

RESOLUTION NO. R 014 97

A PROJECT RESOLUTION AUTHORIZING THE ISSUANCE OF THE COUNTY'S FIRST MORTGAGE REVENUE BONDS (GATEWAY VI SEAFORD HOTEL PROJECT) SERIES 1997A AND SERIES 1997B

WHEREAS, pursuant to the powers conferred upon Sussex County, Delaware (the "County"), the Council of Sussex County (the "Council") enacted the Sussex County Commercial, Industrial and Agricultural Bond Ordinance No. 80, effective November 20, 1981, as amended by Ordinance No. 113, effective March 8, 1983 (collectively, the "General Ordinance");

WHEREAS, the Council acting pursuant to the General Ordinance, Ordinance No. 80, as amended, as supplemented by Project Resolutions R 052 86 adopted November 25, 1986, R 079 86 adopted December 30, 1986, and R 023 87 and R 024 87 adopted April 28, 1987, issued its Economic Development Revenue Bonds (Gateway Partnership VI Project), Series 1986, Series 1987A and Series 1987B (the "Prior Bonds") to assist in financing for Gateway Partnership VI, a Maryland general partnership (the "Applicant"), a project consisting of the construction of a 60 unit hotel at the intersection of U.S. Route 13 and Beaver Dam Road, in Seaford, Delaware, currently operated as a Comfort Inn (the "Project");

WHEREAS, the Prior Bonds were secured by a pledge of the Project's revenues, a first or second mortgage on the Project and, with respect to certain of the Prior Bonds, a letter of credit which would require renewal or replacement in connection with a remarketing of such Prior Bonds on May 1, 1997;

WHEREAS, the Applicant obtained temporary financing for an expansion of the Project from 60 to 93 units with a conventional third mortgage on the Project issued in 1989 (the "1989 Mortgage"), which bears interest at a floating rate and had an original maturity of September 1, 1994, that was extended to September 1, 1999;

WHEREAS, in accordance with the General Ordinance, the Applicant has submitted to the County an application for assistance in refinancing and providing permanent financing for the Project (the "Application") through the issuance by the County of its tax-exempt commercial development revenue bonds (the "Series 1997A Bonds") and its taxable commercial development revenue bonds (the "Series 1997B Bonds" and collectively with the Series 1997A Bonds, the "Bonds"), the proceeds of which would be loaned to the Applicant and used to refund the outstanding principal amount of the Prior Bonds, to pay off the 1989 Mortgage and to pay costs of issuing the Bonds and refinancing the Project;

WHEREAS, the Application and the proposed issuance of the Bonds were reviewed by a committee comprised of the County Administrator (the "Administrator"), the County's Director of Finance, the County Attorney and the County's Director of Economic Development (the "Review Committee") and the Review Committee has made the findings and determinations required by the General Ordinance that:

(a) the Project is eligible for financial assistance and the financing thereof will accomplish the public purposes contemplated by the General Ordinance;

(b) the Project will (i) tend to maintain or provide gainful employment opportunities within and for the people of the County; (ii) aid, assist and encourage the economic development or redevelopment of the County; and (iii) maintain, diversify or expand employment promoting enterprises within the County; and

(c) the Bonds are to be payable solely from Revenues as specified in Section 7 of the General Ordinance;

WHEREAS, the Administrator has advised the Applicant of the Review Committee's findings and determinations;

WHEREAS, the Administrator has advised the Council of the Review Committee's findings and determinations and recommendations and has transmitted the Application to the Council;

WHEREAS, the Council also desires to approve the Project, to make the findings and determinations required by the General Ordinance and to authorize the issuance and sale of the Bonds;

WHEREAS, the Bonds will be limited obligations of the County payable solely from the Revenues, as defined in the General Ordinance, of the Project; and

WHEREAS, the Council desires to confirm the authority of the Administrator to enter into appropriate agreements on behalf of the County to accomplish the foregoing;

NOW, THEREFORE, BE IT RESOLVED;

1. Authorization of Resolution. This Resolution is enacted pursuant to the provisions of the Constitution of the State of Delaware under Title 9, Section 7001 of the Delaware Code Annotated (1974), and in accordance with the provisions of the General Ordinance.

2. Approval of Findings. The Council approves the findings of the Review Committee with respect to the Project and determines that the issuance of the Bonds and the loan of the proceeds thereof to the Owner, to refund the Prior Bonds, issued pursuant to the General Ordinance, and to replace the 1989 Mortgage, a temporary loan financing a portion of the Project, and all actions of the County contemplated hereunder will be in accordance with the General Ordinance.

3. Authorization to Approve and Execute Documents. The Council authorizes the Administrator, on behalf of the County, to approve in such form and substance as the Administrator shall deem to be appropriate and in the best interest of the County and, as applicable, enter into all agreements as he shall deem appropriate to accommodate the refunding of the Prior Bonds and the refinancing of the Project, including prepayment of the 1989 Mortgage, including, without limitation: a trust indenture (the "Indenture") with Crestar Bank, Richmond, Virginia, at the request of the Applicant which will provide for the details of the Bonds; a loan agreement between the County and the Applicant including the form of promissory notes (the "Notes") of the Applicant; a bond purchase and placement agreement with Scott & Stringfellow, Inc., Richmond, Virginia, and Legg Mason Wood Walker, Incorporated, Baltimore, Maryland, as requested by the Applicant; a preliminary official statement, with respect to the Series 1997A Bonds, and a preliminary placement memorandum, with respect to the Series 1997B Bonds (collectively, the "Preliminary Disclosure Documents"); and a final official statement, with respect to the Series 1997A Bonds, and a final placement memorandum, with respect to the Series 1997B Bonds (collectively, the "Final Disclosure Documents").

4. Authorization of Issuance and Sale of Bonds. The Authority approves of and authorizes the issuance, sale, execution and delivery of the Bonds, which shall mature not later than December 1, 2016, shall bear fixed interest rates (not to exceed a true interest cost of 8.0% per annum with respect to the Series 1997A Bonds or 9.75% with respect to the Series 1997B Bonds) and shall have such other terms all as provided in the Indenture; provided that the Series 1997A Bonds shall be in initial aggregate principal amount not to exceed \$2,085,000 and the Series 1997B Bonds shall be in an initial aggregate principal amount not to exceed \$1,600,000. The Bonds shall be sold to Scott & Stringfellow, Inc. and Legg Mason Wood Walker, Incorporated, at a price equal to the par amount thereof.

5. Acceptance and Assignment of Notes. The Administrator is authorized and directed to accept from the Owner the Notes, to evidence the Owner's repayment obligation for the loan provided for in the Loan Agreement, and to assign by endorsement and deliver the Notes to the Trustee as security for the Bonds.

6. Disclosure Documents. The use and distribution by Scott & Stringfellow, Inc. and Legg Mason Wood Walker, Incorporated, of the Preliminary Disclosure Documents, the forms of which shall be deemed final as of their date by the Administrator for purposes of Securities and Exchange Commission Rule 15c2-12 (the "Rule") except for the omission of such pricing and other information permitted to be omitted by such Rule, is authorized. The Administrator is authorized to execute the Final Disclosure

Documents, appropriately dated, with appropriate completions, insertions, omissions and changes to the Preliminary Disclosure Documents as shall be necessary to accurately describe the final terms of the Bonds as set forth herein and in the bond purchase and placement agreement and the Indenture and, to otherwise constitute such documents in final form within the meaning of the Rule. The execution of such Final Disclosure Documents by the Administrator shall constitute conclusive evidence of the County's approval of the form thereof.

7. Delivery and Recordation. Any authorization to execute a document shall include authorization to deliver it to the other parties thereto and, if appropriate, to record such document.

8. Redemption of Prior Bonds. The Prior Bonds are called for redemption on May 1, 1997, pursuant to the terms thereof; provided, however, that such call for redemption shall become irrevocable only upon issuance of the Bonds, a portion of the proceeds of which plus other available revenues from the Project and amounts provided by the Applicant shall be sufficient to fund such redemption.

9. Approval of Other Acts. The Administrator, the Director of Finance and the County Clerk are further authorized to make any required filings with the Internal Revenue Service or others and to take all other action as they may deem appropriate and in the best interest of the County to accomplish the intent of this Resolution. All acts of the officers of the County that are in conformity with the purposes and intent of this Resolution and in furtherance of the issuance and sale of the Bonds, the refunding of the Prior Bonds and the refinancing of the Project, whether such acts occurred before or occur after the adoption of this Resolution, are hereby ratified, approved and confirmed.

10. Limited Liability; Expenses. The Bonds are special obligations of the County and do not pledge the credit or taxing power thereof, but are payable solely from the Revenues, as defined

in the General Ordinance, of the Project. The County shall have no responsibility for any payment with respect to the Bonds; the Bond shall be payable solely from payments made by or on behalf of the Applicant and the Applicant shall pay all expenses of the above-described transaction including all expenses of the County, if any.

11. Effective Date. This Resolution shall be effective upon its adoption by the Council.

I DO HEREBY CERTIFY THAT THE FOREGOING IS A TRUE AND CORRECT COPY OF RESOLUTION NO. R 014 97 PASSED BY THE COUNTY COUNCIL OF SUSSEX COUNTY ON THE 11TH DAY OF MARCH, 1997.



Robin A. Griffith
Clerk of the County Council