

**COUNTY COUNCIL OF DORCHESTER COUNTY, MARYLAND
RESOLUTION**

A **RESOLUTION** to authorize and empower Dorchester County, Maryland to issue and sell, upon its full faith and credit, Six Hundred Twenty Thousand Dollars (\$620,000) maximum aggregate principal amount of its general obligation, fully registered bonds, pursuant to the authority of Section 10-16 of the Code of Public Local Laws of the County, to be designated as "Airport Improvements Bonds of 2003", said bonds to be issued and sold for the public purpose of financing the design, construction and equipping of a terminal facility at the County Airport and paying the costs of issuing such bonds; prescribing the form and tenor of and determining other matters relating to the issuance and sale thereof; providing for the private (negotiated) sale of such bonds; providing for the disbursement of the proceeds of said bonds; providing that the proceeds of said bonds, or any moneys which may be deemed to be proceeds, will not be used in a manner which would cause said bonds to be arbitrage bonds; appointing a paying agent and registrar for said bonds; covenanting to levy and collect all taxes necessary to provide for the payment of the principal of and interest on said bonds; and generally relating to the issuance, sale and delivery of said bonds.

RECITALS

The authority for the powers herein exercised is contained in Section 10-16 of the Code of Public Local Laws (the "Enabling Act") of Dorchester County, Maryland (the "County").

The Enabling Act authorizes and empowers the County to borrow money and incur indebtedness in order to finance any public facility investment, which term includes the construction, improvement or repair, or any related acquisition or service, for the County Airport and related facilities. The Enabling Act further authorizes the County to evidence such borrowing by the issuance and sale of its general obligation bonds in accordance with the procedure prescribed by the Enabling Act.

The County proposes to spend the proceeds of the bonds hereby authorized (i) to pay the cost of constructing, improving, repairing or acquiring a terminal facility at the County Airport and (ii) to pay the costs of issuing the bonds.

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The Enabling Act provides for the private sale of bonds issued under it without advertisement or publication of notice of sale or solicitation of competitive bids. The County has solicited proposals for the purchase of the Bonds, and the Director of Finance has determined that the proposal of Atlantic Bank (a member of First Virginia Banks, Inc., "Atlantic Bank"), dated April 18, 2003, contains the most favorable terms among those proposals submitted to the County.

The County desires to proceed with the issuance of the Bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNTY COUNCIL OF DORCHESTER COUNTY, MARYLAND, that:

Section 1. Acting pursuant to the authority of the Enabling Act, the County hereby determines that the net proceeds from the sale of its Airport Improvement Bonds of 2003, authorized to be issued and sold by this Resolution, shall be used and applied for the public purposes of (a) paying the costs of constructing, improving, repairing or acquiring a terminal facility at the County Airport (the "Project"); and (b) paying the costs of issuing such bonds, all as stated in the Recitals to this Resolution.

Section 2. It is hereby determined that the County shall borrow money and incur indebtedness for the purposes set forth in Section 1 of this Resolution. To evidence such borrowing and indebtedness and acting pursuant to the authority of the Enabling Act, the County shall issue and sell, upon its full faith and credit, Six Hundred Twenty Thousand Dollars (\$620,000) maximum aggregate principal amount of its general obligation, fully registered bonds, said issue of bonds to be known as "Airport Improvements Bonds of 2003" (the "Bonds" or "bonds"), the net proceeds of such sale to be used and applied as provided in Section 1 of this Resolution.

Section 3. The bonds shall all be dated as of the date of their issuance and delivery to the purchaser thereof, shall be in the form of one bond in an amount equal to the aggregate

principal amount of the Bonds, shall be numbered from one (1) consecutively upwards in the order of their maturities and each such number shall be prefixed by the letter "R". The Director of Finance of the County, acting as Paying Agent and Bond Registrar (hereinafter described) may make such additional provision for numbering, including additional prefixes and suffixes, as he may deem appropriate.

Section 4. The Bonds shall bear interest, be subject to redemption and otherwise have such terms and conditions as are set forth in that proposal dated April 18, 2003 of Atlantic Bank (the "Bank Proposal") for the making of a loan in the amount of \$620,000 to the County; provided, however, that (i) the Bonds shall mature on that date which is no later than fifteen (15) years after the date of issuance of the Bonds, (ii) the Thirty-One Thousand Dollar (\$31,000) annual principal payments on the Bonds set forth in the Bank Proposal shall be adjusted to reflect such shorter maturity (which adjustment may be an increase to reflect the fifteen (15) year maturity of the Bonds), (iii) the Director of Finance may agree to an interest rate on the Bonds which is less than the 4.19% set forth in the Bank Proposal and to an elimination or reduction in the prepayment fee (redemption premium) for the Bonds set forth in the Bank Proposal. The Bank Proposal is incorporated herein and made a part hereof.

All bonds shall be executed in the name of the County and on its behalf by the President of the County Council of the County (the "County Council"). Such signature shall be manual; an imprint of the corporate seal of the County shall also be affixed thereon, attested by the manual signature of the Clerk of the County Council.

In the event any official whose signature shall appear on such bonds shall cease to be such official prior to the delivery of the bonds, or in the event any such official whose signature shall appear on the bonds shall have become such after the date of issue thereof, the bonds shall nevertheless be valid and legally binding obligations of the County in accordance with their terms.

All bonds shall be issued as fully registered bonds without coupons and shall be registered in the name or names of the owner or owners thereof, on books kept for such purpose at the office of the Director of Finance of the County. The bonds will be issued by physical delivery of certificates made to the purchaser of the Bonds, such purchaser being Atlantic Bank or an affiliate of Atlantic Bank.

As provided in the Enabling Act, the Bonds shall be sold to Atlantic Bank at private sale without advertisement or publication of notice of sale. The Bonds shall be sold at a price equal to the aggregate principal amount of the Bonds.

Except as provided hereinafter or in resolutions of the County Council of the County adopted prior to the issuance and delivery of the bonds, all bonds shall be substantially in the following form, with appropriate insertions as therein indicated, which form and all of the covenants therein contained are hereby adopted by the County as and for the form of obligation to be incurred by the County, and said covenants and conditions are hereby made binding upon the County, including the promise to pay therein contained:

No. R--

\$ _____

[Form of Bond]

UNITED STATES OF AMERICA
STATE OF MARYLAND
DORCHESTER COUNTY, MARYLAND
AIRPORT IMPROVEMENTS BOND OF 2003

Interest Rate Per Annum**Maturity Date****Date of Original Issue**

REGISTERED OWNER:

PRINCIPAL AMOUNT

DOLLARS

Dorchester County, Maryland (the "County"), a body politic and corporate and a political subdivision of the State of Maryland, hereby acknowledges itself indebted, and, for value received, promises to pay to the Registered Owner shown above or registered assigns or legal representatives on the Maturity Date shown above (unless this bond shall be redeemable, shall have been called for prior redemption and payment of the redemption price made or provided for), the Principal Amount shown above or so much thereof as shall not have been paid prior to the Maturity Date in any coin or currency which, at the time of payment, is legal tender for the payment of public and private debts upon presentation and surrender of this bond on the date such principal is payable or if such date is not a Business Day (hereinafter defined) then on the next succeeding Business Day at the principal office of the Paying Agent, and to pay to the registered owner hereof by check or draft, mailed to such registered owner at his address as it appears on said registration books (the "Bond Register") maintained by the Bond Registrar interest on said principal amount at the Interest Rate shown above until payment of such principal amount, or until the prior redemption hereof, such interest being payable quarterly on the ____ days of ____, ____, ____ and ____ [first date being three months after date of issuance of Bonds and quarterly thereafter] in each year, in like coin or currency to the registered owner in whose name this bond is registered on the Bond Register as of the close of business on the regular record date, which shall be the fifteenth day of the month immediately preceding each regular interest payment date (the "Regular Record Date"). Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered owner on the Regular Record Date,

and may be paid to the person in whose name this bond is registered at the close of business on a date fixed by the Paying Agent for such defaulted interest payment (the "Special Record Date"), notice of which is given to the registered owner hereof not less than ten (10) days prior to such Special Record Date, or may be paid at any time in any other lawful manner not inconsistent with the requirement of any securities exchange on which the bonds of this series may be listed and upon such notice as may be required by such exchange.

"Business Day" means a day other than a Saturday, Sunday or day on which banking institutions under the laws of the State governing the Paying Agent are authorized or obligated by law or required by executive order to remain closed.

The County shall on each [date of issuance of the Bonds] prior to the Maturity Date, beginning on [date that is one year after date of issuance of the Bonds], pay the Registered Owner [\$31,000, or such greater or lesser amount that is calculated to reflect a 15 rather than 20 year maturity of the Bonds] as a payment of the outstanding principal amount of the Bonds.

The Bonds shall be subject to redemption prior to their maturity, upon no less than five (5) Business Days notice to the Registered Owner of the Bonds, as provided in the Bank Proposal [or, insert terms of Bank Proposal here].

This bond shall not be valid or become obligatory for any purpose, until this bond shall have been authenticated by an authorized officer of the Bond Registrar.

This bond is one of a duly authorized issue of general obligation bonds of the County aggregating Six Hundred Twenty Thousand Dollars (\$620,000) in principal amount, which are issued as one bond in the aggregate principal amount of the Bonds, mature on [15 years from issuance], and bear interest per annum at the rate of four and nineteen hundredths percent (4.19%).

The bonds are issued pursuant to and in full conformity with the provisions of Section 10-16 of the Code of Public Local Laws of Dorchester County, Maryland, and by virtue of due proceedings had and taken by the County Council of Dorchester County, Maryland, particularly a Resolution adopted on the 15 day of June, 2003 (the "Resolution").

This bond is transferable only upon the registration books kept at the principal office of the Bond Registrar, by the registered owner hereof in person, or by his attorney duly authorized in writing, upon surrender hereof together with a written instrument of transfer in the form attached hereto and satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney, and thereupon, within a reasonable time, the County shall issue in the name of the transferee a new registered bond in aggregate principal amount equal to the principal amount of this bond or the unredeemed portion hereof, and maturing on the same date and bearing interest at the same rate. Said new bond shall be delivered to the transferee only after payment of any tax or governmental charge required to be paid with respect to, and any shipping expenses or insurance relating to, such transfer and only after due authentication thereof by an authorized officer of the Bond Registrar. The County may deem and treat the person 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 or redemption price hereof and interest due hereon and for all other purposes. [This bond may be transferred only to an institutional "accredited investor."]

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

It is hereby certified and recited that all conditions, acts and things required by the Constitution or statutes of the State of Maryland, the Code of Public Local Laws of Dorchester County, Maryland and the Resolution to exist, to have happened or to have been performed precedent to or in the issuance of this bond, exist, have happened and have been performed, and that the issue of bonds of which this is one, together with all other indebtedness of the County, is within every debt and other limit prescribed by said Constitution or statutes, and that due provision has been made for the levy and collection of an ad valorem tax or taxes upon all legally assessable property within the corporate limits of the County in rate and amount sufficient to provide for the payment, when due, of the principal of and interest on this bond.

IN WITNESS WHEREOF, this bond has been executed by the manual signature of the President of the County Council of Dorchester County, Maryland, the corporate seal of the County has been imprinted hereon, attested by the manual signature of the Clerk of the County Council as of the 15 day of June, 2003.

ATTEST:

DORCHESTER COUNTY, MARYLAND

Jane Baynard
Clerk

By: Effie M. Eby

CERTIFICATION OF AUTHENTICATION

The undersigned hereby certifies that this bond is one of the registered bonds without coupons of Dorchester County, Maryland.

Michael J. Spears
Director of Finance
Dorchester County, Maryland

(Form of Assignment)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____ the within bond and all rights thereunder, and does hereby constitute and appoint _____ to transfer the within bond on the books kept for the registration thereof, with full power of substitution in the premises.

Dated: _____

In the presence of:

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 whatever.

Section 5. The proceeds from the sale of the Bonds shall be paid to the Director of Finance of the County. Upon approval of the appropriate vouchers, in accordance with the established procedure of the County, the Director of Finance shall pay, from the proceeds of the Bonds in his hands, (i) all expenses incurred in the issuance of the Bonds, including costs of advertising, printing, document reproduction and counsel fees and expenses and (ii) the costs of constructing, improving, repairing or acquiring the Project. Prior to expenditure of such proceeds, the same or any part thereof shall be invested by the Director of Finance, in any authorized investment of the County. If the funds derived from the sale of the Bonds shall exceed the amount needed for the purposes set forth in Section 1 hereof, the funds so borrowed and not expended as provided by this Resolution shall be set apart in a separate fund by the Director of Finance and applied in payment of the principal of the Bonds, unless the County Council shall adopt a Resolution allocating such funds to some public facility investment authorized by the Enabling Act.

Section 6. In order to provide for the payment of the principal of and interest on the Bonds hereby authorized when due, there shall be appropriated in the next ensuing fiscal year of the County and in each fiscal year thereafter, so long as any of the bonds hereby authorized are outstanding and unpaid, or until a sufficient fund has been accumulated and irrevocably set aside for the purpose, an amount sufficient to meet the debt service on the bonds coming due in such fiscal year and there shall be levied ad valorem taxes upon all property within the corporate limits of the County subject to assessment for full County taxes, in rate and amount sufficient in each such year to fund such appropriations and to provide for the payment when due of the principal of and interest on all bonds maturing in each such fiscal year. In the event the proceeds from the taxes so levied in each such fiscal year shall prove inadequate for the above purposes, additional taxes shall be levied in the subsequent fiscal year to make up any deficiency. Thereafter, prior to each quarterly interest payment date, the Director of Finance

shall, from the tax proceeds above described, take the amounts needed to pay the principal of and interest on the bonds coming due on each such interest payment date.

To assure the performance by the County of the provisions of this Section, the full faith and credit and unlimited taxing power of the County are hereby irrevocably pledged to the payment to maturity of the principal of and interest on the bonds hereby authorized as and when the same respectively mature and become 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 bonds hereby authorized to be issued; this pledge is made hereby for the benefit of the holders, from time to time, of the bonds hereby authorized.

The County hereby solemnly covenants and agrees with each holder of any of the bonds hereby authorized to levy and collect the taxes hereinabove described and to take any other action that may be appropriate from time to time during the period that any of such bonds remain outstanding and unpaid to provide the funds necessary to make principal and interest payments thereon when due.

Section 7. In addition to the insertions and variations prescribed by Section 4 of this Resolution, the President of the County Council is hereby authorized to make such further modifications in such forms as will not alter the substance of such forms, including the addition of mandatory annual principal redemption provisions for the Bonds.

Section 8. The President of the County Council and the Director of Finance of the County shall be the officers of the County responsible for the issuance of the bonds within the meaning of the "Arbitrage Regulations" (defined herein).

The President of the County Council and the Director of Finance of the County shall also be the officers of the County responsible for the execution and delivery (on the date of issuance of the bonds) of a certificate of the County (the "Tax and Section 148 Certificate")

which complies with the requirements of Section 148 of the Internal Revenue Code of 1986, as amended ("Section 148"), and the applicable regulations thereunder (the "Arbitrage Regulations"), and such officials are hereby authorized and directed to execute the Tax and Section 148 Certificate and to deliver the same to Bond Counsel on the date of the issuance of the bonds.

The County shall set forth in the Tax and Section 148 Certificate its reasonable expectations as to relevant facts, estimates and circumstances relating to the use of the proceeds of the bonds, or of any moneys, securities or other obligations to the credit of any account of the County which may be deemed to be proceeds of the bonds pursuant to Section 148 or the Arbitrage Regulations (collectively, "Bond Proceeds"). The County covenants with each of the holders of any of the bonds that the facts, estimates and circumstances set forth in the Tax and Section 148 Certificate will be based on the County's reasonable expectations on the date of issuance of the bonds and will be, to the best of the certifying officials' knowledge, true and correct as of that date.

In the event that bonds are issued pursuant to this Resolution with the expectation that interest on such bonds be excludable from gross income for federal income tax purposes, the County covenants with each of the registered owners of any 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 which would cause the bonds to be "arbitrage bonds" within the meaning of Section 148 and the Arbitrage Regulations. The County further solemnly covenants that it will comply with Section 148 and the regulations thereunder which are applicable to the bonds on the date of issuance of the bonds and which may subsequently lawfully be made applicable to the bonds as long as the bonds remain outstanding and unpaid. The President of the County Council and the Director of Finance of the County are hereby authorized and directed to prepare or cause to be prepared and to execute, respectively, any certification, opinion or other

document, including, without limitation, the Tax and Section 148 Certificate, which may be required to assure that the bonds will not be deemed to be "arbitrage bonds" within the meaning of Section 148 and the regulations thereunder.

The County further covenants with each of the registered owners of any of the bonds (i) that it will not take any action or (to the extent that it exercises control or direction) permit any action to be taken that would cause the bonds or a portion of the bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Internal Revenue Code of 1986, as amended, and (ii) that it will not make, or (to the extent that it exercises control or direction) permit to be made, any use of the proceeds of the bonds or a portion of such proceeds that would cause the bonds or a portion of the bonds to be "private loan bonds" within the meaning of Section 141(c) of the Internal Revenue Code of 1986, as amended.

In the event that the bonds are being issued hereunder with the expectation that interest on such bonds will be exempt from federal income taxation, the President of the County Council may make such covenants or agreements in connection with the issuance of such bonds as he shall deem advisable in order to assure the registered owners of such bonds that interest thereon shall be and remain excludable from gross income for federal income tax purposes and such covenants or agreements shall be binding on the County so long as the observance by the County of any such covenants or agreements is necessary in connection with the maintenance of the exclusion of the interest on such bonds from gross income for federal income tax purposes. The foregoing covenants or agreements may include such covenants or agreements on behalf of the County regarding compliance with the provisions of the Internal Revenue Code of 1986, as amended, as the President of the County Council shall deem advisable in order to assure the registered owners of the bonds that the interest thereon is and shall remain excludable from gross income for federal income tax purposes, including (without limitation) covenants or agreements relating to the investment of Bond Proceeds, the payment

of certain earnings resulting from such investment to the United States, limitations on the times within which, and the purposes for which, Bond Proceeds may be expended, or the use of specified procedures for accounting for and segregating Bond Proceeds. Any covenant or agreement made by the President of the County Council pursuant to this paragraph may be set forth in or authorized by the Tax and Section 148 Certificate or an order executed by the President of the County Council.

Section 9. The Bonds are hereby designated "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Section 10. This Resolution shall take effect from the date of its adoption.

Approved and Adopted this 15th day of July, 2003.

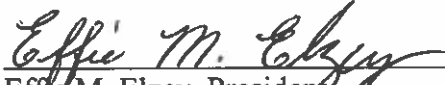
RESOLUTION NO. 374


APPROVED AND ADOPTED THIS 15th DAY OF July, 2003.

ATTEST:


Jane Baynard, County Manager

THE COUNTY COUNCIL
OF DORCHESTER COUNTY:


Effie M. Elzey, President


Glenn L. Bramble, Vice President


Thomas A. Flowers


William V. Nichols


David Yockey

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