

CALVERT COUNTY, MARYLAND

AND

CONSTELLATION GENERATION GROUP, LLC

TAX CREDIT AGREEMENT

FOR THE

**NEW NUCLEAR POWER PLANT AT
CALVERT CLIFFS NUCLEAR POWER PLANT**

Property Tax Credit Agreement Between Calvert County, Maryland and Constellation Generation Group, LLC

WHEREAS, Section 9-306 of the Maryland Tax – Property Article, as enacted into law on April 25, 2006 by House Bill 1183, authorizes the Board of County Commissioners (“County Board”) of Calvert County, Maryland (“County”) to grant, by law, a tax credit of up to 50% against the County property tax imposed on personal and real property of a new or expanding business engaged in the generation of electricity that creates at least 25 new jobs with salaries greater than the County annual average salary in the economic development target market sector, as determined by the County Board, and invests at least \$2,500,000 in land, improvements or equipment in the County; and

WHEREAS, Constellation Generation Group, LLC, (“Company”), an affiliate of Constellation Energy Group, Inc., has begun preliminary, exploratory work for a new nuclear plant with an expected nameplate capacity of approximately 1,600 megawatts (“Plant”) located near the site of the existing Calvert Cliffs 1,735 megawatt nuclear power facility (“Calvert Cliffs”). Critical to the economic viability of the Plant is a reduction of County property taxes that would otherwise be imposed on the Plant; and

WHEREAS, the Company and the County desire to enter into this Agreement to provide for the application of a tax credit against the County property tax imposed on personal and real property of the Plant; and

WHEREAS, pursuant to the authority granted in Section 9-306 of the Maryland Tax-Property Article, the County Board has passed Ordinance Number ___, enacting Article VIII of Chapter 136 of the Calvert County Code, said Article VIII authorizing the County Board to grant the tax credit and to enter into this agreement;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the receipt and sufficiency of which are hereby acknowledged, the Company and the County hereby agree as follows:

ARTICLE I

REPRESENTATIONS AND WARRANTIES

Section 1.1 Representations and Warranties.

The County and the Company each hereby represents and warrants to the other that, as of the date of this Agreement:

(a) it is duly organized, validly existing, and in good standing under the laws of the State in which it is formed and has requisite authority to own its property and assets and conduct its business as presently conducted or proposed to be conducted under this Agreement;

(b) it has the power and authority to execute, deliver, and carry out all applicable terms and provisions of this Agreement;

(c) all necessary action has been taken to authorize its execution, delivery, and performance of this Agreement, and this Agreement constitutes its legal, valid, and binding obligation enforceable against it in accordance with its terms;

(d) no governmental approval is required for the valid execution, delivery, and performance under this Agreement by such Party, except such as has been or will be duly obtained or made, and, in the case of the Company, except such as is required for the construction, operation or maintenance of the Plant, and the Company has no reason to believe that any such governmental approval will not be made or obtained as required for the Company's performance hereunder;

(e) the execution or delivery of this Agreement, the performance of such Party's obligations in connection with the transaction contemplated hereby, or the fulfillment of the terms and conditions hereof will not (i) conflict with or violate any provision of its charter, certificate of organization, limited liability company agreement, or bylaws; (ii) conflict with, violate, or result in a breach of any applicable law; or (iii) conflict with, violate, or result in a breach of or constitute a default under or result in the imposition or creation of any mortgage, pledge, lien, security interest, or other encumbrance under this Agreement or under any term or condition of any mortgage, indenture, or any other agreement or instrument to which it is a party or by which it or any of its properties or assets are bound;

(f) there is no action, suit, or proceeding, at law or in equity, or official investigation before or by any governmental authority pending or, to its knowledge, threatened against it, wherein an anticipated decision, ruling, or finding would result in a material adverse effect on its ability to perform its obligations under this Agreement or on the validity or enforceability of this Agreement; and

(g) the conduct of its business is in compliance with all applicable governmental approvals with which a failure to comply, in any case or in the aggregate, would result in a material adverse effect on its ability to perform its obligations under this Agreement or on the validity or enforceability of this Agreement.

Section 1.2 County Representations and Covenants.

The County represents and warrants that the Chapter 136, Article VIII of the Calvert County Code (the "Local Law") remains in full force and effect and has not been modified, rescinded, or revoked as of the date hereof and that all actions on the part of the County necessary or appropriate for the effectiveness of the County Local Law and the execution and delivery of this Agreement have occurred and been satisfied.

ARTICLE II

TAX CREDIT

Section 2.1 Tax Credit Term and Amount

The County shall grant a tax credit equal to 50% of the real and personal property taxes imposed by the County on the Plant ("Tax Credit") under the following terms, limitations and conditions:

- a. The term of the Tax Credit shall be for a fifteen (15) year period commencing with the first taxable year that the Plant is placed in-service ("Tax Credit Period"). The in-service status of the Plant shall be determined on the date of finality (assessment date) for the applicable taxable year. The Plant shall be considered placed in-service when the Plant is synchronized into a power grid.
- b. The Tax Credit granted each year of the Tax Credit Period shall be reduced by the County to the extent that the County real and personal property taxes imposed on the Plant (after application of the Tax Credit) and the County real and personal property taxes imposed on Calvert Cliffs result in total County property taxes of less than \$15 million for the year. In such case, the Tax Credit shall be reduced so that total County real and personal property taxes imposed on Calvert Cliffs and the Plant shall equal \$15 million.
- c. The Tax Credit granted in each year of the Tax Credit Period shall not be less than zero.
- d. The Tax Credit shall apply to all real and personal property taxes on the Plant including, without limitation, real and personal property taxes on buildings, structures and equipment used to generate electricity from the Plant as well as certain administrative or general buildings and equipment constructed or installed to support the Plant and equipment leading from the Plant to the point of interconnection with the electric transmission.
- e. The Company or its assignee shall be required to provide certification to the County Board documenting that the Plant has (1) invested at least \$2,500,000 in land, improvements or equipment in the County prior to the date that Tax Credit is first claimed and (2) created at least 25 new jobs with salaries higher than the County annual average salary in the following sectors: Non-defense, Administrative Services and Computer Programming, Software Development and Related Services.

ARTICLE III

NOTICES

All notices, demands, requests, consents, or other communications provided for or permitted to be given pursuant to this Agreement shall be in writing and shall be mailed, telecopied, or delivered to the Parties at the respective address set forth below:

a. If to the County:

Calvert County Department of Finance and Budget
Calvert County Courthouse
175 Main Street
Prince Frederick, MD 20678
Attention: Director
Telephone No.: 410-535-3065
Telecopy No.: 410-414-3720_____

d. If to the Company:

Constellation Generation Group, LLC
750 East Pratt Street, 17th Floor
Baltimore, Maryland 21201
Attention: Managing Attorney, Generation
Telephone No.: (410)-783-3312
Telecopy No.: (410)-783-3679

All such notices, demands, requests, consents, or other communications shall be deemed to have been duly given when transmitted by telecopy or personally delivered or, in the case of a mailed notice, upon receipt, in each case addressed as aforesaid. Each of the Parties may from time to time change its address for notices by written notice of such change to the other Parties given in accordance with this Section.

ARTICLE IV

ASSIGNMENTS

The Company may sell, transfer, assign, pledge, mortgage, hypothecate, or otherwise dispose of and encumber all or any of its rights, title, and interests in, to, and under this Agreement to any lender as security for the performance of its obligations under any loan agreement with such lender, to any affiliate, and to any purchaser of the

Plant, without the consent of the County Board, provided such successor owner assumes and agrees to be bound by this Agreement to the extent of its interest in the Plant. In such event, the Company will provide written notice to the County Board of such assignment or pledge as promptly as practicable, but not later than thirty (30) days prior to such assignment or pledge. The County Board agrees to execute and deliver and to furnish such consents, documents, certificates, and other instruments and information which any lender may reasonably request as a condition to the financing or refinancing of the Plant.

ARTICLE V

LIMITED OBLIGATION OF THE PARTIES

All obligations of the County and the Company contained in this Agreement shall be deemed to be the corporate obligations of the respective Parties and not obligations of any member, officer, agent, servant, employee, or affiliate of either Party. No recourse upon any obligation contained in this Agreement, or otherwise based on or in respect of this Agreement, shall be had against any past, present, or future member, officer, agent, servant, employee, or affiliate of either Party.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed as of August 8, 2006.

**BOARD OF COUNTY
COMMISSIONERS OF CALVERT
COUNTY, MARYLAND**

By: _____

David F. Hale
President

By: Corinne J. Cook
Corinne J. Cook
Clerk

**CONSTELLATION GENERATION
GROUP, LLC**

By: _____

Michael J. Wallace
President

Approved for
Legal Sufficiency on: 8/8/06
By: Emanuel Demedis
Emanuel Demedis
County Attorney