

ORDINANCE NO. 2019

AN ORDINANCE OF THE COUNCIL OF THE CITY OF SALISBURY LEVYING AND IMPOSING AND PROVIDING FOR THE COLLECTION OF A SPECIAL TAX ON PROPERTY WITHIN THE SPECIAL TAXING DISTRICT IN THE CITY OF SALISBURY KNOWN AS THE "NORTHEAST COLLECTOR PHASE III SPECIAL TAXING DISTRICT" (THE "DISTRICT") PURSUANT TO THE RATE AND METHOD IDENTIFIED HEREIN AND VARIOUS MATTERS RELATING THERETO; AUTHORIZING AND EMPOWERING CITY OF SALISBURY TO ISSUE, SELL AND DELIVER, AT ANY ONE TIME OR FROM TIME TO TIME, ITS SPECIAL OBLIGATION BONDS, NOTES OR OTHER SIMILAR INSTRUMENTS (THE "BONDS") IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$10,900,000 AND BEARING INTEREST AT A RATE OR RATES NOT TO EXCEED 7.0% PER ANNUM IN ORDER TO FINANCE OR REIMBURSE THE COST OF CERTAIN PUBLIC IMPROVEMENTS RELATING TO THE SPECIAL TAXING DISTRICT AND THE GEOGRAPHICALLY COINCIDENT NORTHEAST COLLECTOR PHASE III DEVELOPMENT DISTRICT AND OTHER COSTS PERMITTED UNDER THE ACTS IDENTIFIED HEREIN; PROVIDING THAT SUCH BONDS AND THE INTEREST THEREON SHALL NEVER CONSTITUTE A GENERAL OBLIGATION DEBT OF OR A PLEDGE OF THE CITY'S FULL FAITH AND CREDIT OR TAXING POWERS; PROVIDING FOR THE FURTHER SPECIFICATION, PRESCRIPTION, DETERMINATION, PROVISION FOR OR APPROVAL OF VARIOUS OTHER MATTERS, DETAILS, DOCUMENTS AND PROCEDURES IN CONNECTION WITH THE AUTHORIZATION, ISSUANCE, SECURITY, SALE AND PAYMENT FOR ANY SUCH BONDS; MAKING CERTAIN LEGISLATIVE FINDINGS, AMONG OTHERS, CONCERNING THE PUBLIC BENEFIT OF THE MATTERS CONTEMPLATED BY THIS ORDINANCE; AND GENERALLY PROVIDING FOR THE LEVY, IMPOSITION, COLLECTION AND APPLICATION OF SUCH SPECIAL TAX AND THE ISSUANCE OF BONDS IN ACCORDANCE WITH THE ACTS IDENTIFIED HEREIN.

RECITALS

WHEREAS, Sections 14-201 through 14-214, inclusive, of Article 41 of the Annotated Code of Maryland, as amended (the "Tax Increment Financing Act"), authorize a Maryland municipality to establish a "development district" (as such term is used in the Tax Increment Financing Act) and a "special fund" (as such term is used in the Tax Increment Financing Act) into which the "tax increment" (as such term is used in the Tax Increment Financing Act) of properties located in the development district is deposited, and to borrow money for the purpose of financing the new development, redevelopment, revitalization and renovation of the development district by paying for (i) the cost of purchasing, leasing, condemning, or otherwise acquiring land or other property, or any interest therein in the designated development district area or as necessary for a right-of-way or other easement to or from the development district area; (ii) site removal; (iii) surveys and studies; (iv) relocation of businesses or residents; (v) installation of utilities, construction of parks and playgrounds, and other necessary improvements, including streets and roads to, from or within the development district, parking, lighting and other facilities; (vi) construction or rehabilitation of buildings provided that such

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buildings are to be devoted to a governmental use or purpose; (vii) reserves or capitalized interest; (viii) necessary costs of issuing “bonds” (as such term is used in the Tax Increment Financing Act); and (ix) payment of principal and interest on loans, money advanced or indebtedness incurred by a county or municipality for any of the foregoing purposes; and

WHEREAS, before issuing bonds pursuant to the Tax Increment Financing Act, the governing body of the municipality must designate by resolution a contiguous area within its jurisdiction as a development district, receive from the supervisor of assessments a certification as to the amount of the “original assessable base” or, if applicable, the “adjusted assessable base”, each as defined in the Tax Increment Financing Act, create a special fund by resolution and pledge that until the bonds have been fully paid or thereafter, the property taxes on real property within the development district shall be divided and allocated as provided in the Tax Increment Financing Act; and

WHEREAS, the Tax Increment Financing Act provides that the bonds shall be payable from that portion of the taxes representing the levy on the tax increment deposited in the special fund, and that the municipality may also pledge its full faith and credit, establish sinking funds and debt service reserve funds, and pledge other assets and revenues toward the payment of the bonds; and

WHEREAS, Section 44A of Article 23A of the Annotated Code of Maryland, as amended (the “Special Taxing District Act” and, together with the Tax Increment Financing Act, the “Acts”), authorizes any municipal corporation of the State of Maryland to create a “special taxing district” (as such term is used in the Special Taxing District Act), to borrow money by issuing and selling its “bonds” (as such term is used in the Special Taxing District Act) for the purpose of financing, refinancing or reimbursing the “cost” (as such term is used in the Special Taxing District Act) of the design, construction, establishment, extension, alteration or acquisition of adequate storm drainage systems, sewers, water systems, roads, bridges, culverts, tunnels, streets, sidewalks, lighting, parking, parks and recreation facilities, libraries, schools, and other infrastructure improvements as necessary, whether situated within the special taxing district or the municipal corporation or outside of the municipal corporation if notification is given to the governmental unit having jurisdiction over the infrastructure improvement and if the infrastructure improvement is reasonably related to other infrastructure improvements within the special taxing district, for the development and utilization of land, each with respect to any defined geographic region within the municipal corporation, and to pay such bonds from the proceeds of ad valorem taxes or special taxes levied on real and personal property located within the boundaries of the special taxing district and required to be deposited in a “special fund” created pursuant to the Special Taxing District Act; and

WHEREAS, before issuing bonds under the Special Taxing District Act, the governing body of a municipal corporation is required to designate by resolution an area or areas as a “special taxing district”, to adopt a resolution creating a special fund with respect to the special taxing district, to provide for the levy of an ad valorem or special tax on all real and personal property within the special taxing district, and to pledge that it will pay such ad valorem tax or special tax into the special fund; and

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WHEREAS, the bonds authorized to be issued by the Special Taxing District Act are special obligations of a municipal corporation payable from the ad valorem taxes or special taxes deposited in the special fund created by the municipal corporation, from sinking funds and debt service reserve funds established therefor, and from other assets or revenues, if any, pledged by the municipal corporation for that purpose; and

WHEREAS, prior to issuing and selling bonds for the purposes allowed under the Special Taxing District Act, a request must be made to the municipal corporation by both (i) at least two-thirds of the owners of the real property located within the special taxing district, provided that: (A) multiple owners of a single parcel are treated as a single owner and (B) a single owner of multiple parcels is treated as one owner; and (ii) the owners of at least two-thirds of the assessed valuation of the real property located within the special taxing district; and

WHEREAS, pursuant to Resolution No. 1369 of the Council of the City of Salisbury (the "Council") adopted on March 13, 2006 and approved by the Mayor on March 15, 2006 (the "Designation Resolution"), City of Salisbury (the "City") designated a contiguous area within its corporate boundaries comprised of approximately 157 acres of land located in the Parsons Election District of Wicomico County, Maryland, roughly south of Outten Road and Gordy Road, west of Parkhurst Drive, and north of Middleneck Drive, marked on its northern boundary by the Middle Neck Branch and on its western boundary by where the Middle Neck Branch and the Peggy Branch converge, as both a "development district" to be known as the "Northeast Collector Phase III Development District" (the "Development District") for purposes of the Tax Increment Financing Act and as a geographically coincident "special taxing district" to be known as the "Northeast Collector Phase III Special Taxing District" (the "Special Taxing District" and, together with the Development District, the "District") for purposes of the Special Taxing District Act in order to encourage and promote the development of a residential enclave with complementary retail and convenience facilities, and the geographic area of the District is more particularly described on Exhibits A-C of the Designation Resolution; and

WHEREAS, the body of the Designation Resolution refers to the District as being comprised of approximately 159 acres of land, but the metes and bounds legal description of the District set forth on Exhibit B to the Designation Resolution clarifies that the District is comprised of approximately 157 acres; and

WHEREAS, the Designation Resolution was adopted pursuant to the request of the sole owner of all the real property within the geographic confines of the District (the "Request"), a copy of which Request is on file with the City Clerk; and

WHEREAS, the Designation Resolution contemplates that special obligation bonds will be issued by the City pursuant to the authority of both Acts, in one or more series, from time to time, for the purposes of financing, refinancing or reimbursing all or a portion of the cost of certain public improvements within the District or the City, or outside the City if notification is given to the governmental unit having jurisdiction over the public improvement and if the public improvement is reasonably related to other public improvements within the District, as authorized by the Acts and applicable law; and

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WHEREAS, the Designation Resolution further provides that proceeds of any such bonds may also be applied to finance, refinance or reimburse other costs and expenses permitted under both the Acts; and

WHEREAS, pursuant to the Designation Resolution, the City established a special fund as required by the Tax Increment Financing Act designated as the “Northeast Collector Phase III Tax Increment Fund” (the “Tax Increment Fund”), and determined certain other matters with respect to the Tax Increment Fund as required by the Tax Increment Financing Act; and

WHEREAS, pursuant to the Designation Resolution, the City established a special fund as required by the Special Taxing District Act designated as the “Northeast Collector Phase III Special Taxes Fund” (the “Special Taxes Fund”), and determined certain other matters with respect to the Special Taxes Fund as required by the Special Taxing District Act; and

WHEREAS, before issuing any bonds with respect to the Special Taxing District, the City is required by the Special Taxing District Act to provide for the levy of an ad valorem tax or a special tax on all real and personal property within the Special Taxing District and to pledge that it shall pay such ad valorem tax or special tax to the Special Taxes Fund for the payment of debt service on the bonds and other expenses and purposes permitted under the Special Taxing District Act; and

WHEREAS, pursuant to Section 14-210 of the Tax Increment Financing Act and Subsection (g) of the Special Taxing District Act, the City may implement its authority under such Acts to issue its bonds for the purpose of financing, refinancing or reimbursing the costs of public improvements benefiting the District and certain related costs authorized by the Acts, by passing an ordinance which, among other matters, specifies and describes the proposed undertaking and states that it has complied with certain conditions precedent to the issuance of the bonds, specifies the maximum principal amount of the bonds to be issued, and specifies the maximum rate or rates of interest the bonds are to bear; and

WHEREAS, by passage of this Ordinance, the City desires to provide for the issuance of its revenue bonds, notes or other similar instruments in one or more series from time to time in an aggregate principal amount not to exceed Ten Million Nine Hundred Thousand Dollars (\$10,900,000) (collectively, the “Bonds”) in order to initially finance or reimburse the cost (within the meaning of the Acts) of public improvements benefiting the District and related financing costs or costs of issuing the Bonds; and

WHEREAS, the Request contemplated that any taxes on properties located in the Special Taxing District pursuant to the Special Taxing District Act would be in the nature of special taxes; and

WHEREAS, in order to provide for the payment of the principal of and interest on the Bonds, pursuant to the Designation Resolution, the City has (i) pledged that that portion of the property taxes on real property located within the Development District representing the levy on the Tax Increment (as defined in the Designation Resolution) shall be paid into the Tax Increment Fund when collected and applied in accordance with Section 8 of the Designation

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Resolution and Section 14-208 of the Tax Increment Financing Act and (ii) determined to levy, impose and collect, and by this Ordinance hereby levies and imposes, and covenants to collect, pursuant to Subsection (e) of the Special Taxing District Act, a special tax to be designated the "Northeast Collector Phase III Special Tax" (the "Special Tax") upon all real and personal property within the Special Taxing District, unless otherwise provided by law or by the provisions hereof, for the purposes, to the extent and in the manner herein provided, contingent upon the issuance and sale of the Bonds, and to the extent that moneys on deposit in the Tax Increment Fund or otherwise available for such purposes under any trust indenture for the Bonds are insufficient (A) to cover debt service on the Bonds, (B) to replenish any debt service reserve fund or (C) for any authorized purpose relating to the ongoing expenses of or security for the Bonds, at a rate or rates and amount designed to provide adequate revenues at least sufficient in each year in which any of the Bonds are outstanding to pay the principal of, interest on, and redemption premium, if any, on the Bonds, to replenish any debt service reserve fund, and for any other purpose relating to the ongoing expenses of or security for the Bonds; and

WHEREAS, the Special Tax shall be imposed, levied and collected in the Special Taxing District each fiscal year of the City, beginning with the 2007-2008 fiscal year, if necessary, in an amount as shall be determined in accordance with the Rate and Method identified herein; and

WHEREAS, the Special Tax shall be collected in the same manner and at the same time as regular ad valorem taxes are collected within the District, and shall be discontinued when all of the Bonds have been paid in full (either at their maturity or prior to maturity by defeasance in full); and

WHEREAS, except as may be required by the Maryland Constitution, the Designation Resolution, this Ordinance, any executive order adopted in furtherance of this Ordinance, the designation and creation of District, the imposition and levy of the Special Tax and the issuance of the Bonds may not be subject to any referendum by reason of any other State of Maryland or local law; and

WHEREAS, the Request (or applicable portions thereof) constitutes the request of the property owners contemplated by Subsections (c)(1) and (g)(3)(ii) of the Special Taxing District Act; and

WHEREAS, prior to issuing any Bonds relating to the District, the City is required to enact this Ordinance in order to comply with certain provisions of the Acts; and

WHEREAS, prior to enacting this Ordinance, the Mayor and Council held a public hearing after giving not less than ten (10) days notice in a newspaper of general circulation in the City of Salisbury in accordance with Subsection (m) of the Special Taxing District Act.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SALISBURY, MARYLAND:

SECTION 1. FINDINGS AND DETERMINATIONS. NOW, THEREFORE BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SALISBURY, MARYLAND that

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(a) the Recitals to this Ordinance (the “Recitals”) are deemed a substantive part of this Ordinance and are incorporated by reference herein, and capitalized terms defined in the Recitals and used herein shall have the meanings given to such terms in the Recitals;

(b) the following terms used in the Recitals and elsewhere in this Ordinance shall have the meanings given to such terms in the respective Acts: “development district”, “tax increment”, “special taxing district”, “cost”, “public improvements”, “infrastructure improvements”, “bonds”, “special fund”, “ad valorem tax” and “special tax”; and references to “public improvements” herein are deemed to refer to costs and activities permitted to be financed and refinanced by both of the Acts, including (without limitation) “infrastructure improvements”, as such term is used in the Special Taxing District Act;

(c) the findings and determinations set forth in Section 2 of the Designation Resolution are hereby ratified and confirmed with respect to the subject matter of this Ordinance and the issuance of the Bonds provided for herein;

(d) the issuance of Bonds for the purpose of providing funds to initially finance or reimburse public improvements benefiting the District serves the public purposes of providing public improvements within the City, directly and indirectly enhancing the taxable base of the City, encouraging the development of residential areas, commerce and industry within the City, increasing the general health and welfare of the residents of the City and increasing employment within the City through the provisions of roadways and installation of utilities and other necessary improvements within and outside the District;

(e) the public improvements proposed to be initially financed or reimbursed from Bond proceeds include, but are not limited to (i) the design and construction of a public access road connecting Kelly Road with Beaglin Park Drive and related paving, curb and gutter features, (ii) the design and construction of a sidewalk/bike path, (iii) the design, construction, establishment, extension and alteration, as applicable, of water and sewer system improvements, and (iv) such other infrastructure improvements within or outside the District as may be authorized by both the Acts and as may be provided for in an agreement or agreements between the City and the property owner(s) or its/or their contractors, developers or agents (the “Improvements”); the City and the owner of the property in the District have preliminarily concluded that proceeds of the Bonds shall not be applied to costs of any sewer lift station as originally contemplated in the Designation Resolution;

(f) the Improvements, in addition to providing general public benefits to the City and its citizens, specifically benefit the properties located in the Development District by providing needed infrastructure improvements for the use of the residents and businesses located or to be located on such properties and their visitors and invitees and the general public;

(g) by the adoption of the Designation Resolution, the City took all necessary action contemplated by the Tax Increment Financing Act to provide for the segregation and deposit in the Tax Increment Fund of that portion of the taxes representing the levy on the Tax Increment of properties located in the Development District, and by this Ordinance the City

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hereby reiterates its pledge and covenants to so levy, collect and segregate such revenues for the benefit of the holders of the Bonds; and

(h) by the adoption of the Designation Resolution and enactment of this Ordinance, the City has complied with the provisions of the Acts, including but not limited to Section 14-206 of the Tax Increment Financing Act and Subsections (e) and (g) of the Special Taxing District Act, requiring certain actions to be performed prior to the issuance of any Bonds.

SECTION 2. LEVY OF SPECIAL TAX. BE IT FURTHER ORDAINED that:

(a) Commencing with the fiscal year beginning July 1, 2007, and contingent upon the issuance and delivery of any Bonds, there is hereby levied and imposed pursuant to the Special Taxing District Act a special tax (the "Special Tax") upon all real and personal property within the Special Taxing District, unless exempted by law or by the provisions of the "Rate and Method of Apportionment of Special Taxes of the City of Salisbury Northeast Collector Phase III Special Taxing District" attached hereto as Exhibit A and incorporated by reference herein as though set forth in full herein (the "Rate and Method"), in an amount equal to the Maximum Special Tax provided for in the Rate and Method (subject to increase in each tax year as specified in the Rate and Method), which Maximum Special Tax is hereby levied and imposed upon and allocated among the Parcels of Taxable Property (as defined in the Rate and Method) located in the Special Taxing District in accordance with the Rate and Method; provided that, the Maximum Special Tax may be reduced by the Mayor in accordance with the Rate and Method when any Bonds are issued in order to reflect the actual rate or rates of interest on such Bonds, the amount of Bonds actually issued and any corresponding reduction in debt service. The Special Tax is hereby levied and imposed to the extent and in the manner provided in the Rate and Method, through the application of the procedures provided for in the Rate and Method. The Special Tax shall take effect and terminate as provided in the Rate and Method. The Maximum Special Tax is designed to provide adequate revenues to pay the principal of, interest on and redemption premium, if any, on the Bonds, to replenish any debt service reserve fund, and for any other purpose related to the ongoing expenses of or security for the Bonds. The City hereby covenants that the Special Tax shall be collected in accordance with the Rate and Method at a rate and amount at least sufficient in each year in which any of the Bonds are outstanding to provide, if necessary, for the payment of the principal of, interest on and any redemption premium on the Bonds, to make any other required payments and to provide for ongoing expenses of or security for the Bonds, all in accordance with the Rate and Method; provided that, any amounts on deposit in the Tax Increment Fund or available from other sources (including interest earnings) shall be credited against the Special Tax to be collected in each year in accordance with the Rate and Method. The Council hereby authorizes and directs the Mayor or the Mayor's designee, on behalf of the City, to determine the amount of the Special Tax to be collected from each Parcel of Taxable Property in each year in accordance with the procedures set forth in the Rate and Method, which amount to be collected may be in an amount less than that portion of the Maximum Special Tax allocable to each such Parcel in accordance with the Rate and Method, but may not exceed the portion of the Maximum Special Tax allocated to each such Parcel pursuant to the Rate and Method. The Rate and Method was prepared by MuniCap, Inc. at the request of the owner of the property located in the Special Taxing District and for the benefit of the City. The Special Tax also may be levied with respect to any refunding bonds

issued under the Special Taxing District Act (and any other authorizing law, if applicable) pursuant to the provisions of an ordinance or resolution enacted or adopted by the City in connection with the issuance of such refunding bonds.

(b) Attached hereto as Exhibit B and incorporated by reference herein as though set forth herein in full is the Northeast Collector Phase III Special Taxing District Special Taxing Report (the "Report"), prepared by MuniCap, Inc. at the request of the owner of the property located in the Special Taxing District and for the benefit of the City, which Report documents the methodology utilized in apportioning the Special Tax among property owners within the Special Taxing District and, based on, and in reliance upon, the Report the Council finds that the methodology is reasonable and results in fairly allocating the costs of the Improvements as required by the Special Taxing District Act.

SECTION 3. AUTHORIZED AMOUNT AND NATURE OF BONDS. BE IT FURTHER ORDAINED that the issuance and sale by the City of the Bonds, from time to time, in one or more series, in an aggregate principal amount not to exceed Ten Million Nine Hundred Thousand Dollars (\$10,900,000), and bearing interest at the maximum rate or rates of interest not to exceed seven percent (7%) per annum, all as may be determined pursuant to this Ordinance, is hereby authorized and approved. The Bonds are authorized hereby to be executed by the manual or facsimile signature of the Mayor and the seal of the City shall be affixed to the Bonds and attested by the City Clerk or other similar administrative officer of the City. Any series of Bonds shall mature not later than thirty (30) years from the date of issuance. **SUCH BONDS SHALL NOT BE AN INDEBTEDNESS OF THE CITY FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE, OR HAS LEVIED OR PLEDGED, AD VALOREM TAXES OR SPECIAL TAXES OF THE CITY OTHER THAN THE REAL PROPERTY TAXES REPRESENTING THE LEVY ON THE TAX INCREMENT OF PROPERTIES LOCATED IN THE DEVELOPMENT DISTRICT OR THE SPECIAL TAXES CONTEMPLATED BY THIS ORDINANCE. THE BONDS SHALL BE A SPECIAL OBLIGATION OF THE CITY AND WILL NOT CONSTITUTE A GENERAL OBLIGATION DEBT OF THE CITY OR A PLEDGE OF THE CITY'S FULL FAITH AND CREDIT OR TAXING POWER. THE ONLY FUNDS THE CITY WILL BE OBLIGATED TO USE TO MAKE PAYMENT ON THE BONDS WILL BE THOSE THAT RESULT FROM REAL PROPERTY TAXES LEVIED BY THE CITY ON THE TAX INCREMENT OF PROPERTIES LOCATED IN THE DEVELOPMENT DISTRICT AND, IF SUCH REVENUES ARE OR WILL BE INSUFFICIENT, THE SPECIAL TAX LEVIED ON AND COLLECTED FROM PROPERTY LOCATED IN THE SPECIAL TAXING DISTRICT.**

SECTION 4. AUTHORITY OF MAYOR TO DETERMINE CERTAIN MATTERS RELATING TO THE BONDS. BE IT FURTHER ORDAINED that prior to the sale, issuance and delivery of any series of the Bonds, the Mayor, by executive order, is hereby authorized, empowered and directed to specify, prescribe, determine, provide for, or approve, for the purposes and within the limitations of the Acts and this Ordinance, all matters, details, forms, documents, and procedures pertaining to the sale, security, issuance, delivery, and payment of or for such Bonds, including, without limitation, the following (references in the following clauses (a) – (r) to the Bonds are deemed to refer to any series of the Bonds):

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- (a) The actual principal amount of the Bonds to be issued;
- (b) The actual rate or rates of interest for the Bonds;
- (c) The manner in which and the terms upon which the Bonds are to be sold;
- (d) The manner in which and the times and places that the interest on the Bonds is to be paid;
- (e) The time or times that the Bonds may be executed, issued and delivered;
- (f) The form and tenor of the Bonds and the denominations in which the Bonds may be issued;
- (g) The manner in which and the times and places that the principal of the Bonds is to be paid, within the limitations set forth in the Acts and this Ordinance;
- (h) Provisions pursuant to which any or all of the Bonds may be called for redemption prior to their stated maturity dates;
- (i) Provisions for obtaining insurance for the Bonds or for the issuance of a guaranty, letter of credit, line of credit, or similar credit support for the Bonds;
- (j) The form and contents of, and provisions for the execution and delivery of, such financing or other documents that are not otherwise specifically identified in this Ordinance or the Designation Resolution, and any amendments, modifications or supplements thereto, as the Mayor shall deem necessary or desirable to evidence, secure or effectuate the issuance, sale and delivery of the Bonds, including, without limitation, any trust indenture or trust agreement, any funding or similar agreement, any bond purchase agreement, agreements with consultants to or agents of the City with respect to the District or the Bonds, fee agreements, funding agreements, investment agreements, security agreements, assignments, guarantees, financing agreements or escrow agreements;
- (k) The creation of security for the Bonds and provision for the administration of the Bonds including, without limitation, the appointment of such trustees, escrow agents, fiscal agents, administrators of the District, paying agents, registrars, rebate monitors or other agents as the Mayor shall deem necessary or desirable to effectuate the transactions authorized hereby;
- (l) Provisions for the preparation and distribution of both a preliminary and a final official statement, placement memorandum, offering circular or other disclosure document in connection with the sale of the Bonds, if such preliminary official statement and final official statement, placement memorandum, offering circular or other disclosure document is determined to be necessary or desirable for the sale of the Bonds;

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(m) The determination of the manner of sale of the Bonds, which may be either at public or private (negotiated) sale, the identity of the underwriter or placement agent for the Bonds, if any, or the purchaser or purchasers of the Bonds, and the form and contents of, and provisions for the execution and delivery of, any contract or contracts for the purchase and sale of the Bonds (or any portion thereof);

(n) To the extent that other obligated persons with respect to the Bonds have not assured compliance with, or to the extent that the offering of the Bonds is not exempt from the requirements of, Rule 15c2-12 of the United States Securities and Exchange Commission, the determination of the form and contents of any written agreement or contract required by law or to the extent the same is determined to be necessary or desirable even if not required by law, for the benefit of the holders of the Bonds under which agreement or contract the City will undertake to provide annual financial information, audited financial statements, material events notices, and other information to the extent required by such Rule or such agreement or contract;

(o) The negotiation, preparation, execution and delivery of any development agreements or use agreements with the owners of any portion of the property located within the District and/or their developers, contractors or agents regarding the use and application of proceeds of the Bonds or the use or ownership of properties located within the District or outside the District if benefited by the Improvements and any agreements necessary or desirable to provide the transfer of ownership of the Improvements of the City or any other governmental agency or public entity if required by the Mayor or in order to ensure that the interest payable on any such Bonds shall remain exempt from gross income for federal income tax purposes, if applicable.

(p) The specific Improvements to be financed, reimbursed or refinanced from proceeds of the Bonds or the mechanics for determining the same;

(q) Any matters contemplated by the Acts relating to application of the proceeds of the Bonds, including, without limitation, the establishment and application of sinking funds and reserve funds and provision for any payment of capitalized interest on the Bonds; and

(r) The determination of, or the provision for, such other matters in connection with the authorization, issuance, execution, sale, delivery, and payment of the Bonds, the security for the Bonds, and the consummation of the transactions contemplated by this Ordinance as may be deemed appropriate by the Mayor, including, without limitation, establishing procedures for the execution, acknowledgement, sealing and delivery of such other and further agreements, documents and instruments, and the authorization of the officials of the City to take any and all actions, as are or may be necessary or appropriate to consummate the transactions contemplated by this Ordinance in accordance with the Acts and this Ordinance.

Notwithstanding the provisions of the foregoing clauses (c) and (m), it is presently intended by the Council that the Bonds shall be sold by private (negotiated) sale to Stone & Youngberg LLC, acting as underwriter of the Bonds, unless Stone & Youngberg LLC is unable

to sell such Bonds in a manner satisfactory to the Mayor or unless the Mayor determines that there is another valid and justifiable reason why the Bonds shall not be sold in such manner.

The Mayor's execution and delivery of any such executive order shall constitute conclusive evidence of the Mayor's approval of the subject matter thereof.

SECTION 5. FURTHER AUTHORITY OF MAYOR. BE IT FURTHER ORDAINED that the Mayor, on behalf of the City, by an executive order contemplated in Section 4 hereof, is hereby authorized to condition the issuance of any series of the Bonds upon the execution, delivery and recording, as applicable, by the City, any of then-current owners of property located in the District, the developers of property within the District or other appropriate parties of any declaration of covenants, any notice to subsequent property owners within the District, any notification to a governmental unit having jurisdiction over any Improvements located outside the City, or any other similar documents, instruments or certificates reasonably related to the transactions contemplated by this Ordinance. The Mayor, on behalf of the City, is hereby authorized and empowered to prepare or cause to be prepared, negotiate or cause to be negotiated and execute and deliver any such documents, instruments or certificates to which the City is a party, and the same shall contain such terms, agreements and conditions and be in such form as the Mayor may approve, and the execution and delivery of the same by the Mayor shall constitute conclusive evidence of the Mayor's approval thereof.

SECTION 6. CERTIFICATIONS AS TO TAX MATTERS. BE IT FURTHER ORDAINED that:

(a) Any two of the Mayor, the City Administrator and the Director of Internal Services (or any two other City officials designated by the Mayor pursuant to an executive order contemplated in Section 4 above), acting in concert on behalf of the City, and provided that such actions are within the bounds of their authority, are hereby authorized to prepare or cause to be prepared, negotiate or cause to be negotiated, execute and deliver a tax and section 148 certificate or similar certificate or agreement as to tax and arbitrage matters with respect to any series of Bonds the interest on which is excludable from gross income for federal income tax purposes (the "Tax Certificate"). The Tax Certificate shall contain such terms, agreements and conditions (and reflect, if applicable, any determinations provided for in any executive order executed and delivered pursuant to Section 4 above) and be in such form as such officials shall approve after consultation with bond counsel to the City, and the execution of the Tax Certificate by such officials shall constitute conclusive evidence of their approval with respect thereto.

(b) The City shall set forth in the Tax Certificate its reasonable expectations as to relevant facts, estimates and circumstances relating to the use of the proceeds of the applicable series of Bonds 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 such series of the Bonds pursuant to the Internal Revenue Code of 1986, as amended (the "Code"), or the income tax regulations thereunder (the "Regulations") (collectively, the "Bond Proceeds"). The City covenants with the registered owners of the Bonds of any such series that the facts, estimates and circumstances set forth in the Tax Certificate will be based on the City's reasonable expectations on the date of issuance of such series

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of the Bonds 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 owners of any such series of the Bonds 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 Bonds of such series to be "arbitrage bonds" within the meaning of the Code and the Regulations, and that it will comply with those provisions of the Code and the Regulations as may be applicable to the Bonds of such series on their date of issuance and which may subsequently lawfully be made applicable to the Bonds of such series as long as any applicable Bond remains outstanding and unpaid.

(d) The City specifically covenants that it will comply with the provisions of the Code and the Regulations applicable to any such series of the Bonds, including, without limitation, compliance with provisions regarding the timing of the expenditure of the proceeds of the Bonds, 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 Bonds or payments in lieu thereof. The City further covenants that it shall make such use of the proceeds of the Bonds of such series, regulate the investment of the proceeds thereof and take such other and further actions as may be required to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds of such series. 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 Bonds of such series as may be necessary or appropriate.

(e) The provisions of this Section 6 shall apply only to any series of Bonds that is issued with the expectation that interest on the Bonds of such series shall be excludable from gross income for purposes of federal income taxation.

SECTION 7. ADDITIONAL AUTHORIZED DOCUMENTATION AND ACTIONS.
BE IT FURTHER ORDAINED that the Mayor, the City Administrator, the Director of Internal Services and the City Clerk, acting individually or in concert as appropriate (in any such case the "Authorized Representative"), and provided that such actions are within the bounds of their authority, are authorized and directed to take any and all actions and to execute, attest, affix the City's seal to and deliver, and to file and record in any appropriate public offices (if applicable) all documents, instruments, certifications, forms (including but not limited to, appropriate IRS forms in respect to the Bonds), financing statements, letters of instructions, written requests, contracts, agreements and other papers customarily delivered in connection with the issuance of obligations in the nature of the Bonds, whether or not herein mentioned and not otherwise provided for herein or in the Designation Resolution, as may be necessary or convenient to evidence the approvals of the City provided in this Ordinance, to invest the proceeds of the Bonds or moneys on deposit in the Tax Increment Fund or the Special Taxes Fund (in all such cases, in accordance with the provisions of applicable Maryland and federal law), to facilitate the issuance of any series of the Bonds and to consummate the transactions contemplated in this Ordinance or in any of the documents herein authorized and approved.

SECTION 8. LIBERAL CONSTRUCTION OF ORDINANCE. BE IT FURTHER ORDAINED that the provisions of this Ordinance shall be liberally construed in order to effectuate and carry out the purposes of and the activities authorized by the Acts and the matters contemplated by this Ordinance.

SECTION 9. SEVERABILITY PROVISIONS. BE IT FURTHER ORDAINED that the provisions of this Ordinance are severable, and if any provision, sentence, clause, section or part hereof is held or determined to be illegal, invalid, unconstitutional or inapplicable to any person or circumstance, such illegality, invalidity, unconstitutionality or inapplicability shall not affect or impair any of the remaining provisions, sentences, clauses, sections or parts of this Ordinance or their application to other persons or circumstances. It is hereby declared to be the intent of the City that this Ordinance would have been adopted if such illegal, invalid, unconstitutional or inapplicable provision, sentence, clause, section or part had not been included herein, and if the person or circumstances to which this Ordinance or any part hereof are inapplicable had been specifically exempted herefrom.

SECTION 10. SUNSET DATE. BE IT FURTHER ORDAINED that in the event no Bonds are issued pursuant to the Acts to finance or reimburse the costs of the Improvements with respect to the District and other costs permitted under the Acts by June 30, 2008, this Ordinance shall be automatically revoked without further action by the Mayor and Council and shall be considered terminated, null and void; provided that, the Mayor and Council may take such actions as may be necessary in accordance with the Acts to provide for the expenditure or transfer of any moneys then on deposit in the Tax Increment Fund or the Special Taxes Fund subsequent to such date.

SECTION 11. EFFECTIVENESS OF ORDINANCE. BE IT FURTHER ORDAINED that this Ordinance shall become effective following approval by the Mayor or subsequent passage by the Council in accordance with the provision of Section SC2-12 of the Charter. Pursuant to the Acts and Section SC2-16 of the Charter, this Ordinance shall not be subject to petition to referendum.

Ordinance No. 2019

THIS ORDINANCE was introduced and read at a meeting of the Council of the City of Salisbury held on the _____ day of _____, 2006, and thereafter, a statement of the substance of this Ordinance having been published as required by law, was finally passed by the Council on the _____ day of _____, 2006.

ATTEST:

Brenda J. Colegrove
CITY CLERK

Michael P. Dunn
PRESIDENT, City Council

Approved by me this _____ day of _____, 2006.

Barrie P. Tilghman
MAYOR, City of Salisbury

#97379;58111.005

EXHIBIT A

RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAXES OF THE CITY OF
SALISBURY NORTHEAST COLLECTOR PHASE III SPECIAL TAXING DISTRICT

[See Attached]

EXHIBIT B

REPORT ON THE REASONABLE BASIS OF THE SPECIAL TAX

[See Attached]