CLOSING AGREEMENT ON FINAL DETERMINATION OF TAX LIABILITY AND SPECIFIC MATTERS

Under section 7121 of the Internal Revenue Code (the "**Code**"), the City of Dover, Delaware (the "**Issuer**") and the Commissioner of Internal Revenue Service (the "**Commissioner** or **Service**") make this closing agreement (the "**Agreement**").

A. WHEREAS, this Agreement is in settlement of issues pertaining to $29,830,000 of the Issuer's Electric Revenue Bonds (Series 1990) (the **"1990" Bonds"**) and $20,895,000 of its Electric Revenue Refunding Bonds (Series 1993) (the **"1993 Bonds"** and, collectively with the 1990 Bonds, (the "**Bonds**"), a portion of which Bonds remain outstanding.

B. WHEREAS, this Agreement is not based upon an examination of the Bonds by the IRS and does not preclude or impede an examination of the Issuer, any holders of the Bonds, or the Bonds by the IRS with respect to matters not addressed in this Agreement.

C. WHEREAS, the IRS has not formally asserted any claims against the Issuer or sought to tax any holders of the Bonds on interest income of the Bonds.

D. WHEREAS, the terms of the Agreement were arrived at by negotiation between the Issuer and the IRS and may differ from the terms of settlement of other bond issues examined by the IRS.

E. WHEREAS, this Agreement is for the benefit of the past, present, and future registered and beneficial owners of the Bonds (collectively, the "Bondholders")

F. WHEREAS, the Issuer makes the following representations that the IRS has not independently verified.

(i) Proceeds of the Bonds were used by the Issuer to finance its electric system (the **"Project"**), which is used to provide electric service to its residents and which, prior to 1996, was operated by the Issuer.

(ii) In 1996, the Issuer entered into a contract with a nongovernmental person for the operation of the Project (the **"Management Contract"**) and the Issuer also entered into a contract (the **Supply Contract"** and, with the Management Contract, the **"Contracts"**) with a nongovernmental person under which the nongovernmental person would supply wholesale electricity to the Issuer and also obtain certain rights to use the output of the Project.

(iii) The Contracts may cause the Bonds to be private activity bonds that are not qualified bonds within the meaning of section 141 and section 103(b)(1) of the Code.

NOW THEREFORE IT IS HEREBY DETERMINED AND AGREED PURSUANT TO THIS CLOSING AGREEMENT EXECUTED BY THE PARTIES HERETO UNDER SECTION 7121 OF THE CODE THAT FOR FEDERAL INCOME TAX PURPOSES:

1. The Issuer shall make a payment to the United States Treasury" in the amount of $450,382. Payment of this amount shall be made by certified check payable to "the U.S. Treasury" or its designees and be delivered to a duly authorized representative of the IRS. Payment must be sent simultaneously with the delivery of the Agreement executed by the Issuer to the Internal Revenue Service, 1111 Constitution Avenue, N.W. 5th Floor, Washington, D.C. 20224.

2. Within 90 days of the date hereof, the Issuer will redeem the Bonds using the proceeds of bonds the interest on which is not excluded from gross income for federal income tax purposes. Issuer will provide the IRS with a copy of the Notice of Redemption and will provide the IRS with evidence of redemption within five days of such redemption.

3. The Bonds will not be treated as private activity bonds under section 141 of the Code based on the circumstances described in this Agreement.

4. Notwithstanding anything to the contrary contained herein, the Service may take any appropriate action with respect to the Bonds including taxing the Bondholders on interest earned on the Bonds for violations other than those set forth herein and for violations arising after the effective date of this Agreement.

5. The Bondholders are not required to include in their gross income any interest on the Bonds as a result of the Contracts.

6. No interest or penalties will be imposed on the Bondholders or the Issuer in connection with the Bonds relating to the violations described in this Agreement.

7. No party shall endeavor by litigation or by other means to attack the validity of this Agreement.

8. The amount paid by the Issuer pursuant to this Agreement is not refundable or subject to credit or offset under any circumstances.

9. This Agreement may not be cited or relied upon by any person or entity whatever as precedent in the disposition of any other case.

10. This Agreement is final and conclusive except that –

    A. The matter it relates to may be reopened in the event of fraud, malfeasance, or misrepresentation of material fact.

B. It is subject to the Internal Revenue Code sections that expressly provide that effect be given to their provisions (including any stated exception for section 7122) notwithstanding any other law or rule of law; and

C. It is subject to any law, enacted after the date of this Agreement that applies to tax periods ending after the date of this Agreement.

11. The Issuer hereby consents to disclosure by the Service of information concerning the existence and subject matter of this Agreement to Members of Congress, the press, and the general public:

A. in the event of a default by the Issuer on any term in this Agreement; or

B. to the extent the Service deems necessary to correct any material misstatement with respect to this Agreement in response to a public statement by the Issuer or an agent of thereof.

By signing, the above parties certify that they have read and agreed to the terms of this Agreement.

CITY OF DOVER, DELAWARE

By: _____

_____
Name

_____
Title

_____
EIN

_____
Date

COMMISSIONER OF THE INTERNAL REVENUE SERVICE

By: _____

Name: Clifford J. Gannett

Title: Manager, Outreach, Planning and Review

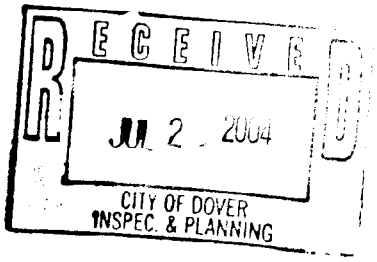
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Date

EXHIBIT 2
COUNCIL MINUTES 07/26/04

BECKER MORGAN GROUP

ARCHITECTURE
ENGINEERING

PLANNING OUR
CLIENTS' SUCCESS



July 23, 2004

Mr. James Galvin, Jr., AICP
Director of Planning & Inspections
City of Dover
P.O. Box 475
Dover, DE 19903

RE: **SESKINORE SENIOR SUBDIVISION**
Dover, Delaware
2003231.00

Dear Jim:

I am writing as a follow-up to our conversation Monday night concerning the Seskinore project located on McKee Road in Dover, Delaware. I understand that there was some issue with the Utility Committee concerning the posting of the Seskinore roadways as no parking. It is my understanding that council may be concerned by the fact that the Utility Committee did not include in its motion "No Parking" for both sides of the roadway. I want to reiterate that our design is based on "No Parking" for both sides of the roadway and we fully support the roadway being marked that way. Our design concept is based on seniors who will have fewer cars than traditional families and with garages for each unit and long driveways; we would rather not have our roadway cluttered with on street parking.

We will be attending the Monday, July 26, 2004 meeting concerning the roadway waiver and are prepared to make this statement in the meeting if you find it appropriate.

In the interim if I can answer any questions, do not hesitate to contact me.

Sincerely,

BECKER MORGAN GROUP, INC.

Gregory V. Moore, P.E.
Vice President

GVM/rlh

Cc: Mr. James McClements
Mr. Tom Burns

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738 SOUTH GOVERNORS AVE.
DOVER, DELAWARE 19904
302.734.7950
FAX 302.734.7965

SOUTHBANK OFFICE PARK
307 A STREET
WILMINGTON, DELAWARE 19801
302.888.2600
FAX 302.888.2427

PORT EXCHANGE
SUITE 300
312 WEST MAIN ST.
SALISBURY, MARYLAND 21801
410.546.9100
FAX 410.546.5824

www.beckermorgan.com