

Resolution No. 2119  
As Amended on November 28, 2011

A RESOLUTION OF THE CITY OF SALISBURY AUTHORIZING THE ISSUANCE AND SALE BY CITY OF SALISBURY (THE "CITY") OF ITS GENERAL OBLIGATION REFUNDING BONDS AS DESCRIBED HEREIN, PURSUANT TO THE AUTHORITY OF SECTIONS 31 TO 37, INCLUSIVE, OF ARTICLE 23A OF THE ANNOTATED CODE OF MARYLAND, AS REPLACED, SUPPLEMENTED OR AMENDED, SECTION 24 OF ARTICLE 31 OF THE ANNOTATED CODE OF MARYLAND, AS REPLACED, SUPPLEMENTED OR AMENDED, SECTIONS SC7-45 AND SC7-46 OF THE CHARTER OF THE CITY OF SALISBURY, AS PUBLISHED IN MUNICIPAL CHARTERS OF MARYLAND, VOLUME 7, 2008 REPLACEMENT EDITION, AS REPLACED, SUPPLEMENTED OR AMENDED, AND AN ORDINANCE PASSED BY THE COUNCIL OF THE CITY PRIOR TO THE ADOPTION OF THIS RESOLUTION, THE BONDS TO BE DESIGNATED "CITY OF SALISBURY PUBLIC IMPROVEMENTS REFUNDING BOND, SERIES 2011A" AND "CITY OF SALISBURY PUBLIC IMPROVEMENTS REFUNDING BOND, SERIES 2011B" (COLLECTIVELY, THE "2011 BONDS") AND THE PROCEEDS OF THE SALE THEREOF TO BE USED AND APPLIED FOR THE PUBLIC PURPOSE OF PROVIDING THE FUNDS NEEDED TO CURRENTLY REFUND THE OUTSTANDING BONDS OF THE CITY IDENTIFIED HEREIN AS THE 1994 BONDS, THE 1999 BOND AND THE 2001 BONDS AND ADVANCE REFUNDING THE OUTSTANDING BONDS OF THE CITY IDENTIFIED HEREIN AS THE 2003 BONDS, PAYING COSTS OF ISSUANCE OF THE 2011 BONDS AND, TO THE EXTENT PROCEEDS REMAIN, PAYING INTEREST ON THE 2011 BONDS; PRESCRIBING THE FORMS AND TENOR OF THE 2011 BONDS AND THE TERMS AND CONDITIONS FOR THE ISSUANCE AND SALE THEREOF ON A NEGOTIATED BASIS WITHOUT SOLICITATION OF BIDS TO SUNTRUST BANK; PRESCRIBING THE TERMS AND CONDITIONS OF THE 2011 BONDS AND OTHER DETAILS INCIDENT TO THE ISSUANCE, SALE AND DELIVERY OF THE 2011 BONDS AND AUTHORIZING THE MAYOR, ON BEHALF OF THE CITY, TO DETERMINE THE FINAL PRINCIPAL AMOUNTS OF THE 2011 BONDS AND TO ADJUST THE AMORTIZATION SCHEDULES THEREFOR WITHIN THE LIMITATIONS SET FORTH IN THIS RESOLUTION; PROVIDING FOR THE DISBURSEMENT AND INVESTMENT OF THE PROCEEDS OF THE 2011 BONDS; PROVIDING FOR THE PREPARATION AND EXECUTION OF AN ESCROW DEPOSIT AGREEMENT WITH RESPECT TO CERTAIN PROCEEDS OF THE 2011 BONDS; PROVIDING FOR THE ENGAGEMENT OF A VERIFICATION CONSULTANT; PROVIDING FOR THE LEVY AND COLLECTION OF AD VALOREM TAXES SUFFICIENT FOR, AND PLEDGING THE FULL FAITH AND CREDIT AND UNLIMITED TAXING POWER OF THE CITY TO, THE PROMPT PAYMENT OF PRINCIPAL AND INTEREST ON THE 2011 BONDS; PROVIDING THAT THE PRINCIPAL OF AND INTEREST ON THE 2011 BONDS ALSO MAY BE PAID FROM ANY OTHER SOURCES OF REVENUE LAWFULLY AVAILABLE TO THE CITY FOR SUCH PURPOSE; MAKING OR PROVIDING FOR CERTAIN REPRESENTATIONS, COVENANTS, DETERMINATIONS, DESIGNATIONS OR ELECTIONS RELATING TO THE TAX-EXEMPT STATUS OF THE 2011 BONDS; AUTHORIZING CERTAIN OFFICIALS TO MAKE CERTAIN DETERMINATIONS AND TAKE CERTAIN ACTIONS IN CONNECTION WITH THE REDEMPTION OR

PREPAYMENT OF THE REFUNDED BONDS; AUTHORIZING AND DIRECTING CERTAIN OFFICIALS TO APPROVE AND TO AMEND, MODIFY AND REPLACE FROM TIME TO TIME WRITTEN POST-ISSUANCE TAX COMPLIANCE PROCEDURES PERTAINING TO THE 2011 BONDS AND OTHER NON-CONDUIT TAX-EXEMPT OBLIGATIONS OF THE CITY; AND GENERALLY RELATING TO THE ISSUANCE, SALE, DELIVERY AND PAYMENT OF AND FOR THE 2011 BONDS.

RECITALS

WHEREAS, City of Salisbury, a municipal corporation of the State of Maryland (the "City"), is authorized and empowered by Sections 31 to 37, inclusive, of Article 23A of the Annotated Code of Maryland, as replaced, supplemented or amended (the "Enabling Act"), and Sections SC7-45 and SC7-46 of the Charter of the City of Salisbury, as published in Municipal Charters of Maryland, Volume 7, 2008 Replacement Edition, as replaced, supplemented or amended (the "Charter"), to borrow money for any proper public purpose and to evidence such borrowing by the issuance and sale of its general obligation bonds; and

WHEREAS, pursuant to Section 24 of Article 31 of the Annotated Code of Maryland, as replaced, supplemented or amended (the "Refunding Act"), the City is authorized to issue bonds for the purpose of refunding any of its bonds or other evidences of obligation by whatever name known or source of funds secured then outstanding for the public purpose of realizing debt service savings or debt restructuring; and

WHEREAS, pursuant to the Refunding Act, the procedures for the issuance of refunding bonds shall be the same as those applicable to the bonds being refunded, except that refunding bonds may be sold on a negotiated basis without solicitation of bids if the City determines in a public meeting that such procedure is in the public interest; and

WHEREAS, on March 1, 1994, the City issued and delivered its City of Salisbury Public Improvements Bonds of 1994 in the aggregate principal amount of \$6,975,000 (the "1994 Bonds") pursuant to the authority of the Enabling Act, the Charter, Ordinance No. 1581, passed by the Council of the City (the "Council") on January 24, 1994, approved by the Mayor of the City (the "Mayor") on January 24, 1994 and effective on January 24, 1994, which specified that the proceeds of the 1994 Bonds would be applied for the purpose of financing, reimbursing or refinancing costs of certain projects identified therein as (i) General - (A) Police Building and Communications, (B) Upgrade City Yard, (C) Road Improvements, and (D) Fire Engine (Pumper), (ii) Water and Sewer - New Chlorine Building and (iii) Costs of Issuance and Contingency including, without limitation, the costs of the planning, construction, reconstruction, demolition, improvement, refurbishing, renovation, restoration, extension, alteration, installation, repair, acquisition, conversion, and modernization of structures, the acquisition of sites, rights-of-way, and any interests in land, the planning, construction, installation, repair, improvement, acquisition, and development of projects, the planning, construction, installation, repair, improvement, acquisition, and relocation of storm drainage systems and sanitary water and sewer rate systems, architectural, engineering, legal and other related professional services, including preparation of surveys, reports, plans, drawings, and specifications, all customary and necessary furnishings and fixed permanent equipment for the above, and expenses incurred in applying for any Federal or State of Maryland

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grants related to the above, and Resolution No. 448, adopted by the Council on February 10, 1994, approved by the Mayor on February 10, 1994 and effective on February 10, 1994; and

WHEREAS, as originally issued and delivered, the 1994 Bonds mature on February 1 in the years 1995 to 2014, inclusive, the 1994 Bonds bear interest at rates per annum ranging from 4.00% to 6.00%, and interest on the 1994 Bonds is payable each February 1 and August 1 until maturity or prior redemption; and

WHEREAS, on May 18, 1999, the City issued and delivered its City of Salisbury, Maryland Public Improvements Bond of 1999 in the aggregate principal amount of \$4,860,000 (the "1999 Bond") pursuant to the authority of the Enabling Act, the Charter, Ordinance No. 1724, passed by the Council on May 10, 1999, approved by the Mayor on May 10, 1999 and effective on May 10, 1999, which specified that the proceeds of the 1999 Bonds would be applied for the purpose of financing, reimbursing or refinancing costs of certain projects identified therein as (i) General Fund – (A) Northeast Collector Road, (B) Isabella Street Box Culvert, and (C) Fire Engine, (ii) Water Fund – (A) Northeast Collector Road Water Main Route 50 to Old Ocean City Road, (B) Northeast Collector Road Water Main Old Ocean City Road to Middle Neck Drive and (C) Water Main Upgrade-Isabella Street, (iii) Sewer Fund – (A) Northeast Collector Road Sewer Main Route 50 to Old Ocean City Road, (B) Northeast Collector Road Sewer Main Old Ocean City Rd. to Middle Neck Drive and (C) Sewer Main Upgrade-Isabella Street, and (iv) Costs of Issuance and Contingency including, without limitation, the costs of the planning, construction, reconstruction, demolition, improvement, refurbishing, renovation, restoration, extension, alteration, installation, repair, acquisition, conversion, and modernization of structures, the acquisition of sites, rights-of-way, and any interests in land, the planning, construction, installation, repair, improvement, acquisition, and development of projects, the planning, construction, installation, repair, improvement, acquisition, and relocation of storm drainage systems and sanitary water and sewer rate systems, architectural, engineering, legal and other related professional services, including preparation of surveys, reports, plans, drawings, and specifications, all customary and necessary furnishings and fixed permanent equipment for the above, and expenses incurred in applying for any Federal or State of Maryland grants related to the above, and Resolution No. 642, adopted by the Council on May 8, 1999, approved by the Mayor on May 8, 1999 and effective on May 8, 1999; and

WHEREAS, as originally issued and delivered, principal of the 1999 Bond is payable on June 1 and December 1 of each year, commencing December 1, 1999 and ending June 1, 2014, the 1999 Bond bears interest at the rate per annum of 4.39% and interest on the 1999 Bond is payable each June 1 and December 1 until maturity or prior prepayment; and

WHEREAS, on May 3, 2001, the City issued and delivered its City of Salisbury Infrastructure Bonds, 2001 Series A in the aggregate principal amount of \$1,201,900 (the "2001 Bonds") pursuant to the authority of the Enabling Act, the Charter, Subtitle 2 of Title 2 of Article 83B of the Annotated Code of Maryland, as amended (now codified at Subtitle 2 of Title 4 of the Housing and Community Development Article of the Annotated Code of Maryland, and as amended, the "CDA Act"), and Ordinance No. 1793, passed by the Council on January 22, 2001, approved by the Mayor on January 23, 2001 and effective on January 23, 2001, which specified that the proceeds of the 2001 Bonds would be applied to the fund a portion of the costs necessary to

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construct a parking garage extension and pay issuance costs, bond insurance premiums and other related costs; and

WHEREAS, as originally issued and delivered, principal of the 2001 Bonds is payable on May 1 in the years 2002 through 2021, inclusive, the 2001 Bonds bear interest at rates per annum ranging from 4.00% to 5.00%, and interest on the 2001 Bonds is payable each May 1 and November 1 until maturity or prior prepayment; and

WHEREAS, on June 18, 2003, the City issued and delivered its City of Salisbury, Maryland Infrastructure Bonds, 2003 Series A in the aggregate principal amount of \$5,614,000 (the "2003 Bonds") pursuant to the authority of the Enabling Act, the Charter, the CDA Act and Ordinance No. 1870, passed by the Council on January 27, 2003, approved by the Mayor on February 3, 2003 and effective on February 3, 2003 ("Ordinance No. 1870"), which specified that the proceeds of the 2003 Bonds would be applied for the purpose of providing a portion of the funds necessary for the construction or rehabilitation of a new fire station, renovation of fire station no. 1, a public works garage, Beaver Dam Creek stabilization, WOR-WIC sewer and water project and paying costs of issuance, bond insurance premiums and other related costs; and

WHEREAS, pursuant to Ordinance No. 1888, passed by the Council on December 22, 2003, approved by the Mayor on January 5, 2004 and effective on January 5, 2004 ("Ordinance No. 1888"), the City amended Ordinance No. 1870 in order to allow proceeds of the 2003 Bonds to be applied to complete the Northeast Collector Project and to provide that proceeds of the 2003 Bonds would be applied only to costs of the architectural design portion of the public works garage contemplated by Ordinance No. 1870; and

WHEREAS, pursuant to Ordinance No. 2081, passed by the Council on August 10, 2009, approved by the Mayor on August 10, 2009 and effective on August 10, 2009, the City further amended Ordinance No. 1870, as amended by Ordinance No. 1888, to provide that proceeds of the 2003 Bonds would also be applied to fund costs of the projects identified therein as: (i) Mill Street Storm Drain Upgrade Engineering, (ii) South Baptist Street Storm Drain Construction, (iii) Northeast Collector Road Hike and Bike Trail, (iv) Circle Avenue Bridge Repair, and (v) Springfield Circle Storm Drain Repair Construction, in addition to the projects and costs identified in Ordinance No. 1870, as amended by Ordinance No. 1888; and

WHEREAS, as originally issued and delivered, principal of the 2003 Bonds is payable on May 1 in the years 2004 through 2023, inclusive, the 2003 Bonds bear interest at rates per annum ranging from 2.00% to 4.50%, and interest on the 2003 Bonds is payable each May 1 and November 1 until maturity or prior prepayment; and

WHEREAS, each of the 2001 Bonds and the 2003 Bonds was sold to the Community Development Administration, an agency in the Division of Development Finance of the Department of Housing and Community Development, a principal department of the government of the State of Maryland (the "Administration"), in connection with the Local Government Infrastructure Financing Program of the Administration (the "Program") in order to evidence loans from the Administration to the City to finance costs of the projects and costs identified in the applicable authorizing legislation, as amended or modified to date; and

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WHEREAS, the loans made by the Administration to the City with respect to the 2001 Bonds and the 2003 Bonds were each made from the proceeds of certain revenue bonds issued by the Administration to fund such loans to the City and loans to other local government borrowers (in each such case, the "CDA Bonds"); and

WHEREAS, in connection with the 2001 Bonds and the 2003 Bonds, the City entered into both a Repayment Agreement and a Pledge Agreement with CDA (each, as amended or modified to date, a "Repayment Agreement" or a "Pledge Agreement"); and

WHEREAS, the 1994 Bonds maturing on or after February 1, 2005 are subject to redemption at the option of the City prior to maturity (following prior written notice and publication of the redemption date) as a whole at any time or in part on any interest payment date, in any order of maturities selected by the City, at a redemption price expressed as a principal amount of the 1994 Bonds to be redeemed as set forth in the table below, together with interest accrued to the date fixed for redemption:

<u>Redemption Date</u> <u>(Both Dates Inclusive)</u>	<u>Redemption</u> <u>Price</u>
February 1, 2004 through January 31, 2005	102.0%
February 1, 2005 through January 31, 2006	101.0
February 1, 2006 and thereafter	100.0; and

WHEREAS, the 1999 Bond is subject to redemption at the option of the City prior to maturity (following prior written notice) as a whole or in part at any time on or after June 1, 2009, at a redemption price expressed as a principal amount of the 1999 Bond to be redeemed as set forth in the table below, together with interest accrued to the date fixed for redemption:

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<u>Redemption Date</u> <u>(Both Dates Inclusive)</u>	<u>Redemption</u> <u>Price</u>
June 1, 2009 through May 31, 2010	101.0%
June 1, 2010 through May 31, 2011	100.5
June 1, 2011 and thereafter	100.0; and

WHEREAS, the 2001 Bonds are subject to prepayment at the option of the City prior to maturity (following prior written notice and subject to certain other considerations specified in the related Repayment Agreement) in whole or in part, at any time on or after June 1, 2011, in an amount equal to the principal amount of the 2001 Bonds to be prepaid, together with unpaid interest accrued thereon to the date fixed for redemption of the corresponding CDA Bonds to be redeemed from such prepayment, and accompanied by the following prepayment premiums:

(i) if prepayment occurs during the period from June 1, 2011 to and including May 31, 2012, a prepayment premium of one percent (1%) of the principal amount to be redeemed;

(ii) if prepayment occurs during the period from June 1, 2012 to and including May 31, 2013, a prepayment premium of one-half of one percent (0.5%) of the principal amount to be redeemed; and

(iii) if prepayment occurs on and after June 1, 2013, no prepayment premium shall be due and payable; and

WHEREAS, the 2003 Bonds are subject to prepayment at the option of the City prior to maturity (following prior written notice and subject to certain other considerations specified in the related Repayment Agreement) in whole or in part, at any time on or after June 1, 2013, in an amount equal to the principal amount of the 2003 Bonds to be prepaid, together with unpaid interest accrued thereon to the date fixed for redemption of the corresponding CDA Bonds to be redeemed from such prepayment; and

WHEREAS, pursuant to an Ordinance passed by the Council prior to the introduction of this Resolution (the "2011 Ordinance"), the City authorized the issuance and sale from time to time, upon its full faith and credit, of one or more series of bonds in an aggregate principal amount not to exceed Eight Million Dollars (\$8,000,000.00) (the "Authorized Bonds"); and

WHEREAS, the 2011 Ordinance provides that the proceeds of the sale of the Authorized Bonds are to be used and applied for the public purpose of (i) refunding or advance refunding all or a portion of the then-outstanding and unpaid principal amounts of the 1994 Bonds, the 1999 Bond, the 2001 Bonds and/or the 2003 Bonds (collectively, the "Prior Obligations") and, in connection therewith, paying all or a portion of any applicable redemption or prepayment premiums and/or paying all or a portion of interest accrued or to accrue to the dates of maturity, redemption or prepayment of such refunded Prior Obligations, in order to realize an objective authorized by the Refunding Act, (ii) paying or reimbursing all or a portion of related costs of issuance of such

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Authorized Bonds, including, without limitation, legal and financial costs and costs of any credit enhancement, and/or (iii) to the extent determined by the Council pursuant to the Resolution, paying interest on such Authorized Bonds; and

WHEREAS, the 2011 Ordinance further provides that the Authorized Bonds may be issued from time to time in one or more series, any such series may be issued as one or more bonds, and any bond may be issued in installment form; and

WHEREAS, the 2011 Ordinance recites the City's expectation that each series of the Authorized Bonds shall be sold on a negotiated basis without solicitation of bids, due to market conditions, the ability to time the market, and the ability to negotiate terms and to thereby achieve a beneficial interest rate or rates and other beneficial terms, unless the Council determines by resolution that it would be more advantageous to sell any series of the Authorized Bonds by solicitation of competitive bids at public sale after publication or dissemination of the notice of sale; and

WHEREAS, based on the conclusion that current market conditions warranted a sale on a negotiated basis without solicitation of bids of two separate series of bonds, each in the form of a single general obligation installment bond, under the authority of the 2011 Ordinance, due to the ability to time the market, negotiate terms and thereby achieve a beneficial interest rate or rates, Davenport & Company LLC, the financial advisor to the City, with the participation of the Acting Director of Internal Services of the City (the "Acting Director of Internal Services") and bond counsel to the City, provided for the distribution to banking institutions and other institutional investors in the general vicinity of the City and in the Baltimore-Washington, D.C. regional area of a solicitation for indications of interest dated November 2, 2011 for the purchase of such bonds in the maximum aggregate principal amount of up to \$7,600,000.00 in order to determine the potential purchasers likely to offer the most beneficial interest rates and satisfactory terms and, thereby, to obtain for the City, as nearly as possible, the best possible results for the sale of such bonds without conducting a public sale by the solicitation of competitive bids; and

WHEREAS, potential respondents were asked to submit proposals providing for one bond maturing on June 1, 2014 (in order to provide for the current refunding of the outstanding 1994 Bonds and 1999 Bond) and for the other bond maturing on June 1, 2023 (in order to provide for the current refunding of the 2001 Bonds and the advance refunding of the 2003 Bonds); and

WHEREAS, four proposals were received in response to such solicitation for indications of interest and the financial advisor to the City recommends that SunTrust Bank be selected as the purchaser of both bonds because it offered the lowest interest rates per annum (subject to increase as described herein), the most advantageous prepayment terms and other satisfactory terms; and

WHEREAS, the Council has determined that it is in the best interests of the City and its citizens to issue and sell two separate series of bonds, pursuant to the authority of the Enabling Act, the Refunding Act and the 2011 Ordinance, each in the form of a single general obligation installment bond with annual serial installments in accordance with, and pursuant to, the authority contained in the Enabling Act, the Refunding Act, the Charter, and the 2011 Ordinance, and upon

the terms and conditions set forth in this Resolution, the proceeds of which general obligation installment bond are to be used and applied as herein set forth; and

WHEREAS, the maximum \$7,500,000.00 aggregate principal amount of the bonds provided for herein shall not cause the City to exceed the debt limit provided for in Charter Section SC7-48.

SECTION 1. NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SALISBURY, MARYLAND that (a) the Recitals hereto constitute an integral part of this Resolution and are incorporated herein by reference. Capitalized terms used in the Recitals to this Resolution and not otherwise defined herein shall have the meanings given to such terms in the Recitals.

(b) References in this Resolution to any City official or employee by title shall be deemed to include references to a person serving in such capacity on an "acting" basis (e.g., the Acting Director of Internal Services).

SECTION 2. BE IT FURTHER RESOLVED that pursuant to the authority of the Enabling Act, the Refunding Act, the Charter and the 2011 Ordinance, the City hereby determines to borrow money and incur indebtedness for the public purpose of providing the funds needed (i) to (A) currently refund and redeem in whole the outstanding and unpaid principal amount of the 1994 Bonds plus accrued interest to the date fixed for redemption thereof, (B) currently refund and redeem in whole the outstanding and unpaid principal amount of the 1999 Bond plus accrued interest to the date fixed for redemption thereof, (C) currently refund and prepay in whole the outstanding and unpaid principal amount of the 2001 Bonds, plus the applicable prepayment premium and accrued interest to the date fixed for prepayment thereof and (D) advance refund the outstanding principal amount of the 2003 Bonds and thereby pay scheduled principal and interest due on such 2003 Bonds to the first available redemption date of June 1, 2013, and the principal of and accrued interest due on the then-outstanding and unpaid 2003 Bonds on the prepayment date of June 1, 2003, (ii) paying or reimbursing related costs of issuance of the 2011 Bonds identified in Section 3 below, and (iii) to the extent proceeds of the 2011 Bonds remain after application to the purposes described in clauses (i) and (ii), paying interest on the applicable 2011 Bonds (collectively, the "Refunding Project"). Proceeds of the 2011 Bonds are hereby appropriated and allocated to pay costs of the Refunding Project. The Refunding Project will achieve the public purposes of the Refunding Act by resulting in a debt restructuring that achieves debt service savings on an aggregate basis.

SECTION 3. BE IT FURTHER RESOLVED that (a) to evidence the borrowing and indebtedness authorized in Section 2 of this Resolution for the purposes described in clause (i)(A) and (B) (currently refunding and redeeming the outstanding 1994 Bonds and 1999 Bond), together with allocable costs of issuance, the City, acting pursuant to the authority of the Enabling Act, the Refunding Act, the Charter and the 2011 Ordinance, hereby determines to issue and sell, upon its full faith and credit, its general obligation installment bond in the principal amount of Two Million Five Hundred Eighty-nine Thousand Dollars (\$2,589,000.00) or such greater or lesser principal amount as the Mayor shall determine with the assistance of the financial advisor to the City, the City Administrator of the City (the "City Administrator") and the Acting Director of Internal Services of the City (the "Acting Director of Internal Services") in order to accomplish that portion of the



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Refunding Project for which the Series 2011A Bond (as identified below) is issued, as provided in Section 4(a) hereof, and subject to the provisions of subsection (c) of this Section 3. Such bond shall be designated the "City of Salisbury Public Improvements Refunding Bond, Series 2011A" (the "Series 2011A Bond"). In the event the Mayor, with the advice of the financial advisor to the City, the City Administrator and the Acting Director of Internal Services, determines that the Series 2011A Bond should be issued in a principal amount greater or less than Two Million Five Hundred Eighty-nine Thousand Dollars (\$2,589,000.00) in order to accomplish that portion of the Refunding Project for which the Series 2011A Bond is issued, the Mayor, on behalf of the City, is hereby authorized and empowered to approve such greater or lesser principal amount, such approval to be evidenced conclusively by the Mayor's execution and delivery of the Series 2011A Bond in accordance with Sections 6 and 8 hereof, subject to the provisions of subsection (c) of this Section 3.

(b) To evidence the borrowing and indebtedness authorized in Section 2 of this Resolution for the purposes described in clause (i)(C) and (D) (currently refunding and prepaying the outstanding 2001 Bonds and advance refunding and prepaying the outstanding 2003 Bonds), together with allocable costs of issuance, the City, acting pursuant to the authority of the Enabling Act, the Refunding Act, the Charter and the 2011 Ordinance, hereby determines to issue and sell, upon its full faith and credit, its general obligation installment bond in the principal amount of Four Million Eight Hundred Twenty-nine Thousand Dollars (\$4,829,000.00) or such greater or lesser principal amount as the Mayor shall determine with the assistance of the financial advisor to the City, the City Administrator and the Acting Director of Internal Services in order to accomplish that portion of the Refunding Project for which the Series 2011B Bond (as identified below) is issued, as provided in Section 4(d) hereof, and subject to the provisions of subsection (c) of this Section 3. Such bond shall be designated the "City of Salisbury Public Improvements Refunding Bond, Series 2011B" (the "Series 2011B Bond"). In the event the Mayor, with the advice of the financial advisor to the City, the City Administrator and the Acting Director of Internal Services, determines that the Series 2011B Bond should be issued in a principal amount greater or less than Four Million Eight Hundred Twenty-nine Thousand Dollars (\$4,829,000.00) in order to accomplish that portion of the Refunding Project for which the Series 2011B Bond is issued, the Mayor, on behalf of the City, is hereby authorized and empowered to approve such greater or lesser principal amount, such approval to be evidenced conclusively by the Mayor's execution and delivery of the Series 2011B Bond in accordance with Sections 6 and 8 hereof, subject to the provisions of subsection (c) of this Section 3.

(c) Notwithstanding the foregoing provisions of subsections (a) and (b) of this Section 3, in no event shall the principal amounts of the Series 2011A Bond and the Series 2011B Bond, if adjusted as contemplated as authorized by subsections (a) and (b) of this Section 3, exceed Seven Million Five Hundred Thousand Dollars (\$7,500,000.00). The reasons for adjusting the principal amount of the Series 2011A Bond and/or the Series 2011B Bond include the reasons specified in Sections 4(a) and (d) below.

(d) The Series 2011A Bond and the Series 2011B Bond are referred to collectively in this Resolution as the "2011 Bonds" and, individually, as a "2011 Bond".

SECTION 4. BE IT FURTHER RESOLVED that (a) the Series 2011A Bond shall be dated the date of its delivery and shall be issued in the form of a single, fully-registered bond,

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without coupons attached. The Series 2011A Bond shall mature, subject to prior prepayment as provided for in accordance with Section 5 of this Resolution, on June 1, 2014. Subject to the remaining provisions of this subsection (a), principal of the Series 2011A Bond shall be payable in three (3) annual serial installments on June 1 of each year, commencing June 1, 2012 and ending on June 1, 2014, subject to prior prepayment as provided for in accordance with Section 5 of this Resolution, as follows:

<u>Date</u>	<u>Principal Installment</u>	<u>Date</u>	<u>Principal Installment</u>
June 1, 2012	\$ 783,000	June 1, 2014	\$782,000
June 1, 2013	1,024,000		

The foregoing principal amortization schedule was prepared by the financial advisor to the City and assumes that the Series 2011A Bond will be issued and delivered on December 14, 2011 in the principal amount of Two Million Five Hundred Eighty-nine Thousand Dollars (\$2,589,000.00) and that the 1994 Bonds and the 1999 Bonds will be redeemed on January 13, 2012. The Mayor, on behalf of the City, with the advice of the City Administrator, the Acting Director of Internal Services and the financial advisor to the City, is hereby authorized and empowered to approve an increase or decrease in the principal amount of the Series 2011A Bond (subject to Section 3(c) of this Resolution) and changes to the foregoing principal amortization schedule prior to the issuance and delivery of the Series 2011A Bond in order to correct typographical or calculation errors, to reflect a preference expressed by the Council as to whether debt service savings should be maximized in any particular fiscal year or spread among stated fiscal years, to reflect a different date of issuance and delivery of the Series 2011A Bond, to reflect a different date or dates of redemption of the 1994 Bonds and/or 1999 Bond determined in accordance with Section 16 hereof, to meet a requirement of the Purchaser of the Series 2011A Bond identified in Section 9 hereof or to adjust the amortization schedule in order to meet any safe harbor provided by the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder (the "Treasury Regulations"), such revised amortization schedule to be prepared by the financial advisor to the City or the Purchaser of the Series 2011A Bond and reflected in the executed and delivered Series 2011A Bond, and the Mayor's approval thereof to be evidenced conclusively by his execution and delivery of the Series 2011A Bond as provided for in Sections 6 and 8 hereof.

(b) The Series 2011A Bond shall bear interest from its date of delivery at the rate of one and thirty-one hundredths percent (1.31%) per annum; provided that, in the event that the Maximum Federal Corporate Tax Rate (as defined below) is decreased, the interest rate on the Series 2011A Bond shall be adjusted upwards in order to maintain the same after tax yield for the registered owner of the Series 2011A Bond, and provided further, that in no event shall the interest rate on the Series 2011A Bond be so adjusted upward to a rate exceeding one and five-tenths percent (1.50%) per annum, no matter the extent of any change in the Maximum Federal Corporate Tax Rate. A certificate of the registered owner of the Series 2011A Bond claiming an increase in the interest rate under this subsection (b) and setting forth the additional interest to be paid to it hereunder shall be conclusive absent manifest error. The registered owner of the Series 2011A Bond shall notify the Acting Director of Internal Services in writing of any adjustments pursuant to this subsection (b). As used herein, "Maximum Federal Corporate Tax Rate" shall mean the maximum rate of income taxation imposed on corporations pursuant to

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Section 11(b) of the Code, determined without regard to tax rate or tax benefit make-up provisions such as the last two sentences of Section 11(b)(1) of the Code, and as in effect from time to time (or, if as a result of a change in the Code, the rate of income taxation imposed on corporations shall not be applicable to the registered owner of the Series 2011A Bond, the maximum statutory rate of federal income taxation which could apply to the registered owner of the Series 2011A Bond). The Maximum Federal Corporate Tax Rate on the date of introduction of this Resolution is 35%. The Mayor, on behalf of the City, with the advice of the City Administrator, the Acting Director of Internal Services and bond counsel to the City, is hereby authorized and empowered to make changes to the corresponding provisions of this subsection (b) to be set forth in the Series 2011A Bond, as finally executed and delivered, as may be required by the Purchaser of the Series 2011A Bond in order to clarify or confirm the mechanics by which any such increase in the per annum interest rate payable on the Series 2011A Bond may occur or to correct the formula by which any such adjustment may occur, provided that, in no event shall any such adjustment upward of the interest rate payable on the Series 2011A Bond result in an interest rate exceeding one and five-tenths percent (1.50%) per annum, the Mayor's approval of any such changes to be evidenced conclusively by his execution and delivery of the Series 2011A Bond as provided for in Sections 6 and 8 hereof.

(c) Interest on the Series 2011A Bond shall be payable on June 1 and December 1 in each year until maturity or prior prepayment in full, commencing on June 1, 2012; provided that, the last installment of interest shall be paid on the date that principal of the Series 2011A Bond is retired or prepaid in full. The Series 2011A Bond shall bear interest from the most recent date to which interest has been paid or, if no interest has been paid, from the date of its delivery. Interest shall be computed on the basis of a 360-day year comprised of 12 30-day months. For purposes of calculating the interest due on the Series 2011A Bond, unpaid outstanding principal on any date shall be an amount equal to the original principal amount of the Series 2011A Bond, less any principal installment paid in accordance with subsection (a) above, and less any principal prepaid in accordance with Section 5 below.

(d) The Series 2011B Bond shall be dated the date of its delivery and shall be issued in the form of a single, fully-registered bond, without coupons attached. The Series 2011B Bond shall mature, subject to prior prepayment as provided for in accordance with Section 5 of this Resolution, on June 1, 2023. Subject to the remaining provisions of this subsection (d), principal of the Series 2011B Bond shall be payable in twelve (12) annual serial installments on June 1 of each year, commencing June 1, 2012 and ending on June 1, 2023, subject to prior prepayment as provided for in accordance with Section 5 of this Resolution, as follows:

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<u>Date</u>	<u>Principal Installment</u>	<u>Date</u>	<u>Principal Installment</u>
June 1, 2012	\$345,000	June 1, 2018	\$423,000
June 1, 2013	376,000	June 1, 2019	434,000
June 1, 2014	385,000	June 1, 2020	443,000
June 1, 2015	393,000	June 1, 2021	453,000
June 1, 2016	402,000	June 1, 2022	375,000
June 1, 2017	413,000	June 1, 2023	387,000

The foregoing principal amortization schedule was prepared by the financial advisor to the City and assumes that the Series 2011B Bond will be issued and delivered on December 14, 2011 in the principal amount of Four Million Eight Hundred Twenty-nine Thousand Dollars (\$4,829,000.00) and that the 2001 Bonds will be prepaid on January 13, 2012 and the 2003 Bonds will be finally prepaid on June 1, 2013, with scheduled principal and interest payments made on the 2003 Bonds up to June 1, 2013. The Mayor, on behalf of the City, with the advice of the City Administrator, the Acting Director of Internal Services and the financial advisor to the City, is hereby authorized and empowered to approve an increase or decrease in the principal amount of the Series 2011B Bond (subject to Section 3(c) of this Resolution) and changes to the foregoing principal amortization schedule prior to the issuance and delivery of the Series 2011B Bond in order to correct typographical or calculation errors, to reflect a preference expressed by the Council as to whether debt service savings should be maximized in any particular fiscal year or spread among stated fiscal years, to reflect a different date of issuance and delivery of the Series 2011B Bond, to reflect a different date of prepayment of the 2001 Bonds determined in accordance with Section 16 hereof, to meet a requirement of the Purchaser of the Series 2011B Bond identified in Section 9 hereof or to adjust the amortization schedule in order to meet any safe harbor provided by the Code and the Treasury Regulations, such revised amortization schedule to be prepared by the financial advisor to the City or the Purchaser of the Series 2011B Bond and reflected in the executed and delivered Series 2011B Bond, and the Mayor's approval thereof to be evidenced conclusively by his execution and delivery of the Series 2011B Bond as provided for in Sections 6 and 8 hereof.

(e) The Series 2011B Bond shall bear interest from its date of delivery at the rate of two and thirty-nine hundredths percent (2.39%) per annum; provided that, in the event that the Maximum Federal Corporate Tax Rate (as defined below) is decreased, the interest rate on the Series 2011B Bond shall be adjusted upwards in order to maintain the same after tax yield for the registered owner of the Series 2011B Bond, and provided further, that in no event shall the interest rate on the Series 2011B Bond be so adjusted upward to a rate exceeding two and seventy-five hundredths percent (2.75%) per annum, no matter the extent of any change in the Maximum Federal Corporate Tax Rate. A certificate of the registered owner of the Series 2011B Bond claiming an increase in the interest rate under this subsection (e) and setting forth the additional interest to be paid to it hereunder shall be conclusive absent manifest error. The registered owner of the Series 2011BA Bond shall notify the Acting Director of Internal Services in writing of any adjustments pursuant to this subsection (e). As used herein, "Maximum Federal Corporate Tax Rate" shall mean the maximum rate of income taxation imposed on corporations pursuant to Section 11(b) of the Code, determined without regard to tax rate or tax

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benefit make-up provisions such as the last two sentences of Section 11(b)(1) of the Code, and as in effect from time to time (or, if as a result of a change in the Code, the rate of income taxation imposed on corporations shall not be applicable to the registered owner of the Series 2011B Bond, the maximum statutory rate of federal income taxation which could apply to the registered owner of the Series 2011B Bond). The Maximum Federal Corporate Tax Rate on the date of introduction of this Resolution is 35%. The Mayor, on behalf of the City, with the advice of the City Administrator, the Acting Director of Internal Services and bond counsel to the City, is hereby authorized and empowered to make changes to the corresponding provisions of this subsection (e) to be set forth in the Series 2011B Bond, as finally executed and delivered, as may be required by the Purchaser of the Series 2011B Bond in order to clarify or confirm the mechanics by which any such increase in the per annum interest rate payable on the Series 2011B Bond may occur or to correct the formula by which any such adjustment may occur, provided that, in no event shall any such adjustment upward of the interest rate payable on the Series 2011B Bond result in an interest rate exceeding two and seventy-five hundredths percent (2.75%) per annum, the Mayor's approval of any such changes to be evidenced conclusively by his execution and delivery of the Series 2011B Bond as provided for in Sections 6 and 8 hereof.

(f) Interest on the Series 2011B Bond shall be payable on June 1 and December 1 in each year until maturity or prior prepayment in full, commencing on June 1, 2012; provided that, the last installment of interest shall be paid on the date that principal of the Series 2011B Bond is retired or prepaid in full. The Series 2011B Bond shall bear interest from the most recent date to which interest has been paid or, if no interest has been paid, from the date of its delivery. Interest shall be computed on the basis of a 360-day year comprised of 12 30-day months. For purposes of calculating the interest due on the Series 2011B Bond, unpaid outstanding principal on any date shall be an amount equal to the original principal amount of the Series 2011B Bond, less any principal installment paid in accordance with subsection (d) above, and less any principal prepaid in accordance with Section 5 below.

(g) The registered owner of each 2011 Bond shall provide written notice to the Acting Director of Internal Services of the interest and, if applicable, principal due on such 2011 Bond on each interest payment date at least ten (10) days prior to such interest payment date, or such fewer number of days as is acceptable to the Acting Director of Internal Services, but failure to deliver such notice shall not affect the amount of, or the City's obligation to pay, principal or interest due on such 2011 Bond. The date and amount of each principal installment payment made by the City on a 2011 Bond shall be noted by the registered owner of such 2011 Bond on its books and records, which notation when made will be presumed correct absent manifest error. The registered owner's failure to make appropriate notation of any such principal installment payment shall not limit or otherwise affect the City's obligations hereunder.

(h) If a principal payment date or interest payment date falls on a Saturday, Sunday or a day on which the City, banks in the State of Maryland and/or banks in the state in which the registered owner of the Bond is located are not required to be open, payment may be made on the next succeeding day that is not a Saturday, Sunday or a day on which the City, banks in the State of Maryland and/or banks in the state in which the registered owner of the Bond is located are not required to be open, and no interest shall accrue on the scheduled amount owed for the intervening period.

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(i) Principal of and interest on the 2011 Bonds shall be payable in lawful money of the United States of America. The principal of each 2011 Bond, at maturity or upon prior prepayment in full, shall be payable by check or draft at the office of the Acting Director of Internal Services in Salisbury, Maryland, unless the Acting Director of Internal Services and the registered owner of such 2011 Bond agree on a different place or manner of payment. Principal of each 2011 Bond, prior to maturity or prior prepayment in full, and interest on such 2011 Bond will be payable by check or draft mailed to the registered owner thereof at the address designated by the registered owner in writing to the Acting Director of Internal Services unless the Acting Director of Internal Services and the registered owner agree on a different manner of payment. The Acting Director of Internal Services, on behalf of the City, is hereby authorized and empowered to make the agreements provided for in this Section 4(i).

SECTION 5. BE IT FURTHER RESOLVED that the 2011 Bonds shall each be subject to prepayment prior to maturity at the option of the City in whole or in part at any time, at a prepayment price of the par amount of the applicable 2011 Bond outstanding to be prepaid, plus accrued interest to the date fixed for prepayment, without premium or penalty. Notice of optional prepayment shall be given by the City at least fifteen (15) days prior to the date fixed for prepayment (or such fewer number of days as is acceptable to the registered owner of the applicable 2011 Bond being prepaid) by mailing or otherwise giving to such registered owner a notice fixing the prepayment date, indicating the principal amount of such 2011 Bond to be prepaid and, if such 2011 Bond is to be prepaid in part, the future installments against which such partial prepayment shall be applied. Any such notice may be conditioned upon receipt of funds sufficient to effect such prepayment.

SECTION 6. BE IT FURTHER RESOLVED that each 2011 Bond shall be executed in the name of the City and on its behalf by the Mayor. The corporate seal of the City shall be affixed to each 2011 Bond and attested by the signature of the City Clerk of the City (the "City Clerk"). In the event any official of the City whose signature appears on a 2011 Bond shall cease to be such official prior to the delivery of such 2011 Bond, or, in the event any such official whose signature appears on a 2011 Bond shall have become such after the date of issue thereof, such 2011 Bond shall nevertheless be a valid and binding obligation of the City in accordance with its terms.

SECTION 7. BE IT FURTHER RESOLVED that each 2011 Bond shall be transferable only upon the books kept for that purpose by the Acting Director of Internal Services at Salisbury, Maryland, by the registered owner thereof in person or by the registered owner's attorney duly authorized in writing, upon surrender thereof, together with (i) a written instrument of transfer in a form satisfactory to the Acting Director of Internal Services and duly executed by the registered owner or the registered owner's duly authorized attorney and (ii) a written covenant and agreement substantially in substance as described in Section 9(b) hereof duly executed by the transferee. Upon such transfer there shall be issued in the name of the transferee a new registered 2011 Bond of the same series in principal amount equal to the unpaid principal amount of the 2011 Bond surrendered, and with the same maturity date and installment payment dates and amounts (or then-remaining installment payment dates and amounts, as applicable) and bearing interest at the same rate.

SECTION 8. BE IT FURTHER RESOLVED that except as provided hereinafter or in a resolution or resolutions of the Council adopted prior to the issuance of the 2011 Bonds, the 2011 Bonds shall each be issued substantially in the form attached hereto as Exhibit A and incorporated by reference herein. Appropriate variations and insertions may be made by the Mayor to such form to provide dates, numbers, amounts and other terms specific to a series of the 2011 Bonds (including, without limitation, to reflect matters determined in accordance with Sections 3, 4 and 16 hereof), and modifications not altering the substance of the applicable 2011 Bond to carry into effect the purposes of this Resolution or to comply with recommendations of legal counsel. All of the covenants contained in the form of each 2011 Bond as finally executed and delivered by the Mayor in accordance with the provisions of Section 6 hereof and this Section 8 are hereby adopted by the City as and for the form of obligation to be incurred by the City, and the covenants and conditions contained therein are hereby made binding upon the City, including the promise to pay therein contained. The execution and delivery of the 2011 Bonds by the Mayor in accordance with this Resolution shall be conclusive evidence of the approval by the Mayor of the respective forms of the 2011 Bonds and any variations, insertions, omissions, notations, legends or endorsements authorized by this Resolution.

SECTION 9. BE IT FURTHER RESOLVED that (a) the City hereby ratifies, confirms, approves and adopts as actions of the City all actions taken by the financial advisor to the City, the Acting Director of Internal Services and bond counsel to the City, on behalf of the City, to identify the banking institution or institutional investor which offered the most beneficial interest rates for the 2011 Bonds and satisfactory prepayment and other terms, including, without limitation, the preparation, execution, delivery and circulation of the request for indications of interest dated November 2, 2011 and further communications with respondents to the solicitation in order to clarify terms of their proposals. The City hereby determines that it shall be in the best interests of the City to sell the 2011 Bonds on a negotiated basis without solicitation of bids to SunTrust Bank (by whatever legal name known), which submitted the most advantageous proposal to the City for the purchase of the 2011 Bonds pursuant to such solicitation, which sale on a negotiated basis is hereby deemed by the City to be in its best interest and in the interest of its citizens due, in part, to the benefit of attractive interest rates and satisfactory other terms. Therefore, and pursuant to the authority of the Enabling Act, the Refunding Act, the Charter and the 2011 Ordinance, each of the 2011 Bonds shall be sold on a negotiated basis without solicitation of bids to SunTrust Bank (by whatever legal name known, the "Purchaser"), for a price of par, with no payment of accrued interest.

(b) Each 2011 Bond shall be sold for investment purposes only and not for resale to the general public. Accordingly, as a condition to delivery of each 2011 Bond and prior to the issuance of such 2011 Bond, the Purchaser shall furnish to the City a certificate acceptable to bond counsel to the City generally to the effect that (i) the Purchaser has such knowledge and experience in financial and business matters, including purchase and ownership of municipal tax-exempt obligations, that it is capable of evaluating the risks and merits of the investment represented by the purchase of such 2011 Bond; (ii) the Purchaser has made its own independent and satisfactory inquiry of the financial condition of the City, including inquiry into financial statements and other information relating to the financial condition of the City to which a reasonable investor would attach significance in making investment decisions, and of any other matters deemed to be relevant to a reasonably informed decision to purchase such 2011 Bond; (iii) the Purchaser has had the opportunity to ask questions and receive answers from

knowledgeable individuals concerning the City and such 2011 Bond, all so that as a reasonable investor the Purchaser has been able to make a reasonably informed decision to purchase such 2011 Bond; (iv) the Purchaser is purchasing such 2011 Bond for investment purposes only (and not as an "underwriter" or "Participating Underwriter" as defined in Securities and Exchange Commission Rule 15c2-12, as replaced, supplemented or amended) and is not purchasing for more than one account or with a view to distributing such 2011 Bond; (v) if such 2011 Bond is subsequently sold, transferred or disposed of, such sale, transfer or disposition will be made only in compliance with federal and state securities laws and any other applicable laws; and (vi) the Purchaser understands and acknowledges that (A) such 2011 Bond (1) is not being registered under the Securities Act of 1933, as amended, and is not being registered or otherwise qualified for sale under the "blue sky" laws and regulations of any state, (2) will not be listed on any stock or other securities exchange, (3) will carry no rating from any rating service, and (4) will not be readily marketable, and (B) no disclosure document is being prepared in connection with the issuance and sale of such 2011 Bond.

SECTION 10. BE IT FURTHER RESOLVED that the 2011 Bonds shall be suitably prepared in definitive form, executed and delivered to the Purchaser on such date or dates as shall be mutually acceptable to the City Administrator, the Purchaser and bond counsel to the City, contemporaneously with the receipt of the purchase price for each 2011 Bond; provided that, the 2011 Bonds shall not be delivered on a date later than December 16, 2011 without the prior written consent of the Purchaser, which consent shall be granted or withheld in the sole discretion of the Purchaser. The Mayor and/or the City Administrator, on behalf of the City, are hereby authorized and empowered to negotiate, execute and deliver any commitment letter or proposal required by the Purchaser, and the Mayor, the City Administrator, the Acting Director of Internal Services, the City Clerk and all other appropriate officials and employees of the City are expressly authorized, empowered and directed to take any and all action necessary to complete and close the issuance, sale and delivery of the 2011 Bonds to the Purchaser, including the payment to the Purchaser of the closing fees specified in the Purchaser's proposal, and to negotiate, execute and deliver all documents, certificates and instruments necessary or appropriate in connection therewith, including reflecting any provisions specified by the Purchaser in its proposal.

SECTION 11. BE IT FURTHER RESOLVED that (a) the Acting Director of Internal Services or, in her absence, one of the Assistant Directors of Internal Services, is hereby designated and authorized to receive payment on behalf of the City of the proceeds of the sale of the 2011 Bonds contemporaneously with the delivery of the 2011 Bonds. Any portion of the purchase price for either 2011 Bond may be disbursed by the Purchaser directly to third parties, including, without limitation, the Administration or Manufacturers and Traders Trust Company, the trustee for the CDA Bonds, or any person entitled to the payment of costs of issuance pertaining to the 2011 Bonds, at the direction of the appropriate City official or officials, and any such disbursement to third parties at the direction of the appropriate City official or officials shall be deemed to constitute receipt of the proceeds of the applicable 2011 Bond for purposes of this Section 11. Any proceeds of the 2011 Bonds physically received by the City shall be deposited in the proper account or accounts of the City, may be invested within the limits prescribed by Maryland and federal law, and shall be used and applied exclusively to pay or reimburse the costs of the Refunding Project as described herein. If the proceeds received from the sale of the 2011 Bonds exceed the amount needed for the public purposes hereinabove described, the amount of such unexpended excess shall



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be set apart in a separate fund or funds and applied to pay subsequent interest installments on the 2011 Bonds, as applicable. Investment earnings on proceeds of the 2011 Bonds, if any, held by the City may be applied to pay subsequent debt service payments on the 2011 Bonds, as applicable, or shall be transferred to the General Fund and applied to general City purposes, as determined by the Acting Director of Internal Services, unless a supplemental ordinance or resolution, as applicable, is passed by the Council to provide for the expenditure of such earnings for some other valid purpose authorized by the Enabling Act, the Refunding Act and/or the Charter, as applicable. Nothing in this Resolution shall be construed to authorize the expenditure of any moneys except for a proper public purpose.

(b) The Acting Director of Internal Services, with the advice of the financial advisor to the City and bond counsel to the City, is hereby authorized and empowered to negotiate an escrow deposit agreement or agreements with Manufacturers and Traders Trust Company, as escrow deposit agent, and any other applicable parties thereto, including (without limitation) the Administration, with respect to the application of a portion of the proceeds of the Series 2011B Bond to the advance refunding of the 2003 Bonds and, to the extent deemed necessary or appropriate by such City official and advisors and/or to the extent required by the Administration, the current refunding of the 2001 Bonds, and proceeds of the Series 2011B Bond required to be deposited with such escrow deposit agent shall be invested in accordance with the provisions of this Section 11 and the further provisions of this Resolution, and applied to the payment and prepayment of the 2003 Bonds and, to the extent applicable, the prepayment of the 2001 Bonds, in accordance with Section 16 hereof. The Mayor, on behalf of the City, is hereby authorized and directed to execute and deliver any such escrow deposit agreement negotiated on behalf of the City.

(c) The Arbitrage Group, Inc. is hereby selected to provide escrow verification services in connection with the escrow deposit agreement referred to in subsection (b) above. In the event The Arbitrage Group, Inc. is unable to provide such services, for whatever reason, the Acting Director of Internal Services is hereby authorized and empowered to replace as she may deem necessary, in any manner she deems appropriate, the provider of escrow verification services.

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(d) In connection with the issuance of the 2011 Bonds, the Acting Director of Internal Services, or her designee, is hereby authorized and empowered to provide for the bidding for and/or file on behalf of the City, as applicable, any necessary investment agreements or any necessary subscriptions and any amendments thereto to purchase United States Treasury Obligations – State and Local Government Series, and/or any direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America in such amounts and maturing at such times so that sufficient moneys will be available from such maturing principal and interest and any cash held uninvested to provide for the advance refunding of the 2003 Bonds and, to the extent applicable, the current refunding of the 2001 Bonds, as described in this Resolution, and to take any other action or to execute any further instrument on behalf of the City necessary to purchase such obligations. Any such obligations, and any cash to be held uninvested in escrow, may be deposited with the escrow deposit agent provided for in this Section 11.

(e) In connection with the refunding of the 2001 Bonds and/or the 2003 Bonds, the Acting Director of Internal Services, with the advice of the City Administrator and bond counsel to the City, is hereby authorized and empowered to negotiate and provide for the preparation of any amendments, modifications or supplements to the agreements, documents, certificates and instruments executed and delivered by the City in connection with the issuance of the 2001 Bonds and/or the 2003 Bonds, including (without limitation) the applicable Repayment Agreement and/or Pledge Agreement, and any other agreements, documents, certificates or instruments deemed necessary or advisable by the Administration or bond counsel to the Administration. The Mayor and/or any other appropriate City official or officials as determined by bond counsel to the City, on behalf of the City, is hereby authorized and directed to execute and deliver any such agreements, documents, certificates or instruments on behalf of the City.

SECTION 12. BE IT FURTHER RESOLVED that, (a) the City shall levy or cause to be levied in all fiscal years in which the 2011 Bonds are outstanding, upon all real and tangible personal property within its corporate limits subject to assessment for unlimited municipal taxation, ad valorem taxes in rate and amount sufficient to provide for the prompt payment of the principal of and interest on the 2011 Bonds due in each such fiscal year. If the proceeds from the taxes so levied in any such fiscal year are inadequate for such payment, additional taxes shall be levied in the succeeding fiscal year to make up such deficiency.

(b) The full faith and credit and unlimited taxing power of the City are hereby irrevocably pledged to the prompt payment of the principal of and interest on the 2011 Bonds as and when they become due and payable and to the levy and collection of the taxes hereinabove described as and when such taxes may become necessary in order to provide sufficient funds to meet the debt service requirements of the 2011 Bonds. The City hereby covenants and agrees with the registered owners, from time to time, of the 2011 Bonds to levy and collect the taxes hereinabove described and to take any further action that lawfully may be appropriate from time to time during the period that the 2011 Bonds remain outstanding and unpaid to provide the funds necessary to pay promptly the principal thereof and the interest due thereon.

(c) Subject to the provisions of Sections 13 and 14 hereof, the foregoing provisions of this Section 12 shall not be construed so as to prohibit the City from paying the principal of and

interest on any portion of the 2011 Bonds from the proceeds of the sale of any other obligations of the City or from any other funds legally available for that purpose, including (without limitation) to the extent applicable, any sources of revenues from which the City has historically been paying an allocable portion of the debt service payable on the 1994 Bonds, the 1999 Bond, the 2001 Bonds and/or the 2003 Bonds. Subject to the provisions of Sections 13 and 14 hereof, the City may apply to the payment of the principal of or interest on the 2011 Bonds any funds received by it from the State of Maryland or the United States of America, or any governmental agency or instrumentality, or from any other source, if the funds are granted, paid or are otherwise available to the City for the purpose of assisting the City in accomplishing the type of project which the applicable 2011 Bond is issued to refinance, finance or reimburse, and to the extent of any such funds received or receivable in any fiscal year, the taxes hereby required to be levied may be reduced proportionately.

SECTION 13. BE IT FURTHER RESOLVED that (a) any two of the Mayor, the City Administrator and the Acting Director of Internal Services are the officials of the City responsible for the issuance of the 2011 Bonds within the meaning of Section 1.148-2(b)(2) of the Treasury Regulations. Any two of the Mayor, the City Administrator and the Acting Director of Internal Services also shall be the officials of the City responsible for the execution and delivery (on the date of the issuance of the 2011 Bonds) of a certificate of the City (the "Section 148 Certificate") that complies with the requirements of Section 148 of the Code and the applicable Treasury Regulations, and such officials are hereby authorized and directed to execute and deliver the Section 148 Certificate to counsel rendering an opinion on the validity and tax-exempt status of the 2011 Bonds on the date of the issuance of the 2011 Bonds.

(b) The City shall set forth in the Section 148 Certificate its reasonable expectations as to relevant facts, estimates and circumstances relating to the use of the proceeds of the 2011 Bonds or of any monies, securities or other obligations to the credit of any account of the City which may be deemed to be proceeds of the 2011 Bonds pursuant to Section 148 or the Treasury Regulations (collectively, the "2011 Bond Proceeds"). The City covenants with the registered owners of the 2011 Bonds that the facts, estimates and circumstances set forth in the Section 148 Certificate will be based on the City's reasonable expectations on the date of issuance of the 2011 Bonds and will be, to the best of the certifying officials' knowledge, true and correct as of that date.

(c) The City covenants with the registered owners of the 2011 Bonds that it will not make, or (to the extent that it exercises control or direction) permit to be made, any use of the 2011 Bond Proceeds that would cause the 2011 Bonds to be "arbitrage bonds" within the meaning of Section 148 and the Treasury Regulations, and that it will comply with those provisions of Section 148 and the Treasury Regulations as may be applicable to the 2011 Bonds on their date of issuance and which may subsequently lawfully be made applicable to the 2011 Bonds as long as the 2011 Bonds remain outstanding and unpaid.

(d) In connection with their execution and delivery of the Section 148 Certificate, the authorized officials identified in this Section 13 are hereby authorized and empowered, on behalf of the City, to make any designations, elections, determinations or filings on behalf of the City provided for in or permitted by the Code and the Treasury Regulations and to reflect the same in the Section 148 Certificate and/or the IRS Form 8038-G filed in connection with the issuance of the 2011 Bonds or any other documentation deemed appropriate by bond counsel to the City.

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(e) In the event of an increase in the per annum interest rate payable on either 2011 Bond in accordance with the provisions of Section 4 of this Resolution, the City Administrator and the Acting Director of Internal Services shall promptly consult with nationally-recognized bond counsel to determine if such increase shall result in a reissuance of such 2011 Bond for purposes of the Code and the Treasury Regulations under then applicable law. In the event such increase is so determined to result in a reissuance of such 2011 Bond for purposes of the Code and the Treasury Regulations, in order that the tax-exempt status of interest payable on such 2011 Bond shall continue to remain excludable from gross income of the registered owner thereof for federal income tax purposes, (i) any one or more of the City officials identified in subsection (a) of this Section 13, on behalf of the City, is hereby authorized, empowered and directed to (A) negotiate, approve, execute and deliver any documents, agreements or instruments deemed necessary or desirable in connection therewith, and (B) make any determinations, designations, elections or filings provided for in the Code and the Treasury Regulations in connection therewith (including, by way of illustration and not in limitation, designating the reissued 2011 Bond as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code for the calendar year in question), and (ii) any one or more of the City officials identified in subsection (a) of this Section 13, on behalf of the City, are hereby authorized, empowered and directed, to negotiate and approve any supplement to the Section 148 Certificate executed and delivered in connection with the original issuance and delivery of such 2011 Bond or any new Section 148 Certificate determined to be necessary or desirable in connection with such reissuance. The powers delegated to the identified City officials in this subsection (e) in connection with a reissuance of either 2011 Bond upon an increase in the per annum interest rate payable on such 2011 Bond shall be broadly construed in order to ensure compliance with the provisions of the Code and the Treasury Regulations; provided that, such delegation shall not prevent the Council, at its option, by resolution, from making or otherwise providing for any necessary or desirable determinations or actions in connection with any such reissuance of such 2011 Bond.

SECTION 14. BE IT FURTHER RESOLVED that the City specifically covenants that it will comply with the provisions of the Code applicable to the 2011 Bonds, including, without limitation, compliance with provisions regarding the timing of the expenditure of the proceeds of the 2011 Bonds, the use of such proceeds and the facilities refinanced with such proceeds, the restriction of investment yields, the filing of information with the Internal Revenue Service, and the rebate of certain earnings resulting from the investment of the proceeds of the 2011 Bonds or payments in lieu thereof. The City further covenants that it shall make such use of the proceeds of the 2011 Bonds, regulate the investment of the proceeds thereof and take such other and further actions as may be required to maintain the exemption from federal income taxation of interest on the 2011 Bonds. All officials, officers, employees and agents of the City are hereby authorized and directed to provide such certifications of facts and estimates regarding the amount and use of the proceeds of the 2011 Bonds as may be necessary or appropriate.

SECTION 15. BE IT FURTHER RESOLVED that the City hereby designates the 2011 Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code (relating to the exception from the disallowance of the deduction for that portion of a financial institution's interest expense which is allocable to tax-exempt interest), and, in connection

therewith, represents and certifies that (i) the 2011 Bonds are not "private activity bonds" within the meaning of Section 141 of the Code, (ii) the reasonably anticipated amount of tax-exempt obligations (excluding private activity bonds other than qualified 501(c)(3) bonds) which will be issued by the City (and all on-behalf-of issuers and subordinate entities of the City) during calendar year 2011 does not exceed Ten Million Dollars (\$10,000,000.00), and (iii) not more than Ten Million Dollars (\$10,000,000.00) of obligations issued by the City (and all on-behalf-of issuers and subordinate entities of the City) during calendar year 2011, including the 2011 Bonds, have been or are reasonably expected to be designated qualified tax-exempt obligations by the City.

SECTION 16. BE IT FURTHER RESOLVED that contingent upon the issuance and delivery of the 2011 Bonds, the City hereby elects (i) to redeem or prepay, as applicable, the outstanding 1994 Bonds, 1999 Bond and 2001 Bonds in whole on January 13, 2012 or on such earlier or later date or dates as shall be determined in accordance with the provisions of this Section 16 and (ii) to prepay the then-outstanding 2003 Bonds in whole on June 1, 2013 (the first available prepayment date for such 2003 Bonds under the terms of such 2003 Bonds). On the determined date or dates of redemption or prepayment, the City shall prepay the then-outstanding principal amounts of the applicable 1994 Bonds, 1999 Bond, 2001 Bonds and 2003 Bonds in whole, at the applicable redemption or prepayment price provided for in such bonds, plus accrued interest to the date of redemption or prepayment. The Mayor, on behalf of the City, with the advice of the Acting Director of Internal Services, the financial advisor to the City and bond counsel to the City, is hereby authorized and empowered to select another date or dates for redemption or prepayment of the 1994 Bonds, the 1999 Bond and/or the 2001 Bonds in whole, as applicable, based on when notice of redemption or prepayment of such bonds may be given and, with respect to the 2001 Bonds, based on any date of prepayment advised by the Administration to comply with the provisions of the Repayment Agreement and other documents pertaining to the 2001 Bonds, provided that such different prepayment date or dates results in a current refunding of the 1994 Bonds, the 1999 Bond and/or the 2001 Bonds in whole for federal income tax purposes, and the giving of any notice of redemption or prepayment of the 1994 Bonds, the 1999 Bond and/or the 2001 Bonds or the redemption or prepayment in whole of the 1994 Bonds, the 1999 Bond and/or the 2001 Bonds shall constitute conclusive evidence of the selection by the Mayor of the alternative date or dates for redemption or prepayment of such bonds. Each of the Mayor, the City Administrator and the Acting Director of Internal Services, or such officials acting in concert, is hereby authorized and empowered, on behalf of the City, to take any and all action necessary to effect the redemption or prepayment in whole of the 1994 Bonds, the 1999 Bond, the 2001 Bonds and the 2003 Bonds as contemplated by this Resolution including, without limitation, giving or causing to be given redemption or prepayment notices in the name of the City and making arrangements for the redemption or prepayment of such refunded bonds with the registered owners thereof or any paying agents for such refunded bonds. Any such redemption or prepayment notice may be given conditioned upon issuance and delivery of the applicable 2011 Bond. The provisions of this Section 16 shall be broadly construed in order to achieve the City's goals of achieving debt service savings and taking advantage of any safe harbors provided for in the Code and the Treasury Regulations in connection with such contemplated refundings.

SECTION 17. BE IT FURTHER RESOLVED that the Mayor, the City Administrator and the Acting Director of Internal Services, on behalf of the City, working with bond counsel to the City, are hereby authorized and directed in connection with the issuance of the 2011 Bonds to

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provide for the preparation and approval of comprehensive written post-issuance tax compliance procedures to be followed with respect to the 2011 Bonds and other outstanding tax-exempt obligations of the City and tax-exempt obligations of the City to be issued in the future, excluding conduit issues. The Mayor, the City Administrator and the Acting Director of Internal Services's approval of such written procedures shall be evidenced conclusively by their signature thereon. The Mayor, the City Administrator and the Acting Director of Internal Services, on behalf of the City, working with bond counsel to the City, are hereby further authorized and empowered to approve the amendment, modification or replacement of the then-existing post-issuance tax compliance procedures from time to time, such approval to be evidenced conclusively by such officials' signatures thereon. Any such post-issuance tax compliance procedures shall be maintained in the records of the City but need not be filed in any court records.

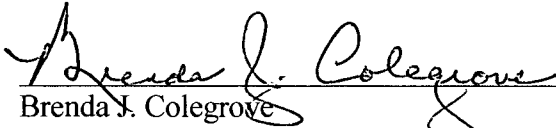
SECTION 18. BE IT FURTHER RESOLVED that this Resolution shall become effective on the later of the following to occur: (i) upon adoption by the Council and approval by the Mayor or (ii) upon the effective date of the 2011 Ordinance. Pursuant to Charter Section SC7-46A, this Resolution may not be petitioned to referendum.

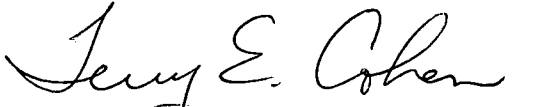
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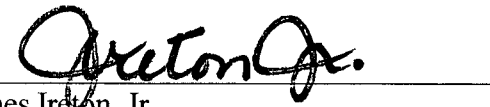
THIS RESOLUTION was introduced, read and adopted at a meeting of the Council of the City of Salisbury held on the 28<sup>th</sup> day of November, 2011.

ATTEST:

  
Brenda J. Colegrove  
CITY CLERK

  
Terry E. Cohen  
PRESIDENT, City Council

Approved by me this 30<sup>th</sup> day of  
November, 2011.

  
James Irton, Jr.  
MAYOR, City of Salisbury

#142693;58111.025

EXHIBIT A

(Form of 2011 Bonds)

CITY OF SALISBURY HAS DESIGNATED THIS BOND A QUALIFIED TAX-EXEMPT OBLIGATION WITHIN THE MEANING OF SECTION 265(b)(3) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED.

No. R-\_\_\_ UNITED STATES OF AMERICA  
STATE OF MARYLAND \$ \_\_\_\_\_  
CITY OF SALISBURY

PUBLIC IMPROVEMENTS REFUNDING BOND, SERIES 2011[A][B]

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Date</u>
June 1, 20__	[1.31][2.39]% (subject to adjustment as described herein)	December __, 2011

Registered Owner:

Principal Sum: DOLLARS

IT CANNOT BE DETERMINED FROM THE FACE OF THIS BOND WHETHER ALL OR ANY PORTION OF THE PRINCIPAL AMOUNT HAS BEEN PAID OR PREPAID. EACH PAYMENT OR PREPAYMENT OF A PRINCIPAL INSTALLMENT SHALL BE NOTED BY THE REGISTERED OWNER OF THIS BOND ON ITS BOOKS AND RECORDS, WHICH NOTATION WHEN MADE WILL BE PRESUMED CORRECT ABSENT MANIFEST ERROR. THE REGISTERED OWNER'S FAILURE TO MAKE APPROPRIATE NOTATION OF ANY SUCH PAYMENT OR PREPAYMENT SHALL NOT LIMIT OR OTHERWISE AFFECT THE OBLIGATIONS OF THE CITY HEREUNDER AND SHALL NOT AFFECT THE VALID PAYMENT AND DISCHARGE OF SUCH OBLIGATION EFFECTED BY SUCH PAYMENT OR PREPAYMENT.

City of Salisbury, a municipal corporation organized and existing under the Constitution and laws of the State of Maryland (the "City"), hereby acknowledges itself indebted for value received



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and promises to pay to the registered owner shown above, or registered assignee or legal representative, the Principal Sum shown above, payable in [three][twelve] ([3][12]) annual serial installments on June 1, commencing June 1, 2012, plus interest on the unpaid balance as set forth herein, subject to prior prepayment in whole or in part as hereinafter provided, as follows:

<u>Date</u>	<u>Principal Installment</u>	<u>Date</u>	<u>Principal Installment</u>
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This bond shall bear interest on the unpaid outstanding principal balance from the date of its delivery at an annual rate which is equal to [one and thirty-one hundredths][two and thirty-nine hundredths] percent ([1.31][2.39]%) per annum; provided that, in the event that the Maximum Federal Corporate Tax Rate (as defined below) is decreased, the interest rate on this bond shall be adjusted upwards in order to maintain the same after tax yield for the registered owner of this bond, and provided further, that in no event shall the interest rate on this bond be so adjusted upward to a rate exceeding [one and five-tenths][two and seventy-five hundredths] percent ([1.50][2.75]%) per annum, no matter the extent of any change in the Maximum Federal Corporate Tax Rate. A certificate of the registered owner of this bond claiming an increase in the interest rate under this paragraph and setting forth the additional interest to be paid to it hereunder shall be conclusive absent manifest error. The registered owner of this bond shall notify the Acting Director of Internal Services of the City (the "Acting Director of Internal Services") in writing of any adjustments pursuant to this paragraph. As used herein, "Maximum Federal Corporate Tax Rate" shall mean the maximum rate of income taxation imposed on corporations pursuant to Section 11(b) of the Internal Revenue Code of 1986, as replaced, supplemented or amended, determined without regard to tax rate or tax benefit make-up provisions such as the last two sentences of Section 11(b)(1) of the Internal Revenue Code of 1986, as amended, and as in effect from time to time (or, if as a result of a change in the Internal Revenue Code of 1986, as amended, the rate of income taxation imposed on corporations shall not be applicable to the registered owner of this bond, the maximum statutory rate of federal income taxation which could apply to the registered owner of this bond). The Maximum Federal Corporate Tax Rate on the date of issuance of this bond is 35%.

Interest on this bond shall be payable on June 1 and December 1 in each year until maturity or prior prepayment in full, commencing on June 1, 2012. This bond shall bear interest from the most recent date to which interest has been paid or, if no interest has been paid, from the date of its delivery.

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Interest shall be computed on the basis of a 360-day year comprised of 12 30-day months. For purposes of calculating the interest due on this bond, unpaid outstanding principal on any date shall be an amount equal to the original principal amount of this bond, less any principal installment paid as described above, and less any principal prepaid as described below. The registered owner of this bond shall provide written notice to the Acting Director of Internal Services of the interest and any principal due on this bond on each interest payment date at least ten (10) days prior to such interest payment date, or such fewer number of days as is acceptable to the Acting Director of Internal Services, but failure to provide such notice shall not affect the amount of, or the City's obligation to pay, principal or interest due on this bond.

Principal of and interest on this bond shall be payable in lawful money of the United States of America. The principal of this bond, at maturity or upon prior prepayment in full, shall be payable by check or draft at the office of the Acting Director of Internal Services in Salisbury, Maryland, unless the Acting Director of Internal Services and the registered owner agree on a different place or manner of payment. Principal of this bond, prior to maturity or prior prepayment in full, and interest on this bond will be payable by check or draft mailed to the registered owner at the address designated by the registered owner in writing to the Acting Director of Internal Services, unless the Acting Director of Internal Services and the registered owner hereof agree on a different manner of payment. If a principal payment date or interest payment date falls on a Saturday, Sunday or a day on which the City, banks in the State of Maryland and/or banks in the state in which the registered owner of this bond is located are not required to be open, payment may be made on the next succeeding day that is not a Saturday, Sunday or a day on which the City, banks in the State of Maryland and/or banks in the state in which the registered owner of this bond is located are not required to be open, and no interest shall accrue on the scheduled amount owed for the intervening period.

This bond is the duly authorized bond of the City, aggregating \$ \_\_\_\_\_ .00 in principal amount, dated the date of its delivery and designated "City of Salisbury Public Improvements Refunding Bond, Series 2011[A][B]". This bond is issued pursuant to and in full conformity with the provisions of Sections 31 to 37, inclusive, of Article 23A of the Annotated Code of Maryland, as replaced, supplemented or amended, Section 24 of Article 31 of the Annotated Code of Maryland, as replaced, supplemented or amended, and Sections SC7-45 and SC7-46 of the Charter of the City of Salisbury, as published in Municipal Charters of Maryland, Volume 7, 2008 Replacement Edition, as replaced, supplemented or amended, and by virtue of due proceedings had and taken by the Council of the City (the "Council"), particularly Ordinance No. \_\_\_\_\_, which was passed by the Council on \_\_\_\_\_, 2011, approved by the Mayor of the City (the "Mayor") on \_\_\_\_\_, 2011 and became effective on \_\_\_\_\_, 2011 (the "Ordinance"), and Resolution No. \_\_\_\_\_, which was adopted by the Council on \_\_\_\_\_, 2011, approved by the Mayor on \_\_\_\_\_, 2011 and became effective on \_\_\_\_\_, 2011 (the "Resolution").

This bond is transferable only upon the books kept for that purpose at the office of the Acting Director of Internal Services, by the registered owner hereof in person, or by his duly authorized attorney, upon surrender hereof, together with (i) a written instrument of transfer in the form attached hereto and satisfactory to the Acting Director of Internal Services and duly

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executed by the registered owner or his duly authorized attorney and (ii) a written covenant and agreement substantially in substance as described in Section 9(b) of the Resolution duly executed by the transferee.

This bond may be transferred or exchanged at the office of the Acting Director of Internal Services of the City. Upon any such transfer or exchange, the City shall issue a new registered bond of the same series in denomination equal to the unpaid principal amount of the bond surrendered, and with the same maturity date, principal installment dates and principal installment payment amounts and bearing interest at the same rate. In each case, the Acting Director of Internal Services may require payment by the registered owner of this bond requesting transfer or exchange hereof of any tax, fee or other governmental charge, shipping charges and insurance that may be required to be paid with respect to such transfer or exchange, but otherwise no charge shall be made to the registered owner hereof for such transfer or exchange.

The City may deem and treat the party in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal hereof and interest due hereon and for all other purposes.

This bond is subject to prepayment in whole or in part at any time, at the option of the City, at a prepayment price of the par amount of this bond outstanding to be prepaid, plus accrued interest to the date fixed for prepayment, without premium or penalty. Notice of optional prepayment shall be given by the City at least fifteen (15) days prior to the date fixed for prepayment (or such fewer number of days as is acceptable to the registered owner of this bond) by mailing or otherwise giving to such registered owner a notice fixing the prepayment date, indicating the principal amount of this bond to be prepaid and, if this bond is to be prepaid in part, the future installments against which such partial prepayment shall be applied. Any such notice may be conditioned upon receipt of funds sufficient to effect such prepayment.

The full faith and credit and unlimited taxing power of City of Salisbury are hereby unconditionally and irrevocably pledged to the payment of the principal of and interest on this bond according to its terms, and the City does hereby covenant and agree to pay punctually the principal of and the interest on this bond, at the dates and in the manner mentioned herein, according to the true intent and meaning hereof.

It is hereby certified and recited that each and every act, condition and thing required to exist, to be done, to have happened or to be performed precedent to and in the issuance of this bond, does exist, has been done, has happened and has been performed in full and strict compliance with the Constitution and laws of the State of Maryland, the Ordinance and the Resolution, and that this bond, together with all other indebtedness of the City, is within every debt and other limit prescribed by the Constitution and laws of the State of Maryland and that due provision has been made for the levy and collection of an annual ad valorem tax or taxes upon all the legally assessable property within the corporate limits of the City in rate and amount sufficient to provide for the payment, when due, of the principal of and interest on this bond.

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IN WITNESS WHEREOF, City of Salisbury has caused this bond to be executed in its name by the manual signature of the Mayor and its corporate seal to be affixed hereto, attested by the manual signature of the City Clerk, all as of the \_\_\_\_ day of \_\_\_\_\_, 2011.

(SEAL)

ATTEST:

CITY OF SALISBURY

By: \_\_\_\_\_  
City Clerk

By: \_\_\_\_\_  
Mayor

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(Form of Instrument of Transfer)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

PLEASE INSERT SOCIAL SECURITY OR OTHER  
IDENTIFYING NUMBER OF ASSIGNEE

\_\_\_\_\_

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS,  
INCLUDING ZIP CODE OF ASSIGNEE)

the within bond and all rights thereunder and does hereby constitute and appoint \_\_\_\_\_

attorney to transfer the within bond on the books kept for the registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

Notice: Signatures must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

Notice: The signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatsoever.