BULLET POINTS SUMMARY OF CHESAPEAKE CITY ORDINANCE
RELATING TO THE USDA LOAN
FOR THE NEW WASTEWATER TREATMENT PLANT PROJECT

OVERVIEW

- USDA has issued an obligation of funds for a loan of up to $1,500,000 for project costs. USDA has also agreed to provide grant funds of up to $5,029,000 for project costs (additional project funding is being provided from other sources). Any USDA loan will be evidenced by one or more general obligation bonds issued by the Town to the United States of America. A single general obligation bond is anticipated.

BULLET POINTS SUMMARY

- Recitals identify the New Wastewater Treatment Plant Project (referred to as the "Project"), the types of costs of the Project which may be funded from borrowed money (the "Costs of the Project") and trace in detail the authority for any bonds, bond anticipation notes or refunding bonds issued for Project purposes. Recitals reflect the expectation that any bonds will be sold to the United States of America acting through USDA but the Ordinance authorizes the Town to sell bonds to other purchasers if USDA is not in a position to provide all or a portion of the needed financing.
- Section 1 – Terms used in the Ordinance and defined in the Recitals will have the meanings given to them in the Recitals; and details regarding how references to titled officials and the Project shall be construed.
- Section 2 – The Town determines to borrow money to finance, reimburse or refinance any components of Costs of the Project, including to prepay or pay any financing or interim financing obtained by the Town for Project purposes.
- Section 3 – The Town is authorized to issue general obligation bonds in one or more series from time to time in an original aggregate principal amount not to exceed $1,500,000 (the "Bonds").
- Section 4 – Each series of the Bonds will be sold by private (negotiated) sale without advertisement or solicitation of competitive bids, most likely to USDA, unless the Council determines by resolution to sell a particular series by public sale after solicitation of competitive bids, and details the reasons for private sale.
- Section 5 – Bond proceeds shall be used as provided in Section 2 unless a supplemental ordinance is enacted.
- Section 6(a) – Before each series of the Bonds is issued the Council shall adopt a resolution fixing or providing for the details specified in that subsection and any other provisions authorized by applicable law, including by delegating authority to determine final details to one or more Town officials.
- Section 6(b) – With respect to any series of the Bonds sold to the United States of America, the interest rate will be 1.125% per annum as provided in USDA's obligation of funds, unless USDA is offering a lower interest rate at the time, in which case the Council by resolution may accept or provide for the acceptance of such lower interest rate.
- Section 6(c) – With respect to any series of the Bonds sold to the United States of America, the provisions of a loan resolution required by USDA to be adopted are

acknowledged. That loan resolution among other matters, (i) provides for indemnification of USDA by the Town, (ii) acknowledges that upon a default USDA can call a Bond immediately due and payable or take certain other actions, (iii) requires consent of USDA for certain actions relating to the Project and (iv) provides the Town will not defease any Bonds or undertake other borrowings for the Project without USDA's consent. (This subsection refers to the RUS Bulletin 1780-27 Loan Resolution (Public Bodies).)

- Section 7 – The Town is authorized to issue and sell general obligation bond anticipation in one or more series from time to time in an original aggregate principal amount not to exceed $1,500,000 (the "BANs") in order to finance, reimburse or refinance Costs of the Project on an interim basis, including issuance costs and capitalized interest, and to determine or provide for details of any BANs by resolution. States expectation that BANs will be sold by private negotiation unless the Council determines otherwise by resolution. Includes covenants with respect to payment of the BANs and allows for the renewal of the BANs.
- Section 8 – The Town is authorized to issue and sell general obligation refunding bonds in one or more series from time to time in order to currently refund or advance refund any outstanding Bonds (the "Refunding Bonds"), provided that the original aggregate principal amount of any series of Refunding Bonds may not exceed 130% of the principal amount of the Bonds refunded therefrom, and to determine or provide for details of any Refunding Bonds by resolution. States expectation that Refunding Bonds will be sold by private sale unless the Council determines otherwise by resolution.
- Section 9 – The Town's full faith and credit and unlimited taxing power are pledged to pay debt service on any issued Bonds, BANs or Refunding Bonds (collectively, the "Obligations") and the Town covenants to impose real and personal property taxes in amounts sufficient to cover debt service. Debt service of any issued Obligations will be payable in the first instance from revenues received by the Town from operation of the Town's sewage treatment plant and sanitary sewerage system to the extent legally available for such purpose. The Town may also apply other lawfully available revenues to payment of debt service as provided for by resolution.
- Section 10 - By resolution the Council may make any appropriate arrangements in the connection with any post-closing modification to an Obligation that causes a reissuance under the federal tax code.
- Section 11 – By resolution the Council may determine to consolidate any of the Bonds, the BANs or the Refunding Bonds with other authorized Town obligations and issue any of the same as a single series.
- Section 12 – By resolution the Council may make or authorize any modifications to any series of the Obligations once issued and the related documentation.
- Section 13 – Town officials are authorized to take necessary or appropriate actions in connection with closing any Obligations transaction and in connection with related post-closing matters.
- Section 14 – The Town acknowledges and agrees to comply with USDA's letter of conditions dated September 14, 2020, except to the extent a provision is waived or the Town and USDA agree otherwise.
- Sections 15 – Title is a fair summary of the Ordinance. Another form of a summary of the Ordinance that meets Charter requirements is permissible

- Section 16 – Ordinance shall be liberally construed in order to effectuate the contemplated transactions.
- Section 17 – Ordinance will be effective at the expiration of twenty calendar days following approval by the Mayor or subsequent passage by the Council over the Mayor's veto as provided by the Charter.

Note:

(1) The reason refunding bonds are authorized to be issued in an original aggregate principal amount not to exceed 130% of the principal amount of the bonds refunded is because refunding bond proceeds are applied not only to prepay/redeem the outstanding bonds being refunded, but also to pay any prepayment premium on the refunded bonds, accrued interest on the refunded bonds, and costs of issuance of the refunding bonds.

(2) Although the Town fully expects to close on a loan through USDA, the ability to sell the Bonds to purchasers other than USDA is authorized in case USDA is not in a position to provide the full amount of obligated funding (including because of a government shutdown) or the Council determines another purchaser or purchasers provide more attractive funding terms.