

Resolution No. 1966

A RESOLUTION OF THE COUNCIL OF THE CITY OF SALISBURY AUTHORIZING THE ISSUANCE AND SALE BY CITY OF SALISBURY (THE "CITY") OF ITS GENERAL OBLIGATION REFUNDING BOND IN THE PRINCIPAL AMOUNT OF FIVE MILLION FIFTY THOUSAND DOLLARS (\$5,050,000.00), OR SUCH LESSER PRINCIPAL AMOUNT AS IS PROVIDED FOR HEREIN, PURSUANT TO THE AUTHORITY OF SECTION 24 OF ARTICLE 31 OF THE ANNOTATED CODE OF MARYLAND, AS REPLACED, SUPPLEMENTED OR AMENDED, SECTIONS 31 TO 37, INCLUSIVE, OF ARTICLE 23A OF THE ANNOTATED CODE OF MARYLAND, AS REPLACED, SUPPLEMENTED OR AMENDED, SECTIONS SC7-45 AND SC7-46 OF THE CHARTER OF THE CITY OF SALISBURY, AS PUBLISHED IN MUNICIPAL CHARTERS OF MARYLAND, VOLUME 7, 2008 REPLACEMENT EDITION, AS REPLACED, SUPPLEMENTED OR AMENDED, AND ORDINANCE NO. 2115, PASSED BY THE COUNCIL OF THE CITY ON AUGUST 9, 2010, APPROVED BY THE MAYOR OF THE CITY ON AUGUST 10, 2010 AND EFFECTIVE ON AUGUST 10, 2010, THE BOND TO BE DESIGNATED "CITY OF SALISBURY PUBLIC FACILITIES REFUNDING BOND OF 2010," AND THE PROCEEDS OF THE SALE THEREOF TO BE USED AND APPLIED FOR THE PUBLIC PURPOSE OF PROVIDING THE FUNDS NEEDED TO CURRENTLY REFUND THE OUTSTANDING LEASE PURCHASE AGREEMENT DATED AS OF OCTOBER 13, 2006, BETWEEN SUNTRUST LEASING CORPORATION, AS LESSOR, AND THE CITY, AS LESSEE, BY PREPAYING IN WHOLE AS OF OCTOBER 13, 2010 THE LEASE PAYMENTS DUE THEREUNDER, PAYING COSTS OF ISSUANCE AND, TO THE EXTENT PROCEEDS REMAIN, PAYING INTEREST ON SUCH BOND; PRESCRIBING THE FORM AND TENOR OF THE BOND AND THE TERMS AND CONDITIONS FOR THE ISSUANCE AND SALE THEREOF ON A NEGOTIATED BASIS WITHOUT SOLICITATION OF BIDS TO BANK OF AMERICA, N.A.; 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 FOR THE LEVY AND COLLECTION OF AD VALOREM TAXES SUFFICIENT FOR, AND PLEDGING THE FULL FAITH AND CREDIT AND UNLIMITED TAXING POWER OF THE CITY TO, THE PROMPT PAYMENT OF PRINCIPAL AND INTEREST ON THE BOND; PROVIDING THAT THE PRINCIPAL OF AND INTEREST ON THE BOND ALSO MAY BE PAID FROM ANY OTHER SOURCES OF REVENUE LAWFULLY AVAILABLE TO THE CITY FOR SUCH PURPOSE; MAKING OR PROVIDING FOR CERTAIN REPRESENTATIONS 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 Section 24 of Article 31 of the Annotated Code of Maryland, as replaced, supplemented or amended (the "Refunding Act"), the City is authorized to issue bonds for the purpose of refunding any of its bonds or other evidences of obligation by whatever name known or source of funds secured then outstanding for the public purpose of realizing debt service savings or debt restructuring; and

WHEREAS, as authorized by Ordinance No. 2012, passed by the Council of the City (the "Council") on September 11, 2006, approved by the Mayor of the City (the "Mayor") on September 16, 2006 and effective on September 16, 2006, the City, as lessee, entered into a Lease Purchase Agreement dated as of October 13, 2006 (the "2006 Lease Purchase Agreement"), with SunTrust Leasing Corporation, as lessor (by whatever name currently known, "SunTrust Leasing"), for the public purpose of financing or reimbursing a portion of the costs of the planning, design, engineering, acquisition, construction, improvement, furnishing and equipping of an approximately 30,000 square foot, one-story with a mezzanine level fire station and related improvements (the "Project"); and

WHEREAS, the Project is located on approximately seven (7) acres of property owned by the City situated on the east side of Cypress Street, on the south side of King Street, on the west side of Lake Street and on the north side of Birch Street, within the corporate limits of Salisbury, Maryland 21801 (the "Project Site"); and

WHEREAS, pursuant to a Ground Lease Agreement dated as of October 13, 2006 (the "2006 Ground Lease") between the City, as ground lessor, and SunTrust Leasing, as ground lessee, the City leased the Project Site to SunTrust Leasing (as such Project Site is more fully described on Exhibit A to the 2006 Ground Lease) for a term of forty (40) years, subject to prior termination in accordance with the provisions of the 2006 Ground Lease; and

WHEREAS, SunTrust Leasing caused \$5,320,000.00 to be deposited into an Escrow Fund to be disbursed for Project purposes pursuant to the provisions of an Escrow Agreement dated as of October 13, 2006 (the "2006 Escrow Agreement") among SunTrust Leasing, the City and SunTrust Bank, as escrow agent; and

WHEREAS, pursuant to the 2006 Lease Purchase Agreement, SunTrust Leasing leased the Project and subleased the Project Site to the City for term of twenty (20) years, subject to earlier termination in accordance with the provisions of the 2006 Lease Purchase Agreement; and

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WHEREAS, the Project Site is referred to in the 2006 Ground Lease, the 2006 Lease Purchase Agreement and the 2006 Escrow Agreement as the "Real Estate" and the Project is referred to in such agreements as the "Improvements"; and

WHEREAS, pursuant to the 2006 Lease Purchase Agreement, the City is required to make lease payments denominated into principal and interest portions (the "Lease Payments") to SunTrust Leasing in order to acquire full and unencumbered title to the Project; and

WHEREAS, Section 6.01 of the 2006 Lease Purchase Agreement provides that the unpaid balance under the 2006 Lease Purchase Agreement is prepayable in whole only on any scheduled Lease Payment Date by paying the corresponding principal balance detailed on Exhibit B to the 2006 Lease Purchase Agreement together with the regularly scheduled Lease Payment for such Lease Payment Date, without premium or penalty; and

WHEREAS, scheduled Lease Payment Dates are each October 13, commencing October 13, 2007 and ending October 13, 2026; and

WHEREAS, the next available date for prepayment of the Lease Payments in whole is October 13, 2010; and

WHEREAS, Section 4.02 of the 2006 Lease Purchase Agreement provides that the term of the 2006 Lease Purchase Agreement shall terminate upon the payment by the City of an amount equal to all Lease Payments stated to be paid by the City thereunder, plus all other amounts whatsoever due thereunder; and

WHEREAS, Section 3.02 of the 2006 Ground Lease provides that the term of the 2006 Ground Lease shall terminate upon prepayment in full of all Lease Payments plus any and all other amounts owing by the City to SunTrust Leasing pursuant to the terms of the 2006 Lease Purchase Agreement; and

WHEREAS, Section 8.08 of the 2006 Lease Purchase Agreement provides that upon payment of all Lease Payments and all other amounts due and owing under the 2006 Lease Purchase Agreement and the 2006 Ground Lease, SunTrust Leasing shall take all actions necessary to authorize, execute and deliver to the City any and all documents and instruments necessary to vest in the City all of SunTrust Leasing's right, title and interest in and to the Project and the Project Site, free and clear of all liens, leasehold interests and encumbrances (except Permitted Encumbrances, as defined in the 2006 Lease Purchase Agreement, and any liens, leasehold interests or encumbrances that may have been present prior to the date SunTrust Leasing and the City entered into the 2006 Ground Lease), including, if necessary, a release of any and all liens or interests created under the provisions of the 2006 Lease Purchase Agreement or the 2006 Ground Lease; and

WHEREAS, pursuant to Ordinance No. 2115, passed by the Council on August 9, 2010, approved by the Mayor on August 10, 2010 and effective on August 10, 2010 ("Ordinance No. 2115"), the City authorized the issuance and sale from time to time, upon its full faith and credit, of

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one or more series of bonds in an aggregate principal amount not to exceed Five Million Fifty Thousand Dollars (\$5,050,000.00) (the "Authorized Bonds"); and

WHEREAS, Ordinance No. 2115 provides that the proceeds of the sale of the Authorized Bonds are to be used and applied for the public purpose of providing all or a portion of the funds needed to currently refund the 2006 Lease Purchase Agreement by prepaying in whole as of October 13, 2010 the Lease Payments due thereunder and related costs of issuance and, to the extent provided in a resolution of the Council, paying interest on the Authorized Bonds; and

WHEREAS, Ordinance No. 2115 further provides that the 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, and that any bond may be issued in installment form; and

WHEREAS, Ordinance No. 2115 provides that each series of the Authorized Bonds shall be sold on a negotiated basis without solicitation of bids, due to market conditions, the ability to time the market, and the ability to negotiate terms and to thereby achieve a beneficial interest rate or rates and other beneficial terms, 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 sale on a negotiated basis without solicitation of bids of a series of bonds in the form of a single general obligation installment bond under the authority of Ordinance No. 2115, due to the ability to time the market, negotiate terms and thereby achieve a beneficial interest rate, bond counsel to the City, with the participation of the Director of Internal Services of the City (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 August 12, 2010 for the purchase of such bond in the maximum principal amount of \$5,050,000.00 in order to determine the potential purchaser likely to offer the most beneficial interest rate and satisfactory terms and, thereby, to obtain for the City, as nearly as possible, the best possible results for the sale of such bond without conducting a public sale by the solicitation of competitive bids; and

WHEREAS, potential respondents were asked to submit proposals providing for a bond maturing between October 1, 2026 and October 1, 2030; and

WHEREAS, three proposals were received in response to such solicitation for indications of interest, all three respondents submitted proposals for a bond maturing on October 1, 2026, and the Director of Internal Services and the City Administrator of the City (the "City Administrator") recommend that Bank of America, N.A. be selected as the purchaser of the bond because it offered the lowest interest rate of 3.35% per annum and satisfactory prepayment and other terms; 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 authority of Ordinance No. 2115, in the principal amount of \$5,050,000.00 or such lesser principal amount as is provided for herein, 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 Refunding Act, the Enabling Act, the Charter, and Ordinance No. 2115, and upon the terms and conditions set forth in this Resolution, the proceeds of which general obligation installment bond are to be used and applied as herein set forth; and

WHEREAS, the maximum \$5,050,000.00 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. Capitalized terms used in the Recitals to this Resolution and not otherwise defined herein shall have the meanings given to such terms in the Recitals.

SECTION 2. BE IT FURTHER RESOLVED that pursuant to the authority of the Refunding Act, the Enabling Act, the Charter and Ordinance No. 2115, the City hereby determines to borrow money and incur indebtedness for the public purpose of providing the funds needed (i) to currently refund the 2006 Lease Purchase Agreement in whole as of October 13, 2010 by paying the corresponding principal balance amount detailed on Exhibit B to the 2006 Lease Purchase Agreement together with the regularly-scheduled Lease Payment amount due on such date, (ii) to finance or reimburse all or a portion of related costs of issuance, and (iii) to the extent proceeds remain after such applications, paying interest on the Bond identified in Section 3 hereof (collectively, the "Refunding Project"). Proceeds of the Bond are hereby appropriated and allocated to pay costs of the Refunding Project. The Refunding Project will achieve the public purposes of the Refunding Act by resulting in a debt restructuring that achieves debt service savings on an aggregate basis.

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 Refunding Act, the Enabling Act, the Charter and Ordinance No. 2115, hereby determines to issue and sell, upon its full faith and credit, its general obligation installment bond in the principal amount of Five Million Fifty Thousand Dollars (\$5,050,000.00) or such lesser principal amount as the Mayor shall determine with the assistance of the City Administrator and the Director of Internal Services is necessary to accomplish the Refunding Project. Such bond shall be designated the "City of Salisbury Public Facilities Refunding Bond of 2010" (the "Bond"). In the event the Mayor, with the advice of the City Administrator and the Director of Internal Services, determines that the Bond should be issued in a principal amount less than Five Million Fifty Thousand Dollars (\$5,050,000.00) in order to accomplish the Refunding Project, the Mayor, on behalf of the City, is hereby authorized and empowered to approve such lesser principal amount, such approval to be evidenced conclusively by the Mayor's execution and delivery of the Bond in accordance with Sections 6 and 8 hereof.

SECTION 4. BE IT FURTHER RESOLVED that (a) the Bond shall be dated the date of its delivery and shall be issued in the form of a single, fully-registered bond, without coupons attached. The Bond shall mature, subject to prior prepayment as provided for in accordance with Section 5 of this Resolution, on October 1, 2026. Subject to the remaining provisions of this

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subsection (a), principal of the Bond shall be payable in sixteen (16) annual serial installments on October 1 of each year, commencing October 1, 2011 and ending October 1, 2026, 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>
10/01/11	\$243,693.65	10/01/19	\$317,196.26
10/01/12	251,857.39	10/01/20	327,822.33
10/01/13	260,294.61	10/01/21	338,804.38
10/01/14	269,014.48	10/01/22	350,154.33
10/01/15	278,026.46	10/01/23	361,884.50
10/01/16	287,340.35	10/01/24	374,007.63
10/01/17	296,966.25	10/01/25	386,536.89
10/01/18	306,914.62	10/01/26	399,485.87

The foregoing principal amortization schedule was prepared by the Purchaser of the Bond identified in Section 9(a) hereof on a level debt service basis and assumes that the Bond will be issued and delivered on October 4, 2010 in the principal amount of Five Million Fifty Thousand Dollars (\$5,050,000.00). The Mayor, on behalf of the City, is hereby authorized and empowered to approve immaterial changes to the foregoing principal amortization schedule prior to the issuance and delivery of the Bond to correct typographical or calculation errors or to reflect a different date of issuance and delivery of the Bond, such revised amortization schedule to be prepared by the Purchaser and reflected in the executed and delivered Bond and the Mayor's approval thereof to be evidenced conclusively by his execution and delivery of the Bond as provided for in Sections 6 and 8 hereof.

Notwithstanding the foregoing principal amortization schedule, in the event the Mayor, with the advice of the City Administrator and the Director of Internal Services, reduces the principal amount of the Bond to less than Five Million Fifty Thousand Dollars (\$5,050,000.00) in accordance with the provisions of Section 3 hereof, the Mayor, on behalf of the City, is hereby authorized and empowered to approve a revised amortization schedule to be prepared by the Purchaser that provides for roughly level debt service amortization of the Bond, such revised amortization schedule to be reflected in the executed and delivered Bond and the Mayor's approval thereof to be evidenced conclusively by his execution and delivery of the Bond as provided for in Sections 6 and 8 hereof.

The registered owner of the Bond shall provide written notice to the Director of Internal Services 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. 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.

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(b) The Bond shall bear interest from its date of delivery at the rate of three and thirty-five hundredths percent (3.35%) per annum; provided that, during the continuance of any payment default, the stated interest rate shall increase by three percent (3.00%) per annum.

(c) Interest on the Bond shall be payable on April 1 and October 1 in each year until maturity or prior prepayment in full, commencing on April 1, 2011; 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 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 registered owner of the Bond is located are not required to be open, payment may be made on the next succeeding day that is not a Saturday, Sunday or a day on which the City, banks in the State of Maryland and/or banks in the state in which the registered owner of the Bond is located are not required to be open, and no interest shall accrue on the amount owed 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 in Salisbury, Maryland, unless the Director of Internal Services and the registered owner of the Bond agree on a different place or manner of payment. Principal of the Bond, prior to maturity or prior prepayment in full, and interest on the Bond will be payable by check or draft mailed to the registered owner thereof at the address designated by the registered owner in writing to the Director of Internal Services unless the Director of Internal Services and the registered owner agree on a different manner of payment. The Director of Internal Services, on behalf of the City, is hereby authorized and empowered to make the agreements provided for in this Section 4(e).

SECTION 5. BE IT FURTHER RESOLVED that on or after October 1, 2018, the Bond shall be subject to prepayment in whole, but not in part, at the option of the City, on the first business day of each month, at a prepayment price of the outstanding par amount of the Bond, plus accrued interest to the date fixed for prepayment, without premium or penalty.

(b) The Bond may be prepaid in whole, or in part, at the option of the City, on any date, by payment of an amount equal to the principal amount to be prepaid plus accrued interest thereon to the date of prepayment plus the Prepayment Fee (as defined herein). For purposes

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hereof, the Prepayment Fee will be the sum of fees calculated separately for each Prepaid Installment (as defined herein), as follows:

(i) The registered owner of the Bond will first determine the amount of interest which would have accrued each month at the Taxable Equivalent Rate (as defined herein) for the Prepaid Installment had it remained outstanding until the applicable Original Payment Date (as defined herein), using the interest rate applicable to the Prepaid Installment.

(ii) The registered owner of the Bond will then subtract from each monthly interest amount determined in (i) above, the amount of interest which would accrue for that Prepaid Installment if it were reinvested from the date of prepayment through the Original Payment Date, using the Treasury Rate (as defined herein).

(iii) If (i) minus (ii) for the Prepaid Installment is greater than zero, the registered owner of the Bond will discount the monthly differences to the date of prepayment by the Treasury Rate. The registered owner of the Bond will then add together all of the discounted monthly differences for the Prepaid Installment.

The following definitions will apply to the calculation of the Prepayment Fee:

(1) "Original Payment Dates" mean the dates on which the prepaid principal would have been paid if there had been no prepayment.

(2) "Prepaid Installment" means the amount of the prepaid principal which would have been paid on a single Original Payment Date.

(3) "Taxable Equivalent Rate" means the interest rate per annum derived from the following formula: the interest rate on the Bond divided by the difference of (1 minus the Maximum Corporate Income Tax Rate). The "Maximum Corporate Income Tax Rate" is the highest marginal federal income tax rate charged to U.S. corporations in effect at the time of the prepayment calculation. The "Maximum Corporate Income Tax Rate" is currently 35% (or 0.35 in numerical terms).

(4) "Treasury Rate" means the yield on the Treasury Constant Maturity Series with maturity equal to the Original Payment Date of the Prepaid Installment which are principal payments (calculated as of the date of prepayment in accordance with accepted financial practice and rounded to the nearest quarter-year), as reported in Federal Reserve Statistical Release H.15, Selected Interest Rates of the Board of Governors of the Federal Reserve System, or any successor publication. If no maturity exactly corresponding to such Original Payment Date appears in Release H.15, the Treasury Rate will be determined by linear interpolation between the yields reported in Release H.15. If for any reason Release H.15 is no longer published, the registered owner of the Bond shall select a comparable publication to determine the Treasury Rate.

(c) Notwithstanding the foregoing provisions of subsection (b), which are intended to reflect the Purchaser's standard prepayment terms for a municipal obligation that is not subject to

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a no call period, the Mayor, on behalf of the City, is hereby authorized and empowered to approve immaterial changes to the prepayment provisions set forth in subsection (b) of this Section 5 to reflect any standard prepayment terms required by the Purchaser, such approval to be evidenced conclusively by the Mayor's execution and delivery of the Bond reflecting such changes as provided for in Sections 6 and 8 hereof.

(d) 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. The corporate seal of the City shall be affixed to the Bond and attested by the signature of the City Clerk of the City (the "City Clerk"). In the event any official of the City whose signature appears on the Bond shall cease to be such official prior to the delivery of the Bond, or, in the event any such official whose signature appears on the Bond shall have become such after the date of issue thereof, the Bond shall nevertheless be a valid and binding obligation of the City in accordance with its terms.

SECTION 7. BE IT FURTHER RESOLVED that the Bond shall be transferable only upon the books kept for that purpose by the Director of Internal Services at Salisbury, Maryland, by the registered owner thereof in person or by the registered owner's attorney duly authorized in writing, upon surrender thereof, together with (i) a written instrument of transfer in a form satisfactory to the Director of Internal Services and duly executed by the registered owner or the registered owner's duly authorized attorney and (ii) a written covenant and agreement substantially in substance as described in Section 9(c) hereof duly executed by the transferee. Upon such transfer there shall be issued in the name of the transferee a new registered Bond in principal amount equal to the unpaid principal amount of the Bond surrendered, and with the same maturity date and installment payment dates and amounts (or then-remaining installment payment dates and amounts, as applicable) and bearing interest at the same rate.

SECTION 8. BE IT FURTHER RESOLVED that except as provided hereinafter or in a resolution or resolutions of the Council adopted prior to the issuance of the Bond, the Bond shall be issued substantially in the form attached hereto as Exhibit A and incorporated by reference herein. Appropriate variations and insertions may be made by the Mayor to provide dates, numbers, amounts and other terms (including, without limitation, to reflect matters determined in accordance with Sections 3, 4(a) and 5 hereof), and modifications not altering the substance of the Bond to carry into effect the purposes of this Resolution or to comply with recommendations of legal counsel. All of the covenants contained in the form of Bond as executed and delivered by the Mayor in accordance with the provisions of Section 6 hereof and this Section 8 are hereby adopted by the City as and for the form of obligation to be incurred by the City, and the covenants and conditions contained therein are hereby made binding upon the City, including the promise to pay therein contained. The execution and delivery of the Bond by the Mayor in accordance with this

Resolution shall be conclusive evidence of the approval by the Mayor of the 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 beneficial interest rate for the Bond and satisfactory prepayment and other terms, including, *without limitation*, the preparation, execution, delivery and circulation of the request for indications of interest dated August 12, 2010 and further communications with respondents to the solicitation in order to clarify terms of their proposals. The City hereby determines that it shall be in the best interests of the City to sell the Bond on a negotiated basis without solicitation of bids to Bank of America, N.A. (by whatever legal name known), which submitted the most advantageous proposal to the City for the purchase of the Bond pursuant to such solicitation, which sale on a negotiated basis is hereby deemed by the City to be in its best interest and in the interest of its citizens due, in part, to the benefit of an attractive interest rate and satisfactory other terms. Therefore, and pursuant to the authority of the Refunding Act, the Enabling Act, the Charter and Ordinance No. 2115, the Bond shall be sold on a negotiated basis without solicitation of bids to Bank of America, N.A. (by whatever legal name known, the "Purchaser"), for a price of par, with no payment of accrued interest.

(b) The stated interest rate of three and thirty-five hundredths percent (3.35%) per annum referred to in Section 4(b) hereof is contingent upon the City accepting the Purchaser's written proposal by noon on September 14, 2010 (or such later date and time as is agreed to by the Purchaser in its sole discretion) and issuance of the Bond on or before October 7, 2010 (or such later date as is agreed to by the Purchaser in its sole discretion). Acceptance in writing of the Purchaser's proposal may be made by the Mayor and/or the City Administrator in accordance with Section 10 hereof. If the Purchaser's written proposal is accepted as described in this subsection (b) but the Bond is not issued on or before October 7, 2010 (or such later date as is agreed to by the Purchaser in its sole discretion), the Purchaser shall have the right in its sole discretion to assess the City a charge for any losses suffered by the Purchaser in connection with making the stated interest rate of three and thirty-five hundredths percent (3.35%) per annum available, and the City agrees to pay the same.

(c) 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

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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 October 7, 2010 without the prior written consent of the Purchaser, which consent shall be granted or withheld in the sole discretion of the Purchaser. The Mayor and/or the City Administrator, on behalf of the City, are hereby authorized and empowered to negotiate, execute and deliver any commitment letter or proposal required by the Purchaser, and the Mayor, the City Administrator, the Director of Internal Services, the City Clerk and all other appropriate officials and employees of the City are expressly authorized, empowered and directed to take any and all action necessary to complete and close the issuance, sale and delivery of the Bond to the Purchaser and to negotiate, execute and deliver all documents, certificates and instruments necessary or appropriate in connection therewith, including reflecting any provisions specified by the Purchaser in its proposal.

SECTION 11. BE IT FURTHER RESOLVED that 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 law until such proceeds may be needed to effect the Refunding Project as described herein. 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 pay or reimburse the costs of the Refunding 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 pay subsequent interest installments on the Bond. Investment earnings on the Bond, if any, may be applied to pay subsequent debt service payments on the Bond or shall be transferred to the General Fund and applied to general City purposes, as determined by the Director of Internal Services, unless a supplemental ordinance or resolution, as applicable, is passed by the Council to provide for the expenditure of such earnings for some other valid purpose authorized by the Enabling Act, the Refunding Act and/or the Charter, as applicable. Nothing in this Resolution shall be construed to authorize the expenditure of any moneys except for a proper public purpose.

SECTION 12. BE IT FURTHER RESOLVED that, (a) 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 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 refinance, 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 (the "Code"), 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

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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.

(d) In connection with their execution and delivery of the Section 148 Certificate, the authorized officials identified in this Section 13 are hereby authorized and empowered, on behalf of the City, to make any elections or determinations on behalf of the City provided for in or permitted by the Code and the Arbitrage Regulations.

SECTION 14. BE IT FURTHER RESOLVED that the City specifically covenants that it will comply with the provisions of the Code applicable to the Bond, including, without limitation, compliance with provisions regarding the timing of the expenditure of the proceeds of the Bond, the use of such proceeds and the facilities refinanced with such proceeds, the restriction of investment yields, the filing of information with the Internal Revenue Service, and the rebate of certain earnings resulting from the investment of the proceeds of the Bond or payments in lieu thereof. The City further covenants that it shall make such use of the proceeds of the Bond, regulate the investment of the proceeds thereof and take such other and further actions as may be required to maintain the exemption from federal income taxation of interest on the Bond. All officials, officers, employees and agents of the City are hereby authorized and directed to provide such certifications of facts and estimates regarding the amount and use of the proceeds of the Bond as may be necessary or appropriate.

SECTION 15. BE IT FURTHER RESOLVED that the City hereby designates the Bond as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code (relating to the exception from the disallowance of the deduction for that portion of a financial institution's interest expense which is allocable to tax-exempt interest), and, in connection therewith, represents and certifies that (i) the Bond is not a "private activity bond" within the meaning of Section 141 of the Code, (ii) the reasonably anticipated amount of tax-exempt obligations (excluding private activity bonds) which will be issued by the City (and all on-behalf-of issuers and subordinate entities of the City) during calendar year 2010 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 2010, including the Bond, have been or will be designated qualified tax-exempt obligations by the City.

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SECTION 16. BE IT FURTHER RESOLVED that contingent upon the issuance and delivery of the Bond, the City hereby elects to currently refund the 2006 Lease Purchase Agreement in full as of October 13, 2010 (the next available Lease Payment Date provided for in the 2006 Lease Purchase Agreement) by prepaying the corresponding principal balance amount detailed on Exhibit B to the 2006 Lease Purchase Agreement together with the scheduled Lease Payment amount due as of such date. Notwithstanding the foregoing sentence, in the event the registered owner of the 2006 Lease Purchase Agreement agrees to allow the prepayment of the 2006 Lease Purchase Agreement on any other date, the Mayor is hereby authorized and empowered, on behalf of the City, to select another date for prepayment of the 2006 Lease Purchase Agreement, provided that such different prepayment date results in a current refunding of the 2006 Lease Purchase Agreement for federal income tax purposes, and the giving of any notice of prepayment of the 2006 Lease Purchase Agreement shall constitute conclusive evidence of the selection by the Mayor of the alternative date for prepayment of the 2006 Lease Purchase Agreement. Each of the Mayor, the City Administrator and the Director of Internal Services, or any such officials acting in concert, is hereby authorized, on behalf of the City, to take any and all action necessary to effect the prepayment of the 2006 Lease Purchase Agreement as contemplated by this Resolution including, without limitation, giving or causing to be given any prepayment notice in the name of the City and making arrangements for the prepayment of the 2006 Lease Purchase Agreement with the registered owner thereof. Any such prepayment notice may be given conditioned upon issuance and delivery of the Bond.

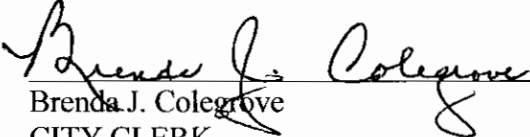
SECTION 17. BE IT FURTHER RESOLVED that this Resolution shall become effective upon adoption by the Council and approval by the Mayor. Pursuant to Charter Section SC7-46A, this Resolution may not be petitioned to referendum.

[CONTINUED ON FOLLOWING PAGE]

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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 13th day of September, 2010.

ATTEST:


Brenda J. Colegrove
CITY CLERK


Louise Smith
PRESIDENT, City Council

Approved by me this 13th day of September, 2010.


James Ireton, Jr.
MAYOR, City of Salisbury

#133111;58111.019

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 FACILITIES REFUNDING BOND OF 2010

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue Date</u>
October 1, 2026	3.35%	_____, 2010

Registered Owner:

Principal Sum: DOLLARS

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

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

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representative, the Principal Sum shown above, payable in sixteen (16) annual serial installments on October 1, commencing October 1, 2011, plus interest on the unpaid balance as set forth herein, subject to prior prepayment in whole or in part as hereinafter provided, as follows:

<u>Date</u>	<u>Principal Installment</u>	<u>Date</u>	<u>Principal Installment</u>
10/01/11	\$243,693.65	10/01/19	\$317,196.26
10/01/12	251,857.39	10/01/20	327,822.33
10/01/13	260,294.61	10/01/21	338,804.38
10/01/14	269,014.48	10/01/22	350,154.33
10/01/15	278,026.46	10/01/23	361,884.50
10/01/16	287,340.35	10/01/24	374,007.63
10/01/17	296,966.25	10/01/25	386,536.89
10/01/18	306,914.62	10/01/26	399,485.87

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 thirty-five hundredths percent (3.35%) per annum; provided that, during the continuance of any payment default, the stated interest rate shall increase by three percent (3.00%) per annum.

Interest on this bond shall be payable on April 1 and October 1 in each year until maturity or prior prepayment in full, commencing on April 1, 2011. 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 (the "Director of Internal Services") of the interest and any principal due on this bond on each interest payment date at least fifteen (15) days prior to such interest payment date, or such fewer number of days as is acceptable to the Director of Internal Services, but failure to provide such notice shall not affect the amount of, or the City's obligation to pay, principal or interest due on this bond.

Principal of and interest on this bond shall be payable in lawful money of the United States of America. The principal of this bond, at maturity or upon prior prepayment in full, shall be payable by check or draft at the office of the Director of Internal Services in Salisbury, Maryland, unless the Director of Internal Services and the registered owner agree on a different place or manner of payment. Principal of this bond, prior to maturity or prior prepayment in full, and interest on this bond will be payable by check or draft mailed to the registered owner at the address designated by the registered owner in writing to the Director of Internal Services, unless the Director of Internal Services and the registered owner hereof agree on a different manner of

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payment. If a principal payment date or interest payment date falls on a Saturday, Sunday or a day on which the City, banks in the State of Maryland and/or banks in the state in which the registered owner of this bond is located are not required to be open, payment may be made on the next succeeding day that is not a Saturday, Sunday or a day on which the City, banks in the State of Maryland and/or banks in the state in which the registered owner of this bond is located are not required to be open, and no interest shall accrue on the amount owed for the intervening period.

This bond is the duly authorized bond of the City, aggregating \$5,050,000.00 in principal amount, dated the date of its delivery and designated "City of Salisbury Public Facilities Refunding Bond of 2010". This bond is issued pursuant to and in full conformity with the provisions of Section 24 of Article 31 of the Annotated Code of Maryland, as replaced, supplemented or amended, Sections 31 to 37, inclusive, of Article 23A of the Annotated Code of Maryland, as replaced, supplemented or amended, and Sections SC7-45 and SC7-46 of the Charter of the City of Salisbury, as published in Municipal Charters of Maryland, Volume 7, 2008 Replacement Edition, as replaced, supplemented or amended, and by virtue of due proceedings had and taken by the Council of the City (the "Council"), particularly Ordinance No. 2115, which was passed by the Council on August 9, 2010, approved by the Mayor of the City (the "Mayor") on August 10, 2010 and became effective on August 10, 2010 (the "Ordinance"), and Resolution No. _____, which was adopted by the Council on _____, 2010, approved by the Mayor on _____, 2010 and became effective on _____, 2010 (the "Resolution").

This bond is transferable only upon the books kept for that purpose at the office of the Director of Internal Services, by the registered owner hereof in person, or by his duly authorized attorney, upon surrender hereof, together with (i) a written instrument of transfer in the form attached hereto and satisfactory to the Director of Internal Services and duly executed by the registered owner or his duly authorized attorney and (ii) a written covenant and agreement substantially in substance as described in Section 9(c) of the Resolution duly executed by the transferee.

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.

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On or after October 1, 2018, this bond shall be subject to prepayment in whole, but not in part, at the option of the City, on the first business day of each month, at a prepayment price of the outstanding par amount of this bond, plus accrued interest to the date fixed for prepayment, without premium or penalty.

This bond may be prepaid in whole, or in part, at the option of the City, on any date, by payment of an amount equal to the principal amount to be prepaid plus accrued interest thereon to the date of prepayment plus the Prepayment Fee (as defined below). For purposes hereof, the Prepayment Fee will be the sum of fees calculated separately for each Prepaid Installment (as defined below), as follows:

(i) The registered owner of this bond will first determine the amount of interest which would have accrued each month at the Taxable Equivalent Rate (as defined below) for the Prepaid Installment had it remained outstanding until the applicable Original Payment Date (as defined below), using the interest rate applicable to the Prepaid Installment.

(ii) The registered owner of this bond will then subtract from each monthly interest amount determined in (i) above, the amount of interest which would accrue for that Prepaid Installment if it were reinvested from the date of prepayment through the Original Payment Date, using the Treasury Rate (as defined below).

(iii) If (i) minus (ii) for the Prepaid Installment is greater than zero, the registered owner of this bond will discount the monthly differences to the date of prepayment by the Treasury Rate. The registered owner of this bond will then add together all of the discounted monthly differences for the Prepaid Installment.

The following definitions will apply to the calculation of the Prepayment Fee:

(1) "Original Payment Dates" mean the dates on which the prepaid principal would have been paid if there had been no prepayment.

(2) "Prepaid Installment" means the amount of the prepaid principal which would have been paid on a single Original Payment Date.

(3) "Taxable Equivalent Rate" means the interest rate per annum derived from the following formula: the interest rate on this bond divided by the difference of (1 minus the Maximum Corporate Income Tax Rate). The "Maximum Corporate Income Tax Rate" is the highest marginal federal income tax rate charged to U.S. corporations in effect at the time of the prepayment calculation. The "Maximum Corporate Income Tax Rate" is 35% as of the date of issuance of this bond (or 0.35 in numerical terms).

(4) "Treasury Rate" means the yield on the Treasury Constant Maturity Series with maturity equal to the Original Payment Date of the Prepaid Installment which are principal payments (calculated as of the date of prepayment in accordance with accepted financial practice

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and rounded to the nearest quarter-year), as reported in Federal Reserve Statistical Release H.15, Selected Interest Rates of the Board of Governors of the Federal Reserve System, or any successor publication. If no maturity exactly corresponding to such Original Payment Date appears in Release H.15, the Treasury Rate will be determined by linear interpolation between the yields reported in Release H.15. If for any reason Release H.15 is no longer published, the registered owner of this bond shall select a comparable publication to determine the Treasury Rate.

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 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.

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 _____, 2010.

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(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.