

priority lien upon the Collateral so long as any of the Obligations shall remain outstanding.

(l) Perfection. The Borrower agrees to execute and deliver to the Secured Party such further agreements, assignments and other instruments and to do all such other things as the Secured Party may from time to time deem necessary or appropriate to assure to the Secured Party the attachment, perfection and priority of its security interest hereunder, including such waivers, subordinations or consents, UCC financing statements, amendments or continuation statements, motor vehicle lien statements and other instruments as the Secured Party may specify. The Borrower hereby agrees that a photographic or other reproduction of this Agreement or any such UCC financing statement is sufficient for filing as a financing statement by the Secured Party, without notice thereof to the Borrower, wherever the Secured Party in its sole discretion desires to file the same. The Borrower hereby appoints the Secured Party, or any other person whom the Secured Party may from time to time designate, as the Borrower's attorney-in-fact, with full power and authority to execute in the name and on behalf of the Borrower any UCC financing statements, motor vehicle lien statements and other instruments as the Secured Party may deem necessary or appropriate in order further to perfect and protect its security interest in the Collateral and each part thereof, and the foregoing power of attorney, being coupled with an interest, is irrevocable until the Obligations have been fully satisfied. If any Collateral is in the possession or control of any of the Borrower's agents, bailees or processors, the Borrower agrees to notify such agents, bailees or processors in writing of the Secured Party's security interest therein, and upon the Secured Party's request, to instruct them to hold all such Collateral for the Secured Party's account and subject to the Secured Party's instructions. The Borrower agrees to mark its books and records to reflect the security interest of the Secured Party in the Collateral.

3. Title. To the extent that the _____ include any motor vehicles, Borrower shall cause the security interest created by this Agreement and the identity of the Secured Party as a secured party to be recorded with the Maryland Department of Motor Vehicles and reflected upon the face of the document of title to such vehicles and shall promptly deliver to the Secured Party such document of title.

4. Defaults and Remedies.

(a) Events of Default. The occurrence or existence of any one or more of the following events or conditions shall constitute an Event of Default:

(i) (A) default in the payment when due of any installment of the principal of or interest on the Note, whether at the stated maturity thereof or at any other time provided in the Note, or in this Agreement, or (B) default for a period of ten (10) days after notice in the payment when due of any other amount payable by the Borrower under this Agreement or the Note; and

(ii) default in the observance or performance of any covenant set forth in the Note or this Agreement which remains uncured more than thirty (30) days after receipt by the Borrower of written notice thereof from the Secured Party; and

(iii) default in the observance or performance by the Borrower of any other provision of the Note or this Agreement which is not remedied within thirty (30) days after written notice thereof to the Borrower by The Secured Party; provided, however, that if such default cannot be corrected within thirty (30) days, it shall not be an Event of Default so long as, in the opinion of the Secured Party, the Borrower is diligently taking appropriate corrective action to cure the same and such default will not, in the sole judgment of the Secured Party, impair the security for the Loan; and

(iv) default shall occur under any evidence of indebtedness issued, assumed or guaranteed by the Borrower, or under any indenture, agreement or other instrument under which the same may be issued, and such default shall continue for the period of time (if any) necessary to permit the acceleration of the maturity of any such indebtedness in the aggregate amount of Ten Thousand Dollars (\$10,000.00) or more; and

(v) any representation or warranty made by the Borrower in this Agreement, or in any of the exhibits hereto, or in any opinion, report, statement (including, without limitation, financial statements) or certificate furnished by Borrower to the Secured Party in connection with the Loan, pursuant to this Agreement or otherwise, proves to have been false, misleading or incomplete in any material respect as of the date of the issuance or making thereof; and

(vi) the Borrower shall (A) have entered involuntarily against it an order for relief under the United States The Secured Bankruptcy Code, as amended, (B) not pay, or admit in writing its inability to pay, its debts generally as they become due or suspend payment of its obligations, (C) become insolvent or make an assignment for the benefit of creditors, (D) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, conservator, liquidator or similar official for it or any substantial part of its property, (E) institute any proceeding seeking an order for relief or other protection under the United States Bankruptcy Code, as amended, or seeking dissolution, winding up, liquidation, reorganization, arrangement, marshaling of assets, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (F) fail to contest in good faith any appointment or proceeding described in Section 4(a)(vii) hereof, or (G) take any corporate action in furtherance of any of the foregoing purposes; and

(vii) a custodian, receiver, trustee, conservator, liquidator or similar official shall be appointed for the Borrower or any substantial part of any of its properties, or a proceeding for such purposes or the purposes described in Section

4(a)(vii) hereof shall be instituted against the Borrower and such appointment continues undischarged or any such proceeding continues undismissed or unstayed for a period of thirty (30) days; and

(ix) any final judgments, writs or warrants of attachment or of any similar processes aggregating in excess of Ten Thousand Dollars (\$10,000.00) shall be entered or filed against the Borrower or against any of its properties or assets and remain unpaid, unvacated, unbonded or unstayed on appeal; or

(x) the Borrower shall lose any license, qualification, determination, franchise or permit which materially affects its operations as presently conducted, if the same is not restored within thirty (30) days after such loss.

(b) Acceleration.

(i) When any Event of Default (other than any Event of Default described in subsections 4(a)(vi) and (vii) hereof) has occurred and is continuing, the Secured Party may declare the principal of and the accrued interest on the Note to be forthwith due and payable and thereupon the Note, including both principal and interest, shall be and become immediately due and payable, together with all other amounts payable under this Agreement and, the Note without further demand, presentment, protest or notice of any kind.

(ii) When any Event of Default described in subsections 4(a)(vi) and (vii) hereof has occurred and is continuing, then the Note shall immediately become due and payable, together with all other amounts payable under this Agreement and the Note without presentment, demand, protest or notice of any kind.

(c) Costs of Collection. The Borrower agrees to pay to the Secured Party all expenses and costs incurred or paid by the Secured Party, including reasonable attorneys' fees and court costs, in connection with any default by the Borrower hereunder or in connection with the enforcement of any of the terms hereof or of the Note or in connection with protecting or realizing upon any collateral for the Obligations, including any of the foregoing incurred in connection with any bankruptcy, reorganization or similar proceedings instituted by or against the Borrower.

(d) Consent to Jurisdiction, Waiver of Jury Trial.

(i) The Borrower hereby agrees that any action or proceeding with respect to this Agreement, the Note or the Collateral or any action or proceeding brought to enforce any breach hereof or thereof against the Borrower or any of its property may be brought in the State of Maryland and/or in any other court having jurisdiction over the subject matter, in one or more actions or proceedings, all at the sole election of the Secured Party, and by execution and delivery of this Agreement, the Borrower irrevocably consents to jurisdiction in each such court.

(ii) The Borrower irrevocably waives any right it may have to a trial by jury in any action or proceeding described in the foregoing subsection 4(d)(i), and hereby acknowledges that this waiver is a material provision of this Agreement and shall be specifically enforceable.

(e) Service of Process. If, for any reason, the Borrower is unable to receive service of process in the manner provided by the Maryland Rules of Procedure, then the Borrower hereby irrevocably appoints the State Department of Assessments and Taxation as its agent for the purpose of gaining jurisdiction over the Borrower in the State of Maryland in connection with any of the Borrower's Obligations.

(f) Acceleration of Other Obligations to the Secured Party. When any Event of Default has occurred and is continuing, the Secured Party may declare any and/or all other indebtedness of the Borrower owing to the Secured Party, whether now existing or created in the future, to be immediately due and payable, without presentment, demand, protest or further notice of any kind.

(g) Remedies Cumulative. All rights, remedies and powers of the Secured Party hereunder are irrevocable and cumulative, and not alternative or exclusive, and shall be in addition to all other rights, remedies and powers given hereby or by Note or by any of the other document or any laws now existing or hereafter enacted.

(h) Power of Sale. Upon the occurrence of any Event of Default hereunder, the Secured Party shall have, in addition to all other rights provided herein or by law, the rights and remedies of a secured party under the UCC and further, the Secured Party may, without demand and without advertisement or notice, all of which the Borrower hereby waives, at any time or times, sell and deliver any or all Collateral held by or for it at public or private sale, for cash, upon credit or otherwise, at such prices and upon such terms as the Secured Party, in its sole discretion, deems advisable. In addition to all other sums due the Secured Party hereunder, the Borrower shall pay the Secured Party all costs and expenses incurred by it, including reasonable attorneys' fees and court costs, to obtain, liquidate and/or enforce payment of the Collateral or Obligations or in the prosecution or defense of any action or proceeding by or against the Secured Party or the Borrower concerning any matter arising out of or connected with this Agreement, the Note, the Collateral or the Obligations, including (without limitation) any of the foregoing arising under or related to any proceeding under the United States Bankruptcy Code, as amended, or any successor statute(s) thereto. Any requirement of reasonable notice shall be deemed satisfied if such notice is personally served on or mailed, postage prepaid, to the Borrower in accordance with Section 6(e) hereof at least ten (10) days before the time of sale or other event giving rise to the requirement of such notice; however, no notification need be given to the Borrower if the Borrower has signed, after an Event of Default hereunder has occurred, a statement renouncing any right to notification of sale or other intended disposition. The Secured Party shall not be obligated to make any sale or other disposition of the Collateral regardless of notice having been given. The Secured Party may be the purchaser at any such sale, and the

Borrower hereby waives all rights of redemption from any such sale. Subject to the provisions of applicable law, the Secured Party may postpone or cause the postponement of the sale of all or any portion of the Collateral by announcement at the time and place of such sale, and such sale may, without further notice, be made at the time and place to which the sale has been postponed or the Secured Party may further postpone such sale by announcement made at such time and place.

(i) Removal and Possession. Without in any way limiting the foregoing, the Secured Party shall, following any Event of Default, have the right, in addition to all other rights provided herein or by law, to take physical possession of any and all of the Collateral and anything found therein, the right for such purpose to enter without legal process upon any premises where the Collateral may be found (provided that such entry be done lawfully), the right to use any of the Borrower's equipment or _____ for handling and removing the Collateral, and the right to maintain such possession on the Borrower's premises or to remove the Collateral or any part thereof to such other places as the Secured Party may desire. Whether or not the Secured Party exercises its right to take and make it available to the Secured Party at such premises of the Borrower as the Secured Party may designate. Whether or not the Secured Party exercises its right to take possession of the Collateral, the Borrower shall also at its expense perform any and all other steps requested by the Secured Party to preserve, protect and further assure and perfect the security interest hereby granted in the Collateral, such as placing and maintaining signs indicating the security interest of the Secured Party, appointing overseers for the Collateral and maintaining stock records.

(j) Application of Proceeds. The proceeds and avails of the Collateral at any time received by the Secured Party following an Event of Default shall, when received by the Secured Party in cash or its equivalent, be applied by the Secured Party as follows:

(i) First, to the payment and satisfaction of all sums paid and costs and expenses (including reasonable attorneys' fees and court costs) incurred by the Secured Party hereunder or otherwise in connection herewith, including such thereof paid or incurred in connection with protecting, preserving or realizing upon the Collateral or enforcing any of the terms hereof, to the extent that the Secured Party has not been reimbursed therefor by the Borrower, together with interest thereon at the Default Rate as herein provided; and

(ii) Second, to the payment and satisfaction of the remaining Obligations, both for interest and principal, and, if such proceeds are insufficient to pay and satisfy all remaining Obligations in full, then to such Obligations in such order and priority as the Secured Party may, in its sole discretion, elect.

Any surplus remaining after the full payment and satisfaction of the Obligations may be returned to the Borrower or to whomsoever a court of competent jurisdiction shall determine to be entitled thereto.

(k) Exercise of Rights. No failure by the Secured Party to exercise any right, remedy, privilege or option under this Agreement or under any other Loan Document or as otherwise provided by law, nor any delay by the Secured Party in exercising the same, shall operate as a waiver thereof, and no waiver by the Secured Party shall be effective unless it is in writing, and then only to the extent specifically stated therein. Neither the Secured Party nor any party acting as attorney for the Secured Party shall be liable for any acts or omissions or for any error of judgment or mistake of fact or law, including (without limitation) any act, omission, error or mistake resulting in the loss of or damage to any Collateral in its possession, whether before or after an Event of Default, other than as a result of such person's willful misconduct. The Secured Party's rights and remedies under this Agreement shall be cumulative and not exclusive of any other right or remedy which the Secured Party may have under any of the Loan Documents, by law or otherwise.

5. Continuing Agreement. This Agreement shall be a continuing agreement in every respect and shall remain in full force and effect until all of the Obligations, both for principal and interest, have been fully paid and satisfied.

6. Miscellaneous.

(a) Amendments; Binding Effect; Assignability. This Agreement cannot be amended or terminated orally. All of the rights, privileges, remedies and options given to the Secured Party hereunder shall inure to the benefit of its transferees, successors and assigns (including, without limitation, any subsequent holder of any one or more of the Notes), and all of the terms, conditions, promises, covenants, representations and warranties of and in this Agreement shall bind the Borrower and its successors and assigns; provided, however, that the Borrower may not assign its rights or delegate its duties hereunder without the Secured Party's prior written consent. The Borrower hereby releases the Secured Party from any liability for any act or omission relating to the Collateral or this Agreement, except where resulting from the Secured Party's willful misconduct.

(b) Partial Invalidity. In the event that any provision hereof shall be deemed to be invalid by reason of the operation of any law or by reason of the interpretation placed thereon by any court, this Agreement shall be construed as not containing such provision, but only as to such jurisdictions where such law or interpretation is operative; the invalidity of such provision shall not affect the validity of any remaining provision hereof; and any and all other provisions hereof which are otherwise lawful and valid shall remain in full force and effect.

(c) Governing Law. This Agreement shall be deemed to have been made in the State of Maryland and shall be governed by the laws of the State of Maryland without regard for principles of conflict of law. All terms used in this Agreement which

are defined in the UCC shall have the same meanings herein as said terms have therein, unless this Agreement shall otherwise specifically provide. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning of any provision hereof.

(d) Execution. This Agreement may be executed in any number of counterparts, each constituting an original, but all of which shall together constitute one and the same instrument. The Borrower acknowledges that this Agreement is and shall be effective upon its execution and delivery by the Borrower to the Secured Party, and it shall not be necessary for the Secured Party to execute this Agreement or any acceptance hereof or otherwise to signify or express its acceptance hereof.

(e) Notices. All notices and other communications provided for in this Agreement or in any other Loan Document shall be in writing, except as otherwise specifically provided for herein, and shall be deemed to have been given or made when served personally at or on the third business day following deposit in the United States mail, postage prepaid, addressed, if to the Borrower to The _____, Attention: _____, President, _____, Maryland 206__ ; or, if to the Secured Party to Governmental Center, Leonardtown, Maryland 20650, Attention Director of Finance (with a copy to the Office of the County Attorney, 23115 Leonard Hall Drive, Post Office Box 653, Leonardtown, Maryland 20650), or at such other address as shall be designated by either party hereto in a written notice to the other party pursuant to this Section 6(e).

(f) Release. Upon the full and final payment, performance and satisfaction of all of the Obligations, the Secured Party shall execute and deliver to the Borrower such releases, termination statements and estoppel certificates as the Borrower may reasonably request; provided that all such documents shall be prepared, reviewed and filed or recorded at the Borrower's sole cost and expense (including, without limitation, the reasonable fees of counsel to the Secured Party).

IN WITNESS WHEREOF, the parties have caused this Security Agreement to be duly executed under seal, intending it to be a sealed instrument, as of the day and year first above written.

ATTEST or WITNESS:

By: _____ (SEAL)
Name: _____
Title: President

ATTEST or WITNESS:

BOARD OF COUNTY
COMMISSIONERS FOR ST.
MARY'S COUNTY

By: _____ (SEAL)

Francis Jack Russell
Commissioner President

Approved as to Form and
Legal Sufficiency:

Christy Holt Chesser
County Attorney

SCHEDULE A

[Description of Facilities/Equipment]

Attached hereto and made a part hereof is the Contract dated _____,
20__ between _____ and _____ for
one (1) _____.

PURCHASE MONEY NOTE

\$____,000.00
Maryland

Leonardtown,

20__

FOR VALUE RECEIVED, the undersigned _____, a Maryland not-for-profit corporation, promises to pay to the order of the BOARD OF COUNTY COMMISSIONERS FOR ST. MARY’S COUNTY, a body politic and a political subdivision of the State of Maryland, the principal sum of _____ THOUSAND DOLLARS (\$____,000.00), together with interest at the rate of _____ percent (____%) per annum on the unpaid principal balance until paid. The principal of this Note, plus accrued interest at the rate aforesaid, shall be due and payable in _____ (____) equal and consecutive monthly installments of _____ Thousand _____ Hundred _____ and ____/100 Dollars (\$_____) each, commencing on _____, 20__, and continuing on the ____— (____) day of each month thereafter until 20__, with the last payment due on _____, 20__, in the amount of _____ Thousand _____ Hundred _____ and ____/100 Dollars (\$____); at which time the entire principal balance, together with accrued but unpaid interest thereon, shall be due and payable, in accordance with the Amortization Schedule attached hereto as Attachment A and incorporated herein.

All payments on this Notice shall be applied first to the payment of accrued interest and the remainder to the reduction of principal.

This Note may be prepaid in whole or in part at any time and from time to time, without penalty or premium. Any partial prepayments shall be applied against principal installments in the inverse order of their maturity.

This Note is secured by, and subject to the terms of, a Security Agreement dated _____, 20__ from the undersigned to the County Commissioners for St. Mary’s County, Maryland, on certain collateral as more specifically described on Schedule A of the Security Agreement, and the maturity hereof is subject to acceleration as therein set forth.

In the event of default in payment of interest on and/or principal of this Note, or in the event of any uncured breach of the Security Agreement, the holder of this Note may accelerate this Note by giving the undersigned ten (10) days’ written notice of holder’s intention to accelerate, and provided the late payment(s) are not paid, and/or any breach is not cured, during said ten (10) day notice period. In the event the holder of this Note exercises its right to accelerate, the entire principal sum and accrued interest thereon shall become due and payable. Failure to exercise this option to accelerate in one instance of breach or default shall not constitute a waiver of the right to exercise such option in the event of any subsequent breach or default.

The persons signing this Note on behalf of _____ (insert name of Fire/Rescue Squad) hereby certify that they are authorized to bind Maker of this Note, and to the obligations herein, and that this is the duly authorized act of the Corporation.

The liability of the undersigned shall be both joint and several.

The Maker and each guarantor and endorser hereby waive presentment, demand for payment, protest, notice of non-payment and all exemptions.

WITNESS the following hands and seals.

ATTEST:

Secretary

[SEAL]

By: _____
Name: _____
Title: President

By: _____
Name: _____
Title: Treasurer

By: _____
Name: _____
Title: Fire Chief/Rescue Chief