

BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION
03-01-1R

A RESOLUTION

Directing the Deputy Director of the Maryland Environmental Service ("Service") to perform certain duties and assignments, and establishing the salary of the Deputy Director.

R E C I T A L S

By Chapter 196 of the 1993 Acts of the General Assembly, the Service is established as an instrumentality of the State. Section 3-103(b) of the Natural Resources Article of the Annotated Code of Maryland (Maryland Environmental Service Act, or "Act") establishes the office of Deputy Director of the Service, and further provides that the Deputy Director is a member of the Board of Directors of the Service. Section 3-103(c) of the Act generally sets forth the duties and responsibilities of the Deputy Director.

Pursuant to Section 3-103(b)(1) of that same Article, the Deputy Director of the Service shall receive such compensation as may be determined by the Board of Directors of the Service.

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

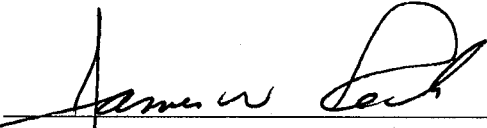
1. In addition to the duties and responsibilities set forth in N.R. Section 3-103(c), the Deputy Director shall have such other duties and responsibilities as may be assigned by the Director or the Board.
2.
 - A. For performance of the Deputy Director's duties and responsibilities, the Deputy Director shall be paid a salary of \$ 112,500 per annum.
 - B. The salary shall be effective as of February 5, 2003.
3. The Deputy Director shall be eligible for, and shall receive, in addition to the Deputy Director's salary, the same employee benefits that are generally made available to full time employees of the Service.

4. Resolution 02-07-1R, adopted by the Board on July 25, 2002, is hereby repealed, effective February 5, 2003.
5. This Resolution shall take effect immediately.

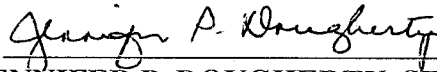
ADOPTED, this 30th day of January, 2003.

SEAL

MARYLAND ENVIRONMENTAL SERVICE

BY: 

JAMES W. PECK, DIRECTOR

BY: 

JENNIFER P. DOUGHERTY, SECRETARY

MARYLAND ENVIRONMENTAL SERVICE

BOARD OF DIRECTORS

RESOLUTION NO. 03-02-1R

A RESOLUTION APPROVING

The terms of construction financing by and between the KC – MES J.V., LLC and the Branch Banking and Trust Company (“BB & T”); authorizing the execution and delivery by the Maryland Environmental Service (the “Service”) of related instruments and documents, including, without limitation, a loan guarantee and a deed of trust; and providing generally for other matters in connection therewith.

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 (2000 Replacement Volume, 2002 Supplement), as amended to date (the “Act”), including, (among others) the powers (i) to maintain one or more offices at a place or places it chooses, (ii) to acquire, purchase, hold, lease as lessee, and use any franchise and any property, real, personal or mixed, tangible or intangible, or any interest therein necessary to carry out the purposes of the Service, and (iii), to make any contract or agreement the Service determines to be necessary or incidental to the performance of its duties and to the execution of the purpose of and the powers granted by the Act, including contracts with any person, on terms and conditions the Service approves.

The Service is the fee simple owner of an undeveloped parcel consisting of approximately five (5) acres, more or less, on the east side of Najoles Road, near the intersection of Benfield Road, Millersville, Anne Arundel County, Maryland (the “Land”). In accordance with MES Board of Directors Resolution 02-08-2R, adopted August 15, 2002, and pursuant to the terms of an Operating Agreement (the “Operating Agreement”) dated September 30, 2002, the Service has become a member of the KC – MES Joint Venture, LLC (the “Joint Venture”). The Joint Venture includes as a member KC-Najoles Development Company, LLC (the “Developer”). Also pursuant to Resolution 02-08-2R, the Service has leased the Land to the Joint Venture for an initial term of forty (40) years. The Joint Venture will undertake to develop, plan, design, construct and finance a Class A, two-story office building consisting of approximately 43,000 square feet, more or less (the “Project”). The Service intends to lease from the Joint Venture, under the terms of an office lease; a minimum of 39,000 square feet, more or less, for use as the Service’s headquarters. The initial term of the office lease will be twenty (20) years.

Section 5.05.B(vii) of the Operating Agreement obligates the Developer to “[p]ackage and arrange construction and permanent financing on behalf of” the Joint Venture. The Operating Agreement also provides that the financing of the Project is a major decision which requires the written consent of the Service. The Developer has solicited construction financing

proposals from two lenders. The Developer now requests the consent of the Service to enter into an agreement to secure construction financing for the Project from BB & T, substantially in accordance with the terms and conditions set forth in a letter from BB & T to the Joint Venture dated February 4, 2003 (the "BB & T Proposal," attached hereto as Exhibit "1").

The Service considers the implementation of the Project, the granting of its consent, and all other transactions contemplated by this Resolution, 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:

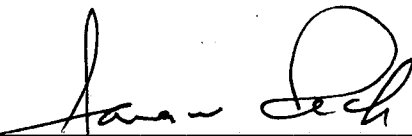
1. Capitalized terms used and not defined herein shall have the meanings set forth in the title and the Recitals to this Resolution.
2. The Board hereby finds and determines that the construction financing of the Project pursuant to the terms of the BB & T Proposal, in substantially the form presented to this meeting and incorporated in this Resolution, in a principal amount not to exceed Five Million Three Hundred Thousand Dollars (\$5,300,000.00), for a term not to exceed 24 months, and at an interest rate not to exceed LIBOR plus 150 basis points per annum, are in the best interests of the Service and the Joint Venture.
3. The Board, on behalf of the Service as member of the Joint Venture, hereby consents to the Joint Venture entering into a construction loan agreement with BB & T, on terms and conditions that are equal to or more favorable to the Service and the Joint Venture than those presented in the BB & T Proposal.
4. The Director of the Service is hereby authorized to execute, acknowledge and deliver such documents of the Service or the Joint Venture as are required by the Developer or BB & T to complete the construction financing for the Project, with any changes, insertions and omissions therein as may be approved the Director, such approval to be conclusively evidenced by execution and delivery of such documents. The Director and the other officers of the Service is each hereby authorized to affix the official seal of the Service to the Financing Documents and attest the same.
5. The Director and the other officers of the Service shall be, and hereby are, authorized to take such other steps and to execute and deliver such other documents, certificates, papers, instruments, opinions, or affidavits and to do or cause to be done any and all other acts and things necessary or proper for carrying out this Resolution, and the terms and conditions of the construction financing authorized herein, including, without limitation, a loan guarantee of the Service and a deed of trust.
6. In adopting this Resolution the Board has relied upon the representations and recommendations presented to the Board by the Developer, which include the Developer's letter dated February 25, 2003, attached hereto as Exhibit "2," and the Developer's presentation to the Board at this meeting.

7. The undersigned further certify that this Resolution has not been repealed or amended and remains in full force and effect.
8. The execution by the Director of the Service, or any other officer of the Service, of any document authorized herein to be executed by the Director or other officer shall constitute conclusive evidence of approval of such document, and any and all changes thereto from the form presented to the Board.
9. This Resolution shall take effect immediately upon its adoption.

ADOPTED, this 27th day of February, 2003.

SEAL

MARYLAND ENVIRONMENTAL SERVICE

BY: 

JAMES W. PECK, DIRECTOR

BY: _____ ABSENT

KENNETH A. HOWARTH, TREASURER

BY: 

JENNIFER P. DOUGHERTY, SECRETARY

February 4, 2003

KC - MES J.V., LLC
 726 Second Street, Suite 3A
 Annapolis, Maryland 21403

Attn: Kenneth F. Morrell and
 Craig P. Morrell

Re: \$5,300,000 Construction Loan to KC - MES J.V., LLC
 from Branch Banking and Trust Company

Dear Messrs. Morrell:

Branch Banking and Trust Company (the "Lender") is pleased to inform you that it has approved your request for a construction loan (the "Loan") in the amount of Five Million Three Hundred Thousand Dollars (\$5,300,000), on terms and conditions acceptable to the Lender in its sole discretion (the "Loan") to KC - MES J.V., LLC, a Maryland limited liability company (the "Borrower"), upon and subject to the terms and conditions of this commitment letter (this "Commitment").

1. Purpose of the Loan. To provide construction financing for improvements to the property consisting of approximately 5 acres located on Najoles Road in Millersville, Anne Arundel County, Maryland (the "Property") of an approximately 45,233 rentable square foot two story Class A office building (the Property, together all improvements thereto is referred to as the "Project").

2. Interest Rate. Commencing on the date of the closing of the Loan (the "Closing Date") and continuing until the Maturity Date (hereinafter defined), the Loan shall bear interest at a floating and fluctuating rate, adjusted as the first of each month, equal to the rate by adding one hundred fifty (150) basis points to the 30-day LIBOR Rate of the Lender in effect from time to time. The term "LIBOR Rate" means the weighted average of the rate quotation offered to the Lender by the lending banks in the London Interbank Eurodollar market for United States Dollar deposits of amounts in immediately available funds comparable to the principal amount committed at such rate. Interest shall be calculated on the basis of a three hundred sixty (360) days per year factor applied to the actual days on which there exists an unpaid balance.

3. Term. The Loan shall mature, and all outstanding amounts, including principal, interest, late fees, and other fees and expenses, shall become due and payable on the same day of the ~~twelfth~~eighteenth (12~~th~~th) month following the Closing Date, subject to extension as provided in Section 4 below (the "Initial Term"). The date on which the Loan matures is hereafter referred to as the "Maturity Date".

4. Extension Period. Notwithstanding anything contained herein to the contrary, the Borrower shall be entitled to exercise ~~two~~one (2~~1~~¹) six (6) month ~~extension~~extension of the Initial Term (each, an "Extension Period"), provided that (i) the Borrower notifies the Lender of its intention to extend in writing no later than thirty (30) days prior to the Maturity Date; (ii) the MES Lease (as defined in Paragraph 16 below) is in full force and effect, with no default thereunder;

EXHIBIT

KC - MES J.V., LLC
February 4, 2003
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(iii) the Borrower is not then in default of any term or condition contained in any of the Loan Documents, (iv) ~~as to the first Extension Period, the Project is substantially complete, and (v) as to the Second Extension Period, the Project is complete and MES (referred to in Paragraph 10 below) is occupying the Project in accordance with the MES Lease, and (v) the Borrower pays the Lender an extension fee of 125% of the Loan.~~

5. Repayment. Commencing on the third day of the first month following the Closing Date and continuing on the third day of each succeeding month until the Maturity Date, the Borrower shall pay consecutive monthly installments of interest only. The entire unpaid principal balance of the Loan and all interest thereon shall be due and payable on the Maturity Date.

6. Prepayment. The Borrower may prepay all or any portion of the Loan at any time without penalty or premium. All partial prepayments shall be applied in such order and manner as the Lender deems appropriate in its sole discretion.

7. Fee. The Borrower shall pay to the Lender a non-refundable commitment fee in an amount equal to \$27,500, one half of such fee (i.e., \$13,750) to be paid by the Borrower the execution and delivery of this Commitment Letter, and one half of such fee to be paid on the Closing Date. The entire fee shall be deemed earned by the Lender at the completion of the Loan closing.

8. Closing. The Closing Date shall occur upon the Borrower's fulfillment of all the conditions of this Commitment, on a date mutually satisfactory to the Lender and the Borrower, but no later than sixty (60) days after the date of this Commitment. Failure of the Borrower to close the Loan prior to or on such date shall relieve the Lender of any obligation to make the Loan unless such failure is caused exclusively by the Lender.

9. Disbursement. The proceeds of the Loan shall be advanced in accordance with the Loan Budget attached hereto as Exhibit C (the "Budget") as construction of the Project progresses pursuant to the terms and conditions of the Loan Documents, to be executed at Closing, in form and content satisfactory to the Lender. The difference between the aggregate cost of construction of the Project in accordance with the Budget and the amount of the Loan shall be expended by the Borrower (and proof of such expenditures, approved by the Lender) before the Lender has any obligation to disburse any Loan proceeds. In addition, any difference between the expected Project costs and the Loan shall be contributed by the Borrower and used for the Project prior to any Loan advances. Advances will be made within five (5) banking days after the Lender receives a request for disbursement in acceptable form. Requisitions in trade breakdown form showing percentage of completion and approved by the Borrower and the Lender's inspector, will be submitted not more than once a month. The Lender will advance not more than ninety percent (90%) of any such requisition until the Project is completed and approved by the Lender's inspector, which date shall be not be later than eighteen (18) months following the Closing Date. At that time, all final mechanic's lien waivers, fire and extended insurance coverage, and at the election of the Lender, title bring-to-date shall be provided to the Lender. Loan proceeds may, at the option of the Lender, be made payable jointly to the Borrower, the general contractor and subcontractors or material suppliers or directly to any of the foregoing.

KC - MES J.V., LLC
February 4, 2003
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10. Guarantors. The Loan shall be unconditionally guaranteed by Kenneth F. Morrell and Jane M. Morrell, Craig P. Morrell and Margaret K. Morrell, each a Maryland resident, their respective legal and personal representatives, heirs and assigns, and KC Najoles Development Company, LLC, a Maryland limited liability company (collectively, the "Morrell Guarantors") and Maryland Environmental Service, an agency of the State of Maryland ("MES"), pursuant to the terms outlined below (the Morrell Guarantors and MES are individually and collectively referred to as the "Guarantors"). The Guarantors shall jointly and severally guaranty the repayment of the Loan and all interest on the Loan, costs of collection, costs relating to the presence of hazardous materials at the Project and all other amounts due under the Loan Documents, and the completion of the Project.

The death or disability of Kenneth F. Morrell and/or Craig P. Morrell shall not constitute a default under the Loan Documents so long as MES continues its ownership and control of the Borrower pursuant to Exhibit B of the Borrower's Operating Agreement.

11. Security for the Loan. The Loan shall be secured by, among other things:

(a) a first-lien deed of trust, and assignment of leases and rents (the "Deed of Trust") on the fee simple interest of the owner of the Property, and all improvements thereon, whether now or hereafter constructed (the Deed of Trust shall also constitute a security agreement pursuant to which the owner of the Property shall grant the Lender a security interest in all now or hereafter acquired assets such entity) (MES and the Borrower shall jointly execute the Deed of Trust) (the Borrower may utilize an indemnity deed of trust structure provided that the borrowing entity and the structure is approved by the Lender);

MES Lease; (b) a separate assignment of leases and rents from the Project, including the

(c) a pledge of all of the now or hereafter acquired assets of the Borrower;

(d) the unconditional guaranty of payment and performance of the Guarantors; and

(e) an assignment to the Lender of the general contractor's contract for the Project.

12. Appraisal. Notwithstanding anything contained herein to the contrary, the Lender shall have no obligation to advance Loan proceeds in excess of the lesser of (a) eighty percent (80%) of the stabilized value of the Project (which will not be measured until after the rental payments under the MES Lease are determined) or (b) eighty-five percent (85%) of the as is value upon completion of the Project, as determined by a MAI-prepared appraisal in form and content acceptable to the Lender, which appraisal shall be obtained at the sole expense of the Borrower. In addition, the amount of the Loan advanced shall not exceed 85% of the cost of the Project.

13. Loan Documents. The Lender's obligation to fund the Loan shall be conditioned upon receipt by the Lender of such loan documents, in form and substance satisfactory to the Lender and its counsel, in their sole discretion, and such other matters, documents and

KC - MES J.V., LLC
February 4, 2003
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instruments as the Lender and its counsel, in their sole discretion, may request (the "Loan Documents").

14. Phase I Environmental Report. The Lender's obligation to make the Loan is contingent upon an acceptable Phase I environmental report of the Property. The Phase I environmental report shall be satisfactory to the Lender in form and content, addressed to the Lender and paid for on or before the Closing Date.

15. Pre-Construction Review. Lender shall require a pre-construction review of all budgets and plans and specifications of the Project. Also, the Lender shall require Borrower to provide construction progress reports of the Project during the term of construction. The Borrower agrees to pay to the Lender a \$1,000 pre-construction review fee at settlement, and a \$200 inspection fee per construction draw.

16. Leases for Project. It is a condition to Closing that the Office Lease dated October 2, 2002 between the Borrower and MES for 39,228 square feet of space on the Project, as delivered to the Lender, shall be unmodified and in full force and effect (the "MES Lease"). At Closing, the MES Lease shall be subordinated to the Deed of Trust pursuant to a subordination agreement in form satisfactory to the Lender. The Lender may require an estoppel certificate from MES as a condition to Closing. The MES Lease will be assigned to the Lender as security for the Loan. The MES Lease and all other leases for the Project, and all amendments thereto, shall be subject to the approval of the Lender.

17. Ground Lease. The Project is subject to a Ground Lease between MES, as ground lessor, and the Borrower, as ground lessee, dated September 30, 2002. Closing is subject to the Lender's review and approval (not to be unreasonably withheld) of the Ground Lease. MES shall execute the Deed of Trust as a grantor in order to subordinate the Ground Lease to the Deed of Trust.

18. Borrower's Equity. The Lender shall have no obligation to fund any portion of the Loan unless and until the Borrower provides evidence of an equity contribution acceptable to the Lender in its sole discretion in an amount not less fifteen percent (15%) of the total construction costs of the Project, as outlined in the Project budget.

19. Payment and Performance Bonds. The Lender shall reserve the right to require payment and performance bonds from the general contractor and all major subcontractors, in form and content acceptable to the Lender.

20. List of Closing Documents General Conditions. The list of closing documents and general conditions attached hereto as Exhibit A and Exhibit B, respectively, are made a part of this Commitment by reference and constitute additional terms and conditions to the Lender's obligation to make the Loan.

KC - MES J.V., LLC
February 4, 2003
Page 5

If you wish to proceed with the Loan, please indicate your acceptance of the terms and conditions set forth in this Commitment by signing, dating and returning the enclosed copy of this Commitment with a check in the amount of \$13,750, on or before February 28, 2003. If the enclosed copy of this Commitment is so signed and returned along with a check, the Closing Date must be within sixty (60) days of the Commitment or this Commitment will expire.

Sincerely,

BRANCH BANKING AND TRUST COMPANY

By: _____ (SEAL)
Elizabeth L. Paulson
Senior Vice President

[signatures continued on following page]

KC - MES J.V., LLC
February 4, 2003
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THE FOREGOING TERMS AND CONDITIONS
ARE AGREED TO AND ACCEPTED THIS ___ DAY OF _____, 2003:

WITNESS/ATTEST:

BORROWER:

KC - MES J.V., LLC,
a Maryland limited liability company

By: _____ (SEAL)
Name:
Title:

GUARANTOR:

By: _____ (SEAL)
KENNETH MORRELL

By: _____ (SEAL)
JANE M. MORRELL

By: _____ (SEAL)
CRAIG P. MORRELL

By: _____ (SEAL)
MARGARET K. MORRELL

KC NAJOLAS DEVELOPMENT COMPANY, LLC,
a Maryland limited liability company

By: _____ (SEAL)
Name:
Title:

MARYLAND ENVIRONMENTAL SERVICE

By: _____ (SEAL)
Name:
Title:

**\$5,300,000 CONSTRUCTION LOAN
TO KC - MES J.V., LLC
FROM BRANCH BANKING AND TRUST COMPANY**

Closing Checklist

Responsible Party

I. FINANCING DOCUMENTS

- | | | |
|----|---|-----|
| A. | Commitment Letter | VBH |
| B. | Promissory Note | VBH |
| C. | Loan and Security Agreement | VBH |
| D. | Indemnity Deed of Trust, Assignment of Rents and Security Agreement | VBH |
| E. | Assignment of Rents and Leases | VBH |
| F. | Guaranty Agreement (Morrells) | VBH |
| G. | Guaranty Agreement (MES) | VBH |

II. BORROWER AND GUARANTOR DOCUMENTS

- | | | |
|----|---|------|
| A. | Certificate of Secretary of Borrower including:
1. Exhibit A: Articles of Organization
2. Exhibit B: Operating Agreement
3. Exhibit C: Authorizing Resolutions
4. Exhibit D: Certificate of Existence (dated within 30 days of closing) | B/BC |
| B. | Certificate of Secretary of KC Najoles
1. Exhibit A: Articles of Organization
2. Exhibit B: Operating Agreement
3. Exhibit C: Authorizing Resolutions
4. Exhibit D: Certificate of Existence (dated within 30 days of closing) | B/BC |
| C. | Financial Statements of Borrower and Guarantors | |

III. TITLE DOCUMENTS

- | | | |
|----|--|------|
| A. | Title Commitment or Binder (dated no earlier than 30 days prior and updated to closing date) on subject and IDOT properties | B/BC |
| B. | U.C.C. Lien Search (SDAT, Anne Arundel County land and financing statement records) and Judgment/Open-Case Reports (all Federal and State trial courts in Howard County) | B/BC |
| C. | Form of lease/copies of executed leases | B/BC |

D.	Settlement Sheet	B/BC
E.	Survey (acceptable to the Lender)	B/BC
F.	Insured Closing Letter	VBH
G.	Closing Instruction Letter	SS&G
H.	Appraisal	B/BC
IV.	<u>OPINION OF COUNSEL TO BORROWER AND GUARANTORS</u>	B/BC
V.	<u>CONSTRUCTION DOCUMENTS</u>	
A.	Draw Schedule	B
B.	Cost Breakdown in Trade Form (including indirect costs)	B
C.	Project Budget (broken down by trade and by draw)	B
D.	Plans and Specifications	B
E.	Flood Determination Certification (and Flood Insurance Policy or Letter, if required)	B/BC
F.	Public Liability, Builder's Risk, Fire and Extended Coverage, Worker's Compensation and Automobile Liability Insurance of Borrower and of General Contractor, as applicable	VBH
G.	Assignment of Architect's Contract and Agreement to Complete (with copy of contract attached)	VBH
H.	Assignment of General Contractor's Contract and Agreement to Complete (with copy of contract attached)	VBH
I.	Assignment of Engineer's Contract and Agreement to Complete (with copy of contract attached)	VBH
J.	Assignment of Manager's Contract and Agreement to Complete (with copy of contract attached)	VBH
K.	Phase I Environmental Report	B/BC
L.	Evidence of Available Utilities	B/BC

M. Use and Occupancy Certificate (at end of construction) and Building Permits

B/BC

N. Zoning Compliance Letter

B/BC

B = KC - MES J.V., LLC
 BC = Borrower's Counsel
 BB&T = Branch Banking and Trust Company
 VBH = Venable, Baetjer and Howard, LLP

EXHIBIT B**GENERAL CONDITIONS TO COMMITMENT**

The Commitment from the Lender to the Borrower attached hereto is subject to the additional terms and conditions set forth below. All capitalized terms not defined in these General Conditions shall have the meanings assigned to them in the Commitment.

1. Loan Documentation. The Lender's counsel, Sandra L. Howard, Esquire, Venable, Baetjer and Howard, LLP, Two Hopkins Plaza, Baltimore, Maryland 21201-2978, will prepare the documents to evidence, secure and guarantee the Loan (the "Loan Documents"). The Loan Documents shall contain such additional terms and conditions not set forth in this Commitment as the Lender may require (including, without limitation, confession of judgment, waiver of trial by jury, and cross-defaults with other indebtedness owed to the Lender). Closing will be held in the offices of the Lender's counsel or another location designated by the Lender.

2. Expenses. The Loan shall be made and administered without cost to the Lender. The Borrower's and any guarantors' acceptance of this Commitment shall constitute their unconditional agreement, jointly and severally, whether or not the Loan closes, to pay all reasonable fees, expenses, taxes, costs and charges incurred in connection with the Loan, or in any way incident to the making of or the ongoing administration of the Loan, including, but not limited to, reasonable attorneys' fees and expenses (including fees and expenses of the Lender's counsel); appraisal fees, title searching fees, title or other insurance premiums, fees and costs for environmental tests and studies, engineer's and architect's fees, inspector's fees, surveyor's fees, recording costs, and recordation and transfer taxes. The Lender shall not pay any brokerage fees or commissions arising from the Loan, and the borrower and all guarantors agree, jointly and severally, to defend, indemnify, and hold the Lender harmless against any and all expenses, liabilities and losses (including attorneys' fees) arising from any such claims. The Borrower and each of the guarantors, jointly and severally, promise to pay to the Lender on demand all costs and expenses incurred by the Lender in connection with the enforcement of this Commitment or any of the Lender's rights hereunder or any defense of the Lender against any claim made in connection with or arising out of this Commitment, including, without limitation, all of the Lender's reasonable attorneys' fees and expenses and court costs, whether or not proceedings are brought.

3. Alienability; Further Encumbrances. The Deed of Trust securing the Loan shall provide that if all or any part of the Property or any interest in it is sold, transferred or further encumbered without the Lender's prior written consent, the Lender may, at the Lender's sole option, declare all sums secured by the Deed of Trust to be immediately due and payable. The sale or transfer of any membership interest in the Borrower or any membership interest in KC - Najoles Development Company, LLC shall be considered a sale of the Property. The Lender acknowledges that any interest in KC - Najoles Development Company, LLC may be transferred to another family member of the Morrells provided that Kenneth F. Morrell and Craig P. Morrell retain control of KC-Najoles Development Company, LLC in an aggregate amount not less than fifty-one percent (51 %) of the issued and attaching membership interests. At all times during the Loan, KC Najoles Development Company, LLC will remain the managing member of the Borrower. The foregoing prohibition on transfers of membership interests shall not apply to transfers of membership interests of Kenneth F. Morrell or Craig P. Morrell resulting from their death.

4. Interest Computation; Late Charge. Interest on the Loan shall be computed on the basis of a 360-day year applied to actual days elapsed. Upon the occurrence of a default under any of the Loan Documents, the rate of interest applicable to the Loan shall be increased to a rate that is two percent (2%) per annum in excess of the otherwise applicable rate until such time as the default has been cured to the Lender's satisfaction. In addition, the Borrower shall pay

a late charge equal to five percent (5%) of any regularly scheduled payment of principal or interest (exclusive of any balloon payment) that is more than fifteen (15) days delinquent.

5. Liability of Guarantors. The liability of the Guarantors shall be primary and direct. The Lender may proceed against any one or more of the guarantors before, simultaneously with, or after exercising its rights and remedies against the Property or the Borrower. The Lender may at any time release the Borrower or any guarantor from any liability for the repayment of the Loan, or release any of the Property or other collateral for the Loan, without affecting the liability of the guarantor or remaining guarantor. In addition, the liability of the guarantor shall in no way be affected by the actual use of the Loan proceeds or by whether the Loan proceeds are in fact disbursed in accordance with the terms and conditions of this Commitment. The guaranty of payment and performance to be executed by the guarantor shall contain a confession of judgment and a waiver of trial by jury. All debts owed by the Borrower to the guarantor or to any other party shall be fully subordinated to all obligations owed by the Borrower to the Lender and all such parties shall waive all rights of subrogation, indemnification and contribution with respect to the Borrower and any other guarantor.

6. Insurance. Prior to Closing, the Borrower must provide the Lender with original insurance policies for insurance binders together with copies of official specimen policies) evidencing the following: (a) Commercial general public liability and property damage insurance for the Borrower naming the Lender and an additional insured; (b) Worker's compensation and automobile insurance for the Borrower with coverage limits as required by applicable laws; and (c) if any portion of the Property is in an area designated as having special flood and mud slide hazards (whether pursuant to the Flood Disaster Protection Act of 1973, as amended, or otherwise), the Lender may elect, at its sole option, to terminate this Commitment. If the Lender elects to proceed with the Loan, the Lender shall be provided with a flood insurance policy or binder naming the Lender as mortgagee and, at its election, loss payee. If the Property is not in a special flood and mud slide hazard area, the Lender shall be provided with a certification by the Borrower's surveyor or insurance company to that effect; and (d) Such other insurance as the Lender may require. The Lender shall also be furnished with satisfactory insurance against casualty to the Property.

All of the above insurance must be in form, content and amount, and written by an insurance company, acceptable to the Lender. Without limiting the generality of the foregoing, the limits of liability insurance maintained by the Borrower must never be less than One Million Dollars (\$1,000,000.00) per occurrence and not less than Three Million Dollars (\$3,000,000.00) as the combined limit of liability in any given policy year. The policies described under subparagraphs (a) and (c), above, must provide for thirty (30) days' prior written notice to the Lender of any change in, or cancellation of, coverage. In addition, evidence of premium payment for each policy must be provided at Closing. Proceeds of insurance shall be used for restoration of the Business or reduction of the Loan balance, at the Lender's sole option.

7. Items to be Delivered or Approved as a Condition to Closing. Not less than ten (10) days prior to Closing, the Borrower shall provide to the Lender, in form and content satisfactory to the Lender and its counsel in their sole discretion, any of the following which are requested by the Lender:

(a) Title Insurance. A currently dated mortgagee title insurance binder (the "Binder") in the amount of the Loan insuring the Deed of Trust as a first lien on the Property; all in standard ALTA form and issued by a title insurance company acceptable to the Lender. The Binder must contain no exceptions to title or conditions (preprinted or otherwise) objectionable to the Lender and shall contain affirmative insurance and endorsements on such matters and in such form as the Lender may require. The Binder and any policy issued pursuant thereto may not contain any "creditor's rights" exception or exclusion (pre-printed or otherwise). At the option of the Lender, title shall be brought to date prior to the time of each advance of the proceeds of the Loan to indicate that the Property is free and clear of any encumbrances or liens other than that

of the Deed of Trust (and any other lien expressly permitted by this Commitment). The title insurance company must also, at the Lender's option, provide the Lender with a letter indicating that there are no filed financing statements that cover any of the personal property which will secure the Loan. If the Lender so requires, the Borrower shall be reinsured with such title companies as are approved by the Lender in accordance with ALTA form facultative reinsurance agreements and direct access agreements in form and content satisfactory to Lender and in such amounts as are required by Lender. The Lender shall receive an insured closing service letter.

b) Financial Statements. Current financial statements of the Borrower, any guarantors, and such other persons or entities in connection with the Loan as the Lender may request.

(c) Taxes. Satisfactory evidence that the Property is separately assessed for real estate tax purposes.

(d) Hazardous Materials. Satisfactory evidence that no hazardous materials, hazardous substances or toxic materials have been manufactured, stored or disposed of on, or used in connection with, the Property.

(e) Miscellaneous. Such other items, documents or matters as the Lender requires in its reasonable discretion.

8. Financial Information. The Borrower and any guarantor at their expense shall submit financial reports to the Lender, upon request, from time to time in form and content satisfactory to the Lender. Without limiting the generality of the foregoing, the Borrower and any guarantor shall provide the Lender annually, within one hundred twenty (120) days after the end of each calendar year (or fiscal year if any such entity's fiscal year is different from the calendar year) as to the Borrower, with reviewed financial statements, including a balance sheet, a statement of sources and uses of funds and income and expense statements and, as to the Guarantors, compiled financial statements. The Borrower and the Guarantor, at their expense, shall cause all independently prepared financial reports to be prepared by an accounting firm acceptable to the Lender in its sole discretion. In addition, the Borrower should provide, not less than quarterly, rent rolls on the Property. If event of default shall have occurred under any of the Loan Documents, or if there shall, ~~in the Lender's opinion,~~ have occurred an adverse change in the finances of the Borrower, as determined by the Lender in its reasonable discretion, or the ability of the Borrower to repay the Loan in accordance with the terms of the Loan Documents, as determined by the Lender in its reasonable discretion, then at any time thereafter, at their expense, shall cause such financial reports to be prepared by an independent certified public accountant after audit and certified without exception objectionable to the Lender. In addition, if requested by the Lender at any time, the Borrower and any guarantor shall thereafter provide the Lender with copies of their respective federal income tax returns (including all schedules), annually within ten (10) days after the filing thereof with the Internal Revenue Service.

9. Inspections. The Lender shall have the right to inspect the books and records of the Borrower at any and all reasonable times and shall have full and free access to all drawings, plans, books and records (financial and otherwise) pertinent to the Borrower's business.

10. Assignment of Commitment. Neither this Commitment nor the proceeds of the Loan shall be assignable by the Borrower without the prior written consent of the Lender, and any such assignment without such consent shall be void and, at the option of the Lender, be deemed a default hereunder. The sale or transfer of any membership interest in the Borrower shall be considered an assignment of this Commitment.

11. Waiver of Rights of the Lender. Neither the failure nor the delay of the Lender to exercise any rights, powers or privileges under this Commitment or the Loan Documents shall

operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise of such right, power or privilege.

12. Termination. The Lender may terminate this Commitment if the Loan or any other feature of this transaction has been or is misrepresented by the Borrower, any guarantor or any third party in the loan application or otherwise, or if any material adverse change, in the sole judgment of the Lender, shall have occurred with respect to the Property at the time of Closing, or if any part of the Property shall have been taken in condemnation or other like proceedings, or if such proceeding is pending or threatened at the time of the Closing, or if at any time prior to Closing the Property is in violation of any law, rule, ordinance or regulation of any governmental authority or agency, or if the Borrower or any guarantor shall be involved in any arrangement, bankruptcy, reorganization, or insolvency proceeding or, in the sole judgment of the Lender, shall have suffered any material adverse change in his, her, its or their financial condition, or if the Borrower or any guarantor shall have failed to perform, observe or comply with any of the terms of this Commitment.

13. Actions by the Lender. This Commitment contains the entire agreement between the parties hereto. No statements, agreements or representations, oral or written, which may have been made to the Borrower or to any employee or agent of the Borrower, or any guarantor, either by the Lender, or by any employee, agent, or broker acting on the Lender's behalf, with respect to the Loan, shall be of any force or effect except to the extent stated in this Commitment, and all prior agreements and representations with respect to the Loan are merged into this Commitment. This Commitment may not be modified except by written agreement signed by the Borrower, the Lender and all guarantors.

14. No Warranties. All acts, including any failure to act, relating to the Business by any agent, representative or designee of the Lender are performed solely for the benefit of the Lender to assure repayment of the Loan and are not for the benefit of the Borrower or the benefit of any other person, including, without limitation, purchasers, tenants or other occupants. Acceptance by the Borrower and any guarantors of this Commitment shall evidence the Borrower's and any such guarantors' unconditional agreement, whether or not the Loan closes, to indemnify the Lender and to hold the Lender harmless against any loss or expense (including attorneys' fees and expenses) resulting from any and all claims, actions, settlements or liability for acts or failure to act in connection with the Business.

15. Survival: Binding Nature. The terms and conditions of this Commitment shall survive the Closing of the Loan and each and every obligation and undertaking of the Borrower and any guarantors shall be continuing and shall not cease until the entire Loan is repaid in full and all obligations and undertakings of the Borrower and any guarantors under the Loan Documents shall have been fully completed and discharged; provided, however, that if any of the terms and conditions of this Commitment shall conflict with any of the terms and conditions of the Loan Documents, the terms and conditions of the Loan Documents shall prevail. This Commitment shall inure to the benefit of the Lender and its successors and assigns and shall bind the Borrower and any guarantors and their respective heirs, personal representatives, successors and assigns.

16. Governing Law. This Commitment is being executed and delivered in the State of Maryland and shall be construed, governed and enforced in accordance with the laws of the State of Maryland in effect from time-to-time.

17. Time of the Essence. Time is of the essence of all of the Lender's, the Borrower's and any guarantor's obligations or agreements pertaining to this Commitment and the satisfaction of all of its conditions.

18. WAIVER OF TRIAL BY JURY. THE BORROWER AND EACH OF THE GUARANTORS, WAIVES TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO WHICH THE

BORROWER OR ANY OF SUCH GUARANTORS AND THE LENDER MAY BE PARTIES, ARISING OUT OF OR IN ANY WAY PERTAINING TO (A) THIS COMMITMENT, OR (B) THE LOAN.

EXHIBIT C

Maryland Environmental Services Millersville Headquarters Loan Budget					
	Total	Per	Equity	Funded	Loan Per
	Costs	GSF		From Loan	GSF
Land	\$ 500,000	\$ 11.05	\$ 500,000	\$ -	\$ -
Site Development					
Grading and Clearing	\$ 200,000	\$ 4.42		\$ 200,000	\$ 4.42
Utilities	\$ 150,000	\$ 3.32		\$ 150,000	\$ 3.32
Paving	\$ 290,000	\$ 6.41		\$ 290,000	\$ 6.41
BGE	\$ 25,000	\$ 0.55		\$ 25,000	\$ 0.55
Landscaping	\$ 100,000	\$ 2.21		\$ 100,000	\$ 2.21
Fire Suppression Tanks and Hydrants	\$ 162,095	\$ 3.58		\$ 162,095	\$ 3.58
Retaining Walls	\$ 25,000	\$ 0.55		\$ 25,000	\$ 0.55
Subtotal Site Development	\$ 952,095	\$ 21.05		\$ 952,095	\$ 21.05
Construction Contract	\$2,550,000	\$ 56.37		\$2,550,000	\$ 56.37
Contingency	\$ 100,000			\$ 100,000	\$ 2.21
Soft Costs					
Architectural	\$ 91,700	\$ 2.03	\$ 91,700	\$ -	\$ -
Engineering	\$ 50,000	\$ 1.11	\$ 50,000	\$ -	\$ -
Field Engineer	\$ 10,000	\$ 0.22	\$ 10,000	\$ -	\$ -
Permits	\$ 30,000	\$ 0.66	\$ 30,000	\$ -	\$ -
LCs	\$ 2,500	\$ 0.06		\$ 2,500	\$ 0.06
Survey and Appraisal	\$ 7,500	\$ 0.17		\$ 7,500	\$ 0.17
Phase I	\$ 1,800	\$ 0.04		\$ 1,800	\$ 0.04
R/E Taxes	\$ -	\$ -		\$ -	\$ -
Insurance	\$ 5,000	\$ 0.11		\$ 5,000	\$ 0.11
Title/Legal	\$ 27,000	\$ 0.60	\$ 18,300	\$ 8,700	\$ 0.19
Reforestration	\$ 15,500	\$ 0.34		\$ 15,500	\$ 0.34
Impact Fees	\$ 49,905	\$ 1.10		\$ 49,905	\$ 1.10
Development Fee	\$ 300,000	\$ 6.63	\$ 300,000	\$ -	\$ -
Subtotal Soft Costs	\$ 590,905	\$ 13.06	\$ 500,000	\$ 90,905	\$ 2.01
Tenant Improvements					
Space Planning/Interior Design	\$ 78,300	\$ 1.73		\$ 78,300	\$ 1.73
TI Costs	\$1,283,700	\$ 28.38		\$1,283,700	\$ 28.38
Subtotal TI	\$1,362,000	\$ 30.11		\$1,362,000	\$ 30.11
Financing Costs					
Construction/Perm Fee	\$ 80,000	\$ 1.77		\$ 80,000	\$ 1.77
Construction Interest	\$ 135,000	\$ 2.98		\$ 135,000	\$ 2.98
Closing Costs	\$ 30,000	\$ 0.66		\$ 30,000	\$ 0.66
Subtotal Financing Costs	\$ 245,000	\$ 5.42		\$ 245,000	\$ 5.42
Total Project Costs	\$6,300,000	\$ 139.28	\$1,000,000	\$5,300,000	\$ 117.17

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Document comparison done by DeltaView on Monday, February 24, 2003
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KC NAJOLES DEVELOPMENT COMPANY, LLC

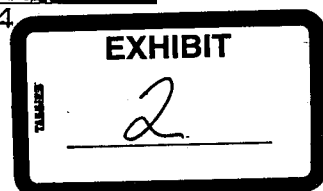
FACSIMILE TRANSMITTAL SHEET

TO: Sean Coleman	FROM: Craig Morrell
COMPANY: MES	DATE: 2/25/03
FAX NUMBER: 410-974-7267	TOTAL NO. OF PAGES INCLUDING COVER: 3
PHONE NUMBER: 410-974-7281	
RE: Construction Loan	CC: Beth Wojton

URGENT
 FOR REVIEW
 PLEASE COMMENT
 PLEASE REPLY
 PLEASE RECYCLE

NOTES/COMMENTS:

PHONE: (410) 626-1802 FAX: (410) 626-1804
726 SECOND STREET, SUITE 3A
ANNAPOLIS, MD 21403-3378



KC NAJOLAS DEVELOPMENT COMPANY, LLC

726 Second Street, Suite 3A
Annapolis, MD 21403-3378

February 25, 2003

Ms. Beth Wojton
Maryland Environmental Service
2011 Commerce Park Drive
Annapolis, MD 21401

RE: Construction Loan for new MES headquarters building

Dear Beth:

Per your request, we have outlined below our review of the commitment letter sent by BB&T and the term letter sent by SunTrust Bank for the construction loan request sent to both banks. The basic terms from both lenders is summarized as follows:

	<u>BB&T</u>	<u>SunTrust</u>
Construction loan amount	\$5,300,000.00	\$5,300,000.00
Interest Rate	Libor + 150 b.p.	Libor + 175 b.p.
Term:	18 mos.	36 mos.
Loan Fee:	\$27,500.00	\$26,500.00
Extension Term:	6 mos.	24 mos.
Extension Fee:	\$6,625.00	\$26,500.00
Construction completion	Within 18 mos.	Within 12 mos.
Loan Structure	Interest only	Interest only – 1 st 12 mos. Principal amortization based on 6%/25 yr. Amort.
Loan Ratio	85% of Appraised value 80% of stabilized value	80% of appraised value minimum value of \$6,625,000
Loan Security	1 st Deed of Trust Assignment of Rents Security/financing agmt.	1 st Deed of Trust Assignment of Rents Security/financing agmt.
Loan Guarantees	Ken/Jane Morrell Craig/Margaret Morrell KC Najoles Dev., LLC MES	Ken Morrell Craig Morrell

We recommend that MES approve BB&T as the construction lender for this project for the following reasons:

- 1) The overall pricing is less.
- 2) The construction loan ratios are less stringent with BB&T. We have every confidence we will obtain the full construction loan amount with BB&T. SunTrust is requiring that the building appraise at a minimum of \$325,000 more than our project budget with a maximum loan to value of 80%.
- 3) Construction completion time-line is 18 mos. with BB&T vs. 12 mos. with SunTrust.
- 4) BB&T's loan documents are more favorable in our experience.
- 5) Security requirements for both loans are comparable.

We have completed two construction loans with both SunTrust and BB&T in the last few years. Our overall experience with BB&T is that they are more reasonable and more accommodating in all respects. We have recently negotiated construction loan documents with BB&T and feel that this will benefit all parties by way of reduced attorney's fees. The construction loan term of 18 months with a six month extension gives us ample time to complete construction and obtain permanent financing. Providing loan guarantees for a construction loan is standard industry practice. We will be able to remove those guarantees when we obtain permanent financing on a non-recourse basis.

Please do not hesitate to contact us if you have any questions.

Sincerely,

Kenneth F. Morrell

Craig P. Morrell

BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION
03-05-1R

A RESOLUTION

Modifying the per diem compensation paid to certain members of the Board of Directors of the Maryland Environmental Service ("Service").

R E C I T A L S

By Chapter 196 of the 1993 Acts of the General Assembly, the Service is established as an instrumentality of the State. Section 3-103(b) of the Natural Resources Article of the Annotated Code of Maryland (Maryland Environmental Service Act, or "Act") provides that there shall be nine members of the Board of Directors of the Service ("Board"). Four of the Board members are the officers of the Service. Three of the Board members must be from the public sector in the State in positions responsible for water, wastewater, or solid waste management. The remaining two members must be from the private sector in the State with technical, financial, development, or legal experience related to water, wastewater, or solid waste management.

Section 3-103(a)(5)(i) provides that "those members of the Board not already holding public office shall received from the Service (i) Per diem compensation as established by the Board. On January 27, 1994, the Board established the per diem compensation to be paid to members to be \$250. To date, the per diem compensation has not changed. However, in the 9 years since the per diem compensation was set, the responsibilities of the Board have grown significantly. Since 1994 the following has occurred:

- A. The annual revenues of the agency have increased from \$ 42.1 million to \$ 71.1 million.
- B. The number of employees of the agency has increased from 427 to 560.
- C. The number of projects in which the Service is involved has increased from 321 to 380.
- D. The agency has issued approximately \$ 47.4 million in debt to finance its projects.
- E. The agency has undertaken, at its sole risk, two complex environmental enhancement projects. Development of these projects entailed several years of planning, design and due diligence investigation. In future years, the Board will continue to closely oversee and provide guidance on these project to ensure they

continue to be environmentally sound and financially successful.

- F. The laws governing environmental compliance and financial management and reporting have continued to become more complex, necessitating the members of the Board devote many hours to educating themselves on these issues.
- G. The Board has established committees to focus the resources and experiences of the members to specific areas of oversight, including auditing and human resources. The participating Board members attend these meetings in addition to monthly meetings of the full Board.

Additionally, the Board has continued to meet at least once every month. Because the Service operates projects throughout the State, the Board meets several times each year at locations that are several hours away from MES headquarters. Consequently, the Board members must devote additional time for travel.

In recognition of the substantial time the Board members devote to the Service, the Board has determined that an increase in the per diem compensation should be made.

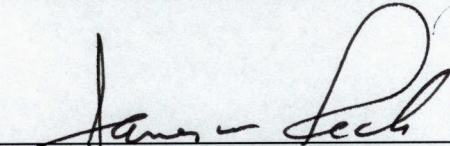
NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MARYLAND ENVIRONMENTAL SERVICE, THAT:

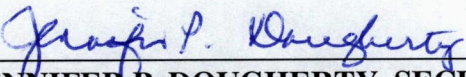
1. Pursuant to Md. Natural Resources Code Annotated Section 3-103(b)(5)(i), the per diem compensation to be paid to those members of the Board who do not hold a public office shall be \$400.
2. This Resolution shall take effect immediately. However, in accordance with Article III, Section 35 of the Constitution of Maryland, the per diem compensation established in this Resolution shall only be paid to those members of the Board who are appointed and qualify after the effective date of this Resolution.

ADOPTED, this 1st day of May, 2003.

SEAL

MARYLAND ENVIRONMENTAL SERVICE

BY: 
JAMES W. PECK, DIRECTOR

BY: 
JENNIFER P. DOUGHERTY, SECRETARY

**BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION
(03-06-1R)**

A RESOLUTION approving

A modification to the Human Resources regulations for the Maryland Environmental Service (the "Service"), establishing the amounts and circumstances by which certain employees of the Service may earn and utilize annual leave and compensatory leave, and generally relating to the Human Resources System of the Service.

R E C I T A L S

The Service was created by, exists under, and exercises the powers contained in Sections 3-101 to 3-130, inclusive, of the Natural Resources Article of the Annotated Code of Maryland (the "Act") including (among others) the power to adopt, formulate, revise and enforce rules and regulations.

Pursuant to the Act, the Service has adopted COMAR 14.27.02 establishing and governing a Human Resources System. Regulation .11 governs the amount of annual leave employees of the Service may earn and accumulate, and the conditions of use of annual leave. Regulation .13 governs the amount of compensatory leave employees of the Service may earn and accumulate, and the conditions of use of compensatory leave.

In recognition of the significant degrees of responsibility, supervision and authority expected of various classes of employees of the Service, the Board has determined that a more flexible approach to annual leave and compensatory leave is required. The purpose of this resolution is to adopt a modification to the Service's Human Resources Regulations, and to establish policies relating to the amounts and circumstances by which specified classes of employees of the Service may earn and utilize compensatory leave. The Service considers the adoption of this Resolution to be in furtherance of the purposes of the Act and the Service.

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

1. The Service hereby adopts the following change to COMAR 14.27.02.11:
 - D. The Board may adopt policies which establish the amount of annual leave for which designated classes of employees may be eligible. A policy adopted pursuant to this regulation shall address the circumstances under which the designated classes of employees may utilize annual leave. The Board may not adopt a policy which results in an employee being eligible for less annual leave than is authorized by this Regulation .11
2. The Director is hereby authorized and directed to submit the change to COMAR 14.27.02.11 for adoption in accordance with the Maryland Administrative Procedure Act, State Government Article, Title 10, Subtitle 1, Annotated Code of Maryland for review and for publication in the Maryland Register.
3. The Director is hereby authorized to make such stylistic or other changes to the proposed regulation change as are required to be made by the Maryland Division of State Documents or the Joint Committee on Administrative, Executive and Legislative Review of the General Assembly, and such changes shall be deemed to be approved and adopted by this Board without any further action or approval.
4. There is hereby a class of Service employees to be known as the "Senior Management Class." Employees in the Senior Management Class shall be those senior management employees of the Service who are appointed by, and report directly to, the Director, and shall include Officers of the Service who are employed full time by the Service
5. Pursuant to COMAR 14.27.02.13.A, the Director shall not permit employees in the Senior Management Class to earn or utilize compensatory Leave.
6. Beginning on the first day of the first full pay period of each calendar year, employees in the Senior Management Class shall be credited with 160 hours of annual leave.
7. Employees in the Senior Management Class may accumulate unused annual leave and may carryover from one year to the next year up to 200 hours of that unused annual leave. Any

accumulated and unused annual leave in excess of 200 hours shall be forfeited at the beginning of the first full pay period of the next calendar year.

8. Unless otherwise required by law, an employee in the Senior Management Class who is appointed to his or her position during a calendar year shall be credited with annual leave for that year as follows:

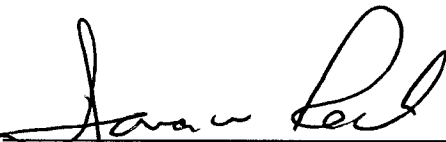
- A. If the employee is appointed between January 1 and June 30, the employee shall be credited with 160 hours of annual leave.
- B. If the employee is appointed between July 1 and August 31, the employee shall be credited with 120 hours of annual leave.
- C. If the employee is appointed between September 1 and October 31, the employee shall be credited with 80 hours of annual leave.
- D. If the employee is appointed between November 1 and December 31, the employee shall be credited with 40 hours of annual leave.

9. Paragraphs 1 through 4 of this resolution shall be effective July 1, 2003. Except as otherwise provided in this Paragraph 9, Paragraphs 5 through 8 of this Resolution shall be immediately effective upon adoption of the regulation authorized by this Resolution. Paragraphs 5 through 8 shall be effective as to the Director of the Service on July 1, 2003. Upon the adoption of such regulation, employees in the Senior Management Class shall be credited with annual leave as permitted by this Resolution, reduced by any annual leave the employees have already earned in calendar year 2003.

ADOPTED, this 26th day of June, 2003.

SEAL

MARYLAND ENVIRONMENTAL SERVICE

BY: 

JAMES W. PECK, DIRECTOR

BY: Jennifer P. Dougherty
JENNIFER P. DOUGHERTY, SECRETARY

**BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION
03-06-2R**

A RESOLUTION

Authorizing the salary and other benefits of the Director of the Maryland Environmental Service ("Service").

R E C I T A L S

By Chapter 196 of the 1993 Acts of the General Assembly, the Service is established as an instrumentality of the State of Maryland. Section 3-103(c)(1) of the Natural Resources Article of the Annotated Code of Maryland (Maryland Environmental Service Act, or "Act") provides the following:

The Director is both the administrative head of the Service and the presiding officer of the Board [of Directors]. The director is directly responsible to the Board and shall advise the Board on all matters assigned to the Service. The director shall carry out the Board's policies related to the Service. He is responsible for the exercise of all powers and duties conferred upon the Service by the provisions of this subtitle except for those powers and duties conferred by this subtitle on the secretary, treasurer, or Board.

Pursuant to Section 3-103(b)(1) of the Act, the Director of the Service shall receive such compensation as may be determined by the Board of Directors of the Service.

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

1. For performance of the Director's duties and responsibilities, the Director shall be paid a salary of \$ 155,000.00 per annum. The salary shall be effective as of July 1, 2003.

2. The Director shall be immediately credited with one hundred and sixty (160) hours of annual leave. On the first day of the first full pay period of each subsequent calendar year, the Director shall be credited with one hundred sixty (160) hours of

BY: *Jennifer P. Dougherty*
JENNIFER P. DOUGHERTY, SECRETARY

BY: *James W. Peck*
JAMES W. PECK, DIRECTOR

MARYLAND ENVIRONMENTAL SERVICE

SEAL

ADOPTED, this 26th day of June, 2003.

- 4. This Resolution shall take effect immediately.
 - 3. The Director shall be eligible for, and shall receive, in addition to the Director's salary and annual leave, the same employee benefits that are generally made available to full time employees of the Service.
- annual leave. The Director may utilize annual leave in his discretion. The Director may accumulate unused annual leave, and carry over the unused annual leave from one calendar year to the next, in the same manner and to the same extent as permitted under COMAR 14.27.02.11.B.

**BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION
03-08-1R**

A RESOLUTION

Modifying the method by which Board of Directors of the Maryland Environmental Service ("Service") give notice of its meetings.

R E C I T A L S

By Sections 10-501 through 10-512 of the State Government Article, Annotated Code of Maryland (the "Open Meetings Act"), the Board of Directors of the Service is required to give reasonable advance notice of its meetings. Whenever reasonable, the notice must be in writing; include the date, time, and place of the meeting; and, if appropriate, include a statement that a part or all of the meeting may be conducted in closed session. Notice of meetings may be given by publication in the Maryland Register, by delivery to representative of the new media who regularly report on sessions of the Board of Directors or the activities of the State government, by posting or depositing the notice at a convenient public location at or near the place of the session (but only if the Board has previously given public notice that this method will be used), or by any other reasonable method.

Pursuant to Section 10-506(c)(3) of the Open Meetings Act the Board has determined to give public notice that it intends to post notices of its future meetings at MES Headquarters, and on the Maryland Environmental Service internet site.

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

1. The staff of the Service is hereby directed to submit to the Maryland Register a notice stating the Board of Directors shall give notice of its future meetings by posting a written notice of each meeting in a public location at Service headquarters, and by posting a notice of each meeting on the Service's website. The form of the notices shall be as required by the Open Meetings Act.

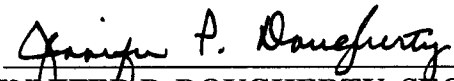
2. The staff of the Service is hereby directed to cause public notice to be given for each meeting of the Board of Directors of the Service. The public notice shall be in accordance with this Resolution and the Open Meetings Act.
3. This Resolution shall take effect immediately.

ADOPTED, this 14th day of August, 2003.

SEAL

MARYLAND ENVIRONMENTAL SERVICE

BY: 
JOHN S. SPARKMAN, ACTING DIRECTOR

BY: 
JENNIFER P. DOUGHERTY, SECRETARY

**BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION
03-08-2R**

A RESOLUTION

Directing the Deputy Director of the Maryland Environmental Service ("Service") to perform certain duties and assignments, and establishing the salary of the Deputy Director.

R E C I T A L S

By Chapter 196 of the 1993 Acts of the General Assembly, the Service is established as an instrumentality of the State. Section 3-103(b) of the Natural Resources Article of the Annotated Code of Maryland (Maryland Environmental Service Act, or "Act") establishes the office of Deputy Director of the Service, and further provides that the Deputy Director is a member of the Board of Directors of the Service. Section 3-103(c) of the Act generally sets forth the duties and responsibilities of the Deputy Director.

Pursuant to Section 3-103(b)(1) of that same Article, the Deputy Director of the Service shall receive such compensation as may be determined by the Board of Directors of the Service.

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


1. In addition to the duties and responsibilities set forth in N.R. Section 3-103(c), the Deputy Director shall have such other duties and responsibilities as may be assigned by the Director or the Board.
2.
 - A. For performance of the Deputy Director's duties and responsibilities, the Deputy Director shall be paid a salary of \$ 115,000.00 per annum.
 - B. The salary shall be effective as of September 2, 2003.
3. Except as otherwise authorized by the Board, the Deputy Director shall be eligible for, and shall receive, in addition to the Deputy Director's salary, the same employee benefits that are generally made available to full time employees of the Service.

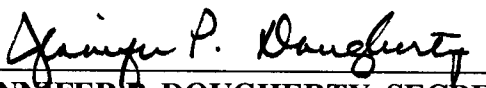
4. Resolution 03-01-1R, adopted by the Board on January 30, 2003, is hereby repealed.
5. This Resolution shall take effect immediately.

ADOPTED, this 14th day of August, 2003.

SEAL

MARYLAND ENVIRONMENTAL SERVICE

BY: 
JOHN S. SPARKMAN, ACTING DIRECTOR

BY: 
JENNIFER P. DOUGHERTY, SECRETARY

**BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION
03-09-1R**

A RESOLUTION

Approving the appointment of a Deputy Treasurer of the Maryland Environmental Service ("Service") and authorizing the Deputy Treasurer to perform certain duties and responsibilities.

R E C I T A L S

By Chapter 196 of the 1993 Acts of the General Assembly, the Service is established as an instrumentality of the State of Maryland. Section 3-103(e)(2) of the Natural Resources Article of the Annotated Code of Maryland (Maryland Environmental Service Act, or "Act") permits the Treasurer of the Service to authorize an employee of the Service to serve as his deputy and to disburse money for the purposes of the Service as provided by law, and subject to restrictions and other conditions that the Treasurer establishes.

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

1. The Board hereby approves Henry Cook to serve as Deputy Treasurer of the Service. The Treasurer, with the consent of the Director but without further action or approval by the Board, may rescind the authorization approved by this Resolution at any time.
2. The Deputy Treasurer shall not be an Officer of the Service, and shall not be a member of the Board of Directors. The Deputy Treasurer shall perform the duties and responsibilities that are assigned or delegated to him by the Treasurer or the Director of the Service.
3. The Deputy Treasurer shall be covered by a surety bond in accordance with the provisions of law concerning the State Employees Surety Bond Committee.

4. This Resolution shall take effect immediately.

ADOPTED, this 18th day of September, 2003.

SEAL

MARYLAND ENVIRONMENTAL SERVICE

BY: 
JOHN S. SPARKMAN, ACTING DIRECTOR

BY: 
KENNETH A. HOWARTH, TREASURER

BY: 
JENNIFER P. DOUGHERTY, SECRETARY

**BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION 03-09-2R**

A RESOLUTION

**CREATING A CERTAIN PROJECT RESERVE FUND, AUTHORIZING
THE TRANSFER OF FUNDS TO THAT PROJECT RESERVE FUND, AND
AUTHORIZING THE USE OF SUCH FUNDS BY THE SERVICE.**

R E C I T A L S

The Service was created by, exists under, and exercises the powers contained in Sections 3-101 to 3-130, inclusive, of the Natural Resources Article of the Annotated Code of Maryland (the "Act") including (among others) the powers (i) to acquire, construct, reconstruct, rehabilitate, improve, maintain, and operate water, wastewater and solid waste projects within or without the State; (ii) to create and establish project reserve funds, and (iii) to pay into such project reserve funds moneys appropriated and made available by the State for the purposes of such funds, and any other moneys which may be received or otherwise made available to the Service from any other source or sources which the Service has designated for deposit into such funds.

By virtue of Executive Order 01.01.1971.11, and policy of the Board of Public Works of Maryland, the Service has been directed to operate and maintain solid waste, water and wastewater facilities owned by the State of Maryland. The Service is reimbursed by the State, through the Department of Management and Budget, for the costs the Service incurs in providing these services. In order to have funds available for emergency or other repairs and improvements to these environmentally sensitive State-owned solid waste, water and wastewater facilities, the Service desires to maintain a contingency fund. The Service intends that only unexpended monies that have previously been appropriated by the General Assembly and made available to the Service for the operation and maintenance of State-owned water and wastewater facilities shall be deposited into the contingency fund created by the Resolution. The Service considers the use of monies in the Funds to be in furtherance of the purposes of the Act and the Service.

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

1. There is a Reimbursable Projects Contingency Fund (the "Fund"). The Fund shall be a

project reserve fund, as permitted pursuant to Section 3-103(h) of the Act.

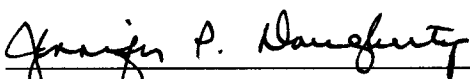
2. Subject to the approval of the Secretary of Budget and Management, the Service shall transfer \$250,000 from FY 2003 State reimbursable unearned revenue to the Fund. In subsequent fiscal years the Service may, with the approval of the Secretary of Budget and Management, transfer State reimbursable unearned revenue to the Fund in amounts that do not exceed the lesser of \$250,000 or fifty percent (50%) of the total State reimbursable unearned income for that fiscal year. The total amount of the Fund may not exceed \$1,000,000 at any time.
3. Monies in the Fund may only be expended for projects of the Service that serve programs, facilities or agencies of the State of Maryland. Monies in the Fund may not be expended without the prior approval of (a) the Board of Directors of the Service and (b) the Secretary of Budget and Management.
4. In accordance with Section 3-103(h)(3), the Service shall expend monies in the Fund in accordance with the provisions of the Act.
5. This Resolution shall take effect immediately.

ADOPTED, this 18th day of September, 2003.

SEAL

MARYLAND ENVIRONMENTAL SERVICE

BY: 
JOHN S. SPARKMAN, DIRECTOR

BY: 
JENNIFER P. DOUGHERTY, SECRETARY

BY: 
KENNETH A. HOWARTH, TREASURER

**BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION 03-09-3R**

A RESOLUTION ESTABLISHING

**AN INCENTIVE COMPENSATION PROGRAM FOR THE DIRECTOR OF
THE MARYLAND TIRE RECYCLING AND CRUMB RUBBER
PRODUCTION PROJECT; ESTABLISHING CERTAIN GOALS FOR
MEASURING THE PERFORMANCE OF THE PROJECT DIRECTOR IN
A FISCAL YEAR; AUTHORIZING THE PAYMENT OF CERTAIN
INCENTIVE PAYMENTS TO THE PROJECT DIRECTOR IF CERTAIN
CRITERIA ARE MET; AND GENERALLY RELATING TO THE
PAYMENT OF COMPENSATION TO A CERTAIN EMPLOYEE OF THE
SERVICE.**

R E C I T A L S

Pursuant to §3-103.1(b) of the Natural Resources Article of the Annotated Code of Maryland, the Maryland Environmental Service ("Service") is directed and authorized to establish a personnel system that is based on merit and compensates employees based on performance. The Service, in accordance with Resolutions 99-10-6R and 99-10-7R, and after it extensively studied and reviewed various compensation programs of the private sector, government agencies, and non-profit entities, developed and implemented incentive programs for employees of the Service. These incentive programs are known as the BEST Program and the Executive Incentive Program.

The Service, in furtherance of its statutory mission to recover useable resources from solid waste, and pursuant to various Resolutions of the Board, including Resolution 02-04-1R adopted April 29, 2002, has developed and implemented the Maryland Tire Recycling and Crumb Rubber Production Project ("Project"). The primary function of the Project is to accept and recycle scrap tires into crumb rubber and other tire derived products. The Service charges a tipping fee for tires that are accepted at the Project, and it also sells the crumb rubber and other tire derived products for

negotiated prices. The Board anticipates and expects that the costs of developing, maintaining and operating the Project are to be recovered solely from the revenues of the Project.

The Board recognizes that the success of the Project is dependent on the Service hiring and retaining a well-qualified manager to oversee the Project's operation and marketing. In recognition of the unique nature of the Project, and because the Board further recognizes that incentives should only be paid to employees if defined performance goals are met or exceeded, the Board has determined to establish an incentive compensation program for the Director of the Project.

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

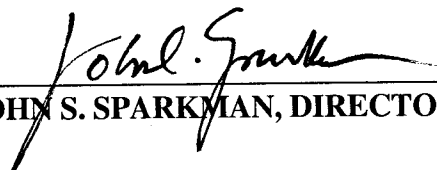
1. In addition to his or her base pay, the Director of the Project shall also be eligible to be paid incentive compensation. For Fiscal Year 2004, the amount of the incentive compensation shall be based on the Operating Net Income component set forth on the final FY 04 Operating Net Income Statement of the Project, as certified by the Treasurer of the Service. The amount of incentive compensation that may be paid to the Director of the Project shall be as follows:
 - a. If the Operating Net Income equals or exceeds \$300,000, the incentive compensation shall be twenty percent (20%) of base pay.
 - b. If the Operating Net Income equals or exceeds \$250,000, but is less than \$300,000, the incentive compensation shall be fifteen percent (15%) of base pay.
 - c. If the Operating Net Income equals or exceeds \$200,000, but is less than \$250,000, the incentive compensation shall be ten percent (10%) of base pay.
 - d. If the Operating Net Income equals or exceeds \$150,000, but is less than \$200,000, the incentive compensation shall be five percent (5%) of base pay.
 - e. If the Operating Net Income is less than \$150,000, no incentive compensation shall be paid.

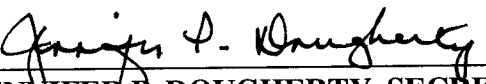
2. If the Director of the Project becomes eligible for payment of incentive compensation under Section 1, the Service shall pay the compensation by November 30 of each year, provided the Director is employed by the Service as of the date of the payment. No payment shall be due if the Director is not actively employed by the Service on the date of the payment.
3. The Director of the Project shall not be eligible to participate in, or receive payment through, either the BEST Program established pursuant to Resolution 99-10-6R or the Executive Incentive Program established pursuant to Resolution 99-10-7R. The Director of the Project may not grieve any determination made by the Board or any Officer of the Service pursuant to this Resolution.
4. This Resolution shall take effect immediately. This Resolution shall continue in effect for subsequent fiscal years unless modified or rescinded by action of the Board of the Directors. Except as expressly set forth herein, this Resolution does not create any rights, vested or contingent.

ADOPTED, this 18th day of September, 2003.

SEAL

MARYLAND ENVIRONMENTAL SERVICE

BY: 
JOHN S. SPARKMAN, DIRECTOR

BY: 
JENNIFER P. DOUGHERTY, SECRETARY

BY: 
KENNETH A. HOWARTH, TREASURER

**BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION
(03-11-1R)**

A RESOLUTION AUTHORIZING

**AN AMENDMENT TO THE SERVICE'S ADOPTION AGREEMENT OF
ITS 401(k) SAVING PLAN IN ORDER TO PROVIDE A SAFE HARBOR
401(k) PLAN; AND GENERALLY RELATING TO THE RETIREMENT
PROGRAM FOR CERTAIN EMPLOYEES OF THE SERVICE.**

R E C I T A L S

WHEREAS, pursuant to §3-103.1(b) of the Natural Resources Article of the Annotated Code of Maryland, the Maryland Environmental Service ("Service") is directed and authorized to determine and establish compensation and benefits for its employees; and

WHEREAS, the Board of Directors of the Service ("Board") has previously approved an Adoption Agreement ("Adoption Agreement") establishing a 401(k) Savings Plan ("Plan") for its employees; and

WHEREAS, the Board desires to amend the Plan to provide a Safe Harbor 401(k) Plan; and

WHEREAS, the Plan provides in Section 7.06(b), that the Service may amend any elective or optional provision of the Adoption Agreement at any time by delivering an executed copy of the amendment to the Plan sponsor.

**Resolution No. 03-11-1R
Amendment to 401(k) Plan
Page 2**

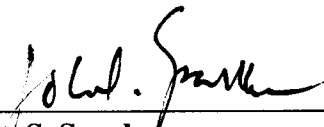
**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF
DIRECTORS OF THE MARYLAND ENVIRONMENTAL SERVICE THAT:**

1. The Plan Adoption Agreement is hereby amended to remove the options permitting hardship withdrawals of Service profit sharing and matching contributions, it being the expressed intent of the Board to provide a Safe Harbor 401(k) Plan. Section Three of the Adoption Agreement ("Contributions"), and Section Five of the Adoption Agreement ("Distribution and Loans") shall be amended accordingly.
2. The Officers of the Service are each and individually authorized to execute such agreements, amendments and other documents as are necessary to implement this Resolution.
3. This Resolution shall be effective January 1, 2004.

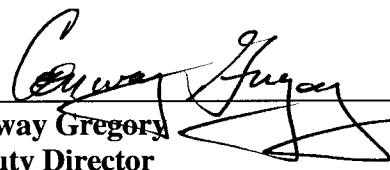
ADOPTED, this 20th day of November, 2003.

MARYLAND ENVIRONMENTAL SERVICE

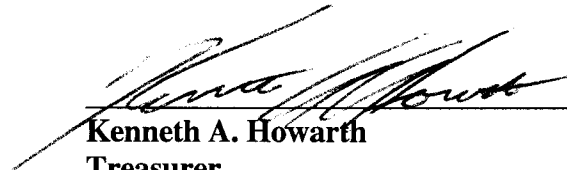
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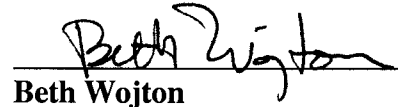
**John S. Sparkman
Acting Director**



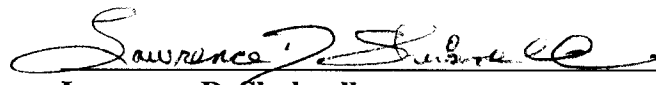
**Conway Gregory
Deputy Director**



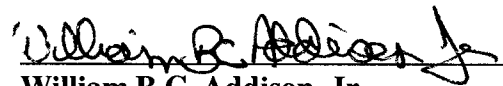
Kenneth A. Howarth
Treasurer



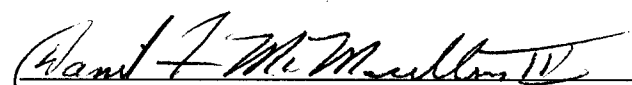
Beth Wojton
Secretary



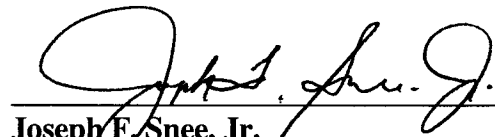
Lawrence D. Shubnell
Member



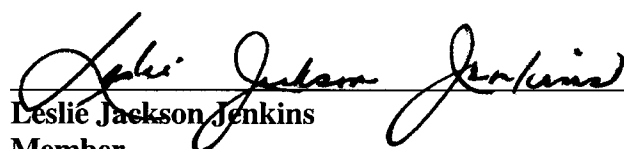
William B.C. Addison, Jr.
Member



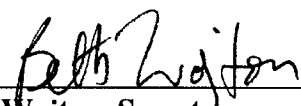
Daniel F. McMullen, III
Member



Joseph F. Snee, Jr.
Member



Leslie Jackson Jenkins
Member

Attest: 

Beth Wojton, Secretary