

Resolution No. 2569

A RESOLUTION OF THE CITY OF SALISBURY, MARYLAND AUTHORIZING AND EMPOWERING CITY OF SALISBURY (THE "CITY") TO ISSUE AND SELL A GENERAL OBLIGATION INSTALLMENT BOND IN THE PRINCIPAL AMOUNT OF \$4,726,200.00, 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 REPLACED, SUPPLEMENTED OR AMENDED, AND ORDINANCE NO. 2357, PASSED BY THE COUNCIL OF THE CITY ON OCTOBER 12, 2015 AND APPROVED BY THE MAYOR OF THE CITY ON OCTOBER 14, 2015, THE BOND TO BE DESIGNATED "CITY OF SALISBURY PUBLIC IMPROVEMENTS BOND OF 2015" (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: MAIN STREET MASTER PLAN, EAST MAIN ST STORM DRAIN, BEAVERDAM CREEK TIDAL DAM REPAIR AND 24" W IN GORDY RD, 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 BANK OF AMERICA, N.A. OR AN AFFILIATE OF BANK OF AMERICA CORPORATION, AS SPECIFIED BY BANK OF AMERICA MERRILL LYNCH; 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; PROVIDING THAT THE PROVISIONS OF THIS RESOLUTION SHALL BE LIBERALLY CONSTRUED; AND GENERALLY RELATING TO THE ISSUANCE, SALE, DELIVERY AND PAYMENT OF AND FOR THE BOND.

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

RECITALS

WHEREAS, City of Salisbury, a municipal corporation of the State of Maryland and a municipality within the meaning of the Enabling Act identified below (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, 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 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. 2357, passed by the Council of the City (the “Council”) on October 12, 2015, approved by the Mayor of the City (the “Mayor”) on October 14, 2015 and effective on October 14, 2015 (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 Four Million Seven Hundred Twenty-six Thousand Two Hundred Dollars (\$4,726,200.00) (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 Main Street Master Plan, East Main St Storm Drain, Beaverdam Creek Tidal Dam Repair and 24” W in Gordy Rd (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 Public Advisory Consultants, Inc., 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 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, Public Advisory Consultants, Inc., 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 October 20, 2015 for the purchase of such bond in the maximum aggregate principal amount of up to \$4,726,200.00, and to be issued on a tax-exempt

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

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, three 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 the affiliate specified by Bank of America Merrill Lynch be selected as the purchaser of the bond because while no bank was willing to purchase a bond with the City's preferred term of 15 years, Bank of America Merrill Lynch (through an affiliate) offered to purchase the bond at the apparent lowest interest rate, will allow the City to prepay the bond in whole or in part at any time (with a premium, to the extent applicable) and did not require that the interest rate be increased in certain scenarios as required by the other proposing banks; 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 \$4,726,200.00 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.

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

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 costs (as defined in subsection (b) below) 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):

	<u>Project Name</u>	<u>Maximum Principal Amount</u>
1.	Main Street Master Plan	\$2,240,000.00
2.	East Main St Storm Drain	350,200.00
3.	Beaverdam Creek Tidal Dam Repair	1,136,000.00
4.	24" W in Gordy Rd	<u>1,000,000.00</u>
TOTAL		<u>\$4,726,200.00</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, reimbursement or refinancing of any such Project.

(c) Notwithstanding the provisions of subsection (a) above, in the event 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 identified in Section 3 below 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

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

reduction or elimination. In any such event, the final principal amount of the Bond will be reduced from \$4,726,200.00 in accordance with the provisions of Section 3 hereof.

(d) Proceeds of the Bond 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 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 Four Million Seven Hundred Twenty-six Thousand Two Hundred Dollars (\$4,726,200.00) 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 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 2015" (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 installment bond, without coupons attached. The Bond shall mature, subject to prior prepayment as provided for in accordance with Section 5 of this Resolution, on December 1, 2025. Subject to the remaining provisions of this subsection (a), principal of the Bond shall be payable in ten (10) annual serial installments on December 1 of each year, commencing December 1, 2016 and ending on December 1, 2025, subject to prior prepayment as provided for in accordance with Section 5 of this Resolution, as follows:

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

<u>Date</u>	<u>Principal Installment</u>	<u>Date</u>	<u>Principal Installment</u>
12/01/2016	\$428,675.92	12/01/2021	\$476,783.20
12/01/2017	437,892.45	12/01/2022	487,034.04
12/01/2018	447,307.14	12/01/2023	497,505.27
12/01/2019	456,924.25	12/01/2024	508,201.64
12/01/2020	466,748.12	12/01/2025	519,127.97

The foregoing principal amortization schedule was prepared by Bank of America Merrill Lynch and assumes that the Bond will be issued and delivered on December 1, 2015 in the principal amount of Four Million Seven Hundred Twenty-six Thousand Two Hundred Dollars (\$4,726,200.00) and that the Bond will bear interest at the indicative rate of 2.15% as provided for in Bank of America Merrill Lynch's proposal. 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, (iii) to reflect the actual interest rate determined in accordance with the provisions of subsection (b) below, and/or (iv) to correct typographical or calculation errors, such revised amortization schedule to be prepared by the financial advisor to the City or Bank of America Merrill Lynch 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 reflecting such revised amortization schedule as provided for in Sections 6 and 8 hereof. Any revised amortization schedule shall be structured on a roughly level debt service basis unless the City Administrator and the Director of Internal Services, with the advice of the financial advisor to the City, determine another structure would be more advantageous to the City and Bank of America Merrill Lynch agrees.

(b) Subject to the provisions of subsection (c) below, the Bond shall bear interest from its date of delivery at the rate determined two (2) days prior to delivery of the Bond by application of the following formula (the "Tax-Exempt Interest Rate"): (i) 68 month Swap Rate (as defined herein), plus (ii) 0.52%, where "Swap Rate" means, as of any date, the offered U.S. Dollar interest rate swap rate for a fixed rate payer having a floating rate equal to the three month Libor determined by Bank of America Merrill Lynch on such date by reference to the Bloomberg service or such other similar data source then used by Bank of America Merrill Lynch for determining such rate. In determining the 68 month Swap Rate, Bank of America Merrill Lynch may use relevant data to interpolate to the 68 month rate.

(c) Notwithstanding the rate determined by application of the formula provided for in subsection (b) above, upon the occurrence of a Determination of Taxability, the Bond shall bear interest at the Alternative Taxable Rate, both as defined herein. "Determination of Taxability" means a final decree or judgment of any federal court or a final action of the Internal Revenue Service determining that interest on the Bond is includable in gross income of the registered owner of the Bond (or any prior registered owner) for federal income tax purposes as a result of conditions arising from the action or inaction of the City. "Alternative Taxable Rate" means the Tax-Exempt

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

Interest Rate, multiplied by the Taxable Rate Factor (as defined herein), and the “Taxable Rate Factor” means the amount by which the Tax-Exempt Interest Rate must be multiplied to achieve the equivalent taxable rate given the highest marginal federal corporate tax rate (35% as of the date of introduction of this Resolution); the Taxable Rate Factor is subject to change should the highest marginal federal corporate tax rate change. Upon a Determination of Taxability, the City shall also be responsible for payment of any interest, penalties or charges owed by the registered owner of the Bond (or any prior registered owner) as a result of the Determination of Taxability, together with any and all attorneys’ fees, court costs or other out-of-pocket expenses incurred by the registered owner of the Bond (or prior registered owner) as a result of the Determination of Taxability. In addition, from and after the date which is seven (7) days after a payment default by the City with respect to the Bond, and during the continuance of any such payment default by the City, the interest rate then in effect will be increased by four percent (4.0%) per annum. The provisions of this subsection (c) are subject to applicable law, and to the extent any such provision is determined to be unlawful, such provision shall be enforced to the maximum extent permitted by applicable law.

(d) Interest on the Bond shall be payable on June 1 and December 1 in each year until maturity or prior prepayment in full, commencing on June 1, 2016; 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 30/360 day count 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.

(e) 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 fifteen (15) 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.

(f) 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

(g) 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(g).

(h) The provisions of this Section 4 are subject to the provisions of Section 10(b) of this Resolution.

SECTION 5. BE IT FURTHER RESOLVED that:

(a) 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, plus, to the extent applicable, a Prepayment Fee (as defined herein). The "Prepayment Fee" shall be equal to the present value (discounted by the Reinvestment Rate, as defined herein) of the difference, if positive, between (i) the sum of the interest payments that would have accrued through the end of the Fixed Rate Term (as defined herein) on each prepaid installment of principal at a fixed interest rate for such installment equal to the Original Funding Rate (as defined herein) which is X plus 0.10%, as if the prepayment had not been made, less (ii) the sum of the interest payments that would have accrued on each prepaid installment of principal at a fixed interest rate for such installment equal to the Reinvestment Rate, as if the prepayment had not been made. The following definitions shall apply to the calculation of the Prepayment Fee: (i) "Fixed Rate Term" means the full term of the Bond during which the interest rate was fixed on the principal amount prepaid; (ii) "Original Funding Rate" means with respect to any prepaid installment of principal, the Swap Rate (as defined herein) on the date the interest rate was fixed by the original registered owner of the Bond on the principal amount prepaid for a term corresponding to a period of time equal to the average life of the Bond for the Fixed Rate Term, interpolated on a linear basis, if necessary; (iii) "Reinvestment Rate" means with respect to each prepaid installment of principal, the Swap Rate on the date the prepayment fee is calculated by the registered owner of the Bond for a term corresponding to the period of time remaining until such principal installment was scheduled to be made, interpolated on a linear basis, if necessary; and (iv) "Swap Rate" means, as of any date, the offered U.S. Dollar interest rate swap rate for a fixed rate payer having a floating rate equal to the three month Libor determined by the registered owner of the Bond on such date by reference to the Bloomberg service or such other similar data source then used by the registered owner of the Bond for determining such rate.

(b) If the City determines to prepay the Bond in part, the amount of principal prepaid shall be applied to scheduled installments of principal in inverse order (beginning with the most

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

remote payment date for scheduled principal). Notice of optional prepayment of the Bond shall be given by the City at least fourteen (14) 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 and indicating the principal amount of the Bond to be prepaid. Any such notice may be conditional.

(c) The provisions of this Section 5 are subject to the provisions of Section 10(b) of this Resolution.

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 (subject to adjustment).

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, 4, 5 and 10 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. In addition, the Mayor may make variations, insertions or deletions to such form to include provisions that are favorable to the City or to modify provisions that are less favorable to the City, as agreed upon by Bank of America Merrill Lynch. 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

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

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. To the extent there are any inconsistencies between the provisions of the Bond, as executed and delivered in accordance with the provisions of this Section 8, and the provisions of this Resolution, the provisions of the Bond shall control.

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 October 20, 2015 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 Bank of America, N.A. or an affiliate of Bank of America Corporation, as specified by Bank of America Merrill Lynch, 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 Bank of America, N.A. or an affiliate of Bank of America Corporation, as specified by Bank of America Merrill Lynch (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

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

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:

(a) 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 15, 2015 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 the proposal submitted by Bank of America Merrill Lynch (or any other acknowledgment required by such proposing institution), 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, and to consummate the transactions contemplated by this Resolution. The City acknowledges its obligation to compensate counsel to the Purchaser in an amount up to \$5,000.00.

(b) To the extent the provisions set forth in Sections 4 and 5 of this Resolution do not comport with the provisions specified by Bank of America Merrill Lynch in its proposal, the Mayor, on behalf of the City, with the advice of bond counsel to the City, is hereby authorized and empowered to include in the final form of the Bond such provisions as modified as required by Bank of America Merrill Lynch, the Mayor's approval of any such modifications to be evidenced conclusively by the Mayor's execution and delivery of the final form of the Bond containing such modifications in accordance with the provisions of Sections 6 and 8 of this Resolution, and to the extent of any discrepancy between Sections 4 and 5 hereof and the final provisions of the Bond, the provisions so included in the executed Bond shall control.

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

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

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 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) That portion of the principal of and interest on the Bond allocated to the costs of the Project identified as “24” W in Gordy Rd” in Section 2(a) of this Resolution will be payable in the first instance from the Water/Sewer Fund, to the extent moneys therein 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.

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

(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.

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

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

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.

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

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, 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 in connection with the transactions contemplated by the proposal of Bank of America Merrill Lynch (the "Bank") relating to the purchase of the Bond by the Purchaser (i) the transaction contemplated by the Bank's proposal

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

with respect to the Bond is an arm's length, commercial transaction between the City and the Bank or its affiliates in which the Bank or its affiliates is acting solely as a principal and for its own interests; (ii) the Bank and its affiliates are not acting as a municipal advisor or financial advisor to the City; (iii) the Bank and its affiliates have no fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934, as amended, to the City with respect to the transactions contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Bank or its affiliates have provided other services or are currently providing other services to the City on other matters); (iv) the only obligations the Bank and its affiliates has to the City with respect to the transaction contemplated by the proposal of the Bank relating to the purchase of the Bond are expressly set forth in the Bank's proposal; and (v) neither the Bank nor its affiliates is recommending that the City take an action with respect to the transaction contemplated by the proposal of the Bank relating to the purchase of the Bond, and before taking any action with respect to such contemplated transaction, the City should discuss the information contained in such proposal with the City's own legal, accounting, tax, financial and other advisors, as it deems appropriate. The City understands that if the City would like a municipal advisor in this transaction that has legal fiduciary duties to the City, the City is free to engage a municipal advisor to serve in that capacity. The City understands that the proposal of the Bank relating to the purchase of the Bond is provided to the City pursuant to and in reliance upon the "RFP exemption" and the "bank exemption" provided under the municipal advisor rules of the Securities and Exchange Commission, Rule 15Ba1-1 et seq., to the extent that such rules apply to the transaction contemplated thereunder.

SECTION 16. BE IT FURTHER RESOLVED that the provisions of this Resolution shall be liberally construed in order to effectuate the transactions contemplated by this Resolution.

SECTION 17. 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]

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 23rd day of
November, 2015.

ATTEST:

Diane C. Nelson
~~Kimberly R. Nichols, City Clerk~~
Diane C. Nelson, Assistant City Clerk

John R. West
_____, City Council President

APPROVED BY ME THIS 23 DAY OF NOVEMBER, 2015:

Jacob R. Day
Jacob R. Day, Mayor

#181800;58111.035

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 2015

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Date</u>
December 1, 2025	_____% , subject to adjustment as described herein	_____, 2015

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

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

and promises to pay to the registered owner shown above, or registered assignee or legal representative, the Principal Sum shown above, payable in ten (10) annual serial installments on December 1, commencing December 1, 2016, 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>
12/01/2016		12/01/2021	
12/01/2017		12/01/2022	
12/01/2018		12/01/2023	
12/01/2019		12/01/2024	
12/01/2020		12/01/2025	

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 _____ percent (_____ %) per annum (the “Tax-Exempt Interest Rate”).

Notwithstanding the preceding paragraph, upon the occurrence of a Determination of Taxability, this bond shall bear interest at the Alternative Taxable Rate, both as defined herein. “Determination of Taxability” means a final decree or judgment of any federal court or a final action of the Internal Revenue Service determining that interest on this bond is includable in gross income of the registered owner of this bond (or any prior registered owner) for federal income tax purposes as a result of conditions arising from the action or inaction of the City. “Alternative Taxable Rate” means the Tax-Exempt Interest Rate, multiplied by the Taxable Rate Factor (as defined herein), and the “Taxable Rate Factor” means the amount by which the Tax-Exempt Interest Rate must be multiplied to achieve the equivalent taxable rate given the highest marginal federal corporate tax rate (35% as of the dated date of this bond); the Taxable Rate Factor is subject to change should the highest marginal federal corporate tax rate change. Upon a Determination of Taxability, the City shall also be responsible for payment of any interest, penalties or charges owed by the registered owner of this bond (or any prior registered owner) as a result of the Determination of Taxability, together with any and all attorneys’ fees, court costs or other out-of-pocket expenses incurred by the registered owner of this bond (or prior registered owner) as a result of the Determination of Taxability. In addition, from and after the date which is seven (7) days after a payment default by the City with respect to this bond, and during the continuance of any such payment default by the City, the interest rate then in effect will be increased by four percent (4.0%) per annum. The provisions of this paragraph are subject to applicable law, and to the extent any such provision is determined to be unlawful, such provision shall be enforced to the maximum extent permitted by applicable law.

Interest on this bond shall be payable on June 1 and December 1 in each year until maturity or prior prepayment in full, commencing on June 1, 2016. This bond shall bear interest from the

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

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 30/360 day count basis. 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 fifteen (15) 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 2015". 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 replaced, supplemented or amended, and by virtue of due proceedings had and taken by the Council of the City (the "Council"), particularly Ordinance No. 2357, which was passed by the Council on October 12, 2015, approved by the Mayor of the City (the "Mayor") on October 14, 2015 and became effective on October 14, 2015 (the "Ordinance"), and Resolution No. _____, which was adopted by the Council on November __, 2015, approved by the Mayor on November __, 2015 and became effective on November __, 2015 (the "Resolution").

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

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 (subject to adjustment). 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.

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, plus, to the extent applicable, a Prepayment Fee (as defined herein). The "Prepayment Fee" shall be equal to the present value (discounted by the Reinvestment Rate, as defined herein) of the difference, if positive, between (i) the sum of the interest payments that would have accrued through the end of the Fixed Rate Term (as defined herein) on each prepaid installment of principal at a fixed interest rate for such installment equal to the Original Funding Rate (as defined herein) which is X plus 0.10%, as if the prepayment had not been made, less (ii) the sum of the interest payments that would have accrued on each prepaid installment of principal at a fixed interest rate for such installment equal to the Reinvestment Rate, as if the prepayment had not been made. The following definitions shall apply to the calculation of the Prepayment Fee: (i) "Fixed Rate Term" means the full term of this bond during which the interest rate was fixed on the principal amount prepaid; (ii) "Original Funding Rate" means with respect to any prepaid installment of principal, the Swap Rate (as defined herein) on the date the interest rate was fixed by the original registered owner of this bond on the principal amount prepaid for a term corresponding to a period of time equal to the average life of this bond for the Fixed Rate Term, interpolated on a linear basis, if necessary; (iii) "Reinvestment Rate" means with respect to each

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

prepaid installment of principal, the Swap Rate on the date the prepayment fee is calculated by the registered owner of this bond for a term corresponding to the period of time remaining until such principal installment was scheduled to be made, interpolated on a linear basis, if necessary; and (iv) "Swap Rate" means, as of any date, the offered U.S. Dollar interest rate swap rate for a fixed rate payer having a floating rate equal to the three month Libor determined by the registered owner of this bond on such date by reference to the Bloomberg service or such other similar data source then used by the registered owner of this bond for determining such rate.

If the City determines to prepay this bond in part, the amount of principal prepaid shall be applied to scheduled installments of principal in inverse order (beginning with the most remote payment date for scheduled principal). Notice of optional prepayment shall be given by the City at least fourteen (14) days prior to the date fixed for prepayment (or such fewer number of days as is acceptable to the registered owner of this bond) by mailing or otherwise giving to such registered owner a notice fixing the prepayment date and indicating the principal amount of this bond to be prepaid. Any notice of prepayment may be conditional.

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 _____, 2015.

(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