

Resolution No. 1511

A RESOLUTION OF THE COUNCIL OF THE CITY OF SALISBURY AUTHORIZING THE ISSUANCE AND SALE OF CITY OF SALISBURY'S GENERAL OBLIGATION INSTALLMENT BOND IN THE AGGREGATE PRINCIPAL AMOUNT OF FOUR MILLION NINE HUNDRED FIFTY THOUSAND DOLLARS (\$4,950,000.00), PURSUANT TO THE AUTHORITY OF SECTIONS 31 TO 37, INCLUSIVE, OF ARTICLE 23A OF THE ANNOTATED CODE OF MARYLAND, AS REPLACED, SUPPLEMENTED OR AMENDED, SECTIONS SC7-45 AND SC7-46 OF THE CHARTER OF THE CITY OF SALISBURY, AS PUBLISHED IN MUNICIPAL CHARTERS OF MARYLAND, VOLUME 6, 1990 REPLACEMENT EDITION, AS REPLACED, SUPPLEMENTED OR AMENDED, AND ORDINANCE NO. 2020, PASSED BY THE COUNCIL OF CITY OF SALISBURY ON DECEMBER 11, 2006, APPROVED BY THE MAYOR ON DECEMBER 15, 2006 AND EFFECTIVE ON DECEMBER 15, 2006, THE BOND TO BE DESIGNATED "CITY OF SALISBURY PUBLIC IMPROVEMENTS BOND OF 2007," AND THE PROCEEDS OF THE SALE THEREOF TO BE USED AND APPLIED FOR THE PUBLIC PURPOSE OF FINANCING, REIMBURSING OR REFINANCING COSTS OF THE PROJECTS IDENTIFIED HEREIN AS ISABELLA STREET-SHORELINE STABLIZATION, WATER/SEWER/STORMWATER MANAGEMENT-ACQUISITION, ANIMAL HEALTH BUILDING/SALISBURY ZOO-ENGINEERING AND FIRE STATION #2 RENOVATION-ENGINEERING, TOGETHER WITH RELATED COSTS AND COSTS OF ISSUANCE; PRESCRIBING THE FORM AND TENOR OF THE BOND AND THE TERMS AND CONDITIONS FOR THE ISSUANCE AND SALE THEREOF BY PRIVATE (NEGOTIATED) SALE TO SUNTRUST LEASING CORPORATION; PRESCRIBING THE TERMS AND CONDITIONS OF THE BOND AND ALL OTHER DETAILS INCIDENT TO THE ISSUANCE, SALE AND DELIVERY OF THE BOND; PROVIDING FOR THE DISBURSEMENT AND INVESTMENT OF THE PROCEEDS OF THE BOND; PROVIDING THAT A PORTION OF DEBT SERVICE ON THE BOND WILL BE PAYABLE IN THE FIRST INSTANCE FROM WATER SYSTEM REVENUES AND SEWER SYSTEM REVENUES, TO THE EXTENT AVAILABLE; PROVIDING FOR THE LEVY AND COLLECTION OF AD VALOREM TAXES NECESSARY FOR THE PROMPT PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BOND; PROVIDING THAT THE FULL FAITH AND CREDIT AND UNLIMITED TAXING POWER OF THE CITY SHALL BE IRREVOCABLY PLEDGED TO THE PAYMENT OF SUCH PRINCIPAL AND INTEREST; 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; AND GENERALLY RELATING TO THE ISSUANCE, SALE, DELIVERY AND PAYMENT OF AND FOR THE BOND.

RECITALS

WHEREAS, City of Salisbury, a municipal corporation of the State of Maryland (the “City”), is authorized and empowered by Sections 31 to 37, inclusive, of Article 23A of the Annotated Code of Maryland, as replaced, supplemented or amended (the “Enabling Act”), and Sections SC7-45 and SC7-46 of the Charter of the City of Salisbury, as published in Municipal Charters of Maryland, Volume 6, 1990 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. 2020, passed by the Council of the City on December 11, 2006, approved by the Mayor on December 15, 2006 and effective on December 15, 2006 (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 Nine Hundred Fifty Thousand Dollars (\$4,950,000) (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, refinancing or reimbursing the costs of any of the Projects identified in Section 3(b) of the Ordinance, including paying costs of issuance; 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 Ordinance provides that each series of the Authorized Bonds shall be sold by private (negotiated) sale without advertisement or solicitation of competitive bids due to the ability to time the market, negotiate flexible terms and achieve a beneficial interest rate or rates, unless the Council determines by resolution that it would be more advantageous to sell any series of the Authorized Bonds by solicitation of competitive bids at public sale after publication or dissemination of the notice of sale; and

WHEREAS, based on the conclusion that current market conditions warranted a private (negotiated) sale of a series of the Authorized Bonds due to the ability to negotiate flexible terms, time the market and thereby achieve a beneficial interest rate, bond counsel to the City, with the participation of the City Administrator and the Director of Internal Services, provided for the distribution to banking institutions and other institutional investors in the general vicinity of the City and in the Baltimore-Washington, D.C. regional area of a solicitation for indications of interest dated March 22, 2007 for the purchase of a series of the Authorized Bonds in the form of a single, general obligation installment bond in the principal amount of \$4,950,000 in order to determine the potential purchaser likely to offer the most beneficial interest rate and negotiated flexible terms and, thereby, to obtain for the City, as nearly as possible, the best possible results for the sale of the Authorized Bonds without conducting a public sale by the solicitation of competitive bids; and

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WHEREAS, in response to such solicitation of interest, the Director of Internal Services recommends, and the City Administrator concurs, that SunTrust Leasing Corporation offers the most desirable terms and beneficial interest rate; and

WHEREAS, the Council has determined that it is in the best interests of the City and its citizens to issue and sell one series of the Authorized Bonds, in the principal amount of \$4,950,000 (thereby exhausting the aggregate principal amount of the authority for the Authorized Bonds set forth in the Ordinance), 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 \$4,950,000 stated 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 the Recitals hereto constitute an integral part of this Resolution and are incorporated herein by reference.

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

<u>Project Description</u>	<u>Maximum Principal Amount</u>
1 Isabella Street-Shoreline Stabilization	\$2,050,000.00
2 Water/Sewer/Stormwater Management -Acquisition	2,760,000.00
3 Animal Health Building/Salisbury Zoo-Engineering	67,500.00
4 Fire Station #2 Renovation - Engineering	42,500.00
5 Costs of Issuance	<u>30,000.00</u>
	<u>\$4,950,000.00</u>

The projects identified in items 1 - 5 above are collectively referred to herein as the "Projects".

(b) With respect to the Projects listed above, the word "costs" shall include, as applicable, land and right-of-way acquisition and development; site and utility improvements; acquisition, construction, expansion, reconstruction, replacement, renovation, rehabilitation, improvement, installation, furnishing and equipping activities and expenses; planning, design, engineering, architectural, feasibility, surveying, financial and legal expenses; costs of issuance (which may include costs of bond insurance or other credit enhancement); interest during construction and for a reasonable period thereafter (whether or not expressly so stated); and any

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such costs which may represent the City’s share or contribution to the financing, reimbursement or refinancing of any of the Projects.

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

SECTION 3. BE IT FURTHER RESOLVED that 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 Nine Hundred Fifty Thousand Dollars (\$4,950,000). Such bond shall be designated the “City of Salisbury Public Improvements Bond of 2007” (the “Bond”).

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 April 1, 2027. Principal of the Bond shall be payable in twenty (20) annual serial installments on April 1, commencing April 1, 2008, 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>
04/01/08	\$247,500	04/01/18	\$247,500
04/01/09	247,500	04/01/19	247,500
04/01/10	247,500	04/01/20	247,500
04/01/11	247,500	04/01/21	247,500
04/01/12	247,500	04/01/22	247,500
04/01/13	247,500	04/01/23	247,500
04/01/14	247,500	04/01/24	247,500
04/01/15	247,500	04/01/25	247,500
04/01/16	247,500	04/01/26	247,500
04/01/17	247,500	04/01/27	247,500

The registered owner of the Bond shall provide written notice to the Director of Internal Services of the City of the principal due on the Bond on each principal installment payment date at least fifteen (15) days prior to such principal installment 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. Principal installment payments on the Bond shall be noted on Schedule A to the Bond by the registered owner of the Bond, and a copy of such Schedule A shall be provided to the Director of Internal Services of the City within fifteen (15) days after each such entry shall have been made, but failure to provide a

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copy of such schedule shall not affect the amount of, or the City's obligation to pay, principal or interest due on the Bond.

(b) The Bond shall bear interest from its date of delivery at the rate of four and three hundredths percent (4.03%) per annum.

(c) Interest on the Bond shall be payable on October 1 and April 1 in each year until maturity or prior prepayment in full, commencing on October 1, 2007; provided that, the last installment of interest shall be paid on the date that principal of the Bond is retired or prepaid in full. The Bond shall bear interest from the most recent date to which interest has been paid or, if no interest has been paid, from the date of its delivery. Interest shall be computed on the basis of a 360-day year comprised of 12 30-day months. For purposes of calculating the interest due on the Bond, unpaid outstanding principal on any date shall be an amount equal to the original principal amount of the Bond, less any principal installment paid in accordance with subsection (a) above, and less any principal prepaid in accordance with Section 5 of this Resolution. The registered owner of the Bond shall provide written notice to the Director of Internal Services of the City of the interest 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.

(d) 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 holder 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 holder of the Bond is located are not required to be open, and no interest shall accrue for the intervening period.

(e) 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 of the City 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 of the City 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(e).

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, on April 1, 2015 or on any October 1 or April 1 thereafter, at a prepayment price of the par amount of the Bond (or portion thereof) to be prepaid, plus accrued interest to the date fixed for prepayment, without premium or penalty.

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Notice of optional prepayment shall be given by the City at least ten (10) days prior to the date fixed for prepayment (or such fewer number of days as is acceptable to the registered owner) by mailing to the registered owner a notice fixing the prepayment date and indicating the amount of the outstanding principal of the Bond to be prepaid and, in the event the Bond is to be prepaid in part only, the subsequent installment(s) of principal against which such prepayment amount is to be credited. Any optional prepayment of the Bond in part, and the then-outstanding principal amount of the Bond, shall be noted on Schedule B to the Bond by the registered owner thereof, and on the registration books for the Bond maintained by the Director of Internal Services. The registered owner shall provide a copy of such Schedule B to the Director of Internal Services within fifteen (15) days after each such entry shall have been made, but failure to provide a copy of such Schedule B shall not affect the amount of, or the City's obligation to pay, principal of and interest due on the Bond.

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 of the City. The corporate seal of the City shall be affixed to the Bond and attested by the signature of 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 subject to the provisions of Section 9(b) hereof, 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 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.

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 provide dates, numbers and amounts, 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 following form 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 form of the Bond and any variations, insertions, omissions, notations, legends or endorsements authorized by this Resolution.

SECTION 9. BE IT FURTHER RESOLVED that (a) the City hereby ratifies, confirms, approves and adopts as actions of the City all actions taken by the City Administrator, 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 flexible terms and beneficial interest rate for the Bond, including, without limitation, the preparation, execution, delivery and

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circulation of the request for indications of interest dated March 22, 2007. The City hereby determines that it shall be in the best interests of the City to sell the Bond by private (negotiated) sale without advertisement or solicitation of competitive bids to SunTrust Leasing Corporation, which submitted the most advantageous proposal to the City for the purchase of the Bond pursuant to such solicitation, which negotiation at private sale is hereby deemed by the City to be in its best interest and in the interest of its citizens due, in part, to the benefit of negotiated flexible terms and a beneficial interest rate. Therefore, and pursuant to the authority of the Enabling Act, the Charter and the Ordinance, the Bond shall be sold by private (negotiated) sale without advertisement or solicitation of competitive bids to SunTrust Leasing Corporation (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 municipal and other tax-exempt obligations, that it is capable of evaluating the risks and merits of the investment represented by the purchase of the Bond; (ii) the Purchaser has made its own independent and satisfactory inquiry of the financial condition of the City, including inquiry into financial statements and other information relating to the financial condition of the City to which a reasonable investor would attach significance in making investment decisions, and of any other matters deemed to be relevant to a reasonably informed decision to purchase the Bond; (iii) the Purchaser has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the City and the Bond, all so that as a reasonable investor the Purchaser has been able to make a reasonably informed decision to purchase the Bond; (iv) the Purchaser is purchasing the Bond for investment purposes only (and not as an "underwriter" or "Participating Underwriter" as defined in Securities and Exchange Commission Rule 15c2-12, as replaced, supplemented or amended) and is not purchasing for more than one account or with a view to distributing the Bond; and (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.

SECTION 10. BE IT FURTHER RESOLVED that the Bond shall be suitably prepared in definitive form, executed and delivered to the Purchaser on April 12, 2007 or such other date as shall be mutually acceptable to the City Administrator, the Purchaser and bond counsel to the City, contemporaneously with the receipt of the purchase price for the Bond; provided that, the Bond shall not be delivered on a date later than April 16, 2007 without the prior written consent of the Purchaser, which consent shall be granted or withheld in the sole and absolute discretion of the Purchaser. The Mayor, the Director of Internal Services, the City Administrator, 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 and to execute and deliver all documents, certificates and instruments necessary or appropriate in connection therewith.

SECTION 11. BE IT FURTHER RESOLVED that the Director 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 and to invest such proceeds. The proceeds of the Bond shall be deposited in the

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proper account or accounts of the City, shall be invested within the limits prescribed by Maryland and federal law, and shall be used and applied exclusively to finance, reimburse or refinance 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 and applied to the payment of the next interest installment on the Bond, unless a supplemental ordinance is enacted by the Council of the City to provide for the expenditure of that excess for some other valid purpose authorized by the Enabling Act and the Charter. 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) a portion of the principal of and interest on the Bond allocated to the costs of those components of the Projects identified as Isabella Street-Shoreline Stabilization and Water/Sewer/Stormwater Management-Acquisition in Section 2(a) of this Resolution will be payable in the first instance from water system revenues and sewer system revenues to the extent such revenues are available. 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, for each and every fiscal year during which the Bond may be outstanding, ad valorem taxes upon all real and tangible personal property within its corporate limits subject to assessment for unlimited municipal taxation in rate and amount sufficient to provide for the prompt payment, when due, of the principal of and interest on the Bond 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 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 shall not be construed so as to prohibit the City from paying the principal of and interest on 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. 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 such funds are granted or paid to the City for the purpose of assisting the City in the types of projects which the Bond is issued to finance, reimburse or refinance, 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. The foregoing provisions of this subsection (c) are subject to compliance with the provisions of Sections 13 and 14 of this Resolution in all respects.

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SECTION 13. BE IT FURTHER RESOLVED that (a) any two of the Mayor, the City Administrator and the Director of Internal Services are the officials of the City responsible for the issuance of the Bond within the meaning of Section 1.148-2(b)(2) of the Arbitrage Regulations (defined below). Any two of the Mayor, the City Administrator and the Director of Internal Services also shall be the officials of the City responsible for the execution and delivery (on the date of the issuance of the Bond) of a certificate of the City (the "Section 148 Certificate") that complies with the requirements of Section 148 of the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder (the "Arbitrage Regulations"), and such officials are hereby authorized and directed to execute and deliver the Section 148 Certificate to counsel rendering an opinion on the validity and tax-exempt status of the Bond on the date of the issuance of the Bond.

(b) The City shall set forth in the Section 148 Certificate its reasonable expectations as to relevant facts, estimates and circumstances relating to the use of the proceeds of the Bond or of any monies, securities or other obligations to the credit of any account of the City which may be deemed to be proceeds of the Bond pursuant to Section 148 or the Arbitrage 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 and the Arbitrage Regulations, and that it will comply with those provisions of Section 148 and the Arbitrage Regulations as may be applicable to the Bond on its date of issuance and which may subsequently lawfully be made applicable to the Bond as long as the Bond remains outstanding and unpaid.

SECTION 14. BE IT FURTHER RESOLVED that the City specifically covenants that it will comply with the provisions of the Internal Revenue Code of 1986, as amended, 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, reimbursed or refinanced with such proceeds, the restriction of investment yields, the filing of information with the Internal Revenue Service, and the rebate of certain earnings resulting from the investment of the proceeds of the Bond or payments in lieu thereof. The City further covenants that it shall make such use of the proceeds of the Bond, regulate the investment of the proceeds thereof and take such other and further actions as may be required to maintain the exemption from federal income taxation of interest on the Bond. All officials, officers, employees and agents of the City are hereby authorized and directed to provide such certifications of facts and estimates regarding the amount and use of the proceeds of the Bond as may be necessary or appropriate.

SECTION 15. BE IT FURTHER RESOLVED that 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.

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THIS RESOLUTION was introduced, read and adopted at a meeting of the Council of the City of Salisbury held on the _____ day of _____, 2007.

ATTEST:

Brenda J. Colegrove
CITY CLERK

Michael P. Dunn
PRESIDENT, City Council

Approved by me this _____ day of _____, 2007.

Barrie P. Tilghman
MAYOR, City of Salisbury

#103883;58111.007

EXHIBIT A

(Form of Bond)

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

PUBLIC IMPROVEMENTS BOND OF 2007

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Date</u>
April 1, 2027	4.03%	April __, 2007

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 OF A PRINCIPAL INSTALLMENT SHALL BE NOTED ON SCHEDULE A HERETO, AND ANY PARTIAL PREPAYMENT OF THE PRINCIPAL OF THIS BOND SHALL BE NOTED ON SCHEDULE B HERETO, BUT THE FAILURE OF THE HOLDER OF THIS BOND TO NOTE ANY SUCH PAYMENT OR PREPAYMENT 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 twenty (20) annual serial installments on April 1, commencing April 1, 2008, plus interest on the unpaid balance as set forth herein, subject to prior prepayment as hereinafter provided, as follows:

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<u>Date</u>	<u>Principal Installment</u>	<u>Date</u>	<u>Principal Installment</u>
04/01/08	\$247,500	04/01/18	\$247,500
04/01/09	247,500	04/01/19	247,500
04/01/10	247,500	04/01/20	247,500
04/01/11	247,500	04/01/21	247,500
04/01/12	247,500	04/01/22	247,500
04/01/13	247,500	04/01/23	247,500
04/01/14	247,500	04/01/24	247,500
04/01/15	247,500	04/01/25	247,500
04/01/16	247,500	04/01/26	247,500
04/01/17	247,500	04/01/27	247,500

Principal installment payments on this bond shall be noted on Schedule A hereto by the registered owner of this bond, and a copy of such Schedule A shall be provided to the Director of Internal Services of the City within fifteen (15) days after each such entry shall have been made, but failure to deliver a copy of such Schedule shall not affect the amount of, or the City's obligation to pay, principal or interest due on this bond.

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 four and three hundredths percent (4.03%) per annum.

Interest on this bond shall be payable on April 1 and October 1 in each year until maturity or prior prepayment, commencing October 1, 2007. This bond shall bear interest from the most recent date to which interest has been paid or, if no interest has been paid, from the date of its delivery.

Interest shall be computed on the basis of a 360-day year comprised of 12 30-day months. For purposes of calculating the interest due on this bond, unpaid outstanding principal on any date shall be an amount equal to the original principal amount of this bond, less any principal installment paid as described above, and less any principal prepaid as described herein. The registered owner of this bond shall provide written notice to the Director of Internal Services of the City 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 of the City 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

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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 holder 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 holder of this bond is located are not required to be open, and no interest shall accrue for the intervening period.

This bond is the duly authorized bond of the City, aggregating \$4,950,000 in principal amount, dated the date of its delivery and designated "City of Salisbury Public Improvements Bond of 2007". This bond is issued pursuant to and in full conformity with the provisions of Sections 31 to 37, inclusive, of Article 23A of the Annotated Code of Maryland, as amended, and Sections SC7-45 and SC7-46 of the Charter of the City of Salisbury, as published in Municipal Charters of Maryland, Volume 6, 1990 Replacement Edition, as replaced, supplemented or amended, and by virtue of due proceedings had and taken by the Council of the City, particularly Ordinance No. 2020, which was passed by the Council on December 11, 2006, approved by the Mayor on December 15, 2006 and became effective on December 15, 2006 (the "Ordinance"), and Resolution No. _____, which was adopted by the Council of the City on April __, 2007, approved by the Mayor on April __, 2007 and became effective on April __, 2007 (the "Resolution").

This bond is transferable only upon the books kept for that purpose at the office of the Director of Internal Services of the City, by the registered owner hereof in person, or by his duly authorized attorney, upon surrender hereof, together with 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 evidence satisfactory to the Director of Internal Services of compliance with Section 9(b) of the Resolution.

This bond may be transferred or exchanged at the office of the Director of Internal Services of the City. Upon any such transfer or exchange, the City shall issue a new registered bond in denomination equal to the unpaid principal amount of the bond surrendered, and with the same maturity date, principal installment dates and principal installment payment amounts and bearing interest at the same rate. In each case, the 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 shall be subject to prepayment prior to maturity at the option of the City, in whole or in part, on April 1, 2015 or on any October 1 or April 1 thereafter, at a prepayment price of the par amount of this bond (or portion hereof) to be prepaid, plus accrued interest to the date fixed for prepayment, without premium or penalty. Notice of optional prepayment shall be given by the City at least ten (10) days prior to the date fixed for prepayment (or such fewer number of days as is acceptable to the registered owner) by mailing to the registered owner a

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notice fixing the prepayment date and indicating the amount of the outstanding principal of this bond to be prepaid and, in the event this bond is to be prepaid in part only, the subsequent installment(s) of principal against which such prepayment amount is to be credited. Any optional prepayment of this bond in part, and the then-outstanding principal amount of this bond, shall be noted on Schedule B hereto by the registered owner hereof, and on the registration books for the bond maintained by the Director of Internal Services. The registered owner shall provide a copy of such Schedule B to the Director of Internal Services within fifteen (15) days after each such entry shall have been made, but failure to provide a copy of such Schedule B shall not affect the amount of, or the City's obligation to pay, principal of and interest due on this bond.

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

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

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IN WITNESS WHEREOF, City of Salisbury has caused this bond to be executed in its name by the manual signature of the Mayor and its corporate seal to be affixed hereto, attested by the manual signature of the City Clerk, all as of the ____ day of _____, 2007.

(SEAL)

ATTEST:

CITY OF SALISBURY

By: _____
City Clerk

By: _____
Mayor

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(Form of Instrument of Transfer)

ASSIGNMENT

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

PLEASE INSERT SOCIAL SECURITY OR OTHER
IDENTIFYING NUMBER OF ASSIGNEE

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

the within bond and all rights thereunder and does hereby constitute and appoint _____

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

Dated: _____

Signature Guaranteed:

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

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

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SCHEDULE A

\$4,950,000
CITY OF SALISBURY
PUBLIC IMPROVEMENTS BOND OF 2007

Schedule of Principal Installment Payments

ALL PRINCIPAL INSTALLMENT PAYMENTS ON THIS BOND SHALL BE NOTED HEREON BY THE REGISTERED OWNER OF THIS BOND, BUT THE FAILURE TO MAKE ANY SUCH NOTATION SHALL NOT AFFECT THE VALIDITY OR LEGAL EFFECT OF ANY PAYMENT MADE.

WITHIN FIFTEEN (15) DAYS AFTER NOTATION IS MADE HEREON, A COPY OF THIS SCHEDULE SHALL BE MAILED TO THE DIRECTOR OF INTERNAL SERVICES OF THE CITY, BUT FAILURE TO MAIL SUCH NOTICE SHALL NOT AFFECT THE AMOUNT OF, OR THE CITY'S OBLIGATION TO PAY, PRINCIPAL OR INTEREST DUE ON THIS BOND.

<u>Principal Installment Payment Date</u>	<u>Principal Installment Paid</u>	<u>Principal Balance Outstanding</u>	<u>Authorized Signature</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Note: Refer to Schedule B to determine any reduction in the principal amount of any annual principal installment due resulting from an optional prepayment of this bond.

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SCHEDULE B

\$4,950,000
CITY OF SALISBURY
PUBLIC IMPROVEMENTS BOND OF 2007

Schedule of Optional Prepayments

ALL OPTIONAL PREPAYMENTS ON THIS BOND SHALL BE NOTED HEREON BY THE REGISTERED OWNER OF THIS BOND, BUT THE FAILURE TO MAKE ANY SUCH NOTATION SHALL NOT AFFECT THE VALIDITY OR LEGAL EFFECT OF ANY PREPAYMENT MADE.

WITHIN FIFTEEN (15) DAYS AFTER NOTATION IS MADE HEREON, A COPY OF THIS SCHEDULE SHALL BE MAILED TO THE DIRECTOR OF INTERNAL SERVICES. FAILURE TO DELIVER A COPY OF SUCH SCHEDULE SHALL NOT AFFECT THE AMOUNT OF, OR THE CITY'S OBLIGATION TO PAY, PRINCIPAL AND INTEREST DUE ON THIS BOND.

<u>Date of Prepayment</u>	<u>Principal Amount Prepaid</u>	<u>Credit to Principal Installment Due</u>	<u>Remaining Principal Installment Due on Date of Credit</u>	<u>Authorized Signature</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____