

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 TWO MILLION SIX HUNDRED THOUSAND DOLLARS (\$2,600,000.00), 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 7, 2008 REPLACEMENT EDITION, AS REPLACED, SUPPLEMENTED OR AMENDED, ORDINANCE NO. 2044, PASSED BY THE COUNCIL OF CITY OF SALISBURY ON DECEMBER 17, 2007, APPROVED BY THE MAYOR ON DECEMBER 19, 2007 AND EFFECTIVE ON DECEMBER 19, 2007, AND ORDINANCE NO. 2071, PASSED BY THE COUNCIL OF THE CITY OF SALISBURY ON JANUARY 26, 2009, APPROVED BY THE MAYOR ON JANUARY 27, 2009 AND EFFECTIVE ON JANUARY 27, 2009, THE BOND TO BE DESIGNATED "CITY OF SALISBURY PUBLIC IMPROVEMENTS BOND OF 2009," AND THE PROCEEDS OF THE SALE THEREOF TO BE USED AND APPLIED FOR THE PUBLIC PURPOSE OF FINANCING OR REIMBURSING COSTS OF THE SALISBURY ZOO-ANIMAL HEALTH BUILDING CONSTRUCTION AND COSTS OF UPGRADING AND IMPROVING THE CITY'S WASTEWATER TREATMENT PLANT AND SYSTEM AS DESCRIBED HEREIN, 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 HEBRON SAVINGS BANK; 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 SEWER FUND 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; MAKING OR PROVIDING FOR CERTAIN REPRESENTATIONS AND COVENANTS RELATING TO THE TAX-EXEMPT STATUS OF THE BOND; AND GENERALLY RELATING TO THE ISSUANCE, SALE, DELIVERY AND PAYMENT OF AND FOR THE BOND.

RECITALS

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

WHEREAS, pursuant to Ordinance No. 2044, passed by the Council of the City on December 17, 2007, approved by the Mayor on December 19, 2007 and effective on December 19, 2007 ("Ordinance No. 2044"), 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 One Hundred Twenty-nine Thousand Dollars (\$4,129,000) (the "2007 Authorized Bonds"); and

WHEREAS, Ordinance No. 2044 provides that the proceeds of the sale of the 2007 Authorized Bonds are to be used and applied for the public purpose of financing, refinancing or reimbursing the costs of certain specified projects identified in Section 3(b) of Ordinance No. 2044, including paying costs of issuance and, to the extent determined by the Council by subsequent resolution, interest during construction and for a reasonable period thereafter (the "Ordinance No. 2044 Authorized Projects"); and

WHEREAS, Ordinance No. 2044 further provides that the 2007 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, Ordinance No. 2044 provides that each series of the 2007 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 2007 Authorized Bonds by solicitation of competitive bids at public sale after publication or dissemination of the notice of sale; and

WHEREAS, pursuant to Ordinance No. 2044 and Resolution No. 1620, adopted by the Council of the City on January 14, 2008, approved by the Mayor of the City on January 15, 2008, and effective on January 15, 2008 ("Resolution No. 1620"), the City on January 22, 2008 issued its City of Salisbury Public Improvements Bond of 2008 in the aggregate principal amount of \$3,605,000 (the "2008 Bond") to finance or reimburse costs of all of the Ordinance No. 2044 Authorized Projects except for the project identified therein as "Salisbury Zoo – Animal Health Building Construction", together with related costs of issuance; and

WHEREAS, after giving effect to the issuance of the 2008 Bond, the City has unused bonding authority remaining available under Ordinance No. 2044 in the maximum principal amount

of (i) \$500,000.00 for the project identified in Section 3(b) thereof as "Salisbury Zoo – Animal Health Building Construction", plus (ii) \$24,000.00 for costs of issuance; and

WHEREAS, pursuant to Ordinance No. 2071, passed by the Council of the City on January 26, 2009, approved by the Mayor on January 27, 2009 and effective on January 27, 2009 ("Ordinance No. 2071"), the City authorized the issuance and sale from time to time, upon its full faith and credit, of one or more series of bonds in an aggregate principal amount not to exceed Three Million Eight Hundred Twenty Thousand Dollars (\$3,820,000) (the "2009 Authorized Bonds"); and

WHEREAS, Ordinance No. 2071 provides that the proceeds of the sale of the 2009 Authorized Bonds are to be used and applied for the public purpose of financing, refinancing or reimbursing costs of upgrading and improving the City's wastewater treatment plant and system by undertaking one or more of the following activities: adding odor control improvements at various pump stations, adding diminutors and comminutors at various pump stations, upgrading lift stations, and undertaking other improvements in order to generally upgrade and improve such plant and system, and, in connection therewith, acquiring or paying for, as the case may be, necessary property rights and equipment, related site and utility improvements, related architectural, financial, legal, planning, design, engineering, construction, improvement and equipping expenses, costs of issuance and, to the extent determined by the Council pursuant to a subsequent resolution, paying interest during construction and for a reasonable period thereafter (the "Ordinance No. 2071 Authorized Projects"); and

WHEREAS, Ordinance No. 2071 further provides that the 2009 Authorized Bonds may be issued from time to time in one or more series, that any such series may be issued as one or more bonds, that any bond may be issued in installment form, and that any of the 2009 Authorized Bonds may be combined with one or more other series of bonds authorized by the Council of the City by one or more other ordinances and issued as a single series of bonds; and

WHEREAS, Ordinance No. 2071 provides that each series of the 2009 Authorized Bonds shall be sold by private (negotiated) sale without advertisement or solicitation of competitive bids due to market conditions, the ability to time the market, and the ability to negotiate flexible terms and to thereby 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 2009 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 bonds in the form of a single general obligation installment bond under the combined authority of Ordinance No. 2044 and Ordinance No. 2071 to finance or reimburse costs of the project identified in Ordinance No. 2044 as "Salisbury Zoo – Animal Health Building Construction" and the Ordinance No. 2071 Authorized Projects, together with costs of issuance, due to the ability to time the market, negotiate and thereby achieve a beneficial interest rate, bond counsel to the City, with the participation of 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 September 24, 2009 for the purchase of such bond in the principal amount of

\$3,950,000 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 such bond without conducting a public sale by the solicitation of competitive bids; and

WHEREAS, in response to such solicitation for indications of interest, the Director of Internal Services determined in consultation with bond counsel, and the City Administrator concurred, that Hebron Savings Bank offered the most desirable terms and a beneficial interest rate of 3.78% per annum for a 15-year amortization; and

WHEREAS, subsequent to receipt of responses to such solicitation for indications of interest, the City learned that the Maryland Water Quality Financing Administration ("MWQFA") will be in a position to lend to the City \$2,756,400 at an interest rate of 0% per annum to finance or reimburse costs of a lift station project that was a portion of the Ordinance No. 2071 Authorized Projects; and

WHEREAS, the Director of Internal Services confirmed with Hebron Savings Bank that, due to the City's receipt of confirmation from MWQFA that MWQFA can finance at a more favorable rate a portion of the Ordinance No. 2071 Authorized Projects, Hebron Savings Bank will be willing to reduce the amount of the bond it purchases from the City pursuant to the solicitation for indications of interest from a principal amount of \$3,950,000 to a principal amount of \$2,600,000; 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 bonds, pursuant to the combined authority of Ordinance No. 2044 and Ordinance No. 2071, in the principal amount of \$2,600,000, 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, Ordinance No. 2044 and Ordinance No. 2071, 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 \$2,600,000 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, Ordinance No. 2044 and Ordinance No. 2071, the City hereby determines to borrow money and incur indebtedness for the public purpose of financing or reimbursing the following, in the maximum principal amount indicated in parentheses in each of the following clauses (i) through (iii) (exclusive of any investment earnings that may be applied for such purposes): (i) costs (as defined in Section 3(b) of Ordinance No. 2044) of the project identified therein as "Salisbury Zoo – Animal Health Building Construction" (maximum principal amount: \$500,000.00), (ii) costs of upgrading and improving the City's wastewater treatment

plant and system by undertaking one or more of the following activities: adding odor control improvements at various pump stations, adding diminutors and comminutors at various pump stations, and undertaking other improvements in order to generally upgrade and improve such plant and system, and, in connection therewith, acquiring or paying for, as the case may be, necessary property rights and equipment, related site and utility improvements, related architectural, financial, legal, planning, design, engineering, construction, improvement and equipping expenses (maximum principal amount: \$2,083,000.00), and (iii) costs of issuance (maximum principal amount: \$17,000.00, \$3,400.00 being allocable to the project identified in clause (i) and \$13,600.00 being allocable to the project identified in clause (ii)) (collectively, the "Project").

(b) Proceeds of the Bond identified in Section 3 below are hereby appropriated and allocated to pay costs of the Projects in the maximum principal amount specified for each component of the 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 the components of the Project identified in such subsection (a) in compliance with applicable City budgetary procedures or applicable law.

(c) After giving effect to the provisions of subsection (a) above, there remains \$20,600.00 of unused bonding authority allocable to costs of issuance under Ordinance No. 2044 and \$1,723,400.00 of unused bonding authority allocable to the costs of the Project identified in Ordinance No. 2071.

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, Ordinance No. 2044 and Ordinance No. 2071, hereby determines to issue and sell, upon its full faith and credit, its general obligation installment bond in the principal amount of Two Million Six Hundred Thousand Dollars (\$2,600,000). Such bond shall be designated the "City of Salisbury Public Improvements Bond of 2009" (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 November 1, 2024. Principal of the Bond shall be payable in fifteen (15) annual serial installments on November 1, commencing November 1, 2010, subject to prior prepayment as provided for in accordance with Section 5 of this Resolution, as follows:

Resolution No. 1850

<u>Date</u>	<u>Principal Installment</u>	<u>Date</u>	<u>Principal Installment</u>
11/01/10	\$173,333.33	11/01/18	\$173,333.33
11/01/11	173,333.33	11/01/19	173,333.33
11/01/12	173,333.33	11/01/20	173,333.33
11/01/13	173,333.33	11/01/21	173,333.33
11/01/14	173,333.33	11/01/22	173,333.33
11/01/15	173,333.33	11/01/23	173,333.33
11/01/16	173,333.33	11/01/24	173,333.38
11/01/17	173,333.33		

The Mayor, on behalf of the City, is hereby authorized to make immaterial changes to such principal amortization schedule prior to the issuance and delivery of the Bond to correct typographical or calculation errors, any such changes to be accomplished in accordance with the provisions of Section 8 hereof.

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 ten (10) 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. The date and amount of each principal installment payment made by the City 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.

(b) The Bond shall bear interest from its date of delivery at the rate of three and seventy-eight hundredths percent (3.78%) per annum.

(c) Interest on the Bond shall be payable on May 1 and November 1 in each year until maturity or prior prepayment in full, commencing on May 1, 2010; provided that, the last installment of interest shall be paid on the date that principal of the Bond is retired or prepaid in full. The Bond shall bear interest from the most recent date to which interest has been paid or, if no interest has been paid, from the date of its delivery. Interest shall be computed on the basis of a 360-day year comprised of 12 30-day months. For purposes of calculating the interest due on the Bond, unpaid outstanding principal on any date shall be an amount equal to the original principal amount of the Bond, less any principal installment paid in accordance with subsection (a) above., and less any principal prepaid in accordance with Section 5 below. 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 ten (10) days prior to such interest payment date, or such fewer number of days as is acceptable to the Director of Internal Services, but failure to deliver such notice shall not affect the amount of, or the City's obligation to pay, principal or interest due on the Bond.

(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 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 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 in whole or in part prior to maturity at the option of the City, on any date, at a prepayment price of the outstanding par amount of the Bond 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 of the Bond) by mailing to the registered owner a notice fixing the prepayment date, indicating the principal amount of the Bond to be prepaid and, if the Bond is to be prepaid in part, the future installments against which such partial prepayment shall be applied. Any notice of prepayment may be conditioned upon receipt by the City of sufficient funds to effect such prepayment by the date fixed for prepayment.

SECTION 6. BE IT FURTHER RESOLVED that the Bond shall be executed in the name of the City and on its behalf by the Mayor 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 (including to correct any typographical or calculation errors), 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 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 circulation of the request for indications of interest dated September 24, 2009. The City hereby determines that it shall be in the best interests of the City to sell the Bond by private (negotiated) sale without advertisement or solicitation of competitive bids to Hebron Savings Bank, which submitted the most advantageous proposal to the City for the purchase of the Bond pursuant to such solicitation and which also agreed to reduce the final principal amount of the Bond to allow the City to take advantage of MWQFA's more favorable financing terms for a portion of the project identified in Ordinance No. 2071, 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, Ordinance No. 2044 and Ordinance No. 2071, the Bond shall be sold by private (negotiated) sale without advertisement or solicitation of competitive bids to Hebron Savings Bank (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; (v) if the Bond is subsequently sold, transferred or disposed of, such sale, transfer or disposition will be made only in compliance with federal and state securities laws and any other applicable laws; and (vi) the Purchaser understands and acknowledges that (A) the Bond (1) is not being registered under the Securities Act of 1933, as amended, and is not being registered or otherwise qualified for sale under the "blue sky" laws and regulations of any state, (2) will not be listed on any stock or other securities exchange, (3) will carry no rating from any rating service, and (4) will not be readily marketable, and (B) no disclosure document is being prepared in connection with the issuance and sale of the Bond.

SECTION 10. BE IT FURTHER RESOLVED that the Bond shall be suitably prepared in definitive form, executed and delivered to the Purchaser on such date as shall be mutually acceptable to the 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 November 6, 2009 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 and/or the City Administrator, on behalf of the City, are hereby authorized, empowered and directed to negotiate, execute and deliver any commitment letter or proposal required by the Purchaser, and 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 negotiate, 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 or, in her absence, one of the Assistant Directors of Internal Services, is hereby designated and authorized to receive payment on behalf of the City of the proceeds of the sale of the Bond and to invest such proceeds. The proceeds of the Bond shall be deposited in the 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 or reimburse the costs of the Project 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 prepay the Bond or to the payment of subsequent interest installments on the Bond during the construction period and for a reasonable period thereafter, or shall be transferred to the General Fund and applied to general City purposes, as determined by the Director of Internal Services, unless a supplemental ordinance or resolution, as applicable, is passed by the Council 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) that portion of the principal of and interest on the Bond allocated to the costs of the component of the Project identified in Section 2(a)(ii) of this Resolution and allocable costs of issuance will be payable in the first instance from moneys in the Sewer Fund, to the extent such moneys 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, 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 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. 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.

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

SECTION 15. BE IT FURTHER RESOLVED that the City hereby designates the Bond as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (relating to the exception from the disallowance of the deduction for that portion of a financial institution's interest expense which is allocable to tax-exempt interest), and, in connection therewith, represents and certifies that (i) the Bond is not a "private activity bond" within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended, (ii) the reasonably anticipated amount of tax-exempt obligations (excluding private activity bonds) which will be issued by the City (and all on-behalf-of issuers and subordinate entities of the City) during calendar year 2009 does not exceed Thirty Million Dollars (\$30,000,000.00), and (iii) not more than Thirty Million Dollars (\$30,000,000.00) of obligations issued by the City (and all on-behalf-of issuers and subordinate entities of the City) during calendar year 2009, including the Bond, have been or will be designated qualified tax-exempt obligations by the City.

SECTION 16. BE IT FURTHER RESOLVED that that for purposes of Section 148(f)(4)(D) of the Internal Revenue Code of 1986, as amended (relating to the exception for small governmental units from the arbitrage rebate requirement) the City represents and certifies that (i) the City has general taxing powers, (ii) the Bond is not a "private activity bond" within the meaning of Section 141 of the Internal Revenue Code of 1986, as amended, (iii) at least ninety-five percent (95%) of the proceeds of the Bond are to be used for local governmental

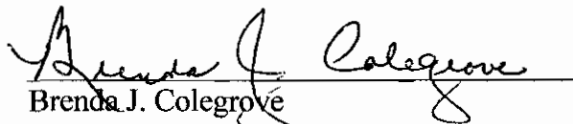
Resolution No. 1850

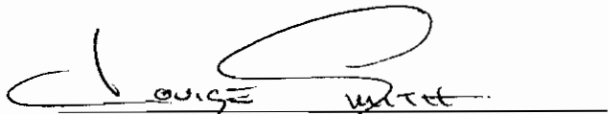
activities of the City, and (iv) the aggregate face amount of all tax-exempt bonds (other than private activity bonds) issued by the City (and all on-behalf-of issuers and subordinate entities of the City) during calendar year 2009 is not reasonably expected to exceed Five Million Dollars (\$5,000,000.00).

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.

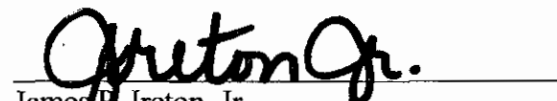
THIS RESOLUTION was introduced, read and adopted at a meeting of the Council of the City of Salisbury held on the 26th day of October, 2009.

ATTEST:


Brenda J. Colegrove
CITY CLERK


Louise Smith
PRESIDENT, City Council

Approved by me this 26th day of October, 2009.


James F. Ireton, Jr.
MAYOR, City of Salisbury

125568;58111.010

EXHIBIT A

(Form of Bond)

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

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

PUBLIC IMPROVEMENTS BOND OF 2009

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Date</u>
November 1, 2024	3.78%	_____, 2009

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 BY THE REGISTERED OWNER OF THIS BOND ON ITS BOOKS AND RECORDS, WHICH NOTATION WHEN MADE WILL BE PRESUMED CORRECT ABSENT MANIFEST ERROR. THE REGISTERED OWNER'S FAILURE TO MAKE APPROPRIATE NOTATION OF ANY SUCH PAYMENT OR PREPAYMENT SHALL NOT LIMIT OR OTHERWISE AFFECT THE OBLIGATIONS OF THE CITY HEREUNDER AND SHALL NOT AFFECT THE VALID PAYMENT AND DISCHARGE OF SUCH OBLIGATION EFFECTED BY SUCH PAYMENT OR PREPAYMENT.

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

Resolution No. 1850

registered assignee or legal representative, the Principal Sum shown above, payable in fifteen (15) annual serial installments on November 1, commencing November 1, 2010, plus interest on the unpaid balance as set forth herein, subject to prior prepayment in whole as hereinafter provided, as follows:

<u>Date</u>	<u>Principal Installment</u>	<u>Date</u>	<u>Principal Installment</u>
11/01/10	\$173,333.33	11/01/18	\$173,333.33
11/01/11	173,333.33	11/01/19	173,333.33
11/01/12	173,333.33	11/01/20	173,333.33
11/01/13	173,333.33	11/01/21	173,333.33
11/01/14	173,333.33	11/01/22	173,333.33
11/01/15	173,333.33	11/01/23	173,333.33
11/01/16	173,333.33	11/01/24	173,333.38
11/01/17	173,333.33		

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 three and seventy-eight hundredths percent (3.78%) per annum.

Interest on this bond shall be payable on May 1 and November 1 in each year until maturity or prior prepayment in full, commencing on May 1, 2010. This bond shall bear interest from the most recent date to which interest has been paid or, if no interest has been paid, from the date of its delivery.

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

Principal of and interest on this bond shall be payable in lawful money of the United States of America. The principal of this bond, at maturity or upon prior prepayment in full, shall be payable by check or draft at the office of the Director of Internal Services 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 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 for the intervening period.

This bond is the duly authorized bond of the City, aggregating \$2,600,000 in principal amount, dated the date of its delivery and designated "City of Salisbury Public Improvements Bond of 2009". 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 7, 2008 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. 2044, which was passed by the Council on December 17, 2007, approved by the Mayor on December 19, 2007 and became effective on December 19, 2007, and Ordinance No. 2071, which was passed by the Council on January 26, 2009, approved by the Mayor on January 27, 2009 and became effective on January 27, 2009 (collectively, the "Ordinances"), and Resolution No. 1850, which was adopted by the Council of the City on October 26, 2009, approved by the Mayor on October 26, 2009 and became effective on October 26, 2009 (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.

Resolution No. 1850

This bond shall be subject to prepayment in whole or in part prior to maturity at the option of the City, on any date, at a prepayment price of the par amount of this bond 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 notice fixing the prepayment date, indicating the principal amount of this bond to be prepaid, and, if this bond is to be prepaid in part, the future installments against which the partial prepayment shall be applied. Any notice of prepayment may be conditioned upon receipt by the City of sufficient funds to effect such prepayment by the date fixed for prepayment.

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

It is hereby certified and recited that each and every act, condition and thing required to exist, to be done, to have happened or to be performed precedent to and in the issuance of this bond, does exist, has been done, has happened and has been performed in full and strict compliance with the Constitution and laws of the State of Maryland, the Ordinances 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.

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 26th day of October, 2009.

(SEAL)

ATTEST:

CITY OF SALISBURY



By: Ardena L. Colegrove
City Clerk

By: Frederick S.

Mayor

(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.

Memo

To: John R. Pick, City Administrator
From: Pamela B. Oland, Director of Internal Services *PBO*
Date: October 16, 2009
Re: Bond Solicitation Responses and Bid Selection

On Thursday September 24, 2009, the City of Salisbury sent out a bond solicitation to a group of twelve (12) banks. The City was requesting bids on a General Obligation bond in the amount of \$3,950,000. We asked the banks to bid on a 15 year and/or 20 year basis. Responses were due Tuesday, October 13th at 11 am. Six banks responded to the solicitation, but one of the banks withdrew its response after submission. Please see the attached sheet that summarizes the interest rates and terms and conditions from each bank.

After the solicitation was sent out, Maryland Department of the Environment (MDE) indicated that our Naylor Mill lift station ARRA loan could potentially be increased to cover the full project amount. Originally, MDE was going to provide a \$1,211,800 20 year, 0% interest loan. After we received the responses from the banks, MDE gave the City confirmation that the full project would be covered with a \$2,756,400 20 year, 0%, ARRA loan. As a result of the additional 0% loan amount, the City needed to reduce the amount of the General Obligation Bond from \$3,950,000 to \$2,600,000. At that time, we contacted the bank with the lowest interest rates, Hebron Savings Bank and asked if they would be willing to maintain their rates, but drop the principal amount to \$2,600,000. Per discussion with Dick Van Gelder, Vice President, the bank was willing to hold all terms and conditions the same and lower the principal amount. Per the City Code, we have the right to negotiate our debt issuances.

Hebron Savings Bank is offering a 3.78% on a 15 year loan and 4.08% on a 20 year loan. At this time management is recommending that we accept the 15 year loan. By accepting the 15 year loan, we will save over \$330,000 in interest from the 20 year loan. Also attached please find the resolution that will set all terms and conditions for this General Obligation bond, with a 15 year term and a 3.78% interest rate.

As a reminder, the General Obligation bond that is the subject of the attached resolution will fund the City's share of the Animal Health Building at the Zoo and dimunitors/communitors and odor control at the North and South Side pump stations. If you have any further questions, please let me know.

\$3,950,000* SALISBURY 2009 GO BOND BANK PROPOSALS SUMMARY

Solicitation Stated Terms:

- \$3,950,000 principal amount
- 15 or 20-year amortization maturing on 11/01/2024 or 11/01/2029
- Level principal and/or level debt service options requested
- Principal payable annually each November 1, beginning November 1, 2010
- Interest payable semi-annually each May 1 and November 1, beginning May 1, 2010
- Interest calculated on 30/360 count
- Bond is tax-exempt and bank-qualified
- Bond subject to prepayment in whole or in part at any time on and after 11/01/17 at a price of par plus accrued interest
- Bank to provide 15 days notice of each payment due (or such fewer days notice as acceptable to the City)
- City does not intend to pay fees/expenses of counsel to bank or closing fee to bank
- City reserves right to negotiate with any party (including those that did respond to solicitation) and to agree to any other provisions that do not match those stated above or other terms stated in the solicitation that City determines are in its best interest
- Close on or before November 6, 2009, unless otherwise agreed to by bank

The following summaries reflect clarifications and changes confirmed by e-mail and phone conversations subsequent to receipt of proposals with Hebron Savings Bank, the respondent offering the lowest interest rates. Negotiations not conducted with other respondents because Hebron Savings Bank offered lowest interest rates for 15- and 20-year amortization options.

While PNC Bank, National Association submitted a proposal on 10/13, it withdrew its proposal the next day, so its response is not summarized below.

*Principal amount of bond reduced to \$2,600,000 after proposals received due to additional loan funding made available by MWQFA at a 0% interest rate for the lift station project originally expected to be financed from the \$3,950,000 bond.

<u>Bank</u>	<u>Interest Rate</u>	<u>Conditions/Covenants</u>	<u>Prepayment</u>	<u>Other</u>
Hebron Savings Bank	<p>3.78 % --15-year amortization</p> <p>4.08% -- 20-year amortization</p> <p>Only level principal options provided</p> <p>Total P&I (15-year, level principal): \$5,160,599.95</p> <p>Total P&I (20-year, level principal): \$5,665,458.66</p> <p>Note—these totals based on \$3,950,000 principal amount, not final \$2,600,000 principal amount; P&I total for \$2,600,000 15-year bond is \$3,396,850.60 and P&I total for \$2,600,000 20-year bond is \$3,729,162.66</p>	Bank will give 10-day notice of payments due	In whole or in part only any date at par plus accrued interest	<p>Commitment expires 10/28/09 unless extended by bank in its sole discretion</p> <p>Bank will use Laws & Sarbanes, P.A. to review documents on its behalf</p> <p>Closing to occur by 11/06/09</p>

<u>Bank</u>	<u>Interest Rate</u>	<u>Conditions/Covenants</u>	<u>Prepayment</u>	<u>Other</u>
SunTrust Bank	<p>4.14% -- 15-year amortization</p> <p>4.10% -- 20-year amortization with 10-year put: at end of year 10 bank, in its sole discretion, may negotiate a new fixed rate or put bond back to City (meaning if bank chose to put the bond City would have to pay-off the entire remaining balance of bond at year 10, either from a new borrowing or from cash on hand)</p> <p>Note: principal payable semi-annually with either option</p> <p>Total P&I (15 year, level debt): \$5,327,461.10 (note: bank did not use 4.14% rate when running this calculation, it used a 4.10% rate)</p> <p>Total P&I (20 year, level debt, assumes rate remains 4.10% through entire term): \$5,826,575.35</p>	<p>City to submit CAFR within 180 days of fiscal year end</p> <p>Subject to due diligence and final approval</p>	<p>In whole only at any time with 10 days written notice</p>	<p>Bank fee of \$4,000</p> <p>Must close by 11/10/09</p>

<u>Bank</u>	<u>Interest Rate</u>	<u>Conditions/Covenants</u>	<u>Prepayment</u>	<u>Other</u>
BB&T	<p>4.37% -- 15-year amortization</p> <p>4.82% -- 20-year amortization</p> <p>Total P&I (15 years, level principal): \$5,329,960.98</p> <p>Total P&I (15 years, level debt): \$5,425,264.20</p> <p>Total P&I (20 years, level principal): \$5,948,037.28</p> <p>Total P&I (20 years, level debt): \$6,197,478.40</p>	<p>Financing is contingent upon completing documentation acceptable to BB&T</p> <p>BB&T to review most recent financial statements before funding transaction</p> <p>BB&T reserves the right to terminate the bid or to negotiate an acceptable rate if the financing is not qualified tax-exempt financing</p> <p>BB&T requests notification if chosen by 10/23 (problem: resolution will not be adopted until 10/26)</p>	<p>In whole only on a scheduled semi-annual interest payment date with a 1% premium plus accrued interest</p> <p>No right to prepay in part or on any date</p>	<p>\$4,900 in legal review and underwriting fees</p> <p>BB&T reserves right to negotiate and/or terminate interest if chosen as successful bidder</p> <p>BB&T reserves right to cancel offer any time prior to closing if there are any financial/legal changes</p> <p>Must close by 11/12/09</p>

<u>Bank</u>	<u>Interest Rate</u>	<u>Conditions/Covenants</u>	<u>Prepayment</u>	<u>Other</u>
Bank of America	<p>60% of 10-year swap rate, plus 2.50% (as of 10/13, 4.50%) -- 15-year amortization</p> <p>60% of 10-year swap rate, plus 3.00% (as of 10/13/09, 5.00%) -- 20-year amortization</p> <p>Rate to be determined by applicable formula 48 hours prior to closing; if City locks in beforehand, subject to make-whole expenses if does not timely close</p> <p>Total P&I (15 years, level principal): \$5,370,520.00</p> <p>Total P&I (15 years, level debt): \$5,515,512.00</p> <p>Total P&I (20 years, level principal): \$6,022,104.00</p> <p>Total P&I (20 years, level debt): \$6,337,519.00</p>	<p>City to provide audited financial statements within 270 days of year end in form satisfactory to bank</p> <p>Closing subject to documentation being satisfactory to bank and its counsel</p>	<p>In whole only on first business day of each month on or after 11/01/2017 at par plus accrued interest, upon 3 days prior written notice</p> <p>No prepayment in part allowed</p>	<p>Must close by 11/06/09</p> <p>Counter-signed proposal due by 5 p.m. on 10/27/09</p> <p>Bank has certain rights to refuse to close</p>

<u>Bank</u>	<u>Interest Rate</u>	<u>Conditions/Covenants</u>	<u>Prepayment</u>	<u>Other</u>
Manufacturers and Traders Trust Company	<p>4.745% --15-year amortization, if proposal accepted by 10/27/09</p> <p>No 20-year option offered, only 15-year level debt service option offered</p> <p>Rate contingent on a deposit relationship with M&T of not less than \$500,000.</p> <p>If bond declared taxable, interest rate to increase to taxable equivalent rate, not to exceed 15%, plus interest and penalties</p> <p>Total P&I (15 years, level debt): \$5,530,245.42</p>	<p>City must submit financial reports to M&T w/i 180 days of close of fiscal year</p> <p>At closing City must provide (along w/ other documentation) a certificate acknowledging completion of all actions necessary for City to complete the transaction</p>	<p>In whole or in part on any date at par plus accrued interest</p>	<p>Not to exceed \$1,000 for legal documentation review costs (waived if City's bond counsel prepares documents and reliance letter that runs to the bank)</p> <p>Proposal must be signed and delivered to M&T no later close of business on 10/27/09; once City accepts proposal Bank will complete its approval process within 20 days</p> <p>City to indemnify bank</p>