

RESOLUTION NO. 2160

A RESOLUTION OF THE COUNCIL OF THE CITY OF SALISBURY AUTHORIZING THE ISSUANCE AND SALE BY CITY OF SALISBURY (THE "CITY") OF ITS GENERAL OBLIGATION BOND IN THE PRINCIPAL AMOUNT OF \$7,700,000.00, SUBJECT TO REDUCTION AS PROVIDED 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, 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 ORDINANCE NO. 2140, PASSED BY THE COUNCIL OF THE CITY ON MARCH 14, 2011, APPROVED BY THE MAYOR OF THE CITY ON MARCH 18, 2011 AND EFFECTIVE ON MARCH 18, 2011, THE BOND TO BE DESIGNATED "CITY OF SALISBURY PUBLIC IMPROVEMENTS BOND OF 2012" (THE "BOND") AND THE PROCEEDS OF THE SALE THEREOF TO BE USED AND APPLIED FOR THE PUBLIC PURPOSE OF FINANCING OR REIMBURSING COSTS OF THE PROJECTS IDENTIFIED HEREIN AS RIVERWALK REPAIRS, EAST MAIN STREET WATER VALVE, ISABELLA STREET WATER, EAST MAIN STREET SEWER, ISABELLA STREET SEWER, LIFT STATION PUMP REPLACEMENT, N. DIVISION STREET SEWER, AND WASTEWATER TREATMENT PLANT UPGRADE, TOGETHER WITH RELATED COSTS AND COSTS OF ISSUANCE; PRESCRIBING THE FORM AND TENOR OF THE BOND AND THE TERMS AND CONDITIONS FOR THE ISSUANCE AND SALE THEREOF BY PRIVATE (NEGOTIATED) SALE TO SUNTRUST BANK; PRESCRIBING THE TERMS AND CONDITIONS OF THE BOND AND OTHER DETAILS INCIDENT TO THE ISSUANCE, SALE AND DELIVERY OF THE BOND AND AUTHORIZING THE MAYOR, ON BEHALF OF THE CITY, TO DETERMINE THE FINAL PRINCIPAL AMOUNT OF THE BOND AND TO ADJUST THE AMORTIZATION SCHEDULE THEREFOR; PROVIDING FOR THE DISBURSEMENT AND INVESTMENT OF THE PROCEEDS OF THE BOND; PROVIDING THAT A PORTION OF THE DEBT SERVICE PAYABLE ON THE BOND WILL BE PAYABLE IN THE FIRST INSTANCE FROM WATER SYSTEM REVENUES OR SEWER SYSTEM REVENUES, AS APPLICABLE; 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 BOND; PROVIDING THAT THE PRINCIPAL OF AND INTEREST ON THE BOND 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 BOND; AND GENERALLY RELATING TO THE ISSUANCE, SALE, DELIVERY AND PAYMENT OF AND FOR THE BOND.

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 Ordinance No. 2140, passed by the Council of the City (the "Council") on March 14, 2011, approved by the Mayor of the City (the "Mayor") on March 18, 2011 and effective on March 18, 2011 (the "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 Seven Million Seven Hundred Thousand Dollars (\$7,700,000.00) (the "Authorized Bonds"); and

WHEREAS, the Ordinance provides that the proceeds of the sale of the Authorized Bonds are to be used and applied for the public purpose of financing, reimbursing or refinancing the costs of certain specified projects identified in Section 3(b) of the Ordinance, including paying costs of issuance and, to the extent determined by the Council by subsequent resolution, interest during construction and for a reasonable period thereafter (the "Authorized Projects"); and

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

WHEREAS, the City has determined that it is in a position to proceed with a sale of the Authorized Bonds and desires to sell a series of the Authorized Bonds in the maximum principal amount authorized by the Ordinance, subject to reduction as provided herein, and in the form of a single general obligation installment bond; and

WHEREAS, as authorized by Section SC7-46 of the Charter, and based on the recommendation of Davenport & Company LLC, the financial advisor to the City, that current market conditions warrant a sale of the Authorized Bonds by private (negotiated) sale without advertisement or solicitation of competitive bids due to the ability to time the market, negotiate terms and thereby achieve a beneficial interest rate, Davenport & Company LLC, 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 March 27, 2012 for the purchase of such bond in the maximum aggregate principal amount of up to \$7,700,000.00 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 bond without conducting a public sale by the solicitation of competitive bids; and

WHEREAS, potential respondents were asked to submit proposals providing for a bond maturing on either May 1, 2027 or May 1, 2032; and

WHEREAS, two proposals were received in response to such solicitation for indications of interest and the financial advisor to the City and the Acting Director of Internal Services

recommend that SunTrust Bank be selected as the purchaser of the bond because for a fifteen (15) year bond it offered the lowest interest rate 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 a single series of the Authorized Bonds 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 Charter and the 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 \$7,700,000.00 aggregate principal amount of the bond 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 official by title shall be deemed to refer (i) to any official authorized under the Charter or other applicable law to act in such titled official's stead during the absence or disability of such titled official, and/or (ii) to any person who has been elected, appointed or designated to fill such position in an acting capacity under the Charter or other applicable law.

SECTION 2. BE IT FURTHER RESOLVED that (a) pursuant to the authority of the Enabling Act, the Charter and the Ordinance, and subject to the provisions of Section 3 hereof, the City hereby determines to borrow money and incur indebtedness for the public purpose of financing or reimbursing the costs of the following public purpose projects in the maximum principal amount set forth opposite each such project:

	<u>Project Name</u>	<u>Maximum Principal Amount</u>
1.	Riverwalk Repairs	\$ 500,000.00
2.	East Main Street Water Valve	100,000.00
3.	Isabella Street Water	435,000.00
4.	East Main Street Sewer	100,000.00
5.	Isabella Street Sewer	66,000.00
6.	Lift Station Pump Replacement	350,000.00
7.	N. Division Street Sewer	2,100,000.00
8.	Wastewater Treatment Plant Upgrade	4,000,000.00
9.	Costs of Issuance	49,000.00
TOTAL		<u>\$7,700,000.00</u>

The projects and costs of issuance identified in items 1-9 above are collectively referred to herein as the "Projects".

(b) With respect to the Projects listed above, the word "costs" shall include, as applicable, land and right-of-way acquisition and development; site and utility improvements; acquisition, construction, expansion, demolition, reconstruction, replacement, renovation, rehabilitation, improvement, installation, furnishing and equipping activities and expenses; planning, design, engineering, architectural, feasibility, inspection, surveying, financial and legal expenses, and related or similar costs; costs of issuance (which may include costs of bond insurance or other credit or liquidity enhancement); capitalized interest (whether or not expressly so stated); and any such costs that may represent the City's share or contribution to the financing, reimbursement or refinancing of any such project.

(c) Proceeds of the Bond identified in Section 3 below are hereby appropriated and allocated to pay costs of the Projects in the maximum principal amount specified for each Project in subsection (a) above (exclusive of any investment earnings that may be applied for such purposes); provided that, the City, without notice to or the consent of the registered owner of the Bond, may reallocate the maximum principal amount of the proceeds of the Bond to be spent among the Projects identified in such subsection (a) in compliance with applicable City budgetary procedures or applicable law.

SECTION 3. BE IT FURTHER RESOLVED that (a) to evidence the borrowing and indebtedness authorized in Section 2 of this Resolution, the City, acting pursuant to the authority of the Enabling Act, the Charter and the Ordinance, hereby determines to issue and sell, upon its full faith and credit, its general obligation installment bond in the principal amount of Seven Million Seven Hundred Thousand Dollars (\$7,700,000.00) or, in the event it is determined prior to issuance of the Bond identified in the next sentence that costs of issuance will be less than \$49,000.00, the Bond shall be issued in such 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 Director of Internal Services of the City (the "Director of Internal

Services"). Such bond shall be designated the "City of Salisbury Public Improvements Bond of 2012" (the "Bond").

(b) In the event the Mayor, with the advice of the financial advisor to the City, the City Administrator and the Director of Internal Services, determines that costs of issuance will be less than \$49,000.00 the Mayor, on behalf of the City, is hereby authorized and empowered to approve the final lesser principal amount of the Bond, such approval to be evidenced conclusively by the Mayor's execution and delivery of the Bond in accordance with Sections 6 and 8 hereof.

SECTION 4. BE IT FURTHER RESOLVED that (a) the 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 Bond shall mature, subject to prior prepayment as provided for in accordance with Section 5 of this Resolution, on May 1, 2027. Subject to the remaining provisions of this subsection (a), principal of the Bond shall be payable in fifteen (15) annual serial installments on May 1 of each year, commencing May 1, 2013 and ending on May 1, 2027, 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>
May 1, 2013	\$430,000	May 1, 2021	\$525,000
May 1, 2014	440,000	May 1, 2022	535,000
May 1, 2015	450,000	May 1, 2023	550,000
May 1, 2016	460,000	May 1, 2024	565,000
May 1, 2017	475,000	May 1, 2025	580,000
May 1, 2018	485,000	May 1, 2026	590,000
May 1, 2019	500,000	May 1, 2027	605,000
May 1, 2020	510,000		

The foregoing principal amortization schedule was prepared by the financial advisor to the City and assumes that the Bond will be issued and delivered on May 3, 2012 in the principal amount of Seven Million Seven Hundred Thousand Dollars (\$7,700,000.00). The Mayor, on behalf of the City, with the advice of the financial advisor to the City, the City Administrator and the Director of Internal Services, prior to the issuance and delivery of the Bond, is hereby authorized and empowered to make revisions to such principal amortization schedule (i) to reflect any reduction of the final principal amount of the Bond as contemplated in Section 3 above, (ii) to reflect a different date of issuance of the Bond, and/or (iii) to correct typographical or calculation errors, provided that any such revised amortization schedule is structured on a roughly level debt service basis (annualized), such revised amortization schedule to be prepared by the financial advisor to the City or the Purchaser of the Bond provided for in Section 9 hereof and reflected in the executed and delivered Bond, and the Mayor's approval thereof to be evidenced conclusively by his execution and delivery of the Bond as provided for in Sections 6 and 8 hereof.

(b) The Bond shall bear interest from its date of delivery at the rate of two and fifty-two hundredths percent (2.52%) per annum; provided that, in the event that the Maximum Federal Corporate Tax Rate (as defined below) is decreased, the interest rate on the Bond shall be adjusted upwards in order to maintain the same after tax yield for the registered owner of the

Bond, and provided further, that in no event shall the interest rate on the Bond be so adjusted upward to a rate exceeding two and nine-tenths percent (2.90%) per annum, no matter the extent of any change in the Maximum Federal Corporate Tax Rate. A certificate of the registered owner of the 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 Bond shall notify the 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 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 Bond, the maximum statutory rate of federal income taxation which could apply to the registered owner of the 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 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 Bond, as finally executed and delivered, as may be required by the Purchaser of the Bond in order to clarify or confirm the mechanics by which any such increase in the per annum interest rate payable on the 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 Bond result in an interest rate exceeding two and nine-tenths percent (2.90%) per annum, the Mayor's approval of any such changes to be evidenced conclusively by his execution and delivery of the Bond as provided for in Sections 6 and 8 hereof.

(c) Interest on the Bond shall be payable on May 1 and November 1 in each year until maturity or prior prepayment in full, commencing on November 1, 2012; provided that, the last installment of interest shall be paid on the date that principal of the Bond is retired or prepaid in full. The 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 Bond, unpaid outstanding principal on any date shall be an amount equal to the original principal amount of the 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 registered owner of the Bond shall provide written notice to the Director of Internal Services of the interest and, if applicable, principal due on the 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 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 the Bond. The date and amount of each principal installment payment made by the City on the Bond shall be noted by the registered owner of the 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.

(e) 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.

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

SECTION 5. BE IT FURTHER RESOLVED that the Bond shall 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 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 Bond) by mailing or otherwise giving to such registered owner a notice fixing the prepayment date, indicating the principal amount of the Bond to be prepaid and, if the 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 the 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 the 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 the Bond shall cease to be such official prior to the delivery of the Bond, or, in the event any such official whose signature appears on the Bond shall have become such after the date of issue thereof, the Bond shall nevertheless be a valid and binding obligation of the City in accordance with its terms.

SECTION 7. BE IT FURTHER RESOLVED that the Bond shall be transferable only upon the books kept for that purpose by the 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 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 Bond of

the same series in principal amount equal to the unpaid principal amount of the 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 Bond, the Bond shall 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 (including, without limitation, to reflect matters determined in accordance with Sections 3 and 4 hereof), and modifications not altering the substance of the 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 the 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 Bond by the Mayor in accordance with this Resolution shall be conclusive evidence of the approval by the Mayor of the final form of the Bond and of 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 rate for the Bond and satisfactory prepayment and other terms, including, without limitation, the preparation, execution, delivery and circulation of the request for indications of interest dated March 27, 2012 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 Bond by private (negotiated) sale without advertisement or solicitation of competitive bids to SunTrust Bank (by whatever legal name known), which submitted the most advantageous proposal to the City for the purchase of the Bond 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 an attractive interest rate and satisfactory other terms. Therefore, and pursuant to the authority of the Enabling Act, the Charter and the Ordinance, the Bond shall be sold by private (negotiated) sale without advertisement or solicitation of competitive bids to SunTrust Bank (by whatever legal name known, the "Purchaser"), for a price of par, with no payment of accrued interest.

(b) The Bond shall be sold for investment purposes only and not for resale to the general public. Accordingly, as a condition to delivery of the Bond and prior to the issuance of the 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 tax-exempt municipal obligations, that it is capable of evaluating the risks and merits of the investment represented by the purchase of the 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 the Bond; (iii) the Purchaser has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the City and the Bond, all so that as a reasonable investor the Purchaser has been able to make a reasonably informed decision to purchase the Bond; (iv) the Purchaser is purchasing the 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 the Bond; (v) if the 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) the 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 the Bond.

SECTION 10. BE IT FURTHER RESOLVED that the Bond shall be suitably prepared in definitive form, executed and delivered to the Purchaser on such date as shall be mutually acceptable to the Director of Internal Services, the Purchaser and bond counsel to the City, contemporaneously with the receipt of the purchase price for the Bond; provided that, the Bond shall not be delivered on a date later than May 5, 2012 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 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 Bond to the Purchaser, including the payment to the Purchaser of the \$7,500.00 closing fee specified in the Purchaser's proposal (or such lesser amount as the Purchaser may require), 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 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 Bond contemporaneously with the delivery of the Bond. Any portion of the purchase price for the Bond may be disbursed by the Purchaser directly to third parties, including, without limitation, any person entitled to the payment of costs of issuance pertaining to the Bond, 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 Bond for purposes of this Section 11. Any proceeds of the Bond 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 Projects as described herein. If the proceeds received from the sale of the

Bond exceed the amount needed for the public purposes hereinabove described, the amount of such unexpended excess shall be set apart in a separate fund or funds and applied to pay subsequent debt service payments on the Bond. Investment earnings on proceeds of the Bond, if any, held by the City may be applied to pay costs of the Projects, to pay subsequent debt service payments on the Bond, or shall be transferred to the General Fund and applied to general City purposes, as determined by the 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 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.

SECTION 12. BE IT FURTHER RESOLVED that (a) that portion of the principal and interest on the Bond allocated to the costs of the Projects identified as (i) "East Main Street Water Valve" and "Isabella Street Water" in Section 2(a) of this Resolution will be payable in the first instance from water system revenues (including moneys received for use of or connection to such system) to the extent such revenues are available for such purpose, and (ii) "East Main Street Sewer", "Isabella Street Sewer", "Lift Station Pump Replacement", "N. Division Street Sewer" and "Wastewater Treatment Plant Upgrade" in Section 2(a) of this Resolution will be payable in the first instance from sewer system revenues (including moneys received for use of or connection to such system) to the extent such revenues are available for such purpose. Notwithstanding the foregoing sentence, for the purpose of paying the principal of and interest on the Bond when due, the City shall levy or cause to be levied in all fiscal years in which the Bond is 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 Bond due in each such fiscal year, provided that, to the extent of any funds received or receivable as described in the first sentence of this Section 12(a) in any fiscal year, the taxes hereby required to be levied may be reduced proportionately. 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 Bond 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 Bond. The City hereby covenants and agrees with the registered owner, from time to time, of the Bond 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 Bond remains 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 Bond from the proceeds of the sale of any other obligations of the City or from any other funds legally available for that purpose. 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 Bond 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 types of projects which the Bond is issued to 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 Director of Internal Services are the officials of the City responsible for the issuance of the Bond within the meaning of Section 1.148-2(b)(2) of the U.S. Treasury Regulations (the "Treasury Regulations"). Any two of the Mayor, the City Administrator and the 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 Bond) of a certificate of the City (the "Section 148 Certificate") that complies with the requirements of Section 148 of the Internal Revenue Code of 1986, as amended (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 Bond on the date of the issuance of the Bond.

(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 Bond 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 Bond pursuant to Section 148 of the Code or the Treasury Regulations (collectively, the "Bond Proceeds"). The City covenants with the registered owner of the Bond 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 Bond 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 Bond that it will not make, or (to the extent that it exercises control or direction) permit to be made, any use of the Bond Proceeds that would cause the Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code and the Treasury Regulations, and that it will comply with those provisions of Section 148 of the Code and the Treasury Regulations as may be applicable to the Bond on its date of issuance and which may subsequently lawfully be made applicable to the Bond as long as the Bond remains outstanding and unpaid.

(d) In connection with their execution and delivery of the Section 148 Certificate, any one or more of 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 (which must be executed by at least two of such identified officials) and/or the IRS Form 8038-G (which need only be executed by one of such identified officials) filed in connection with the issuance of the Bond or any other documentation deemed appropriate by bond counsel to the City.

SECTION 14. BE IT FURTHER RESOLVED that the City specifically covenants that it will comply with the provisions of the Code applicable to the Bond, including, without limitation, compliance with provisions regarding the timing of the expenditure of the proceeds of the Bond, 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 Bond or payments in lieu thereof. The City further covenants that it shall make such use of the proceeds of the Bond, 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 Bond. 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 Bond as may be necessary or appropriate.

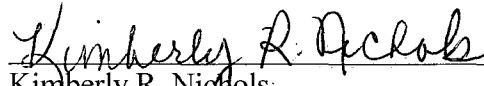
SECTION 15. BE IT FURTHER RESOLVED that the City hereby designates the Bond as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code (relating to the exception from the disallowance of the deduction for that portion of a financial institution's interest expense which is allocable to tax-exempt interest), and, in connection therewith, represents and certifies that (i) the Bond is not a "private activity bond" 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 2012 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 2012, including the Bond, have been or are reasonably expected to be designated qualified tax-exempt obligations.

SECTION 16. BE IT FURTHER RESOLVED that this Resolution shall become effective upon adoption by the Council and approval by the Mayor. Pursuant to Charter Section SC7-46A, this Resolution may not be petitioned to referendum.

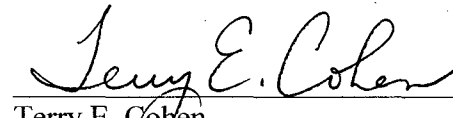
[CONTINUED ON FOLLOWING PAGE]

THIS RESOLUTION was introduced and duly adopted at a meeting of the Council of the
City of Salisbury held on the 23rd day of
April, 2012.

ATTEST:

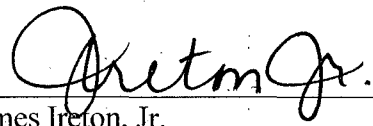


Kimberly R. Nichols
CITY CLERK



Terry E. Cohen
PRESIDENT, City Council

Approved by me this 24th day of
April, 2012.



James Ireton, Jr.
MAYOR, City of Salisbury

#145389;58111.022

1
2 EXHIBIT A

3
4 (Form of Bond)

5
6 CITY OF SALISBURY HAS DESIGNATED THIS BOND A QUALIFIED TAX-EXEMPT
7 OBLIGATION WITHIN THE MEANING OF SECTION 265(b)(3) OF THE INTERNAL
8 REVENUE CODE OF 1986, AS AMENDED.
9

10 UNITED STATES OF AMERICA
11 No. R-__ STATE OF MARYLAND \$_____
12 CITY OF SALISBURY
13

14 PUBLIC IMPROVEMENTS BOND OF 2012
15

16			Original Issue
17	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Date</u>
18			
19	May 1, 20__	__% (subject to	_____, 2012
20		adjustment as	
21		described herein)	
22			

23 Registered Owner:

24
25 Principal Sum: DOLLARS
26
27

28 IT CANNOT BE DETERMINED FROM THE FACE OF THIS
29 BOND WHETHER ALL OR ANY PORTION OF THE
30 PRINCIPAL AMOUNT HAS BEEN PAID OR PREPAID.
31 EACH PAYMENT OR PREPAYMENT OF A PRINCIPAL
32 INSTALLMENT SHALL BE NOTED BY THE REGISTERED
33 OWNER OF THIS BOND ON ITS BOOKS AND RECORDS,
34 WHICH NOTATION WHEN MADE WILL BE PRESUMED
35 CORRECT ABSENT MANIFEST ERROR. THE REGISTERED
36 OWNER'S FAILURE TO MAKE APPROPRIATE NOTATION
37 OF ANY SUCH PAYMENT OR PREPAYMENT SHALL NOT
38 LIMIT OR OTHERWISE AFFECT THE OBLIGATIONS OF
39 THE CITY HEREUNDER AND SHALL NOT AFFECT THE
40 VALID PAYMENT AND DISCHARGE OF SUCH
41 OBLIGATION EFFECTED BY SUCH PAYMENT OR
42 PREPAYMENT.
43

44 City of Salisbury, a municipal corporation organized and existing under the Constitution and
45 laws of the State of Maryland (the "City"), hereby acknowledges itself indebted for value received
46 and promises to pay to the registered owner shown above, or registered assignee or legal

representative, the Principal Sum shown above, payable in fifteen (15) annual serial installments on May 1, commencing May 1, 2013, 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>
May 1, 2013	\$430,000	May 1, 2021	\$525,000
May 1, 2014	440,000	May 1, 2022	535,000
May 1, 2015	450,000	May 1, 2023	550,000
May 1, 2016	460,000	May 1, 2024	565,000
May 1, 2017	475,000	May 1, 2025	580,000
May 1, 2018	485,000	May 1, 2026	590,000
May 1, 2019	500,000	May 1, 2027	605,000
May 1, 2020	510,000		

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 two and fifty-two hundredths percent (2.52%) 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 two and nine-tenths percent (2.90%) 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 Director of Internal Services of the City (the "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 May 1 and November 1 in each year until maturity or prior prepayment in full, commencing on November 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.

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 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 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 Director of Internal Services in Salisbury, Maryland, unless the 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 Director of Internal Services, unless the 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 Bond of 2012". 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, 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. 2140, which was passed by the Council on March 14, 2011, approved by the Mayor of the City (the "Mayor") on March 18, 2011 and became effective on March 18, 2011 (the "Ordinance"), and Resolution No. _____, which was adopted by the Council on _____, 2012, approved by the Mayor on _____, 2012 and became effective on _____, 2012 (the "Resolution").

This bond is transferable only upon the books kept for that purpose at the office of the 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 Director of Internal Services and duly 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.

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(SEAL)

ATTEST:

CITY OF SALISBURY

By: Kimberly R. Nichols
City Clerk

By: Jason J.
Mayor

178
179
180
181

(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.

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

135
136 The City may deem and treat the party in whose name this bond is registered as the
137 absolute owner hereof for the purpose of receiving payment of or on account of the principal
138 hereof and interest due hereon and for all other purposes.

139
140 This bond is subject to prepayment in whole or in part at any time, at the option of the
141 City, at a prepayment price of the par amount of this bond outstanding to be prepaid, plus
142 accrued interest to the date fixed for prepayment, without premium or penalty. Notice of
143 optional prepayment shall be given by the City at least fifteen (15) days prior to the date fixed for
144 prepayment (or such fewer number of days as is acceptable to the registered owner of this bond)
145 by mailing or otherwise giving to such registered owner a notice fixing the prepayment date,
146 indicating the principal amount of this bond to be prepaid and, if this bond is to be prepaid in
147 part, the future installments against which such partial prepayment shall be applied. Any such
148 notice may be conditioned upon receipt of funds sufficient to effect such prepayment.

149
150 The full faith and credit and unlimited taxing power of City of Salisbury are hereby
151 unconditionally and irrevocably pledged to the payment of the principal of and interest on this bond
152 according to its terms, and the City does hereby covenant and agree to pay punctually the principal
153 of and the interest on this bond, at the dates and in the manner mentioned herein, according to the
154 true intent and meaning hereof.

155
156 It is hereby certified and recited that each and every act, condition and thing required to
157 exist, to be done, to have happened or to be performed precedent to and in the issuance of this bond,
158 does exist, has been done, has happened and has been performed in full and strict compliance with
159 the Constitution and laws of the State of Maryland, the Ordinance and the Resolution, and that this
160 bond, together with all other indebtedness of the City, is within every debt and other limit prescribed
161 by the Constitution and laws of the State of Maryland and that due provision has been made for the
162 levy and collection of an annual ad valorem tax or taxes upon all the legally assessable property
163 within the corporate limits of the City in rate and amount sufficient to provide for the payment,
164 when due, of the principal of and interest on this bond.

165
166 IN WITNESS WHEREOF, City of Salisbury has caused this bond to be executed in its
167 name by the manual signature of the Mayor and its corporate seal to be affixed hereto, attested by
168 the manual signature of the City Clerk, all as of the ____ day of _____,
169 2012.