

Resolution No. 2358

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 INSTALLMENT BOND IN THE PRINCIPAL AMOUNT OF \$3,178,000.00, SUBJECT TO REDUCTION AS PROVIDED HEREIN, PURSUANT TO THE AUTHORITY OF SECTIONS 19-301 TO 19-309, 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. 2273, PASSED BY THE COUNCIL OF THE CITY PRIOR TO ADOPTION OF THIS RESOLUTION, THE BOND TO BE DESIGNATED "CITY OF SALISBURY PUBLIC IMPROVEMENTS BOND OF 2013" (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 PUBLIC PURPOSE PROJECTS IDENTIFIED HEREIN AS: RIVERWALK, MAINSTREET MASTER PLAN, COTY COX DRAINAGE IMPROVEMENTS, AND GERMANIA CIRCLE, SUBJECT TO THE FURTHER PROVISIONS OF THIS RESOLUTION; PRESCRIBING THE FORM AND TENOR OF THE BOND AND THE TERMS AND CONDITIONS FOR THE ISSUANCE AND SALE THEREOF BY PRIVATE (NEGOTIATED) SALE WITHOUT ADVERTISEMENT OR SOLICITATION OF COMPETITIVE BIDS TO HEBRON SAVINGS 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, WITH THE ADVICE OF CERTAIN IDENTIFIED OFFICIALS, TO DETERMINE TO REDUCE OR ELIMINATE THE AMOUNT OF BOND PROCEEDS TO BE APPLIED TO ANY SUCH PROJECT, 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 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 THE MAKING OF CERTAIN REPRESENTATIONS, COVENANTS AND DESIGNATIONS RELATING TO THE TAX-EXEMPT STATUS OF INTEREST PAYABLE ON 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 19-301 to 19-309, inclusive, of the Local Government Article of the Annotated Code of Maryland (previously codified as Sections 31 to 37,

Underlining : Indicates material added by amendment after introduction  
~~Strike-through~~ : Indicates material deleted by amendment after introduction

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. 2273, passed by the Council of the City (the “Council”) prior to the adoption of this Resolution (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 Three Million One Hundred Seventy-eight Thousand Dollars (\$3,178,000.00) (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 projects identified in Section 3(b) of the Ordinance as Riverwalk, Main Street Master Plan, Coty Cox Drainage Improvements and Germania Circle (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 warranted a sale of the Authorized Bonds by private (negotiated) sale without advertisement or solicitation of competitive bids due to the ability in the current municipal capital market to achieve favorable interest rates through a private (negotiated) sale, the ability to time the market, the ability to negotiate with potential purchasers and the lower costs of issuance typically associated with a private (negotiated) sale, Davenport & Company LLC, with the participation of the Director of Internal Services of the City (the “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 25, 2013 for the purchase of such bond in the maximum aggregate principal amount of up to \$3,178,000.00, and to be issued on a tax-exempt basis, in order to determine the potential purchaser likely to offer the most beneficial interest rate and satisfactory other 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 July 1, 2028; and

Underlining : Indicates material added by amendment after introduction  
~~Strike through~~ : Indicates material deleted by amendment after introduction

WHEREAS, five proposals were received in response to such solicitation for indications of interest, and the financial advisor to the City and the Director of Internal Services recommend that Hebron Savings Bank be selected as the purchaser of the bond because Hebron Savings Bank offered to purchase the bond for the City's preferred almost 15-year term, with very advantageous prepayment rights 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 \$3,178,000.00 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, (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, (iii) to any person who serves in a "Deputy" or "Assistant" capacity as such an official, provided that the applicable responsibilities, rights or duties referred to herein have been delegated to such deputy or assistant in accordance with applicable law or authority, and/or (iv) to the extent an identified official commonly uses another title not provided for in the Charter or the code of ordinances of the City (the "City Code"), the official, however known, who is charged under the Charter, the City Code or other applicable law or authority with the applicable responsibilities, rights or duties referred to herein.

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 (exclusive of any investment earnings that may be applied for such purposes):

Underlining : Indicates material added by amendment after introduction  
~~Strike-through~~ : Indicates material deleted by amendment after introduction

	<u>Project Name</u>	<u>Maximum Principal Amount</u>
1.	Riverwalk	\$1,600,000.00
2.	Mainstreet Master Plan	268,000.00
3.	Coty Cox Drainage Improvements	1,200,000.00
4.	Germania Circle	110,000.00
TOTAL		<u>\$3,178,000.00</u>

The projects identified in items 1-4 above are collectively referred to herein as the “Projects” and individually as a “Project”.

(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, and related or similar costs; planning, design, engineering, architectural, feasibility, inspection, construction management, surveying, permitting, 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); interest during construction and for a reasonable period thereafter (whether or not expressly so stated); and any such costs that may represent the City’s share or contribution to the financing or reimbursement of costs of any such Project.

(c) Notwithstanding the provisions of subsection (a) above, in the event the Mayor of the City (the “Mayor”), with the assistance of the City Administrator of the City (the “City Administrator”) and the Director of Internal Services, determines prior to the issuance and delivery of the Bond that other moneys are available or are substantially likely to be available to pay any portion of the costs of any one or more of the Projects, the Mayor is hereby authorized and empowered, on behalf of the City, to determine to reduce and/or eliminate the maximum principal amount of proceeds of the Bond identified in Section 3 hereof to be applied to the costs of any one or more of the Projects identified in subsection (a) above (exclusive of any investment earnings that may be applied for such purpose). Any such reduction or elimination in the maximum principal amount of proceeds of the Bond to be applied to costs of any such Project (exclusive of any investment earnings that may be applied for such purpose), shall be evidenced conclusively by the Mayor’s execution and delivery of the Section 148 Certificate provided for in Section 13 hereof. The Mayor is also hereby authorized, but not required, to execute an executive order providing for such reduction or elimination. In any such event, the final principal amount of the Bond will be reduced from \$3,178,000.00 in accordance with the provisions of Section 3 hereof.

(d) 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), subject to adjustments as to such amounts as provided for in subsection (c) above; 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

Underlining : Indicates material added by amendment after introduction  
~~Strike through~~ : Indicates material deleted by amendment after introduction

such subsection (a), as adjusted as provided in subsection (c), in compliance with applicable City budgetary procedures or applicable law, including, to the extent applicable, by resolution. Further, it is the intention of the Council that proceeds of the Bond provided for in Section 3 of this Resolution may be spent on any applicable costs (as defined in subsection (b) above).

**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 Three Million One Hundred Seventy-eight Thousand Dollars (\$3,178,000.00) or, in the event it is determined in accordance with the provisions of Section 2(c) of this Resolution prior to issuance of the Bond identified in the next sentence that the City does not need to issue the maximum principal amount provided for any of the Projects identified in Section 2(a) of this Resolution, 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 and the Director of Internal Services. Such bond shall be designated the “City of Salisbury Public Improvements Bond of 2013” (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 in accordance with Section 2(c) of this Resolution that the City does not need to issue the maximum principal amount provided for any of the Projects identified in Section 2(a) of this Resolution, 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 reflecting such lesser principal amount 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 July 1, 2028. Subject to the remaining provisions of this subsection (a), principal of the Bond shall be payable in fifteen (15) annual serial installments on July 1 of each year, commencing July 1, 2014 and ending on July 1, 2028, 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>
July 1, 2014	\$170,000	July 1, 2022	\$216,000
July 1, 2015	176,000	July 1, 2023	223,000
July 1, 2016	181,000	July 1, 2024	230,000
July 1, 2017	187,000	July 1, 2025	237,000
July 1, 2018	192,000	July 1, 2026	244,000
July 1, 2019	198,000	July 1, 2027	251,000
July 1, 2020	204,000	July 1, 2028	259,000
July 1, 2021	210,000		

Underlining : Indicates material added by amendment after introduction  
~~Strike-through~~ : Indicates material deleted by amendment after introduction

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 December 27, 2013 in the principal amount of Three Million One Hundred Seventy-eight Thousand Dollars (\$3,178,000.00). 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 Sections 2 and 3 hereof, (ii) to reflect a different date of issuance of the Bond, and/or (iii) to correct typographical or calculation errors, 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 ninety-six hundredths percent (2.96%) per annum.

(c) Interest on the Bond shall be payable on January 1 and July 1 in each year until maturity or prior prepayment in full, commencing on July 1, 2014; 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 a 365/365-day basis. 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 the final amortization schedule for the Bond, 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.

Underlining : Indicates material added by amendment after introduction  
~~Strike-through~~ : Indicates material deleted by amendment after introduction

(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 on the principal amount being prepaid to the date fixed for prepayment, without premium or penalty, and with or without advance notice to the registered owner of the Bond. If the City determines to prepay the Bond in part, the amount of prepayment shall be applied first to the payment of accrued interest and then to the prepayment of principal in such order of installment as the City shall determine. Any notice of optional prepayment given by the City shall be given by mailing or otherwise giving to such registered owner (including, without limitation, by electronic means), 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.

Underlining : Indicates material added by amendment after introduction  
~~Strike-through~~ : Indicates material deleted by amendment after introduction

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 2, 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 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 November 25, 2013 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 Hebron Savings 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 to the ability in the current municipal capital market to achieve favorable interest rates through a private (negotiated) sale, the ability to time the market, the ability to negotiate with potential purchasers and the lower costs of issuance typically associated with a private (negotiated) sale and the resulting attractive interest rate, favorable prepayment terms 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 Hebron Savings 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

Underlining : Indicates material added by amendment after introduction  
~~Strike-through~~ : Indicates material deleted by amendment after introduction



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 December 31, 2013 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, to negotiate, approve, execute and deliver all documents, certificates and instruments necessary or appropriate in connection therewith, including to reflect any requirements specified by the Purchaser in its proposal, including, without limitation, the obligation of the City to pay or reimburse the Purchaser for the fees and expenses of the law firm designated by the Purchaser in the event of a dispute concerning the Bond that arises between the City and the Purchaser following issuance and delivery of the Bond, and to consummate the transactions contemplated by this Resolution.

SECTION 11. BE IT FURTHER RESOLVED that (a) the Director of Internal Services or, in his 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 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

Underlining : Indicates material added by amendment after introduction  
~~Strike-through~~ : Indicates material deleted by amendment after introduction

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 or to prepay the Bond, unless a supplemental ordinance or resolution, as applicable, is passed by the Council to provide for the expenditure of such unexpended excess for some other valid purpose authorized by the Enabling Act, the Charter or other applicable law. 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 to prepay the Bond, 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 Charter or other applicable law. 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) 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. 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) 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 of this Resolution, 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.

Underlining : Indicates material added by amendment after introduction  
~~Strike-through~~ : Indicates material deleted by amendment after introduction

SECTION 13. BE IT FURTHER RESOLVED that (a) (i) the Mayor and (ii) either (A) the City Administrator or (B) 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"). The Mayor and either of (i) the City Administrator and (ii) 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 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 thereof.

(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 owner 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 delivery 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, 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 Bond or any other documentation deemed appropriate by bond counsel to the City; provided that, only one of such identified officials must sign the IRS Form 8038-G.

SECTION 14. BE IT FURTHER RESOLVED that the City specifically covenants that it will comply with the provisions of the Code and the Treasury Regulations 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 financed 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,

Underlining : Indicates material added by amendment after introduction  
~~Strike-through~~ : Indicates material deleted by amendment after introduction

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 for purposes of Section 148(f)(4)(D) of the Code (relating to the exception for small governmental units from the arbitrage rebate requirement) the City represents and certifies that (i) the City has general taxing powers, (ii) the Bond is not a "private activity bond" within the meaning of Section 141 of the Code, (iii) at least ninety-five percent (95%) of the proceeds of the Bond are to be used for local governmental activities of the City, and (iv) the aggregate face amount of all tax-exempt bonds (other than "private activity bonds" within the meaning of the Code) issued by the City (and all on-behalf-of issuers and subordinate entities of the City) during calendar year 2013 is not reasonably expected to exceed Five Million Dollars (\$5,000,000.00).

SECTION 16. 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 that 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" within the meaning of Section 145 of the Code), which will be issued by the City (and all on-behalf-of issuers and subordinate entities of the City) during calendar year 2013 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 2013, including the Bond, have been designated or, except as permitted by Section 265(b)(3) of the Code, will be designated, qualified tax-exempt obligations of the City.

SECTION 17. BE IT FURTHER RESOLVED that this Resolution shall become effective upon adoption by the Council and approval by the Mayor; provided that, the Bond may not be issued and delivered unless the Ordinance becomes effective in accordance with its terms. Pursuant to Charter Section SC7-46A, this Resolution may not be petitioned to referendum.

[CONTINUED ON FOLLOWING PAGE]

Underlining : Indicates material added by amendment after introduction  
~~Strike-through~~ : Indicates material deleted by amendment after introduction

THIS RESOLUTION was introduced and duly adopted at a meeting of the Council of the City of Salisbury held on the 16<sup>th</sup> day of December, 2013.

ATTEST:

Kimberly R. Nichols  
Kimberly R. Nichols, City Clerk

Jacob R. Day  
Jacob R. Day, City Council President

APPROVED BY ME THIS 16<sup>th</sup> DAY OF December, 2013:

James Iferon, Jr.  
James Iferon, Jr., Mayor

#159305:58111.023

Underlining : Indicates material added by amendment after introduction  
~~Strike through~~ : Indicates material deleted by amendment after introduction

EXHIBIT A

(Form of Bond)

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

PUBLIC IMPROVEMENTS BOND OF 2013

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Date</u>
July 1, 2028	_____%	_____, 2013

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 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

Underlining : Indicates material added by amendment after introduction  
~~Strike-through~~ : Indicates material deleted by amendment after introduction

July 1, commencing July 1, 2014, plus interest on the unpaid balance as set forth herein, subject to prior prepayment as hereinafter provided, as follows:

<u>Date</u>	<u>Principal Installment</u>	<u>Date</u>	<u>Principal Installment</u>
July 1, 2014		July 1, 2022	
July 1, 2015		July 1, 2023	
July 1, 2016		July 1, 2024	
July 1, 2017		July 1, 2025	
July 1, 2018		July 1, 2026	
July 1, 2019		July 1, 2027	
July 1, 2020		July 1, 2028	
July 1, 2021			

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 ninety-six hundredths percent (2.96%) per annum.

Interest on this bond shall be payable on January 1 and July 1 in each year until maturity or prior prepayment in full, commencing on July 1, 2014. 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 365/365-day year. 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 City (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

Underlining : Indicates material added by amendment after introduction  
~~Strike through~~ : Indicates material deleted by amendment after introduction

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 2013". This bond is issued pursuant to and in full conformity with the provisions of Sections 19-301 to 19-309, inclusive, of the Local Government Article of the Annotated Code of Maryland (previously codified as 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. 2273, which was passed by the Council on December \_\_, 2013, approved by the Mayor of the City (the "Mayor") on December \_\_, 2013 and became effective on December \_\_, 2013 (the "Ordinance"), and Resolution No. \_\_\_\_\_, which was adopted by the Council on December \_\_, 2013, approved by the Mayor on December \_\_, 2013 and became effective on December \_\_, 2013 (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.

This bond may be transferred or exchanged at the office of the Director of Internal Services. 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 (or then-remaining installment payment dates and amounts, as applicable) and bearing interest at the same rate. In each case, the 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.

Underlining : Indicates material added by amendment after introduction  
~~Strike through~~ : Indicates material deleted by amendment after introduction



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 on the principal amount being prepaid to the date fixed for prepayment, without premium or penalty, and with or without advance notice to the registered owner of this bond. If the City determines to prepay this bond in part, the amount of prepayment shall be applied first to the payment of accrued interest and then to the prepayment of principal in such order of installment as the City shall determine. Any notice of optional prepayment given by the City shall be given by mailing or otherwise giving to such registered owner (including, without limitation, by electronic means), 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.

---

Underlining : Indicates material added by amendment after introduction  
~~Strike through~~ : Indicates material deleted by amendment after introduction

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 \_\_\_\_\_, 2013.

(SEAL)

ATTEST:

CITY OF SALISBURY

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

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

Underlining : Indicates material added by amendment after introduction  
~~Strike-through~~ : Indicates material deleted by amendment after introduction

(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.

Underlining : Indicates material added by amendment after introduction  
~~Strike-through~~ : Indicates material deleted by amendment after introduction

# City of Salisbury



MARYLAND

JAMES IRETON, JR.  
MAYOR

TOM STEVENSON  
INTERIM CITY ADMINISTRATOR

Salisbury



2010

125 NORTH DIVISION STREET  
SALISBURY, MARYLAND 21801  
Tel: 410-334-3028  
Fax: 410-548-3192

KEITH A. CORDREY  
DIRECTOR OF INTERNAL SERVICES

To: Tom Stevenson, Interim City Administrator  
From: Keith Cordrey, Director of Internal Services *JK*  
Date: December 12, 2013  
Re: Bond Solicitation Responses and Bond Resolution

---

On November 20<sup>th</sup> 2013 the city entered into an agreement with Davenport & Company LLC to issue an RFP for a General Obligation Bond up to the amount of \$ 3,178,000. The City received five responses from the RFP issued by Davenport. Please see the attached sheet titled "*Bond Qualified General Obligation Bond of 2013*" that summarizes the interest rates and terms and conditions from each bank. We recommend council approve our recommendation to select Hebron Savings Bank (HSB). The HSB proposal has the lowest interest rate of all other bidders except for the Bank of America Merrill Lynch (BOA). While BOA proposed a lower rate, they were not recommended for the following reasons:

1. The BOA bid included a 9.5 year term vs. the city's requested 15 year term.
2. The BOA lower interest rate results in total debt service over the life of the loan (380k less than HSB) but the annual debt service during the term would be 111.5k more due to the shorter term.
3. BOA's quote rate was as of December 10 and is subject to be reset two days prior to closing.
4. BOA terms do not permit redemption prior to maturity date.
5. The BOA interest rate is subject to a tax gross-up in the event that a Determination of Taxability occurs.

Assuming the issuance of the full amount of \$3,178,000, the level debt service will cost the City approximately \$262,823 per year in principal and interest payments.

Attached please find attached:

- the resolution that will set all terms and conditions for this General Obligation bond,
- Bullet points prepared by Lindsey our bond counsel

If you have any further questions, please let me know.

**City of Salisbury, Maryland**  
**Bank Qualified General Obligation Bond of 2013**  
**Summary of Proposals Received**

	<b>Bank of America Merrill Lynch</b>	<b>BBK1</b>	<b>Hedrao Savings Bank</b>	<b>PNC Bank</b>	<b>SumTrust Bank</b>
<b>Purpose:</b>	New Money for Capital Projects	New Money for Capital Projects	New Money for Capital Projects	New Money for Capital Projects	New Money for Capital Projects
<b>Security:</b>	General Obligation Pledge	General Obligation Pledge	General Obligation Pledge	General Obligation Pledge	General Obligation Pledge
<b>Amount:</b>	\$3,178,000	\$3,178,000	Up to \$3,178,000	Up to \$3,178,000	Up to \$3,178,000
<b>Term:</b>	9.5 Years	Option One: 10 Years Option Two: 15 Years	15 Years	15 Years	15 Years
<b>Interest Rate:</b>	2.29%	Option One: 2.34% Option Two: 3.04%	2.96%	3.44%	With Fee Opportunity: 3.04% Without Fee Opportunity: 3.12%
<b>Interest Rate Reset:</b>	None	None	None	On July 1, 2024, the Bank will have the option to reset the annual interest rate for the then-remaining term to a rate that the bank determines in its sole discretion	None
<b>Bank Closing Costs:</b>	Legal Fee not to exceed \$3,500	\$3,900 Legal Fee	None	\$2,500 Legal Fee	\$3,000 Bank Fee and \$1,000 Legal Fee
<b>Prepayment Provisions:</b>	Not subject to redemption prior to maturity date	Prepayment in whole on an anniversary date with a 1% penalty for the first ten years then callable at par thereafter.	Prepayment may be made in whole or in part without penalty. Any partial prepayment will be applied first to the payment of interest and then to unpaid principal	Prepayment in whole or in part at anytime subject to a "Cost of Prepayment" (i.e. make whole) penalty	Prepayment in whole or in part at any time with 3 days written notice
<b>Accept By:</b>	Not Specified	12/20/2013	Not Specified	12/19/2013	12/23/2013
<b>Close By:</b>	12/10/2013	12/4/2014	12/31/2013	12/23/2013	12/10/2013
<b>Annual Debt Service: <sup>(1)</sup></b>	\$74,344	Option One: \$158,279 Option Two: \$272,651	\$262,923	\$271,732	With Fee Opportunity: \$264,289 Without Fee Opportunity: \$265,808
<b>Total Debt Service: <sup>(2)</sup></b>	\$3,356,272	Option One: \$3,582,785 Option Two: \$3,953,432	\$3,937,150	N/A	With Fee Opportunity: \$3,958,529 Without Fee Opportunity: \$3,980,443
<b>Other Notes/Information:</b>	2.29% interest rate is an indicative quote as of December 10, the actual interest rate shall be set two days prior to closing. The interest rate is subject to a 1% increase in the event of a payment default. The interest rate is subject to a tax gross-up in the event that a Determination of Taxability occurs.	Fund proceeds shall be deposited in a project fund account with BBK1.	The City is responsible for paying or reimbursing the Bank for fees and expenses of its counsel in the event of a post-closing dispute concerning the Bond. Interest will be calculated on a 365/365 basis	The Bank will have a put option on July 1, 2024. The City will be required to maintain a minimum Standard & Poor's general obligation public investment grade rating (rating falling below this level with 2 of 3 rating agencies in an event of default). The City shall pay the Bank under customary yield protection provisions additional amounts that will compensate the Bank in the event they become subject to legal, capital or reserve requirements. The City must waive a jury trial.	Fee opportunity refers to SumTrust's procurement card technology that the City shall consider within 90 days of the award of the financing. Yield Maintenance Language that specifies the interest rate takes into consideration a marginal maximum federal corporate tax rate of 35% and in the event of a decrease in that tax rate, the Bank will adjust the interest rate upwards in order to maintain the same after tax yield. If a determination of taxability event occurs, the rate will also be adjusted upwards to a rate determined necessary to maintain the same after-tax yield.

<sup>(1)</sup> Annual debt service figures are shown assuming a par amount of \$3,178,000 and are an average based on the term of the financing. For Bank of America Merrill Lynch and BBK1, debt service figures are shown from the amortization schedules provided in the respective proposals.  
<sup>(2)</sup> Total debt service figures are shown assuming a par amount of \$3,178,000. For Bank of America Merrill Lynch and BBK1, debt service figures are shown from the amortization schedules provided in the respective proposals. For PNC Bank, the total is shown due to its rate reset put feature.

All proposals are subject to the negotiation of mutually satisfactory loan covenants and final terms between the City and the Bank. This summary is not intended to be an all-inclusive list of the terms/conditions provided by each Bank. Please see the individual Bank responses for further details.

Prepared by Davernport & Company LLC  
 Tuesday, December 10, 2013

## Disclaimer

---

The U.S. Securities and Exchange Commission (the "SEC") has clarified that a broker, dealer or municipal securities dealer engaging in municipal advisory activities outside the scope of underwriting a particular issuance of municipal securities should be subject to municipal advisor registration. Davenport & Company LLC ("Davenport") has registered as a municipal advisor with the SEC. As a registered municipal advisor Davenport may provide advice to a municipal entity or obligated person. When acting as a registered municipal advisor Davenport is a fiduciary required by federal law to act in the best interest of a municipal entity or obligated person without regard to its own financial or other interests, except when Davenport acts as an underwriter, as noted below, or as a registered investment advisor. If and when an issuer engages Davenport to provide financial advisory or consultant services with respect to the issuance of municipal securities, Davenport is obligated to evidence such a financial advisory relationship with a written agreement. As a financial advisor, Davenport's fiduciary obligations to the issuer are the same as those of a registered municipal advisor.

However, should an issuer choose to consider Davenport as an underwriter, under the Municipal Securities Rulemaking Board ("MSRB") Rule G-17 Davenport is obligated to disclose that the underwriter's primary role is to purchase securities with a view to distribution in an arm's length commercial transaction with the issuer and the underwriter has financial and other interests that differ from those of the issuer; unlike a municipal advisor, the underwriter does not have a fiduciary duty to the issuer under the federal securities laws and is, therefore, not required by federal law to act in the best interest of the issuer without regard to its own financial or other interests; the underwriter has a duty to purchase securities from the issuer at a fair and reasonable price, but must balance that duty with its duty to sell municipal securities to investors at prices that are fair and reasonable; the underwriter will review the official statement of the issuer's securities in accordance with, and as part of, its responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of the transaction. Rule G-17 also requires an underwriter to deal fairly at all times with both municipal issuers and investors. The SEC has clarified that in order for a person to serve as an underwriter with respect to an issuance of municipal securities there must be a relationship to a particular transaction.

Davenport's compensation when serving as an underwriter is normally contingent on the closing of a transaction. Clients generally prefer this arrangement so they are not obligated to pay a fee unless the transaction is completed. However, MSRB Rule G-17 requires an underwriter to disclose that compensation that is contingent on the closing of a transaction or the size of a transaction presents a conflict of interest, because it may cause the underwriter to recommend a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

This material was prepared by public finance, or other non-research personnel of Davenport. This material was not produced by a research analyst, although it may refer to a Davenport research analyst or research report. Unless otherwise indicated, these views (if any) are the author's and may differ from those of the Davenport fixed income or research department or others in the firm. Davenport may perform or seek to perform financial advisory, underwriting or placement agent services for the issuers of the securities and instruments mentioned herein.

This material has been prepared for information purposes only and is not a solicitation of any offer to buy or sell any security/instrument or to participate in any trading strategy. Any such offer would be made only after a prospective participant had completed its own independent investigation of the securities, instruments or transactions and received all information it required to make its own investment decision, including, where applicable, a review of any offering circular or memorandum describing such security or instrument. That information would contain material information not contained herein and to which prospective participants are referred. This material is based on public information as of the specified date, and may be stale thereafter. We have no obligation to tell you when information herein may change. We make no representation or warranty with respect to the completeness of this material. Davenport has no obligation to continue to publish information on the securities/instruments mentioned herein. Recipients are required to comply with any legal or contractual restrictions on their purchase, holding, sale, exercise of rights or performance of obligations under any securities/instruments transaction.

The securities/instruments discussed in this material may not be suitable for all investors or issuers. Recipients should seek independent financial advice prior to making any investment decision based on this material. This material does not provide individually tailored investment advice or offer tax, regulatory, accounting or legal advice. Prior to entering into any proposed transaction, recipients should determine, in consultation with their own investment, legal, tax, regulatory and accounting advisors, the economic risks and merits, as well as the legal, tax, regulatory and accounting characteristics and consequences, of the transaction. You should consider this material as only a single factor in making an investment decision.

The value of and income from investments and the cost of borrowing may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions or companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance and estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes only to simplify the presentation and/or calculation of any projections or estimates, and Davenport does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein. This material may not be sold or redistributed without the prior written consent of Davenport

**BULLET POINTS SUMMARY OF  
2013 SALISBURY TAX-EXEMPT GO BOND RESOLUTION**

- Recitals indicate that pursuant to Ordinance No. 2273, the City is authorizing the issuance and sale from time to time of one or more series of general obligation bonds in an aggregate principal amount not to exceed \$3,178,000 in order to finance, reimburse or refinance costs of the projects identified in such Ordinance as “Riverwalk”, “Mainstreet Master Plan”, “Coty Cox Drainage Improvements” and “Germania Circle”.
- Recitals indicate that the City is ready to proceed with bond funding the projects identified in Ordinance No. 2273, and Davenport & Company LLC, financial advisor to the City, recommended that the current interest rate environment provides an opportunity to sell the authorized bonds by private placement with a bank or financial institution, and Davenport conducted a request for proposals on behalf of the City. Five banks submitted proposals in response to the RFP.
- Section 2 – The City determines to borrow money to finance or reimburse costs of the projects identified therein in the maximum principal amount set forth opposite each project, and proceeds are appropriated for such purposes, provided that the City, without notice or consent to the registered owner of the Bond identified in Section 3, may reallocate the maximum principal amount of Bond proceeds to be spent on each project in accordance with City budgetary procedures or applicable law. In addition, in the event it is determined prior to issuance and delivery of the Bond that other moneys are available or likely to be available for any of such projects, the Mayor, with the advice of the City Administrator and the Director of Internal Services, is authorized to determine to reduce or eliminate the maximum principal amount of Bond proceeds allocated to any one or more of such projects. (See the Notes at the end of this summary.)
- Section 3 – The “City of Salisbury Public Improvements Bond of 2013” (the “Bond”) will be issued in the principal amount of \$3,178,000 or such lesser amount as the Mayor, with the advice of the City Administrator, the Director of Internal Services and the financial advisor, shall determine, in order to fund costs of the projects.
- Section 4(a) – The Bond will be issued as a single general obligation installment bond with principal due each July 1 in the years 2014-2028, inclusive. The Bond will be payable pursuant to the principal amortization schedule set forth in Section 4(a) unless the Mayor, with the advice of the City Administrator, the Director of Internal Services and the financial advisor, determines to change the presumed delivery date of the Bond, it is determined that the maximum authorized amount is not needed for any project or typographical or calculation errors need to be corrected.
- Section 4(b) – Interest rate on the Bond will be 2.96% per annum.
- Section 4(c) – Interest on the Bond will be payable semiannually on January 1 and July 1, commencing July 1, 2014.
- Rest of Section 4 – Standard provisions re: the registered owner of the Bond giving notice of payments when due (though failure to give same does not allow the City to excuse non-payment), payment dates not falling on business days, and method of payment.
- Section 5 – Bond can be prepaid in whole or in part at any time at the option of the City, at par plus accrued interest, with no premium or penalty, in order of maturity selected by the City, and with or without advance notice to the registered owner of the Bond.

- Sections 6-8 – Standard provisions for execution, transfer and approval of final form of the Bond.
- Section 9 – The Council ratifies and confirms the circulation of the RFP to banks and subsequent negotiations with respondents, and determines to sell the Bond to Hebron Savings Bank by private (negotiated) sale without advertisement or solicitation of competitive bids (even though Davenport circulated an RFP, that does not constitute a “public sale” for MD state law purposes), for a price of par, with no payment of accrued interest. The Bond to be sold for investment purposes only and Hebron Savings Bank required to deliver a certification to bond counsel at closing.
- Section 10 - The Bond to be prepared and delivered on a date acceptable to the Director of Internal Services, Hebron Savings Bank (identified as the Purchaser) and bond counsel, but no later than December 31 2013 without consent of Hebron Savings Bank, and appropriate officials are authorized to take all action necessary to close the Bond, to reflect the Purchaser’s requirements in closing documents, and to consummate the transactions contemplated by the Resolution.
- Section 11 – The Director of Internal Services (or an Assistant Director) is authorized to receive Bond proceeds. The appropriate official or officials authorized to direct application of Bond proceeds and provide for any investment. Unless the Council determines otherwise by ordinance or resolution, as applicable, (i) excess proceeds will be applied to pay debt service on the Bond or prepay the Bond and (ii) investment earnings will be applied to pay Project costs, debt service on the Bond or prepay the Bond. (Note: If the City later wishes to apply Bond proceeds to other projects not identified in the Ordinance and the Resolution, we will need to supplement both to authorize such application; we have done that with respect to other bond issues when the City achieved unexpected cost savings or a project was delayed or discontinued.)
- Section 12 –The City pledges its full faith and credit and unlimited taxing power to payment of the Bond and agrees to levy taxes sufficient to make such payments, provided that if other funds are lawfully available to make such payments, the taxes required to be levied shall be reduced proportionately.
- Sections 13 and 14—The City makes standard representations and covenants relating to the tax-exempt status of the Bond. The Mayor, together with either the City Administrator or the Director of Internal Services, is authorized to sign a tax certificate and take certain actions relating to the tax-exempt status of the Bond.
- Section 15 – The City designates the Bond as a “qualified tax-exempt obligation” for purposes of the federal tax code (commonly referred to as a “bank-qualified bond”) and represents that it, its subordinate entities and its on-behalf-of issuers do not reasonably anticipate issuing more than \$10,000,000 of tax-exempt obligations for their own purposes or qualified 501(c)(3) bonds in calendar year 2013. (Note—a calendar year, not a fiscal year test.)
- Section 16 – The City expresses its intention not to issue more than \$5 million of tax-exempt obligations in calendar year 2013 for its own purposes (if that remains true, the City qualifies for the small issuer exception from the arbitrage rebate requirement with respect to the Bond).
- Section 17 – The Resolution shall be effective upon adoption by the Council and approval by the Mayor, provided that the Bond may not be issued until Ordinance No. 2273 is also effective.



- Exhibit A – Form of Bond, which the Mayor is authorized to complete/modify before delivering pursuant to Sections 6 and 8 of the Resolution.

Notes:

(1) The reason the Mayor, with the advice of identified officials, is authorized to reduce the final principal amount of the Bond prior to issuance (and to make corresponding reductions in the amortization schedule for the Bond), is because the City has some unexpended other bond proceeds it hopes to be able to direct to one or more of the indicated projects.

(2) While there is currently an Acting City Administrator (sometimes referred to as the Interim City Administrator), references throughout the Resolution are to the City Administrator because certain provisions of the Resolution allow officials to take actions throughout the life of the bond issue. Section 1(b)(ii) of the Resolution provides that references to officials by title in the Resolution are deemed to refer to any person serving in an acting capacity where applicable, so Mr. Stevenson's taking any actions in connection with the bond closing are contemplated and authorized.

#159413;58111.028