

FIRST READING:02/21/2012
SECOND READING:03/05/2012

MAYOR AND CITY COUNCIL OF OCEAN CITY
ORDINANCE NO. _2012-09

AN ORDINANCE to authorize and empower Mayor and City Council of Ocean City to issue and sell, upon its full faith and credit, not to exceed Thirty Seven Million Six Hundred Thousand Dollars (\$37,600,000) maximum aggregate principal amount of its serial maturity, general obligation, fully registered bonds, pursuant to the authority of Sections 31 through 37, inclusive, of Article 23A of the Annotated Code of Maryland (2011 Replacement Volume), as amended, Section 24 of Article 31 of the Annotated Code of Maryland (2010 Replacement Volume and 2011 Supplement), and Section C-719 of the Charter of Mayor and City Council of Ocean City, as amended, to be designated as “General Obligation Municipal Purpose and Refunding Bonds of 2012”, said bonds to be issued and sold for the public purposes of (i) financing or refinancing, in whole or in part, certain costs of acquisition, construction and/or improvements to the Projects (as defined below), (ii) and refunding all or a portion of the Mayor and City Council of Ocean City Municipal Purpose Bonds of 2005 maturing on or after April 1, 2016 and (iii) paying the costs of issuance of said bonds, which expenses include costs of document production and reproduction, and financial advisory and counsel fees and expenses; providing for the sale of said bonds by private sale or by solicitation of competitive bids; prescribing the form and tenor of said bonds; determining other matters relating to the issuance and sale of said bonds, including the form of a notice of sale to be published in connection with any public sale of said bonds; providing for the disbursement of the proceeds of said bonds; authorizing the preparation and distribution of a preliminary official statement and an official statement in connection with any public sale 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; providing for the appointment of a paying agent and bond 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 all said bonds.

RECITALS

The authority for the powers herein exercised is contained in Section C-719 of the Charter (the “Charter”) of Mayor and City Council of Ocean City (the “City”) and in Sections 31 through 37, inclusive, of Article 23A of the Annotated Code of Maryland (2011 Replacement Volume), as amended (the “Enabling Act”), and Section 24 of Article 31 of the Annotated Code of Maryland (2010 Replacement Volume and 2011 Supplement) (the

“Refunding Act” and together with the Enabling Act and the Charter, the “Authorizing Legislation”).

The Authorizing Legislation authorizes and empowers the City to borrow money for any proper public purpose and to evidence such borrowing by the issuance and sale of its general obligation bonds in accordance with the procedure prescribed by the Authorizing Legislation, subject to the limitation that no bonds shall be issued by the City pursuant to the authority of the Authorizing Legislation if, by the issuance thereof, the total bonded indebtedness of the City represented by its bonds payable from its general tax revenues then would exceed the amount permitted pursuant to the Authorizing Legislation.

The City proposes to spend the proceeds of the Bonds hereby authorized (i) to finance or refinance, in whole or in part, certain costs of acquisition, construction and/or improvements to the public projects described on Exhibit A attached hereto; (ii) to refund all or a portion of the Mayor and City Council of Ocean City Municipal Purpose Bonds of 2005 maturing on or after April 1, 2016 (the “2005 Bonds”); and (iii) to pay the costs of issuing the Bonds (as defined below), which expenses include costs of document production and reproduction, and financial advisory and counsel fees and expenses.

The Authorizing Legislation authorizes the City to issue bonds for the purpose of refunding outstanding bonds issued by the City in order to realize debt service savings or for other reasons set forth in the Authorizing Legislation. The City has determined that the City will realize savings in the effective cost of debt service on the 2005 Bonds on either a direct comparison or present value basis by advance refunding all or a portion of the 2005 Bonds.

The Charter contains no limitations upon the rate at which ad valorem taxes may be levied by the City for the payment of the principal of and interest on said bonded indebtedness.

Since the adoption of Article XI-E as an amendment of the Constitution of Maryland, the General Assembly has passed no law proposing a limitation upon the rate at which taxes

may be levied by the City, or a limitation upon the amount of bonded indebtedness which may be incurred by the City.

NOW, THEREFORE, BE IT ORDAINED BY THE MAYOR AND CITY COUNCIL OF OCEAN CITY, that:

Section 1. Acting pursuant to the authority of the Authorizing Legislation, the City hereby determines that the net proceeds from the sale of its General Obligation Municipal Purpose and Refunding Bonds of 2012, authorized to be issued and sold by this Ordinance, shall be used and applied for one or more of the public purposes of (a) financing or refinancing, in whole or in part, certain costs of acquisition, construction and/or improvements to the public projects described on Exhibit A attached to this Ordinance (the “Projects”); (b) providing funds in order to refund all or a portion of the Mayor and City Council of Ocean City Municipal Purpose Bonds of 2005 maturing on or after April 1, 2016 (the “2005 Bonds”) in order to realize savings to the City in the effective costs of debt service; and (c) paying the costs of issuing the Bonds (as defined below), which expenses include costs of document production and reproduction, and financial advisory and counsel fees and expenses, all as stated in the Recitals to this Ordinance.

The costs of the Projects may include (without limitation) the costs of the planning, construction, reconstruction, demolition, improvement, refurbishing, renovation, restoration, extension, alteration, installation, repair, acquisition, conversion and modernization of structures; the acquisition of structures and sites for structures; the acquisition of rights of way for roads; architectural and engineering services, including preparation of plans, drawings and specifications; development and restoration of grounds; and all customary and necessary furnishings and fixed permanent equipment for structures.

Section 2: The City is hereby authorized to borrow money and incur indebtedness for the purposes set forth in the Recitals and Section 1 of this Ordinance. To evidence such

borrowing and indebtedness and acting pursuant to the authority of the Authorizing Legislation, the City shall issue and sell, upon its full faith and credit, not to exceed Thirty Seven Million Six Hundred Thousand Dollars (\$37,600,000) maximum aggregate principal amount of its serial maturity, general obligation, fully registered bonds, said issue of bonds to be known as “General Obligation Municipal Purpose and Refunding Bonds of 2012” (the “Bonds”), the net proceeds of such sale to be used and applied as provided in this Ordinance. The City shall levy and collect ad valorem taxes upon all taxable property within Ocean City in rate and amount sufficient to pay the principal of and interest on the Bonds.

Section 3: The Bonds may be used for all or less than all of the purposes set forth in the Recitals and Section 1 of this Ordinance, as determined by the Mayor of the City (the “Mayor”) to be in the best interests of the City at or prior to the time of sale of the Bonds, based on advice and recommendations from the Financial Advisor to the City (the “Financial Advisor”). Except as provided hereinafter or in an ordinance or resolution of the City adopted prior to the issuance of the Bonds, the Bonds shall all be dated as of the date of delivery (or such other date as the Mayor may determine based upon the advice of the Financial Advisor), shall be in the denominations of \$5,000 or any integral multiple thereof, shall be numbered from one (1) consecutively upward in the order of their maturities and each such number shall be prefixed by the letter “R”. The Bond Registrar (as defined herein) may make such additional provision for numbering, including additional prefixes and suffixes, as he may deem appropriate. Based on the maximum aggregate principal amount of \$37,600,000, the Bonds shall mature, subject to the option of prior redemption according to the provisions of this Ordinance, on October 1 in each of the years 2012 through 2032, inclusive, as set forth below:

<u>Maturing October 1</u>	<u>Preliminary Principal Amount</u>	<u>Maturing October 1</u>	<u>Preliminary Principal Amount</u>
2012	\$0	2023	\$2,545,000
2013	1,105,000	2024	2,655,000
2014	1,120,000	2025	955,000
2015	1,880,000	2026	1,010,000
2016	2,545,000	2027	1,060,000
2017	2,600,000	2028	1,110,000
2018	2,650,000	2029	1,170,000
2019	2,720,000	2030	1,225,000
2020	2,790,000	2031	1,290,000
2021	2,865,000	2032	1,360,000
2022	2,945,000		

In connection with any sale of the Bonds by solicitation of competitive bids at public sale as described in Section 6, the Mayor or his designee is authorized to establish (i) an aggregate principal amount of the Bonds less than the maximum aggregate principal amount authorized in Section 2 (including as a result of a decision by the Mayor not to issue Bonds for one or more of the purposes authorized by this Ordinance), and different annual maturing principal amounts from those set forth above, and to fix such amounts as the Preliminary Amounts to be set forth in the Notice of Sale authorized by this Ordinance, (ii) the Revised Amounts of the Bonds upon which bids will be received, as described in the Notice of Sale authorized by this Ordinance, and (iii) the Final Amounts of the Bonds, as described in the Notice of Sale authorized by this Ordinance, such Final Amounts to be the final aggregate principal amount and the final principal amount of each maturity of Bonds to be issued hereunder. The Mayor or his designee are authorized to give notice of such changes to bidders by TM3 as provided in the Notice of Sale authorized by this Ordinance.

The Mayor or his designee is further authorized to issue the Bonds as one series or as more than one series in order to accomplish the purposes set forth in Section 1 of this Ordinance, and each such series may be issued at such times and in such amounts as are necessary to accomplish the purposes for which each such series is issued, upon the advice of the City's Bond Counsel and the Financial Advisor. The designation of the Bonds of each

series may be modified appropriately to differentiate each series. The provisions and covenants set forth in this Ordinance shall apply with equal force and effect to each series of Bonds. Without limiting the foregoing, each series may have a different dated date and principal and interest payment dates, different interest rates, different redemption provisions and different principal payment schedules (so long as the aggregate principal amount of Bonds issued hereunder does not exceed the maximum authorized amount), and the covenants related to tax-exemption of the Bonds (if applicable) and the levy of taxes to pay the Bonds shall apply to each such series.

Section 4: Except as provided hereinafter or in an ordinance or resolution of the City adopted prior to the issuance of the Bonds, Bonds maturing on or after October 1, 2023 are subject to redemption prior to their maturities at the option of the City on or after October 1, 2022 either as a whole or in any part at any time in any order of maturity at the option of the City, at par plus accrued interest thereon to the date fixed for redemption.

Notwithstanding the foregoing, the Mayor may, upon the advice of the City's Financial Advisor, determine to issue the Bonds, or any series thereof, (i) without provisions permitting such Bonds to be subject to redemption prior to their maturities or (ii) with different redemption dates and prices than those set forth above.

If less than all of the Bonds of any one series and maturity are called for redemption, the particular Bonds to be redeemed from such series and maturity shall be selected by lot by the Bond Registrar in such manner as the Bond Registrar in its sole discretion may determine, except that so long as The Depository Trust Company ("DTC") or its nominee is the sole registered owner of the Bonds, the particular Bond or portion to be redeemed shall be selected by lot by DTC, in such manner as DTC shall determine.

When less than all of a Bond in a denomination in excess of \$5,000 shall be so redeemed, then upon the surrender of such Bond, there shall be issued to the registered owner

thereof, without charge, for the unredeemed balance of the principal amount of such Bond, at the option of such owner, Bonds in any of the authorized denominations, the aggregate face amount of such Bonds not to exceed the unredeemed balance of the Bond so surrendered, and to bear the same interest rate and to mature on the same date as said unredeemed balance.

If, in accordance with the foregoing option, the City elects to redeem all or a portion of the Bonds outstanding, it shall give a redemption notice by first class mail, postage prepaid, at least thirty (30) days prior to the date fixed for redemption to each registered owner appearing on the books kept by the Bond Registrar; and the City may but shall not be obligated to publish such notice of redemption at least once not less than thirty (30) days prior to the date fixed for redemption in a financial journal or daily newspaper of general circulation in the Borough of Manhattan, New York, New York; provided, however, that the failure to mail the redemption notice or any defect in the notice so mailed or in the mailing thereof shall not affect the validity of any redemption proceedings. The redemption notice shall state (i) whether the Bonds are to be redeemed in whole or in part and, if in part, the maturities and numbers of the Bonds to be redeemed, (ii) the date fixed for redemption and the redemption price or prices, (iii) that the Bonds to be redeemed shall be presented for redemption at the principal office of the Paying Agent (as defined herein), and (iv) that interest on the Bonds called for redemption shall cease to accrue on the date fixed for redemption.

From and after the date fixed for redemption, if notice has been duly and properly given and if funds sufficient for the payment of the redemption price of the Bonds called for redemption plus accrued interest due thereon are available on such date, the Bonds so called for redemption shall become due and payable at the redemption price or prices provided for redemption of such Bonds on such date, interest on the Bonds shall cease to accrue and the registered owners of the Bonds so called for redemption shall have no rights in respect thereof except to receive payment of the redemption price plus accrued interest to the date fixed for

redemption. Upon presentation and surrender of a Bond called for redemption in compliance with the redemption notice, the Paying Agent shall pay the redemption price of such Bond plus accrued interest thereon to the date fixed for redemption. If Bonds so called for redemption are not paid upon presentation and surrender as described above, such Bonds shall continue to bear interest at the rates stated therein until paid.

The identity of the Bond Registrar and Paying Agent, the place of payment of the Bonds at maturity or redemption and the place of transfer or exchange of the Bonds may be changed by the City upon 30 days written notice to the registered owners of the Bonds at their addresses specified in the bond registration books maintained by the Bond Registrar and Paying Agent.

Section 5: All of the Bonds authorized by this Ordinance shall bear interest at the interest rate or rates fixed at the time of the awarding of the Bonds in accordance with the Notice of Sale and provisions of this Ordinance as hereinafter provided. Each Bond shall bear interest from the interest payment date next preceding the date on which it is authenticated, unless authenticated upon an interest payment date, in which event it shall bear interest from such interest payment date, or unless authenticated prior to the first interest payment date, in which event it shall bear interest from the date of the Bonds; provided, however, that if at the time of authentication of any Bond interest is in default, such Bond shall bear interest from the date to which interest has been paid.

Except as provided hereinafter or in an ordinance or resolution of the City adopted prior to the issuance of the Bonds, the interest on all Bonds shall be paid on October 1, 2012, and semi-annually thereafter on the first day of April and October of each year in which any Bonds may be outstanding.

The Bonds shall be executed in the name of the City and on its behalf by the Mayor. Such signature of the Mayor shall be manual or shall be imprinted on such Bonds by facsimile; an imprint of the corporate seal of the City (or a facsimile thereof) shall also be affixed thereon,

attested by the manual or facsimile signature of the City Clerk of the City (the "City Clerk"); all in accordance with and pursuant to the authority of the Maryland Uniform Facsimile Signature of Public Officials Act. In the event any official whose signature shall appear on the 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 City in accordance with their terms.

The 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 principal office of the Bond Registrar. Except as provided hereinafter or in an ordinance or resolution of the City adopted prior to the issuance and delivery of the Bonds, the Bonds initially will be issued in book-entry form without any physical distribution of certificates made to the public. DTC will act as securities depository for the Bonds and the Bonds will be registered in the name of DTC's partnership nominee, Cede & Co. The City reserves the right to terminate maintenance of the Bonds in a book-entry only system and to issue fully certificated bonds. The Mayor or his designee is hereby authorized to appoint a financial institution to act as bond registrar and as paying agent (the "Bond Registrar" and "Paying Agent") for the Bonds, unless the Mayor determines after consulting with the Financial Advisor to the City that the City shall act as the Bond Registrar or the Paying Agent or both. Payment of the principal of and interest on the Bonds shall be made to the person appearing on the registration books maintained by the Bond Registrar as the registered owner thereof, such principal to be payable at the principal office of the Paying Agent upon presentation and surrender of such Bonds as the same become due and payable, and such interest to be payable by electronic funds transfer or check mailed by the Paying Agent to the persons in whose names the Bonds are registered on the regular record date which shall be the

fifteenth day of the month immediately preceding the month in which each regular interest payment date (the "Regular Record Date") occurs at the registered owner's address as shown on the registration books maintained by the Bond Registrar; *provided, however*, that so long as the Bonds are registered in book-entry form, the principal of, redemption premium, if any, and interest on the Bonds shall be payable in accordance with DTC's payment procedures or the procedures of any successor depository for the Bonds.

The Bond Registrar and the Paying Agent shall be designated by the Mayor or by resolution of the City Council to be passed at a regular or special meeting.

Any interest on any Bond which is payable but is not punctually paid or provision for the payment of which has not been made ("Defaulted Interest") shall forthwith cease to be payable to the registered owner on the relevant regular record date solely by virtue of such registered owner having been such registered owner; and such Defaulted Interest may be paid by the City, at its election in each case, as provided in paragraph (1) or paragraph (2) below:

(1) The City may elect to make payment of any Defaulted Interest on the Bonds to the persons in whose names such Bond is registered at the close of business on a record date for the payment of such Defaulted Interest (the "Special Record Date"), which shall be fixed in the following manner. The City shall notify the Paying Agent in writing of the amount of Defaulted Interest proposed to be paid on the Bonds and the date of the proposed payment (which date shall be such as will enable the Paying Agent to comply with the next sentence hereof), and at the same time the City shall deposit or cause to be deposited with the Paying Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Paying Agent for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the persons entitled to such Defaulted Interest as provided in this paragraph. Thereupon the Paying Agent shall fix a Special Record Date for the payment of

such Defaulted Interest which shall be not more than fifteen (15) nor less than ten (10) days prior to the date after the receipt by the Paying Agent of the notice of the proposed payment. The Paying Agent shall promptly notify the City of such Special Record Date and, in the name of the City, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class postage prepaid, to each registered owner at his address as it appears in the registration books maintained by the Bond Registrar not less than ten (10) days prior to such Special Record Date. The Paying Agent may, in its discretion, in the name of the City, cause a similar notice to be published at least once in a newspaper of general circulation in each of Ocean City, Maryland and New York, New York but such publication shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the registered owners of the Bonds as of the close of business on such Special Record Date.

(2) The City may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Bonds may be listed, and upon such notice as may be required by such exchange, if, after notice given by the City to the Paying Agent of the proposed payment pursuant to this paragraph, such payment shall be deemed practicable, and approved in writing, by the Paying Agent.

Except as provided hereinafter or in resolutions or ordinances of the City adopted prior to the issuance and delivery of the Bonds, the Bonds shall be substantially in the following form. Appropriate variations and insertions may be made to provide dates, numbers and amounts, and modifications not altering its substance may be made by the Mayor to carry into effect the purposes of this Ordinance or to comply with the recommendations of legal counsel or the Financial Advisor. Such form and all of the covenants therein contained are hereby adopted by the City as and for the form of obligation to be incurred by the City, and such

covenants are hereby made binding upon the City, including the promise to pay therein contained:

No. R--

\$ _____

[Form of Bond]

UNITED STATES OF AMERICA
STATE OF MARYLAND
MAYOR AND CITY COUNCIL OF OCEAN CITY
GENERAL OBLIGATION MUNICIPAL PURPOSE AND REFUNDING
BONDS OF 2012

Interest Rate Per Annum Maturity Date Date of Original Issue CUSIP

REGISTERED OWNER:

PRINCIPAL AMOUNT

DOLLARS

Mayor and City Council of Ocean City (the "City"), a municipal corporation created and existing under the laws 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 upon prior redemption 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, or by electronic funds transfer, 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 on October 1, 2012, and semi-annually thereafter on the first days of April and October 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 (15th) day of the month immediately preceding each regular interest payment date (the "Regular Record Date"), and shall be made by electronic funds transfer or check mailed by the Paying Agent to such person at such person's address as it appears on the Bond Register; provided, however, that so long as the bonds are registered in book-entry form, the principal of,

redemption premium, if any, and interest on the bonds shall be payable in accordance with DTC's (as defined below) payment procedures or the procedures of any successor depository for the bonds. 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.

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 City aggregating _____ Dollars (\$ _____) in principal amount, which are in denominations of \$5,000 or any integral multiple thereof, mature serially in installments on the first day of October in each of the years 20[12] to 20[32], inclusive, as follows:

<u>Maturing</u> <u>October 1</u>	<u>Principal</u> <u>Amount</u>	<u>Maturing</u> <u>October 1</u>	<u>Principal</u> <u>Amount</u>
[2012]		2023	
2013		2024	
2014		2025	
2015		2026	
2016		2027	
2017		2028	
2018		2029	
2019		2030	
2020		2031	
2021		2032	
2022			

The bonds are numbered from one consecutively upwards prefixed by the letter "R" and are of like tenor and effect except as to maturity, number, interest rate, denomination and redemption provisions, and are issued pursuant to and in full conformity with the provisions of Sections 31 to 37, inclusive, of Article 23A of the Annotated Code of Maryland (2011 Replacement Volume), as amended, Section 24 of Article 31 of the Annotated Code of Maryland (2010 Replacement Volume and 2011 Supplement), and Section C-719 of the Charter of the City, and by virtue of due proceedings had and taken by the Mayor and City Council of Ocean City particularly an Ordinance adopted on the ____ day of _____, 2012 (approved _____, 2012) (the "Ordinance").

Bonds maturing on or after October 1, 20[23] are subject to redemption prior to their maturities at the option of the City on or after October 1, 20[22], either as a whole or in part at any time in any order of maturity at the option of the City, at par plus accrued interest thereon to the date fixed for redemption.

If less than all of the bonds of any one maturity of this issue shall be called for redemption, the bonds to be redeemed shall be selected by lot by the Bond Registrar in such manner as, in its discretion, it shall determine, except that so long as The Depository Trust Company (“DTC”) or its nominee is the sole registered owner of the bonds, the particular bond or portion to be redeemed shall be selected by lot by DTC, in such manner as DTC shall determine.

When less than all of a bond in a denomination in excess of \$5,000 shall be so redeemed, then, upon the surrender of such bond, there shall be issued to the registered owner thereof, without charge, for the unredeemed balance of the principal amount of such bond, at the option of such owner, bonds in any of the authorized denominations, the aggregate face amount of such bonds not to exceed the unredeemed balance of the bond so surrendered, and to bear the same interest rate and to mature on the same date as said unredeemed balance.

If, in accordance with the foregoing option, the City elects to redeem all or a portion of the bonds outstanding, it shall give a redemption notice by first class mail, postage prepaid, at least thirty (30) days prior to the date fixed for redemption to each registered owner appearing on the books kept by the Bond Registrar; and the City may but shall not be obligated to publish such notice of redemption at least once not less than thirty (30) days prior to the date fixed for redemption in a financial journal or daily newspaper of general circulation in the Borough of Manhattan, New York, New York; provided, however, that the failure to mail the redemption notice or any defect in the notice so mailed or in the mailing thereof shall not affect the validity of the redemption proceedings. The redemption notice shall state (i) whether the bonds are to be redeemed in whole or in part and, if in part, the maturities and numbers of the bonds to be redeemed, (ii) the date fixed for redemption and the redemption price or prices, (iii) that the bonds to be redeemed shall be presented for redemption at the principal office of the Paying Agent, and (iv) that interest on the bonds called for redemption shall cease to accrue on the date fixed for redemption.

From and after the date fixed for redemption, if notice has been duly and properly given and if funds sufficient for the payment of the redemption price of the bonds called for redemption plus accrued interest due thereon are available on such date, the bonds so called for redemption shall become due and payable at the redemption price or prices provided for redemption of such bonds on such date, interest on the bonds shall cease to accrue and the registered owners of the bonds so called for redemption shall have no rights in respect thereof except to receive payment of the redemption price plus accrued interest to the date fixed for redemption. Upon presentation and surrender of a bond called for redemption in compliance with the redemption notice, the Paying Agent shall pay the redemption price of such Bond plus accrued interest thereon to the date fixed for redemption. If bonds so called for redemption are not paid upon presentation and surrender as described above, such bonds shall continue to bear interest at the rates stated therein until paid.

[The City has appointed _____ to act as bond registrar and as paying agent (the “Bond Registrar” and “Paying Agent”) with respect to the bonds.] [The Finance Administrator of the City will act as bond registrar and as paying agent (the “Bond Registrar” and “Paying Agent”) with respect to the bonds.] The identity of the Bond Registrar and Paying Agent, the place of payment of the bonds at maturity or redemption and the place of transfer or exchange of the bonds may be changed by the City upon 30 days written notice to the Bondholders at their addresses specified in the bond registration books maintained by the Bond Registrar and Paying Agent.

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 its 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 its duly authorized

attorney, and thereupon, within a reasonable time, the City shall issue in the name of the transferee a new registered bond or bonds of any authorized denominations 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 or bonds 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 City shall not be required to issue, transfer or exchange any bond during the period beginning fifteen days before any selection of bonds to be redeemed and ending on the day of publication and mailing of the notice of redemption or to transfer or exchange any bond called or being called for redemption in whole or in part. The City 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.

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 this bond according to its terms, and the City 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 Charter of the City and the Ordinance 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 City, is within every debt and other limit prescribed by said Constitution or statutes or Charter, and that due provision has been made for the levy and collection of an ad valorem tax or taxes, to the extent necessary, upon all 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.

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.

IN WITNESS WHEREOF, this bond has been executed by the manual or facsimile signature of the Mayor of the City, which signature, if by facsimile, has been imprinted hereon, the corporate seal of the City (or a facsimile thereof) has been imprinted hereon, attested by the manual or facsimile signature of the City Clerk of the City as of the ___ day of _____, 2012.

ATTEST:

MAYOR AND CITY COUNCIL OF
OCEAN CITY

City Clerk

By: (manual or facsimile signature)_____

_____, Mayor

CERTIFICATE OF AUTHENTICATION

The undersigned hereby certifies that this bond is one of the registered bonds without coupons of Mayor and City Council of Ocean City.

[Authorized Officer of Bond Registrar]

(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: _____

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.

Signature Guarantee:

Note: Signature(s) must be guaranteed by an “eligible guarantor institution” meeting the requirements of the Trustee, which requirements include membership or participation in STAMP or such other “signature guaranty program” as may be determined by the Trustee in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

The following abbreviations, when used in this bond, shall be construed as though they were written out in full according to applicable laws or regulations:

UNIF TRANS MIN ACT -

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT Ten - as join tenants with right
of survivorship and not as
tenants in common

Additional abbreviations may also be used though not in the above list.

Section 6: Except as provided hereinafter or in an ordinance or resolution of the City adopted prior to the issuance of the Bonds, the Mayor may offer the Bonds for sale by either of the following methods, as determined by the Mayor, after consultation with the Financial Advisor, to be in the best interests of the City under then-current market conditions:

1. The Bonds authorized by this Ordinance may be sold at private negotiated sale without advertisement or publication of notice of sale or solicitation of competitive bids. If the Bonds are sold in such a manner, the Mayor, after considering any recommendations of the Financial Advisor, is authorized to engage an underwriter or placement agent for the sale and any offering of the Bonds and may authorize the Finance Administrator of the City (the "Finance Administrator") to: (i) prepare a request for proposals or similar documents with the assistance of the Financial Advisor, (ii) solicit proposals from banks or investment banking firms recommended by the Financial Advisor for the purchase of such Bonds, (iii) make all necessary arrangements for the tabulation and comparison of the proposals received, including the employment of specially qualified personnel, if necessary, to determine the proposal which has the most advantageous terms for the City, and (iv) negotiate the terms of the sale of the Bonds with one or more banks or investment banking firms submitting proposals. The Mayor, after considering any recommendations of the Financial Advisor, may also approve the form of, and authorize the Finance Administrator to execute and deliver on behalf of the City, an underwriting or purchase agreement or agreements for the Bonds (or any portion thereof), to the extent required with respect to the Bonds. The award of the Bonds sold in such manner shall be made by resolution of the City Council at a meeting of the City Council held in accordance with the Charter, which resolution may include, without limitation, the identity of the selected purchaser of each Bond, the interest rate or rates to be borne by each Bond as specified by such successful purchaser, and the

dates and amounts of installment payments of principal and interest on the Bonds (which amounts may be revised from those set forth in Section 3, so long as the maximum aggregate principal amount of the Bonds does not exceed the amount authorized in Section 2). Each such Bond shall be prepared in definitive form, executed, and delivered to the applicable purchaser as soon as may be practicable after the award of such Bond, upon receipt of the purchase price. The Mayor is expressly authorized and empowered to take any and all action necessary to complete and close the award, sale and delivery of each Bond to the applicable purchaser, including the delivery of such other offering documents, bond purchase documents and other documents as may be reasonably required in connection with such issuance of Bonds.

2. The Bonds authorized by this Ordinance may also be sold by solicitation of competitive bids at public sale in accordance with the provisions of the Notice of Sale (hereinafter described) on May 1, 2012 or on such other date as may be selected by the Mayor for cash at no less than par, to the bidder therefor whose bid is deemed to be for the best interests of the City. Sealed bids shall be received until 11:00 a.m. local Ocean City, Maryland, time on said date of sale. Immediately after such sale, the interest rate or rates specified by the successful bidder shall be fixed by an award which shall be made by executive order of the Mayor to the winning bidder in accordance with the terms of the Notice of Sale. The Mayor is also granted the authority to reject all bids and establish an alternative sale date in accordance with the terms of the Notice of Sale, should the Mayor determine, based upon the advice of the Financial Advisor, that such action is in the best interests of the City. After such award is made, the Bonds shall thereafter be suitably prepared and delivered to the successful bidder upon payment of the balance of the purchase price thereof. Except as provided hereinafter or in an ordinance or resolution of the City adopted prior to the issuance of the Bonds, the

Notice of Sale shall be in substantially the form set forth as Exhibit B hereto, with the insertions therein indicated. The terms and conditions stated in such Notice of Sale are hereby adopted and approved as the terms and conditions under which and the manner in which such Bonds shall be sold, issued and delivered at public sale, subject to such insertions, alterations, additions or deletions as the Mayor may deem advisable due to financial or market conditions prevailing at the time, based upon the advice of the Financial Advisor. The complete text of the Notice of Sale shall be included in any such preliminary official statement and official statement. The City Clerk is authorized and directed to publish the Notice of Sale or a summary thereof at least twice in a daily or weekly newspaper having general circulation in Ocean City. The publication of such Notice of Sale shall be made once at least ten (10) days prior to the date of sale. The City Clerk may, but is not obligated to, give such other notice of the sale of such Bonds, within or without this State, by publication or otherwise, as the Mayor or the City Clerk may deem appropriate; such other notice may include, without limitation, publication of the Notice of Sale or a summary thereof in The Bond Buyer, a financial journal published in the City of New York, New York.

The Finance Administrator is hereby authorized and directed to make all necessary arrangements for the tabulation and comparison of the proposals or bids, as applicable, received from any private or public sale specified in this Section, including the employment of specially qualified personnel, if necessary, so that she will be able promptly to advise the Mayor as to the proposal or bid, as applicable, which provides the most advantageous terms to the City.

The Mayor and the Finance Administrator are expressly authorized to, as applicable: (i) prepare and distribute a preliminary official statement and an official statement in connection with the sale of the Bonds, (ii) approve the form of, and execute and deliver and on behalf of

the City a continuing disclosure agreement to assist bidders or bond purchasers, as appropriate, in complying with Securities and Exchange Commission Rule 15c2-12(b)(5), (iii) enter any agreement necessary to maintain the Bonds under a book-entry system, (iv) execute on behalf of the City an escrow deposit agreement (the "Escrow Deposit Agreement") with a bank or trust company (the "Escrow Agent"), and (v) approve the form of, and execute and deliver each other document or agreement that the Mayor or the Finance Administrator deem necessary or desirable in connection with the issuance of the Bonds

Without limiting the generality of the foregoing, the Mayor or the Finance Administrator is authorized to obtain a policy of municipal bond insurance with respect to the Bonds and, if a commitment for the issuance of such policy of insurance is acquired, an appropriate reference to such commitment may be inserted in any Notice of Sale and in the form of Bond set forth in Section 5 hereof.

Section 7: The proceeds of the sale of the Bonds, including any premium and accrued interest, if any, which may be received therefor, shall be paid directly to the Finance Administrator. At the option of the City, there shall be deducted from the gross proceeds received from the sale of the Bonds any amount paid as premium on the Bonds and any amount paid on account of accrued interest on the Bonds, which amounts, if applicable, shall be set apart in a separate fund and applied, respectively, on account of the first principal maturity and the first maturing interest payable on the Bonds. There may also be deducted from the gross proceeds received from the sale of the Bonds all costs of issuing the same, including costs of document production and reproduction, and financial advisory and counsel fees and expenses. To the extent required in connection with the refunding of the 2005 Bonds, a portion of the balance of the proceeds from the sale of the Bonds may be used by the City for the public purpose of purchasing, or depositing said balance with the Escrow Agent to purchase, direct obligations of, or obligations the timely payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America, the principal of and interest on which will be sufficient to redeem the 2005 Bonds on April 1, 2015 at a redemption price of 100% of the principal amount thereof and to pay interest thereon when due. The Finance Administrator shall use the balance of the proceeds from the sale of the Bonds for the public purposes described in Section 1 hereof. In the event that the amount of funds allocated to one or more Project identified on Exhibit A exceeds the amount needed for such Project, the excess may be allocated to other Projects identified on Exhibit A or may be allocated to additional projects which are authorized by the Mayor and City Council. Prior to expenditure of such proceeds, the same or any part thereof shall be invested by the Finance Administrator, with the approval of the Mayor, in any authorized investment of the City. Prior to the sale of the Bonds, the Mayor may determine not to issue Bonds for one or more of the purposes authorized by this Ordinance. In addition, if the funds derived from the sale of the Bonds (including amounts

remaining after redemption of the 2005 Bonds and payment of any expenses thereunder) shall exceed the amount needed to finance any of the Projects described in this Ordinance, the funds so borrowed and not expended as provided by this Ordinance shall be set apart in a separate fund by the Finance Administrator and applied in payment of the next principal maturity of the Bonds, unless the City Council of the City shall adopt an ordinance allocating such funds to some other public capital improvement project or projects of the City.

Section 8: 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 City 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 City subject to assessment for full City taxes, in rate and amount sufficient in each such year, together with other funds which the City has appropriated for such purposes, to fund such appropriations and to provide, to the extent necessary, 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 principal and semi-annual interest payment date, the City shall deposit with the Paying Agent, from the tax proceeds above described and from any other funds then legally available for such purposes, the amounts needed to pay the principal of and interest on the Bonds hereby authorized coming due on each such payment date. All moneys so deposited with the Paying Agent shall be deemed and treated by the Paying Agent as trust funds for the use and benefit of the holders from time to time of the Bonds hereby authorized. Any such trust funds so held by the Paying Agent for the payment of particular

Bonds for periods of more than two (2) years respectively from the dates of such Bonds upon the expiration of any such two-year period, and the failure of the holders of said Bonds to present the same for payment within such period, shall be returned by the Paying Agent to the City and, thereafter, the holders of any such Bonds shall have claims only against the City for payment of the obligations held by them and the Paying Agent shall be relieved of the trust hereby imposed.

To assure the performance by the City of the provisions of this Section, the full faith and credit and unlimited taxing power of the City 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 City 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 9: CUSIP numbers may be printed on the Bonds; provided, however, that the printing of CUSIP numbers on the Bonds (even if incorrect) shall have no legal effect and shall not in any way affect the enforceability or validity of any Bond. Any expenses in relation to the printing of CUSIP numbers on the Bonds, including any CUSIP Service Bureau charge for the assignment of such numbers, in the discretion of the Finance Administrator, may be paid for by the City from the proceeds of the Bonds.

Section 10: In addition to the insertions and variations prescribed by Sections 5 and 6 of this Ordinance, the Mayor is hereby authorized to make such further modifications in such forms as will not alter the substance of such forms.

Section 11: The Mayor and the Finance Administrator shall be the officers of the City responsible for the issuance of the Bonds within the meaning of the Arbitrage Regulations (defined below). The Mayor and the Finance Administrator shall also be the officers of the City responsible for the execution and delivery (on the date of issuance of the Bonds) of a certificate of the City (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 City 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 monies, securities or other obligations on deposit to the credit of any account of the City which may be deemed to be proceeds of the Bonds pursuant to Section 148 or the Arbitrage Regulations (collectively, "Bond Proceeds"). The City 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 City'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 Ordinance with the expectation that interest on such Bonds be excludable from gross income for federal income tax purposes, the City 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 City further covenants that it will comply with Section 148 and the Arbitrage Regulations 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 Mayor and the Finance Administrator 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 Arbitrage Regulations. All officers, employees and agents of the City are hereby authorized and directed to take such actions, and to provide such certifications of facts and estimates regarding the amount and use of the proceeds of the Bonds as may be necessary or appropriate from time to time to comply with, or to evidence the City’s compliance with, the covenants set forth in this Section.

The City further covenants with each of the registered owners of any of the Bonds that it shall make such use of the proceeds of the Bonds, regulate the investment of the proceeds thereof, and take such other and further actions as may be required to maintain the excludability from gross income for federal income tax purposes of interest on the Bonds.

The City 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 Mayor may make such covenants and 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 and agreements shall be binding on the City so long as the observance by the City 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 and agreements may include such covenants or agreements on behalf of the City regarding compliance with the provisions of the Internal Revenue Code of 1986, as amended, as the Mayor or the Finance Administrator 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 Mayor or the Finance Administrator pursuant to this paragraph may be set forth in or authorized by the Tax and Section 148 Certificate or an order executed by the Mayor.

Section 12: The distribution of an Official Statement pertaining to the Bonds is hereby authorized, the final form of such Official Statement to be approved by the Mayor as evidenced by his signature thereon. The Official Statement shall be in substantially the form of the Preliminary Official Statement (which shall be in a form “deemed final” as of its date for

purposes of SEC Rule 15c2-12) with such changes, modifications, additions and deletions as the Mayor or the Finance Administrator may approve. The distribution of a Preliminary Official Statement is hereby approved.

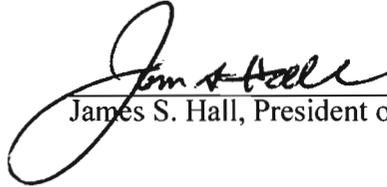
Section 13: Pursuant to the authority of this Ordinance, all officers, employees and agents of the City may take such actions and execute and deliver such documents as are necessary or appropriate from time to time to provide for the issuance, sale and delivery of the Bonds.

Section 14: Prior to the delivery of the Bonds, the City shall have received a certificate of a firm of independent arbitrage agents, nationally recognized in the field of advance refunding of tax-exempt obligations, verifying that the maturing principal amounts of the obligations held by the Escrow Agent and interest earned thereon will be sufficient to redeem on April 1, 2015 at a redemption price of 100% of the principal amount thereof and to pay interest when due on the 2005 Bonds maturing on or after April 1, 2016.

Section 15: This Ordinance shall take effect from the date of its approval by the Mayor, on or following the date of its final passage.

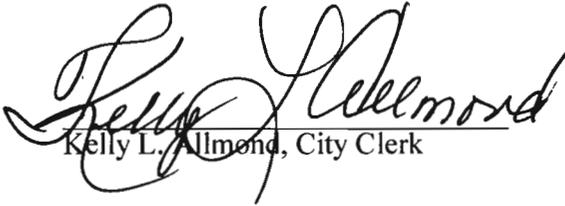
[signatures appears on next page]

THIS ORDINANCE was introduced and read at a meeting of the Mayor and City Council held on the 21 day of February, 2012, and thereafter, a statement of the substance of the Ordinance having been published as required by law, was finally passed by the Mayor and City Council on the 5 day of March, 2012.



James S. Hall, President of the City Council

Approved by me this 5 day of March, 2012.

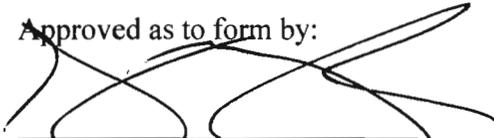


Kelly L. Allmond, City Clerk

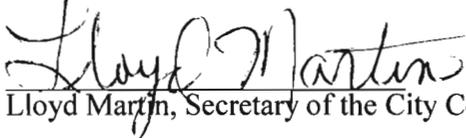


Richard W. Meehan, Mayor

Approved as to form by:



Guy R. Ayres, III, Town Attorney



Lloyd Martin, Secretary of the City Council

Exhibit A

Public Projects

Project Description	Total Cost
Boardwalk Reconstruction	\$6,120,000
Caroline Street Comfort Station	1,020,000
Caine Woods Pumping Station	918,000
Old Landing Pumping Station	918,000
28th Street Pumping Station	918,000
Clarigester Upgrade	1,377,000
Winter Influent Pump Upgrades	408,000
St. Louis Avenue Sewer Main	442,680
St. Louis Avenue Street Improvements	4,590,000
Land Purchase	1,224,000
Fire Station Improvements	5,022,320
Total	\$22,958,000

Exhibit B

NOTICE OF SALE

MAYOR AND CITY COUNCIL OF OCEAN CITY

GENERAL OBLIGATION MUNICIPAL PURPOSE AND REFUNDING

BONDS OF 2012

Dated _____, 2012

Electronic bids via PARITY will be received until 11:00 a.m., local Ocean City, Maryland time on Tuesday, May 1, 2012, by the Mayor of the Mayor and City Council of Ocean City (the "City") or his designee at the offices of the Finance Administrator of the City, located at City Hall, 3rd Street and Baltimore Avenue, Ocean City, Maryland 21842, for the purchase of the above-described bonds of the City (the "Bonds"), aggregating \$37,600,000*, all dated _____, 2012, and maturing, subject to prior redemption, as herein stated, on the first day of October as follows:

<u>Maturing</u> <u>October 1</u>	<u>Preliminary</u> <u>Principal</u> <u>Amount</u>	<u>Maturing</u> <u>October 1</u>	<u>Preliminary</u> <u>Principal</u> <u>Amount</u>
[2012]		2023	
2013		2024	
2014		2025	
2015		2026	
2016		2027	
2017		2028	
2018		2029	
2019		2030	
2020		2031	
2021		2032	
2022			

The City will not consider and will reject any bid for the purchase of less than all of the Bonds for which a bid is made.

The Bonds shall be issued only in fully registered form without coupons. One Bond representing each maturity of will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the Bonds and each such Bond shall be immobilized in the custody of DTC. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers

* Preliminary, subject to adjustment as described herein.

will not receive physical delivery of certificates representing their interest in the Bonds purchased. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the bond certificates representing each maturity with DTC. The Bonds will bear interest payable semiannually on the first days of April and October, commencing October 1, 2012, until maturity or redemption. Interest will be paid to the persons in whose names the Bonds are registered on the registration books maintained by the Bond Registrar on the Regular Record Date, which is the fifteenth (15th) day of the month immediately preceding the month in which each such interest payment date occurs, by electronic funds transfer or check mailed to each such person's address as it appears on such bond registration books; provided, however, that so long as the Bonds are registered in book-entry form, the principal of, redemption premium, if any, and interest on the bonds shall be payable in accordance with DTC's payment procedures or the procedures of any successor depository for the bonds.

Bonds maturing on or after October 1, 2023 are subject to redemption prior to their maturities at the option of the City on or after October 1, 2022, either as a whole or in any part at any time in any order of maturity at the option of the City, at par plus accrued interest thereon to the date fixed for redemption. If less than all of the Bonds of any maturity shall be called for redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Bond Registrar and Paying Agent in such manner as in its discretion it shall determine, except that so long as DTC or its nominee is the sole registered owner of the Bonds, the particular Bonds or portion to be redeemed shall be selected by lot by DTC, in such manner as DTC shall determine.]

The Bonds are authorized by Sections 31 to 37, inclusive, of Article 23A of the Annotated Code of Maryland (2011 Replacement Volume), as amended, Section 24 of Article 31 of the Annotated Code of Maryland (2010 Replacement Volume and 2011 Supplement), and Section C-719 of the Charter of the City, and by virtue of due proceedings had and taken by the Mayor and City Council of Ocean City particularly an Ordinance adopted on the ____ day of _____, 2012 (approved _____, 2012) (the "Ordinance").

The proceeds of the Bonds for which bids are solicited herein will be expended for the public purposes of (i) financing or refinancing, in whole or in part, certain costs of acquisition, construction and/or improvements to the boardwalk, the art league building, the water system, the wastewater system, solid waste disposal facilities and certain other governmental projects, (ii) and refunding all or a portion of the Mayor and City Council of Ocean City Municipal Purpose Bonds of 2005 maturing on or after April 1, 2016 and (iii) paying the costs of issuance of the Bonds, which expenses include costs of document production and reproduction, and financial advisory and counsel fees and expenses.

The full faith and credit and unlimited taxing power of the City are unconditionally pledged to the payment of the Bonds and of the interest to accrue thereon. The Bonds are payable from the proceeds of ad valorem taxes which the City is empowered to levy upon all property within the corporate limits of the City subject to assessment for unlimited City taxation.

Electronic Bids

Electronic bids will be received via **PARITY**, in the manner described below, until 11:00 a.m. local Ocean City, Maryland time, on Tuesday, May 1, 2012.

Bids may be submitted electronically via **PARITY** pursuant to this Notice of Sale until 11:00 a.m., local Ocean City, Maryland time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this notice, the terms of this Notice of Sale shall control. For further information about **PARITY**, potential bidders may contact **PARITY** at Dalcomp (800) 730-9393 or (212) 806-8304.

Disclaimer

Each prospective electronic bidder shall be solely responsible to register to bid via **PARITY** as described above. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access **PARITY** for the purposes of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the City nor **PARITY** shall have any duty or obligation to provide or assure access to **PARITY** to any prospective bidder, and neither the City nor **PARITY** shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, **PARITY**. The City is using **PARITY** as a communication mechanism, and not as the City's agent, to conduct the electronic bidding for the Bonds. The City is not bound by any advice and determination of **PARITY** to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the "Bid Specifications" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via **PARITY** are the sole responsibility of the bidders; and the City is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying or withdrawing a bid for the Bonds, he should telephone **PARITY** at Dalcomp (800) 730-9393 or (212) 806-8304 and notify the City's Financial Advisor, A. Samuel Ketterman, at Davenport & Company LLC by facsimile at 866-932-6660.

Electronic Bidding Procedures

Electronic bids must be submitted for the purchase of the Bonds (all or none) via **PARITY**. Bids will be communicated electronically to the City at 11:00 a.m., local Ocean City, Maryland time, on Tuesday, May 1, 2012. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via **PARITY**, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds, or (3) withdraw its proposed bid. Once the bids are communicated electronically via **PARITY** to the City, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on **PARITY** shall constitute the official time.

Bid Specifications

ANY BIDS FOR LESS THAN ALL OF THE BONDS SHALL BE REJECTED BY THE CITY. THE CITY RESERVES THE RIGHT TO REJECT ANY AND ALL BIDS.

Each bid must specify the amount bid for the Bonds, which shall not be less than 100% of par or more than 112% of par[, plus accrued interest from _____, 2012 to the date of delivery of the Bonds]. Bidders shall state in their bids the rate or rates of interest to be paid on the Bonds in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%), and each bid shall be based and submitted on the rate or rates stated therein. Bidders may specify more than one rate of interest to be borne by the Bonds, but the difference between the highest and lowest rates named may not be greater than three percent (3%). Bidders may not specify more than one rate of interest for the Bonds of any single maturity. A zero rate may not be named for any maturity. The maximum rate permitted for any maturity is 5.50%. The Bonds will be awarded to the bidder naming the lowest true interest cost for all Bonds in any legally acceptable bid and offering to pay not less than par and not more than 112% of the aggregate Revised Amount of the Bonds[, and accrued interest]. The lowest true interest cost will be determined by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments from the payment dates to the date of the Bonds and to the amount bid, not including interest accrued to the date of delivery. Where the bids of two or more bidders result in the same lowest true interest cost, the Bonds may be apportioned between such bidders, but if this shall not be acceptable, the City shall have the right to award all of the Bonds to one bidder. The right is reserved to the City to reject any or all bids and to waive any irregularity or informality in any bid. The City's judgment shall be final and binding upon all bidders with respect to the form and adequacy of any bid received and as to its conformity to the terms of this Notice of Sale. Any award of the Bonds may be made as late as 4:00 p.m. on the sale date. All bids remain firm until an award is made.

Good Faith Deposit. The successful bidder is required to submit a good faith deposit of [\$347,000.00] (the "Deposit") to the City upon initial notification of the award of the Bonds to the successful bidder. The Deposit will be in the form of a wire transfer and must be received by the City prior to 3:00 p.m. (local time) on the date of the receipt of the bids. Such payment will be security for compliance with the terms of the rule. The City will provide wire instructions to the successful bidder during the initial notification of the award of the Bonds.

As an alternative to the foregoing, a bidder may deliver to the City, at the address set forth above, prior to 11:00 a.m. (local time) on the date of sale a certified check upon, or a cashier's or treasurer's or official check of, a responsible banking institution, or a financial surety bond as described below in this paragraph, payable to the order of "Mayor and City Council of Ocean City" for the amount of the Deposit. If a check is submitted by the successful bidder, such check will be deposited and collected. If a bidder elects to submit a financial surety bond, such bond must be issued by an insurance company licensed to issue such a bond in the State

of Maryland and must be submitted to the City at the address set forth above prior to 11:00 a.m. (local time) on the date of sale.

The financial surety bond must identify each bidder whose good faith deposit is guaranteed by such financial surety bond. If the Bonds are awarded to a bidder utilizing a financial surety bond, then the successful bidder for such issue is required to submit its good faith deposit to the Finance Administrator of the City not later than 12:00 Noon (local time) on the next business day following the award either in the form of a check of the type described in the preceding paragraph or by wire transfer (payable in federal funds) to the City in accordance with the City's instructions to such successful bidder. If such good faith deposit is not received by that time, the financial surety bond may be drawn by the City to satisfy the good faith deposit requirement.

The good faith deposit of the successful bidder will be retained by the City to be applied in part payment for the Bonds, and no interest will be allowed upon the amount thereof. IN THE EVENT THAT THE SUCCESSFUL BIDDER SHALL FAIL TO COMPLY WITH THE TERMS OF THE BID, THE PROCEEDS OF DEPOSIT AND ANY INVESTMENT INCOME THEREON WILL BE RETAINED AS AND FOR FULL LIQUIDATED DAMAGES. The checks, if any, of the unsuccessful bidders will be returned promptly after the Bonds are awarded.

Procedures for Sale and Principal Amount Changes: The preliminary aggregate principal amount of the Bonds and the preliminary principal amount of each maturity of the Bonds as set forth in this Notice of Sale (collectively, the "Preliminary Amounts") are expected to be revised before the receipt and opening of sealed bids for their purchase. The revised aggregate principal amount of the Bonds and the revised principal amount of each maturity (collectively, the "Revised Amounts") will be published on TM3 News Service ("TM3") not later than 9:30 a.m., local Ocean City, Maryland time on the date of sale or as soon thereafter as is reasonably practicable. In the event that no revisions are made or that such revisions are not published on TM3 before 9:30 a.m., local Ocean City, Maryland time on the date of sale, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids based on the Revised Amounts and the Revised Amounts will be used to compare bids and select a winning bidder.

As promptly as reasonably practicable after the bids are opened, the City will notify the bidder to whom the Bonds will be awarded, if and when such award is made, and such bidder, upon such notice, shall advise the City of the initial reoffering prices to the public of each maturity of the Bonds (the "Initial Reoffering Prices"). The Initial Reoffering Prices, among other things, will be used by the City to calculate the final aggregate principal amount of Bonds and the final principal amount of each maturity (collectively, the "Final Amounts"). THE CITY EXPECTS THAT THE REVISED AMOUNTS OF THE BONDS WILL BE CHANGED AS NECESSARY TO EFFECT THE GREATEST ECONOMIC ADVANTAGE, BUT WILL NOT DECREASE OR INCREASE THE AGGREGATE PRINCIPAL AMOUNT

OF BONDS BY MORE THAN 12% FROM THE AMOUNT BID UPON. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS WITHIN THESE LIMITS. The Final Amounts of the Bonds will be communicated to the successful bidder by 5:00 P.M., local Ocean City, Maryland time on the date of sale. The dollar amount of the discount or premium, if any, specified in the bid of the successful bidder will be adjusted proportionately to reflect any reduction or increase in the aggregate principal amount of the Bonds. The successful bidder shall pay the aggregate Final Amount of the Bonds less the discount or plus the premium (as the amount of such discount or premium may be adjusted as described above), if any, set forth in its electronic bid[, plus accrued interest to the date of delivery]. The interest rates specified by the successful bidder for each maturity of the Bonds in its electronic bid will not change. ALL BIDS REMAIN FIRM UNTIL 5:00 P.M., LOCAL OCEAN CITY, MARYLAND TIME ON THE DATE OF SALE. An award of the Bonds pursuant to this Notice of Sale, if made, will be made by the City within such period of time.

It is noted that the City has the right to award the Bonds by private negotiation at any time and may determine to exercise such right either before bids are submitted in response to this Notice of Sale or in the event that all bids are rejected. The City may so negotiate with, and make such award to, any person, including bidders hereunder.

All Bonds herein described will constitute an irrevocable pledge of the full faith and credit and unlimited taxing power of the City.

The Bonds will be issued and sold subject to (i) approval as to legality by DLA Piper LLP (US), Bond Counsel, and (ii) examination by _The Arbitrage Group of the arithmetical accuracy of certain computations related to escrow deposits, arbitrage yield compliance and satisfaction of savings requirements. Copies of the legal opinion, substantially in the form included in the Preliminary Official Statement will be delivered, upon request, to the purchaser or purchasers of the Bonds, without charge.

In order to assist bidders in complying with SEC Rule 15c2-12(b)(5), the City will execute and deliver a continuing disclosure agreement on or before the date of issuance of the Bonds pursuant to which it will undertake to provide certain information annually and notices of certain events. A description of this agreement is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

When delivered, the Bonds shall be duly executed and authenticated and registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale.

Not later than seven (7) business days after the award of the Bonds to the successful bidder on the day of sale, the City will authorize an Official Statement, which is expected to be substantially in the form of the Preliminary Official Statement referred to below. If so requested by the purchaser or purchasers at or before the close of business on the date of the sale, the City will include in the Official Statement such pricing and other information with respect to the terms of the reoffering of the Bonds by the successful bidder ("Reoffering Information"), if any, as may be specified and furnished in writing by such bidder. If no Reoffering Information is specified and furnished by the successful bidder, the Official Statement will include the interest rates on the Bonds resulting from the bid of the successful bidder and the other statements with respect to reoffering contained in the Preliminary Official Statement. The successful bidder shall be responsible to the City and its officials for the Reoffering Information, and for all decisions made by such bidder with respect to the use or omission of the Reoffering Information in any reoffering of the Bonds, including the presentation or exclusion of any Reoffering Information in any documents, including the Official Statement. The successful bidder will also be furnished, without cost, with up to 100 copies of the Official Statement (and any amendments or supplements thereto).

Delivery of the Bonds, without expense, will be made by the City to the purchaser or purchasers on or about May 17, 2012, or as soon as practicable thereafter, in New York, New York or at such other location as shall be mutually acceptable to the City and the purchasers, and, thereupon, said purchaser or purchasers will be required to accept delivery of the Bonds purchased and pay, in Federal funds, the balance of the purchase price due. The Bonds will be accompanied by the customary closing documents, including a no-litigation certificate, effective as of the date of delivery, stating that there is no litigation pending affecting the validity of any of the Bonds. It shall be a condition to the obligation of said purchaser or purchasers to accept delivery of and pay for the Bonds that, simultaneously with or before delivery and payment for the Bonds, said purchaser or purchasers shall be furnished a certificate or certificates of the Mayor of the City or the Finance Administrator of the City to the effect that, to the best of their knowledge and belief, the Official Statement (and any amendment or supplement thereto) (except for the Reoffering Information provided by the purchaser and information regarding DTC and DTC's book-entry system provided by DTC, as to which no view will be expressed) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and that between the date of sale and the date of delivery of the Bonds there has been no material adverse change in the financial position or revenues of the City, except as reflected or contemplated in the Official Statement (and any amendment or supplement thereto).

SIMULTANEOUS WITH OR BEFORE DELIVERY OF THE BONDS, THE SUCCESSFUL BIDDER SHALL FURNISH TO THE CITY A CERTIFICATE ACCEPTABLE TO BOND COUNSEL TO THE EFFECT THAT (i) SUCH SUCCESSFUL BIDDER HAS MADE A BONA FIDE PUBLIC OFFERING OF EACH MATURITY OF THE

BONDS AT THE INITIAL REOFFERING PRICES; AND (ii) A SUBSTANTIAL AMOUNT OF EACH MATURITY OF THE BONDS WAS SOLD TO THE PUBLIC (EXCLUDING BOND HOUSES, BROKERS AND OTHER INTERMEDIARIES) AT SUCH INITIAL REOFFERING PRICES.

Bond Counsel advises that (i) such certificate must be made on the best knowledge, information and belief of the successful bidder; (ii) the sale to the public of 10% or more in par amount of the Bonds of each maturity at the Initial Reoffering Prices would be sufficient to certify as to the sale of a substantial amount of the Bonds; and (iii) reliance on other facts as a basis for such certification would require evaluation by Bond Counsel to assure compliance with the statutory requirement to avoid the establishment of an artificial price for the Bonds.

NOTE: The City may revise this Notice of Sale by written notice available to prospective bidders at the place of sale at the time for submission of bids or by publishing notice of any revisions on TM3 at or before the time for submission of bids. Any bid submitted shall be in accordance with, and incorporate by reference, this Notice of Sale including any revisions made pursuant to this paragraph.

The City reserves the right to postpone, from time to time, the date established for the receipt of bids. Any such postponement will be announced by TM3 by notice given not later than 1:00 p.m., local Ocean City, Maryland time, on the last business day prior to any announced date for receipt of bids. If any date fixed for the receipt of bids and the sale of the Bonds is postponed, any Alternative Sale Date will be announced via TM3 at least 48 hours prior to such Alternative Sale Date. In addition, the City reserves the right, on the date established for the receipt of bids, to reject all bids and establish a subsequent Alternative Sale Date. If all bids are rejected and an Alternative Sale Date for receipt of bids established, notice of the Alternative Sale Date will be announced via TM3 not less than 48 hours prior to such Alternative Sale Date. On any such Alternative Sale Date, any bidder may submit a bid for the purchase of the Bonds in conformity in all respects with the provisions of this Notice of Sale except for the date of sale and except for the changes announced by TM3 at the time the sale date and time are announced.

In the event that all or any part of the Bonds are initially reoffered with bond insurance secured by the successful bidder, the successful bidder shall be required to notify promptly the Finance Administrator at the time of sale and shall provide the Finance Administrator with any information he reasonably requests regarding such bond insurance including the amounts paid for such insurance. The City will, at the request and expense of the successful bidder, include customary language in the Official Statement and the form of bond regarding the insurance policy upon receipt of such opinions or certificates as the City reasonably may request regarding the accuracy of any information to be included in the Official Statement and the binding nature of the obligations contained in the insurance policy with respect to the Bonds. The City shall have no obligation to provide the successful bidder or the bond insurance company with any other documents or opinions relating to the Bonds.

The Preliminary Official Statement, together with this Notice of Sale, may be obtained from the Finance Administrator of the City, City Hall, 3rd Street and Baltimore Avenue, Ocean City, Maryland 21842, (410) 289-8941 or from the City's Financial Advisor, A. Samuel Ketterman, at Davenport & Company LLC, Suite 324, 8600 LaSalle Road, Towson, Maryland 21286, 410-296-9426. Such Preliminary Official Statement is deemed final by the City as of its date for purposes of SEC Rule 15c2-12 but is subject to revision, amendment and completion in the Official Statement referred to above.