MARYLAND ENVIRONMENTAL SERVICE

BOARD OF DIRECTORS

RESOLUTION NO. 97-10-1R

A RESOLUTION APPROVING

the boundaries of the Darlington Water Supply Service Region (the "Service Region") and the Darlington Water Supply Service District (the "Service District"); authorizing the creation of the Service Region and the Service District; approving and adopting a Five-Year plan for the Service District; authorizing the assessment of charges against real property in the Service District, and establishing the amount of such charges; authorizing the purchase of the assets of the Darlington Water Company; authorizing the acquisition of certain real property in the community of Darlington, as well as the acquisition of certain easements necessary for the construction, reconstruction, improvement, operation, maintenance, repair, and rehabilitation of the water supply system, and providing generally for other matters necessary to the establishment of the Service Region and Service District.

RECITALS

The Service was created by, exists under, and exercises the powers contained in Sections 3-101 through 3-130 of the Natural Resources Article of the Annotated Code of Maryland (1997 Replacement Volume) as amended to date (the "Act"), including (among others) the powers (i) to establish service districts for the provision of services, facilities or property used or useful or having present capacity for future use in connection with the supply of water; and (ii) to enter into contracts with the Federal or any State government, or any unit, instrumentality or subdivision thereof, or with any municipality or person within or without the State of Maryland, providing for or relating to the furnishing of services to the facilities of any project of the Service, and (iii) to acquire by gift, purchase or the exercise of eminent domain in the manner described by law lands, structures, real or personal property rights, rights-of-way, franchises, easements and other interests in lands it considers necessary or convenient for the construction or operation of the project, upon terms and prices considered by the Service to be reasonable and can be agreed upon by the Service and the owner of the interest, and to take title in the name of the Service.

The Darlington Water System (the "System") is currently a privately-owned and operated water supply system located in the community of Darlington, which is a postal route in northeastern Harford County, northwest of Susquehanna State Park, on State Route 161. The System consists of a well water distribution system that was created in the late 1950's to supply parts of the Darlington

community with potable water. The System presently serves approximately 99 customers including residential units, churches, businesses, and various government institutions.

The System is owned and operated by Frank and Joan Garrett doing business as the Darlington Water Company (the Company). The Garretts are the only employees of the Company, and are residents of the Darlington community. In the early 1990's, the Garretts decided they wanted to retire, and attempted to sell the Company to other private entities, and Harford County. They were unsuccessful, and Harford County recommended that the Garretts contact the Maryland Environmental Service (MES). Subsequently, the Garretts requested that MES create a Service District to encompass the Darlington community, and purchase the assets of the Darlington Water Company.

In accordance with the Act, the Director of the Service has determined that the physical boundaries of the Service Region shall include all properties currently served by the Company, and any individual lot or parcel of property which is within 50 feet of an existing water main. The 50 foot envelope was suggested by the Harford County Department of Public Works, Water and Sewer Division, as being an appropriate boundary to allow for reasonable and controlled expansion of service to the community in accordance with the County's Master Plan. The proposed boundary for the Service District is shown in Attachment D of the Five-Year Plan. The Service has also designated the boundaries of the Service District to be the same as the Service Region.

Pursuant to Section 3-106(d) of the Act, the Service drafted a Five-Year Plan for the Service Region and Service District ("the Five-Year Plan") attached hereto as Exhibit A. On August 6, 1997, the Service conducted a public information hearing in the community of Darlington in Harford County on the proposed Five-Year Plan. Comments on the Five-Year Plan were solicited and incorporated into that document. On September 2, 1997, the County Council of Harford County, by Resolution No. 22-97 attached hereto as Exhibit B, approved the Service's Five-Year Plan.

The services to be provided by the Service in the Service Region and the Service District will be limited to the Water Supply Project as defined in the Act ("Project"). The Service will not provide, wastewater treatment, or solid waste disposal services within the Service Region or Service District, except as may be directly or indirectly related to the Project.

The Service intends to purchase certain assets of the Company necessary for the supply of water within the Service District for the purchase price of $45,000. These assets shall include the real property, fixtures, improvements, equipment, machinery, and inventory as set forth in the Deed attached hereto as Exhibit C, and the Asset Purchase Agreement attached hereto as Exhibit D.

The Service also plans to acquire all necessary easements to enable it to provide an adequate, safe, and environmentally sound water supply to those properties served by the System. In connection with the process of acquiring these easements, the Service has executed four Letters of Intent to enter into Easement Agreements with private property owners. These Letters of Intent are attached to this Resolution as Exhibit E.

The Service intends to finance internally (i) the purchase of the assets of the Company, (ii) the immediate capital improvements for the System, (iii) the initial contribution necessary to start a Sinking Fund for the System, and (iv) all costs incurred in transferring the assets of the Company. The Service intends to recoup these costs by charging each of the lots and parcels of land in the Service District. Upon establishment of the Service District, MES intends to charge each parcel of property connected to the System a quarterly rate of $79.50. Thereafter, the charges will be based upon the costs associated with operation and maintenance of the System, as well as the financial performance of the Sinking Fund. In accordance with the Act, the Service held a public information hearing on these charges on September 23, 1997 in the community of Darlington in Harford County, Maryland. Only those properties currently serviced by the System will be invoiced. However, if a property within the boundaries of the Service District is subsequently connected to the System, then that property, individually, will be responsible for all costs associated with connection as set forth the Five-Year Plan, including a reasonable connection fee, and will be invoiced for the costs of service thereafter.

The Service considers the establishment of the Service Region and Service District, the adoption of the Five-Year Plan, and the implementation of the Project to be in furtherance of the public purposes of the Act and the Service.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MARYLAND ENVIRONMENTAL SERVICE, that:

1. Capitalized terms used and not defined herein shall have the meanings set forth in the title and the Recitals to this Resolution.

2. The boundaries of the Service Region shall be all properties currently served by the Company, and any individual lot or parcel of real property that is within 50 feet of an existing water main as is delineated in Attachment D of the Five-Year Plan. The Service may permit a property within the boundaries of the Service Region that is not currently connected to the System to connect to the System in accordance with the Five-Year Plan herein adopted and this Resolution.

3. The Five-Year Plan in substantially the form presented to this meeting is hereby approved, and the Director of the Service shall be, and hereby is, authorized to execute and deliver such Five-Year Plan substantially in the form approved hereby with such changes, omissions, insertions, and revisions as shall be deemed advisable by the Director, provided, however, that such changes, omissions, insertions and revisions shall not alter the substance of the actions authorized and approved by this Resolution. The Service is hereby directed to file such Five-Year Plan among the permanent records of the Service.

4. In accordance with the provisions of the Five-Year Plan, the Service District is hereby established. The Director shall be, and hereby is, authorized to take any and all such actions as are necessary to implement the provisions of the Five-Year Plan.

5. The Service is hereby authorized to establish charges for services and projects provided by the Service in the Service District, including, without limitation, charges for all costs incurred by the Service in providing the Project. Such charges shall be imposed equally against each parcel or lot of real property located in the Service District connected to the Project in an amount not to exceed the quarterly rate of $79.50. In the event that the Service approves a new connection of a lot or parcel of real property located within boundaries of the Service District to the System in accordance with the Five-Year Plan, the Service is hereby authorized to charge such lot or parcel of real property all costs associated with the connection as set forth in the Five-Year Plan, including a reasonable connection fee. In accordance with the Act, the Service is hereby authorized and directed to impose an Environmental Service Lien on any real property in the Service District for which the quarterly rate is not paid, and to take any other action as is necessary to collect any moneys due the Service in relation to the Service District.

6. The Service is hereby authorized to execute the Deed between the Service and Frank E. and Joan J. Garrett, doing business as the Company, for the purchase of certain real property of the Company necessary for the construction, reconstruction, operation, maintenance, improvement, repair, and rehabilitation of the System. The Deed, in substantially the form presented to this meeting is hereby approved, and the Director of the Service shall be, and hereby is, authorized to execute and deliver such Deed substantially in the form approved hereby with such changes, omissions, insertions, and revisions as shall be deemed advisable by the Director, provided, however, that such changes, omissions, insertions and revisions shall not alter the substance of the actions authorized and approved by this Resolution. The Service is hereby directed to file such Agreement among the permanent Land Records of Harford County and the Service.

7. The Service is hereby authorized to execute the Asset Purchase Agreement between the Service and Frank E. and Joan J. Garrett, doing business as the Company, for the purchase of certain assets of the Company, including that personal property necessary for the construction, reconstruction, operation, maintenance, improvement, repair, and rehabilitation of the System. The Asset Purchase Agreement, in substantially the form presented to this meeting is hereby approved, and the Director of the Service shall be, and hereby is, authorized to execute and deliver such Asset Purchase Agreement substantially in the form approved hereby with such changes, omissions, insertions, and revisions as shall be deemed advisable by the Director, provided, however, that such changes, omissions, insertions and revisions shall not alter the substance of the actions authorized and approved by this Resolution. The Service is hereby directed to file such Agreement among the permanent records of the Service.

8. The Director and other officers and employees of the Service shall be, and hereby are, authorized to take such other steps and to execute and deliver such other documents and certificates, including Easement Agreements, as the Director shall deem desirable to effect the establishment of the Five-Year Plan and the other matters contemplated by this Resolution.

9. The execution by the Director of the Service of any document authorized herein to be executed by the Director shall constitute conclusive evidence of approval of such document, and any and all changes thereto from the form presented to the Service herewith, by the Service.

10. This Resolution shall take effect immediately upon its adoption.

11. ALL APPROVALS, AUTHORIZATIONS, AND DELEGATIONS RESOLVED BY THIS BOARD IN PARAGRAPHS 1 THROUGH 10 OF THIS RESOLUTION ARE EXPRESSLY SUBJECT TO, AND CONTINGENT UPON, THE SATISFACTION OF THE FOLLOWING CONDITIONS PRECEDENT:

A. The execution and recording of the Deed in substantially the form presented to this meeting;

B. The execution by the Company and the Service of the Asset Purchase Agreement in substantially the form presented to this meeting;

C. The execution of all necessary Easement Agreements and other property rights documents deemed by the Director of the Service to be necessary for the construction, installation, operation, maintenance, repair, and reconstruction of the Project; and

D. The approval by the Public Service Commission of the Company's Application for Transfer of the Assets pursuant to Maryland Annotated Code, Article 78, §24.

12. The Director of the Service is authorized to determine that the conditions precedent set forth herein are satisfied.

ADOPTED THIS 23rd DAY OF OCTOBER, 1997.

MARYLAND ENVIRONMENTAL SERVICE

SEAL

James W. Peck
Director

Catherine Pieper Stevenson
Deputy Director

Kenneth Howarth
Treasurer

Carolyn D. Davis
Secretary Absent

Edwin G. Richards
Member

Lawrence D. Shubnell
Member

William B.C. Addison, Jr.
Member

Daniel F. McMullen, III
Member

Joseph F. Snee, Jr.
Member Absent

Attest:
Carolyn D. Davis, Secretary