

**Maryland Environmental Service
Debt Management Policy
Effective February 22, 2010**

I. Purpose

This Debt Management Policy (this "Policy") of the Maryland Environmental Service (the "Service") is intended to provide written guidelines and restrictions that affect the amounts and types of debt permitted to be issued by the Service, the issuance process, and the management thereof. This Policy should provide justification for the structure of the Service's debt issuances, identify policy goals, and demonstrate a commitment to long-term financial planning.

The Service, with the advice of the Office of Attorney General, its Bond Counsel and financial advisor, will comply with this Policy and all applicable laws and regulations when carrying out its responsibility to issue and manage debt in a fiscally sound manner and to achieve borrowing at the lowest reasonable cost to meet the funding needs of the Service's projects.

Revisions to this Policy must be approved by the Board of Directors and sent to the State Treasurer.

II. Background

The Service is a body politic and corporate and a public instrumentality of the State of Maryland (the "State"). The Service is organized and exists pursuant to the Maryland Environmental Service Act, Section 3-101 *et seq.* of the Natural Resources Article (the "Act").

The Service was created to assist with the preservation, improvement, and management of the quality of air, land, and water resources, to promote the health and welfare of the citizens of the State, to provide for dependable, effective, and efficient water supply and purification and disposal of liquid and solid waste, to encourage reductions in the amount of waste generated and discharged to the environment and the generation of energy and the recovery of useable resources from such waste to the extent practicable, to promote the conservation of energy usage and to provide for the production of energy from solid wastes and renewable and other sources, to encourage private sector participation in environmental protection, and to serve the State political subdivisions and economic interests.

III. Legal Authorization/Debt Limitation

The Service is authorized and empowered, by resolution adopted by a majority of its Board of Directors, to issue bonds for the purpose of financing the cost of one or more projects or for any other corporate purpose. The Act provides that except as may otherwise be expressly provided by the Service, every issue of its bonds shall be general obligations of the Service payable from any revenues or moneys of the Service available and not otherwise pledged, subject only to any agreements with holders of particular bonds pledging any particular revenues or moneys. The Service's practice has been to not issue bonds on a general obligation basis to

finance Service projects. Any change to this practice would need to be approved by the Board of Directors of the Service. The Service may issue its bonds without obtaining the consent of any unit of the State, and without any other proceedings or the happening of any other conditions or things than those specifically required in the Act.

Bonds issued by the Service shall not be deemed to constitute a debt, liability or pledge of the faith and credit of the State or of any political subdivision thereof other than the Service, but such bonds shall be payable solely from the funds provided.

IV. Types of Debt Obligations

The Service may consider issuing various types of debt and alternative structures to the extent permitted by State law.

A. Long-Term Bonded Debt

The Service can issue various types of tax-exempt and taxable long-term debt which includes, but is not limited to, the following:

1. Revenue Bonds: The Service may issue and sell its revenue bonds for the purpose of borrowing money for the accomplishment of a project or projects. The proceeds of revenue bonds may be loaned to any person or political subdivision. The principal and interest on the revenue bonds are payable from (a) the revenues of the Service received from such person or subdivision or otherwise received in connection with such project; (b) any property pledged or mortgaged as security for such bonds; or (c) any other sources designated by the Service.

2. Refunding Bonds: The Service has legal authority to issue refunding bonds for the purpose of refunding any bonds then outstanding which were issued under the provisions of the Act, whether or not the bonds to be refunded have matured, including the payment of any redemption premium thereon and any interest accrued or to accrue to the date of redemption of the bonds. The Service may also issue refunding bonds to pay (i) all or any part of the cost of constructing improvements or extensions to or enlargements of any existing project or projects, and (ii) all or any part of the cost of any additional project or projects.

B. Short-Term Bonded Debt

1. Temporary Bonds: Prior to the preparation of definitive bonds, the Service may issue interim receipts or temporary bonds, exchangeable for definitive bonds when such bonds have been executed and are available for delivery.

2. Bond Anticipation Notes: In certain circumstances, it may be appropriate for the Service to issue short-term obligations to finance a capital project. This obligation is later refunded with a more conventional long-term financing.

3. **Revenue Anticipation Notes:** Borrowing for cash flow purposes through the use of revenue anticipation notes is often desirable to manage the timing difference between when revenues are received and when expenditures are made over the course of a fiscal year.

4. **Grant Anticipation Notes:** The Service may issue short-term notes to be repaid with the proceeds of State or Federal grants if appropriate for the project. A grant anticipation note may be issued or sold only after receipt of written commitment of the federal or State government or agency making the grant.

C. **Variable Rate Debt**

1. **Variable Rate Demand Obligations ("VRDOs"):** VRDOs are a form of variable rate debt which provide the holders the option to put the bonds back to the issuer in accordance with set terms. The interest rate resets at an agreed upon frequency, usually daily or weekly through the efforts of a remarketing agent. Typically, a liquidity facility is required to fund the purchase of bonds put back to the issuer and not remarketed. In the event of a failed remarketing, the liquidity facility provider will become the holder of the VRDOs and receive interest at a rate specified in the liquidity facility agreement that is normally higher than that for remarketed VRDOs. The Service does not anticipate the issuance of VRDOs and any such issuance shall be approved by the Board of Directors.

2. **Auction Rate Notes:** Due to market conditions, the Service does not anticipate the issuance of Auction Rate Notes.

V. **Debt Issuance Policies**

A. **Derivatives:** Currently, the Service has no derivative contracts outstanding, including any interest rate swap agreements. Prior to entering into any such agreement, the Service shall develop a policy addressing how derivatives fit within the overall debt program, the conditions under which derivatives can be utilized, the types of derivatives allowed, the approaches for managing derivative risk; and the methods for procuring derivatives. No derivative contracts will be used for the purpose of interest rate speculation.

B. **Method of Sale:** The Service, in its discretion, with the advice of its financial advisor and counsel shall set the manner and terms of the sale of its bonds. For all negotiated sales or private placements, underwriters will be required to demonstrate sufficient capitalization and experience related to the debt issuance.

C. **Professional Services:** The Service will select and utilize professionals to assist in the debt issuance process. The Authority will take into account the benefit of maintaining continuity with regard to professional services such as financial advisor services.

D. **Bond Rating Services:** The Service will communicate as needed with the rating agencies to keep them informed of the financial status of the Service's bond issues. The communication may be in the form of meetings and/or conference calls depending on the financial issues to be discussed.

VI. Debt Structure

The Service will structure its debt based on advice of its counsel and financial advisor and in consultation with the client involved with the particular project to enable issuance at the lowest possible cost considering benefits and risks associated with the recommended structure.

A. Maximum Term: The Service shall not issue debt maturing later than 40 years from the date of issue.

B. Interest: Rates and rates of interest payable on such bonds and the date or dates of such payment shall be in the discretion of the Service to determine, in consultation with any participating political subdivisions.

C. Taxable Debt: It is the Service's general policy to issue tax-exempt debt to enable debt issuance at the lowest possible cost. However, in the event that the purpose of the debt issuance may involve private use or to take advantage of government programs which may be of benefit, taxable debt may be issued.

VII. Debt Management Practices

A. Consultation with Service Clients. The Service will implement bond issuances in consultation with the client involved. The Debt Management Practices will be implemented by the Service directly or by appropriate agreements by representatives of the client or other bond issue participations.

B. Investment Proceeds: Bond and other debt proceeds will be invested in accordance with the law, permitted investment requirements imposed by applicable bond indenture agreements and the federal tax compliance agreements or certifications, as applicable (the "Tax Certificate"). Records will be maintained to enable compliance with Internal Revenue Service (the "IRS") regulations related to tax-exempt debt.

C. Continuing Disclosure: As applicable, the Service will comply with continuing disclosure commitments in connection with Rule 15(c)2-12 under the Securities Exchange Act of 1934 by filing an annual report with the Municipal Securities Rulemaking Board's Electronic Municipal Market Assess system ("EMMA") disclosing certain financial information. The Service will comply with any other continuing disclosure obligations incurred with respect to particular bond issues.

D. Opinion of Bond Counsel: The Service must receive an opinion acceptable to the market from a nationally recognized law firm that each financing transaction complies with applicable law and all agreements in connection with any financing are legal, valid and binding obligations of the Service.

E. Financial Advisor: The Service will retain the services of a financial advisor that provides ideas on how the Service should approach financing issues such as bond structures, credit rating strategies, pricing negotiated sales, and executing competitive sales.

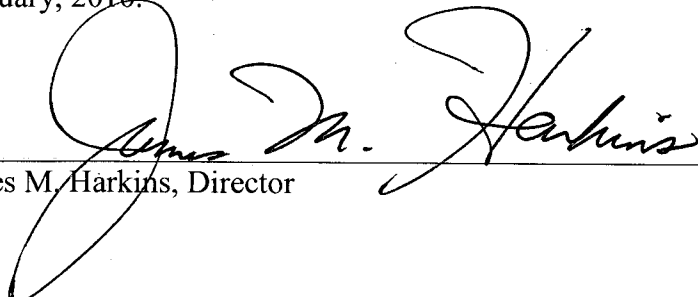
F. Arbitrage Regulations: The Service will comply with all federal tax regulations including the tracking or investment earnings on bond proceeds and use of bond proceeds, calculating rebate payments and rebating positive arbitrage earnings to the IRS in a timely manner to protect the tax-exempt status of the related outstanding debt, or cause such compliance to be achieved.

G. Bond/Debt Proceeds Accounts: The Service will direct disbursements from bond/debt accounts including construction/project accounts, debt service reserve accounts, cost of issuance accounts and other accounts which may be required or cause such disbursements to be made. Investment earnings on the accounts will be disbursed in accordance with the Tax Certificate of the Authority.

H. Other Covenants: The Service will ensure that adequate systems of internal control exist so as to provide reasonable assurance as to compliance with applicable laws, regulations, and covenants associated with outstanding debt. Schedules shall be maintained to monitor compliance.

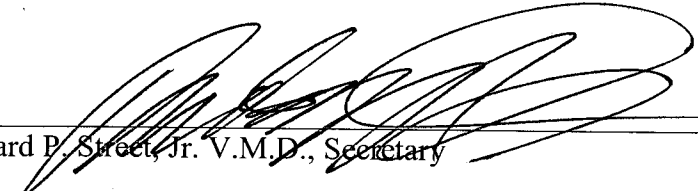
I. Document Retention: All documents related to debt issuance including official statements, financial statements, bond transcripts, and rebate calculations shall be retained until three years after the final maturity of the debt.

Approved by the Board of Directors of the Maryland Environmental Service this 22nd of February, 2010.



James M. Harkins, Director

Attest:



Richard P. Street, Jr. V.M.D., Secretary

Water & Wastewater Operations

2010 Snow Storm Summary Report

1 of 4

On Tuesday February 9th, 2010 a record snowstorm with blizzard conditions blanketed the entire state of Maryland. This storm rapidly worsened and developed into numerous emergency situations across the state due to the extra ordinary blizzard conditions. Additional accumulations varied across the state ranging from 14 to 30 inches. This storm coupled with existing record snow accumulations received just a few days prior on February 5th already on the ground resulted in a State of Emergency being declared by Governor Martin O'Malley. In most parts of the state total accumulations ranged from 25 to over 56 inches. Much of the State already had over a foot of snow from previous snowfall prior to these two storms. For several days roadways were very difficult or impossible to travel. Some major roads and all secondary roads were completely impassable. Phase III snow emergency plans were enacted in Baltimore City and surrounding jurisdictions followed by placing similar snow emergency plans into effect. These conditions lingered with high winds and temperatures at or below freezing complicating clean up efforts and delaying any thawing. This storm imposed an extremely severe condition that impacted every citizen and portion of Maryland for over a week. The residuals of these conditions continue to be a major effort in working towards normalcy. It has been deemed as the 100-year snow event.

As noted above a State of Emergency was declared. MEMA, National Guardsmen, and Emergency Responders were activated. Public safety became the primary concern. Citizens were advised by the Governor to stay home unless it was an absolute emergency. Most work places were paralyzed and closed down. Others employers, including MES mandated emergency essential personnel only. Schools, business, and local governments were closed for a week. Snow removal was hindered due to large snow accumulations that were magnified with drifting snow, disabled vehicles, accidents, emergency responses, and no ability or place to move the snow. Many citizens were simply unable to leave their homes for any reason unless on foot.

During this entire period one thing Governor O'Malley, other State Institutions and Agencies, Corporate Clients, and affected Citizens did not have to contend with was their water and wastewater utility services that are provided by MES. The MES Water and Wastewater Operations Group are long established as emergency essential service employees. Our team work and experience - taught ability to work in these kinds of emergencies and establish proactive emergency action plans proved to be successful and effective in this situation. This group of dedicated and determined MES employees insured essential water and wastewater services throughout this emergency were maintained and that essential work was accomplished with no interruptions to the community of clients we serve.

Maintaining safe water supplies and operable wastewater services are important environmental concerns at any time. In a declared State of Emergency it is critical these

utilities function. I am proud to know, work with, and be a part of this elite team. Their actions speak for themselves and they know it's their job and they do it. This is noteworthy considering the challenging and extreme conditions. These people know who they are and what to do. They have proven again in this State of Emergency they are the backbone of Maryland Environmental Service, and no one else in this agency owns this kind performance or responsibility. A job well done to say the least.

Preceding the storm, proactive emergency plans were developed and implemented by each region with mandates from the upper management team. During and following the storm Regional Supervisors submitted daily phone and email reports to the Chief and Deputy Chief of W/WW operations. This maintained group continuity and ensured proactive plans and communication was effectively implemented and maintained. The group's focus was over all safety and welfare of employees to accomplish essential work only to keep facilities operating. As proactively planned, all team members maintained communications with their staff up and down the chain of command ladder. This ensured essential work only was accomplished, provided direction or assistance if needed, and reinforced the priority of safety.

These combined snowstorm events caused the Agency to be on liberal leave for three days and closed for two others. The W/WW Operations Group field staff is required to work, as they are designated emergency essential employees. Some interesting and noteworthy facts surrounding their work activity during this period has been compiled.

The group experienced two non-injury vehicle accidents. Damage was minor in one and nominal in the other which was a hit and run by another vehicle. The MES operator was able to get the tag number of other vehicle and MSP are investigating. There were four personal injury incidents, three slip and fall injuries and one back injury from shoveling. During the duration of the two storms over a seven-day period there were 14 out of approximately 225 projects that we could not gain access to for two days, however some could be monitored by alarm systems and operations were not interrupted. In fact there was no interruption of water or wastewater service to any of our clients. Statistically estimated, there were approximately 7,875 necessary and essential work related duties that happened to maintain compliance and keep things operating. There were approximately 140 tasks that could not be accomplished at the sites where access could not be gained. These are pride-producing statistics considering the extreme weather conditions these people were working in. In calculation that's is better than 98% successful performance.

Below provides a brief summarization of regional activity and events for the period of these two storms. It is compiled and broke down by region for informational convenience. This experience, as in all situations of this nature has provided us with some more valuable knowledge that will help develop and improved protocols with essential emergency response situations in the future.

Northeast Region – Diane Bauer – 19 Projects – 8 Employees: Preparation of equipment and proactive plans were implemented so projects were monitored prior to or following severe storm conditions. Two man crews covered all facilities through out this period and continued communication with all staff was maintained. This enhanced accomplishing essential work with no accidents, injuries, overflows, or known violations. There were several power failures none of which were prolonged or jeopardized facility operation. One sampling run had to be rescheduled to cover compliance sampling. At this time no residual damages or significant expenses have been encountered and dealing with these extreme conditions was a different challenge but were successful. 4WD vehicles, continued communication, and proactively planned operational procedure and supervision supported the outcomes of this regions performance to ensure facilities functioned and remained with in budget parameters.

Eastern Region – Don Reed – 32 Projects – 26 Employees: Many sites were monitored prior to or following severe storm conditions with 2 man crews. This managed approach provided no frequency violations, overflows, or overtime. Snow accumulations were less on the lower eastern shore however mixed precipitation made traveling very difficult and extremely hazardous. Progressively conditions worsened with drifting snow, ice covered and unplowed roads. Continued communication between all apprentices, operators, and managers supported by 4 wheel drive vehicles, cell phones, and a dedicated team accomplished what needed to be done. This region holds some of the largest state institutional clients and environmentally sensitive areas of the state. Many employees walked thru waist deep snow to ensure essential work was accomplished. There were no vehicle or personal injury accidents or interruption of services even though many power outages occurred. Proactive preparation contributed to not incurring any additional expenses.

Central Region - Doug Myers – 45 Projects – 24 Employees: Preliminary proactive plans to monitor projects prior to or after severe conditions were implemented. This was then elevated to a 24/7 coverage at the Freedom facility. During the storm and recovery period 2 man crews with 4WD vehicles were implemented where needed to cover essential work at satellite sites working out of the Freedom area. Snow accumulation exceeded 48 inches throughout this large site making access to the Freedom plant extremely difficult with existing snow removal equipment. Snow removal on the access road was severely hindered because of fallen trees across the road. Outside contractors were hired to assist with snow removal at the Freedom and Woodstock facilities. Extended power outages at Bretton Woods and inaccessibility for 2 days, and the Greenbrier plants for one-day present frequency violations at those sites. Many remote sites could be monitored by alarm systems. Additional expense from overtime man hours and outside contractor for snow removal are prevailing with preliminary estimates around \$5,000.

Northern Region - Joe Wright – 31 Projects – 36 Employees: Proactive planning to man the Dorsey Run Plant 24/7 proved to be a good decision as it provided needed manpower at the most critical times during the storm and thru the recovery period following. Satellite sites were monitored prior to or following severe storm conditions. One site, DMT had difficulty getting adequate staffing in but was able to shut down and manage flow conditions without violations during the storm. This region experienced one non-injury vehicle accident when another vehicle collided with an MES operator in front of the Dorsey facility. It was a hit and run of which the MES operator was able to get the tag number on other vehicle. MSP are informed and continue investigating. All projects got essential work accomplished and no violations or overflows were encountered. The region incurred additional expense with preliminary estimated of \$5,500 from overtime, ice melt chemicals, and repairs to equipment resulting from excessive workloads in moving snow. Most operations went well and the biggest challenge was snow removal. Snow clearing to permit access was difficult at several sites and clients were requested to assist at several others.

Southern Region – Tiff Bradshaw – 35 Projects – 28 Employees: Many sites were monitored prior to or following severe storm conditions with 2 man crews. Several employees worked shortened hours and split time to ensure coverage and compile a complete work shift. Some far southern areas were not affected as badly operationally. However sampling runs did not function or collect samples resulting in numerous frequency violations at LaPlata, Charlotte Hall, and Point Look Out. Frequency violations at Calvert Gateway and Southern High School where also encountered because those sites were not accessible for 2 days. There were no overflows or bypasses. MES pickup trucks with mounted snow plows were overwhelmed by snow accumulations and drifting conditions. There was one minor vehicle accident with nominal damage. There were a total of three personal injury accidents, one back injury shoveling snow and two slip and fall injuries. None of the injuries are deemed serious at this time. Additional expense is estimated at \$2,500.

Western Region – Rex Bowman – 42 Projects – 23 Employees: The most prepared and fairly equipped region in dealing with moderate /normal snow events is the western most area of the state. Normally when all other regions deal nominally with snowy weather these counties do it routinely through the winter months. However these storm conditions posed conditions that challenged even the more experienced. Proactive and routine snow emergency plans effectively and successfully produced no vehicle accidents or injuries. There were no violations or overflows and essential work was accomplished to keep all plants going. This region currently has approximately 54 inches of accumulated snow on the ground with an additional 15 inches expected at time of this report. The year to date accumulation in some areas of the western region is well over 210 inches. In this storm the region had difficulty with pickup truck snow plows not capable of snow removal above the 15 inch level and the larger dump truck snow plow being to large for the road way at some sites. Employees walked into some sites that were not accessible by vehicle. Additional expenses for overtime, outside contractor to move snow, mileage and equipment prevail with estimates around \$6,800.

**BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE**

RESOLUTION

(10-03-01R)

A RESOLUTION DECLARING

THE OFFICIAL INTENT OF THE MARYLAND ENVIRONMENTAL SERVICE TO REIMBURSE EXPENDITURES TO BE INCURRED WITH RESPECT TO THE PLANNING, DEVELOPMENT, DESIGN, ENGINEERING, CONSTRUCTION AND EQUIPMENT PROCUREMENT OF A SINGLE STREAM RECYCLING FACILITY, AND OTHER MODIFICATIONS TO THE BALTIMORE COUNTY RESOURCE RECOVERY FACILITY WITH THE PROCEEDS OF BONDS OR OTHER DEBT OBLIGATIONS TO BE ISSUED BY THE MARYLAND ENVIRONMENTAL SERVICE.

R E C I T A L S

WHEREAS, to facilitate an efficient borrowing program the Maryland Environmental Service (the "Service") intends to expend money on the planning, development, design, engineering, construction and equipment procurement for a single stream recycling facility and other modifications to the Baltimore County Resource Recovery Facility (the "Project"), prior to the issuance of bonds or other debt obligations by the Service for such project; and

WHEREAS, the Service intends to be reimbursed for such expenditures from the proceeds of debt to be issued by the Service; and

WHEREAS, to comply with applicable provisions of the Internal Revenue Code of 1986, as amended, and Section 1.150-2 of the Income Tax Regulations, it is necessary in order to reimburse such expenditures with the proceeds of tax-exempt debt, that the Board of Directors of the Service declare the official intent of the Service to make such a reimbursement of expenditures.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MARYLAND ENVIRONMENTAL SERVICE THAT:

1. The Service states its intention and reasonable expectation to use the proceeds of tax-exempt bonds or other debt obligations to reimburse itself for expenditures associated with the planning, development, design, engineering, construction and equipment procurement for the Project. The Service expects to issue or cause the issuance of bonds or other debt obligations in an amount not to exceed Twenty Million Dollars (\$20,000,000.00) to finance the Project.

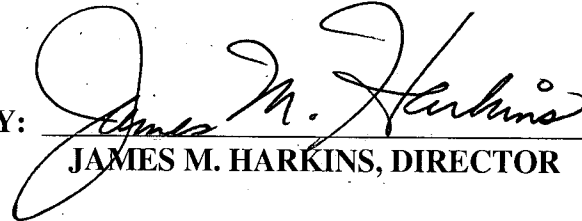
2. This Resolution shall take effect immediately.

ADOPTED, this 22nd day of March, 2010.

SEAL

MARYLAND ENVIRONMENTAL SERVICE

BY:



JAMES M. HARKINS, DIRECTOR

BY:



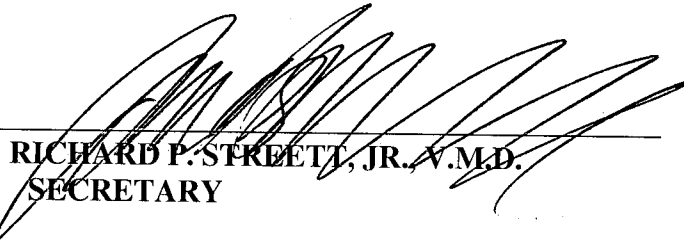
JOHN O'NEILL, DEPUTY DIRECTOR

BY:



JOSEPH C. ZIMMERMAN, TREASURER

BY:



**RICHARD P. STREETT, JR., V.M.D.
SECRETARY**

**BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION
(10-03-2R)**

A RESOLUTION

Amending Maryland Environmental Service ("Service") Resolution 09-04-2R.

R E C I T A L S

The Board of Directors of the Service has previously adopted a resolution establishing a Leave Buy-Back Program. The Leave Buy-Back Program allows employees of the Service to be reimbursed for a portion of unused annual, holiday and compensatory leave. The Board has also previously approved a policy to broaden the types of leave that are eligible for the Leave Buy-Back Program, and to increase the number of hours of leave for which employees may receive payment. The Board recognizes that due to extreme weather conditions in February, 2010, employees may have earned additional leave that they will not be able to utilize prior to the end of Fiscal Year 2010. The purpose of this Resolution is to confirm the previous changes to the Leave Buy-Back Program, and to temporarily increase the number of hours of leave for which employees may receive payment.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF
THE MARYLAND ENVIRONMENTAL SERVICE, THAT:**

1. The Board hereby confirms that as of September 28, 2009, Sections 1 and 2 of MES Resolution 09-04-2R was amended to be:
 1. Each fiscal year an eligible employee of the Service may be reimbursed for up to eighty (80) hours of combined unused annual, holiday, personal and compensatory leave. The Service shall not make any reimbursement to an employee unless the employee requests the reimbursement. An employee may choose to be reimbursed for less than eighty (80) hours. An employee's balance of available leave will be reduced for each hour of reimbursed leave.
 2. To be eligible for reimbursement for unused annual, holiday, personal and compensatory leave, an employee of the Service must:

- a. Not have utilized any leave without pay during the fiscal year, unless such leave was approved Family and Medical Leave;
 - b. Have a combined balance of at least forty (40) hours of unused annual, holiday, personal and compensatory leave after the employee is reimbursed; and
 - c. Have been continuously employed by the Service from at least January 1 through June 30 of the fiscal year for which the employee requests reimbursement.
2. For Fiscal Year 2010 only, an eligible employee of the Service may be reimbursed for up to 132.5 hours of combined unused annual, holiday, personal and compensatory leave.
 3. All other terms and conditions of MES Resolution 09-04-2R shall remain the same.
 4. This Resolution shall take effect immediately. Section 2 of this Resolution shall expire and have no further effect as of July 1, 2010.

ADOPTED, this 22nd day of March, 2010.

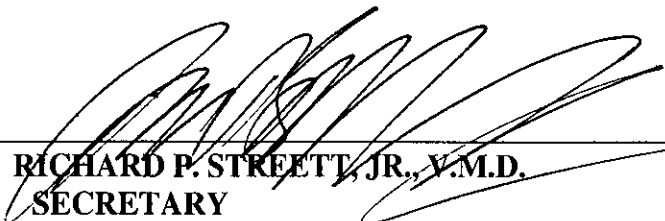
SEAL

MARYLAND ENVIRONMENTAL SERVICE

BY: 
JAMES M. HARKINS, DIRECTOR

BY: 
JOHN O'NEILL, DEPUTY DIRECTOR

BY: 
JOSEPH C. ZIMMERMAN, TREASURER

BY: 
RICHARD P. STREETT, JR., V.M.D.
SECRETARY

**BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION
10-04-1R**

A RESOLUTION AUTHORIZING

THE SERVICE TO MAKE A DISCRETIONARY EMPLOYER PROFIT SHARING CONTRIBUTION TO ITS 401K RETIREMENT PLAN, AND GENERALLY RELATING TO THE RETIREMENT PROGRAM FOR CERTAIN EMPLOYEES OF THE SERVICE.

R E C I T A L S

WHEREAS, pursuant to §3-103.1(b) of the Natural Resources Article of the Annotated Code of Maryland, the Maryland Environmental Service ("Service") is directed and authorized to determine and establish compensation and benefits for its employees; and

WHEREAS, the Board of Directors of the Service ("Board") has previously approved an Adoption Agreement ("Adoption Agreement") establishing a 401(k) Savings Plan ("Plan") for its employees and has adopted amendments to the Plan from time to time; and

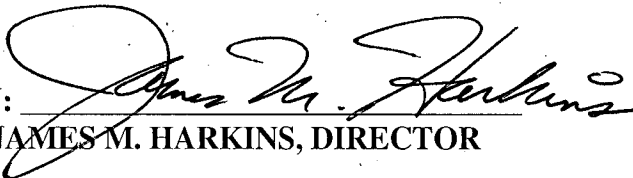
WHEREAS, pursuant to the Plan the Service may make a discretionary Employer Profit Sharing Contribution to the Plan on behalf of Qualifying Participants.


NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MARYLAND ENVIRONMENTAL SERVICE THAT:

1. For Fiscal Year 2011, the Board hereby authorizes the Service to make a discretionary Employer Profit Sharing Contribution to the Plan on behalf of Qualifying Participants in the amount of two percent (2%) of the Qualifying Participants' total compensation.
2. This Resolution shall be effective July 1, 2010.


ADOPTED this 26th day of April, 2010.

MARYLAND ENVIRONMENTAL SERVICE

BY: 
JAMES M. HARKINS, DIRECTOR

BY: 
JOHN O'NEILL, DEPUTY DIRECTOR

BY: 
JOSEPH ZIMMERMAN, TREASURER

BY: 
RICHARD P. STREET, JR., V.M.D.
SECRETARY

**BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION 10-05-1R**

A RESOLUTION

CREATING A CERTAIN PROJECT RESERVE FUND, AUTHORIZING THE TRANSFER OF FUNDS TO THAT PROJECT RESERVE FUND, AND AUTHORIZING THE USE OF SUCH FUNDS BY THE SERVICE.

R E C I T A L S

The Service was created by, exists under, and exercises the powers contained in Sections 3-101 to 3-130, inclusive, of the Natural Resources Article of the Annotated Code of Maryland (the "Act") including (among others) the powers (i) to acquire, construct, reconstruct, rehabilitate, improve, maintain, and operate water, wastewater, solid waste, and energy projects within or without the State; (ii) to create and establish project reserve funds, and (iii) to pay into such project reserve funds moneys appropriated and made available by the State for the purposes of such funds, and any other moneys which may be received or otherwise made available to the Service from any other source or sources which the Service has designated for deposit into such funds.

In order to have funds in reserve and available for emergencies, unexpected new projects, and for other contingencies, the Service desires to maintain a project reserve fund for contingencies and business development. The Service considers creation of a General Contingency Reserve Fund to be in furtherance of the purposes of the Act and the Service.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MARYLAND ENVIRONMENTAL SERVICE, THAT:

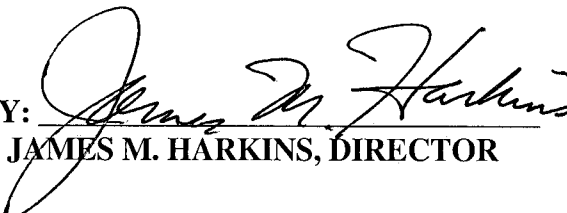
1. There is a General Contingency Reserve Fund (the "Fund"). The Fund shall be a project reserve fund, as permitted pursuant to Section 3-103(h) of the Act.
2. At the end of each Fiscal year the Treasurer of the Service shall determine an appropriate amount of the Service's unrestricted net assets to be maintained in the Fund. The balance of the fund shall be an amount not less than five percent (5%) of the average operating revenues of the Service for the three prior fiscal years.

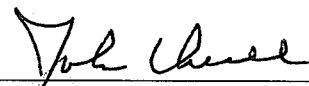
3. Monies in the Fund may only be expended with the prior approval of the Board of Directors of the Service. At such time as the Board approves an expenditure from the Fund, the Treasurer shall provide to the Board a recommended schedule for replenishing the Fund to the minimum balance designated in Section 2 of this Resolution.
4. This Resolution shall take effect immediately.

ADOPTED, this 24th day of May, 2010.

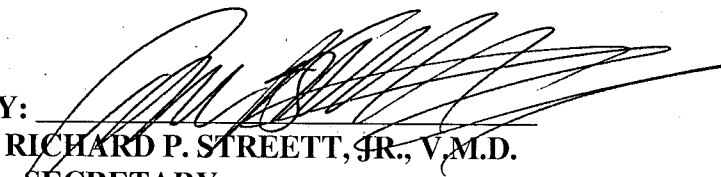
SEAL

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SECRETARY

**BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION
10-06-1R**

A RESOLUTION AUTHORIZING

THE SERVICE TO AMEND ITS 401K RETIREMENT PLAN AGREEMENT, AND GENERALLY RELATING TO THE RETIREMENT PROGRAM FOR CERTAIN EMPLOYEES OF THE SERVICE.

R E C I T A L S

WHEREAS, pursuant to §3-103.1(b) of the Natural Resources Article of the Annotated Code of Maryland, the Maryland Environmental Service ("Service") is directed and authorized to determine and establish compensation and benefits for its employees; and

WHEREAS, the Board of Directors of the Service ("Board") has previously approved an Adoption Agreement ("Adoption Agreement") establishing a 401(k) Savings ("Plan") for its employees and has adopted amendments to the Plan from time to time; and

WHEREAS, the Board desires to further amend the Adoption Agreement.

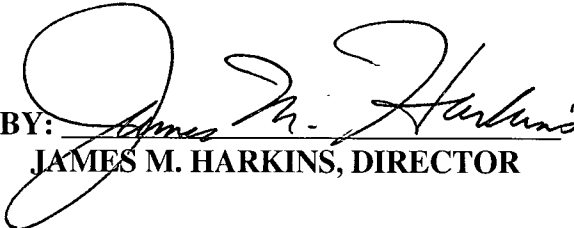
NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MARYLAND ENVIRONMENTAL SERVICE THAT:

1. The Comprehensive 401(k) Profit Sharing Plan Nonstandardized Adoption Agreement which was previously approved by the Board is hereby amended as follows:
 - A. Section 5, Part B, Paragraph 2, Clause d, "Annuity Contracts" is hereby changed from Option 1 "yes" to Option 2 "no".
 - B. Section 5, Part E, "Retirement Equity Act Safe Harbor" is hereby changed from Option 2 "No" to Option 1, "Yes."

2. This Resolution shall be effective immediately.


ADOPTED this 21st day of June, 2010.

MARYLAND ENVIRONMENTAL SERVICE

BY: 
JAMES M. HARKINS, DIRECTOR

BY: 
JOHN O'NEILL, DEPUTY DIRECTOR

BY: 
JOSEPH ZIMMERMAN, TREASURER

BY: 
RICHARD P. STREETT, JR., V.M.D.
SECRETARY

**Comprehensive 401(k) Profit Sharing Plan
Nonstandardized Adoption Agreement**



Vanguard®

EMPLOYER INFORMATION

Name of Adopting Employer Maryland Environmental Service
Address 259 Najoles Road
City Millersville State MD Zip 21108
Telephone 410-729-8270 Adopting Employer's Federal Tax Identification Number 52-0982511
Adopting Employer's Tax Year End (specify month and day) 06/30
Type of Business (select one) Sole Proprietorship Partnership C Corporation S Corporation LLC
 Other (specify a legal entity recognized under federal income tax laws) State Agency
Name of Plan Maryland Environmental Service 401(k) Savings Plan
Plan Sequence Number 001 Trust Identification Number (if applicable) _____ Account Number 090463

Related Employers – If the Adopting Employer is part of a controlled group of corporations (as defined in Code Section 414(b) as modified by Code Section 415(h)), a group of commonly controlled trades or businesses (as defined in Code Section 414(c) as modified by Code Section 415(h)) or an affiliated service group (as defined in Code Section 414(m)) of which the Adopting Employer is a part, or any other entity required to be aggregated with the Adopting Employer pursuant to Code Section 414(o), then such related employers will participate in this Plan, unless specifically indicated otherwise in Section Two, Part B of this Adoption Agreement.

SECTION ONE: EFFECTIVE DATES

Complete Part A or B.

Part A. **New Plan Effective Date**

This is the initial adoption of a 401(k) profit sharing plan by the Adopting Employer.

The Effective Date of this Plan is _____.

The Effective Date for Elective Deferrals under this Plan, if different from above, is:

Pre-Tax Elective Deferrals (select one)

Option 1: The next payroll date coinciding with or following the later of the date this Adoption Agreement is signed or the Effective Date.

Option 2: _____ (Must be on or after the later of the date this Adoption Agreement is signed or the Effective Date)

NOTE: If no option is selected, Option 1 will apply for Pre-Tax Elective Deferrals.

Roth Elective Deferrals (select one)

Option 1: The next payroll date coinciding with or following the later of the date this Adoption Agreement is signed or the Effective Date.

Option 2: _____ (Must be on or after the later of the date this Adoption Agreement is signed or the Effective Date)

NOTE: If no option is selected, Option 1 will apply for Roth Elective Deferrals.

NOTE: The Effective Date is usually the first day of the Plan Year in which this Adoption Agreement is signed and may not be earlier than such date. Elective Deferrals, however, cannot be made available before the later of the date this Adoption Agreement is signed or the Effective Date for Elective Deferrals.

Part B. **Existing Plan Amendment or Restatement Date**

This is an amendment or restatement of an existing qualified plan (a Prior Plan).

The Prior Plan was initially effective on 01/01/1985.

The Effective Date of this amendment or restatement is 06/21/2010 (except as otherwise provided on Attachment B, Special Effective Date(s), if applicable, or in the Basic Plan Document).

The Effective Date for Elective Deferrals under this Plan, if added by this amendment and different from above, is:

Pre-Tax Elective Deferrals (select one)

Option 1: The next payroll date coinciding with or following the later of the date this Adoption Agreement is signed or the Effective Date.

Option 2: _____ (Must be on or after the later of the date this Adoption Agreement is signed or the Effective Date)

NOTE: If no option is selected, Option 1 will apply for Pre-Tax Elective Deferrals.

Roth Elective Deferrals (select one)

Option 1: The next payroll date coinciding with or following the later of the date this Adoption Agreement is signed or the Effective Date.

Option 2: _____ (Must be on or after the later of the date this Adoption Agreement is signed or the Effective Date)

NOTE: If no option is selected, Option 1 will apply for Roth Elective Deferrals.

NOTE: The restatement Effective Date is generally the first day of the Plan Year in which this Adoption Agreement is signed. An amendment or restatement Effective Date after the first day of the Plan Year in which this Adoption Agreement is signed may result in a reduction or elimination of accrued benefits, violating Code Section 411(d)(6). Notwithstanding the foregoing, Effective Dates for certain items (e.g., EGTRRA and other government pronouncements) are governed by the dates specified in the Basic Plan Document. If Elective Deferrals are being made available for the first time as a result of this amendment or restatement, the Elective Deferrals cannot be made available before the later of the date this Adoption Agreement is signed or the Effective Date for Elective Deferrals. If different Effective Dates are selected for Pre-Tax and Roth Elective Deferrals, the Effective Date for Pre-Tax Elective Deferrals must be either the same date or an earlier date than that selected for Roth Elective Deferrals.

SECTION TWO: ELIGIBILITY

Complete Parts A through E.

NOTE: Eligibility requirements selected for Elective Deferrals will also apply to Qualified Nonelective Contributions, if such contributions are made to the Plan. Eligibility requirements selected for Matching Contributions will apply to Qualified Matching Contributions, if such contributions are made to the Plan.

Part A. Age and Years of Eligibility Service

1. **Age Requirement.** An Employee will be eligible to become a Participant in the Plan for purposes of becoming a Contributing Participant (and thus eligible to make Elective Deferrals), receiving Matching Contributions, or receiving an allocation of any Employer Profit Sharing Contributions, as applicable, made pursuant to Section Three of the Adoption Agreement, after attaining the following age (select and complete all that apply):

Elective Deferrals – Age _____ (no more than 21).

Matching Contributions – Age _____ (no more than 21).

Employer Profit Sharing Contributions – Age _____ (no more than 21).

NOTE: If no age is specified for a contribution source there will be no age requirement for such source.

2. **Years of Eligibility Service Requirement.** An Employee will be eligible to become a Participant in the Plan for purposes of becoming a Contributing Participant (and thus eligible to make Elective Deferrals), receiving Matching Contributions, or receiving an allocation of any Employer Profit Sharing Contributions, as applicable, made pursuant to Section Three of the Adoption Agreement (select and complete all that apply):

No Eligibility Service Required.

If this option is selected, there will be no eligibility service requirement for the following contributions (select all that apply):

Elective Deferrals.

Matching Contributions.

Employer Profit Sharing Contributions.

After completing 6 consecutive Months of Eligibility Service (no more than 12).

If this option is selected, an Employee will be eligible to become a Participant in the Plan for purposes of the following contributions after completing the number of Months of Eligibility Service specified above (select all that apply):

Elective Deferrals.

Matching Contributions.

Employer Profit Sharing Contributions.

- After completing _____ consecutive Months of Eligibility Service (*no more than 12*) during which the Employee completes at least _____ Hours of Service (*no more than 1,000*).

NOTE: *Employees not meeting the hours requirement within the initial number of months indicated in the Adoption Agreement will satisfy the Month of Eligibility Service requirement when they complete 1,000 Hours of Service within the Eligibility Computation Period.*

If this option is selected, an Employee will be eligible to become a Participant in the Plan for purposes of the following contributions after completing the number of Months of Eligibility Service and Hours of Service specified above (*select all that apply*):

- Elective Deferrals.
 Matching Contributions.
 Employer Profit Sharing Contributions.

- After Completing 1 Year of Eligibility Service.

If this option is selected, an Employee will be eligible to become a Participant in the Plan for purposes of the following contributions after completing 1 Year of Eligibility Service (*select all that apply*):

- Elective Deferrals.
 Matching Contributions.
 Employer Profit Sharing Contributions.

- After completing 2 Years of Eligibility Service.

If this option is selected, an Employee will be eligible to become a Participant in the Plan for purposes of the following contributions after completing 2 Years of Eligibility Service (*select all that apply*):

- Matching Contributions.
 Employer Profit Sharing Contributions.

- Other.

If this option is selected, an Employee will be eligible to become a Participant in the Plan for purposes of the following contributions after completing the following requirements (*select and complete all that apply*):

- Elective Deferrals (*cannot require more than 1 Year of Eligibility Service*)

 Matching Contributions (*cannot require more than 2 Years of Eligibility Service*)

 Employer Profit Sharing Contributions (*cannot require more than 2 Years of Eligibility Service*)

NOTE: *If no Year of Eligibility Service requirement is selected for any contribution source, an Employee will become eligible to become a Participant upon date of hire with respect to such source. A Participant cannot be required to complete more than one Year of Eligibility Service for Elective Deferrals or two Years of Eligibility Service for Matching Contributions and Employer Profit Sharing Contributions. If more than one Year of Eligibility Service is selected in this Section Two, Part A for either Matching Contributions or Employer Profit Sharing Contributions, the immediate 100 percent vesting schedule in Section Four will automatically apply to such contribution source.*

3. Age and Years of Eligibility Service Waivers

a. Employees Employed as of the Effective Date

Will an Employee (other than an Employee who either is part of an excluded class of Employees or is employed by a related employer that does not participate in the Plan) employed as of the Effective Date(s) listed in Section One, Part A, of the Adoption Agreement who has not otherwise met the age and Years of Eligibility Service requirements listed above be considered to have met those requirements as of the Effective Date and be eligible to become a Participant in the Plan for purposes of becoming a Contributing Participant (and thus eligible to make Elective Deferrals), receiving Matching Contributions, or receiving an allocation of any Employer Profit Sharing Contributions, as applicable, made pursuant to Section Three of the Adoption Agreement (*select one*)?

Option 1: Yes.

If Option 1 is selected, the waiver will apply to the following contributions (*select all that apply*):

- Elective Deferrals.
 Matching Contributions.
 Employer Profit Sharing Contributions.

Option 2: No.

NOTE: *If no option is selected, Option 2 will apply.*

b. Employees Employed as of a Specified Date

Will an Employee (other than an Employee who either is part of an excluded class of Employees or is employed by a related employer that does not participate in the Plan) employed on _____ (specify a month, day, and year) who has not otherwise met the age and Years of Eligibility Service requirements be considered to have met those requirements and be eligible to become a Participant in the Plan for purposes of becoming a Contributing Participant (and thus eligible to make Elective Deferrals), receiving Matching Contributions, or receiving an allocation of any Employer Profit Sharing Contributions, as applicable, made pursuant to Section Three of the Adoption Agreement (select one)?

Option 1: Yes.

If Option 1 is selected, the waiver will apply to the following contributions (select all that apply):

- Elective Deferrals.
- Matching Contributions.
- Employer Profit Sharing Contributions.

Option 2: Not applicable.

NOTE: If no option is selected, Option 2 will apply. If Option 1 is selected but no date is specified, no additional age and Years of Eligibility Service waivers will apply. This age and Years of Eligibility Service waiver may be used either when this Plan is adopted or when the Plan is subsequently amended (e.g., to add one or more types of contribution, to add a previously excluded group of Employees, etc.).

c. Mergers and Acquisitions

Will an Employee (other than an Employee who either is part of an excluded class of Employees or is employed by a related employer that does not participate in the Plan) employed on _____ (specify a month, day, and year) who 1) became an Employee as a result of a merger with or acquisition of the prior employer(s) listed below, and 2) has not otherwise met the age and Years of Eligibility Service requirements be considered to have met those requirements and be eligible to become a Participant in the Plan for purposes of becoming a Contributing Participant (and thus eligible to make Elective Deferrals), receiving Matching Contributions, or receiving an allocation of any Employer Profit Sharing Contributions, as applicable, made pursuant to Section Three of the Adoption Agreement (select one)?

Option 1: Yes.

If Option 1 is selected, the waiver will apply to the following contributions (select all that apply):

- Elective Deferrals.
- Matching Contributions.
- Employer Profit Sharing Contributions.

Prior Employer(s): _____

Option 2: Not applicable.

NOTE: If no option is selected, Option 2 will apply. If Option 1 is selected but no date is specified, no additional age and Years of Eligibility Service waivers will apply. This age and Years of Eligibility Service waiver may be used either when this Plan is adopted or when a merger or acquisition occurs. Waivers that include only Employees from certain prior employers may create testing implications under Code Sections 401(a)(4) or 410(b).

Part B. Exclusion of Certain Classes of Employees

An Employee will be eligible to become a Participant in the Plan unless such Employee is (select all that apply):

- Included in a unit of Employees covered by a collective bargaining agreement between the Employer and Employee representatives, if retirement benefits were the subject of good faith bargaining and if two percent or less of the Employees who are covered pursuant to that agreement are professionals as defined in Treasury Regulation Section 1.410(b)-9. For this purpose, the term "Employee representatives" does not include any organization in which more than half of the members are Employees who are owners, officers, or executives of the Employer.

If this exclusion is selected, it will apply to the following contributions (select all that apply):

- Elective Deferrals.
- Matching Contributions.
- Employer Profit Sharing Contributions.

- A nonresident alien (within the meaning of Code Section 7701(b)(1)(B)) who received no earned income (within the meaning of Code Section 911(d)(2)) from the Employer which constitutes income from sources within the United States (within the meaning of Code Section 861(a)(3)).

If this exclusion is selected, it will apply to the following contributions (select all that apply):

- Elective Deferrals.
- Matching Contributions.
- Employer Profit Sharing Contributions.

- An Employee as the result of a transaction described in Code Section 410(b)(6)(C). Such Employee will be excluded during the period beginning on the date of the change in the member(s) of the group and ending on the last day of the first Plan Year beginning after the date of the change. A transaction described in Code Section 410(b)(6)(C) is an asset or stock acquisition, merger, or similar transaction involving a change in the employer of the employees of a trade or business.

If this exclusion is selected, it will apply to the following contributions (*select all that apply*):

- Elective Deferrals.
 Matching Contributions.
 Employer Profit Sharing Contributions.
- A Leased Employee.
If this exclusion is selected, it will apply to the following contributions (*select all that apply*):
 Elective Deferrals.
 Matching Contributions.
 Employer Profit Sharing Contributions.
- A Highly Compensated Employee.
If this exclusion is selected, it will apply to the following contributions (*select all that apply*):
 Elective Deferrals.
 Matching Contributions.
 Employer Profit Sharing Contributions.
- Incorrectly determined not to be an Employee (e.g., erroneously classified as an independent contractor).
If this exclusion is selected, it will apply to the following contributions (*select all that apply*):
 Elective Deferrals.
 Matching Contributions.
 Employer Profit Sharing Contributions.
- An Employee employed with a related Employer as defined in the Employer Information section on page one of this Adoption Agreement that has not adopted this Plan. (List all related Employers who are not adopting this Plan and who would be eligible to participate unless specifically excluded.) _____

- Other.

If this exclusion is selected, it will apply to the following contributions and excluded groups (*select all that apply*):

- Elective Deferrals (*Describe the classification(s) of Employees that will be excluded from the Plan. Classifications cannot be based on Compensation. Note that any classification that is directly or indirectly based on the number of Hours of Service that an Employee is customarily scheduled to work shall be invalid if any such Employee completes 1,000 Hours of Service during an Eligibility Computation Period.*)
Those Employees who are participants in the State of Maryland Pension or Retirement Plan _____
- Matching Contributions (*Describe the classification(s) of Employees that will be excluded from the Plan. Classifications cannot be based on Compensation. Note that any classification that is directly or indirectly based on the number of Hours of Service that an Employee is customarily scheduled to work shall be invalid if any such Employee completes 1,000 Hours of Service during an Eligibility Computation Period.*)
Those Employees who are participants in the State of Maryland Pension or Retirement Plan _____
- Employer Profit Sharing Contributions (*Describe the classification(s) of Employees that will be excluded from the Plan. Classifications cannot be based on Compensation. Note that any classification that is directly or indirectly based on the number of Hours of Service that an Employee is customarily scheduled to work shall be invalid if any such Employee completes 1,000 Hours of Service during an Eligibility Computation Period.*)
Those Employees who are participants in the State of Maryland Pension or Retirement Plan _____

NOTE: Exclusions of Employees (other than statutorily excluded Employees under Code Section 410(b)(3) and (4)) may result in the Plan needing to be amended to include enough Employees to pass the minimum coverage requirements under Code Section 410(b).

Part C. Entry Dates

The Entry Dates shall be (*select all that apply*):

- Immediately upon meeting age and Years of Eligibility Service – The day the age and Years of Eligibility Service requirements in Section Two, Part A, are satisfied.

If this Entry Date option is selected, it will apply to the following contributions (*select all that apply*):

- Elective Deferrals.
 Matching Contributions.
 Employer Profit Sharing Contributions.

- Monthly – The first day of each month of the Plan Year.
If this Entry Date option is selected, it will apply to the following contributions *(select all that apply)*:
 - Elective Deferrals.
 - Matching Contributions.
 - Employer Profit Sharing Contributions.
- Quarterly – The first day of the Plan Year and the first day of the fourth, seventh, and tenth months of the Plan Year.
If this Entry Date option is selected, it will apply to the following contributions *(select all that apply)*:
 - Elective Deferrals.
 - Matching Contributions.
 - Employer Profit Sharing Contributions.
- Semi-Annually – The first day of the Plan Year and the first day of the seventh month of the Plan Year.
If this Entry Date option is selected, it will apply to the following contributions *(select all that apply)*:
 - Elective Deferrals.
 - Matching Contributions.
 - Employer Profit Sharing Contributions.
- Annually – The first day of the Plan Year.
If this Entry Date option is selected, it will apply to the following contributions *(select all that apply)*:
 - Elective Deferrals.
 - Matching Contributions.
 - Employer Profit Sharing Contributions.

- Other.
If this Entry Date option is selected, it will apply to the following contributions and Entry Dates *(select all that apply)*:
 - Elective Deferrals *(define Entry Date(s))*
The first day of each payroll period _____
 - Matching Contributions *(define Entry Date(s))*
The first day of each payroll period _____
 - Employer Profit Sharing Contributions *(define Entry Date(s))*
The first day of each payroll period _____

NOTE: If no Entry Dates are specified for a contribution source, semi-annual Entry Dates will apply to such source. The "Annually" and "Other" Entry Date options can be selected only if the eligibility requirements and Entry Dates are coordinated such that each Employee will become a Participant in the Plan by the earlier of 1) the first day of the Plan Year beginning after the date the Employee satisfies the age and Years of Eligibility Service requirements of Code Section 410(a) and ERISA Section 202, or 2) six months after the date the Employee satisfies such requirements.

Part D. Hours Required For Eligibility Purposes

1. _____ Hours of Service (no more than 1,000) shall be required to constitute a Year of Eligibility Service.
2. _____ Hours of Service (no more than 500 and less than the number specified in Part D, item 1, above) must be exceeded to avoid a Break in Eligibility Service.

NOTE: If no hours are specified, 1,000 and 500 will apply for items 1 and 2, respectively unless the Elapsed Time method of determining service applies.

Part E. Eligibility Computation Period

An Employee's Eligibility Computation Periods after their initial Eligibility Computation Period shall be *(select one)*:

- Option 1:** Each Plan Year commencing with the Plan Year beginning during their initial Eligibility Computation Period.
- Option 2:** The 12-consecutive month periods commencing on the anniversaries of their Employment Commencement Date.

NOTE: If no option is selected, Option 1 will apply.

SECTION THREE: CONTRIBUTIONS
Complete Parts A through I

Part A. Elective Deferrals

1. Authorization of Elective Deferrals

Will Pre-Tax Elective Deferrals be permitted under this Plan (*select one*)?

Option 1: Yes (*complete the following*):

Will Roth Elective Deferrals be permitted under this Plan in addition to Pre-Tax Elective Deferrals?

Suboption 1: Yes.

Suboption 2: No.

NOTE: *If no suboption is selected, Suboption 1 will apply.*

Option 2: No.

NOTE: *If no option is selected, Option 1 will apply. Complete the relevant portions of the remainder of Part A only if Option 1 is selected.*

2. Limits on Elective Deferrals

a. If Elective Deferrals are permitted under the Plan, a Contributing Participant may elect under a salary reduction agreement to have their Compensation reduced by the amount described below. Such amount shall be contributed to the Plan by the Employer on behalf of the Contributing Participant (*select one*):

Option 1: An amount equal to a percentage of the Contributing Participant's Compensation from _____ percent to _____ percent in increments of _____ percent.

Option 2: An amount of the Contributing Participant's Compensation not less than \$ _____ and not more than \$ _____.

Option 3: An amount equal to a percentage of the Contributing Participant's Compensation from _____ percent to _____ percent in increments of _____ percent, or an amount of the Contributing Participant's Compensation not less than \$ _____ and not more than \$ _____.

Option 4: An amount equal to a dollar amount or percentage of the Contributing Participant's Compensation not to exceed the limits imposed by Code Sections 401(k), 402(g), 404, and 415.

For any taxable year, a Contributing Participant's combined Pre-Tax and Roth Elective Deferrals shall not exceed the limit contained in Code Section 402(g) in effect at the beginning of such taxable year.

NOTE: *If no option is selected, Option 4 will apply. Unless specified otherwise in the Adoption Agreement, bonuses shall be included in Compensation and will, therefore, be subject to a Participant's salary reduction agreement.*

b. Notwithstanding item (a) above, if Elective Deferrals are permitted under the Plan, a Contributing Participant who is a Highly Compensated Employee may elect under a salary reduction agreement to have his or her Compensation reduced by an amount as described below (*select one*):

Option 1: An amount equal to a percentage of the Contributing Participant's Compensation from _____ percent to _____ percent in increments of _____ percent.

Option 2: An amount of the Contributing Participant's Compensation not less than \$ _____ and not more than \$ _____.

Option 3: An amount equal to a percentage of the Contributing Participant's Compensation from _____ percent to _____ percent in increments of _____ percent, or an amount of the Contributing Participant's Compensation not less than \$ _____ and not more than \$ _____.

Option 4: An amount equal to a dollar amount or percentage of the Contributing Participant's Compensation not to exceed the limits imposed by Code Sections 401(k), 402(g), 404, and 415.

Option 5: Not applicable. The provisions of item (a) above shall apply.

NOTE: *If no option is selected, Option 5 will apply.*

3. Separate Deferral Election for Bonuses

Instead of or in addition to making Elective Deferrals through payroll deduction, may a Contributing Participant make a separate deferral election on part or all of a bonus rather than applying the Contributing Participant's salary reduction agreement for Pre-Tax and/or Roth Elective Deferrals, if any, to the bonus (*select one*)?

Option 1: Yes.

Option 2: No.

NOTE: *If no option is selected, Option 2 will apply. A separate deferral election made with respect to a bonus shall not be subject to the limits described under the portion of this Adoption Agreement titled "Limits on Elective Deferrals" unless such limits are prescribed by the Code or related Treasury Regulations.*

4. Catch-up Contributions

Will eligible Contributing Participants be permitted to make Catch-up Contributions pursuant to Plan Section 3.01(G) (select one)?

Option 1: Yes.

Option 2: No.

NOTE: If no option is selected, Option 1 will apply.

5. Ceasing Elective Deferrals

A Contributing Participant may stop making Elective Deferrals prospectively by revoking a salary reduction agreement. (select one):

Option 1: As of such times established by the Plan Administrator in a uniform and nondiscriminatory manner.

Option 2: Monthly – As of the first day of any month.

Option 3: Quarterly – As of the first day of any quarter.

Option 4: Semi-Annually – As of the first day of the Plan Year and the first day of the seventh month of the Plan Year.

Option 5: Annually – No sooner than as of the first day of the next Plan Year.

Option 6: Other (Specify one or more dates (at least once per year) established by the Plan Administrator in a uniform and nondiscriminatory manner.) _____

NOTE: If no option is selected, Option 1 will apply.

6. Return as a Contributing Participant After Ceasing Elective Deferrals

A Participant who ceases Elective Deferrals by revoking a salary reduction agreement may return as a Contributing Participant (select one):

Option 1: As of such times established by the Plan Administrator in a uniform and nondiscriminatory manner.

Option 2: Monthly – As of the first day of any subsequent month.

Option 3: Quarterly – As of the first day of any subsequent quarter.

Option 4: Semi-Annually – As of the first day of the Plan Year and the first day of the seventh month of the Plan Year.

Option 5: Annually – No sooner than as of the first day of the next Plan Year.

Option 6: Other (Specify one or more dates (at least once per year) established by the Plan Administrator in a uniform and nondiscriminatory manner.) _____

NOTE: If no option is selected, Option 1 will apply.

7. Changing Elective Deferral Amounts

A Contributing Participant may modify a salary reduction agreement to prospectively increase or decrease the amount of their Elective Deferrals (select one):

Option 1: As of such times established by the Plan Administrator in a uniform and nondiscriminatory manner.

Option 2: Monthly – As of the first day of the month.

Option 3: Quarterly – As of the first day of any quarter.

Option 4: Semi-Annually – As of the first day of the Plan Year and first day of the seventh month of the Plan Year.

Option 5: Annually – No sooner than as of the first day of the next Plan Year.

Option 6: Other (Specify one or more dates (at least once per year) established by the Plan Administrator in a uniform and nondiscriminatory manner.) _____

NOTE: If no option is selected, Option 1 will apply.

8. Claiming Excess Elective Deferrals

A Participant who claims Excess Elective Deferrals for the preceding calendar year must submit their claim in writing to the Plan Administrator by (select one):

Option 1: March 1.

Option 2: Other (specify a date not later than April 15) _____

NOTE: If no option is selected, Option 1 will apply. If Excess Elective Deferrals are not removed by April 15, they will be included in income when distributed and may be subject to a 10% early distribution penalty under Code Section 72(t).

9. Automatic Enrollment for Elective Deferrals

a. Authorization of Automatic Elective Deferrals

Will the automatic Elective Deferral enrollment provisions in Plan Section 3.01(E) apply (select one)?

Option 1: Yes.

Option 2: No.

NOTE: If no option is selected, Option 2 will apply. Complete the remainder of this item 9 only if Option 1 is selected.

i. New Employees

If an Employee who has met the eligibility requirements set forth in Section Two of the Adoption Agreement fails to provide the Employer a salary reduction agreement, will a portion of such eligible Employee's Compensation be automatically withheld and contributed to the Plan as an Elective Deferral (*select one*)?

Option 1: Yes, for Employees hired on or after the Effective Date.

Option 2: Yes, for Employees who meet the eligibility requirements in Section Two, Part A of the Adoption Agreement on or after the Effective Date.

Option 3: No.

NOTE: *If no option is selected, Option 1 will apply.*

ii. Current Employees

Will automatic enrollment for Elective Deferrals apply to all eligible Employees who fail to return a salary reduction agreement on or after the Effective Date, including those who met the eligibility requirements in the Adoption Agreement before the Effective Date (*select one*)?

Option 1: Yes, but only to those Employees who are not Contributing Participants (i.e., are deferring 0 percent).

Option 2: Yes, but only to those Employees deferring less than the amount in item (b) below (including 0 percent).

Option 3: No.

NOTE: *If no option is selected, Option 3 will apply.*

b. Initial Amount of Automatic Elective Deferral

The following percentage or amount of each eligible Employee's Compensation will be automatically withheld and contributed to the Plan as an Elective Deferral if Option 1 was selected in item 9(a) above (*select and complete one*):

Option 1: _____ Percent.

Option 2: \$ _____.

NOTE: *If no option is selected, Option 1 will apply and three percent of Compensation will be withheld.*

c. Tax Character of Elective Deferrals – Automatic Enrollment

How will amounts automatically withheld from Compensation and contributed to the Plan under Part A, item 9 above as Elective Deferrals be designated for tax purposes (*select one*)?

Option 1: Pre-tax Elective Deferrals.

Option 2: Roth Elective Deferrals.

NOTE: *If no option is selected, Option 1 will apply. Option 2 may only be selected if Section Three, Part A of the Adoption Agreement allows Roth Elective Deferrals.*

10. Automatic Increase in Elective Deferrals

a. Authorization of Automatic Elective Deferral Increase

Will Elective Deferrals be increased automatically each year for Employees who are automatically enrolled under item 9 above (*select one*)?

Option 1: Yes.

Option 2: No.

NOTE: *If no option is selected, Option 2 will apply. Complete the remainder of this item 10 only if Option 1 is selected.*

b. Will Elective Deferrals be increased automatically each year for Employees whose deferral elections are below _____ percent (*specify a percentage*), whether or not automatically enrolled under item 9 above?

Option 1: Yes.

Option 2: No.

NOTE: *If no option is selected, Option 2 will apply. If Option 1 is selected and no percentage is indicated, three percent will apply.*

c. Automatic Elective Deferral Increase Amount

If Option 1 was selected in item 10(a) and/or 10(b) above, such increases will occur in the following increments (*select one*):

Option 1: _____ percent per year up to a maximum of _____ percent.

Option 2: \$ _____ per year up to a maximum amount of \$ _____.

Option 3: Other (*specify*) _____.

NOTE: *If no option is selected, Option 1 will apply and annual increases will be made in increments of one percent of Compensation up to a maximum of ten percent.*

d. Timing of Automatic Elective Deferral Increases

If automatic increases are selected in item 10(a) and/or 10(b) above, such increases will occur on the following dates (select one):

Option 1: Each anniversary of the Contributing Participant's date of hire.

Option 2: Each anniversary of the date the Contributing Participant met the eligibility requirements set forth in Section Two, Part A of the Adoption Agreement.

Option 3: First day of each Plan Year.

Option 4: First day of each Calendar Year.

Option 5: Other (specify) _____

NOTE: If no option is selected, Option 1 will apply.

Part B. Matching Contributions (Employers that intend to maintain an ADP/ACP Safe Harbor CODA plan, as defined in Plan Section 3.03 that is not subject to ACP testing, must skip this Part B and complete Part C. Matching Contributions made under this Part B will be subject to ACP testing).

1. Authorization of Matching Contributions

Will the Employer make Matching Contributions to the Plan on behalf of a Qualifying Contributing Participant (select one)?

Option 1: Yes, with respect to the following types of contributions (select all that apply):

Pre-Tax Elective Deferrals.

Roth Elective Deferrals.

Nondeductible Employee Contributions.

Option 2: No.

NOTE: If no option is selected, Option 2 will apply. Complete the remainder of this Part B only if Option 1 is selected.

2. Matching Contributions and Catch-up Contributions

Will Matching Contributions be made in accordance with the Matching Contribution formula specified in items 3 and 4 below, with regard to Catch-up Contributions (select one)?

Option 1: Yes.

Option 2: No.

NOTE: If no option is selected, Option 1 will apply.

3. Matching Contribution Formula

If the Employer elected to make Matching Contributions in item 1 above, then the amount of such Matching Contributions made on behalf of a Qualifying Contributing Participant each Plan Year shall be equal to (select one):

Option 1: Discretionary Match.

That percentage of each Qualifying Contributing Participant's Elective Deferral (and/or Nondeductible Employee Contribution, if applicable) which the Employer, in its sole discretion, determines from year to year. The amount, the allocation formula, and the percentage or dollar amount limit applicable to such match, if any, is at the complete and sole discretion of the Employer and may vary from year to year. Any Matching Contribution will be allocated in a nondiscriminatory manner based upon each Contributing Participant's Elective Deferrals (and/or Nondeductible Employee Contributions, if applicable).

Option 2: Percentage of Contribution Match.

That percentage of each Qualifying Contributing Participant's Elective Deferral (and/or Nondeductible Employee Contribution, if applicable) determined by the Contributing Participant's rate of Elective Deferrals (and/or Nondeductible Employee Contribution, if applicable) as specified in the matching schedule below.

<u>Elective Deferral Percentage</u>	<u>Matching Percentage</u>
Less than or equal to 6 _____ %	50 _____ %

Notwithstanding the Matching Contribution formula specified above, no Matching Contributions in excess of \$ _____ or _____ percent of a Contributing Participant's Compensation will be made with respect to any Contributing Participant for any Plan Year. (Complete the applicable blank(s), if any)

Option 3: Two-Tiered Percentage of Contribution Match.

That percentage of each Qualifying Contributing Participant's Elective Deferral (and/or Nondeductible Employee Contribution, if applicable) determined by the Contributing Participant's rate of Elective Deferrals (and/or Nondeductible Employee Contribution, if applicable) as specified in the matching schedule below.

	<u>Elective Deferral Percentage</u>	<u>Matching Percentage</u>
Base Rate	Less than or equal to _____ %	_____ %
Tier 2	Greater than _____, but less than or equal to _____ %	_____ %

Notwithstanding the Matching Contribution formula specified above, no Matching Contributions in excess of \$ _____ or _____ percent of a Contributing Participant's Compensation will be made with respect to any Contributing Participant for any Plan Year. (Complete the applicable blank(s), if any)

Option 4: Multi-Tiered Percentage of Contribution Match.

An amount equal to a percentage of each Qualifying Contributing Participant's Elective Deferral (and/or Nondeductible Employee Contribution, if applicable) determined by the Contributing Participant's rate of Elective Deferrals (and/or Nondeductible Employee Contribution, if applicable) as specified in the matching schedule below.

	<u>Elective Deferral Percentage</u>	<u>Matching Percentage</u>
Base Rate	Less than or equal to _____%	_____%
Tier 2	Greater than _____, but less than or equal to _____%	_____%
Tier 3	Greater than _____, but less than or equal to _____%	_____%
Tier 4	Greater than _____%	_____%

Notwithstanding the Matching Contribution formula specified above, no Matching Contributions in excess of \$ _____ or _____ percent of a Contributing Participant's Compensation will be made with respect to any Contributing Participant for any Plan Year. (Complete the applicable blank(s), if any)

Option 5: Years of Service Match.

An amount equal to a percentage of each Qualifying Contributing Participant's Elective Deferral (and/or Nondeductible Employee Contribution, if applicable) determined by the number of such Contributing Participant's Years of

Eligibility Vesting Service with the Employer as specified in the matching schedule below.

	<u>Years of Service</u>	<u>Matching Percentage</u>
Base Rate	Less than or equal to _____ years	_____%
Tier 2	Greater than _____, but less than or equal to _____ years	_____%
Tier 3	Greater than _____, but less than or equal to _____ years	_____%
Tier 4	Greater than _____ years	_____%

Notwithstanding the Matching Contribution formula specified above, no Matching Contributions in excess of \$ _____ or _____ percent of a Contributing Participant's Compensation will be made with respect to any Contributing Participant for any Plan Year. (Complete the applicable blank(s), if any)

Option 6: Discretionary Match By Location or Business Classification.

Any Matching Contribution will be allocated in a nondiscriminatory manner based upon each Qualifying Contributing Participant's Elective Deferral (and/or Nondeductible Employee Contribution, if applicable) which the Employer, in its sole discretion, determines from year to year for each separate location, or business classification. The amount, the allocation formula, and the percentage or dollar amount limit applicable to such match, if any, is at the complete discretion of the Employer and may vary for each location or business classification on a separate and individual basis.

Option 7: Other formula (Specify an amount equal to a percentage of the Elective Deferrals (and/or Nondeductible Employee Contribution, if applicable) of each Qualifying Contributing Participant entitled thereto.)

NOTE: If no option is selected, Option 1 will apply. If Matching Contribution percentages in Options 3 through 7 above increase as the percent of a Contributing Participant's Elective Deferral percentage increases (e.g., the Matching Contribution percentage in Tier 3 is greater than the Matching Contribution percentage in Tier 2, etc.), special nondiscrimination testing under Code Section 401(a)(4) may be necessary. If Option 7 is selected, the formula specified can only allow Matching Contributions to be made with respect to a Contributing Participant's Elective Deferrals (and/or Nondeductible Employee Contribution, if applicable). Matching Contributions in excess of 100% of a Contributing Participant's Elective Deferrals (and/or Nondeductible Employee Contribution, if applicable) will be subject to the additional ACP testing limits under Plan Section 3.02 and Treasury Regulation 1.401(m)-2(a)(5).

4. Supplemental Match

Will the Employer be permitted to make supplemental Matching Contributions, in an amount to be determined from year to year at the Employer's discretion, in addition to the Matching Contributions described in Part B, items 2 and 3 above (select one)?

Option 1: Yes.

If Option 1 is selected the supplemental Matching Contributions will be allocated to each Contributing Participant in accordance with the following Matching Contribution formula (select one):

Suboption a: Discretionary Match. That percentage of each Contributing Participant's Elective Deferral (and/or Nondeductible Employee Contribution, if applicable) which the Employer, in its sole discretion, determines from year to year.

Suboption b: Other (specify) _____

NOTE: Matching Contributions in excess of 100% of a Contributing Participant's Elective Deferrals (and/or Nondeductible Employee Contribution, if applicable) will be subject to the additional ACP testing limits under Plan Section 3.02 and Treasury Regulation 1.401(m)-2(a)(5).

Option 2: No.

NOTE: If no option is selected, Option 2 will apply.

5. Qualifying Contributing Participants

A Contributing Participant will be a Qualifying Contributing Participant, and thus entitled to share in Matching Contributions for any Plan Year, only if the Participant has satisfied all of the eligibility requirements described in Section Two of this Adoption Agreement on at least one day of such Plan Year and satisfies the following additional conditions (select one):

- Option 1:** Hours of Service Requirement. The Contributing Participant completes at least _____ (not more than 1,000) Hours of Service during the Plan Year. However, this condition will be waived for the following reason(s) (select all that apply):
- The Contributing Participant's Death.
 - The Contributing Participant's Termination of Employment after having incurred a Disability.
 - The Contributing Participant's Termination of Employment after having reached Normal Retirement Age.
 - The Contributing Participant's Termination of Employment after having reached Early Retirement Age.
 - The Contributing Participant is employed on the last day of the Plan Year.
- Last Day Requirement. The Participant is an Employee of the Employer on the last day of the Plan Year. However, this condition will be waived for the following reason(s) (select all that apply):
- The Contributing Participant's Death.
 - The Contributing Participant's Termination of Employment after having incurred a Disability.
 - The Contributing Participant's Termination of Employment after having reached Normal Retirement Age.
 - The Contributing Participant's Termination of Employment after having reached Early Retirement Age.
 - The Contributing Participant's Termination of Employment after having completed at least _____ Hours of Service during the Plan Year.

Option 2: No additional conditions apply.

NOTE: If no option is selected, Option 2 will apply.

Part C. Safe Harbor CODA Contributions

1. Application of Safe Harbor CODA

a. Safe Harbor Provisions

Will the Safe Harbor CODA provisions of Plan Section 3.03 apply (select one)?

Option 1: Yes.

Option 2: No.

NOTE: If no option is selected, Option 2 will apply. Complete the remainder of this Part C only if Option 1 is selected. If Option 1 is selected, the Safe Harbor CODA provisions of the Plan will apply for the Plan Year and the provisions relating to the ADP or ACP tests generally will not apply. Contribution provisions that are selected in addition to the options listed in this Part C may subject the Plan to ADP, ACP, and top-heavy testing. A Plan intending to satisfy the Safe Harbor CODA requirements of Code Sections 401(k)(12) and 401(m)(11) generally must satisfy such requirements, including the notice requirement, for the entire Plan Year. If a Safe Harbor CODA is eliminated during a Plan Year, the Plan will be subject to provisions relating to the ADP and ACP tests, including restrictions on the selection of testing methods (e.g., current vs. prior year).

b. Participants Entitled to Receive Safe Harbor CODA Contributions

Safe Harbor CODA contributions will be made on behalf of (select one):

Option 1: Each Eligible Employee who is a non-Highly Compensated Employee (and, in the case of Safe Harbor Matching Contributions, makes Elective Deferrals to the Plan).

Option 2: All Eligible Employees (who, in the case of Safe Harbor Matching Contributions, make Elective Deferrals to the Plan).

NOTE: If no option is selected, Option 2 will apply.

2. ADP Test Safe Harbor Contributions

The Employer will make the following ADP Test Safe Harbor Contributions for the Plan Year (select one):

Option 1: Basic Matching Contributions.

The Employer will make Matching Contributions to the Individual Account of each Eligible Employee, as described in item 1(b) above, equal to:

- (i) 100 percent of the amount of the Employee's Elective Deferrals that do not exceed three percent of the Employee's Compensation for the Plan Year, plus
- (ii) 50 percent of the amount of the Employee's Elective Deferrals that exceed three percent of the Employee's Compensation but do not exceed five percent of the Employee's Compensation.

Option 2: Enhanced Matching Contributions.

The Employer will make Matching Contributions to the Individual Account of each Eligible Employee, as described in item 1(b) above, in an amount equal to the sum of:

	<u>Elective Deferral Percentage</u>	<u>Matching Percentage</u>
Base Rate	Less than or equal to _____% (not less than 3%)	100%
Tier 2	Greater than _____, but less than or equal to _____% (not greater than 6%)	_____%

NOTE: The Enhanced Matching Contribution formula must be completed so that, at any rate of Elective Deferrals, the Matching Contribution is at least equal to the Matching Contribution that would be received if the Employer were making Basic Matching Contributions, but the rate of match cannot increase as Elective Deferrals increase.

Option 3: Safe Harbor Nonelective Contributions

The Employer will make a Safe Harbor Nonelective Contribution to the Individual Account of each Eligible Employee, as described in item 1(b) above, in an amount equal to 3 (not less than 3) percent of the Employee's Compensation for the Plan Year.

NOTE: If no option is selected, Option 1 will apply.

3. Recipient Plan

The ADP Test Safe Harbor Contributions will be made to (select one):

Option 1: This Plan.

Option 2: Other plan (specify plan of the Employer) _____

NOTE: If no option is selected, Option 1 will apply.

4. ACP Test Safe Harbor Matching Contributions

NOTE: No additional contributions are required in order to satisfy the Safe Harbor CODA requirements. The Employer may, however, make Matching Contributions in addition to Basic or Enhanced Matching Contributions. To ensure that the Plan continues to satisfy the Safe Harbor CODA requirements, only the following additional Matching Contributions may be made (see the NOTE below for specific contribution limitations).

For the Plan Year, the Employer will make ACP Test Safe Harbor Matching Contributions to the Individual Account of each Eligible Employee, as described in item 1(b) above, in the amount of (select one):

Option 1: Percentage of Contribution Match.

A Matching Contribution that equals _____ percent of the Employee's Elective Deferrals that do not exceed _____ percent (not more than six percent) of the Employee's Compensation for the Plan Year.

Option 2: Two-Tiered Percentage of Contribution Match.

That percentage of each Contributing Participant's Elective Deferral determined by the Contributing Participant's rate of Elective Deferral as specified in the matching schedule below.

	<u>Elective Deferral Percentage</u>	<u>Matching Percentage</u>
Base Rate	Less than or equal to _____%	_____%
Tier 2	Greater than _____, but less than or equal to _____%	_____%

NOTE: The matching percentage for Tier 2 cannot exceed the matching percentage for the base rate. No Matching Contributions will be made on Elective Deferrals that exceed six percent of Compensation.

Option 3: A discretionary contribution that matches those Employee's Elective Deferrals that do not exceed a permissible percentage of the Employee's Compensation for the Plan Year.

NOTE: The Elective Deferrals that are matched will be determined by the Employer for the year, but in no event can a Matching Contribution be made on Elective Deferrals that exceed six percent of the Employee's Compensation. In addition, the total additional discretionary Matching Contribution made to any Employee cannot exceed four percent of the Employee's Compensation for the Plan Year. For example, the Employer could not choose a discretionary formula that provided a 25 cent Matching Contribution for every dollar deferred if the match were given on Elective Deferrals up to eight percent of Compensation (this exceeds the six percent limitation on Elective Deferrals that can be matched). Neither could the Employer provide a discretionary dollar-for-dollar Matching Contribution on Elective Deferrals up to six percent of Compensation (this exceeds the four percent absolute limitation on a discretionary ACP Test Safe Harbor Matching Contribution). If the Employer wishes to make Matching Contributions in addition to ACP Test Safe Harbor Matching Contributions, Section Three, Part B, must be completed. Such contributions will be subject to ACP testing.

Part D. Employer Profit Sharing Contributions

1. Authorization of Employer Profit Sharing Contributions

Will the Employer make Employer Profit Sharing Contributions to the Plan on behalf of Qualifying Participants (select one)?

Option 1: Yes.

Option 2: No.

NOTE: If no option is selected, Option 1 will apply. Complete the remainder of Part D only if Option 1 is selected.

2. Contribution Formula (select one)

Option 1: Discretionary Formula. For each Plan Year the Employer may contribute an amount to be determined from year to year.

Option 2: Fixed Formula. _____ percent of the Compensation of all Qualifying Participants under the Plan for the Plan Year.

Option 3: Fixed Percent of Profits Formula. _____ percent of the Employer's profits that are in excess of \$ _____.

Option 4: Government Contract Formula. For each Hour of Service of covered employment under a government contract, the Employer shall contribute an amount as described in Plan Section 3.04(B)(3).

Option 5: Discretionary Formula By Location or Business Classification. For each Plan Year the Employer may contribute an amount to be determined from year to year and that amount may vary for each location or business classification on a separate and individual basis.

NOTE: If no option is selected, Option 1 will apply. If Option 4 is selected, the government contract allocation formula must be selected in item 3 below.

3. Allocation Formula

Employer Profit Sharing Contributions will be allocated to the Individual Accounts of Qualifying Participants as follows (*select one*):

Option 1: Pro Rata Formula. In the ratio that each Qualifying Participant's Compensation for the Plan Year bears to the total Compensation of all Qualifying Participants for the Plan Year.

Option 2: Flat Dollar Formula. In the same dollar amount for each Qualifying Participant.

Option 3: Integrated Formula. Pursuant to the following integrated allocation formula described in Plan Section 3.04(B)(2) (*select one*):

Suboption (a): Excess Integrated Formula.

Suboption (b): Base Integrated Formula.

NOTE: *If no suboption is selected, Suboption (a) will apply.*

The integration level will be (*select one*):

Suboption (a): The Taxable Wage Base.

Suboption (b): \$ _____ (*a dollar amount less than the Taxable Wage Base*).

Suboption (c): _____ percent (*not more than 100 percent*) of the Taxable Wage Base.

NOTE: *If no suboption is selected, Suboption (a) will apply.*

Option 4: Government Contract Formula. Pursuant to the government contract contribution formula selected in Part D, item 2, Option 4, above.

Option 5: Uniform Points Formula. Employer Profit Sharing Contributions shall be allocated to the Individual Accounts of Qualifying Participants in the ratio that each Qualifying Participant's points for the Plan Year bears to the total points of all Qualifying Participants for the Plan Year.

Each Qualifying Participant's points for the Plan Year shall be computed by adding the points determined under (a), (b) and (c) below (*specify a number for each item*):

(a) _____ points for each year of the Participant's age.

(b) _____ points for each of the Participant's Years of Service (including years before this Plan or a Prior Plan was established).

(c) _____ points for each \$100 of the Participant's Compensation for the Plan Year.

Option 6: Age Weighted Formula. Employer Profit Sharing Contributions shall be allocated to the Individual Accounts of Qualifying Participants in the manner described below:

Step 1: Determine each Qualifying Participant's number of points based upon the following formula:

Points = .01 x Compensation x Allocation Factor derived from the allocation factor tables set forth in Section 1 of the Adoption Agreement.

The pre-retirement and post-retirement interest rate used to calculate the annual Employer Profit Sharing Contribution shall be (*select one*):

Suboption a: 7.5%

Suboption b: 8.0%

Suboption c: 8.5%

NOTE: *If no option is selected, Suboption (c) will apply.*

Step 2: Determine each Qualifying Participant's allocation through calculation of the following formula:

Allocation = $\frac{\text{Points of Qualifying Participant}}{\text{Total Points of all Qualifying Participants}} \times \text{Employer Profit Sharing Contribution}$

Step 3: Make any reallocations as necessary to satisfy either the safe harbor formula for plans with a uniform points allocation or the general test described in Code Section 401(a)(4) and the corresponding Treasury Regulations concerning nondiscrimination in the amount of Employer Profit Sharing Contributions. Identify whether the safe harbor or general test will be satisfied for the selected formula (*select one*):

Suboption a: Safe harbor reallocations may be made as necessary as described in Plan Section 3.04(B)(8)(b)(i).

Suboption b: General test reallocations may be made as necessary as described in Plan Section 3.04(B)(8)(b)(ii).

NOTE: *If no Option is elected, Suboption (a) shall be deemed to be selected.*

Option 7: New Comparability Formula. Employer Profit Sharing Contributions, if any, will be allocated as described in Plan Section 3.04(B)(8) pertaining to group allocations (*select one*):

Suboption (a): Individual Allocation Groups. Each Qualifying Participant shall constitute a separate allocation group.

NOTE: *The Employer must provide the Plan Administrator or Trustee, if applicable, written instructions describing the allocation of the Employer Profit Sharing Contribution. The instructions must be provided no later than the Employer's tax return due date, including extensions, of the year for which the allocation is made.*

Suboption (b): Pre-Determined Allocation Groups. Qualifying Participants will be divided into the following groups (one or more) with the same allocation ratio. (*Specify the groups by category of Qualifying Participant, including both Highly Compensated Employees and non-Highly Compensated Employees*):

Allocation Group 1: _____

Allocation Group 2: _____

Allocation Group 3: _____

Allocation Group 4: _____

Allocation Group 5: _____

Allocation Group 6: _____

NOTE: *If more than six allocation groups are needed, complete Attachment C, New Comparability Allocation Group(s). (The specific categories of Qualifying Participants should be such that resulting allocations are provided in a definite predetermined formula that complies with Treasury Regulation 1.401-1(b)(1)(ii). The number of allocation rates must not exceed the maximum allowable number of allocation rates as described in Plan Section 3.04(B)(8). Highly Compensated Employees may each be in separate allocation groups. Non-Highly Compensated Employees must be grouped using allocation rates specified in Plan Section 3.04(B)(8). The grouping of non-Highly Compensated Employees must be done in a reasonable manner and should reflect a reasonable classification in accordance with Treasury Regulation 1.410(b)-4(b). In the case of self-employed individuals (i.e., sole proprietorships or partnerships), the requirements of Treasury Regulation 1.401(k)-1(a)(6) continue to apply, and the allocation method should not be such that a cash or deferred election is created for a Self Employed Individual as a result of application of the allocation method.)*

Interest Rate Assumption and Mortality Table

The following assumptions will be used to calculate the equivalent benefit accrual rate:

1. Interest Rate. The pre-retirement and post-retirement interest rate assumption shall be (*select one*)

Option 1: 7.5%

Option 2: 8.0%

Option 3: 8.5%

NOTE: *If no option is selected, Option 3 will be deemed to be selected.*

2. Mortality Table. The mortality table shall be (*select one*)

Option 1: UP-1984 Mortality Table

Option 2: 1983 Group Annuity Mortality Table (1983 GAM)

Option 3: 1983 Individual Annuity Mortality Table (1983 IAM)

Option 4: 1971 Group Annuity Mortality Table (1971 GAM)

Option 5: 1971 Individual Annuity Mortality Table (1971 IAM)

NOTE: *If no option is selected, Option 1 will be deemed to be selected.*

New Comparability Gateway

For purpose of satisfying the new comparability gateway the Plan shall use the following method (*select one*):

Option 1: The Plan will provide benefits that satisfy the broadly available basis requirements described in Plan Section 3.04(B)(9)(a).

Option 2: The Plan will satisfy the minimum allocation method identified below (*select one*):

Suboption A: Provide each non-Highly Compensated Employee with a minimum allocation of at least 5% of the non-Highly Compensated Employee's Compensation (if the definition of Compensation is not within the meaning of Code Section 415(c)(3), a definition which satisfies Code Section 415(c)(3) will apply).

Suboption B: Provide each non-Highly Compensated Employee with a minimum allocation so that each non-Highly Compensated Employee has an allocation rate of at least one-third of the allocation rate of the Highly Compensated Employee with the highest allocation rate.

- Suboption C:** Provide each non-Highly Compensated Employee with a minimum allocation equal to the lesser of the amount described in Suboption A or Suboption B above.
- Suboption D:** Reallocate contributions allocated to Highly Compensated Employees to non-Highly Compensated Employees so that the allocation to each non-Highly Compensated Employee equals at least one-third of the allocation rate of the Highest Compensated Employee with the highest allocation rate in the manner as described in Plan Section 3.04(B)(10).
- Suboption E:** Reallocate contributions allocated to Highly Compensated Employees to non-Highly Compensated Employees so that the allocation to each non-Highly Compensated Employee equals at least 5% of the non-Highly Compensated Employee's Compensation (if the definition of Compensation is not within the meaning of Code Section 415(c)(3), a definition which satisfies Code Section 415(c)(3) will apply) in the manner as described in Plan Section 3.04(B)(11).
- Suboption F:** Reallocate preliminary contributions or hypothetical contributions paid to Highly Compensated Employees to non-Highly Compensated Employees so that the allocation to each non-Highly Compensated Employee equals the lesser of the amount described in Suboption D or Suboption E above.

NOTE: If Option 2 is selected and no suboption is selected, Suboption F will apply, if necessary.

NOTE: If no option is selected, Option 1 will apply unless the government contract contribution formula is selected in item 2 above, in which case Option 4 will apply. Option 4 cannot be selected unless the government contract contribution formula in item 2 above applies. In the case of Self-Employed Individuals, the requirements of Treasury Regulation Section 1.401(k)-1(A)(6) continue to apply, and a new comparability or age-weighted allocation method should not be such that a cash or deferred election is created for a Self-Employed Individual as a result of the allocation method.

4. Qualifying Participants

A Participant will be a Qualifying Participant, and thus entitled to share in the Employer Profit Sharing Contribution for any Plan Year, only if the Participant has satisfied all of the eligibility requirements described in Section Two of this Adoption Agreement on at least one day of such Plan Year and satisfies the following additional condition(s) (select one):

- Option 1:** Hours of Service Requirement. The Participant completes at least _____ (not more than 1,000) Hours of Service during the Plan Year. However, this condition will be waived for the following reason(s) (select all that apply):
- The Participant's Death.
 - The Participant's Termination of Employment after having incurred a Disability.
 - The Participant's Termination of Employment after having reached Normal Retirement Age.
 - The Participant's Termination of Employment after having reached Early Retirement Age.
 - The Participant is employed on the last day of the Plan Year.
- Last Day Requirement. The Participant is an Employee of the Employer on the last day of the Plan Year. However, this condition will be waived for the following reason(s) (select all that apply):
- The Participant's Death.
 - The Participant's Termination of Employment after having incurred a Disability.
 - The Participant's Termination of Employment after having reached Normal Retirement Age.
 - The Participant's Termination of Employment after having reached Early Retirement Age.
 - The Participant's Termination of Employment after having completed at least _____ Hours of Service during the Plan Year.

Option 2: No additional conditions apply.

NOTE: If no option is selected, Option 2 will apply.

5. Contributions To Non-Highly Compensated Disabled Participants

Will a non-Highly Compensated Employee Participant who has incurred a Disability be entitled to an Employer Profit Sharing Contribution pursuant to Plan Section 3.04(B)(1) (select one)?

Option 1: Yes.

Option 2: No.

NOTE: If no option is selected, Option 2 will apply.

Part E. Qualified Nonelective Contributions

1. Qualified Nonelective Contribution Formula

For each Plan Year, the Employer may contribute an amount to be determined from year to year.

2. Allocation of Qualified Nonelective Contributions

Allocation of Qualified Nonelective Contributions to Participants entitled thereto shall be made (select one):

- Option 1: Targeted QNEC. In an amount, determined pursuant to Plan Section 3.05, required to satisfy either the Actual Deferral Percentage test described in Plan Section 3.13, the Actual Contribution Percentage test described in Plan Section 3.14, or both.
- Option 2: Pro Rata – Non-Highly Compensated Employee Participants. In the ratio that each non-Highly Compensated Employee Participant’s Compensation for the applicable Plan Year bears to the total Compensation of all non-Highly Compensated Employee Participants for such Plan Year.
- Option 3: Pro Rata – All Participants. In the ratio that each Participant’s Compensation for the applicable Plan Year bears to the total Compensation of all Participants for such Plan Year.
- Option 4: Limited Pro Rata – Non-Highly Compensated Employee Participants. In the ratio that each non-Highly Compensated Employee Participant’s Compensation not in excess of \$ _____ for the applicable Plan Year bears to the total Compensation of all non-Highly Compensated Employee Participants entitled to an allocation not in excess of \$ _____ for such Plan Year.
- Option 5: Government Contract Formula. In an amount based on each Hour of Service of covered employment under a government contract, as described in Plan Section 3.05(B).

NOTE: If no option is selected, Option 1 will apply.

3. Additional Conditions for Receiving Qualified Nonelective Contributions

A Participant will be a Qualifying Participant, and thus entitled to share in Qualified Nonelective Contribution for any Plan Year, only if the Participant has satisfied all of the eligibility requirements of Section Two of this Adoption Agreement on at least one day of such Plan Year and satisfies the following additional condition(s) (select one):

- Option 1: Hours of Service Requirement. The Participant completes at least _____ (not more than 1,000) Hours of Service during the Plan Year. However, this condition will be waived for the following reason(s) (select all that apply):
 - The Participant’s Death.
 - The Participant’s Termination of Employment after having incurred a Disability.
 - The Participant’s Termination of Employment after having reached Normal Retirement Age.
 - The Participant’s Termination of Employment after having reached Early Retirement Age.
 - The Participant is employed on the last day of the Plan Year.
- Last Day Requirement. The Participant is an Employee of the Employer on the last day of the Plan Year. However, this condition will be waived for the following reason(s) (select all that apply):
 - The Participant’s Death.
 - The Participant’s Termination of Employment after having incurred a Disability.
 - The Participant’s Termination of Employment after having reached Normal Retirement Age.
 - The Participant’s Termination of Employment after having reached Early Retirement Age.
 - The Participant’s Termination of Employment after having completed at least _____ Hours of Service during the Plan Year.
- Option 2: No additional conditions apply.

NOTE: If no option is selected, Option 2 will apply.

Part F. Qualified Matching Contributions

1. Qualified Matching Contribution Formula

a. Qualified Matching Contributions

Qualified Matching Contributions, if made to the Plan, will be made with respect to (select all that apply):

- Pre-Tax Elective Deferrals.
- Roth Elective Deferrals.
- Nondeductible Employee Contributions.

NOTE: If no option is selected, Qualified Matching Contributions will be made with respect to Pre-Tax Elective Deferrals and Roth Elective Deferrals.

b. Qualified Matching Contribution Formula

If the Employer will make Qualified Matching Contributions, then the amount of such Qualified Matching Contributions made on behalf of a Qualifying Contributing Participant each Plan Year shall be equal to (select one):

- Option 1: Percentage of Contribution Match.

That percentage of each Contributing Participant’s Elective Deferral (and/or Nondeductible Employee Contribution, if applicable) determined by the Contributing Participant’s rate of Elective Deferrals (and/or Nondeductible Employee Contribution, if applicable) as specified in the matching schedule below.

<u>Elective Deferral Percentage</u>	<u>Matching Percentage</u>
Less than or equal to _____%	_____%

Notwithstanding the Qualified Matching Contribution formula specified above, no Qualified Matching Contributions in excess of \$ _____ or _____ percent of a Contributing Participant’s Compensation will be made with respect to any Contributing Participant for any Plan Year. (Complete the applicable blank(s), if any)

Option 2: Two-Tiered Percentage of Contribution Match.

That percentage of each Contributing Participant's Elective Deferral (and/or Nondeductible Employee Contribution, if applicable) determined by the Contributing Participant's rate of Elective Deferrals (and/or Nondeductible Employee Contribution, if applicable) as specified in the matching schedule below.

	<u>Elective Deferral Percentage</u>	<u>Matching Percentage</u>
Base Rate	Less than or equal to _____%	_____%
Tier 2	Greater than _____, but less than or equal to _____%	_____%

Notwithstanding the Qualified Matching Contribution formula specified above, no Qualified Matching Contributions in excess of \$ _____ or _____ percent of a Contributing Participant's Compensation will be made with respect to any Contributing Participant for any Plan Year. *(Complete the applicable blank(s), if any)*

Option 3: Such amount, if any, as determined by the Employer in its sole discretion, equal to that percentage of the Elective Deferrals (and/or Nondeductible Employee Contribution, if applicable) of each Contributing Participant entitled thereto that would be sufficient to cause the Plan to satisfy either the Actual Deferral Percentage test (described in Plan Section 3.13) or the Actual Contribution Percentage test (described in Plan Section 3.14) for the Plan Year, or both.

Notwithstanding the Qualified Matching Contribution formula specified above, no Qualified Matching Contributions in excess of \$ _____ or _____ percent of a Contributing Participant's Compensation will be made with respect to any Contributing Participant for any Plan Year. *(Complete the applicable blank(s), if any)*

Option 4: Other formula *(Specify an amount equal to a percentage of the Elective Deferrals (and/or Nondeductible Employee Contribution, if applicable) of each Contributing Participant entitled thereto)*

NOTE: *If no option is selected, Option 3 will apply. Matching Contributions in excess of 100 percent of a Contributing Participant's Elective Deferrals (and/or Nondeductible Employee Contribution, if applicable) will be subject to the additional ACP testing limits under Plan Section 3.06 and Treasury Regulation Section 1.401(m)-2(a)(5).*

2. Participants Entitled to Qualified Matching Contributions

a. Contributing Participants Eligible for Qualified Matching Contributions

Qualified Matching Contributions, if made to the Plan, will be made on behalf of *(select one)*:

Option 1: Each Contributing Participant who makes Elective Deferrals (and Nondeductible Employee Contributions, if applicable) and who is a non-Highly Compensated Employee.

Option 2: All Contributing Participants who make Elective Deferrals (and Nondeductible Employee Contributions, if applicable).

NOTE: *If no option is selected, Option 1 will apply.*

b. Additional Conditions for Receiving Qualified Matching Contributions

A Contributing Participant will be a Qualifying Contributing Participant for purposes of Qualified Matching Contributions, and thus entitled to share in Qualified Matching Contributions for any Plan Year, only if the Participant has satisfied all of the requirements of Section Two on at least one day of such Plan Year and satisfies the following additional condition(s) *(select one)*:

Option 1: Hours of Service Requirement. The Participant completes at least _____ *(not more than 1,000)* Hours of Service during the Plan Year. However, this condition will be waived for the following reason(s) *(select all that apply)*:

- The Participant's Death.
- The Participant's Termination of Employment after having incurred a Disability.
- The Participant's Termination of Employment after having reached Normal Retirement Age.
- The Participant's Termination of Employment after having reached Early Retirement Age.
- The Participant is employed on the last day of the Plan Year.

Last Day Requirement. The Participant is an Employee of the Employer on the last day of the Plan Year. However, this condition will be waived for the following reason(s) *(select all that apply)*:

- The Participant's Death.
- The Participant's Termination of Employment after having incurred a Disability.
- The Participant's Termination of Employment after having reached Normal Retirement Age.
- The Participant's Termination of Employment after having reached Early Retirement Age.
- The Participant's Termination of Employment after having completed at least _____ Hours of Service during the Plan Year.

Option 2: No additional conditions.

NOTE: *If no option is selected, Option 2 will apply.*

Part G. Other Contributions

1. Rollover Contributions

May an Employee make rollover contributions to the Plan pursuant to Plan Section 3.07 (select one)?

Option 1: Yes.

Option 2: Yes, unless such Employee is part of any excluded class of Employees.

Option 3: Yes, but only after becoming a Participant.

Option 4: No.

NOTE: If no option is selected, Option 2 will apply.

a. Direct Rollovers

i. Sources of Eligible Rollover Distributions

The Plan will accept Direct Rollovers of Eligible Rollover Distributions from (select "Yes" or "No" to each of the following items by selecting the appropriate box):

- | | | |
|---|---|--|
| 1. A qualified plan described in Code Section 401(a) or 403(a). | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 2. An annuity contract described in Code Section 403(b). | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 3. An eligible plan under Code Section 457(b) that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |

NOTE: If a box is not selected for an item, "Yes" will apply for such item.

ii. Rollover Exclusions

Will the Plan accept the following as Direct Rollovers (select "Yes" or "No" to each of the following items by selecting the appropriate box)?

- | | | |
|--|---|--|
| 1. Nondeductible Employee Contributions. | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 2. Roth Elective Deferrals. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |

NOTE: Item 2 may be selected only if the Plan permits Roth Elective Deferrals under Part A of this Section. If a box is not selected for an item, "No" will apply for such item.

b. Indirect Rollovers

i. Sources of Eligible Rollover Distributions

The Plan will accept Indirect Rollovers of Eligible Rollover Distributions from (select "Yes" or "No" to each of the following items by selecting the appropriate box):

- | | | |
|---|---|--|
| 1. A qualified plan described in Code Section 401(a) or 403(a). | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| 2. An annuity contract described in Code Section 403(b). | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| 3. An eligible plan under Code Section 457(b) that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state. | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |

NOTE: If a box is not selected for an item, "Yes" will apply for such item.

ii. Rollover Exclusions

Will the Plan accept Indirect Rollover contributions of Roth Elective Deferrals (select one)?

Option 1: Yes.

Option 2: No.

NOTE: Indirect Rollover contributions may only consist of earnings attributable to Roth Elective Deferrals. If no option is selected, Option 2 will apply.

c. Rollover Contributions from IRAs

Will the Plan accept rollover contributions of the portion of a distribution from an individual retirement account or annuity described in Code Section 408(a) or 408(b) that is eligible to be rolled over and would otherwise be includible in gross income (select one)?

Option 1: Yes.

Option 2: No.

NOTE: If no option is selected, Option 1 will apply.

2. Transfer Contributions

May an Employee make transfer contributions to the Plan pursuant to Plan Section 3.08 (select one)?

Option 1: Yes.

Option 2: Yes, unless such Employee is part of any excluded class of Employees.

Option 3: Yes, but only after becoming a Participant.

Option 4: Yes, but only if the assets are exempt from the Qualified Joint and Survivor Annuity rules as described in Plan Section 5.10 (without regard to Plan Section 5.10(E) thereof).

Option 5: No.

NOTE: If no option is selected, Option 2 will apply.

3. Nondeductible Employee Contributions

May a Participant make Nondeductible Employee Contributions pursuant to Plan Section 3.10 (select one)?

Option 1: Yes. If "Yes," check here if such contributions will be mandatory.

Option 2: No.

NOTE: If no option is selected, Option 2 will apply.

Nondeductible Employee Contributions may commence on (must be on or after the Effective Date) _____

4. Top-Heavy Contributions

a. Minimum Allocation or Benefit

For any Plan Year with respect to which this Plan is a Top-Heavy Plan, any minimum allocation required pursuant to Plan Section 3.04(E) shall be made (select one):

Option 1: To this Plan. (If the allocation formula selected in Part D above does not satisfy the top-heavy minimum allocation by design, select either Suboption 1 or Suboption 2 below.

The allocation formula set forth in Part D above shall be modified to provide for the minimum allocation for non-Key Employees as follows:

Suboption 1:

Step 1: The annual Employer Profit Sharing Contribution shall be initially allocated to the accounts of all Employees based upon the formula set forth in Part D above. If any non-Key Employee does not receive a top-heavy minimum allocation under the formula, the Employer Profit Sharing Contribution shall instead be allocated first to the non-Key Employees having less than the minimum top-heavy allocation in an amount equal to the initial allocation plus any additional amount necessary to provide the top-heavy minimum allocation.

Step 2: The remaining Employer Profit Sharing Contributions shall then be allocated based upon the formula set forth in Part D, provided, however, those non-Key Employees receiving a top-heavy minimum allocation under Step 1 of this suboption (a) shall not be entitled to receive any additional allocation. Should any remaining non-Key Employee fail to receive a top-heavy minimum allocation under this Step 2, the calculation set forth in Step 1 shall be repeated until all non-Key Employees have received a top-heavy minimum allocation and the remaining Employer Profit Sharing Contribution has been allocated.

In the event the annual Employer Profit Sharing Contribution does not equal or exceed three percent (3%) of the total Compensation of all eligible non-Key Employees, eligible Key Employees shall not share in the allocation and such three percent (3%) allocation on behalf of non-Key Employees shall be reduced pro rata based upon the ratio each eligible non-Key Employee's Compensation bears to the total of all such non-Key Employee's Compensation.

Suboption 2: An allocation of three percent (3%) of Compensation will first be made to all Employees eligible to participate in the Plan; thereafter the remaining Employer Profit Sharing Contribution will be allocated to the accounts of all Employees as set forth in Part D above. In the event the annual Employer Profit Sharing Contribution does not equal or exceed three percent (3%) of the total Compensation of all eligible non-Key Employees, such three percent (3%) allocation shall be reduced pro rata based upon the ratio each eligible non-Key Employee's Compensation bears to the total of all such non-Key Employees' Compensation.

NOTE: If no suboption is selected, Suboption 1 will apply.

Option 2: To the following plan maintained by the Employer:
(Describe below the extent, if any, to which the top-heavy minimum benefit requirement of Code Section 416(c) and Plan Section 3.04(E) shall be met in another plan. This should include the name of the other plan, the minimum benefit that will be provided under such other plan, and the Employees who will receive the minimum benefit under such other plan.) _____

Option 3: In accordance with the following method: (Provide language describing the method that will be used to satisfy Code Section 416. Such method must preclude Employer discretion.) _____

NOTE: If no option is selected, Option 1 will apply.

b. Participants Entitled to Receive Minimum Allocation

If a minimum allocation required pursuant to Plan Section 3.04(E) is not satisfied with either Employer Profit Sharing Contributions or Matching Contributions, the remaining minimum allocation required pursuant to Plan Section 3.04(E) shall be allocated to the Individual Accounts of (select one):

Option 1: Participants who are not Key Employees.

Option 2: All Participants.

NOTE: If no option is selected, Option 1 will apply.

c. Top-Heavy Ratio

For purposes of computing the top-heavy ratio as described in Plan Section 7.19(B), the Present Value of benefits under a defined benefit plan will be discounted only for mortality and interest based on the following (select one):

Option 1: Not applicable because the Employer has not maintained a defined benefit plan.

Option 2: The interest rate and mortality table specified for this purpose in the defined benefit plan.

Option 3: Interest rate of _____ percent and the following mortality table (specify) _____

Part H. ADP Testing Method

The testing method used for purposes of the ADP test under this Plan shall be (select one):

Option 1: Prior Year Testing Method.

Initial Plan Year ADP

If this is not a successor Plan, then for the first Plan Year that this Plan permits any Participant to make Elective Deferrals, the ADP for Participants who are non-Highly Compensated Employees shall be (select one):

Suboption (a): 3%.

Suboption (b): Such first Plan Year's ADP.

NOTE: If no suboption is selected, Suboption (a) will apply.

Option 2: Current Year Testing Method.

NOTE: If no option is selected, Option 1 will apply unless the Adopting Employer elects to apply the Safe Harbor CODA provisions of Section Three, Part C above, in which case Option 2 will apply. If the Adopting Employer elects to apply the Safe Harbor CODA provisions of Section Three, Part C above, Option 2 must be selected. If Option 2 is selected, the current year testing method must continue to be used unless 1) the Plan has been using the current year testing method for the preceding five Plan Years, or, if fewer, the number of Plan Years the Plan has been in existence, or 2) the Plan otherwise meets one of the conditions specified in the Treasury Regulations (or additional guidance issued by the Internal Revenue Service (IRS)) for changing from the current year testing method. The current year testing method may be elected for the ADP test even if prior year testing is elected for the ACP test. However, if different testing methods for the ADP and ACP tests are selected, the Plan cannot use recharacterization to correct Excess Contributions, take Elective Deferrals into consideration to satisfy the ACP test, or use Qualified Matching Contributions to satisfy the ADP test.

Part I. ACP Testing Method

The testing method used for purposes of the ACP test under this Plan shall be (select one):

Option 1: Prior Year Testing Method.

Initial Plan Year ACP

If this is not a successor Plan, then for the first Plan Year that this Plan permits any Participant to make Nondeductible Employee Contributions, provides for Matching Contributions or both, the ACP for Participants who are non-Highly Compensated Employees shall be (select one):

Suboption (a): 3%.

Suboption (b): Such first Plan Year's ACP.

NOTE: If no suboption is selected, Suboption (a) will apply.

Option 2: Current Year Testing Method.

NOTE: If no option is selected, Option 1 will apply unless the Adopting Employer elects to apply the Safe Harbor CODA provisions of Section Three, Part C above, in which case Option 2 will apply. If the Adopting Employer elects to apply the Safe Harbor CODA provisions of Section Three, Part C above, Option 2 must be selected. If Option 2 is selected, the current year testing method must continue to be used unless 1) the Plan has been using the current year testing method for the preceding five Plan Years, or, if fewer, the number of Plan Years the Plan has been in existence, or 2) the Plan otherwise meets one of the conditions specified in the Treasury Regulations (or additional guidance issued by the Internal Revenue Service (IRS)) for changing from the current year testing method. The current year testing method may be elected for the ACP test even if prior year testing is elected for the ADP test. However, if different testing methods for the ADP and ACP tests are selected, the Plan cannot use recharacterization to correct Excess Contributions, take Elective Deferrals into consideration to satisfy the ACP test, or use Qualified Matching Contributions to satisfy the ADP test.

SECTION FOUR: VESTING AND FORFEITURES
Complete Parts A through I.

Part A. Vesting Schedule For Matching Contributions

A Participant will become Vested in the portion of their Individual Account derived from Matching Contributions (including ACP Test Safe Harbor Matching Contributions), if applicable, made pursuant to Section Three of the Adoption Agreement as follows.

YEARS OF VESTING SERVICE	VESTED PERCENTAGE				
	Matching	Option 1 <input checked="" type="checkbox"/>	Option 2 <input type="checkbox"/>	Option 3 <input type="checkbox"/>	Option 4 <input type="checkbox"/> (Complete if chosen)
Less than One	100%	0%	0%	_____ %	_____ %
1	100%	0%	0%	_____ %	_____ %
2	100%	0%	20%	_____ % (not less than 20%)	_____ %
3	100%	100%	40%	_____ % (not less than 40%)	100%
4	100%	100%	60%	_____ % (not less than 60%)	100%
5	100%	100%	80%	_____ % (not less than 80%)	100%
6	100%	100%	100%	100%	100%

NOTE: If no option is selected as of the first date on which such contributions may be made to the Plan, Option 1 will apply. A Participant with accrued benefits derived from Matching Contributions who has not completed at least one Hour of Service under the Plan in a Plan Year beginning after December 31, 2001, will be subject to the vesting schedule in effect after January 1, 2002, unless otherwise elected by the Employer in an amendment adopting provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). Please list the pre-EGTRRA vesting schedules, if applicable, on Attachment A, Protected Benefits and Prior Plan Provisions.

Part B. Vesting Schedule For Employer Profit Sharing Contributions

A Participant will become Vested in the portion of their Individual Account derived from Employer Profit Sharing Contributions, if applicable, made pursuant to Section Three of the Adoption Agreement as follows.

YEARS OF VESTING SERVICE	VESTED PERCENTAGE				
	Profit Sharing	Option 1 <input checked="" type="checkbox"/>	Option 2 <input type="checkbox"/>	Option 3 <input type="checkbox"/>	Option 4 <input type="checkbox"/> (Complete if chosen)
Less than One	100%	0%	0%	_____ %	_____ %
1	100%	0%	0%	_____ %	_____ %
2	100%	0%	20%	_____ % (not less than 20%)	_____ %
3	100%	100%	40%	_____ % (not less than 40%)	100%
4	100%	100%	60%	_____ % (not less than 60%)	100%
5	100%	100%	80%	_____ % (not less than 80%)	100%
6	100%	100%	100%	100%	100%

NOTE: If no option is selected as of the first date on which such contributions may be made to the Plan, Option 1 will apply.

Part C. Measuring Period For Vesting

Years of Vesting Service will be measured over the following 12-consecutive month period:

Option 1: The Plan Year.

Option 2: The 12-consecutive month period commencing with the Employee's Employment Commencement Date and each successive 12-month period commencing on the anniversaries of the Employee's Employment Commencement Date.

Option 3: Other (specify) _____

NOTE: If no option is selected, Option 1 will apply.

Part D. Year of Vesting Service

1. _____ Hours of Service (no more than 1,000) shall be required to constitute a Year of Vesting Service.

2. _____ Hours of Service (no more than 500 but less than the number specified in Part D, item 1, above) must be exceeded to avoid a Break in Vesting Service.

NOTE: If no hours are specified, 1,000 and 500 will apply for items 1 and 2, respectively.

Part E. Exclusion of Certain Years of Vesting Service

All of an Employee's Years of Vesting Service with the Employer are counted to determine the Vested percentage in the Participant's Individual Account except (select all that apply):

Years of Vesting Service before the Employee reaches age 18.

Years of Vesting Service before the Employer maintained this Plan or a predecessor plan.

Years of Vesting Service during a period for which the Employee made no mandatory Nondeductible Employee Contributions.

Part F. Fully Vested Under Certain Circumstances

Will an Employee be fully Vested under the following circumstances (select "Yes" or "No" to each of the following items by selecting the appropriate box)?

- | | | |
|--|------------------------------|-----------------------------|
| 1. The Employee dies. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 2. The Employee incurs a Disability. | <input type="checkbox"/> Yes | <input type="checkbox"/> No |
| 3. The Employee satisfies the conditions for Early Retirement Age (if applicable). | <input type="checkbox"/> Yes | <input type="checkbox"/> No |

NOTE: If a box is not selected for an item, "Yes" will apply for that item.

Part G. Allocation of Forfeitures of Matching Contributions

Forfeitures of Matching Contributions will be (select one):

Option 1: Allocated to the Individual Accounts of the Participants specified below in the ratio that each Participant's Compensation for the Plan Year bears to the total Compensation of all Participants for such Plan Year.

The Participants entitled to receive allocations of such Forfeitures will be (select one):

Suboption (a): Qualifying Contributing Participants.

Suboption (b): Qualifying Participants.

Suboption (c): All Participants.

NOTE: If no suboption is selected, Suboption (a) will apply.

Option 2: Applied to reduce Employer Contributions.

NOTE: If no option is selected, Option 2 will apply. Pursuant to Plan Section 3.04(C) and notwithstanding the election made above, the Employer may first apply Forfeitures to the payment of the Plan's administrative expenses in accordance with Plan Section 7.04 and/or the restoration of Participant's Individual Accounts pursuant to Plan Section 4.01(C)(3).

Part H. Allocation of Forfeitures of Excess Aggregate Contributions

Forfeitures of Excess Aggregate Contributions will be (select one):

Option 1: Allocated to the Individual Accounts of each Qualifying Contributing Participant's Matching Contribution account in the ratio that each Qualifying Contributing Participant's Compensation for the Plan Year bears to the total Compensation of all Qualifying Contributing Participants who are non-Highly Compensated Employees for such Plan Year.

Option 2: Applied to reduce Employer Contributions.

NOTE: If no option is selected, Option 2 will apply. Pursuant to Plan Section 3.04(C) and notwithstanding the election made above, the Employer may first apply Forfeitures to the payment of the Plan's administrative expenses in accordance with Plan Section 7.04 and/or the restoration of Participant's Individual Accounts pursuant to Plan Section 4.01(C)(3).

Part I. Allocation of Forfeitures of Employer Profit Sharing Contributions

Forfeitures of Employer Profit Sharing Contributions will be (select one):

Option 1: Allocated to the Individual Accounts of the Participants specified below in the manner described in Plan Section 3.04(B) (for Employer Profit Sharing Contributions).

The Participants entitled to receive allocations of such Forfeitures will be (select one):

Suboption (a): Qualifying Participants.

Suboption (b): All Participants.

NOTE: If no suboption is selected, Suboption (a) will apply.

Option 2: Applied to reduce Employer Contributions.

NOTE: If no option is selected, Option 2 will apply. Pursuant to Plan Section 3.04(C) and notwithstanding the election made above, the Employer may first apply Forfeitures to the payment of the Plan's administrative expenses in accordance with Plan Section 7.04 and/or the restoration of Participant's Individual Accounts pursuant to Plan Section 4.01(C)(3).

SECTION FIVE: DISTRIBUTIONS AND LOANS
Complete Parts A through F.

Part A. Eligibility for Distributions (Answer each of the following items.)

1. Distributions Upon Termination of Employment

a. Individual Account Balances Less Than or Equal to the Cashout Level

Cashout Level for Terminated Participants

For purposes of applying the cashout rules in Plan Section 4.01(C), the cashout level will be (select one):

Option 1: \$5,000.

Option 2: \$1,000.

Option 3: \$200.

Option 4: \$_____ (specify an amount less than \$1,000).

Option 5: Not Applicable. The cashout distribution provisions in Plan Section 4.01(C)(1) will not apply.

NOTE: If no option is selected, Option 2 will apply. A cashout level exceeding \$1,000 will subject the Plan to the automatic rollover requirements of Code Section 401(a)(31)(B) as described in Plan Section 5.01(B). If Option 5 is selected you may skip item (ii) below because the value of the Vested portion of the Participant's Individual Account must remain in the Plan until the Participant is entitled to, and requests (if required), a distribution. The value of a Participant's Vested Individual Account for purposes of determining the cashout level shall be determined by including rollover contributions.

b. Individual Account Balances Exceeding Cashout Level

i. Employee Has Not Reached Normal Retirement Age

May an Employee who has not reached Normal Retirement Age request a distribution from the Plan of that portion of the Participant's Individual Account attributable to the following types of contributions upon incurring a Termination of Employment (select one)?

Option 1: Yes, with respect to the following contributions.

Matching Contributions (if applicable).

Employer Profit Sharing Contributions (if applicable).

Option 2: No.

NOTE: If no option is selected, Option 1 will apply with regard to Matching Contributions, and Employer Profit Sharing Contributions.

ii. Severance from Employment

May a Participant request a distribution of their Elective Deferrals, Qualified Nonelective Contributions, Qualified Matching Contributions, and earnings on account of Severance from Employment pursuant to Plan Section 5.01(A)(2)?

Option 1: Yes.

Option 2: No.

NOTE: If no option is selected, Option 1 will apply.

2. Distributions During Employment

a. In-Service Withdrawals

i. In-Service Availability for Elective Deferrals

Will a Participant who has not incurred a Severance from Employment be entitled to request an in-service withdrawal from the Plan of that portion of the Participant's Individual Account attributable to Elective Deferrals, Qualified Nonelective Contributions, and Qualified Matching Contributions (select one)?

Yes, if he or she has attained age 59.5 (must be at least age 59½. If no age is specified, age 59½ will apply)

Yes, if he or she has attained Normal Retirement Age.

NOTE: If either box is selected above, select whether in-service distributions will be available from Pre-Tax and/or Roth Elective Deferrals.

Pre-Tax Elective Deferrals.

Roth Elective Deferrals.

NOTE: If a Participant is permitted to request an in-service distribution upon attainment of Normal Retirement Age, he or she must also be at least age 59½ to be eligible for the distribution. If in-service distributions are permitted and neither Pre-Tax nor Roth Elective Deferrals is selected, in-service distributions will be permitted from both Pre-Tax Elective Deferrals and Roth Elective Deferrals.

ii. In-Service Availability for Employer Contributions

Will a Participant be entitled to request an in-service withdrawal from the Plan of that portion of the Participant's Individual Account attributable to Matching Contributions, and Employer Profit Sharing Contributions (select one)?

Option 1: Yes, with respect to the following contributions (select all that apply and complete the table below):

Matching Contributions.

Employer Profit Sharing Contributions.

Option 2: No.

NOTE: If no option is selected, Option 1 will apply with respect to all Matching Contributions, and Employer Profit Sharing Contributions.

	Matching Contributions	Employer Profit Sharing Contributions
Upon attainment of age 59½	✓	✓
Upon attainment of Normal Retirement Age	✓	✓
Upon attainment of age (specify an age other than age 59½):		
Upon reaching a Vested percentage equal to: 100%		
The maximum Vested percent of the Individual Account that may be withdrawn is (specify Vested percent):		
After contributions have been allocated to the Plan for a period of years equal to (must be at least two):		
After participating in the Plan for a period of years equal to (must be at least five unless the applicable contributions have been allocated to the Plan for at least two years as specified in the box above):		
The maximum number of in-service withdrawals that may be taken while a Participant is employed by the Employer is (specify either "unlimited" or the actual number that applies (e.g., one, one per year, etc.)):		
After participating in the Plan for a period of years equal to (a) and attaining age (b).	(a) (b)	(a) (b)
After becoming 100% Vested, participating in the Plan for a period of years equal to (a) and attaining age (b).	(a) (b)	(a) (b)

NOTE: Place an "x" or enter the specific criteria (e.g., age, vested percentage, etc.) in each box, as applicable. A Participant need only satisfy the criteria in one of the rows to be eligible for an in-service distribution. If Option 1 applies and no selections or entries are made in the table above, Plan Section 5.01(C)(1) will apply in determining whether a Participant is entitled to an in-service distribution and there will be no limit on the number of in-service distributions.

b. Hardship Withdrawals

i. Hardship Availability for Elective Deferrals

Will a Participant who has not incurred a Severance from Employment be entitled to request a hardship distribution from the Plan of that portion of the Individual Account attributable to Elective Deferrals (select one)?

Option 1: Yes, with respect to the following Elective Deferrals (select all that apply):

- Pre-tax Elective Deferrals.
- Roth Elective Deferrals.

Option 2: No.

NOTE: If no option is selected, Option 1 will apply and hardship distributions will be available from both Pre-tax and Roth Elective Deferrals. Hardship distributions of Elective Deferrals will result in a suspension of an Employee's Elective Deferrals (and Employee Nondeductible Contributions, if applicable) as described in Plan Section 5.01(C)(2)(b).

ii. Hardship Availability for Matching Contributions and Employer Profit Sharing Contributions

Will a Participant be entitled to request a hardship distribution from the Plan (select all that apply)?

Option 1: Yes, with respect to the following contributions (select all that apply):

- Matching Contributions.
- Employer Profit Sharing Contributions.

Option 2: Yes, with respect to the following contribution and only with respect to a Participant who is 100 percent Vested in their Individual Account attributable to such contributions (select all that apply):

- Matching Contributions.
- Employer Profit Sharing Contributions.

Option 3: Yes, with respect to the following contribution and only with respect to a Participant who has participated in the Plan for ____ or more years and has attained age ____ (select all that apply):

- Matching Contributions.
- Employer Profit Sharing Contributions.

Option 4: Yes, with respect to the following contribution and only with respect to a Participant who is 100 percent Vested in their Individual Account and has participated in the Plan for ____ or more years and has attained age ____ (select all that apply):

- Matching Contributions.
- Employer Profit Sharing Contributions.

Option 5: No.

NOTE: If no option is selected, Option 1 will apply with respect to all Matching Contributions and Employer Profit Sharing Contributions. If Option 1, 2, 3, or 4 applies, complete the following:

How will hardship be defined for purposes of this section?

Suboption (a): The definition of hardship described in Plan Section 5.01(C)(2)(a) will apply with respect to the following types of contributions, therefore an Employee's Elective Deferrals (and Nondeductible Employee Contributions, if applicable) will not be suspended for six months (select all that apply):

- Matching Contributions.
 Employer Profit Sharing Contributions.

Suboption (b): The safe harbor definition of hardship distribution described in Plan Section 5.01(C)(2)(b) will apply with respect to the following types of contributions, except that an Employee's Elective Deferrals (and Nondeductible Employee Contributions, if applicable) will not be suspended for six months (select all that apply):

- Matching Contributions.
 Employer Profit Sharing Contributions.

Suboption (c): The safe harbor definition of hardship distribution described in Plan Section 5.01(C)(2)(b) will apply with respect to the following types of contributions, including the requirement that an Employee's Elective Deferrals (and Nondeductible Employee Contributions, if applicable) will be suspended for six months (select all that apply):

- Matching Contributions.
 Employer Profit Sharing Contributions.

NOTE: If no suboption is selected, Suboption (b) will apply to the option selected in item (b)(ii) above with regard to Matching Contributions and Employer Profit Sharing Contributions.

3. Miscellaneous Distribution Issues

a. Withdrawals of Rollover Contributions

Will an Employee be entitled to request a distribution of their rollover contributions at any time (select one)?

Option 1: Yes.

Option 2: No.

NOTE: If no option is selected, Option 1 will apply. If Option 2 applies, the Plan's provisions governing distributions will apply according to Plan Section 5.01(A)(1).

b. Withdrawals of Transfer Contributions

Will an Employee be entitled to request a distribution of their transfer contributions at any time subject to the restrictions of Plan Section 5.01(D) (select one)?

Option 1: Yes.

Option 2: No.

NOTE: If no option is selected, Option 1 will apply. If Option 2 applies, the Plan's provisions governing distributions will apply according to Plan Section 5.01(A)(1).

c. Disability

Will a Participant who has incurred a Disability be entitled to request a distribution from the Plan (select one)?

Option 1: Yes (select all that apply):

- Elective Deferrals.
 Matching Contributions.
 Employer Profit Sharing Contributions.

Option 2: No.

NOTE: If no option is selected, Option 1 will apply. If Option 1 applies and no contribution source is selected, distributions will be permitted from all contribution sources.

Part B. Form of Distribution (Answer each of the following items.)

1. Individual Account Balances of \$1,000 or Less

Cashout distributions of \$1,000 or less that are Eligible Rollover Distributions and are made to terminated Participants pursuant to Plan Section 5.01(B) shall be (select one):

Option 1: Paid in a lump sum distribution.

Option 2: Paid in a Direct Rollover to an individual retirement account (as defined in Code Sections 408(a) and 408(b)).

NOTE: If no option is selected, Option 1 will apply.

2. Individual Account Balances Exceeding \$1,000

a. Lump Sum

Will a Participant be entitled to request a distribution of the Vested portion of their Individual Account in a lump sum, subject to Plan Section 5.02 (select one)?

Option 1: Yes.

Option 2: No.

b. Partial Payments

Will a Participant be entitled to request a partial distribution of the Vested portion of their Individual Account, subject to Plan Section 5.02 (select one)?

Option 1: Yes.

Option 2: No.

c. Installment Payments

Will a Participant be entitled to request a distribution of the Vested portion of their Individual Account over a period not to exceed the life expectancy of the Participant or the joint and last survivor life expectancy of the Participant and their designated Beneficiary, subject to Plan Section 5.02 (select one)?

Option 1: Yes.

Option 2: No.

d. Annuity Contracts

Will a Participant be entitled to apply the Vested portion of their Individual Account toward the purchase of an annuity contract, subject to Plan Section 5.02 (select one)?

Option 1: Yes.

Option 2: No.

NOTE: Option 1 must be selected for at least one of items (a) through (d) in Part B, item 2 above. If neither option is selected for items (a) or (b) in Part B, item 2 above, Option 1 will apply. If neither option is selected for items (c) or (d), Option 2 will apply. If this Plan is restating a Prior Plan, the forms of distribution under this Plan must generally be at least as favorable as under the Prior Plan.

Part C. Timing of Distributions

1. Death, Disability or Attainment of Normal Retirement Age

If a Participant dies, incurs a Disability or attains Normal Retirement Age, and a distributable event has occurred, distributions shall commence as soon as administratively feasible following (select one):

Option 1: The date the Participant (or Beneficiary of a deceased Participant) requests a distribution.

Option 2: The next valuation date after the Participant (or Beneficiary of a deceased Participant) requests a distribution.

Option 3: The last day of the Plan Year within which the Participant (or Beneficiary of a deceased Participant) requests a distribution.

Option 4: The last day of the Plan Year within which the Participant (or Beneficiary of a deceased Participant) requests a distribution or the Participant requests a distribution and incurs _____ (not more than five) consecutive one-year Breaks in Vesting Service, whichever is later.

NOTE: If no option is selected, Option 1 will apply. A Participant's request for a distribution must be accompanied by their Spouse's consent (if required) as prescribed in Plan Section 5.10.

2. Termination of Employment or Severance from Employment

If a Participant has a Termination of Employment or Severance from Employment, and a distributable event has occurred, distributions shall commence as soon as administratively feasible following (select one):

Option 1: The date the Participant (or Beneficiary of a deceased Participant) requests a distribution.

Option 2: The next valuation date after the Participant (or Beneficiary of a deceased Participant) requests a distribution.

Option 3: The last day of the Plan Year within which the Participant (or Beneficiary of a deceased Participant) requests a distribution.

Option 4: The last day of the Plan Year within which the Participant (or Beneficiary of a deceased Participant) requests a distribution or the Participant requests a distribution and incurs _____ (not more than five) consecutive one-year Breaks in Vesting Service, whichever is later.

NOTE: If no option is selected, Option 1 will apply. A Participant's request for a distribution must be accompanied by their Spouse's consent (if required) as prescribed in Plan Section 5.10.

Part D. Required Minimum Distributions

1. Election to Apply Five-Year Rule to Distributions to Designated Beneficiaries

Will Designated Beneficiaries be required to take distributions according to the five-year rule (select one)?

Option 1: Yes. If the Participant dies before distributions have begun and there is a Designated Beneficiary, distribution to the Designated Beneficiary is not required to begin by the date specified in Plan Section 5.05(D)(2), but the Participant's entire interest will be distributed to the Designated Beneficiary by December 31 of the calendar year containing the fifth anniversary of the Participant's death. If the Participant's surviving Spouse is the Participant's sole Designated Beneficiary and the surviving Spouse dies after the Participant but before distributions to either the Participant or the surviving Spouse have begun, this election will apply as if the surviving Spouse were the Participant.

Option 2: No.

NOTE: If no option is selected, Option 2 will apply.

If applicable, this item 1 shall apply to (select one):

Option 1: All distributions.

Option 2: The following distributions (specify): _____

NOTE: If no option is selected, Option 1 will apply.

2. Election to Permit Participants or Beneficiaries to Elect Five-Year Rule

Will Participants or Designated Beneficiaries be permitted to elect, on an individual basis, whether the five-year rule or the life expectancy rule applies (select one)?

Option 1: Yes. Participants or Beneficiaries may elect on an individual basis whether the five-year rule or the life expectancy rule in Plan Section 5.05(D)(2) applies to distributions after the death of a Participant who has a Designated Beneficiary.

Option 2: No. Distributions will be made in accordance with Plan Section 5.05(D)(2) and, if applicable, item 1 above.

NOTE: If no option is selected, Option 1 will apply. If Option 1 in Part D, item 1 above is selected, Option 2 in Part D, item 2 must be selected.

Part E. Retirement Equity Act Safe Harbor

Will the safe harbor provisions of Plan Section 5.10(E) apply (select one)?

Option 1: Yes.

Option 2: No.

NOTE: If no option is selected, Option 1 will apply.

Survivor Annuity Percentage (Complete only if Option 2 is selected or if certain Plan assets (e.g., transfer contributions) are subject to the Retirement Equity Act annuity requirements.)

The survivor annuity portion of the Qualified Joint and Survivor Annuity will be a percentage equal to _____ percent (at least 50 percent, but no more than 100 percent) of the amount paid to the Participant before their death.

NOTE: If no option is selected, the survivor annuity portion of the Qualified Joint and Survivor Annuity will be equal to 50 percent.

Part F. Loans

May a Participant request a loan pursuant to Plan Section 5.16 (select one)?

Option 1: Yes.

Option 2: No.

NOTE: If no option is selected, Option 2 will apply.

NOTE: Generally, Code Section 411(d)(6) prohibits the elimination of protected benefits. Protected benefits include the timing of payout options. If the Plan is restating a Prior Plan that permitted a distribution option described above that involves the timing of a distribution, the selections must generally be at least as favorable as under the Prior Plan. Certain forms of distributions (e.g., redundant forms of distribution) may, however, be eliminated. Refer to Code Section 411(d)(6) and the corresponding Treasury regulation for details pertaining to the elimination of otherwise protected benefits. Note that ADP Test Safe Harbor Contributions may not be distributed earlier than Severance from Employment, death, Disability, an event described in Code Section 401(k)(10), or, in the case of a profit sharing plan, the attainment of age 59½.

SECTION SIX: DEFINITIONS
Complete Parts A through J

Part A. Compensation for Allocation and Other General Purposes (Define compensation by placing an "x" in each of the applicable boxes below. If a contribution source listed below is not available in the Plan, select "Not Applicable" for such source.)

1. Base Definition

Compensation will mean all of each Participant's (select one for each contribution source):

	Elective Deferrals	Matching Contributions	Employer Profit Sharing Contributions
Not Applicable			
W-2 Wages	✓	✓	✓
3401(a) Wages			
415 Safe-Harbor Compensation			

NOTE: If no box is selected for a contribution source, W-2 wages will apply to such source.

2. Determination Period

Compensation shall be determined over the following applicable period (select one for each contribution source):

	Elective Deferrals	Matching Contributions	Employer Profit Sharing Contributions
Not Applicable			
Plan Year	✓	✓	✓
Calendar Year Ending With Or Within The Plan Year			
Consecutive 12-Month Period, Beginning On (specify month and day) _____			

NOTE: If no box is selected for a contribution source, Plan Year will apply to such source.

3. Inclusion of Elective Deferrals

Compensation shall include Employer Contributions (made pursuant to a salary reduction agreement) that are not includible in the gross income of the Employee under any of the following Code Sections: Section 125 (cafeteria plans), Section 132(f)(4) (transportation fringe benefits), Section 402(e)(3) (401(k) plans), Section 408(k) (salary deferral SEP plans), Section 403(b) (tax sheltered annuity plans), Section 457 (deferred compensation plans of state and local governments and tax-exempt organizations) (select "Yes" or "No" for each of the following contribution types).

- Elective Deferrals Yes No
- Matching Contributions Yes No
- Employer Profit Sharing Contributions Yes No

NOTE: If a box is not selected for an item, "Yes" will apply for the applicable contribution type, if applicable.

4. Exclusions from Compensation

Compensation shall exclude the following (select all that apply).

	Elective Deferrals	Matching Contributions	Employer Profit Sharing Contributions
Not Applicable			
Bonuses			
Overtime			
Commissions			
Other (specify) _____			

NOTE: If a box is not selected for a contribution source, such item will be included in Compensation for such contribution source, if applicable. No exclusions from Compensation are permitted with respect to Employer Profit Sharing Contributions if the integrated allocation formula in Section Three, Part D, item 3 is selected. If any items are excluded, the definition of Compensation may not be a safe harbor alternative definition of compensation and may be subject to nondiscrimination testing under Code Section 414(s).

5. Post-Severance Compensation

a. Regular Compensation

In addition to any adjustment to Compensation elected above, will regular compensation be included in Compensation (select one)?

- Option 1: Yes.
- Option 2: No.

NOTE: If no option is selected, Option 1 will apply.

b. Leave Payments

In addition to any adjustment to Compensation elected above, will leave payments be excluded from Compensation (select one)?

- Option 1: Yes.
- Option 2: No.

NOTE: If no option is selected, Option 1 will apply.

6. Pre-Entry Date Compensation

Unless a different definition of Compensation is required by either the Code or ERISA, for the Plan Year in which an Employee enters the Plan, the Employee's Compensation that will be taken into account for purposes of the Plan will be *(select one for each contribution source)*:

	Elective Deferrals	Matching Contributions	Employer Profit Sharing Contributions
Not Applicable			
Compensation from Entry Date	✓	✓	✓
Compensation for the full Plan Year			

NOTE: If no box is selected for a contribution source, Compensation from Entry Date will apply to such source.

7. Deemed 125 Compensation

Will Compensation include deemed Code Section 125 compensation?

Option 1: Yes.

Option 2: No.

NOTE: If no option is selected, Option 2 will apply.

Part B. Disability

For purposes of this Plan, Disability will mean *(select one)*:

Option 1: The inability to engage in any substantial, gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

Option 2: The inability to engage in any substantial, gainful activity in the Employee's trade or profession for which the Employee is best qualified through training or experience or as defined under the employer's long term disability program.

NOTE: If no option is selected, Option 1 will apply.

Part C. Highly Compensated Employee

1. Top Paid Group Election

For purposes of determining who is a Highly Compensated Employee under the Plan, will the top paid group election apply *(select one)*?

Option 1: Yes.

Option 2: No.

NOTE: If no option is selected, Option 2 will apply.

2. Calendar Year Data Election

If the Plan Year is a fiscal year other than a calendar year, for purposes of determining who is a Highly Compensated Employee (other than a five-percent owner) under the Plan, will the calendar year data election apply *(select one)*?

Option 1: Yes.

Option 2: No.

NOTE: If no option is selected, Option 2 will apply. If the Plan Year is a calendar year, the Highly Compensated Employee determination will be based on the calendar year.

Part D. Hour of Service – Method of Determining Service

1. Service for purposes of determining eligibility to participate in the Plan will be determined on the basis of *(select one)*:

Option 1: Elapsed Time.

Option 2: Actual hours for which an Employee is paid or entitled to payment.

Option 3: Days worked. An Employee will be credited with 10 Hours of Service if under the definition of Hours of Service such Employee would be credited with at least one Hour of Service during the day.

Option 4: Weeks worked. An Employee will be credited with 45 Hours of Service if under the definition of Hours of Service such Employee would be credited with at least one Hour of Service during the week.

Option 5: Semi-Monthly payroll periods worked. An Employee will be credited with 95 Hours of Service if under the definition of Hours of Service such Employee would be credited with at least one Hour of Service during the semi-monthly payroll period.

Option 6: Months worked. An Employee will be credited with 190 Hours of Service if under the definition of Hours of Service such Employee would be credited with at least one Hour of Service during the month.

NOTE: If no option is selected, Option 2 will apply.

2. Service for purposes of determining if a Participant is a Qualifying Participant or Qualifying Contributing Participant (and therefore eligible to receive an Employer Contribution) will be determined on the basis of (*select one*):
- Option 1: Elapsed Time.
 - Option 2: Actual hours for which an Employee is paid or entitled to payment.
 - Option 3: Days worked. An Employee will be credited with 10 Hours of Service if under the definition of Hours of Service such Employee would be credited with at least one Hour of Service during the day.
 - Option 4: Weeks worked. An Employee will be credited with 45 Hours of Service if under the definition of Hours of Service such Employee would be credited with at least one Hour of Service during the week.
 - Option 5: Semi-Monthly payroll periods worked. An Employee will be credited with 95 Hours of Service if under the definition of Hours of Service such Employee would be credited with at least one Hour of Service during the semi-monthly payroll period.
 - Option 6: Months worked. An Employee will be credited with 190 Hours of Service if under the definition of Hours of Service such Employee would be credited with at least one Hour of Service during the month.

NOTE: If no option is selected, Option 2 will apply.

3. Service for purposes of determining a Participant's Vested percentage will be determined on the basis of (*select one*):
- Option 1: Elapsed Time.
 - Option 2: Actual hours for which an Employee is paid or entitled to payment.
 - Option 3: Days worked. An Employee will be credited with 10 Hours of Service if under the definition of Hours of Service such Employee would be credited with at least one Hour of Service during the day.
 - Option 4: Weeks worked. An Employee will be credited with 45 Hours of Service if under the definition of Hours of Service such Employee would be credited with at least one Hour of Service during the week.
 - Option 5: Semi-Monthly payroll periods worked. An Employee will be credited with 95 Hours of Service if under the definition of Hours of Service such Employee would be credited with at least one Hour of Service during the semi-monthly payroll period.
 - Option 6: Months worked. An Employee will be credited with 190 Hours of Service if under the definition of Hours of Service such Employee would be credited with at least one Hour of Service during the month.

NOTE: If no option is selected, Option 2 will apply.

Part E. Limitation Year Means

- Option 1: The Plan Year.
- Option 2: The calendar year.
- Option 3: Other 12-consecutive month period (*Specify a 12-consecutive month period selected in a uniform and nondiscriminatory manner.*) _____

NOTE: If no option is selected, Option 1 will apply.

Part F. Plan Year Means

- Option 1: The 12-consecutive month period which coincides with the Adopting Employer's tax year.
- Option 2: The calendar year.
- Option 3: The 52/53 week period ending on the last _____ (*specify day of the week*) nearest _____ (*specify month and day*) of each year.
- Option 4: Other 12-consecutive month period (*Specify a 12-consecutive month period selected in a uniform and nondiscriminatory manner.*) _____

NOTE: If no option is selected, Option 1 will apply.

If the initial Plan Year or any subsequent Plan Year is less than 12 months (a short Plan Year) specify such Plan Year's beginning and ending dates. _____

Part G. Predecessor Employer Service

In addition to the Hours of Service credited when an Employer maintains the plan of a predecessor employer, Hours of Service with a predecessor employer will be credited for the following purposes where the Employer does not maintain the plan of a predecessor employer (*select all that apply*):

- Eligibility.
- Vesting.
- Allocation of Contributions.

Name of Predecessor Employer(s): _____

If service with a predecessor is taken into account for one or more of the items listed above, specify any additional limitations on crediting service that apply (e.g., limitations by business classification, length of service, etc.): _____

Part H. Required Beginning Date

For purposes of determining when minimum distributions must begin to be made to each Participant, the Required Beginning Date will mean (select one):

- Option 1: The April 1 of the calendar year following the calendar year in which a Participant attains age 70½.
- Option 2: April 1 of the calendar year following the calendar year in which the Participant attains age 70½, except that distributions to a Participant (other than a five-percent owner) with respect to benefits accrued after _____ (specify month, day, and year) must commence by April 1 of the calendar year following the later of the calendar year in which the Participant attains age 70½ or the calendar year in which the Participant retires.
- Option 3: The later of the April 1 of the calendar year following the calendar year in which a Participant attains age 70½ or retires except that distributions to a five-percent owner must commence by the April 1 of the calendar year following the calendar year in which the Participant attains age 70½.

NOTE: If no option is selected, Option 3 will apply.

(If Option 3 is selected, choose one or more of the following suboptions.)

Suboption (a): Any Participant (other than a five-percent owner of the Employer) attaining age 70½ in years after 1995 may elect by the April 1 of the calendar year following the year in which the Participant attained age 70½ (or by December 31, 1997, in the case of a Participant attaining age 70½ in 1996) to defer distributions until the calendar year following the calendar year in which the Participant retires. An election to defer distributions will be deemed made by a Participant who does not request a minimum distribution by April 1 of the year following the year in which the Participant attains age 70½.

Suboption (b): Any Participant (other than a five-percent owner) attaining age 70½ in years before 1997 may elect to stop distributions and recommence by the April 1 of the calendar year following the year in which the Participant retires. There is either (select one):

- (i) a new annuity starting date upon recommencement, or
- (ii) no new annuity starting date upon recommencement.

NOTE: If neither item (i) nor item (ii) is selected, item (ii) will apply.

NOTE: If no suboption(s) is selected, Suboptions (a) and (b) will apply.

Part I. Retirement Age

1. Early Retirement Age

The Early Retirement Age under the Plan will be (select one):

- Option 1: An Early Retirement Age is not applicable under the Plan.
- Option 2: A Participant satisfies the Plan's Early Retirement Age conditions by attaining age _____ and completing _____ Years of Vesting Service.

NOTE: If no option is selected, Option 1 will apply.

2. Normal Retirement Age

The Normal Retirement Age under the Plan will be (select and complete one):

- Option 1: Age 59.5 (not to exceed 65 or such later age as may be allowed under Code Section 411(a)(8)).
- Option 2: The later of age _____ (not to exceed 65 or such later age as may be allowed under Code Section 411(a)(8)) or the _____ (not to exceed fifth) anniversary of the first day of the first Plan Year in which the Participant commenced participation in the Plan.

NOTE: If no option is selected, Option 1 and age 59½ will apply.

Part J. Valuation Date

The Plan Valuation Date will be (select one):

- Option 1: Daily.
- Option 2: The last day of the Plan Year and each other date designated by the Plan Administrator which is selected in a uniform and nondiscriminatory manner.
- Option 3: The last day of each Plan quarter.
- Option 4: The last day of each month.
- Option 5: Other (Specify one or more dates that are selected in a uniform and nondiscriminatory manner, including the last day of the Plan Year.) Each business day the New York Stock Exchange is open for trading _____

NOTE: If no option is selected, Option 2 will apply.

SECTION SEVEN: MISCELLANEOUS
Complete Parts A and B

Part A. Life Insurance

Will life insurance investments be permitted under the Plan *(select one)*?

Option 1: Yes.

Option 2: No.

NOTE: *If no option is selected, Option 2 will apply.*

Part B. Participant Direction

1. Authorization

Will a Participant be responsible for directing any or all of the investment of their Plan assets pursuant to Plan Section 7.22(B) *(select one)*?

Option 1: Yes.

Option 2: No.

NOTE: *If no option is selected, Option 1 will apply. Complete the remainder of Part B only if Option 1 is selected.*

2. Investment Options

A Participant may direct the investment of their Plan assets among the following investments *(select one)*:

Option 1: Only those investment options designated by the Plan Administrator or other Fiduciary as being subject to Participant direction.

Option 2: Any investment permitted by the Plan.

NOTE: *If no option is selected, Option 1 will apply.*

3. Accounts Subject to Participant Direction

A Participant shall be responsible for directing the following portions of their Individual Account *(select one)*:

Option 1: The entire Individual Account.

Option 2: Those accounts that the Plan Administrator may designate from time to time in a uniform and nondiscriminatory manner.

Option 3: The following accounts *(select all that apply)*:

Elective Deferral account.

Matching Contribution account.

Employer Profit Sharing Contribution account.

Rollover contribution account.

Transfer contribution account.

Other *(Specify one or more of the accounts that may, in part, comprise a Participant's Individual Account under this Plan. Do not list any restrictions on Participant direction that would be deemed to restrict any benefits, rights, or features in a discriminatory manner prohibited under Code Section 401(a)(4).)*

NOTE: *If no option is selected, Option 1 will apply.*

4. Frequency of Investment Changes

A Participant may make changes to the investments within their Individual Account with the following frequency *(select one)*:

Option 1: In accordance with uniform and nondiscriminatory rules established by the Plan Administrator or other Fiduciary.

Option 2: Daily.

Option 3: Monthly.

Option 4: Quarterly.

Option 5: Other *(Specify one or more uniform and nondiscriminatory periods selected by the Plan Administrator.)*

NOTE: *If no option is selected, Option 1 will apply. The Plan's Valuation Dates must be at least as often as the frequency selected above.*

5. ERISA 404(c) Compliance

Does the Adopting Employer intend to operate this Plan in compliance with ERISA Section 404(c) as set forth in Plan Section 7.22(B)?

Option 1: Yes.

Option 2: No.

NOTE: *If no option is selected, Option 1 will apply.*

SECTION EIGHT: TRUSTEE AND CUSTODIAN
Complete Parts A and B, (as applicable)

Part A. Trustee (This Part A must be completed unless the Plan only covers one or more Self-Employed Individuals or satisfies another exception under ERISA. Select one.)

1. Trustee Appointment

Option 1: Financial Organization as Trustee

Option 2: Individual Trustee(s)

The Trustee of this Plan shall be a: Directed Trustee Discretionary Trustee

Name of Trustee Vanguard Fiduciary Trust Company

Address P.O. Box 2900, Valley Forge, PA 19482

Telephone (800) 523-1188

Signature _____

Title Dennis Simmons, Principal

Name of Trustee _____

Address _____

Telephone _____

Signature _____

Title _____

Name of Trustee _____

Address _____

Telephone _____

Signature _____

Title _____

Name of Trustee _____

Address _____

Telephone _____

Signature _____

Title _____

2. Trust Agreement

If a Trustee is designated in Part A, item 1 above, which trust agreement will apply to the Plan (*select one*)?

Option 1: Trust provisions contained in Plan Section Eight.

Option 2: Separate executed trust agreement attached hereto.

NOTE: If no option is selected, Option 1 will apply. If Option 2 is selected, the attached trust agreement must be on file with the IRS for use by the Prototype Sponsor listed in Section Nine below.

Part B. Custodian (Both a Custodian and Trustee may be appointed for the Plan. This Part B must be completed if a Trustee is not named in Part A, above.)

1. Custodian Appointment

Financial Organization _____

Address _____

Signature _____

Type Name _____

Title _____

2. Custodial Agreement

If a Custodian is designated in Part B, item 1 above, which custodial agreement will apply to the Plan (*select one*)?

Option 1: Custodial provisions contained in Plan Section Eight.

Option 2: Separate executed custodial agreement attached hereto.

NOTE: If no option is selected, Option 1 will apply. If Option 2 is selected, the attached custodial agreement must be on file with the IRS for use by the Prototype Sponsor listed in Section Nine below.

SECTION NINE: EMPLOYER SIGNATURE

Prototype Sponsor

Name of Prototype Sponsor Vanguard Fiduciary Trust Company
Address P.O. Box 2900, Valley Forge, PA 19482
Telephone (800) 523-1188

Plan Administrator

Check here and provide the applicable information below if someone other than the Adopting Employer will be the Plan Administrator.
Name of Plan Administrator _____
Address _____
City _____ State _____ Zip _____
Telephone _____
Signature of Plan Administrator _____ Date Signed _____
Type Name _____

Check the applicable box if there is an attachment(s) that applies to this Plan other than a separate trust or custodial agreement.

- Attachment A, Protected Benefits and Prior Plan Provisions.
- Attachment B, Special Effective Date(s).
- Attachment C, New Comparability Allocation Group(s).
- Other: *(If this box is checked, please describe the attachment(s))* Plan clarification

Authorized Employer Signature

I am an authorized representative of the Adopting Employer named above and I state the following:

1. I acknowledge that I have relied upon my own advisors regarding the completion of this Adoption Agreement and the legal tax implications of adopting this Plan;
 2. I understand that I should review this document carefully for accuracy and completeness as I have final responsibility for ensuring that the operational compliance requirements for the Plan are met. I understand that my failure to properly complete this Adoption Agreement may result in disqualification of the Plan;
 3. I understand that the Prototype Sponsor will inform me of any amendments made to the Plan and will notify me should it discontinue or abandon the Plan; and
- I have received a copy of this Adoption Agreement, the corresponding Basic Plan Document and, if applicable, any separate trust or custodial agreement used in lieu of the trust or custodial agreement contained in the Basic Plan Document.

Signature of Adopting Employer _____ Date Signed _____
Type Name _____ Title _____

NOTE: *The Adopting Employer may rely on an opinion letter issued by the Internal Revenue Service as evidence that the Plan is qualified under Code Section 401 only to the extent provided in Revenue Procedure 2005-16. The Employer may not rely on the opinion letter in certain other circumstances or with respect to certain qualification requirements, which are specified in the opinion letter issued with respect to the Plan and in Revenue Procedure 2005-16. In order to have reliance in such circumstances or with respect to such qualification requirements, application for a determination letter must be made to Employee Plans Determinations of the Internal Revenue Service. This Adoption Agreement may be used only in conjunction with Basic Plan Document #01.*

SECTION TEN: ALLOCATION FACTOR TABLES

Employers selecting the Age-Weighted Formula in the Adoption Agreement for purposes of allocating Employer Profit Sharing Contributions shall use the following tables in determining the Allocation Factor.

Age Related Allocation Factors*

Participant's Current Age	Interest Rate		
	7.5%	8.0%	8.5%
1	0.991	0.714	0.515
2	1.066	0.771	0.559
3	1.146	0.833	0.606
4	1.232	0.899	0.658
5	1.324	0.971	0.714
6	1.423	1.049	0.775
7	1.530	1.133	0.840
8	1.645	1.223	0.912
9	1.768	1.321	0.989
10	1.901	1.427	1.074
11	2.043	1.541	1.165
12	2.197	1.665	1.264
13	2.361	1.798	1.371
14	2.539	1.942	1.488
15	2.729	2.097	1.614
16	2.934	2.265	1.751
17	3.154	2.446	1.900
18	3.390	2.641	2.062
19	3.644	2.853	2.237
20	3.918	3.081	2.427
21	4.212	3.327	2.634
22	4.527	3.594	2.857
23	4.867	3.881	3.100
24	5.232	4.192	3.364
25	5.624	4.527	3.650
26	6.046	4.889	3.960
27	6.500	5.280	4.297
28	6.987	5.703	4.662
29	7.511	6.159	5.058
30	8.075	6.652	5.488
31	8.680	7.184	5.954
32	9.331	7.758	6.461
33	10.031	8.379	7.010
34	10.783	9.049	7.606
35	11.592	9.773	8.252
36	12.462	10.555	8.953
37	13.396	11.400	9.714
38	14.401	12.311	10.540
39	15.481	13.296	11.436
40	16.642	14.360	12.408
41	17.890	15.509	13.463
42	19.232	16.750	14.607
43	20.674	18.090	15.849
44	22.225	19.537	17.196
45	23.892	21.100	18.658
46	25.684	22.788	20.244
47	27.610	24.611	21.964
48	29.681	26.580	23.831
49	31.907	28.706	25.857
50	34.300	31.002	28.055
51	36.872	33.483	30.439
52	39.638	36.161	33.027
53	42.611	39.054	35.834
54	45.806	42.178	38.880
55	49.242	45.553	42.185
56	52.935	49.197	45.770
57	56.905	53.133	49.661
58	61.173	57.383	53.882
59	65.761	61.974	58.462
60	70.693	66.932	63.431
61	75.995	72.286	68.823
62	81.695	78.069	74.673
63	87.822	84.315	81.020
64	94.408	91.060	87.907
65	101.489	98.345	95.379

*Based on the UP 1984 Mortality Table Testing Age 65

x

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MARYLAND ENVIRONMENTAL SERVICE

BOARD OF DIRECTORS

RESOLUTION NO. 10-08-1R

A RESOLUTION AUTHORIZING

The execution and delivery by the Maryland Environmental Service (the "Service") of a First Amendment to Installment Financing and Security Agreement (the "First Amendment"), between the Service and Bank of America, N.A. (the "Bank"), for the purpose of extending the maturity of the Service's \$12,000,000 Revenue Bond Anticipation Note (Mid-Shore II Regional Landfill Project), Series 2009A (the "Note"), and amending certain terms of the Installment Financing and Security Agreement, dated as of September 29, 2009 (the "Financing Agreement"), between the Service and the Bank; authorizing the execution and delivery of a modified Note pursuant to the First Amendment; declaring the intent of the Service to issue, and authorizing the issuance of, its Bonds to finance additional costs of the Project and to retire the Note; and authorizing the Director and other officers of the Service to execute and deliver related instruments and documents; and providing generally for other matters in connection therewith.

RECITALS

The Service was created by, exists under, and exercises the powers contained in Section 3-101 through 3-130 of the Natural Resources Article of the Annotated Code of Maryland (2005 Replacement Volume, 2009 Supplement), as amended to date (the "Act"), including, (among others) the powers (i) to borrow money for the purpose of paying all or any part of the cost of any one or more projects or for any other purpose of the Service, (ii) to enter into contracts with the Federal or any State government, or any unit, instrumentality or subdivision thereof, or with any municipality or person within or without the State of Maryland, providing for or relating to the furnishing of services to the facilities of any project of the Service, and (iii) to make any contract or agreement the Service determines to be necessary or incidental to the performance of its duties and to the execution of the purposes of and the powers granted by the Act, including contracts with any person, on terms and conditions the Service approves.

Pursuant to a Memorandum of Understanding dated February 4, 2005 (the "MOU"), between the Service and the County Commissioners of Caroline County, County Commissioners of Queen Anne's County, County Commissioners of Kent County, and Talbot County, Maryland (collectively, the "Mid-Shore Counties"), the Service agreed to proceed with the planning, design, permit acquisition, financing, construction, and operation of a new solid waste landfill to be known as the Mid-Shore II Regional Landfill and located near Ridgely, Caroline County, Maryland (the "Project"). In furtherance of the Project, the Service and the Mid-Shore Counties have entered into waste disposal

service agreements (the "Service Agreements") under which the Mid-Shore Counties have made binding, long-term commitments to the Service for the disposal of solid waste generated within the boundaries of the Mid-Shore Counties. The Service Agreements provide that the Mid-Shore Counties will pay a tipping fee for each ton of acceptable waste that is delivered to the Project, and will pay a supplemental fee in the event that the total costs of the Project exceed the Project revenues.

On September 29, 2009, the Service sold to the Bank, and the Bank purchased from the Service, the Note, for the purpose of financing a portion of the costs of the Project. The Note was issued and sold in accordance with the terms of the Financing Agreement. The Financing Agreement, among other things, provides that the Note will terminate on September 29, 2010, unless such date is extended pursuant to the Financing Agreement (the "Termination Date").

The Service intends to issue its long-term bonds (the "Bonds") at a time that approximates the date of completion of the Project, in an amount not to exceed \$20,000,000 for the purpose of (i) financing additional costs of Project not paid with the proceeds of the Note, including, but not limited to, reimbursement of Project costs incurred prior to the date of issuance of the Bonds and (ii) retiring the Note.

The Service has determined, however, that the issuance of the Bonds cannot be accomplished by the Service on or prior to the Termination Date.

At the request of the Service, the Bank has consented to extend the Termination Date of the Note for ninety (90) days from September 29, 2010 to December 29, 2010.

To evidence the agreement of the Service and the Bank, the Service and the Bank desire to enter into the First Amendment to provide, among other things, for the extension of the Termination Date and the amendment of certain terms of the Financing Agreement. It is the intention of the Service that such actions constitute a mere modification of the Note and not a reissuance thereof for federal income tax purposes.

The Service considers all the transactions contemplated by this Resolution to be in furtherance of the public purposes of the Act and the Service.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MARYLAND ENVIRONMENTAL SERVICE, that:

1. Capitalized terms used and not defined herein shall have the meanings set forth in the title and the Recitals to this Resolution.
2. The Note is hereby authorized to be modified pursuant to the terms of the First Amendment authorized by the further provisions of this Resolution, for the purpose of extending the Termination Date thereof, and the Director of the Service shall be, and hereby is, authorized to execute and deliver a modified Note substantially in the form approved hereby with such changes, omissions, insertions, and revisions as shall be deemed desirable by the Director, provided, however, that such changes, omissions, insertions and revisions shall not alter the substance of the transaction authorized and

approved by this Resolution. The execution of a modified Note by the Director of the Service shall be conclusive evidence of the approval by the Service of all changes in the form of the modified Note and of the due execution of the modified Note by the Service. The Director of the Service is expressly authorized, in consultation with Bond Counsel, and without the need for further approval of the Board, to execute and deliver from time to time such amendments to the Note as shall be deemed necessary or appropriate by the Director to cure any defect or ambiguity in the Note, or to add any provision thereto beneficial to the Service.

3. The First Amendment shall be, and hereby is, adopted and approved, and the Director of the Service shall be, and hereby is, authorized to execute and deliver such First Amendment substantially in the form approved hereby with such changes, omissions, insertions, and revisions as shall be deemed desirable by the Director, provided, however, that such changes, omissions, insertions and revisions shall not alter the substance of the transaction authorized and approved by this Resolution. The execution of the First Amendment by the Director of the Service shall be conclusive evidence of the approval by the Service of all changes in the form of the First Amendment and of the due execution of the First Amendment by the Service. The Director of the Service is expressly authorized, in consultation with Bond Counsel, and without the need for further approval of the Board, to execute and deliver from time to time such amendments to the Financing Agreement and the First Amendment as shall be deemed necessary or appropriate by the Director to cure any defect or ambiguity in either the Financing Agreement or the First Amendment, or to add any provision thereto beneficial to the Service.

4. The Service hereby covenants that it will take, or refrain from taking, any and all actions necessary to comply with the applicable provisions of Section 103 and Sections 141 through 150, inclusive, of the Internal Revenue Code of 1986, as amended (the "Code") and the Income Tax Regulations thereunder, in order to preserve the status of the interest on the Note, as modified by the First Amendment, as excluded from gross income for Federal income tax purposes. Without limiting the generality of the foregoing covenant, the Service hereby covenants to continue to comply with the provisions of the Non-Arbitrage Certificate and Tax Covenants executed and delivered by the Service in connection with the issuance of the Note.

5. The issuance and delivery of Bonds, in an amount not to exceed \$20,000,000 for the purpose of (i) financing additional costs of Project not paid with the proceeds of the Note, including, but not limited to, reimbursement of Project costs incurred prior to the date of issuance of the Bonds and (ii) retiring the Note, is hereby authorized. The Director shall, subject to the limitations set forth in this paragraph, fix the principal amount of the Bonds, the interest rate or rates for the Bonds, and the principal payment schedule for the Bonds.

6. The Director and the other officers of the Service shall be, and hereby are, authorized to take such other acts and to execute and deliver such other documents, certificates, papers, instruments, opinions, or affidavits and to do or cause to be done any and all other

acts and things necessary or proper for carrying out this Resolution, and the terms and conditions of the Note, the Financing Agreement, the First Amendment and the Bonds.

7. The execution by the Director of the Service, or any other officer of the Service, of any other document authorized herein to be executed by the Director or other officer shall constitute conclusive evidence of approval of such document, and any and all changes thereto from the form presented to the Board.

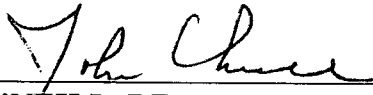
8. This Resolution shall take effect immediately upon its adoption.

ADOPTED, this 19th day of August, 2010.

**SEAL
MARYLAND ENVIRONMENTAL SERVICE**

BY: 

JAMES M. HARKINS, DIRECTOR

BY: 

JOHN O'NEILL, DEPUTY DIRECTOR

BY: 

JOSEPH C. ZIMMERMAN, TREASURER

BY: 

RICHARD P. STREETT, JR., V.M.D., SECRETARY

BANK OF AMERICA, N.A.,

as the Lender

and

MARYLAND ENVIRONMENTAL SERVICE,

as the Borrower

FIRST AMENDMENT TO INSTALLMENT FINANCING AND SECURITY AGREEMENT

Dated as of August 1, 2010

THIS FIRST AMENDMENT TO INSTALLMENT FINANCING AND SECURITY AGREEMENT (this "First Amendment to Financing Agreement"), dated as of August 1, 2010, is entered into between BANK OF AMERICA, N.A., a national banking association (the "Lender"), and MARYLAND ENVIRONMENTAL SERVICE, a body politic and corporate and an instrumentality of the State of Maryland (the "Borrower").

WITNESSETH:

WHEREAS, the Borrower was created by and exists under the Maryland Environmental Service Act, being codified as Sections 3-101 through 3-130, inclusive, of the Natural Resources Article of the Annotated Code of Maryland, as amended (the "Act"), in order to assist with the preservation, improvement and management of the quality of air, land and water resources and to promote the health and welfare of the citizens of the State of Maryland (the "State"); and

WHEREAS, County Commissioners of Caroline County, Maryland, County Commissioners of Queen Anne's County, County Commissioners of Kent County and Talbot County, Maryland (collectively, the "Mid-Shore Counties") have established a regional system of solid waste disposal to accommodate their separate and differing systems of collection and disposal of solid waste, including recycling programs developed cooperatively with the Borrower; and

WHEREAS, the Mid-Shore Counties have determined that it is in the public interest of each of them to take advantage of any economies of scale and opportunities for solid waste disposal which may be achieved through a regional solid waste disposal system; and

WHEREAS, the Borrower is empowered to assist the Mid-Shore Counties in providing solid waste disposal services; and

WHEREAS, in a Memorandum of Understanding dated February 4, 2005 (the "MOU"), between the Borrower and the Mid-Shore Counties, the Borrower agreed to proceed with the planning, design, permit acquisition, financing, construction, and operation of a new landfill located in Caroline County, Maryland (the "Mid-Shore II Landfill") to accept solid waste generated within the boundaries of the Mid-Shore Counties upon the closure on December 31, 2010 of a landfill previously financed, operated and constructed by the Borrower, located in Talbot County, Maryland, near the Town of Easton; and

WHEREAS, in order to make binding, long-term commitments to the Borrower for the disposal of solid waste generated within the boundaries of the Mid-Shore Counties, the Mid-Shore Counties entered into certain waste disposal service agreements (the "Waste Disposal Service Agreements") with the Borrower relating to the Mid-Shore II Landfill; and

WHEREAS, in connection with the MOU and the Waste Disposal Service Agreements, the Borrower took title to the site for the Mid-Shore II Landfill and commenced construction of the Mid-Shore II Landfill (as more particularly described in Exhibit A, the "Project"); and

WHEREAS, on September 29, 2009, the Borrower sold to the Lender, and the Lender purchased from the Borrower, the Borrower's Revenue Bond Anticipation Note (Mid-Shore II

Regional Landfill Project), Series 2009A, in the principal amount of \$12,000,000, dated September 29, 2009 (the "Note"), to finance a portion of the costs of the Project; and

WHEREAS, the Note was issued and sold in accordance with the terms of the Installment Financing and Security Agreement, dated as of September 29, 2009 (the "Financing Agreement"), and

WHEREAS, the Financing Agreement, among other things, provides that the Note will terminate on September 29, 2010, unless such date is extended pursuant to the Financing Agreement (the "Termination Date"); and

WHEREAS, the Borrower intends to issue its long-term bonds (the "Bonds") in the future for the purpose of financing the remaining costs of the Project and to use the proceeds thereof to retire the Note; and

WHEREAS, the Borrower has determined that the issuance of the Bonds cannot be accomplished by the Borrower on or prior to the Termination Date; and

WHEREAS, the Borrower has determined, pursuant to Resolution No. 10-08-1R adopted by the Board of Directors of the Borrower on August 19, 2010 and with the consent of the Lender, to extend the Termination Date of the Note for a period of ninety (90) days, from September 29, 2010 to December 29, 2010; and

WHEREAS the Borrower and the Lender desire to enter into this First Amendment to Financing Agreement to provide, among other things, for the extension of the Termination Date; and

WHEREAS, Section 8.7 of the Financing Agreement provides that the Financing Agreement, the Note and the Waste Disposal Service Agreements (collectively, the "Basic Agreements") express the entire understanding and all agreements between the parties and may not be modified except in writing signed by the parties; and

WHEREAS, by the execution of this First Amendment to Financing Agreement by the Borrower and the Lender, the parties have effected a modification of the Financing Agreement, the Note and the other Basic Agreements in compliance with the conditions of Section 8.7 of the Financing Agreement for the modification of the Basic Agreements;

NOW, THEREFORE, for and in consideration of the mutual covenants hereinafter contained, the parties hereto do hereby agree as follows:

ARTICLE I

DEFINITIONS; AMENDMENTS TO ARTICLE I OF THE FINANCING AGREEMENT

Section 1.1 **Definitions.** (a) Except as provided in subparagraph (b) below, the terms used herein and not otherwise defined shall have the meanings as set forth in the Financing Agreement.

(b) The definition of "Termination Date" contained in Section 1.1 of the Financing Agreement is hereby amended and restated as follows:

"Termination Date" means December 29, 2010, unless such date is extended pursuant to Section 4.2 hereof.

ARTICLE II

AMENDMENT TO NOTE AND OTHER BASIC AGREEMENTS

Section 2.1. **Amendment to Note.** (a) The parties hereto agree that the reference to "September 29, 2010" contained in the first paragraph on page 1 of the Note is hereby deleted and the date "December 29, 2010" is hereby inserted in substitution therefor.

(b) The last sentence of the first paragraph on page 1 of the Note shall be amended and restated to read as follows:

Capitalized terms used but not defined herein shall have the meanings given them in the Installment Financing and Security Agreement, dated September 29, 2009, as amended by the First Amendment to Installment Financing and Security Agreement, dated as of August 1, 2010, between the Issuer and the Bank, as the same may be amended from time to time (the "Agreement").

Section 2.2. **Execution, Delivery and Acceptance of Modified Note.** The authorized officials of the Borrower shall execute, and attest and affix the seal of the Borrower to, a new note in substantially the form of **Exhibit B** attached hereto, reflecting the amendments to the original Note effected hereby (the original Note as modified, the "Modified Note"), and the Borrower shall cause the executed Modified Note to be delivered to the Lender on or about August __, 2010. Upon receipt of the Modified Note, the Lender shall accept the Modified Note and shall simultaneously return the original Note to the Borrower for immediate destruction.

Section 2.3 **Deemed Amendment to Basic Agreements.** All other Basic Agreements not specifically referenced herein shall be deemed amended to the same extent of the amendments herein being made to the Financing Agreement and the Note.

ARTICLE III

MISCELLANEOUS

Section 3.1 **No Further Amendments.** Except as amended by this First Amendment to Financing Agreement, all provisions of the Financing Agreement, the original Note and the other Basic Agreements remain in full force and effect.

Section 3.2 **Conditions to Effectiveness.** This First Amendment to Financing Agreement shall become effective as of the date first above written when and if (a) counterparts of this First Amendment to Financing Agreement shall have been executed by the Borrower and the Lender, and delivered to the Borrower and the Lender, (b) the Borrower and the Lender shall

have received an opinion of Bond Counsel to the effect that the amendments to the Financing Agreement and the Note effected hereby will not adversely affect the exclusion of interest from gross income for purposes of federal income taxation, and (c) the Borrower has paid (or has made provision for such payment to the satisfaction of the Lender) all fees, costs and expenses incurred by the Lender (including, without limitation, attorneys' fees incurred by Lender) in connection with the execution and delivery of this First Amendment to Financing Agreement and the Modified Note and the transactions contemplated hereby and thereby.

Section 3.3 **Full Force and Effect.** Except as specifically provided herein, the execution, delivery and effectiveness of this First Amendment to Financing Agreement shall not operate as a waiver of any right, power or remedy of the parties under the Financing Agreement, the original Note or the other Basic Agreements nor constitute a waiver of any provision of the Financing Agreement, the original Note or the other Basic Agreements.

Section 3.4 **Successors and Assigns.** This First Amendment to Financing Agreement shall inure to the benefit of and be binding upon the parties hereto and their successors and assigns.

Section 3.5 **Law Governing Construction of Financing Agreement.** This First Amendment to Financing Agreement shall be interpreted and construed in accordance with and governed by the laws of the State.

Section 3.6 **Headings.** Section headings in this First Amendment to Financing Agreement are included herein for convenience of reference only and shall not have any effect for purposes of interpretation or construction of the terms of this First Amendment to Financing Agreement.

Section 3.7 **Multiple Counterparts.** This First Amendment to Financing Agreement Indenture may be signed in any number of counterparts, each of which, when executed and delivered, shall be an original; and such counterparts shall together constitute but one and the same First Amendment to Financing Agreement with the same effect as if the signatures thereto were upon the same instrument.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have caused this First Amendment to Financing Agreement to be duly executed as a document as of the date first above written.

LENDER:

BANK OF AMERICA, N.A.

[SEAL]

By: _____

Name:

Title:

BORROWER:

MARYLAND ENVIRONMENTAL SERVICE

By: _____

James M. Harkins

Director

Attest:

By: _____

Name:

Title:

EXHIBIT A

Description of the Project

The Project financed with the proceeds of the Note consists of the acquisition, construction, installation and equipping of the Mid-Shore II Landfill and all other costs related to such Project, including, without limitation, costs in connection with the closure of the Hobbs Road Landfill (as defined in the Waste Disposal Service Agreements), road improvements and the acquisition of real property for permit compliance and soil excavation.

EXHIBIT B

Form of Modified Note

**UNITED STATES OF AMERICA
STATE OF MARYLAND**

No. R- MARYLAND ENVIRONMENTAL SERVICE \$12,000,000

**REVENUE BOND ANTICIPATION NOTE
(MID-SHORE II REGIONAL LANDFILL PROJECT)
SERIES 2009A**

The MARYLAND ENVIRONMENTAL SERVICE (the "Issuer"), a body politic and corporate and an instrumentality of the State of Maryland (the "State"), for value received, acknowledges itself indebted and promises to pay to Bank of America, N.A. (the "Bank"), as registered owner of this Note, or any registered assigns (the person who is registered as owner of this Note on the note register maintained by the Note Registrar, the "Registered Owner"), the principal amount of Twelve Million Dollars (\$12,000,000) and to pay interest on the principal amount of this Note at a rate per annum equal to the greater of (i) 1.95 percent or (ii) 60 percent of LIBOR (as hereinafter defined) plus 0.85 percent. As used in this Note, "LIBOR" means the rate per annum equal to the British Bankers Association LIBOR Rate ("BBA LIBOR"), as published by Reuters (or other commercially available source providing quotations of BBA LIBOR as selected by the Bank from time to time) at approximately 11:00 a.m. London time two (2) London Banking Days before the first day this Note is outstanding, for U.S. Dollar deposits (for delivery on the first day of such interest period) with a 30-day term. If such rate is not available at such time for any reason, then the rate for that interest period will be determined by such alternate method as reasonably selected by the Bank. A "London Banking Day" is a day on which banks in London are open for business and dealing in offshore dollars. The LIBOR rate shall be adjusted on the first day of each month, and the rate shall be adjusted to the applicable LIBOR rate in effect at the time of such adjustment. Interest shall be computed on the basis of actual days elapsed over a year consisting of 360 days, beginning September 29, 2009. Interest shall be payable on this Note on the 29th day of each month, beginning October 29, 2009, through and including December 29, 2010, on which date the principal amount hereof plus all accrued and unpaid interest due and owing on this Note shall be due and payable in full. Capitalized terms used but not defined herein shall have the meanings given them in the Installment Financing and Security Agreement, dated September 29, 2009, as amended by the First Amendment to Installment Financing and Security Agreement, dated as of August 1, 2010, between the Issuer and the Bank, as the same may be amended from time to time (the "Agreement").

Notwithstanding anything to the contrary herein contained, (1) upon each Rate Adjustment Event, the interest rate payable on this Note shall change as set forth in Section 2.3 of the Agreement and (2) upon the occurrence and during the continuance of an Event of Default, this Note shall bear interest at the rate specified above plus three percent (the "Default Rate"), with such Default Rate to be effective on the first date as of which the applicable Event

of Default occurs notwithstanding the fact that such Event of Default may not be reported or otherwise discovered until a subsequent date.

Both principal of and interest on this Note are payable in lawful money of the United States of America. The principal of and interest on this Note are payable by check or by wire transfer mailed or sent to the Registered Owner hereof without presentation and surrender except for the final payment of principal and interest which shall be payable upon presentation and surrender hereof at the office of the Secretary of the Issuer, as Note Registrar.

The holder of this Note shall be required to give the Issuer at least two (2) days' prior written notice of each principal or interest payment due; but failure to give any such notice shall not relieve the Issuer of its obligation to make timely payments on this Note. If any Payment Date is not a Business Day, the Issuer will not be required to make payment until the next succeeding Business Day, and no interest will accrue on such payment in the intervening period.

This Note may be prepaid only in accordance with the provisions of this paragraph. The Issuer shall have the option to prepay its obligations under this Note in whole or in part (the "Option") on any date, plus interest accrued thereon to the Redemption Date (as hereinafter defined). The Issuer shall give notice (the "Notice") to the Registered Owner of its intention to exercise this Option not less than fifteen (15) days prior to the date on which the Option will be exercised (the "Redemption Date") and shall pay to the Registered Owner not later than such Redemption Date the redemption amount set forth above. In the event that such amounts are not received by the Registered Owner on such Redemption Date, such notice by the Issuer of its intention to exercise the Option shall be void and this Note shall continue in full force and effect.

This Note has been duly authorized by the Resolution (as hereinafter defined) and is issued for the purpose of providing funds to finance the Project. This Note, the interest hereon and other costs incident hereto are limited obligations of the Issuer payable solely from the proceeds of the Bonds, and otherwise from the Revenues, which Revenues have been pledged and assigned to the Bank to secure payment thereof.

Neither the faith and credit nor the taxing power of the State or of any political subdivision thereof is pledged to the payment of the principal of or interest on this Note. Neither the Issuer, the State nor any political subdivision thereof is obligated to pay this Note or the interest thereon except from the proceeds of the Bonds and otherwise from the Revenues. The issuance of this Note does not directly or indirectly or contingently obligate, morally or otherwise, the State or any political subdivision thereof to levy or pledge any form of taxation whatever therefor or to make any appropriation for its payment. The Issuer has no taxing power.

No recourse shall be had for the payment of the principal of, premium, if any, and interest on this Note or for any claims based thereon against any member or other officer of the Issuer or any person executing this Note, all such liability, if any, being expressly waived and released by the Registered Owner of this Note by the acceptance of this Note.

This Note is issued under the authority of and in full compliance with the Constitution and statutes of the State, particularly the Maryland Environmental Service Act (being Sections 3-101 through 3-130, inclusive, of the Natural Resources Article of the Annotated Code of

Maryland, as amended (the "Act")) and Resolution No. 09-09-1R adopted by the Board of Directors of the Issuer on September 28, 2009 and Resolution No. 10-08-1R adopted by the Board of Directors of the Issuer on August 19, 2010 (together, the "Resolution").

This Note is hereby designated as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

This Note may be transferred only by an assignment duly executed by the Registered Owner hereof or such owner's attorney or legal representative in a form satisfactory to the Note Registrar. Such transfer shall be made in the registration books kept by the Note Registrar upon presentation and surrender hereof and the Issuer shall execute, and the Note Registrar shall deliver in exchange, a new Note having an equal aggregate principal amount, of the same form and maturity, bearing interest at the same rate, and registered in such name as requested by the then Registered Owner hereof or such owner's attorney or legal representative. Any such exchange shall be at the expense of the Issuer, except that the Note Registrar may charge the person requesting such exchange the amount of any tax or other governmental charge required to be paid with respect thereto.

The Issuer shall initially act as its own Note Registrar and paying agent. The Issuer may designate a successor Note Registrar and/or paying agent, provided, that written notice specifying the name and location of the principal office of any such successor(s) shall be given to the Registered Owner of this Note. Upon registration of transfer of this Note, the Note Registrar shall furnish written notice to the transferee of the name and location of the principal office of the Note Registrar and/or the paying agent.

The Note Registrar shall treat the Registered Owner as the person exclusively entitled to payment of principal and interest and the exercise of all other rights and powers of the owner.

It is hereby certified and recited that all acts, conditions and things required by the Constitution and statutes of the State of Maryland to happen, exist, or be performed precedent to the issuance of this Note have happened, exist, or have been performed in due time, form, and manner as so required and that the indebtedness evidenced by this Note is within every debt and other limit prescribed by the Constitution and statutes of the State of Maryland. This Note shall be governed by the laws of the State of Maryland.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the Issuer has caused this Note to be executed in its name by the Director of the Issuer, its seal to be affixed and attested by the Treasurer of the Issuer, all as of the ____ day of August, 2010

MARYLAND ENVIRONMENTAL SERVICE

By: _____
James M. Harkins
Director

[SEAL]

Attest:

Joseph C. Zimmerman
Treasurer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE OF ASSIGNEE)

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE: _____

the within Note and does hereby irrevocably constitute and appoint:

_____, attorney, to transfer said Note on the books kept for registration of said Note, with full power of substitution in the premises.

Dated _____

Signature Guaranteed:

(NOTICE: Signature(s) must be guaranteed by an Eligible Guarantor Institution such as a Commercial Bank, Trust Company, Securities Broker/Dealer, Credit Union, or Savings Association which is a member of a medallion program approved by The Securities Association, Inc.)

Registered Owner

(NOTICE: The signature above must correspond with the name of the Registered Owner as it appears on the books kept for registration of this Note in every particular, without alteration or change.)

MARYLAND ENVIRONMENTAL SERVICE

BOARD OF DIRECTORS

RESOLUTION NO. 10-09-1R

A RESOLUTION AUTHORIZING

the issuance, sale and delivery by the Maryland Environmental Service (the "Service") of its Maryland Environmental Service Revenue Bonds (Mid-Shore II Regional Landfill Project) Series 2010 (the "Series 2010 Bonds") in an aggregate principal amount not to exceed \$20,000,000 for the purpose of (i) refunding and paying at or before maturity its \$12,000,000 Revenue Bond Anticipation Note (Mid-Shore II Regional Landfill Project), Series 2009A (the "Note"), which matures on December 29, 2010 and (ii) paying all or a part of the cost of a project of the Service consisting generally of the planning, design, permit acquisition, financing, construction, and operation of a new solid waste landfill to be known as the Mid-Shore II Regional Landfill and located near Ridgely, Caroline County, Maryland (the "Project"); approving the execution and delivery of an Indenture of Trust between the Service and The Bank of New York Mellon, as trustee, relating to and securing the Series 2010 Bonds and any additional bonds issued thereunder on parity with the Series 2010 Bonds; providing for the Series 2010 Bonds to be obligations of the Service payable from amounts received pursuant to Service Agreements between the Service and the Mid-Shore Counties, from such other revenues as may be received by the Service in connection with the operation of the Mid-Shore II Regional Landfill, and from the proceeds of future bonds, notes or other obligations of the Service; authorizing the sale of the Series 2010 Bonds by competitive bidding; authorizing the Director and other officers of the Service to award the sale of the Series 2010 Bonds to the successful bidder submitting a proper bid; authorizing the Director and other officers of the Service to execute the Indenture of Trust, to execute any documents necessary with respect to the refunding and payment of the Note, to execute a Continuing Disclosure Agreement in compliance with Rule 15c2-12(b)(5) of the Securities Exchange Act of 1934, as amended (the "Rule"), to execute any documents necessary to insure compliance by the Service with the provisions of the Internal Revenue Code of 1986, as amended and the regulations promulgated thereunder applicable to the Series 2010 Bonds and to execute such other documents or certificates as may be necessary in connection with the issuance, sale and delivery of the Series 2010 Bonds; and providing generally for other matters necessary for the issuance, sale and delivery of the Series 2010 Bonds.

RECITALS

The Service was created by, exists under, and exercises the powers contained in Section 3-101 through 3-130 of the Natural Resources Article of the Annotated Code of Maryland (2005 Replacement Volume, 2009 Supplement), as amended to date (the "Act"), including, (among others) the powers (i) to borrow money for the purpose of paying all or any part of the cost of any one or more projects or for any other purpose of the Service, (ii) to enter into contracts with the Federal or any State government, or any unit, instrumentality or subdivision thereof, or with any municipality or person within or without the State of Maryland, providing for or relating to the furnishing of services to the facilities of any project of the Service, and (iii) to make any contract or agreement the Service determines to be necessary or incidental to the performance of its duties and to the execution of the purposes of and the powers granted by the Act, including contracts with any person, on terms and conditions the Service approves.

Pursuant to a Memorandum of Understanding dated February 4, 2005 (the "MOU"), between the Service and the County Commissioners of Caroline County, County Commissioners of Queen Anne's County, County Commissioners of Kent County, and Talbot County, Maryland (collectively, the "Mid-Shore Counties"), the Service agreed to proceed with the planning, design, permit acquisition, financing, construction, and operation of a new solid waste landfill to be known as the Mid-Shore II Regional Landfill and located near Ridgely, Caroline County, Maryland (the "Project"). In furtherance of the Project, the Service and the Mid-Shore Counties have entered into waste disposal service agreements (the "Service Agreements") under which the Mid-Shore Counties have made binding, long-term commitments to the Service for the disposal of solid waste generated within the boundaries of the Mid-Shore Counties. The Service Agreements provide that the Mid-Shore Counties will pay a tipping fee for each ton of acceptable waste that is delivered to the Project, and will pay a supplemental fee in the event that the total costs of the Project exceed the Project revenues.

On September 29, 2009, the Service issued its Note for the purpose of financing a portion of the costs of the Project. The Note is issued and outstanding under and pursuant to the Installment Financing and Security Agreement, dated as of September 29, 2009, as amended by the First Amendment to Installment Financing and Security Agreement, dated as of August 1, 2010 (together, the "Financing Agreement"), each by and between the Service and the Bank of America, N.A. The Note was issued for the purpose of financing a portion of the costs of the Project. Pursuant to the terms of the Financing Agreement the Note will terminate on December 29, 2010 (the "Termination Date"), unless such date is extended pursuant to the Financing Agreement. The Service has made no determination to extend the Termination Date of the Note.

By Resolution 10-08-1R, adopted August 19, 2010, the Service expressed its intent to issue its long-term bonds at a time that approximates the date of completion of the Project, in an amount not to exceed \$20,000,000 for the purpose of (i) financing additional costs of the Project not paid with the proceeds of the Note, including, but not limited to, reimbursement of Project costs

incurred prior to the date of issuance of such bonds and (ii) retiring the Note on or before the Termination Date.

The Service has determined to issue its Series 2010 Bonds, as contemplated by Resolution 10-08-1R and in accordance with the terms of this Resolution for the purposes stated therein and herein. The Series 2010 Series Bonds will be issued and secured under and pursuant to the Indenture of Trust, dated as of October 1, 2010 (the "Indenture of Trust"), by and between the Service and The Bank of New York Mellon, as trustee (the "Trustee") and will be payable from the revenues received under the Service Agreements and from the operation of the Mid-Shore II Regional Landfill, and from the proceeds of future bonds, notes or other obligations of the Service.

The Service considers the planning, design, permit acquisition, financing, construction, and operation of the Project to be in furtherance of the public purposes of the Act and the Service.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MARYLAND ENVIRONMENTAL SERVICE, that:

1. Capitalized terms used and not defined herein shall have the meanings set forth in the title and the Recitals to this Resolution.

2. The issuance, sale and delivery of the Series 2010 Bonds in a principal amount not to exceed \$20,000,000, to be designated "Maryland Environmental Service Revenue Bonds (Mid-Shore II Regional Landfill Project), Series 2010" shall be, and hereby is, authorized and directed pursuant to the provisions of the Act to provide funds for the payment of all or any part of the costs of the Project, as provided in the Act and the Indenture of Trust.

3. The Series 2010 Bonds shall be sold to the successful bidder submitting a proper bid in response to the Official Notice of Sale (the "Notice of Sale") on the terms and conditions set forth in the Notice of Sale included in the draft Preliminary Official Statement (the "Preliminary Official Statement") presented to this meeting. Such form of the Notice of Sale shall be, and hereby is directed to be, filed among the permanent records of the Service. Notwithstanding the foregoing, the Series 2010 Bonds may be sold on a negotiated basis as determined by the Director in consultation with Public Advisory Consultants, Inc., financial advisor to the Service, without further action from the Board of Directors.

4. The total principal amount of the Series 2010 Bonds shall not exceed \$20,000,000. The true interest cost for the Series 2010 Bonds calculated as provided in the Notice of Sale shall not exceed 6% percent. The final maturity date of the Series 2010 Bonds shall not be more than twenty years from the date of the issuance of the Series 2010 Bonds. The Director shall, subject to the limitations set forth in this paragraph, award the sale of the Series 2010 Bonds to the successful bidder(s) therefor, fix the principal amount of the Series 2010 Bonds, the interest rate or rates for the Series 2010 Bonds, and the principal payment schedule for the Series 2010 Bonds, and the Director shall include such terms in the Series 2010 Bonds.

5. The Series 2010 Bonds shall be issued under, secured in accordance with, and have the terms set forth in the Indenture of Trust substantially in the form of the Indenture of Trust presented to this meeting. Such form of the Indenture of Trust shall be, and hereby is directed to be, filed among the permanent records of the Service. The Series 2010 Bonds shall be, and hereby are directed to be, executed and delivered to the Trustee substantially in the form of the Series 2010 Bonds appended to the form of the Indenture of Trust presented to this meeting with such changes, omissions, insertions and revisions as shall be deemed desirable by the Director; provided, however, that such changes, omissions, insertions and revisions shall not alter the substance of the transaction authorized and approved by this Resolution. Upon delivery of the Series 2010 Bonds, the Trustee shall authenticate such Series 2010 Bonds and deliver the same to the purchaser(s) (the "Purchaser") thereof.

6. The Indenture of Trust (including, without limitation, the form of the Series 2010 Bonds appended thereto as Appendix B) shall be, and hereby is, adopted and approved, and the Director of the Service shall be, and hereby is, authorized to execute and deliver such Indenture substantially in the form approved hereby with such changes, omissions, insertions, and revisions as shall be deemed advisable by the Director; provided, however, that such changes, omissions, insertions and revisions shall not alter the substance of the transaction authorized and approved by this Resolution.

7. The Preliminary Official Statement in substantially the form presented to this meeting is hereby approved with such changes, omissions, insertions, and revisions as the Director may deem desirable in connection with the issuance and sale of the Series 2010 Bonds. The Official Statement in substantially the form of the Preliminary Official Statement presented to this meeting, is hereby approved, with such changes, omissions, insertions, and revisions as the Director may deem desirable in connection with the issuance and sale of the Series 2010 Bonds, and the Director of the Service shall be, and hereby is, authorized to execute and deliver such Official Statement in connection with the issuance and sale of the Series 2010 Bonds.

8. It is hereby authorized that the total purchase price for the Series 2010 Bonds shall be paid to the Director, as agent of the Service for the purpose of receiving the purchase price and delivering the Series 2010 Bonds to the successful Purchaser. Immediately upon receipt thereof, the purchase price shall be deposited with the Trustee in the proper accounts as provided in the Indenture of Trust, which accounts may include a refunding fund (the "Refunding Fund") held under the Indenture of Trust with the Trustee. Moneys in the Refunding Fund, if any, may be made available to pay the principal of and interest on the Note due on or before the Termination Date.

9. The Director, the Treasurer and the other officers of the Service shall be, and hereby are, authorized to take such other steps and to execute and deliver such other documents and certificates as the Director shall deem desirable to effect the completion of the issuance, sale, and delivery of the Series 2010 Bonds and the other matters contemplated by this Resolution and the Indenture of Trust, including but not limited to executing and delivering a Continuing Disclosure

Agreement to comply with the Rule and executing and delivering any and all documents necessary to insure compliance by the Service with the provisions of the Code relating to the Series 2010 Bonds and the excludability of interest on the Series 2010 Bonds from gross income of the owners thereof for purposes of Federal income taxation.

10. The Bank of New York Mellon is hereby confirmed as Trustee for the Series 2010 Bonds under the Indenture of Trust.

11. The execution by the Director or other officers of the Service of any document authorized herein to be executed by the Director or other officers shall constitute conclusive evidence of approval of such document, and any and all changes thereto from the form presented to the Service herewith, by the Service.

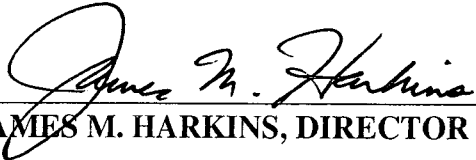
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12. This Resolution shall take effect immediately upon its adoption.

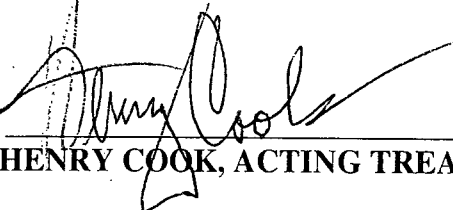
ADOPTED THIS 27th DAY OF SEPTEMBER, 2010

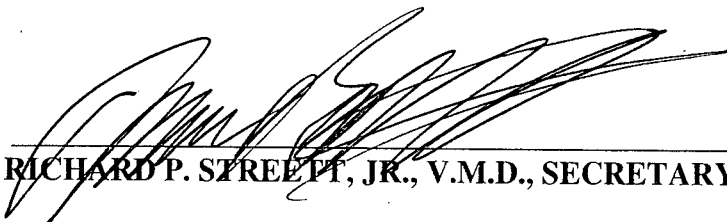
SEAL

MARYLAND ENVIRONMENTAL SERVICE

BY: 
JAMES M. HARKINS, DIRECTOR

BY: 
JOHN O'NEILL, DEPUTY DIRECTOR

BY: 
HENRY COOK, ACTING TREASURER

BY: 
RICHARD P. STREETT, JR., V.M.D., SECRETARY

Attest: 
John O'Neill, Deputy Director

INDENTURE OF TRUST

by and between

MARYLAND ENVIRONMENTAL SERVICE

and

THE BANK OF NEW YORK MELLON, as Trustee

\$ _____
MARYLAND ENVIRONMENTAL SERVICE
REVENUE BONDS
(MID-SHORE II REGIONAL LANDFILL PROJECT)
SERIES 2010

(and any Additional Bonds issued on parity therewith)

Dated as of October 1, 2010

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST, dated as of October 1, 2010, is by and between Maryland Environmental Service, a body politic and corporate constituting an instrumentality of the State of Maryland (the "Service"), and The Bank of New York Mellon, a national banking association, as trustee (together with its successors and assigns, the "Trustee").

RECITALS

WHEREAS, Chapter 240 of the Laws of Maryland of 1970, as amended from time to time by acts of the General Assembly of the State, codified at Sections 3-101 to 3-130, inclusive, of the Natural Resources Article of the Annotated Code of Maryland, as amended (the "Act"), authorizes the Service to issue bonds and notes for the purpose of financing and refinancing the cost of acquiring, constructing, reconstructing, improving or extending any solid waste disposal project as defined in the Act; and

WHEREAS, County Commissioners of Caroline County, County Commissioners of Kent County, County Commissioners of Queen Anne's County and Talbot County (collectively, the "Mid-Shore Counties") have established a regional system of solid waste disposal to accommodate their separate and differing systems of collection and disposal of solid waste, including recycling programs developed cooperatively with the Service; and

WHEREAS, the Mid-Shore Counties have determined that it is in the public interest of each of them to take advantage of any economies of scale and opportunities for solid waste disposal which may be achieved through a regional solid waste disposal system; and

WHEREAS, the Service is empowered to assist the Mid-Shore Counties in providing solid waste disposal services; and

WHEREAS, in a Memorandum of Understanding dated February 4, 2005 (the "MOU"), between the Service and the Mid-Shore Counties, the Service agreed to proceed with the planning, design, permit acquisition, financing, construction, and operation of a new landfill located in Caroline County, Maryland (the "Mid-Shore II Landfill"), to accept solid waste generated within the boundaries of the Mid-Shore Counties upon the closure on December 31, 2010, of a landfill previously financed, operated and constructed by the Service, located in Talbot County, Maryland, near the Town of Easton; and

WHEREAS, in order to make binding, long-term commitments to the Service for the disposal of solid waste generated within the boundaries of the Mid-Shore Counties, each of the Mid-Shore Counties entered into certain waste disposal service agreements (the "Service Agreements") with the Service relating to the Mid-Shore II Landfill; and

WHEREAS, in connection with the MOU and the Service Agreements, the Service took title to the site for the Mid-Shore II Landfill and commenced construction of the Mid-Shore II Landfill (as more particularly described as the "Project"); and

WHEREAS, on September 29, 2009, the Service sold to the Bank of America, N.A., as purchaser of the below-defined Note (the "Bank"), and the Bank purchased from the Service, the Service's Revenue Bond Anticipation Note (Mid-Shore II Regional Landfill Project), Series 2009A, in the principal amount of \$12,000,000, dated September 29, 2009 (the "Note"), to finance a portion of the Cost of the Project (defined herein); and

WHEREAS, the Note was issued and sold in accordance with the terms of the Installment Financing and Security Agreement, dated as of September 29, 2009, by and between the Service and the Bank, as amended by the First Amendment to Installment Financing and Security Agreement, dated as of August 1, 2010, by and between the Service and the Bank (together, the "Financing Agreement"); and

WHEREAS, the Financing Agreement, among other things, provides that the Note will terminate on December 29, 2010, unless such date is extended pursuant to the Financing Agreement; and

WHEREAS, on September 27, 2010, the Service adopted a resolution authorizing the issuance, sale and delivery of \$ _____ aggregate principal amount of its Revenue Bonds (Mid-Shore II Regional Landfill Project), Series 2010 (the "Series 2010 Bonds"), for purposes of applying the proceeds thereof to finance the remaining Cost of the Project, to fund capitalized interest and to refund and to pay the Note; and

WHEREAS, the Series 2010 Bonds and any Additional Bonds (defined herein) issued from time to time under this Indenture (collectively, the "Bonds") will be equally and ratably secured to the extent provided herein by a pledge and assignment of the Trust Estate (defined herein); and

WHEREAS, the Series 2010 Bonds and the Certificate of Authentication to be endorsed thereon are to be substantially in the forms set forth in Appendix B, attached hereto and made a part hereof, with appropriate insertions, omissions and variations as permitted hereby; and

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee and issued as in this Indenture provided, the valid and binding limited obligations of the Service according to the import thereof, and to constitute this Indenture a valid assignment and pledge of the Trust Estate, have been done and performed, and the creation, execution and delivery of this Indenture, and the creation, execution and issuance of the Series 2010 Bonds, subject to the terms hereof, have in all respects been duly authorized.

GRANTING CLAUSES

The Service, in consideration of the premises, of the acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of the Bonds by the owners thereof and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, in order to secure the payment of the principal or Redemption Price (defined herein) of and interest on, and the purchase price of, the Bonds according to their tenor and effect and to secure the performance and observance by the Service of all the covenants expressed or implied herein and in the Bonds, does hereby grant, bargain, sell, convey, assign and pledge, and grant a security interest in, the following (collectively, the "Trust Estate") to the Trustee, for the

equal and ratable benefit of the Bondholders (defined herein), and their respective successors and assigns, forever, subject only to the provisions of this Indenture permitting the application thereof on the terms and conditions set forth in this Indenture:

GRANTING CLAUSE FIRST

All of the right, title and interest of the Service in and to the proceeds of the Series 2010 Bonds; and

GRANTING CLAUSE SECOND

All Revenues (defined herein) and any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred, as and for additional security hereunder by the Service or by anyone on its behalf, or with its written consent, to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof;

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its successors in trust and assigns forever upon the terms and trusts herein set forth for the equal and ratable benefit, security and protection of all present and future owners of the Bonds from time to time issued under and secured by this Indenture, without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any other Bonds, except as otherwise expressly provided herein;

PROVIDED, HOWEVER, that if the Service shall well and truly pay, or cause to be paid, the principal or Redemption Price of and interest on, and the purchase price of, the Bonds, according to the true intent and meaning thereof, or shall provide for the payment thereof as permitted by Article IX hereof, and shall perform and observe all the covenants and conditions of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then, upon compliance with Article IX hereof, the lien of this Indenture shall be discharged and satisfied; otherwise this Indenture is to be and remain in full force and effect.

All Bonds issued and secured hereunder are to be issued, authenticated and delivered, and all such property, rights and interests, including (without limitation) the amounts hereby assigned and pledged, are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Service has agreed and covenanted, and does hereby agree and covenant with the Trustee and with the Holders of the Bonds as follows (subject, however, to the provisions of Section 5.01 hereof):

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01. Definitions. Terms used in this Indenture shall have the meanings set forth in Appendix A attached hereto, unless a different meaning clearly appears from the context.

Section 1.02. Rules of Construction. Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Indenture:

(a) Words importing the singular number include the plural number and words importing the plural number include the singular number.

(b) Words of the masculine gender include correlative words of the feminine and neuter genders.

(c) The headings and the table of contents set forth in this Indenture are solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect.

(d) Words importing persons include any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or agency or political subdivision thereof.

(e) Any reference to a particular percentage or proportion of the Holders of Bonds shall mean the Holders at the particular time of the specified percentage or proportion in aggregate principal amount of all Bonds then Outstanding under this Indenture, except Bonds held by or for the account of the Service, whether or not pledged to or by the Service to secure any indebtedness; provided, however, that Bonds so pledged may be regarded as Outstanding for the purposes of this paragraph if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds. Any reference herein to Bonds the consent or direction of a specified proportion of the Holders of which is required or permitted prior to the taking of any action hereunder shall mean the Holders of such proportion of Outstanding Bonds as shall be affected thereby.

(f) Any reference to the Revenue Fund, the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Fund Account, the Debt Service Reserve Fund, the Redemption Fund, the Rebate Fund, the Operating Fund, the Construction Fund or the Refunding Fund shall be to the fund or account so designated that is created under Section 4.01 hereof.

(g) Any reference to a particular Article or Section shall be to such Article or Section of this Indenture unless the context shall otherwise require.

(h) The words "hereof," "herein," "hereunder," and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision. All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect from time to time. References to Articles, Sections, and other subdivisions of this Indenture are to the designated Articles, Sections and other subdivisions of this Indenture as originally executed.

Indenture. The covenants and conditions set forth in the form of Series 2010 Bond are incorporated into this Indenture by reference and shall be binding upon the Service as though set forth in full herein. The Bonds may contain, or have endorsed thereon, any notations, legends or endorsements not inconsistent with the provisions of this Indenture or of any Supplemental Indenture authorizing the same as may be necessary or desirable and as may be determined by an Authorized Officer of the Service prior to the authentication and delivery of such Bonds. The execution and delivery of the Bonds by the Service in accordance with this Indenture shall be conclusive evidence of the approval of the form of the Bonds by the Service, including any insertions, omissions, variations, notations, legends or endorsements authorized by this Indenture.

The Bonds shall be numbered in the manner determined by the Trustee before authenticating and delivering any Bond; the Trustee, as Registrar, shall complete the form of such Bond to show the Holder, principal amount, interest rate, maturity date, number and authentication date of such Bond. The Series 2010 Bonds shall be lettered R and shall be numbered one (1) consecutively upward initially in order of maturity. Additional Bonds may bear such identifying designation as may be provided in the Supplemental Indenture authorizing such Additional Bonds and the Trustee may reflect such identifying designation in the numbering of such Additional Bonds.

The Bonds of a Series may have printed on the reverse side thereof the opinion of Bond Counsel for such Bonds. The printing of CUSIP numbers on the Bonds shall have no legal effect and shall not affect the enforceability of any Bond.

Section 2.03. Conditions Precedent to Delivery of Series 2010 Bonds. The Series 2010 Bonds shall be executed by the Service and delivered to the Trustee, whereupon the Trustee shall authenticate the Series 2010 Bonds and, upon payment of the purchase price of the Series 2010 Bonds, shall deliver the Series 2010 Bonds to or upon the order of the Service, but only upon delivery to the Trustee of:

(a) a counterpart of this Indenture executed by the parties hereto;

(b) the written order of the Service directing the authentication and delivery of the Series 2010 Bonds signed by an Authorized Officer of the Service, describing the Series 2010 Bonds to be authenticated and delivered, designating the purchasers to whom the Series 2010 Bonds are to be delivered, stating the purchase price of the Series 2010 Bonds and stating that all items required by this Section are therewith delivered to the Trustee in form and substance satisfactory to the Service;

(c) an opinion of Bond Counsel (who may rely upon the opinion of other counsel, who may be counsel to the Trustee, with respect to (i) below regarding the Trustee) to the effect that (i) this Indenture has been duly authorized, executed and delivered by the Service and the Trustee and constitutes the valid and binding obligation of the Service and the Trustee, and (ii) the Service is duly authorized and entitled to issue the Series 2010 Bonds, and the Series 2010 Bonds executed, authenticated and delivered as provided in this

Indenture have been duly and validly issued and constitute valid and binding special obligations of the Service;

(d) a counterpart of each of the Service Agreements executed by each of the parties thereto; and

(e) an opinion of counsel to the Service or the Subdivisions) to the effect that the Service Agreements have been duly authorized, executed and delivered by the parties thereto and constitute valid and binding obligations of such parties in accordance with their respective terms.

Section 2.04. Refunding Bonds. In accordance with Section 3-115 of the Act, the Service may issue refunding bonds (which may be Bonds issued under this Indenture) to refund any Outstanding Bonds. Refunding bonds shall be issued pursuant to and in accordance with the provisions of this Indenture or any other indenture entered into by the Service authorizing such refunding bonds, which may provide (without limitation) for the refunding of Outstanding Bonds in advance of the earliest redemption date for such Outstanding Bonds.

Section 2.05. Authorization of Additional Bonds; Conditions Precedent to Delivery of Additional Bonds. In addition to the Series 2010 Bonds, the Service may issue from time to time Additional Bonds under and secured by this Indenture, subject to the conditions hereinafter provided in this Section, for any one or more of the following purposes:

- (i) refunding or advance refunding any Outstanding Bonds;
- (ii) obtaining funds to pay the Cost of Additional Facilities required in order to restore, maintain, improve or increase the disposal capacity of the Project or otherwise to permit the Service to meet its waste disposal obligations under the Service Agreements, including (without limitation) the acquisition or construction of Alternative Sites;
- (iii) obtaining funds to pay the Cost of completing the Project or any Additional Facilities;
- (iv) obtaining funds to pay the costs incurred in connection with the issuance and sale of any Bonds; or
- (v) obtaining funds to establish reserves and to pay interest on any Bonds prior to and during acquisition and construction and (if deemed advisable by the Service) for a limited period after the completion of the Project or any Additional Facilities, as the case may be.

The issuance of Additional Bonds shall be authorized by a Supplemental Indenture, which shall specify all matters required to be provided in this Section including any requirements of a Credit Facility Provider whose Credit Facility secures a Series of Bonds.

Each Series of Additional Bonds shall be on parity with, and shall be entitled to the same benefit and security of this Indenture (including, without limitation, the pledge of the Revenues)

as, the Series 2010 Bonds and any other Series of Additional Bonds that may be issued from time to time as provided in this Section except as may be otherwise provided in any Supplemental Indenture.

The Supplemental Indenture authorizing the issuance of any Series of Additional Bonds shall specify the maturities and redemption provisions of such Additional Bonds, the form, denominations, registration provisions and provisions for the exchange of such Additional Bonds and other details of such Additional Bonds. Any Supplemental Indenture authorizing the issuance of Additional Bonds may provide for the creation of a separate Debt Service Fund, Construction Fund, Debt Service Reserve Fund, the Refunding Fund and Redemption Fund for each Series of Bonds.

All Additional Bonds shall mature on a November 1 and redemptions of Additional Bonds from the Sinking Fund Account shall be made on November 1 of the year in which such redemptions are to be made, and the interest on all Additional Bonds shall be payable on May 1 and November 1 of each year, unless the Supplemental Indenture authorizing such Additional Bonds provides otherwise.

The Supplemental Indenture authorizing the issuance of any Series of Additional Bonds may provide that funds on deposit in any debt service reserve fund or proceeds realized under any Credit Facility securing the payment of such Additional Bonds shall not be available to pay the principal or Redemption Price of or interest on, or the purchase price of, the Series 2010 Bonds or any other Series of Additional Bonds.

If any Supplemental Indenture authorizing the issuance of Additional Bonds provides for the establishment of separate funds and accounts for each Series of Bonds, then such Supplemental Indenture shall require (i) that Revenues shall be deposited pro rata as to time and amount among, first, the Debt Service Funds and, second, the Debt Service Reserve Funds for each Series of Bonds on the basis of the principal of or the Sinking Fund Installments for and the interest on each Series of Bonds becoming due and the amounts required to be deposited in such Debt Service Reserve Funds, respectively, during the period from November 2 of any year through November 1 of the immediately succeeding year, to the end that the Bonds of each Series shall be equally and ratably secured by the pledge of the Trust Estate made hereby, and (ii) that amounts on deposit in the Debt Service Fund, the Construction Fund, the Debt Service Reserve Fund and the Redemption Fund created for each Series of Bonds shall be applied solely to the payment of the principal or Redemption Price of and interest on, or the purchase price of, the Bonds of such Series or to the reimbursement of the issuer of any Credit Facility securing such Bonds and shall not be available to satisfy the claims of Holders of Bonds of any other Series or of the issuer of any Credit Facility securing any other Series of Bonds.

Any Supplemental Indenture authorizing the issuance of Additional Bonds shall provide that any proceeds of such Additional Bonds and investment earnings thereon remaining after the completion of the Project or any Additional Facilities financed with the proceeds of such Additional Bonds shall be deposited in the Redemption Fund created for such Series of Additional Bonds or otherwise applied to such purposes as designated by the Service to the extent there has been delivered to the Trustee and the Service an opinion of Bond Counsel to the effect that such application of proceeds does not adversely affect the excludability from gross

income for federal income tax purposes, of interest paid on any Tax-Exempt Bonds therefor issued.

Any Supplemental Indenture authorizing the issuance of Additional Bonds shall state the amount (if any) of the proceeds of such Additional Bonds or other moneys required to be deposited in the Debt Service Reserve Fund to make the amount on deposit therein equal the Debt Service Reserve Fund Requirement upon the issuance of such Additional Bonds and may provide that the amount of any increase in the Debt Service Reserve Fund Requirement resulting from the issuance of such Additional Bonds shall be applied to the final payments of the principal or Redemption Price of such Additional Bonds. If a separate Debt Service Reserve Fund is created for any Series of Bonds, the Debt Service Reserve Fund Requirement shall be calculated separately for each Series of Bonds for which a separate Debt Service Reserve Fund is maintained.

The Bonds of each Series of Additional Bonds shall be executed by the Service and delivered to the Trustee, whereupon the Trustee shall authenticate such Additional Bonds and, upon payment of the purchase price of such Additional Bonds, deliver such Additional Bonds to or upon the order of the Service, but only upon receipt by the Trustee of:

(a) a counterpart of the applicable Supplemental Indenture authorizing the issuance of such Additional Bonds executed by the parties hereto;

(b) an opinion of Bond Counsel (who may rely upon the opinion of other counsel, who may be counsel to the Trustee, with respect to (i) below regarding the Trustee) to the effect that (i) the Supplemental Indenture of the Service authorizing the issuance of such Additional Bonds has been duly authorized, executed and delivered by the Service and the Trustee and constitutes the valid and binding obligation of the Service and the Trustee; (ii) the Service is duly authorized and entitled to issue such Additional Bonds, and Bonds executed, authenticated and delivered as provided in such Supplemental Indenture have been duly and validly issued and constitute valid and binding limited obligations of the Service; and (iii) the issuance of such Additional Bonds will not adversely affect the excludability from gross income, for federal income tax purposes, of interest paid on any Tax-Exempt Bonds theretofore issued;

(c) a certificate of an Authorized Officer of the Service to the effect that on the date of the authentication and delivery of such Additional Bonds, (i) the Service is not in default in the performance or observance of any of the covenants, conditions, agreements or provisions of this Indenture, and (ii) neither the Service nor any of the Subdivisions is in default in the performance or observance of any of the covenants, conditions, agreements or provisions of any of the Service Agreements; provided, however, that the Trustee shall not be required to have received the certificate described in this paragraph (c) in connection with the issuance of any Bonds issued for the purpose of refunding or advance refunding any Outstanding Bonds;

(d) a written order of the Service directing the authentication and delivery of such Additional Bonds, describing the Additional Bonds to be authenticated and delivered, designating the purchasers to whom such Additional Bonds are to be delivered, stating the purchase price of such Additional Bonds and stating that all items required by this Section are therewith delivered to the Trustee in form and substance satisfactory to the Service;

(e) if required and applicable to such Additional Bonds, moneys or securities authorized for the investment of the Debt Service Reserve Fund (which may include, without limitation, a Debt Service Reserve Fund Credit Facility qualified to be credited to, the Debt Service Reserve Fund under Section 4.11 hereof), in an amount equal to the amount, if any, required to be paid to the Debt Service Reserve Fund to make the amount on deposit in the Debt Service Reserve Fund equal the Debt Service Reserve Fund Requirement upon the issuance of such Additional Bonds;

(f) a certificate of an Authorized Officer of the Service to the effect that the Coverage Ratio for the most recent Fiscal Year of the Service for which audited financial statements are available is not less than 1.00; and

(g) the written consent of each of the Subdivisions to the issuance of such Additional Bonds.

Notwithstanding the foregoing, the Trustee shall not be required to have received the items required under paragraphs (f) and (g) above in connection with the issuance of any Additional Bonds issued for the purpose of (i) refunding or advance refunding any Outstanding Bonds if the Trustee shall have received a certificate of an Authorized Officer of the Service to the effect that, after giving effect to the proposed refunding or advance refunding, Maximum Annual Debt Service on all Outstanding Bonds will not be increased by more than five percent or (ii) financing or refinancing the cost of any portion of the Mid-Shore II Landfill.

Additional Bonds may be authenticated, delivered and paid for in installments of less than the total authorized principal amount of a Series of Bonds from time to time as the Service may direct in its written requests.

Section 2.06. Execution and Authentication. The Bonds shall be executed in the name and on behalf of the Service by the manual or facsimile signature of its Director or Deputy Director, and sealed with its corporate seal (or a facsimile thereof), attested by the manual or facsimile signature of its Secretary. In case any officer whose manual or facsimile signature appears on the Bonds shall cease to be such officer before delivery of such Bonds, such signature, nevertheless, shall be valid and sufficient for all purposes as if such officer had remained in office until such delivery, and the Service may adopt and use for the execution of Bonds the manual or the facsimile signature of any person who shall have been at the time the proper officer to execute such Bonds, notwithstanding the fact that such person may not have been an officer on the date of such Bonds or that such person may have ceased to be an officer at the time when such Bonds shall be actually authenticated and delivered.

No Bond shall be valid or obligatory for any purpose or entitled to any right or benefit hereunder unless there shall be endorsed on such Bond a certificate of authentication substantially in the form set forth in Appendix B attached to this Indenture or in the Supplemental Indenture authorizing the issuance of such Bond (as the case may be), duly executed by the Trustee, and such certificate of the Trustee upon any Bond executed on behalf of the Service shall be conclusive evidence and the only evidence required that the Bond so authenticated has been duly issued hereunder and that the Holder thereof is entitled to the benefits of this Indenture. The certificate of the Trustee may be executed by any authorized signatory of the Trustee.

Section 2.07. Registration and Exchange of Bonds. The Bonds shall be negotiable instruments for all purposes and shall be transferable by delivery, subject only to the provisions for registration and registration of transfer endorsed on the Bonds. The Service shall cause books for the registration and transfer of Bonds to be kept by the Registrar.

If any Bond is surrendered to the Trustee at its designated corporate trust office for transfer or exchange in accordance with the provisions of such Bond, the Service shall execute and the Trustee shall authenticate and deliver in exchange for such Bond a new Bond or Bonds of the same Series, in any authorized denominations, bearing interest at the same rate and having the same stated maturity date, in aggregate principal amount equal to the principal amount of the Bond so surrendered, upon reimbursement to the Service or the Trustee of an amount equal to any tax or other governmental charge required to be paid with respect to such exchange.

Neither the Service nor the Trustee shall be required to register the transfer of any Bond or make any such exchange of any Bond after such Bond or any portion thereof has been selected for redemption.

Section 2.08. Bonds Mutilated, Destroyed, Lost or Stolen. If any temporary or definitive Bond shall become mutilated or be destroyed, lost or stolen, the Service in its discretion may execute, and upon its written request the Trustee shall authenticate and deliver, a new Bond in exchange for the mutilated Bond, or in lieu of and substitution for the Bond so destroyed, lost or stolen. In every case of exchange or substitution, the applicant shall furnish to the Service and to the Trustee (a) evidence to their satisfaction of the mutilation, destruction, loss or theft of the applicant's Bond and of the ownership thereof and (b) in the case of any destroyed, lost or stolen Bond, such security or indemnity as may be required by them to save each of them harmless from all risks, however remote. The Trustee may authenticate any Bond issued upon such exchange or substitution and deliver such Bond upon the written request or authorization of an Authorized Officer of the Service. Upon the issuance of any Bond upon such exchange or substitution, the Service may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses, including counsel fees, costs and expenses of the Service or the Trustee.

If any Bond that has matured or is about to mature shall become mutilated or be destroyed, lost or stolen, instead of issuing a Bond in exchange or substitution therefor, the Service may pay or authorize the payment of such Bond (without surrender thereof except in the case of a mutilated Bond) if the applicant for such payment shall furnish to the Service and to the Trustee evidence to the satisfaction of the Service and to the Trustee of the mutilation,

destruction, loss or theft of such Bond and of the ownership thereof and, in the case of any destroyed, lost or stolen Bond, such security or indemnity as they may require to save them harmless.

Every Bond issued pursuant to the provisions of this Section in exchange or substitution for any Bond that is mutilated, destroyed, lost or stolen shall constitute an additional contractual obligation of the Service, whether or not the destroyed, lost or stolen Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits hereof equally and proportionately with any and all other Bonds duly issued under this Indenture. All Bonds shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds, and shall preclude any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

Section 2.09. Cancellation and Disposition of Bonds. All mutilated Bonds, all Bonds surrendered for exchange or transfer, all Bonds that have been paid at maturity or upon prior redemption and all Bonds surrendered to the Trustee by the Service for cancellation or purchased by the Trustee with amounts on deposit in the Sinking Fund Account shall be cancelled by the Trustee and cremated or destroyed by other means. The Trustee shall deliver to the Service a certificate of any such cremation or other destruction of any Bond, identifying the Bond so cancelled and cremated or otherwise destroyed.

Section 2.10. Book-Entry of Series 2010 Bonds. The provisions of this Section shall apply to the Series 2010 Bonds so long as all of the Series 2010 Bonds shall be maintained in book-entry form with DTC, any other provisions of this Indenture to the contrary notwithstanding during such period.

(a) Principal and interest payments on the Series 2010 Bonds shall be payable to Cede & Co., as nominee of DTC, or to DTC's registered assigns, as the Holder of the Series 2010 Bonds, in next day funds on each date on which the principal or Redemption Price of or interest on the Series 2010 Bonds is due as set forth in this Indenture and in the Series 2010 Bonds. Such payments shall be made to the offices of DTC provided to the Service and the Trustee in writing. The Service and DTC may agree in writing to make payments of principal and interest in a manner different from that set out herein. If such different manner of payment is agreed upon, the Service shall give the Trustee notice thereof. Transfer or crediting of the appropriate principal and interest payments to DTC's participants will be the responsibility of DTC, and transfer and crediting of principal and interest payments to the beneficial owners of the Series 2010 Bonds or their nominees will be the responsibility of DTC's participants. Transfers of beneficial ownership of the Series 2010 Bonds will be effected on the records of DTC (and its participants) pursuant to rules and procedures established by DTC.

(b) The Service may replace DTC as the Securities Depository for the Series 2010 Bonds if the Service, in its sole discretion, determines that DTC is

incapable of discharging its duties with respect to the Series 2010 Bonds, or that the interests of the beneficial owners of the Series 2010 Bonds might be adversely affected by the continuation of the book-entry system. Notice of such determination shall be given to DTC not less than 30 days prior to any such replacement. If DTC determines not to continue to act as a securities depository for the Series 2010 Bonds or is no longer permitted to act as such depository, DTC shall give prompt notice of such determination or event to the Service and the Trustee and shall allow the Service a reasonable time to locate a replacement depository or to issue Replacement Bonds.

(c) Replacement Bonds will be issued directly to the beneficial owners of Series 2010 Bonds only in the event that (i) DTC determines not to continue to act as a securities depository for the Series 2010 Bonds; (ii) the Service has advised DTC of its determination that DTC is incapable of discharging its duties; or (iii) the Service has determined that the interests of the beneficial owners of the Series 2010 Bonds might be adversely affected by continuation of the book-entry system. Upon occurrence of any of the foregoing events, the Service may attempt to locate another qualified securities depository. If the Service fails to locate another such depository to replace DTC, the Service shall issue Replacement Bonds in certificate form. In the event the Service makes the determination set forth in (ii) or (iii) above (the Service will undertake no obligation to make any investigation to determine the occurrence of any events that would permit the Service to make any such determination) and has made provisions to notify DTC participants and the beneficial owners of Series 2010 Bonds by mailing an appropriate notice to DTC or by other means, it will issue Replacement Bonds in certificate form to any DTC participant shown on the records maintained by DTC and in making such a request.

The Service may issue Replacement Bonds to a substitute securities depository, to participants of DTC or to beneficial owners of the Series 2010 Bonds properly identified by such participants. In the event that the Service determines to issue Replacement Bonds to a replacement securities depository, DTC will cooperate with the Service by returning the Series 2010 Bonds, registered in the name of DTC or its nominee, on or before the date Replacement Bonds are issued. DTC shall, in addition, send to the Service, on or prior to the issuance of such Replacement Bonds, appropriate records of DTC or copies thereof showing the interests of DTC participants in the Series 2010 Bonds as of a reasonably current date. In the event that Replacement Bonds are to be issued to participants or to beneficial owners of the Series 2010 Bonds, DTC, upon ten (10) days' prior notice, shall provide to the Service a listing showing the participants' interests in the Series 2010 Bonds as of a reasonably current date. The Service promptly thereafter shall have prepared Replacement Bonds registered in the name of such participants as their interests appear in the list provided by DTC to the Service. To the extent participants request the Service to issue Replacement Bonds in the name of a beneficial owner, the Service upon timely notification and with adequate identification of such beneficial owners shall issue Replacement Bonds in the names of such beneficial owners.

Replacement Bonds issued to a replacement securities depository shall have the same terms, form and content as the Series 2010 Bonds initially registered in the name of DTC or its nominee except for the name of the record owner. Replacement Bonds issued to participants or to beneficial owners shall be issuable in accordance with the provisions of Section 2.02 hereof.

(d) DTC and its participants and the beneficial owners of the Series 2010 Bonds by their acceptance of the Series 2010 Bonds agree that the Service and the Trustee shall have no liability for the failure of DTC to perform its obligations to the participants and the beneficial owners of the Series 2010 Bonds, nor shall the Service or the Trustee be liable for the failure of any participant or other nominee of the beneficial owners to perform any obligation the participant may incur to a beneficial owner of the Series 2010 Bonds.

Section 2.11. Subordinate Obligations Authorized. In addition to, any Additional Bonds issued in accordance with Section 2.05 hereof, the Service may issue from time to time other Indebtedness for any purpose for which Additional Bonds may be issued hereunder. Each Subordinate Obligation shall be issued pursuant to a Supplemental Resolution, which shall specify the interest rate or rates, maturity, redemption provisions, form, registration provisions and all other details of such Subordinate Obligation. Prior to the issuance of any Subordinate Obligations, there shall be delivered to the Trustee each of the items described in clauses (a), (b), (c), (d), (e), (f) and (g) of Section 2.05 hereof as if such Subordinate Obligations were Bonds. The Service may pledge the Revenues to the payment of any Subordinate Obligations, but such pledge shall be junior and subordinate to the pledge of the Revenues to secure Bonds.

So long as no Event of Default under this Indenture shall have occurred and be continuing, the Service may pay or prepay, or authorize the payment or prepayment of, the principal of and interest on any Subordinate Obligation and no recourse shall be had by the Holder of any Bond against the person to whom any such payment shall have been made unless such person shall have had, at the time of receipt of such payment, knowledge of the insolvency of the Service. During the continuance of any Event of Default under this Indenture, no payments shall be made with respect to the principal of or interest on any Subordinate Obligation.

ARTICLE III

REDEMPTION OF SERIES 2010 BONDS

Section 3.01. Redemption of Series 2010 Bonds and Additional Bonds; Selection of Series 2010 Bonds to Be Redeemed. The Series 2010 Bonds shall be subject to redemption in accordance with Appendix B hereof. Any Additional Bonds shall be subject to redemption as set forth in the Supplemental Indenture established in connection with such Series of Bonds.

If fewer than all of the Series 2010 Bonds of any one maturity shall be called for redemption, the Trustee shall select the particular Series 2010 Bonds or portions of Series 2010 Bonds to be redeemed from such maturity by lot or in such other manner as the Trustee in its sole discretion may deem proper; provided, however, that the portion of any Series 2010 Bond to

be redeemed shall be in the principal amount of \$5,000 or an integral multiple thereof, and that, in selecting Series 2010 Bonds for redemption, the Trustee shall treat each Series 2010 Bond as representing that number of Series 2010 Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

So long as all of the Series 2010 Bonds shall be maintained in book-entry form with DTC, the Trustee shall notify DTC of the maturities and principal amounts of the Series 2010 Bonds to be redeemed, and such notification is hereby deemed to be in a proper manner of selection of the Series 2010 Bonds to be redeemed.

Section 3.02. Notice of Redemption. (a) The Service shall give written notice to the Trustee of its election to redeem Series 2010 Bonds pursuant to Section 5(a), 5(b) or 5(c) of the Series 2010 Bonds at least 60 days prior to the redemption date of such Bonds, or such fewer number of days as shall be acceptable to the Trustee. Upon receipt of such notice, pursuant to Section 5(e) of the Series 2010 Bonds, the Trustee shall give notice in the name of the Service of the Service's election to redeem such Bonds pursuant to Section 5(a), 5(b) or 5(c) of the Series 2010 Bonds, as the case may be. The Trustee may provide a conditional notice of redemption upon the written direction of the Service.

(b) Each notice of redemption of Series 2010 Bonds shall be given in accordance with the terms of the Series 2010 Bonds at least 30 days before the redemption date and shall set forth (i) the maturities of the Series 2010 Bonds to be redeemed, (ii) the date fixed for redemption, (iii) the Redemption Price to be paid, (iv) that such Series 2010 Bonds will be redeemed at the designated corporate trust office of the Trustee specified therein, (v) if fewer than all of the Series 2010 Bonds of any one maturity then Outstanding shall be called for redemption, the CUSIP numbers distinctive numbers and letters, if any, of the Series 2010 Bonds to be redeemed, (vi) in the case of Series 2010 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed, (vii) that on the redemption date there shall become due and payable upon all Series 2010 Bonds to be redeemed the Redemption Price thereof, together with interest accrued to the redemption date, and that, from and after such date, interest thereon shall cease to accrue, (viii) the possibility of a purchase of Series 2010 Bonds in lieu of redemption, if applicable, (ix) the conditions, if any, which must be satisfied in order for the redemption to take place of the scheduled redemption date, as and if any applicable, and (x) any other descriptive information needed to identify accurately the Series 2010 Bonds being redeemed. If any Series 2010 Bond is to be redeemed in part only, the notice of redemption that relates to such Series 2010 Bond shall state also that on or after the redemption date, upon surrender of such Series 2010 Bond to the Trustee at its designated corporate trust office, a new Bond or Bonds of the same Series of Bonds and maturity, bearing interest at the same rate, and of any denomination authorized by this Indenture, will be issued in aggregate principal amount equal to the unredeemed portion of such Series 2010 Bond. Each notice of redemption with respect to any Series 2010 Bond shall comply with any regulation or release of the Securities Exchange Commission, the Municipal

Securities Rulemaking Board, or other governmental board or body from time to time applicable to such Bond.

(c) If notice of redemption shall have been given as provided in this Section, then on or prior to the redemption date the Service shall pay to the Trustee from the Revenues an amount in cash that, in addition to other moneys, if any, available therefor held by the Trustee, shall be sufficient to redeem at the Redemption Price thereof, plus accrued interest to the redemption date, all of the Series 2010 Bonds the Service has so elected to redeem.

(d) Notwithstanding the foregoing provisions of this Section to the contrary, so long as all of the Series 2010 Bonds are maintained in book-entry form with DTC, (i) the Service shall give DTC written notice of its election to redeem Bonds in paragraph (a) of this Section no less than 45 days nor more than 60 days before the date fixed for redemption and (ii) any notice of redemption of any Series 2010 Bond or portion thereof to be given by the Trustee as herein provided shall also be given to DTC, by legible facsimile transmission, registered or certified mail or overnight express delivery, no later than two Business Days prior to the date notice of such redemption is published pursuant to Section 5(e) of the Series 2010 Bonds. Such notice by the Trustee to DTC, in addition to the matters set forth in paragraph (b) of this Section shall state (i) the maturity date and the CUSIP number of the Series 2010 Bond or portion thereof to be redeemed and (ii) the date on which the notice of redemption with respect to such Series 2010 Bond or portion thereof is to be published.

(e) Notice of such redemption shall also be sent by first class mail, overnight delivery service, electronic means, facsimile transmission or other secure means, postage prepaid, to the Rating Agency, to all of the Securities Depositories and to at least two of the Information Services that disseminate securities redemption notices, when possible, at least two (2) Business Days prior to the mailing of notices required by the paragraph (a) above, and in any event no later than simultaneously with the mailing of notices required above; provided, that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds.

(f) Failure to give notice by mailing to the Holder of any Bond designated for redemption or to any depository or information service shall not affect the validity of the proceedings for the redemption of any other Bond if notice of such redemption shall have been mailed as herein provided.

Section 3.03. Redemption of Portion of Bond. In case part but not all of an Outstanding Series 2010 Bond shall be selected for redemption, upon the presentation and surrender of such Bond to the Trustee for payment of the principal amount thereof so called for redemption in accordance with such Bond, the Service shall execute and the Trustee shall authenticate and deliver to or upon the order of the Holder of such Bond or the Holder's attorney or legal representative, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered, a Bond or Bonds of the same Series of Bonds and maturity,

bearing interest at the same rate and of any denomination authorized by this Indenture, in aggregate principal amount equal to the unredeemed portion of such Bond.

Section 3.04. Effect of Notice of Redemption. If a conditional notice of redemption has been provided pursuant to the terms of this Indenture and the conditions are not satisfied, such notice of redemption shall be of no force and effect and the Bondholders shall be restored to their former positions as though no such notice of redemption had been delivered. Notice of redemption having been given in the manner provided in Article III hereof and if either there were no conditions to such redemption or the conditions have been satisfied and money for the redemption being held by the Trustee for that purpose, thereupon the Bonds so called for redemption shall become due and payable on the redemption date, and interest thereon shall cease to accrue on such date; and such Bonds shall thereafter no longer be entitled to any security or benefit under this Indenture except to receive payment of the redemption price thereof.

ARTICLE IV

REVENUES AND FUNDS

Section 4.01. Creation of Funds and Accounts. The following funds and separate accounts within funds are hereby created for the benefit of the Holders of all Bonds Outstanding under this Indenture:

Revenue Fund;
Construction Fund;
Debt Service Fund;
Interest Account,
Principal Account, and
Sinking Fund Account;
Debt Service Reserve Fund;
Redemption Fund;
Operating Fund;
Insurance and Condemnation Award Fund; and
Rebate Fund.

For the purposes of internal accounting, the funds and accounts created pursuant to this Section may contain one or more accounts or subaccounts, as the Service shall direct in writing. Additional funds and accounts may be established in a Supplemental Indenture.

Each such fund or account shall be held by the Trustee hereunder. Pending the application of amounts on deposit therein as provided in this Indenture, such amounts are hereby pledged to the payment of the principal of and interest on all Outstanding Bonds.

The Rebate Fund is not pledged to the payment of any Bonds.

There shall also be established herein a Refunding Fund in connection with the issuance of the Series 2010 Bonds for the deposit of moneys and the application thereof.

Section 4.02. Application of Proceeds of Series 2010 Bonds; Refunding Fund. In accordance with Section 3-119 of the Act, the proceeds of the Series 2010 Bonds shall be received by the Trustee on behalf of the Service in trust for the benefit of the Holders from time to time of the Bonds, subject to and in accordance with the terms of this Indenture. Upon receipt of such proceeds, the Trustee shall make payments from such proceeds as follows: (a) any accrued interest on the Series 2010 Bonds shall be deposited in the Interest Account; (b) \$_____, being an amount equal to the net capitalized interest on the Series 2010 Bonds, shall be deposited in a separate segregated subaccount in the Interest Account; (c) \$_____, being an amount equal to principal and interest due to Bank of America, N.A., in regards to the Note shall be deposited into the Refunding Fund. The amounts so deposited shall be applied by the Trustee to the payment of Note on or before the Termination Date upon the written direction of an Authorized Officer of the Service; and (iv) the balance of such proceeds shall be deposited in the Construction Fund.

Section 4.03. Construction Fund: Deposit and Application of Moneys. (a) Moneys deposited in the Construction Fund shall be used only to finance or refinance the Costs of or relating to the Project and any Additional Facilities.

(b) Payments from the Construction Fund shall be made in accordance with requisitions signed by an Authorized Officer of the Service, stating the names of the payees, the purpose of each payment in terms sufficient for identification and the respective amounts of each such payment.

(c) Upon receipt of a certificate certifying the completion of the Project or any Additional Facilities in accordance with Section 4.04 hereof, the Trustee shall pay the balance of moneys then remaining in the Construction Fund, less any amounts to be retained in the Construction Fund to pay any unpaid Costs of the Project or such Additional Facilities (as the case may be), as follows and in the following order of priority:

FIRST: to the Debt Service Reserve Fund, such amount as shall be necessary to make the amount credited to the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement; and

SECOND: to the Redemption Fund, any balance on deposit in the Construction Fund after making the payment required above or otherwise applied to such purposes as designated by the Service to the extent there has been delivered to the Trustee and the Service an opinion of Bond Counsel to the effect that such application of proceeds does not adversely affect the excludability from gross income for federal income tax purposes, of interest paid on any Tax-Exempt Bonds therefor issued.

Section 4.04. Completion of the Project and Additional Facilities. Completion of the Project and any Additional Facilities shall be determined by a certificate signed by an Authorized

Officer of the Service and delivered to the Trustee. Such certificate shall state that the Project or such Additional Facilities (as the case may be) is complete and specify the date of completion. Such certificate shall also state the amount of all unpaid costs of the Project or the Additional Facilities (as the case may be), if any.

Section 4.05. Deposit of Revenues. (a) On the tenth day of each month, the Service shall pay to the Trustee from the Landfill Revenues an amount sufficient to make the deposits required by paragraph (b) for such month. The Landfill Revenues and any other moneys paid to the Trustee shall be promptly deposited by the Trustee to the credit of the Revenue Fund.

(b) Except as otherwise expressly provided in this Indenture, the Trustee shall transfer moneys in the Revenue Fund upon deposit thereof as follows and in the following order of priority:

FIRST: to the Interest Account, the amount, if any, necessary to make the amount on deposit therein equal to the amount of accrued and unpaid interest on the Bonds Outstanding as of the first day of the immediately succeeding month (in the case of any Outstanding Bonds that constitute Variable Rate Indebtedness, calculated on the basis of the actual interest rates borne by such Bonds through the date of such transfer and assuming such Bonds bear interest during any period after the date of such transfer at an annual rate equal to 110% of the interest rate borne by such Bonds on the date of such transfer);

SECOND: (i) to the Principal Account, the lesser of (A) one-twelfth (1/12) of the amount of any principal of the Bonds Outstanding becoming due on the immediately succeeding November 1 and (B) the amount required to make the amount on deposit in the Principal Account equal to the principal amount, if any, due on the Bonds Outstanding on the immediately succeeding November 1; provided that transfers with respect to the principal of Bonds the first principal installment of which matures less than one year from the date of initial authentication and delivery of such Bonds shall commence in the first month after the delivery of such Bonds and, prior to the immediately succeeding November 1, the amount provided in clause (A) above with respect to such Bonds shall be equal to the quotient obtained by dividing the amount of such first principal installment by the number of calendar months between the date of authentication and delivery of such Bonds and the immediately succeeding November 1; and

(ii) to the Sinking Fund Account, the lesser of (A) one-twelfth (1/12) of the amount of any Sinking Fund Installment for the Bonds Outstanding becoming due on the immediately succeeding November 1 and (B) the amount required to make the amount credited to the Sinking Fund Account equal to the Sinking Fund Installment, if any, becoming due on the Bonds on the immediately succeeding November 1; provided that transfers with respect to Bonds the first payment of a Sinking Fund Installment for which is due less than one year from the date of initial authentication and delivery of such Bonds shall commence in the month after the delivery of such Bonds and, prior to the immediately succeeding November 1, the amount provided in clause (A) above with respect to such Bonds shall be equal to the quotient obtained by dividing the amount of such first Sinking Fund Installment by the number of calendar months between the date of authentication and delivery of such Bonds and the immediately succeeding November 1;

THIRD: to the Debt Service Reserve Fund, beginning in the month immediately succeeding any month in which the Service receives notice of any deficiency in the Debt Service Reserve Fund pursuant to Section 4.07 hereof, one twelfth (1/12) of the amount of such deficiency until the amount credited to the Debt Service Reserve Fund equals the Debt Service Reserve Fund Requirement; and

FOURTH: to the Operating Fund, beginning in the month immediately succeeding any month in which the Service receives notice of any deficiency in the Operating Fund pursuant to Section 4.10 hereof, one-twelfth (1/12) of the amount of such deficiency until the amount credited to the Operating Fund equals the Operating Reserve Requirement.

After making the payments required above, the Trustee shall pay the balance remaining in the Revenue Fund in the last day of any month to the Service unless the Service determines that such amount constitutes the proceeds of Bonds or the investment earnings thereon, in which case such amount shall be transferred to such funds and accounts as the Service, upon the advice of Bond Counsel, shall direct in writing.

(c) The Service shall pay over to the Trustee and the Trustee shall immediately deposit in the Insurance and Condemnation Award Fund upon receipt thereof (i) all proceeds received under any title insurance policy relative to all or any portion of the Project or any Additional Facilities, (ii) the proceeds of all or any portion of the Project or any Additional Facilities taken in the

exercise of the power of eminent domain, condemnation or through the exercise of any right or any obligation on the part of any public authority to purchase the same, or as a result of any agreement between the Service and any such public authority, and (iii) any insurance proceeds payable in connection with the loss, damage or destruction of all or any portion of the Project or any Additional Facilities.

The Service shall pay over to the Trustee and the Trustee shall immediately deposit the proceeds of any use and occupancy insurance policy (A) to the Interest Account, to the extent of the amount of such proceeds that represents interest accruing on the Bonds for the period covered by such payment, and (B) to the Principal Account and the Sinking Fund Account, to the extent of the amount of such proceeds that represents the amount, if any, payable by the Service during the period covered by such payment in respect of the principal of or Sinking Fund Installment for the Bonds.

(d) Moneys paid at any time by the Service to the Trustee for deposit in the Revenue Fund as the result of voluntary payments made by the Service in connection with the optional redemption of the Series 2010 Bonds pursuant to Section 5(a) or 5(c) thereof or the optional redemption of Additional Bonds as provided in any Supplemental Indenture shall be paid to the Redemption Fund immediately upon deposit thereof.

Section 4.06. Debt Service Fund: Application of Moneys. On each interest payment date, the Trustee shall pay or cause to be paid from the Interest Account the interest due on the Outstanding Bonds. The Trustee also shall pay from the Interest Account any amounts required for the payment of accrued interest upon any purchase or redemption of Outstanding Term Bonds.

On each November 1, the Trustee shall pay or cause to be paid from the Principal Account the principal amount due, if any, on the Outstanding Bonds, upon presentation and surrender of the requisite Bonds.

The Trustee shall take all reasonable action necessary and required by Article III hereof to effect the timely redemption of Outstanding Term Bonds from the Sinking Fund Account in accordance with the Sinking Fund Installments as herein set forth. Moneys in the Sinking Fund Account shall be applied to the purchase or redemption of Term Bonds as follows:

(a) Subject to the provisions of paragraph (b) of this Section, prior to each November 1 on which Outstanding Bonds are subject to redemption from any Sinking Fund Installment, the Trustee shall call for redemption from moneys in the Sinking Fund Account such principal amount of Outstanding Term Bonds subject to redemption on such November 1 as, at a price of the principal amount thereof (accrued interest on such Term Bonds being payable from the Interest Account), is equal to the Sinking Fund Installment due on such November 1, less the amount previously credited against such Sinking Fund Installment in accordance with paragraph (c) of this Section. On such November 1, the Trustee shall pay or cause to be paid out of the Sinking Fund Account the principal

amount of Term Bonds so called for redemption as provided in this paragraph upon the presentation and surrender of the requisite Bonds.

(b) At the written direction of the Service, the Trustee shall endeavor to purchase Outstanding Term Bonds subject to redemption from the Sinking Fund Installment due on the immediately succeeding November 1 at the most advantageous price then obtainable with reasonable diligence. The Trustee shall pay the interest accrued on such Term Bonds from the Interest Account and the purchase price from the Sinking Fund Account, but no such purchase shall be made by the Trustee within a period of 45 days immediately preceding any November 1 on which Term Bonds are subject to redemption from any Sinking Fund Installment, or at a price, including any brokerage and other charges, greater than the principal amount thereof and accrued interest thereon. The aggregate of the purchase prices of the Term Bonds of each Series so purchased in any year shall not exceed the amount deposited in the Sinking Fund Account on account of the Sinking Fund Installment for Term Bonds of such Series due on the immediately succeeding November 1; provided however, that if in any year the amount credited against the Sinking Fund Installment for Term Bonds of any Series in accordance with paragraph (c) of this Section equals or exceeds the Sinking Fund Installment for such Term Bonds due on the immediately succeeding November 1, any excess deposit in the Sinking Fund Account shall be applied by the Trustee to the purchase of any Term Bonds then Outstanding as shall be directed by the Authorized Officer of the Service.

(c) If (i) the Trustee purchases Term Bonds during any year as provided in paragraph (b) above, (ii) the Service delivers to the Trustee for cancellation on or before the 45th day next preceding any November 1 Term Bonds subject to redemption from the Sinking Installment due on such November 1 (provided that the price paid by the Service to purchase any such Bonds, including any brokerage and other charges, shall not exceed the principal amount of such Bonds and accrued interest thereon), or (iii) Term Bonds subject to redemption from the Sinking Fund Installment due on the immediately succeeding November 1 are otherwise redeemed during such year, then an amount equal to 100% of the aggregate principal amount of any such Term Bonds so purchased and delivered to the Trustee for cancellation or redeemed (as the case may be) shall be credited against such Sinking Fund Installment.

(d) If the aggregate principal amount of Term Bonds of any Series purchased or redeemed in any year is in excess of the Sinking Fund Installment due on such Term Bonds on the immediately succeeding November 1, the Trustee shall credit such excess against subsequent Sinking Fund Installments for such Term Bonds as directed by an Authorized Officer of the Service.

(e) If the Service shall determine to provide for the payment of any Bonds as provided in Section 9.01 hereof, on the date on which such Bonds are deemed to be paid in accordance with such Section, amounts on deposit in the Debt Service Fund for the payment of the principal or Redemption Price of or

interest on such Bonds shall be paid to the escrow deposit agent for such Bonds upon the written direction of an Authorized Officer of the Service.

Section 4.07. Debt Service Reserve Fund: Application of Moneys; Deficiencies and Surpluses. If on any interest payment date the amount in the Interest Account shall be less than the amount of interest then due on the Outstanding Bonds, or if on any November 1 the amount credited to the Principal Account or the Sinking Fund Account shall be less than the amount of the principal or the Sinking Fund Installment then due on the Bonds, the Trustee forthwith shall transfer moneys from the Debt Service Reserve Fund, first, to the Interest Account, and second, to the Principal Account and the Sinking Fund Account, to the extent necessary to make good any deficiency.

Interest earned and profits realized by reason of the investment of amounts on deposit in a Debt Service Reserve Fund shall be applied as provided in Section 4.11 hereof.

For the purposes of this Indenture, in the Debt Service Reserve Fund:

(i) a "deficiency" shall mean that the value of the assets of the Debt Service Reserve Fund, determined in accordance with Section 4.11 hereof, is less than the Debt Service Reserve Fund Requirement; and

(ii) a "surplus" shall mean that the value of the assets of the Debt Service Reserve Fund, determined in accordance with Section 4.11 hereof, is in excess of the Debt Service Reserve Fund Requirement; provided, however, that interest earned and profits realized by reason of the investment of amounts on deposit in the Debt Service Reserve Fund and required to be transferred to the Debt Service Fund under Section 4.11 hereof shall not create a surplus within the meaning of this Section even though such amounts shall not have been transferred from the Debt Service Reserve Fund as provided in Section 4.11 hereof.

The Trustee shall determine the value of the assets of the Debt Service Reserve Fund in the manner provided by Section 4.11 hereof and as determined in the Supplemental Indenture related to the Series of Bonds which contains a requirement for the establishment of a Debt Service Reserve Fund.

As promptly as practicable after making such determination, the Trustee shall notify the Service of the result of such determination and of the amount of any deficiency or surplus determined to exist in the Debt Service Reserve Fund.

Unless the Supplemental Indenture authorizing the issuance of any Additional Bonds shall otherwise provide, the Trustee shall transfer the amount of any surplus that exists in the Debt Service Reserve Fund from time to time upon the written direction of the Service as follows:

FIRST: to the Construction Fund during the period between the date of delivery of the Series 2010 Bonds and the Completion Date of the Project; and

SECOND: to the Debt Service Fund.

Section 4.08. Redemption Fund: Application of Moneys. (a) On any date on which a determination of the value of the assets of the Debt Service Reserve Fund discloses a deficiency therein, the Trustee shall transfer to the Debt Service Reserve Fund from the Redemption Fund any amount on deposit in the Redemption Fund (other than moneys set aside to pay the Redemption Price of any Bonds theretofore called for redemption and moneys required for the purchase of Bonds theretofore contracted to be purchased) to the extent of such deficiency. The Trustee shall notify the Service of such transfer and the amount thereof.

(b) Subject to the provisions of paragraphs (a), (c) and (d) of this Section, moneys in the Redemption Fund shall be applied by the Trustee to the purchase or redemption of Bonds of such Series and maturities as the Service shall direct in writing. [At the written direction of the Service, the Trustee shall endeavor to purchase such Bonds at the most advantageous price obtainable with reasonable diligence, but no such purchase shall be made by the Trustee (i) within the period of 45 days immediately preceding any interest payment date on which such Bonds are subject to call for redemption under the provisions of this Indenture or (ii) at a price, including any brokerage or other charges, greater than the sum of the Redemption Price of such Bonds on the next interest payment date on which such Bonds are subject to redemption and accrued interest to the date of purchase of such Bonds, provided that no money to be used to effect a redemption for which a conditional notice of redemption, the conditions of which have been satisfied, or an unconditional notice of redemption has been provided or] money which are held for payment of Bonds which are no longer Outstanding hereunder shall be transferred to the Debt Service Fund.

(c) Notwithstanding the foregoing provisions of this Section, to the extent provided in any Supplemental Indenture authorizing the issuance of any Series of Additional Bonds (i) moneys available for the redemption or purchase of Bonds on any date shall be allocated among all Series of Bonds in proportion (as nearly as practicable) to the aggregate principal amount of Bonds of each such Series subject to redemption from such amounts on such date and (ii) the Bonds of such Series of Additional Bonds to be purchased or redeemed on any date shall be selected in accordance with the provisions of such Supplemental Indenture.

(d) Upon the written direction of the Service, the Trustee may set aside any amount on deposit in the Redemption Fund for the redemption of particular Bonds by the delivery of irrevocable written instructions to the Trustee directing the Trustee to set aside such amount for such purpose, in which event all of the provisions of Sections 9.01 and 10.04 hereof shall be applicable to such Bonds and the amounts set aside for the payment of such Bonds. Amounts set aside for the redemption of Bonds and investment earnings on such amounts shall be applied to the payment of the interest due on such Bonds on or prior to the redemption date of such Bonds to the extent provided in such instructions.

Section 4.09. Insurance and Condemnation Award Fund; Application of Money.

(a) The Service may elect within six months of any loss, damage, destruction or taking of the Project or any Additional Facilities to apply the proceeds resulting therefrom on deposit in the Insurance and Condemnation Award Fund to the repair or replacement of the lost, damaged, destroyed or taken property, if:

(i) the Service delivers to the Trustee a certificate of an Authorized Officer of the Service in form and substance satisfactory to the Trustee, setting forth his estimate of the cost of repairing or replacing the lost, damaged, destroyed or taken property to be repaired or replaced and the time required therefor; and

(ii) the Service delivers to the Trustee a certificate of an Authorized Officer of the Service, in form and substance satisfactory to the Trustee, that (1) the amount of such proceeds, together with any other moneys deposited or available for deposit in the Insurance and Condemnation Award Fund (which may include, without limitation, amounts available to be drawn under a letter of credit, guaranty or other instrument in form and substance satisfactory to the Trustee delivered to the Trustee for the credit of the Insurance and Condemnation Award Fund) will be sufficient to pay the costs of repairing or replacing the lost, damaged, destroyed or taken property to be repaired or replaced, (2) the Coverage Ratio for each of the two Fiscal Years following restoration of the Project or any Additional Facilities (taking into account proceeds of insurance available to the Service for each Fiscal Year during the period of restoration) is projected to be at least 1.00 and (3) neither the Service nor any of the Subdivisions is in default in the performance or observance of any of the covenants, conditions, agreements or provisions of any of the Service Agreements, and the Service Agreements are in full force and effect.

(b) The Service may elect within six months of any loss, damage, destruction or taking of the Project or any Additional Facilities to apply any proceeds resulting therefrom on deposit in the Insurance and Condemnation Award Fund to the redemption of Outstanding Bonds if:

(i) the Service either delivers to the Trustee a certificate of an Authorized Officer of the Service, in form and substance satisfactory to the Trustee, to the effect that (after giving effect to the redemption of such Bonds) the Coverage Ratio for each Fiscal Year during the period covered by projections contained in such certificate, which shall be a period of at least two full Fiscal Years or such longer period as shall be deemed advisable by the Service, is projected to be at least 1.00; or

(ii) the Service shall pay to the Trustee for deposit in the Insurance and Condemnation Award Fund an amount of money that, together with any other moneys held to the credit of the funds and accounts created by this Indenture, shall be sufficient to provide for the redemption of all Outstanding Bonds in the manner provided by this Indenture.

(c) The Service may elect to apply a portion of such proceeds to the repair or replacement of the lost, damaged, destroyed or taken property and to apply the remaining proceeds to the redemption of Outstanding Bonds so long as the Service shall satisfy the requirements of paragraphs (a) and (b) above.

(d) The Service shall elect to apply such proceeds in accordance with paragraph (a), (b) or (c) above within six months of such loss, damage, destruction or taking. If the Service does not make such election or is not entitled to apply such proceeds in accordance with paragraph (a), (b) or (c) above, the Trustee shall employ an Independent Consultant at the expense of the Service, within six months of such loss, damage, destruction or taking, to submit a written report and recommendations as to the use of such proceeds that would result in the maximum feasible Coverage Ratio. Such report shall include a financial projection for a period extending at least through the second full Fiscal Year after the date of completion of any repairs or replacements recommended by such Independent Consultant. Such proceeds shall be applied in accordance with the recommendations of such Independent Consultant.

(e) If any portion of the Project or any Additional Facilities shall be lost, damaged or destroyed as a result of a casualty as to which insurance has not been maintained as required under the terms of this Indenture, and if the amount of such loss, damage or destruction is in excess of [\$100,000] multiplied by the Inflation Factor, the Service shall elect, promptly after such loss, damage or destruction, either to expend for repairs, restoration or replacement of the property lost, damaged or destroyed such sum as may be required therefor, or to pay such sum to the Trustee; provided, however, that if in any single Fiscal Year such loss, damage or destruction is in an aggregate amount equal to or in excess of [\$200,000] multiplied by the Inflation Factor, and the Service shall not have elected to repair or replace the lost, damaged or destroyed property within six months of such loss, damage or destruction, then the Service shall either (i) deliver to the Trustee a certificate of an Authorized Officer of the Service, in form and substance satisfactory to the Trustee, to the effect that the Coverage Ratio for each Fiscal Year during the period covered by projections contained in such certificate, which shall be a period of at least two full Fiscal Years or such longer period as shall be deemed advisable by the Service, is projected to be at least 1.00, or (ii) forthwith pay to the Trustee for deposit in the Insurance and Condemnation Award Fund the amount that, together with any other moneys in the funds and accounts established by this Indenture, shall be sufficient to provide for the redemption of all Outstanding Bonds. Notwithstanding any other provision of this paragraph, the Service may elect within such six-month period to repair or replace some of the lost, damaged or destroyed property and to pay the remaining sum (and any additional moneys) to the Trustee to be applied to the redemption of Outstanding Bonds if the Service's certificate delivered to the Trustee pursuant to clause (i) above indicates that the Coverage Ratio for each Fiscal Year during the period extending through the second full Fiscal Year after the date of completion of such repairs or replacements is projected to be at least 1.00.

(f) As used in this Section, the terms "repair" and "replace" include: (without limitation) the construction or acquisition of replacement or substitute property, structures, machinery, equipment or other improvements having a fair market value (but not necessarily the same function) at least equal to the fair market value, immediately prior to loss, damage or destruction or taking, of the property lost, damages, destroyed or taken. The election of the Service to repair or replace any lost, damaged, destroyed or taken property shall be made by a written certification of an Authorized Officer of the Service to the effect that the Service has entered into substantial, binding commitments for such repair or replacement.

(g) The Service shall adjust losses under property and business interruption insurance policies related to the Project or any Additional Facilities as promptly as practicable and with due regard to the interests of the Trustee and the Holders of Bonds. Any adjustment of any loss, damage or destruction in an amount in excess of [\$20,000] under any policy of casualty insurance and any settlement or payment of indemnity in an amount in excess of [\$20,000] under any such policy shall be evidenced by an appropriate certificate, filed with the Trustee signed by an Authorized Officer of the Service.

(h) If any public authority or other entity, in the exercise of its power of eminent domain or condemnation power or through the exercise of any right or obligation on the part of such entity, or as a result of any agreement between the Service and such entity made in lieu of condemnation proceedings, takes or damages the Project or any Additional Facilities, or any part thereof, the Service shall take prompt and appropriate measures to protect and enforce its rights and interests and those of the Trustee in connection with any condemnation proceeding. Prompt written notice of any taking, loss, damage or destruction of any part of the Project or any Additional Facilities or of any official notice thereof or of the institution of any proceeding therefor by any public instrumentality, body, agency or officer shall be given to the Trustee.

(i) If moneys on deposit in the Insurance and Condemnation Award Fund are to be used to pay the costs of repair or replacement of lost, damaged, destroyed or taken property, such moneys shall be disbursed by the Trustee from time to time to or at the direction of the Service in accordance with requisitions meeting the requirements of Section 4.03 hereof.

If moneys on deposit in the Insurance and Condemnation Award Fund are to be applied to the redemption of Bonds, such moneys shall be transferred by the Trustee upon the written direction of an Authorized Officer of the Service to the Redemption Fund to be applied to the extraordinary redemption of Bonds on the earliest practicable redemption date.

Section 4.10. Operating Fund; Application of Moneys. (a) On or before the earlier of (i) the Completion Date of the Project or (ii) _____, the Service shall pay to the Trustee, from its own funds, an amount equal to the Operating Reserve Requirement. The Trustee shall deposit such amount upon receipt in the Operating Fund.

(b) The Trustee shall disburse amounts from the Operating Fund to the Service on any date in order (i) to pay any operating expenses of the Mid-Shore II Landfill or any Alternative Site, (ii) to pay the costs of normal equipment additions to the Mid-Shore II Landfill or any Alternative Site, (iii) to pay the costs of acquisition of capital improvements to the Mid-Shore II Landfill or any Alternative Site, (iv) to pay the costs of extraordinary maintenance and repair of the Mid-Shore II Landfill or any Alternative Site, and (v) for any other purpose relating to the provision of waste disposal services under the Service Agreements, upon receipt by the Trustee of a certificate executed by an Authorized Officer of the Service setting forth in sufficient detail the purpose for and the amount of such disbursement and stating that moneys held by the Service on such date and available for such purpose are not sufficient for such purpose.

(c) For the purposes of this Indenture, when used with respect to the Operating Fund, a "deficiency" shall mean that the value of the assets of the Operating Fund, determined in accordance with Section 4.11 hereof, is less than the Operating Reserve Requirement. The Trustee shall determine the value of the assets of the Operating Fund in the manner provided by Section 4.11 hereof as of the close of business (i) on a Business Day selected by the [Service between July 1 and July 15 in each year,] (ii) on the date of any withdrawal from the Operating Fund and on the last Business Day of each month thereafter until such determination discloses that a deficiency no longer exists in the Operating Fund and (iii) on any other date which an Authorized Officer of the Service shall direct in writing. The Trustee shall promptly notify the Service of the existence of any deficiency determined to exist in the Operating Fund.

(d) [On July 15 in each Fiscal Year], so long as no Event of Default shall have occurred and be continuing, the Trustee shall disburse to the Service any amount on deposit in the Operating Fund on such date in excess of the Operating Reserve Requirement.

Section 4.11. Investment of Moneys; Application of Earnings on Debt Service Reserve Fund. Subject to the provisions of Section 4.13 hereof, moneys in any of the funds and accounts established by this Indenture shall be invested by the Trustee, as shall be directed in writing by an Authorized Officer of the Service, but only in Investment Obligations maturing in such amounts and on such dates as may be necessary to provide moneys to meet the payments from such funds and accounts. Notwithstanding the foregoing, (i) moneys in the Interest Account which constitute capitalized interest or accrued interest on the Series 2010 Bonds shall be invested only in Government Obligations or, with the consent of any Credit Facility Provider, if applicable, in any other Investment Obligations, and (ii) moneys in the Debt Service Reserve Fund shall be invested only in Investment Obligations maturing or redeemable at the option of the Holder not later than ten years following the date of their purchase.

Subject to the provisions of Section 4.13 hereof and the further provisions of this Section, interest earned, profits realized and losses suffered by reason of any investment of the funds and accounts created by this Indenture shall be credited or charged, as the case may be, to the fund or account for which such investment shall have been made; provided, however, that during the

period between the date of delivery of the Series 2010 Bonds and the Completion Date of the Project and, unless the Supplemental Indenture authorizing the issuance of any Additional Bonds shall otherwise provide, during the period between the date of delivery of any Additional Bonds and the Completion Date of any Additional Facilities financed with the proceeds of such Additional Bonds, the Trustee shall pay to the Construction Fund from the Interest Account an amount equal to the interest earned from the investment of money in the Interest Account which, together with other money on deposit in the Interest Account, is in excess of the amount required to pay interest on the Bonds on the next succeeding interest payment date.

Interest earned, profits realized and losses suffered by reason of any investment of the Debt Service Reserve Fund shall be calculated by the Trustee on each date on which the Trustee is required to determine the value of the assets of the Debt Service Reserve Fund in accordance with Section 4.07 hereof. The net investment result for the Debt Service Reserve Fund for any such period is a gain (by virtue of either interest earned or profits realized), the amount of such investment gain shall be credited to the Debt Service Reserve Fund to the extent that there exists a deficiency therein, and the balance of such investment gain, if any, shall be paid by the Trustee from time to time upon the direction of the Service as follows: (i) to the Construction Fund during the period between, the date of delivery of the applicable Series of Bonds and the Completion Date of delivery of the Project and, unless the Supplemental Indenture authorizing the issuance of any Additional Bonds shall otherwise provide, during the period between the date of delivery of any Additional Bonds and the Completion Date of any Additional Facilities financed with the proceeds of such Additional Bonds; and (ii) in any other case, to the Debt Service Fund for deposit in such accounts as the Service shall direct.

The Trustee may sell or redeem any obligations in which moneys shall have been invested as in this Section provided to the extent necessary to provide cash in the respective funds or accounts to make any payments required to be made therefrom or to facilitate the transfers of moneys between various funds and accounts as may be required or permitted from time to time pursuant to the provisions of this Indenture. The proceeds from the sale of any investment shall be paid into the fund or account for which the sale thereof was made.

In determining the value of the assets of the funds and accounts created by this Indenture (i) investments and accrued interest thereon shall be deemed a part thereof, and (ii) investments shall be valued at amortized cost or current market value, whichever is the lower, or at the redemption price thereof, if then redeemable at the option of the Holder (in any case net of the cost of liquidating such investments).

Unless otherwise provided in a Supplemental Indenture, in determining the value of the assets of the Debt Service Reserve Fund, there shall be credited to the Debt Service Reserve Fund the amount that can be realized by the Trustee under any Debt Service Reserve Fund Credit Facility if each of the following conditions is met: (i) on the date of delivery of such Debt Service Reserve Fund Credit Facility to the Trustee and throughout the period during which such Debt Service Reserve Fund Credit Facility is credited to the Debt Service Reserve Fund, the unsecured long-term indebtedness or the claims-paying ability of the issuer of such Debt Service Reserve Fund Credit Facility or its parent holding company or other controlling entity is rated by each Rating Agency which maintains a rating on the Bonds secured thereby in a rating category not lower than the rating category in which such Bonds are then rated; (ii) such Debt Service

Reserve Fund Credit Facility permits the Trustee to realize amounts thereunder (A) at such times as the Trustee is required to transfer any amount (other than any surplus) from the; Debt Service Reserve Fund in accordance with this Indenture and (B) immediately prior to the expiration date of such Debt Service Reserve Fund Credit Facility unless all Bonds secured thereby shall have been paid within the meaning of Article IX hereof prior to such date or there shall have been deposited in the Debt Service Reserve Fund money or securities authorized for investment of the Debt Service Reserve Fund (including, without limitation, any substitute Debt Service Reserve Fund Credit Facility meeting the requirements of this paragraph) equal to the Debt Service Reserve Fund Requirement; (iii) in connection with the delivery of such Debt Service Reserve Fund Credit Facility, the Trustee shall have agreed to make the drawings permitted by clause (ii) above; and (iv) if the amounts realized under such Debt Service Reserve Fund Credit Facility are, under any circumstances, payable from the Revenues, such amounts shall be payable in no fewer than 12 equal monthly installments.

The Trustee shall not be liable for any depreciation in the value of any obligations in which moneys of the funds or accounts created by this Indenture shall be invested, as set forth above, or for any loss arising from any investment permitted herein. The investments authorized by this Section shall at all times be subject to the provisions of applicable law, as amended from time to time.

The Trustee may conclusively rely upon the Service's written directions as to both the suitability and legality of all investments directed under this Indenture. Ratings of investments shall be determined at the time of purchase of such investments and without regard to ratings subcategories. The Trustee shall have no responsibility to monitor the ratings of investments after the initial purchase of such investments. The Trustee may make any and all such investments through its own investment department or that of its affiliates and subsidiaries, and may charge its ordinary and customary fees for such trades, including cash sweep account fees. In the absence of written investment instructions from the Service, the Trustee shall not be responsible or liable for keeping the moneys held by it hereunder fully invested in investments.

Although the Service recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Service hereby agrees that confirmations of investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered. No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month.

Section 4.12. Application of Moneys in Certain Funds for Retirement of Bonds. Notwithstanding any other provision of this Indenture, if at any time the Service shall determine to provide for the payment of all Outstanding Bonds in accordance with Article IX hereof, upon the written request of the Service, the Trustee shall apply any moneys on deposit in the funds and accounts created by this Indenture available for the payment of the principal or Redemption Price of and interest on the Bonds to the payment or redemption of such Bonds in the manner provided by Article IX hereof.

Section 4.13. Bonds Not to be Arbitrage Bonds; Rebate Fund. The Director and the Treasurer of the Service shall be the officials of the Service responsible for issuing the Bonds (the "Section 148 Certifying Officials"). The Section 148 Certifying Officials shall execute and

deliver (on the date of each issuance of Tax-Exempt Bonds) a certificate of the Service (each such certificate, as it may be amended and supplemented from time to time in accordance with this Section, being referred to herein as a "Tax and Section 148 Certificate") that complies with the requirements of Section 148 of the Code or any successor to such Section in effect on the date of issuance of any Tax-Exempt Bonds ("Section 148").

The Service shall set forth in such Tax and Section 148 Certificate its reasonable expectations as to relevant facts, estimates and circumstances relating to the use of the proceeds of such Tax-Exempt Bonds, or of any moneys, securities or other obligations that may be deemed to be proceeds of such Tax-Exempt Bonds within the meaning of Section 148 (collectively, "Bond Proceeds").

The Service covenants that (i) the facts, estimates and circumstances set forth in each Tax and Section 148 Certificate will be based on the Service's reasonable expectations on the date of delivery of such certificate and will be, to the best of the Section 148 Certifying Officials' knowledge, true, correct and complete as of that date, and (ii) the Section 148 Certifying Officials will make reasonable inquiries to ensure such truth, correctness and completeness.

The Service further covenants that it will not make, or (to the extent it exercises control or direction) permit any Subdivision to make, any use of the Bond Proceeds that would cause any Tax-Exempt Bonds to be "arbitrage bonds" within the meaning of Section 148.

The Service further covenants that it will comply with those provisions of Section 148 that are applicable to any Tax-Exempt Bonds on the date of issuance of such Bonds and with those provisions of Section 148 that may subsequently be lawfully made applicable to such Bonds. To the extent that provisions of Section 148 apply only to a portion of any Tax-Exempt Bonds, it is intended that the covenants of the Service contained in this Section be construed so as to require the Service to comply with Section 148 only to the extent of such applicability.

The Service further covenants that it will comply with all covenants contained in each Tax and Section 148 Certificate with respect to any Tax-Exempt Bonds which are continuing covenants of the Service; provided, however, that such compliance will not be required upon delivery to the Trustee of an opinion of Bond Counsel to the effect that such non-compliance will not adversely affect the excludability from gross income for federal income tax purposes of interest on any Tax-Exempt Bonds theretofore issued.

The Service shall (i) hold and invest Bond Proceeds within its control (if such proceeds are invested), (ii) direct the Trustee to transfer amounts on deposit in any fund or account created by this Indenture to the Rebate Fund and (iii) deposit funds with the Trustee for deposit to the Rebate Fund or otherwise make funds available for the payment of rebate to the United States of America, all in accordance with the expectations of the Service set forth in the Tax and Section 148 Certificate.

The Service shall make timely payment, but only from the Revenues, of any rebate amount (or installment thereof) required to be paid to the United States of America in order to preserve the excludability from gross income, for federal income tax purposes, of interest paid on the Tax-Exempt Bonds and shall include with any such payment such other documents,

certificates or statements as shall be required to be included therewith under then-applicable law and regulations.

Upon receipt of written notice from an Authorized Officer of the Service directing the transfer of amounts on deposit in any fund or account created by this Indenture to the Rebate Fund, the Trustee shall make the transfer referred to therein, any other provision of this Indenture to the contrary notwithstanding. Amounts on deposit in the Rebate Fund from time to time required to be rebated to the United States of America pursuant to Section 148 shall be made available by the Trustee to the Service for the payment of such rebates upon the written direction of an Authorized Officer of the Service and shall not be pledged to the payment of the principal or Redemption Price of or interest on any Bonds.

Upon receipt of written notice from an Authorized Officer of the Service directing the transfer of amounts on deposit in the Rebate Fund to any fund or account created by this Indenture, the Trustee shall make the transfer referred to therein; provided, however, that the Service shall not direct the amount transferred to exceed the excess of the amount on deposit in the Rebate Fund over the rebate liability as of the date of calculation by the Service, less amounts theretofore paid to the United States as rebate with respect to the Bonds.

The Section 148 Certifying Officials may execute an amendment or supplement to any Tax and Section 148 Certificate upon delivery to the Trustee of an opinion of Bond Counsel to the effect that actions taken by the Service in accordance with such amendment or supplement will not adversely affect the excludability from gross income for federal income tax purposes of interest on any Tax-Exempt Bonds theretofore issued.

Neither the Service nor the Trustee shall incur any liability in connection with any action as contemplated herein so long as the Service and the Trustee act in good faith.

As used in this Section, "rebate" means the required rebate payable to the United States of America and any penalty in lieu of rebate pursuant to Section 148(f) of the Code.

ARTICLE V

PARTICULAR COVENANTS

Section 5.01. Payment of Principal and Interest. The Service shall pay or cause to be paid the principal or Redemption Price of and interest on every Bond on the date, at the place and in the manner provided herein and in the Bonds according to the true intent and meaning thereof; provided, however, that the Bonds are limited obligations of the Service the principal or Redemption Price of and interest on which are payable solely from the Revenues.

The Bonds shall not be payable from the general funds of the Service and shall not constitute a legal or equitable pledge of, or lien or encumbrance upon, any of the assets or property of the Service or upon any of its income, receipts or revenues, except as provided in this Indenture. The Bonds do not constitute a debt or liability of the State of Maryland, of any political subdivision thereof (including the Subdivisions) or of the Service. Neither the State of Maryland nor any political subdivision thereof (including the Subdivisions) nor the Service shall be obligated to pay the principal or Redemption Price of or interest on, or the purchase price of,

the Bonds except from the Revenues. Neither the faith and credit nor the taxing power of the State of Maryland, of any political subdivision thereof (including the Subdivisions) or of the Service is pledged to the payment of the Bonds. The issuance of the Bonds is not directly or indirectly or contingently an obligation, moral or other, of the State of Maryland, of any political subdivision thereof (including the Subdivisions) or of the Service to levy any tax or take any appropriation for their payment. The Service has no taxing power.

Section 5.02. Performance of Covenants, Undertakings and Agreements; Representations as to Authorization and Validity of Bonds. The Service shall faithfully perform at all times all of its covenants, undertakings and agreements contained in the Service Agreements and any Bond executed, authenticated and delivered under this Indenture or in any proceedings of the Service pertaining thereto. The Service shall take all legally available action to cause the Subdivisions to perform fully all duties and acts and comply fully with the covenants of the Subdivisions contained in the Service Agreements.

The Service represents and covenants that (i) it is duly authorized under the Constitution and laws of the State of Maryland, particularly the Act, to issue the Bonds and to enter into the Service Agreements and to pledge the Trust Estate in the manner and to the extent set forth in this Indenture; (ii) all action on its part for the issuance of the Series 2010 Bonds has been duly and effectively taken; and (iii) the Series 2010 Bonds are and will be valid and binding limited obligations of the Service according to their terms.

Section 5.03. Liens, Encumbrances and Charges. The Service shall not create and shall not suffer to remain any lien, encumbrance or charge upon its interest in the Revenues, except for the pledge created for the security of the Bonds and, to the extent provided herein, any Additional Bonds and Subordinate Obligations and Permitted Encumbrances. The Service will cause to be discharged, or will make adequate provisions to satisfy and discharge, within 60 days after the same shall accrue, all lawful claims and demands that, if unpaid, might by law become a lien upon its interest in the Revenues; provided, however, that nothing contained in this Section shall require the Service to pay or cause to be discharged, or make provision for, any such lien, encumbrance or charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings. Except for Subordinate Obligations, so long as any Bonds or Additional Bonds shall be Outstanding, the Service shall not issue any bonds, notes or other evidences of indebtedness other than the Bonds secured by any pledge of or other lien or charge on the Revenues under this Indenture. The Service shall not create or cause to be created any lien or charge on the Revenues, other than the lien on and pledge of the Revenues authorized by this Indenture to secure the Bonds, Additional Bonds and any Subordinate Obligations.

Section 5.04. Accounts and Audits. The Service shall keep proper books of records and accounts (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Bonds, the Project, any Additional Facilities and the funds and accounts created by this Indenture, which books and accounts (at reasonable hours and subject to the reasonable rules and regulations of the Service) shall be subject to the inspection of the Trustee, any Credit Facility Provider or any Bondholder or representative of such Bondholder duly authorized in writing. The Service shall cause such books and accounts to be audited annually within 120 days after the end of its Fiscal Year by an Independent Public Accountant selected by the Service. Annually within 30 days after the

receipt by the Service of the report of such audit, a signed copy of such report shall be furnished to the Trustee. Such report shall include at least: (i) a statement of all funds and accounts (including investments thereof) held by the Trustee and the Service pursuant to the provisions of this Indenture; (ii) a statement of the Revenues collected by the Service and the Trustee during such fiscal year; and (iii) a statement as to whether the balance in the Debt Service Reserve Fund meets the requirements of this Indenture. A copy of such report shall also be furnished by the Service to each of the Rating Agencies and to any Credit Facility Provider.

Section 5.05. Amendment of the Project and Additional Facilities. The Service shall not consent to any amendment of the Project or any Additional Facilities which shall: (i) increase the cost of the Project or such Additional Facilities to an amount in excess of the amount of moneys available or reasonably expected to become available for the payment of such costs, or (ii) decrease the scope of the Project or such Additional Facilities so that the Project or such Additional Facilities, as decreased in scope, would cease to be an economically feasible or functional facility.

Nothing contained in this Section shall be construed to prohibit the Service from exercising its judgment and discretion in reducing the scope of the Project or any Additional Facilities in the event that (i) unforeseen circumstances would result in inadequate money to complete the project or such Additional Facilities and (ii) such inadequacy could not reasonably be remedied by the issuance of Bonds or otherwise.

Section 5.06. Filing of Financing Statements. The Service covenants that, in order further to evidence the grant and perfection of the interest of the Trustee in the Trust Estate to the extent possible by such filing, appropriate financing statements, naming the Trustee as assignee of the Trust Estate, will be executed and filed by the Service in the appropriate State and city or county offices as required by the Maryland Uniform Commercial Code. Subject to Section 6.13 hereof, the Trustee will file such necessary continuation statements from time to time as may be required pursuant to the provisions of the Maryland Uniform Commercial Code to protect the interests of the Trustee and the Bondholders in the Trust Estate.

Section 5.07. Rate Covenant. (a) The Service shall fix charge and collect Tipping Fees in each Fiscal Year which, together with other Landfill Revenues plus Supplemental Fees for such Fiscal Year, shall be at least equal to Total Costs for such Fiscal Year.

(b) [If the Tipping Fees, together with other Landfill Revenues imposed and collected by the Service shall be less than the amount required under paragraph (a) of this Section in any Fiscal Year, the Service shall immediately employ an Independent Consultant to submit a written report and recommendations with respect to such Tipping Fees and Landfill Revenues and with respect to improvements or changes in the operations of or the services rendered by Service under the Service Agreements. The Service shall require any Independent Consultant employed hereunder to file its report and recommendations within 150 days from the end of any such Fiscal Year with the Service and the Trustee.]

(c) Any Independent Consultant retained by the Service pursuant to this Section may recommend with respect to the Tipping Fees or other charges imposed and collected by the Service and with respect to improvements or changes in the operations of or the services rendered by the Service under the Service Agreements that the Service either (A) make no change or (B) make some change, even though such recommendation is not calculated to result in compliance with the requirements of paragraph (a) of this Section, if the Independent Consultant includes in its written report and recommendations a statement to the effect that compliance with such recommendations should result in compliance with such requirements to the maximum extent feasible.

(d) To the extent permitted by Applicable Law, the Service promptly shall revise its Tipping Fees and other charges in conformity with any recommendation of the Independent Consultant retained by the Service pursuant to this Section and shall otherwise follow the recommendations of such Independent Consultant. If the Service shall revise such Tipping Fees and other charges in conformity with the recommendations of the Independent Consultant and otherwise follow the recommendations of the Independent Consultant, then the failure of the Service to meet the requirements of paragraph (a) of this Section for such Fiscal Year shall not constitute an Event of Default under this Indenture.

(e) Nothing set forth in this Section shall be construed to excuse the Service from the payment in timely manner of all amounts due under this Indenture or the performance of any other obligation of the Service under this Indenture.

Section 5.08. Insurance. The Service shall maintain, or cause to be maintained, through the Treasurer of the State, insurance of the types and in the amounts it, in consultation with the Treasurer of the State, deems prudent and reasonable.

ARTICLE VI

CONCERNING THE TRUSTEE

Section 6.01. Appointment of the Trustee; Registrar; Acceptance of Trustee. The Bank of New York Mellon, a national banking association organized and existing under the laws of the United States of America, is hereby appointed Trustee for the Bonds. Except as otherwise provided in any Supplemental Indenture authorizing the issuance of Additional Bonds, the Trustee shall also be the Registrar and the paying agent for the Bonds. The Trustee shall signify its acceptance by written notice delivered to the Service and upon delivery of such notice shall be deemed to have accepted the trusts and the duties of Trustee under this Indenture. The Trustee's acceptance of the trusts and the duties of Trustee also shall constitute acceptance of the trusts and the duties of Registrar and the paying agent for the Bonds.

Section 6.02. Trustee Entitled to Indemnity. The Trustee shall be under no obligation to institute any suit, or to undertake any proceeding under this Indenture, or to enter any

appearance or in any way defend in any suit in which it may be made defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees, costs and expenses and other reasonable disbursements, and against all liability, including, by not limited to, any liability arising directly or indirectly under any federal, state or local statute, rule, law or ordinance related to the protection of the environment or hazardous substances, except as a consequence of its own negligence or default. Nevertheless, the Trustee may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as the Trustee, without indemnity, and in such case the Service shall promptly reimburse the Trustee from the Revenues for all costs and expenses, outlays and counsel fees, costs and expenses and other reasonable disbursements properly incurred in connection therewith. If the Service shall fail to make such reimbursement, the Trustee may reimburse itself from any moneys in its possession under the provisions of this Indenture and shall be entitled to a preference therefor over any Bonds Outstanding hereunder.

Section 6.03. Responsibilities of the Trustee. The recitals contained in this Indenture and in the Bonds shall be taken as the statements of the Service and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of this Indenture or with respect to the security afforded by this Indenture, and the Trustee shall incur no liability with respect thereto. Except as otherwise expressly provided in this Indenture, the Trustee shall have no responsibility or duty with respect to: (i) the issuance of the Bonds for value; (ii) the application of the proceeds thereof, except to the extent that such proceeds are received by it in its capacity as Trustee; or (iii) the application of any moneys paid to the Service or others in accordance with this Indenture except as to the application of any moneys paid to it in its capacity as Trustee.

The duties and obligations of the Trustee shall be determined by the express provisions of this Indenture and no implied obligations or covenants shall be read into this Indenture against the Trustee. The Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Indenture.

The permissive right of the Trustee to things enumerated in this Indenture shall not be construed as a duty. The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents or receivers appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed. The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds and shall have no responsibility for compliance with any state or federal securities laws in connection with any Bonds. None of the provisions of this Indenture shall require the Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it. The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligation under this Indenture arising out of or caused directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military

disturbances; sabotage; epidemic; pandemic; riots; interruptions; loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Trustee shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

Notwithstanding the effective date of this Indenture or anything to the contrary in this Indenture, the Trustee shall have no liability or responsibility for any act or event relating to this Indenture which occurs prior to the date the Trustee formally executes this Indenture and commences acting as Trustee hereunder.

The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture or any other document reasonably relating to the Bonds sent by the Service by unsecured email, facsimile transmission or other similar unsecured electronic methods, provided however, that the Service shall provide to the Trustee an incumbency certificate of an Authorized Officer of the Service, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Service elects to give the Trustee email or facsimile instructions (or instructions by a similar Electronic Means) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Service agrees to assume all risks arising out of the use of such Electronic Means to submit instructions and directions to the Trustee, including, without limitation, the risk that the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

The Trustee shall not be liable for any action taken or omitted by it in the performance of its duties under this Indenture except for its own negligence or default.

Section 6.04. Property Held in Trust. All moneys and securities held by the Trustee at any time pursuant to the terms of this Indenture shall be held by the Trustee in trust for the purposes and under the terms and conditions of this Indenture.

Section 6.05. Trustee Protected in Relying on Certain Documents. The Trustee may conclusively rely and shall be fully protected in acting upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond or other document provided to the Trustee in accordance with the terms of this Indenture that it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Indenture, or upon the written opinion of any counsel, architect, engineer, insurance consultant, management consultant or accountant believed by the Trustee to be qualified in relation to the subject matter, and the Trustee shall be under no duty to make any investigation or inquiry into any statements contained or matters referred to in any such instrument. The Trustee may consult with counsel, who may or may not be Bond Counsel or counsel to the Service, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it in good faith and in accordance therewith.

Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Indenture, such matter may be deemed to be conclusively proved and established by a certificate signed by an Authorized Officer of the Service, unless other evidence in respect thereof be hereby specifically prescribed. Such certificate shall be full warrant for any action taken or suffered in good faith under the provisions hereof, but in its discretion the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the Service to the Trustee shall be sufficiently executed if executed in the name of the Service by an Authorized Officer of the Service.

The Trustee shall not be under any obligation to see to the recording or filing of this Indenture or otherwise to the giving to any person of notice of the provisions hereof.

Section 6.06. Compensation. Unless otherwise provided by contract with the Trustee, the Service shall pay to the Trustee from the Revenues, from time to time, reasonable compensation for all services rendered by it hereunder, including its services as Registrar, together with all its reasonable expenses, charges and other disbursements and those of its counsel, agents and employees, incurred in and about the administration and execution of the trusts hereby created and the exercise of its powers and the performance of its duties hereunder, and the Trustee shall have a lien therefor on any and all funds at any time held by it hereunder prior to any Bonds Outstanding. To the extent permitted by law, the Service [from the Revenues] shall indemnify and save the Trustee harmless against any expense and liabilities (including, but not limited to, reasonable attorney's fees, costs and expenses) that the Trustee may incur in the exercise and performance of its powers and duties hereunder that are not due to its negligence or default. If the Service shall fail to make any payment required by this Section, the Trustee may make such payment from any moneys in its possession under the provisions of this Indenture and shall be entitled to preference therefor over any Bonds Outstanding hereunder. Such indemnity shall survive the termination of this Indenture or the earlier resignation or removal of the Trustee and shall inure to the benefit of the Trustee's successors and assigns.

Section 6.07. Permitted Acts. The Trustee and its directors, officers, employees or agents may become the owner of or may in good faith buy, sell own, hold and deal in Bonds or Subordinate Obligations and may join in any action that any Holder of Bonds or Subordinate Obligations may be entitled to take as fully and with the same rights as if it were not the Trustee. The Trustee may act as depository, and permit any of its officers or directors to act, as a member of, or in any other capacity, with respect to, the Service or any committee formed to protect the rights of Holders of Bonds or Subordinate Obligations or to effect or aid in any reorganization growing out of the enforcement of the Bonds, any Subordinate Obligation or this Indenture, whether or not such committee shall represent the Holders of a majority of the Bonds or Subordinate Obligations.

Section 6.08. Resignation of the Trustee. The Trustee may at any time resign and be discharged of its duties and obligations hereunder by giving not fewer than 45 days' written notice, specifying the date when such resignation shall take effect, to the Service, any Credit Facility Provider and each Holder of any Outstanding Bonds or Subordinate Obligations. Such

resignation shall take effect upon the date specified in such notice or prior thereto in the event a successor shall have been previously appointed by the Service or the Holders of Bonds as provided in Section 6.10 hereof, in which event such resignation shall take effect immediately on the appointment of such successor and the acceptance of such appointment by such successor.

Section 6.09. Removal of Trustee. The Trustee may be removed by the Service or the Holders of a majority of the Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such Holders or by their attorneys-in-fact, duly authorized and delivered to the Service. Facsimile copies of each such instrument shall be delivered by the Service to the Trustee and any successor thereof. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Service or of the Holders of not less than ten percent of the Bonds.

Section 6.10. Successor Trustee. If the Trustee shall resign, be removed, be dissolved or become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, the position of the Trustee hereunder shall thereupon become vacant.

If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason, a successor Trustee may be appointed within one year after any such vacancy shall have occurred by the Holders of a majority of the Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such Holders or their attorneys-in-fact, duly authorized and delivered to such successor Trustee, with written notification thereof being given to the predecessor Trustee and the Service.

Until such successor Trustee shall have been appointed by the Holders of Bonds, the Service shall forthwith appoint a Trustee to act hereunder. Copies of any instrument of the Service providing for any such appointment shall be delivered by the Service to the Trustee so appointed and the predecessor Trustee. The Service shall mail notice of any such appointment to each Holder of any Outstanding Bonds or Subordinate Obligations within 30 days after such appointment. Any appointment of a successor Trustee made by the Service immediately and without further act shall be superseded and revoked by an appointment subsequently made by the Holders of Bonds.

If in a proper case no appointment of a successor Trustee shall be made within 45 days after the giving by any Trustee of any written notice of resignation in accordance with Section 6.08 hereof or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Holder of Bonds may or Subordinate Obligations apply to any court of competent jurisdiction for the appointment of such a successor, and the court may thereupon, after such notice, if any, as the court may deem proper, appoint such successor.

Any successor Trustee appointed under the provisions of this Section shall be a commercial bank or trust company or national banking association (i) having a capital and surplus aggregating at least \$100,000,000, if there be such a commercial bank or trust company

or national banking association willing and able to accept the appointment on reasonable and customary terms, and (ii) authorized by law to perform all the duties of the Trustee required by this Indenture.

Section 6.11. Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under the provisions of Section 6.10 hereof shall execute, acknowledge and deliver to its predecessor and the Service an instrument in writing accepting such appointment, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, immunities, powers, duties, obligations and trusts of its predecessor hereunder, with like effect as if originally appointed as Trustee. However, the Trustee then ceasing to act shall nevertheless, on written request of the Service or of such successor, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor all the rights, immunities, powers and trusts of such Trustee and all the right, title and interest of such Trustee in and to the Trust Estate, and shall pay over, assign and deliver to such successor any moneys or other properties subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Service be required by such successor for more fully and certainly vesting in and confirming to it any such moneys, estates, properties, rights, powers, duties or obligations, any and all such deeds, conveyances and instruments in writing, on request and so far as may be authorized by law, shall be executed, acknowledged and delivered by the Service.

Section 6.12. Merger, Conversion or Consolidation of Trustee. Any company into which the Trustee may be merged or with which it may be consolidated or any company resulting from any mergers; conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business shall be the successor to such Trustee hereunder, without any further act, deed or conveyance, provided that such company shall be a commercial bank or trust company or national banking association qualified to be a successor to such Trustee under the provisions of Section 6.10 hereof.

Section 6.13. Trustee to File Continuation Statements. Notwithstanding anything to the contrary contained herein, the Trustee shall not be responsible for any initial filings of any financing statements or the information contained therein (including the exhibits thereto), the perfection of any such security interests, or the accuracy or sufficiency of any description of collateral in such initial filings or for filing any modifications or amendments to the initial filings required by an amendments to Article 9 of the Maryland Uniform Commercial Code, as from time-to-time in effect (the "UCC"). In addition, unless the Trustee shall have been notified in writing by the Service that any such initial filing or description of collateral was or has become defective, the Trustee shall be fully protected in (i) conclusively relying on such initial filing and descriptions in filing any financing or continuation statements or modifications thereto pursuant to this Section and (ii) filing any continuations statements in the same filing offices as the initial filings were made. The Trustee shall cause to be filed a continuation statement with respect to each UCC financing statement relating to the Bonds which was filed at the time of issuance thereof, in such manner and in such places as the initial filings were made, provided that a copy of the filed original financing statement is timely delivered to the Trustee. The Service shall be responsible for the reasonable costs and expense (including reasonable attorney's fees, costs and

expenses, if any) incurred by the Trustee in the preparation and filing of all continuation statements hereunder.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.01. Events of Default. Each of the following events is hereby declared to constitute an event of default hereunder (an "Event of Default"):

(a) payment of the principal of any Bond shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or payment of the purchase price of any Bond required by its terms to be purchased from the Holder thereof by the Service on any date prior to its stated maturity shall not be made in accordance with the terms thereof on such date; or

(b) payment of interest on any Bond shall not be made when the same shall become due and payable; or

(c) an order or decree shall be entered with the consent or acquiescence of the Service appointing a receiver or receivers of the Revenues, or such order or decree, having been entered without the consent or acquiescence of the Service, shall not have been vacated or discharged or stayed on appeal within 60 days after the entry thereof; or

(d) any proceeding shall be instituted with the consent or acquiescence of the Service for the purpose of effecting a composition between the Service and its creditors, or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now or hereafter enacted if the claims of such creditors are under any circumstances payable from the Trust Estate; or

(e) the Service shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in any Bond or in this Indenture on the part of the Service to be performed, which default, except for those defaults described in paragraphs (a) through (d), inclusive, shall continue for 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Service by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of not less than 25% of the Bondholders.

A default under this Indenture with respect to the Bonds shall not be or constitute a default under any other indenture entered into by the Service or with respect to any other Indebtedness of the Service, and no default under any other indenture entered into by the Service or with respect to any other Indebtedness of the Service shall be or constitute a default under this Indenture.

Section 7.02. Acceleration of Maturity. Upon the happening and continuance of any Event of Default specified in Section 7.01 hereof, then and in every such case the Trustee may, and upon the written request of not less than 25% of the Bondholders shall, by a notice in writing to the Service, declare the principal of all of the Outstanding Bonds to be due and payable. The Trustee also shall declare the principal of all Outstanding Bonds to be due and payable upon the written direction of the Service following the occurrence of any Event of Default under the Service Agreements. Notwithstanding the foregoing, the Trustee may not declare the principal of any Series of Bonds to be due and payable without the prior written consent of any person whose consent shall be required for such declaration under the terms of the Supplemental Indenture authorizing the issuance of such Bonds.

Upon the giving of notice of such declaration such principal shall become and be immediately due and payable, anything in the Bonds or in this Indenture to the contrary notwithstanding. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Indenture, the Trustee may (but in the event that such declaration has been made upon the request of the Bondholders, only with the written consent of not less than 25% of the Bondholders), by written notice to the Service, annul such declaration and its consequences if: (i) moneys shall have accumulated in the Debt Service Fund sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last interest payment date) and the principal of all matured Bonds (except the principal of any Bonds due only as a result of such declaration); (ii) sufficient moneys shall have accumulated and be available to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee; and (iii) every other default in the observance or performance of any covenant, condition or agreement contained in the Bonds, in this Indenture or in the Service Agreements of which the Trustee has actual knowledge shall have been remedied to the satisfaction of the Trustee. No such annulment shall extend to or affect any subsequent default or impair any right consequent thereon. For purposes of declaring and annulling any default under this Indenture, the Trustee shall be deemed to have knowledge of any failure by the Service to make any payments of the principal of, either at maturity or by proceedings for redemption or otherwise, or interest on the Bonds when the same shall become due and payable.

Section 7.03. Enforcement. Upon the happening and continuance of any Event of Default, then and in every such case the Trustee may proceed, and upon the written request of not less than 10% of the Holders of Bonds shall proceed, to protect and enforce its rights and the rights of the Holders of Bonds under the laws of the State of Maryland and under this Indenture and any Credit Facility (including any Debt Service Reserve Fund Credit Facility) by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained herein or therein, or in aid or execution of any power herein or therein granted, or for an accounting against the Service as if the Service were the trustee of an express trust or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy under this Indenture, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default

becoming, and at any time remaining, due from the Service, for principal of or interest on the Bonds, or otherwise under any of the provisions of this Indenture or of any Bond, with interest on overdue payments of principal at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders of Bonds, and to recover and enforce judgment or decree against the Service, but solely as provided herein and in the Bonds for any portion of such amounts remaining unpaid and to collect in any manner provided by law the moneys adjudged or decreed to be payable.

Section 7.04. Priority of Payments following Default. If at any there shall have occurred and be continuing an Event of Default, after payment of all amounts owing to the Trustee hereunder together with any moneys thereafter becoming available for such purpose, whether through exercise of the remedies provided in this Article or otherwise, shall be applied as follows:

(a) Unless the principal of all Outstanding Bonds shall have become or shall have been declared due and payable, all such moneys shall be applied:

FIRST: to the payment to the persons entitled thereto of all installments of interest then due on the Bonds Outstanding in the order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment of such installment, ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference, except as to any difference in the respective rates of interest specified in such Bonds;

SECOND: to the payment to the persons entitled thereto of the unpaid principal of any Outstanding Bonds that shall have become due and payable, in the order of their due dates, with interest upon the principal amount of such Bonds from the respective dates upon which they shall have become due and payable and, if the amount available shall not be sufficient to pay in full the principal of such Bonds due and payable and, if the amount available shall not be sufficient to pay in full the principal of such Bonds due and payable on any particular date, together with such interest, ratably, according to the amount of interest due on such date, and then to the payment of such principal, ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or preference, except as to any difference in the respective rates of interest specified in such Bonds; and

THIRD: to the payment of the interest on and the principal of the Bonds Outstanding as the same become due and payable; and

(b) if the principal of all Outstanding Bonds shall have become due by their terms or the principal of all Outstanding Bonds subject to acceleration shall have become due and payable by a declaration of acceleration, all such

moneys shall be applied to the payment of the principal and interest then due and unpaid upon such Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in such Bonds.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee may determine in its sole discretion, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for the benefit of all Holders of Bonds shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Service, to any Holder of any Bond or Subordinate Obligation or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an interest payment date for the Bonds unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal of the Bonds to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date; provided, however, that the provisions of this paragraph shall be subject in all respects to the provisions of the Bonds with respect to the payment of defaulted interest on the Bonds. The Trustee shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement.

Section 7.05. Discontinuance of Proceedings. In case any proceedings taken by the Trustee or the Holders of any Bonds on account of any default with respect to the Bonds shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or such Holders, then and in every such case the Service, the Trustee and the Holders of such Bonds shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Section 7.06. Majority of the Holders May Control Proceedings. Anything in this Indenture to the contrary notwithstanding, the Holders of a majority of the Bonds shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under this Indenture, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Holders of Bonds not parties to such direction.

Section 7.07. Restrictions upon Action by Individual Holders. No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law on any

Bond for the execution of any trust hereunder or for any other remedy hereunder unless (i) such Holder previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, and (ii) the Holders of not less than 10% of the Bonds shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by this Indenture or to institute such action, suit or proceeding in its or their name, and (iii) there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time such notification, request and offer of indemnity are hereby declared. In every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of this Indenture or to, any other remedy hereunder; provided, however, that notwithstanding the foregoing provisions of this Section and without complying therewith, the Holders of not less than 10% of the Bonds may institute any such suit, action or proceeding in their own names for the benefit of all Holders of Bonds.

It is understood and intended that, except as otherwise provided above, no one or more Holders of Bonds shall have any right in any manner whatever by his or her or their action to affect, disturb or prejudice the security of this Indenture or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted and maintained in the manner herein provided and for the benefit of all Holders of Bonds and that any individual right of action or other right given by law to one or more of such Holders is restricted by this Indenture to the rights and remedies herein provided.

Section 7.08. Actions by Trustee. All rights of action under this Indenture or under any Bond may be enforced by the Trustee without the possession of any of such Bond or the production thereof at the trial or other proceeding relative, thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all Holders of Bonds, all subject to the provisions of this Indenture. When the Trustee incurs costs or expenses (including legal fees, costs and expenses) or renders services after the occurrence of an Event of Default, such costs and expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debt relief law.

Section 7.09. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Holders of Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 7.10. No Delay or Omission Construed as a Waiver; Waiver of Default. No delay or omission of the Trustee or of any Holder of Bonds to exercise any right or power accruing upon any default shall impair any such right or power, nor shall any such delay or omission be construed to be a waiver of any such default or acquiescence therein. Every power and remedy given by this Article to the Trustee and the Holders of Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, and upon written request of the Holders of not less than 11% of the Bonds shall, waive any default with respect to Bonds which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of this Indenture or before the completion of the enforcement of any other remedy under this Indenture; but no such waiver shall extend to or affect any other existing or any subsequent default or defaults or impair any rights or remedies consequent thereon.

Section 7.11. Notice of Default. The Trustee shall mail to all Holders of Bonds and Subordinate Obligations written notice of the occurrence of any Event of Default of which the Trustee shall have actual knowledge within 30 days after such Event of Default shall have occurred and be known to it. If in any period from November 2 to the subsequent November 1 the total amount of deposits to the credit of the Debt Service Fund shall be less than the amount required to have been so deposited under the provisions of this Indenture, the Trustee, on or before the 30th day of the immediately succeeding November 1, shall mail to all Holders of Bonds and Subordinate Obligations a written notice of the failure to make such deposits. The Trustee shall not be subject to any liability to the Service, any Bondholder or Holder of Subordinate Obligations by reason of its failure to mail any notice required by this Section.

Any provision of this Indenture to the contrary notwithstanding, the Trustee shall not be obligated to provide Holders of Bonds and Subordinate Obligations written notice of any Event of Default except for Events of Default specified in Section 7.01(a) and (b) hereof if the Trustee shall have determined in its discretion that the provision of notice of such Event of Default is not in the best interests of the Holders of Bonds.

The Service and the Trustee shall notify any Credit Facility Provider within five Business Days after the designated corporate trust department of the Trustee has received notice or has actual knowledge of (i) an Event of Default specified in Section 7.01 hereof, (ii) the withdrawal of amounts on deposit in any Debt Service Reserve Fund other than investment earnings on amounts on deposit therein or any surplus as defined in Section 4.07 hereof, or (iii) the failure to receive any amount required to be deposited to the Debt Service Fund to pay principal of or interest on the Series 2010 Bonds when due.

Section 7.12. USA Patriot Act Requirements of the Trustee. To help the government of the United States of America fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. For a non-individual Person such as a business entity, a charity, a trust, or other legal entity, the Trustee may request documentation to verify such Person's formation and existence as a legal entity. The Trustee may also request financial statements, licenses, and identification and authorization documents from individuals claiming authority to represent such Person or other relevant documentation.

ARTICLE VIII

MODIFICATION OR AMENDMENT OF INDENTURE AND SERVICE AGREEMENTS

Section 8.01. Modification or Amendment Without Consent. Without notice to or the consent of the Holders of the Bonds, the Service and the Trustee may enter into at any time or from time to time a Supplemental Indenture supplementing, modifying or amending this Indenture or any Supplemental Indenture for one or more of the following purposes:

(a) to grant to or confer upon the Trustee for the benefit of the Holders of the Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Trustee for the benefit of such Holders;

(b) to add to the covenants and agreements of the Service contained in this Indenture, other covenants and agreements thereafter to be observed relative to the acquisition, construction, equipping, operation, maintenance, development or administration of the Project, or relative to the application, custody, use or disposition of the proceeds of Bonds or Subordinate Obligations so long as no such covenant or agreement shall prejudice in any material respect the rights of the Holders of the Bonds Outstanding at the date as of which such covenant or agreement shall become effective;

(c) to surrender to the Trustee any right, power or privilege reserved to or conferred upon the Service by this Indenture;

(d) to confirm, as further assurance, any pledge under, and the subjection to any lien on, or claim or pledge of (whether created or to be created by this Indenture), the Trust Estate;

(e) to cure any ambiguity or to cure or correct any defect or inconsistent provisions contained in this Indenture or to make such provisions in regard to matters or questions arising under this Indenture as may be necessary or desirable and not contrary to or inconsistent with this Indenture;

(f) to provide for the terms of Additional Bonds, including (without limitation) any modifications or amendments required to grant to or otherwise secure for the Holders of such Additional Bonds a parity interest in the security granted to the Holders of the Series 2010 Bonds and any other then Outstanding Bonds in accordance with Section 2.06 hereof or to authorize or approve the issuance of Subordinate Obligations in accordance with Section 2.11 hereof;

(g) to permit the qualification of this Indenture or any Supplemental Indenture under any federal statute now or hereafter in effect or under any state blue sky law and, in connection therewith, to add to this Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted or required by such federal statute or state blue sky law;

(h) to obtain or to maintain any ratings on Bonds from any nationally recognized securities rating agency so long as no provision of any such Supplemental Indenture shall prejudice in any material respect the rights of the Holders of the Bonds Outstanding at the date as of which such Supplemental Indenture shall become effective (which determination shall be made without regard to the existence of any Credit Facility);

(i) to make any other change in this Indenture, including (without limitation) any change necessary in connection with the issuance of any Subordinate Obligation, which the Trustee determines (which such determination may be based upon an opinion of Independent Counsel acceptable to the Trustee) shall not prejudice in any material respect the rights of the Holders of the Bonds Outstanding at the date as of which such change shall become effective (which determination shall be made without regard to the existence of any Credit Facility);

(j) to provide for the issuance of any Bonds in coupon form or in book entry form; provided, however, that prior to the effective date of any such amendment, there shall be delivered to the Service and the Trustee an opinion of Bond Counsel to the effect that the issuance of any such Bonds in coupon or book entry form (as the case may be) will not adversely affect the excludability from gross income for federal income tax purposes of the interest paid on any Tax-Exempt Bonds theretofore issued; or

(k) to preserve the excludability from gross income for federal income tax purposes of the interest paid on any Tax-Exempt Bonds theretofore issued.

Section 8.02. Supplemental Indentures Requiring Consent of Holders of Bonds. In addition to Supplemental Indentures permitted by Section 8.01 hereof, with the prior written consent of the Holders of a majority of the Bonds, the Service and the Trustee may enter into at any time and from time-to-time Supplemental Indentures amending or supplementing this Indenture, any Supplemental Indenture or any Bond to modify any of the provisions thereof or to release the Service from any of the obligations, covenants, agreements, limitations, conditions or restrictions therein contained; provided, however, that nothing contained herein shall permit (i) a change in any terms of redemption or purchase of any Bond, the due date for the payment of the principal of or interest on any Bond or any reduction in the principal, Redemption Price or purchase price of or interest rate on any Bond without the consent of the Holder of such Bond or (ii) except as expressly permitted hereby, the creation of a claim or lien upon, or a pledge of, the Trust Estate ranking prior to or on a parity with the claim, lien and pledge created by this Indenture, a preference or priority of any Bond over any other Bond or a reduction in the percentage of Bonds the consent of the Holders of which is required for any modification of this Indenture, without the unanimous consent of the Holders of all Outstanding Bonds.

Section 8.03. Notation on Bonds. Bonds authenticated and delivered after the effective date of any Supplemental Indenture entered into by the Service may, and if the Trustee or the Service so determines, shall, bear a notation by endorsement or otherwise in form approved by

the Service and the Trustee of such action. If the Service or the Trustee shall so determine, new Bonds modified as necessary, in the opinion of the Trustee and the Service, to conform to such Supplemental Indenture shall be prepared, authenticated and delivered and, upon demand of the Holder of any Outstanding Bond and surrender of such Bond to the Trustee, such Bond shall be exchanged, without cost to such Holder, for a new Bond so modified.

Section 8.04. Amendment of Service Agreements. (a) Without notice to or the consent of the Bondholders, the Service may at any time and from time to time enter into any amendment, change or modification of the Service Agreements that is (i) required or permitted by the provisions of the Service Agreements, or (ii) required to cure any ambiguity or formal defect or omission therein, or (iii) required or permitted pursuant to the provisions of Section 2.06 hereof in connection with the issuance of any Additional Bonds, or (iv) not prejudicial in any material respect to the rights of the Holders of the Bonds in the judgment of the Service and the Trustee.

(b) Except as provided in paragraph (a) of this Section, the Service shall not enter into any amendment, change or modification of the Service Agreements without the prior written consent of the Trustee, and the Holders of a majority of the Bonds Outstanding at the effective date of such amendment, change or modification.

Section 8.05. Concerning the Trustee. In executing a supplement to this Indenture or consenting to an amendment to the Service Agreements, the Trustee may conclusively rely on an opinion of Bond Counsel to the effect that such supplement or amendment (i) is authorized or permitted pursuant to the terms of this Indenture and (ii) will not adversely affect the tax-exempt status of the Bonds. The Trustee may, but shall not be obligated to, execute a supplement to this Indenture or consent to an amendment to the Service Agreements that adversely affects its rights, duties, protections and/or indemnities.

ARTICLE IX

DEFEASANCE

Section 9.01. Defeasance. (a) If the Service shall pay or cause to be paid the principal or Redemption Price of and interest on all Bonds and Subordinate Obligations at the times and in the manner stipulated therein, in this Indenture and in any Supplemental Indenture authorizing or approving the issuance of any Additional Bonds or Subordinate Obligations, then the pledge of the Trust Estate to the Trustee for the benefit of the Bondholders and the Holders of Subordinate Obligations and all other rights granted hereby to the Trustee, the Bondholders or the Holders of Subordinate Obligations shall be discharged and satisfied. In such event, upon the request of the Service, the Trustee shall execute and deliver to the Service all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay or deliver to the Service, or to such officer, board or body as may then be entitled by law to receive the same, all property held by it pursuant to this Indenture (other than any moneys and securities required for the payment or redemption of Bonds or Subordinate Obligations not theretofore surrendered for such payment or redemption).

(b) A Bond shall be deemed to have been paid within the meaning of and with the effect expressed in this Section if (i) money for the payment or redemption of such Bond shall be held by the Trustee (through deposit by the Service of moneys for such payment or redemption or otherwise, regardless of the source of such moneys), whether at or prior to the maturity or the redemption date of such Bond, or (ii) if the maturity or redemption date of such Bond shall not have arrived, provision shall have been made by the Service for the payment of the principal or Redemption Price of and interest on such Bond on the due dates for such payments by deposit with the Trustee (or other method satisfactory to the Trustee) of Government Obligations, the principal of and the interest on which when due will provide for such payment together with either (i) a verification report satisfactory to the Trustee to the effect that such Government Obligations and/or cash, together with earnings thereon, will be sufficient to pay interest and principal (and applicable premium, if any) on the Bonds to redemption or maturity or (ii) an opinion of Independent Counsel satisfactory to the Trustee to the effect that all conditions precedent to the defeasance of the Bonds have been satisfied, and the Service shall have made provision satisfactory to the Trustee for one publication in an Authorized Baltimore Newspaper and in an Authorized New York Newspaper of a notice that such moneys are so available for such payment; provided, however, that if such Bond is to be redeemed prior to the maturity thereof, the Service shall have irrevocably taken all action necessary to redeem such Bond and notice of such redemption shall have been duly and irrevocably given or provisions satisfactory to the Trustee shall have been irrevocably made for the giving of such notice.

(c) Notwithstanding the foregoing provisions of this Section, in the event that the principal of or interest on any Series of Bonds shall be paid by a Credit Facility Provider such Series of Bonds shall not be deemed to be paid within the meaning of and with the effect expressed in this Section and shall continue to be Outstanding hereunder and the applicable Credit Facility Provider shall be fully subrogated to all of the rights of the Holders thereof in accordance with the terms and conditions of the applicable Supplemental Indenture. In such event, the pledge of the Revenues made hereby and all covenants, agreements and other obligations of the Service under this Indenture shall continue to exist and this Indenture shall not be deemed to have been discharged until such Credit Facility Provider shall be repaid in full.

(d) Anything in this Indenture to the contrary notwithstanding, at the written request of the Service, any moneys held by the Trustee in trust for the payment of any of the Bonds or Subordinate Obligations that remain unclaimed for five years after the later of the date at which such Bonds or Subordinate Obligations became due and payable and the date of deposit of such moneys shall be repaid by the Trustee to the Service, or to such officer, board or body as may then be entitled by law to receive such moneys, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto; provided, however, that before being required to make any such payment to the Service, the Trustee may, at the expense of the Service, cause to

be published in an Authorized Baltimore Newspaper and an Authorized New York Newspaper a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not fewer than 40 nor more than 90 days after the date of publication of such notice, the balance of such moneys shall be returned to the Service.

(e) An Additional Bond or Subordinate Obligation shall be deemed to have been paid within the meaning of and with the effect expressed in this Section if it is deemed to be paid in accordance with the provisions of the Supplemental Indenture authorizing the issuance thereof.

ARTICLE X

MISCELLANEOUS

Section 10.01. Further Assurances. So far as it may be authorized by law, the Service shall pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights and Revenues and other property hereby pledged or assigned, or intended so to be, or which the Service may hereafter become bound to pledge or assign.

Section 10.02. Consent of Holders; Evidence of Signatures of Holders and Ownership of Bonds. Any request, direction, consent or other instrument which this Indenture may require or permit to be signed and executed by the Holders of the Bonds may be in one or more instruments of similar tenor, and shall be signed or executed by such Holders in person, by their attorneys duly appointed in writing or by their legal representatives. Except as otherwise expressly provided herein, proof of the execution of any such instrument or of an instrument appointing any such attorney, or the holding by any person of such Bond shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the Service with regard to any action taken by either under such instrument if made in the following manner, but the Trustee may nevertheless in its discretion require further or other proof in any case in which it deems such further or other proof desirable:

(a) the fact and date of the execution by any Bondholder or Bondholder's attorney or legal representative of such instrument may be proved by the certificate (which need not be acknowledged or verified) of an officer of a bank or trust company satisfactory to the Trustee or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which such officer purports to act, that the person signing such instrument acknowledged to such officer the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer; and the authority of any person executing any such instrument on behalf of a corporate Holder may be established without further Proof if such instrument is signed by a person purporting to be the president or a vice President of such corporation with a corporate seal affixed and attested by a

person purporting to be its secretary or an assistant secretary, its cashier or, an assistant cashier; and

(b) the ownership of Bonds and the amount, numbers and other identification and date of holding the same shall be proved by the registration books established with respect to such Bonds, as the case may be.

Notwithstanding the foregoing, the Supplemental Indenture authorizing the issuance of any Series of Additional Bonds secured by a Credit Facility may provide that the issuer of such Credit Facility shall be deemed the Holder of all Outstanding Bonds of such Series for the purposes of making any request or giving or withholding any consent, vote or direction permitted or required to be made or given by any Holder of such Bonds under this Indenture or such Supplemental Indenture.

Any request, direction, consent or vote of the Holder of any Bond given in accordance with this Indenture or any Supplemental Indenture shall bind all future Holders of such Bond with respect to anything done or suffered to be done or omitted to be done by the Service or the Trustee in accordance therewith.

Section 10.03. Preservation by Trustee and Inspection of Documents. All documents received by the Trustee from the Service, the Holders of Bonds or otherwise under the provisions of this Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Service, any Credit Facility Provider, any Holder of Bonds, any Holder of Subordinate Obligations and their agents and representatives, any of whom may make copies thereof.

Section 10.04. Moneys and Funds Held for Particular Bonds. Amounts held by the Trustee for the payment of the principal or Redemption Price of and interest on Bonds or Subordinate Obligations due on any date shall, pending such payment, be set aside and held in trust by it for the Holders of such Bonds or Subordinate Obligations (as the case may be) and, for the purposes of this Indenture, such principal or Redemption Price of and interest on such Bonds or Subordinate Obligations, due after such date, shall no longer be considered to be unpaid.

Section 10.05. No Recourse on Bonds. No recourse shall be had for the payment of the principal or Redemption Price of and interest on the Bonds or any Subordinate Obligations or for any claims based thereon or on this Indenture against any member or other officer of the Service, all such liability, if any, being expressly waived and released by every Holder of Bonds and Subordinate Obligations by the acceptance of such Bonds and Subordinate Obligations.

Section 10.06. Service Protected in Acting, in Good Faith. In the exercise of the powers of the Service and its members, officers, employees and agents under this Indenture and the Service Agreements, including (without limitation) the application of moneys and the investment of funds, the Service and its members, officers, employees and agents shall not be accountable to the Trustee or any Holder of any Bond or Subordinate Obligation for any action taken or omitted by it or its members, officers, employees and agents in good faith and believed in good faith by it or them to be authorized or within the discretion or rights or powers conferred hereby or by the Service Agreements.

No recourse shall be had by the Trustee or any Holder of any Bond or Subordinate Obligation for any claims based on this Indenture or the Service Agreements or on any Bond, Subordinate Obligation, Credit Facility or Credit Facility Agreement against any member, officer, employee or agent of the Service alleging personal liability on the part of such person unless such claims are based upon the bad faith, fraud or deceit of such person.

Section 10.07. Severability of Invalid Provision. If any covenant or agreement provided in this Indenture on the part of the Service or the Trustee to be performed should be contrary to law, then such covenant or agreement shall be null and void and shall in no way affect the validity of the other provisions of this Indenture or of the Bonds or any Subordinate Obligations.

Section 10.08. Notices. (a) Any notice or other instrument required to be given to the Service pursuant to this Indenture shall be sent by Electronic Means or in writing and shall be sent by registered or certified mail to it at its office in Millersville, Maryland, or such other address as it shall designate to the Trustee in writing; any notice or other instrument required to be given to the Trustee pursuant to this Indenture shall be sent by Electronic Means or in writing and shall be sent by registered or certified mail to it at the designated corporate trust office of the Trustee; and any notice or other instrument required to be given to a Credit Facility Provider pursuant to this Indenture shall be sent by Electronic Means or in writing and shall be sent by registered or certified mail to such Credit Facility Provider at its principal office or as provided for in a Supplemental Indenture. Any notice that is required to be given to the Trustee or to the Holders of the Bonds pursuant to this Indenture shall also be given to any Credit Facility Provider.

(b) In case, by reason of the suspension of publication of any Authorized Baltimore Newspaper or any Authorized New York Newspaper, or by reason of any other cause, it shall be impossible to make publication of any notice in an Authorized Baltimore Newspaper and an Authorized New York Newspaper as required by this Indenture, then the Trustee shall mail or deliver such notice to all Holders of Bonds and such mailing or delivery shall constitute a sufficient publication of such notice.

(c) Any request, demand, authorization, direction, notice, consent or any other document provided or permitted by this Indenture shall be sufficient for any purpose under this Indenture when given as set forth in (a) hereof at the following addresses (or such other addresses as may be provided by any party by notice) and shall be deemed to be effective upon receipt:

To the Service: Maryland Environmental Service
259 Najoles Road
Millersville, MD 21108
Attention: James M. Hawkins, Director
Telephone: (410) 729-8201
Email: jhark@menv.com
Facsimile:
Attention: Henry I. Cook, Chief Financial Officer
Telephone: (410) 729-8272
Facsimile:

To the Trustee: The Bank of New York Mellon
385 Rifle Camp Road, 3rd Floor
West Patterson, NJ 07424
Attention: Bridgette Casasnovas, Vice President
Telephone: (973) 247-4986
Email: bridgette.casasnovas@bnymellon.com
Facsimile:

The Bank of New York Mellon
919 East Main Street, Suite 1602
Richmond, VA 23219
Attention: Craig Robinson, Vice President
Telephone: (804) 517-2111
Email: craig.robinson@bnymellon.com
Facsimile: (732) 667-9362

Section 10.09. Other Bond Indentures. Subject to the provisions of Section 5.03 hereof, the Service expressly reserves the right to enter into one or more other bond indentures and general bond indentures and to issue bonds, notes and other obligations thereunder without compliance with the provisions hereof.

Section 10.10. Business Days. Except as otherwise expressly provided herein, if any date specified herein for the payment of any Bond or the performance of any act shall not be a Business Day, such payment or performance shall be made on the next succeeding Business Day with the same effect as if made on such date.

Section 10.11. Parties Interested Herein. Nothing in this Indenture expressed or implied is intended or, shall be construed to confer upon, or to give to, any person or entity, other than the Service, the Trustee, a Credit Facility Provider and the Bondholders any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Service shall be for the sole and exclusive benefit of the Service, the Trustee, a Credit Facility Provider and the Bondholders.

Section 10.12. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts, each of which shall be deemed to be an original for all purposes; and all such counterparts shall together constitute but one and the same instrument.

Section 10.13. Governing Law. This Indenture shall be governed by and construed in accordance with the laws of the State of Maryland without regard to conflict of law principles.

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, sealed and delivered, all as of the day and year first above written.

(SEAL)

MARYLAND ENVIRONMENTAL SERVICE

By: _____

James M. Harkins
Director

ATTEST:

John J. O'Neill
Deputy Director

(SEAL)

THE BANK OF NEW YORK MELLON

By: _____

Bridgette Casasnovas
Vice President

ATTEST:

[Name]
[Title]

STATE OF MARYLAND, COUNTY OF _____, TO WIT:

I HEREBY CERTIFY that on this _____ day of _____ in the year 2010, before the subscriber, a Notary Public in and for the State of Maryland, personally appeared James M. Harkins, the Director of the Maryland Environmental Service, and that he, as such officer, being authorized so to do, executed the foregoing Indenture of Trust for the purposes therein contained, by signing his name thereto as Director of the Maryland Environmental Service and causing the corporate seal of the Maryland Environmental Service to be affixed thereto and attested by the Deputy Director of the Maryland Environmental Service.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

(SEAL)

Notary Public

My Commission Expires: _____

[STATE OF MARYLAND, COUNTY OF _____,] TO WIT:

I HEREBY CERTIFY that on this _____ day of _____ in the year 2010, before the subscriber, a Notary Public in and for the [State of Maryland], personally appeared Bridgette Casanovas, a Vice President of The Bank of New York Mellon, a national banking association duly organized and existing under the laws of the United States of America, and that she, as such officer, being authorized so to do, executed the foregoing Indenture of Trust for the purposes therein contained, by signing her name thereto as a Vice President of The Bank of New York Mellon and causing the corporate seal of The Bank of New York Mellon to be affixed thereto and attested by a _____ of The Bank of New York Mellon.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

(SEAL)

Notary Public

My Commission Expires: _____

DEFINITIONS

“Act” means the Maryland Environmental Service Act being codified as Sections 3-101 through 3-130 inclusive, of the Natural Resources Article of the Annotated Code of Maryland, as amended; and all future acts, supplemental thereto or amendatory thereof.

“Additional Bonds” means any bond, note or other Indebtedness of the Service issued pursuant to Sections 2.04 and 2.05 hereof.

“Additional Facilities” means any project undertaken by the Service that is financed or refinanced pursuant to the Act and the Indenture by the issuance of Additional Bonds that is required in order to restore, maintain, improve or increase the disposal capacity of the Project or otherwise to permit the Service to meet its waste disposal obligations under the Service Agreements, including (with limitation) the completion of the acquisition and construction of the Mid-Shore II Landfill and the acquisition or construction of Alternative Sites. Additional Facilities may include, (without limitation) land, easements, rights-of-way, leaseholds and other interests in real property and any improvement, addition or betterment to or any construction, replacement, remodeling or equipping of any such Project.

“Agency Obligations” means direct obligations (including bonds, notes or participation certificates) of, or obligations the timely payment of the principal of and the interest on which are unconditionally guaranteed by any of the following agencies or instrumentalities of the United States of America: the Government National Mortgage Association, the Export-Import Bank of the United States, the Farmers Home Administration, the General Services Administration, the United States Maritime Administration, the Small Business Administration, the United States Department of Housing and Urban Development and the Federal Housing Administration.

“Alternative Sites” has the meaning specified in the Service Agreements.

“Applicable Law” means any law, regulation, requirement or order of any federal, state or local agency, court or other governmental body applicable from time to time to the acquisition, design, construction, equipping, financing, ownership, possession or operation of the Project or the performance of any obligations under the Service Agreements or any other agreement entered into in connection therewith.

“Authorized Baltimore Newspaper” means a daily newspaper printed in the English language and having a general circulation in the City of Baltimore, Maryland.

“Authorized New York Newspaper” means a daily newspaper printed in the English language and having a general circulation in the Borough of Manhattan, City and State of New York, or a financial journal printed in the English language and having a general circulation in the Borough of Manhattan, City and State of New York.

“Authorized Officer of the Service” means either the Director, Deputy Director, Treasurer or Secretary of the Service, and a person who, by written certificate furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Service by its Director and its Secretary, is designated on behalf of the Service to perform any act, including (without limitation) the execution of any Indebtedness, certificates, deeds, leases, mortgages, agreements or other documents or instruments.

“Balloon Long-Term Indebtedness” means Long-Term Indebtedness 25% or more of the principal amount of which matures in the same 12-month period, which portion of such principal amount is not required by the documents governing such Long-Term Indebtedness to be amortized by redemption prior to such period.

“Bond” or “Bonds” means the Series 2010 Bonds and any Additional Bonds, collectively.

“Bond Counsel” means the law firm of Kutak Rock LLP, or any attorney or attorneys duly admitted to practice law before the highest court of any state or the District of Columbia who are not officers or full-time employees of the Service or the Trustee and who have a national reputation in the field of municipal law and whose legal opinions are generally accepted by purchasers of municipal bonds and designated by the Service as its Bond Counsel from time to time.

“Bondholder” means the registered owner of a Bond.

“Business Day” means a day other than a Saturday, Sunday or legal holiday in the State of Maryland or the State of New York observed as such by the Service, the Trustee or any Credit Facility Provider, or any of them.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, or, any successor federal income tax statute or code, and the applicable regulations thereunder.

“Completion Date” means, when used with respect to the Project or any Additional Facilities, the date on which the Authorized Officer of the Service files the certificates required by Section 4.04 hereof with the Trustee certifying the completion or acquisition of each and every portion of the Project or such Additional Facilities.

“Consumer Price Index” means the Consumer Price Index for the Baltimore, Maryland, Standard Metropolitan Statistical Area, All Items for Urban Wage Earners and Clerical Workers, seasonally adjusted, published by the United States Department of Labor, or if such index is no longer published or its method of computation is substantially modified, an index approved by the Service.

“Cost” or “Costs” means, as applied to the Project and any Additional Facilities, the cost of construction or acquisition, including the purchase price of any existing project or the cost of acquiring all right, title, or interest in the Project or any Additional Facilities and the amount to be paid to discharge all obligations necessary to vest title to the Project or any Additional Facilities or any part of it or them in the Service or the owner; the cost of any reconstruction, extension, enlargement, alteration, repair, or improvement; the cost of all lands, properties, rights, easements, interests, franchises, and permits acquired; the cost of all labor, machinery and

equipment, fit to and in construction and for each period after completion of construction and for such period after completion of construction as the Service deems appropriate, the cost of revenue estimates, engineering and legal services, plans, designs, specifications, surveys, investigations, demonstrations, studies, estimates of cost, other expenses necessary or incident to determining the feasibility or practicability of any such acquisition, improvement, or construction; administrative expenses, and other expenses necessary or incidental to the financing herein authorized, and to the acquisition, operation, maintenance, improvement, construction of the Project or any Additional Facilities, and the placing of the Project or any Additional Facilities in operation, including reasonable provision for working capital; capitalized interest for any series of Bonds, reserves for principal and interest and for, extensions, enlargements, additions and improvements. Any obligation or expense incurred prior to the issuance of Bonds or notes under the provisions of the Act in connection with the foregoing items of cost may be regarded as a part of such costs.

“Coverage Ratio” means, when used with respect to any particular Fiscal Year, the quotient obtained by dividing (i) the aggregate of the Net Income Available for Debt Service for such Fiscal Year by (ii) the Debt Service Requirements on all Outstanding Long-Term Indebtedness as of the last day of such Fiscal Year; provided, however, that in any calculation of the actual or projected Coverage Ratio for any Fiscal Year that occurs prior to the first Fiscal Year in which the principal of, or any Sinking Fund Installment with respect to, any Long-Term Indebtedness issued to finance Additional Facilities becomes due and payable or any interest on such Long-Term Indebtedness ceases to be paid from amounts irrevocably deposited in escrow for the payment of interest on such Long-Term Indebtedness, such Long-Term Indebtedness shall not be taken into account in calculating Debt Service Requirements.

“Credit Facility” means any Liquidity Facility, letter of credit, bond insurance policy, bond purchase agreement, guaranty, line of credit, surety bond or similar credit or liquidity facility securing any Bond or other Indebtedness.

“Credit Facility Agreement” means the agreement, if any, pursuant to which any Credit Facility is issued.

“Credit Facility Provider” means the issuer of any Credit Facility then in effect.

“Debt Service Requirements” mean, when used with respect to any Long-Term Indebtedness for any Fiscal Year or year (as the case may be), as of any particular date of calculation, the amount required to pay the sum of (a) the interest on such Long-Term Indebtedness payable during the period from the second day of such Fiscal Year or year (as the case may be) through the first day of the immediately succeeding Fiscal Year or year (as the case may be), and (b) the principal of, the Sinking Fund Installment for and any other amount required to effect any mandatory redemption of such Long-Term Indebtedness, if any, during the period from the second day of such Fiscal Year or year (as the case may be) through the first day of the immediately succeeding Fiscal year or, year (as the case may be), less any amount of such interest or principal for the payment of which moneys or Investment Obligations, the principal of and interest on which when due will provide for such payment, are irrevocably held in trust, including (without limitation) any accrued interest and capitalized interest on deposit in the Interest Account. For the purpose of calculating the Debt Service Requirements:

(i) with respect to any Variable Rate Indebtedness:

(A) for the purpose of calculating the Debt Service Reserve Fund Requirement; the amount required to be deposited in any debt service reserve fund for any Bond and the principal amount of Balloon Long-Term Indebtedness constituting Variable Rate Indebtedness payable in any Fiscal Year or year described in clause (ii)(D) below, such Indebtedness shall be deemed to bear interest at the fixed rate that it would have borne had it been issued at a fixed rate for the term thereof, as evidenced by a certificate of an Authorized Officer of the Service and a certificate of an investment banking firm or financial advisor knowledgeable in financial matters relating to the Service and the Project who may be, without limitation, the financial advisor to the Service, confirming such interest rate assumption as reasonable; and

(B) for all other purposes of the Indenture, such Variable Rate Indebtedness shall be deemed to bear interest at an annual rate equal to 110% of (1) in the case of any period during which such Indebtedness shall have been Outstanding, the weighted average interest rate per annum borne by such Indebtedness during such period and (2) in any other case, the higher of (a) the weighted average interest rate per annum borne by such Indebtedness during the 12-month period ending on the date of calculation (or, in the case of any Variable Rate Indebtedness to be issued or issued during the immediately preceding 12-month period, the weighted average interest rate per annum borne by other Outstanding Indebtedness having comparable terms and issued by, or secured by agreements issued by, entities of comparable creditworthiness as the obligors with respect to such Variable Rate Indebtedness during the immediately preceding 12-month period, as evidenced by a certificate of an investment banking firm or a financial advisor knowledgeable in financial matters relating to the Service and the Project, who may be, without limitation, the financial advisor to the Service), and (b) the interest rate per annum borne by such Indebtedness on the date of calculation;

(ii) with respect to any Balloon Long-Term Indebtedness:

(A) unless such Indebtedness meets the requirements of clause (B), (C) or (D) below, the principal amount of such Indebtedness shall be deemed to be payable during the Fiscal Year or year in which such principal amount becomes due, except as provided in clause (E) below;

(B) if a Liquidity Facility is then in effect with respect to such Indebtedness, the Principal amount of such Indebtedness Payable in each Fiscal Year or Year as of any date of calculation may be deemed to be the amount that would be payable during such Fiscal Year or year (as the case may be) if such Liquidity Facility was used or drawn upon to purchase or retire such Indebtedness on the stated maturity date thereof or on any date

established for the mandatory redemption thereof, less the aggregate amount required to be on deposit in any irrevocable sinking fund established to provide for the payment of such Indebtedness in accordance with clause (C) below during such Fiscal Year or year (as the case may be);

(C) if (1) pursuant to an indenture entered into by the Service, an irrevocable sinking fund shall have been established to provide for the payment of such Indebtedness when due, (2) deposits to such sinking fund are current and timely and (3) verification of such timely deposits is contained in the most recent audited financial statements of the Service or a letter to the Service from an Independent Public Accountant, then the principal amount of such Indebtedness payable in each Fiscal Year or year (as the case may be) may be deemed to be the amount required to be deposited in such sinking fund for such Fiscal Year or year (as the case may be);

(D) In the case of any Balloon Long-Term Indebtedness in an aggregate principal amount that does not exceed 20% of the Landfill Revenues for the most recent Fiscal Year, the principal amount of such Indebtedness payable in each Fiscal Year or year (as the case may be) may be deemed to be the amount that would have been payable during such Fiscal Year or year (as the case may be) if such Indebtedness were required to be amortized in full from the date of its issuance or, in the case of any such Indebtedness issued to finance or refinance the Project or any Additional Facilities, a date on or before the completion of the Project or other any Additional Facilities, in substantially equal annual installments of principal (such principal to be rounded to the nearest \$5,000) and interest over a term equal to the shorter of (1) 20 years and (2) 100% of the weighted average economic life of the facilities financed or refinanced thereby, as evidenced by a certificate of an Independent Public Accountant; provided, however, that if any principal amount of such Indebtedness is stated to mature or is unconditionally subject to mandatory redemption within the 12-month period immediately succeeding the date of calculation, then such principal amount shall be deemed to be payable on the stated maturity date thereof or on the date established for the mandatory redemption thereof; and

(E) for purposes of calculating the Debt Service Reserve Fund Requirement and the amount required to be deposited in any debt service reserve fund for any Bond, the principal amount of such Indebtedness payable in each Fiscal Year or year shall be determined in accordance with clause (D) above without regard to the aggregate principal amount of such Indebtedness Outstanding from time to time;

(iii) with respect to any Optional Tender Indebtedness:

(A) unless such Indebtedness meets the requirements of clause (B) below, the principal amount of such Indebtedness payable in each Fiscal Year or year as of any date of calculation shall be deemed to be the principal amount of such Indebtedness that could be payable by the Service during such Fiscal Year or year (as the case may be) in connection with any demand for the purchase or redemption of such Indebtedness by any Holder thereof or any termination of any Credit Facility securing such Indebtedness, except as provided in clause (C) below;

(B) (if a Liquidity Facility is then in effect with respect to such Indebtedness, the principal amount of such Indebtedness payable in each Fiscal Year or year as of any date of calculation may be deemed to be the amount that would be payable during such Fiscal Year or year (as the case may be) if such Liquidity Facility were used or drawn upon to purchase or retire such Indebtedness on the earliest date on which such Indebtedness may be required to be purchased or redeemed at the option of the Holder thereof or in connection with any expiration of any Credit Facility securing such Indebtedness, except as provided in clause (C) below; and

(C) for purposes of calculating the Debt Service Reserve Fund Requirement and the amount required to be deposited in any debt service reserve fund for any Bond, the principal amount of such Indebtedness payable in each Fiscal Year or year (as the case may be) shall be determined in accordance with clause (ii)(D) above without regard to the aggregate principal amount of such Indebtedness Outstanding from time-to-time; and

(iv) with respect to any Credit Facility Agreement, except as provided in clauses (ii) (B) and (iii) (B) above, so long as no demand for payment under the Credit Facility issued under such Credit Facility Agreement shall have been made, the debt service requirements of such Credit Facility Agreement shall be excluded from such calculation.

“Debt Service Reserve Fund Credit Facility” means the letter of credit, insurance policy or surety bond, together with any substitute or replacement therefor, if any, complying with the provisions of Section 4.11 of this Indenture, thereby fulfilling all or a portion of the Debt Service Reserve Requirement.

“Debt Service Reserve Fund Requirement” means, as of any particular date of computation, (i) for the Series 2010 Bonds, an amount equal to \$0 and (ii) for any other Series of Bonds issued under this Indenture, the amount established in a Supplemental Indenture related to such Series of Bonds.

“DTC” means The Depository Trust Company.

“Due for Payment” means, when used with respect to any date in connection with the payment of the principal of any Series 2010 Bonds, the stated maturity date of such Series 2010

Bonds or any date on which the principal of such Series 2010 Bonds is due to be paid by the application of a required Sinking Fund Installment for such Series 2010 Bonds; and when used with respect to any date in connection with the payment of the interest on any Series 2010 Bonds, any date on which the interest on such Series 2010 Bonds is payable in accordance therewith.

“Electronic Means” means, telecopy, telegraph, telex, facsimile transmission, email, [PDF] or other similar electronic means of written communication, providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition; notwithstanding anything in this Indenture to the contrary, any notice required to be given under this Indenture may be given by Electronic Means.

“Event of Default” means any event of default specified in Section 7.01 hereof.

“Fiscal Year” means the period of 12 consecutive months beginning on July 1 in any calendar year and ending on June 30 of the succeeding calendar year, or such other fiscal year as the Service shall establish as its fiscal year.

“Government Obligations” means direct obligations of, or obligations the timely payment of the principal of and the interest on which are unconditionally guaranteed by, the United States of America.

“Hobbs Road Landfill” means the property located in Caroline County on Hobbs Road east of Denton and formerly utilized as a sanitary landfill by Caroline County and as defined in the Service Agreements.

“Holder” or “Holder” or any similar term (i) when used with reference to a Bond, means a Bondholder, and (ii) when used with reference to any Subordinate Obligation, the owner of such Subordinate Obligation, determined in accordance with the Supplemental Resolution authorizing or approving the issuance thereof.

“Indebtedness” means, with respect to the Service, any indebtedness or liability for borrowed money, any installment sale obligation or any obligation under any lease that is capitalized under generally accepted accounting principles.

“Indenture” means this Indenture of Trust between the Service and the Trustee, dated as of October 1, 2010, as amended, modified or supplemented from time to time by Supplemental Indentures.

“Independent Consultant” means an independent consulting firm having a favorable national reputation for skill and experience with respect to the design, construction and operation of solid waste disposal facilities or the determination of the economic feasibility of such facilities, appointed in accordance with this Indenture.

“Independent Counsel” means any attorney or attorneys duly admitted to practice law before the highest court of any state or the District of Columbia who have regularly engaged in the practice of law as their primary occupation for at least five years and who are not officers or

full-time employees of the Service or the Trustee. Bond Counsel to the Service may be deemed Independent Counsel.

“Independent Public Accountant” means an individual, partnership or corporation engaged in the accounting profession, either entitled to practice, or having members or officers entitled to practice, as a certified public accountant under the laws of the State of Maryland and in fact independent, employed by the Service from time to time to pass upon those matters required by the Indenture to be passed upon by an Independent Public Accountant.

[“Inflation Factor” means a fraction the numerator of which is the Consumer Price Index most recently published prior to June 30 of the preceding Fiscal Year and the denominator of which is the Consumer Price Index most recently published prior to June 30, 1989.]

“Information Services” means, in accordance with then-current guidelines of the Securities and Exchange Commission, one or more services selected by the Trustee which are then providing information with respect to called bonds, or, if the Trustee does not select a service, then such service or services as the Service may designate in a certificate of the Service delivered to the Trustee.

“Investment Obligations” means:

- (a) Government Obligations;
- (b) Agency Obligations;
- (c) Obligations issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years and rated in the highest general rating category of each of the Rating Agencies (without regard to any refinement or gradation of such rating category by numerical modifier or otherwise);
- (d) United States dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks the short term certificates of deposit of which are rated “A-1” or “A-1+” by Standard & Poor's Corporation and “P-1” by Moody's Investors Service on the date of their purchase and which mature no more than 360 days from the date of their purchase (provided that the ratings assigned to any holding company of any such commercial bank shall not be deemed to be the ratings of such commercial bank for the purposes of this paragraph);
- (e) negotiable or nonnegotiable certificates of deposit issued by commercial banks, trust companies or savings and loan associations (including the Trustee) and continuously secured (to the extent not fully insured by the Federal Deposit Insurance Corporation), for the benefit of the Service and the Trustee, either (i) by lodging with a bank or trust company, acting as agent for the Trustee or the Service, as the case may be, as collateral security, Government Obligations or Agency Obligations or, with the approval of the Service, other marketable securities eligible as security for the deposit of trust funds under

applicable regulations of the Comptroller of the Currency of the United States of America or applicable state law or regulations, having a market value not less than the amount of such deposit, or (ii) if the furnishing of security as provided in clause (i) of this paragraph is not permitted by applicable law, in such other manner as may then be required or permitted by applicable state or federal laws and regulations regarding the security for, or granting a preference in the case of, the deposit of trust funds;

(f) obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not subject to redemption at the option of the issuer thereof prior to their maturity or as to which irrevocable instructions for the redemption thereof on the date specified in such instructions have been given by the issuer thereof; and (A) which are rated, based, on the escrow established therefor, in the highest general rating category of each of the Rating Agencies, or (B)(i) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or Government Obligations, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which fund is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate;

(g) commercial paper which is rated at the time of its purchase "A-1+" by Standard & Poor's Corporation and "P-1" by Moody's Investors Service and which matures not more than 270 days after the date of its purchase;

(h) investments in a money market fund rated "AAAm" or "AAAm-G" or better by Standard & Poor's Corporation; and (i) any other forms of investments approved in writing by a Credit Facility Provider with notice to Standard & Poor's Corporation.

"Landfill Revenues" has the meaning specified in the Service Agreements.

"Liquidity Facility" means a written commitment to provide money to purchase or retire any Indebtedness if: (i) on the date of delivery of such Liquidity Facility, the unsecured indebtedness of the provider of such Liquidity Facility is rated by each Rating Agency in a rating category not lower than the rating category in which the Bonds are then rated; and (ii) as of any particular date of determination, no amount realized under such Liquidity Facility for the payment of the principal or the purchase or redemption price of such Indebtedness (exclusive of amounts realized for the payment of accrued interest on such Indebtedness) shall be required to be repaid by the Service for a period of at least one year.

“Long-Term Indebtedness” means all Bonds, together with all, of the following Indebtedness incurred or assumed by the Service:

- (a) any obligation for the payment of principal and interest with respect, to money borrowed for an original term, or renewable at the option of the borrower for a period from the date originally incurred, longer than one year;
- (b) any obligation for the payment of money under leases that are required to be capitalized under generally accepted accounting principles;
- (c) any obligation for the payment of money under installment purchase contracts having an original term in excess of one year;
- (d) any obligation that would constitute Short-Term Indebtedness if a Liquidity Facility were not in effect with respect thereto; and
- (e) any guaranty of any Indebtedness that would be described in item (i), (ii), (iii) or (iv) above if such Indebtedness were incurred directly by the Service.

“Maximum Annual Debt Service” means, when used with reference to any Long-Term Indebtedness for any year or Fiscal Year, as of any particular date of computation, the greatest amount required in the then-current or any future year or Fiscal Year, respectively, to pay the Debt Service Requirements of such Long-Term Indebtedness.

“Mid-Shore Counties” or “Subdivisions” mean, collectively, Caroline County, Maryland, Queen Anne’s County, Maryland, Kent County, Maryland and Talbot County, Maryland.

“Mid-Shore II Landfill” means, the new landfill located in Caroline County, Maryland.

“Net Income Available for Debt Service” means, for any period, an amount determined in accordance with generally accepted accounting principles by deducting (i) the expenses of operating the Project or any Additional Facilities, exclusive of depreciation, interest, amortization of financing expenses, from (ii) the sum of all operating and nonoperating revenues of the Service derived from or in connection with the Project or any Additional Facilities (including, without limitation, all revenues of the Service under the Service Agreements) provided, however, that there shall be excluded from such calculation any nonoperating gains or losses on the sale or disposition of any asset or on the extinguishment of debt.

[“Operating Reserve Requirement” means an amount equal to \$ _____ through _____ and beginning on _____ the amount certified by an Authorized Officer of the Service to be equal to one-sixth (1/6) of the annual operating expenses of the Service in connection with the Project shown on the audited financial statements of the Service for the most recent Fiscal Year for which such statements are available.]

“Optional Tender Indebtedness” means any Indebtedness that is subject to optional or mandatory tender by the Holder thereof (including, without limitation, any mandatory tender in connection with the expiration of any Credit Facility securing such Indebtedness) for purchase or

redemption prior to the stated maturity date thereof if the purchase or redemption price of such Indebtedness is under any circumstances payable by the Service.

“Outstanding” means, as of any particular date, (a) when used with reference to Bonds, all Bonds authenticated and delivered under the Indenture except (i) any Bond cancelled by the Trustee (or delivered to the Trustee for cancellation) at or before such date, (ii) any Bond for the payment of the principal or Redemption Price of and interest on which provision shall have been made as provided in Section 9.01 hereof and (iii) any Bond in lieu of or in substitution for which a new Bond shall have been authenticated and delivered pursuant to Article II, Article III or Section 8.03 hereof; and (b) when used with reference to any other Indebtedness, all Indebtedness theretofore issued or incurred other than any such Indebtedness that is deemed to have been paid and discharged under generally accepted accounting principles.

“Permitted Encumbrance” means:

(a) any lien arising by reason of any deposit by the Service to secure any public or statutory obligation, or to secure, are in lieu of, any surety, stay or appeal bond, and any deposit as security for the payment of taxes or assessments or other similar charges;

(b) any lien arising by reason of any deposit with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license or to enable the Service to maintain self-insurance or to participate in any funds established to cover any insurance risk or in connection with workers' compensation, unemployment insurance, any pension or profit sharing plan or other social security, or to share in the privileges or benefits required for the Participation of the Service in such arrangements;

(c) any right reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law; any lien for taxes, assessments, levies, fees, water and sewer rents or charges and other governmental and similar charges and any lien of any mechanic, laborer, supplier or vendor for work or services performed or materials furnished in connection with such property that is not due and payable or that is not delinquent or the amount or validity which is being contested and execution thereon stayed;

(d) any lien granted for the benefit of all Holders of the Bonds in accordance with the Indenture;

(e) any lien upon Landfill Revenues on deposit in the Special Purpose Fund;

(f) any lien upon Revenues pledged to the payment of Subordinate Obligations;

(g) any lien placed upon any tangible real or tangible personal property being acquired by the Service to secure all or a portion of the purchase price thereof;

(h) such easements, rights-of-way, servitudes, restrictions and other defects, liens and encumbrances as the Service shall determine do not materially impair the use of the Project or any Additional Facilities for their intended purpose or the value of the Project or any Additional Facilities; and

(i) any lien upon Landfill Revenues pledged to the payment of Indebtedness in connection with the closure of the Hobbs Road Landfill.

“Person” means an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated association, a limited liability company or government or any agency or political subdivision thereof, or any other organization or entity (whether governmental or private).

[“Project” means the acquisition, design, construction equipping and operation of a new landfill on an approximately 218-acre parcel of land located adjacent to the Holly Road Landfill near Ridgley, Caroline County, Maryland to accept solid waste generated within the boundaries of the Mid-Shore Counties upon the closure on December 31, 2010 of a landfill previously financed, operated and constructed by the Service, located in Talbot County, Maryland, near the town of Easton, and all other costs related to such Project, including without limitation, costs in connection with the closure of the Hobbs Road Landfill, road improvements and the acquisition of real property for permit compliance and soil excavation (being a “project” as defined in the Act) including all necessary attendant facilities and equipment, as the Project may be amended in accordance with the Indenture; the definition of “Project” set forth hereinabove shall not in any way limit the items that may be financed with the proceeds of the Bonds as permitted by the Act.]

“Rating Agency” means Moody’s Investors Service, Standard & Poor’s Corporation or any other securities rating agency that, at the request of the Service shall have assigned a rating that is then in effect with respect to any Bonds, and their successors and assigns, and “Rating Agencies” means each such Rating Agency, collectively.

“Redemption Price” means, when used with respect to any Bond or portion thereof, the principal amount of such Bond or such portion thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture.

“Registrar” means the Trustee in its capacity as Bond registrar under the Indenture.

“Replacement Bonds” mean Bonds issued in accordance with Section 2.10 hereof.

“Revenues” mean Landfill Revenues, any moneys received from the State from the Comptroller of Maryland pursuant to the provisions of Section 3-108(b) of the Act and any earnings on the funds and accounts held by the Trustee under the Indenture (except the Rebate Fund).

“Section 148” means Section 148 of the Code.

“Securities Depository” means (a) The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, facsimile: (516) 227-4039 or (516) 227-4190; or (b) any replacement registered securities depository which has been designated in a certificate of the Service delivered to the Trustee.

“Serial Bonds” means the Bonds of any Series that are stated to mature in consecutive annual installments.

“Series” means any series of Bonds authorized by the Indenture.

“Series 2010 Bonds” means the Maryland Environmental Revenue Bonds (Mid-Shore II Regional Landfill Project) Series 2010, dated as of _____, authorized by 2.02 of the Indenture.

“Service” means Maryland Environmental Service, a body politic and corporate constituting an instrumentality of the State of Maryland, created by the Act and performing an essential governmental function of the State of Maryland.

“Service Agreements” mean, collectively, the Waste Disposal Service Agreements dated as of various dates in May, 2009 as set forth therein, between the Service and each of the Subdivisions providing for the delivery to the Service of Acceptable Waste (as defined in the Service Agreements) for disposal at the Mid-Shore II Landfill and to pay certain fees for such disposal services, and any amendments thereto.

“Short-Term Indebtedness” means any Indebtedness (i) incurred or assumed by the Service for a term not exceeding 365 days, except any such Indebtedness with respect to which a Liquidity Facility is then in effect, and (ii) any guaranty of any Indebtedness that would be described in clause (i) above if such Indebtedness were incurred directly by the Service.

“Sinking Fund Installment” means the amount of money provided in the Indenture, and in each Supplemental Indenture authorizing any Series of Additional Bonds, to redeem or pay at maturity Term Bonds at the times and in the amounts provided in this Indenture or such Supplemental Indenture (as the case may be), less the amount of any credit against such amount arising from the purchase of Term Bonds in any prior year as provided in Section 4.06 hereof.

“Special Purpose Fund” has the meaning specified in the Service Agreements.

“Special Record Date” means the date fixed by the Trustee on which any defaulted interest shall be payable to the person in whose name the Bonds are registered as of the date fixed.

“State” means the State of Maryland.

“Subordinate Obligations” mean any subordinate Indebtedness issued by the Service in accordance with Section 2.11 hereof.

“Supplemental Fees” has the meaning specified in the Service Agreements.

“Supplemental Indenture” means any indenture of trust between the Service and the Trustee amending, modifying or supplementing the Indenture, any Supplemental Indenture, or any Bond, delivered and becoming effective in accordance with the terms of the Indenture.

“Tax and Section 148 Certificate” means the _____ of the Service dated as of November __, 2010.

“Tax-Exempt Bonds” mean the Series 2010 Bonds and any other Bonds with respect to which there shall have been delivered to the Service an opinion of Bond Counsel to the effect that the interest on such Bonds is excludable from gross income for federal income tax purposes.

“Term Bonds” mean the Bonds of any Series, other than Serial Bonds, payable prior to or at their stated maturity from Sinking Fund Installments deposited in the Sinking Fund Account.

“Tipping Fees” has the meaning specified in the Service Agreements.

“Total Costs” has the meaning specified in the Service Agreements.

“Trustee” means The Bank of New York Mellon, a national banking association.

“UCC” means the Maryland Uniform Commercial Code, as amended from time to time.

[FORM OF SERIES 2010 BOND]

REGISTERED

REGISTERED

UNITED STATES OF AMERICA
STATE OF MARYLAND

No. R- _____ \$ _____

MARYLAND ENVIRONMENTAL SERVICE
REVENUE BOND
(MID-SHORE II REGIONAL LANDFILL PROJECT) SERIES 2010

Interest Rate <u>(per annum)</u> %	<u>Maturity Date</u>	<u>Reference Date</u>	<u>CUSIP</u>
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Registered Owner:

Principal Sum: _____ DOLLARS

MARYLAND ENVIRONMENTAL SERVICE, a body politic and corporate constituting an instrumentality of the State of Maryland (the "Service"), for value received, hereby promises to pay, but only from the Revenues (defined herein) and other funds pledged to such payment under the Indenture (defined herein), to the Registered Owner shown above or registered assigns or legal representative, upon the presentation and surrender hereof as provided herein, the Principal Sum shown above on the Maturity Date shown above (or earlier as hereinafter referred to), with interest thereon from the most recent date to which interest has been paid, or if the Date of Authentication shown below is prior to the first interest payment date, from _____, at the Interest Rate shown above until said Principal Sum is paid, payable on May 1, 2011 and semiannually thereafter on November 1 and May 1 of each year.

All interest due on this bond shall be payable to the person in whose name this bond is registered on the bond registration books maintained by The Bank of New York Mellon, as trustee, paying agent and registrar (such entity and any successor in such capacity being referred to herein as the "Trustee") as of the close of business, on the fifteenth day of the calendar month immediately preceding the interest payment date upon which such interest is due and payable and shall be made by check mailed to the address of such owner as it appears on the bond registration books maintained by the Trustee; provided, that if there is a default in the payment of interest due hereon, such defaulted interest shall be payable to the person in whose name this bond is registered as of the close of business on a subsequent date fixed by the Trustee (the "Special Record Date") that is at least 10 and not more than 15 days before the date set for the payment of such defaulted interest. Notice of any Special Record Date will be given as hereinafter provided to the Registered Owner hereof not later than 10 days before the Special

Record Date. As provided in the Indenture, so long as all of the Bonds are maintained in book-entry form with The Depository Trust Company, New York, New York ("DTC"), interest on this bond will be paid in next day funds to the owner as of the Special Record Date.

The principal or redemption price of and interest on this bond are payable in lawful money of the United States of America or by check payable in such money. If any payment of the principal or Redemption Price of or interest on this bond shall be due on a day other than a Business Day (defined herein), such payment shall be made on the next Business Day with like effect as if made on the originally scheduled date. "Business Day" is any day other than a Saturday, Sunday or legal holiday in the State of Maryland observed as such by the Service or the Trustee, or both.

This bond is a special obligation of the Service payable solely from the Revenues (as defined in the Indenture) pledged by the Service under the Indenture. Neither the State of Maryland, nor any political subdivision thereof, nor the Service is obligated to pay this bond or the interest hereon except from the Revenues, and neither the faith and credit nor the taxing power of the State of Maryland, nor any political subdivision thereof is pledged to the payment of the principal of, redemption price or interest on this bond.

All acts, conditions and things required by the Constitution and laws of the State of Maryland and the rules and regulations of the Service to happen, exist and be performed precedent to and in the issuance of this bond, the execution and delivery of the Service Agreements (defined herein) and the Indenture have happened, exist and have been performed as so required.

No recourse shall be had for the payment of the principal or redemption price of and interest on this bond or for any claims based thereon or on the Indenture against any member or other officer of the Service or any person executing this bond, all such liability, if any, being expressly waived and released by the Registered Owner of this bond by the acceptance of this bond.

This bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Indenture until it shall have been authenticated by the execution by the Trustee of the certificate of authentication indorsed hereon.

1. Indenture. This bond is one of a duly Authorized Series of Bonds of the Service designated "MARYLAND ENVIRONMENTAL SERVICE REVENUE BONDS (MID-SHORE II REGIONAL LANDFILL PROJECT) SERIES 2010" (the "Bonds"), aggregating _____ Dollars (\$ _____) in principal amount, dated as of _____, and duly issued by the Service under and pursuant to the Constitution and laws of the State of Maryland, particularly the Maryland Environmental Service Act (being codified as Sections 3-101 through 3-130, inclusive, of the Natural Resources Article of the Annotated Code of Maryland, as amended) (the "Act"), and the Indenture of Trust dated as of October 1, 2010 by and between the Service and the Trustee (herein, with all amendments thereto, called the "Indenture"). The terms of the Bonds include those stated in the Indenture, and the Bonds are subject to all such terms. Reference is made hereby to the Indenture for a description of the funds, revenues and charges pledged thereunder, the nature and extent of the security created or

to be created, and the rights, limitations of rights, obligations, duties and immunities of the Service, the Trustee and the Holders of the Bonds. By the acceptance of this bond, the Holder hereof consents to all of the provisions of the Indenture. Certified copies of the Indenture are on file in the designated corporate trust office of the Trustee and at the office of the Service in the Millersville, Maryland.

2. Service Agreements; Revenues. The Service has entered into a Waste Disposal Service Agreement dated as of various dates in May, 2009 as set forth therein, (collectively, with all amendments thereto, herein called the "Service Agreements") with each of County Commissioners of Caroline County, County Commissioners of Queen Anne's County, County Commissioners of Kent County and Talbot County, all of the State of Maryland, (collectively referred to herein as the "Subdivisions") providing for the delivery to the Service of Acceptable Waste (defined in the Service Agreements) for disposal at the Mid-Shore II Landfill (defined in the Indenture) and to pay certain fees for such disposal services.

As defined in the Indenture, the Revenues pledged to the repayment of the Bonds include (i) any moneys received from the State pursuant to the Act, (ii) any earnings on funds and accounts held by the Trustee under the Indenture (except the Rebate Fund) and (iii) Landfill Revenues which are defined under the Service Agreements, as including, for any Fiscal Year, the aggregate amount of any revenues, fees and income received by the Service in connection with the operation of the Mid-Shore II Landfill and the provision of solid waste disposal services to the Mid-Shore Counties under the Service Agreements, including, without limitation (i) revenues from tipping fees charged to all users of the Mid-Shore II Landfill, (ii) other operating revenues of the Mid-Shore II Landfill, including, but not limited to, charges for services or use of property or equipment, proceeds from the sale of recovered materials and revenues from gas, steam, or electricity and (iii) interest earnings on money held by the Service in the Special Purpose Fund (as defined in the Service Agreements and in the Indenture).

3. The Bonds. All the Bonds are of like tenor except as to number, principal amount, maturity, interest rate and redemption provisions and mature on November 1 of the years and in the amounts set forth below:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>

The Bonds are issuable only in registered form without coupons in denominations of \$5,000 and any integral multiple thereof.

4. Additional Bonds. The Indenture provides that Additional Bonds may be issued within the limitations and provisions of the Indenture. (The Bonds and any Additional Bonds are herein referred to as the "Parity Bonds"). All Parity Bonds issued within the limitations and provisions of the Indenture shall be secured equally and ratably by the Landfill Revenues and other property pledged by the Service.

5. Redemption. The Bonds at the time Outstanding may be redeemed prior to their respective maturities as follows:

(a) Optional Redemption. Bonds maturing on or after November 1, 2021, are subject to redemption prior to maturity beginning on November 1, 2020, at the option of the Service as a whole at any time or in part on any interest payment date, at the following prices, expressed as percentages of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date set for redemption:

Period During Which Redeemed (both dates inclusive)	Redemption Price
_____ through _____	
_____ through _____	
_____ and thereafter	

(b) Redemption from Insurance and Condemnation Proceeds. The Bonds are subject to redemption prior to maturity, as a whole at any time or in part on any interest payment date, at a redemption price equal to the principal amount of such Bonds redeemed, plus accrued and unpaid interest to the date fixed for redemption, in an amount equal to the amount of the net proceeds of casualty insurance and liability insurance with respect to the Project and net proceeds of all or any part of the Project which is taken in the exercise of the power of eminent domain, or through the exercise of any right or obligation on the part of any public authority to purchase the same, or as a result of any agreement between the Service and any such public authority, that are deposited and held in the Insurance and Condemnation Award Fund and that are not applied to the repair or replacement of the lost, damaged, destroyed or taken property in accordance with the terms of the Indenture.

(c) Extraordinary Optional Redemption. The Bonds are subject to redemption as a whole at any time at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest to the date fixed for redemption, at the option of the Service upon the occurrence of any of the following events:

(i) the Project or the Service's interest therein shall have been lost, damaged or destroyed to such an extent that, in the opinion of the Service (A) the Project cannot be reasonably restored within a period of 12 months to the condition

thereof immediately preceding such loss, damage or destruction, or (B) the Service is thereby prevented from carrying on its normal operation of the Project for a period in excess of 12 months from the date of damage or destruction; or

(ii) taking or condemnation of the title to, or the temporary use of, all or substantially all of the Project by a competent authority or loss of use or possession of all or substantially all of the Project, which taking, condemnation or loss results, or is likely to result, in the Service's being prevented or likely to be prevented from carrying on its normal operation of the Project for a period in excess of 12 months from the date of any such event; or

(iii) as a result of changes in Applicable Law (defined in the Indenture), (A) the Indenture or the Service Agreements shall become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed therein, or (B) unreasonable burdens or excessive liabilities are imposed upon the Service by reason of the operation of the Project, or (C) the Service is no longer able to operate the Project; or

(iv) changes in the economic availability of raw materials, energy, operating supplies or facilities necessary for the operation of the Project or technological or other changes shall have occurred which, in the reasonable judgment of the Service, render the Project uneconomic or unsuitable for the purposes specified in the Service Agreements for a period in excess of 12 months from the date of such changes; or

(v) a final decree or judgment of any federal court or any determination, decision or decree by the Internal Revenue Service shall have been entered, which decree, judgment, determination or decision is not subject to further appeal and determines that interest paid or payable on any tax-exempt Bond is not or was not excludable from the gross income of the Holder thereof for federal income, tax purposes other than with respect to any period during which such Holder was a "substantial user" of the Project or a "related person" (as such terms are used in Section 147(a) of the Internal Revenue Code).

(d) Selection of Bonds to be Redeemed. If fewer than all of the Bonds shall be called for redemption, the particular maturities of the Bonds to be redeemed shall be selected by the Service. If fewer than all of the Bonds of any one maturity shall be called for redemption, the particular Bonds or portions of Bonds to be redeemed from such maturity shall be selected by lot by the Trustee in such manner as the Trustee in its discretion may determine. Money available for the redemption of Parity Bonds shall be allocated to the Bonds and any Additional Bonds Outstanding under the Indenture in the manner provided in the Indenture.

(e) Notice of Redemption. The Trustee shall give notice of the call for any redemption by publication at least once in a daily newspaper of general circulation in the Borough of Manhattan, City and State of New York, or a financial journal published in such Borough, City and State, and at least once in a daily newspaper of general

circulation in the City of Baltimore, Maryland, which notice shall be published at least 30 days before the redemption date. Notice of any such redemption shall also be mailed at least 30 days before the redemption date to the Registered Owners of the Bonds to be redeemed, but such mailing shall not be a condition precedent to such redemption, and failure so to mail any such notice to any of such Registered Owners shall not affect the validity of the proceedings for the redemption of the Bonds. As provided in the Indenture, so long as all of the Bonds are maintained in book-entry form with DTC, at least two Business Days prior to the day on which the notice is published by the Trustee as set forth above, the Trustee shall provide notice of redemption of the Bonds to DTC in the manner and under the terms and conditions provided herein and in the Indenture. As provided in the Indenture, the Trustee may provide a conditional notice of redemption upon the direction of the Service.

(f) Effect of Call for Redemption. On the date designated for redemption, notice having been given as provided herein, the Bonds or portions of Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds or such portions thereof on such date and, if moneys for the payment of the redemption price and accrued interest are held by the Trustee as provided in the Indenture, interest on such Bonds or such portions thereof so called for redemption shall cease to accrue, such Bonds or such portions thereof so called for redemption shall cease to be entitled to any benefit or security under the Indenture, and the Registered Owners thereof shall have no rights in respect of such Bonds or such portions thereof so called for redemption except to receive payment of the redemption price thereof and the accrued interest thereon so held by the Trustee. If a portion of this bond shall be called for redemption, a new Bond or Bonds in the aggregate principal amount equal to the unredeemed portion hereof, of the same Series and maturity and bearing interest at the same rate, shall be issued to the Registered Owner upon the surrender hereof.

6. Acceleration; Defeasance. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the Bonds then Outstanding under the Indenture may become or may be declared due and payable before the stated maturities thereof, together with the interest accrued thereon.

The Indenture prescribes the manner in which it may be discharged and provides that Bonds shall be deemed to be paid if moneys or Government Obligations (defined in the Indenture), the principal of and interest on which, when due, will be sufficient to pay the principal or redemption price of and interest on such Bonds to the date of maturity or redemption thereof, shall have been deposited with the Trustee.

7. Persons Deemed Owners; Restrictions upon Actions by Individual Holders. The Service and the Trustee may deem and treat the person in whose name this bond is registered as the absolute owner hereof (whether or not this bond shall be overdue and notwithstanding any notation of ownership or other writing hereon made by anyone other than the Service or the Trustee) for the purpose of receiving payment of or on account of the principal or redemption price of this bond, and for all other purposes except as otherwise provided herein with respect to the payment of interest on this bond, and neither the Service nor the Trustee shall

be affected by any notice to the contrary. All such payments so made to any such Registered Owner, or upon such owner's order, shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable under this bond.

The Registered Owner of this bond shall have no right to enforce the provisions of the Indenture, or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect hereto, except as provided in the Indenture.

8. Transfer and Exchange. This bond may be exchanged for an equal aggregate principal amount of Bonds, of the same maturity and bearing interest at the same rate and of other authorized denominations, and the transfer of this bond may be registered, upon presentation and surrender of this bond at the designated corporate trust office of the Trustee, together with an assignment duly executed by the Registered Owner hereof or such owner's attorney or legal representative. The Service and the Trustee may require the person requesting any such exchange or transfer to reimburse them for any tax or other governmental charge payable in connection therewith. Neither the Service nor the Trustee shall be required to register the transfer of this bond or make any such exchange of this bond after this bond or any portion hereof has been selected for redemption. The Bonds shall be issued in book-entry form, subject to further action as provided in the Indenture, and the provisions set forth in the Indenture relating to book-entry form shall apply thereto.

9. Modifications. Modifications or alterations of the Indenture or the Service Agreements may be made only to the extent and in the circumstances permitted by the Indenture and the Service Agreements.

10. Negotiability. As declared by the Act, this bond shall be and be deemed to be for all purposes a negotiable instrument subject only to the provisions for registration and registration of transfer stated herein.

12. Notices. Except as otherwise provided in the Indenture and this bond, when the Trustee is required to give notice to the owner of this bond, such notice shall be mailed by first-class mail to the Registered Owner of this bond at such owner's address as it appears on the registration books maintained by the Trustee. Any notice mailed as provided herein will be conclusively presumed to have been given, whether or not actually received by the addressee.

IN WITNESS WHEREOF, Maryland Environmental Service has caused this bond to be executed in its name by the manual signature of the Director of the Service and its corporate seal (or a facsimile thereof) to be hereunto affixed, imprinted, engraved or otherwise reproduced and attested by the manual signature of its Deputy Director, all as of the ___ day of November, 2010.

MARYLAND ENVIRONMENTAL SERVICE

By: _____
James M. Harkins
Director

[SEAL]

Attest:

John J. O'Neill
Deputy Director

[Certificate of Authentication]

Date of Authentication: _____

This bond is one of the bonds of the Series designated herein and issued under the provisions of the within-mentioned Indenture. A signed original of the complete text of the opinion of Kutak Rock LLP, Bond Counsel is on file with the undersigned.

THE BANK OF NEW YORK MELLON
as Trustee

By: _____
Bridgette Casasnovas
Vice President

NEW ISSUE -- Book-Entry Only

Moody's Investors Service, Inc.:
Standard & Poor's Corporation:

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, the interest on the Series 2010 Bonds will be excludable from gross income for federal income tax purposes and is not included in the alternative minimum taxable income of individuals, corporations, or other taxpayers as an enumerated item of tax preference or other specific adjustment and is not included in "adjusted current earnings" for purposes of computing the alternative minimum tax applicable to corporations. It is also the opinion of Bond Counsel that, under the terms of the Service's enabling legislation, the Series 2010 Bonds, their transfer, the interest payable on them, and any interest derived from them, including any profit realized in their sale or exchange, shall be exempt at all times from every kind and nature of taxation by the State of Maryland, or by any of its political subdivisions, municipal corporations or public units of any kind. No opinion is expressed as to estate or inheritance taxes or the Maryland franchise tax or any other taxes not levied or assessed directly on the Series 2010 Bonds, their transfer, or the income therefrom.

\$ __, __, 000*

MARYLAND ENVIRONMENTAL SERVICE

REVENUE BONDS

(MID-SHORE II REGIONAL LANDFILL PROJECT), SERIES 2010

Dated: Date of delivery
 Due: November 1, as shown below
 Interest Payable: May 1 and November 1
 Denomination: Integral multiples of \$5,000
 Form: Registered, book-entry only through the facilities of The Depository Trust Company
 First Interest Payment Due: May 1, 2011
 Optional Redemption: Series 2010 Bonds maturing on or after November 1, 2021 are subject to redemption prior to maturity without premium and the Series 2010 Bonds are subject to mandatory redemption as set forth in "THE BONDS—Optional Redemption" herein.
 Security: The Series 2010 Bonds are special obligations of the Service payable solely from the Revenues (as defined in the Indenture) pledged by the Service under the Indenture. See "THE BONDS – Security and Sources of Payment for the Bonds" herein.
Neither the State of Maryland, or any political subdivision thereof nor the Service is obligated to pay the Series 2010 Bonds or the interest thereon except from the Revenues, and neither the faith and credit nor the taxing power of the State of Maryland or any political subdivision thereof or of the Service, is pledged to the payment of the principal of, redemption price or interest on the Series 2010 Bonds. The Service has no taxing power.
 Trustee: The Bank of New York Mellon

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIPS

Maturing November 1	Principal Amount*	Interest Rate	Price Or Yield	CUSIP	Maturing November 1	Principal Amount*	Interest Rate	Price Or Yield	CUSIP
2011	\$				2021	\$			
2012					2022				
2013					2023				
2014					2024				
2015					2025				
2016					2026				
2017					2027				
2018					2028				
2019					2029				
2020					2030				

The Series 2010 Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Kutak Rock LLP, Washington, D.C., Bond Counsel. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC in New York, New York on or about _____, 2010.

*Preliminary, subject to change

BOARD OF DIRECTORS

James Harkins, Director
John O'Neil, Deputy Director
Henry Cook, Treasurer and Chief Financial Officer
Richard E. Streett, Jr., DMV, Secretary
William B.C. Addison, Jr.
Leslie Jackson Jenkins
Joseph F. Snee
Talmadge E. Simons
Edward C. Adams, Jr., P.E.

BOND COUNSEL

Kutak Rock LLP
Washington, D.C.

AUDITOR

SB & Company, LLC
Hunt Valley, Maryland

FINANCIAL ADVISOR

Public Advisory Consultants, Inc.
Owings Mills, Maryland

TRUSTEE

The Bank of New York Mellon
West Paterson, New Jersey

No dealer, broker, salesman or other person has been authorized by the Maryland Environmental Service (the "Service") or the Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. The information set forth herein has been obtained from the Service and other sources that are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Underwriter or, as to information from sources other than the Service, the Service.

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This Official Statement does not constitute an offer to sell nor the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which such offer, solicitation or sale is not authorized or in which the person making such offer, solicitation or sale is not qualified to do so or to any person to whom it is unlawful to make such offer, solicitation or sale.

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Summary of Offering

Issuer

Maryland Environmental Service (the "Service" or "MES").

Bonds

Revenue Bonds (Mid-shore II Regional Landfill Project), Series 2010 in the aggregate principal amount of _____ (the "Series 2010 Bonds").

Interest Payment Dates

May 1, 2011, and semiannually thereafter on November 1 and May 1.

Redemption of Series 2010 Bonds

The Series 2010 Bonds maturing on or before November 1, 2020 are not subject to optional redemption prior to maturity. The Series 2010 Bonds maturing on or after November 1, 2021 are subject to redemption on or after November 1, 2020, in whole at any time or in part on any date in any order of maturity, at the option of the Service, at a redemption price of one hundred percent of the principal amount of the Series 2010 Bonds to be redeemed, together with interest accrued to the date fixed for redemption. Additionally, the Series 2010 Bonds are subject to mandatory redemption as described in "The Bonds – Redemption Provisions" herein.

Security for the Series 2010 Bonds

The Series 2010 Bonds are special obligations of the Service payable solely from Revenues (as defined in the Indenture) pledged by the Service under the Indenture.

Neither the State of Maryland, or any political subdivision thereof nor the Service is obligated to pay the Series 2010 Bonds or the interest thereon except from the Revenues, and neither the faith and credit nor the taxing power of the State of Maryland or any political subdivision thereof or of the Service, is pledged to the payment of the principal of, redemption price or interest on the Series 2010 Bonds. The Service has no taxing power.

Proceeds of the Series 2010 Bonds

The proceeds of the Series 2010 Bonds will be used (i) to finance portions of the cost of the acquisition, design, construction equipping and operation of a new landfill on an approximately 218-acre parcel of land located adjacent to the Holly Road Landfill near Ridgley, Caroline County, Maryland to accept solid waste generated within the boundaries of the Mid-Shore Counties upon the closure on [or before] December 31, 2010 of a landfill previously financed, operated and constructed by the Service, located in Talbot County, Maryland, near the town of Easton, and all other costs related to such Project, including without limitation, costs in connection with the closure of the Hobbs Road Landfill, road improvements and the acquisition of real property for permit compliance and soil excavation and (the "Project"), (ii) to pay the principal and any interest outstanding on the Service's Revenue Bond Anticipation Note (Mid-Shore II Regional Landfill Project), Series 2009A dated September 29, 2009 (the "Note"), [(iii) to fund capitalized interest on the Series 2010 Bonds from the date of issuance of the Series 2010 Bonds through _____,] and (iv) to pay for cost of issuance of the Series 2010 Bonds.

Portions of the project may be financed by Maryland Water Quality Financing Administration loans.

Federal and Maryland Income Tax Exemptions

In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, the interest on the Series 2010 Bonds will be excludable from gross income for federal income tax purposes and is not included in the alternative minimum taxable income of individuals, corporations, or other taxpayers as an enumerated item of tax preference or other specific adjustment and is not included in "adjusted current earnings" for purposes of computing the alternative minimum tax applicable to corporations. It is also the opinion of Bond Counsel that, under the terms of the Service's enabling legislation, the Series 2010 Bonds, their transfer, the interest payable on them, and any interest derived from them, including any profit realized in their sale or exchange, shall be exempt at all times from every kind and nature of taxation by the State of Maryland, or by any of its political subdivisions, municipal corporations or public units of any kind. No opinion is expressed as to estate or inheritance taxes or the Maryland franchise tax or any other taxes not levied or assessed directly on the Series 2010 Bonds, their transfer, or the income therefrom.

Payment Records of the Service and Mid-Shore Counties

Neither the Service nor the Mid-Shore Counties have defaulted on the payment of the principal of or interest on any of its bonds or notes.

**THE FOREGOING INFORMATION IS QUALIFIED IN ITS ENTIRETY BY THE DETAILED
INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT.**

I. The Bonds

Introduction

This Official Statement, including the cover page (excluding prices and yields) and appendices, sets forth certain information for use in connection with the sale by Maryland Environmental Service (the "Service") of \$_____ Maryland Environmental Service Revenue Bonds, (Mid-Shore II Regional Landfill Project), Series 2010 (the "Series 2010 Bonds"). The issuance, sale and delivery of the Series 2010 Bonds are authorized by the Indenture of Trust dated as of _____ between the Service and The Bank of New York Mellon, as Trustee, paying agent and registrar (together, the "Trustee").

The Service is authorized to issue the Series 2010 Bonds by the Maryland Environmental Service Act, being codified as Sections 3-101 through 3-130, inclusive, of the Natural Resources Article of the Annotated Code of Maryland as amended (the "Act"). The Series 2010 Bonds and any Additional Bonds issued pursuant to the Indenture are herein referred to as the "Bonds".

Brief descriptions of the Service Agreements (as defined herein) and the Indenture appear in Appendices D and E, respectively, to this Official Statement. The summaries of and references to all documents, statutes, and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each summary and reference is qualified in its entirety by reference to each document, statute, or instrument. For the definition of certain words and terms used elsewhere in this Official Statement (including the appendices hereto), see Appendix D and Appendix E.

General

The Series 2010 Bonds will be dated as their date of delivery, will bear interest from the date of delivery, at the rates set forth on the cover page of this Official Statement, payable on May 1, 2011, and semiannually thereafter on each November 1 and May 1 and, subject to the redemption provisions set forth below, will mature on the dates and in the amounts set forth on the cover page of this Official Statement.

The Series 2010 Bonds will be issued only as fully registered bonds in denominations of \$5,000 and integral multiples thereof and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), to which principal and interest payments on the Series 2010 Bonds will be made so long as DTC or its nominee is the registered owner of the Series 2010 Bonds. See "Book-Entry Only System."

Regional Landfill Participants

The Service has entered into separate Waste Disposal Service Agreements (the "Service Agreements") with County Commissioners of Caroline County, County Commissioners of Queen Anne's County, County Commissioners of Kent County and Talbot County, Maryland (collectively, the "Mid-Shore Counties"), pursuant to which each of the Mid-Shore Counties has agreed to deliver all of its Acceptable Waste for disposal at the Regional Landfill in each year throughout the term of the Series 2010 Bonds and to pay certain disposal fees. The Service Agreements executed by each County contain substantially similar terms and conditions. Each County will pay the Service a per-ton disposal fee (the "Tipping Fee") for Acceptable Waste deliveries to the Regional Landfill by the County. The Service will also charge a Tipping Fee for disposal of Acceptable Waste deliveries to the Regional Landfill by persons other than the Mid-Shore Counties. If in any year the revenues of the Service from revenues from tipping fees charged to all users of the Mid-Shore II Landfill, (ii) other operating revenues of the Mid-Shore II Landfill, including, but not limited to, charges for services or use of property or equipment, proceeds from the sale of recovered materials and revenues from gas, steam, or electricity and (iii) interest earnings on money held by the Service in the Special Purpose Fund (as defined in the Service Agreements and in the Indenture) (the "Landfill Revenues") are insufficient to pay the costs of financing and operating the Regional Landfill (the "Total Costs"), then each County will pay the Service a fee (the "Supplemental Fee") equal to its share (the "Proportionate Share") of such deficiency. Landfill Revenues do not include (i) certain interest earnings on accounts or reserves created by the Service under Section 5.9 of the Service Agreements, (ii) Supplemental Fees, (iii) gifts, grants, bequests, contributions or donations to the Service which constitute non-operating revenue of the Service or (iv) any balance

in the Special Purpose Fund on the first day of a Fiscal Year carried over from any previous Fiscal Year.

Purpose of the Series 2010 Bonds

The proceeds of the Series 2010 Bonds will be used (i) to finance portions of the cost of the acquisition, design, construction equipping and operation of a new landfill on an approximately 218-acre parcel of land located adjacent to the Holly Road Landfill near Ridgley, Caroline County, Maryland to accept solid waste generated with the boundaries of the Mid-Shore Counties upon the closure on [or before] December 31, 2010 of a landfill previously financed, operated and constructed by the Service, located in Talbot County, Maryland, near the town of Easton (the "Mid-Shore I Landfill"), and all other costs related to such Project, including without limitation, costs in connection with the closure of the Hobbs Road Landfill, road improvements and the acquisition of real property for permit compliance and soil excavation and (the "Project"), (ii) to pay the principal and any interest outstanding on the Service's Revenue Bond Anticipation Note (Mid-Shore II Regional Landfill Project), Series 2009A dated September 29, 2009 on or before December 29, 2010 (the "Note"), [(iii) to fund capitalized interest on the Series 2010 Bonds from the date of issuance of the Series 2010 Bonds through _____,] and (iv) to pay for cost of issuance of the Series 2010 Bonds.

Plan of Financing

As set forth in "Estimated Sources and Uses of Funds," the proceeds of the Series 2010 Bonds will be used to (i) to finance portions of the cost of the Project, (ii) to pay the outstanding principal and any outstanding interest on the Note, [(iii) to fund capitalized interest on the Series 2010 Bonds from the date of issuance of the Series 2010 Bonds through _____,] and (iv) to pay cost of issuance on the Series 2010 Bonds.

Portions of the project will be financed with Maryland Water Quality Financing Administration loans the Service expects to close in December 2010 in the amount of \$1,500,000 which will be in the form of a loan forgiveness and in July 2011 in the amount of \$1,835,600.

The Series 2010 Bonds are secured by the Revenues pledged by the Service under the Indenture, including the security interest in the moneys in the funds and accounts maintained by the Trustee under the Indenture for the Series 2010 Bonds (other than the Rebate Fund). See "Security and Sources of Payment for the Series 2010 Bonds."

Estimated Sources and Uses of Funds

The estimated uses of the Series 2010 Bonds, issuance costs related thereto and the estimated sources of funds available therefore are as follows:

Uses of Funds:

Estimated costs of the Project and contingency.....	
[Capitalized interest from the date of issuance through _____]	
Administrative fees and expenses, legal, financing and miscellaneous expenses (1).....	
Total Uses of Funds	_____

Sources of Funds:

Par Amount of Series 2010 Bonds.....	
Total Sources of Funds	_____

(1) Estimate of the Service.

Redemption Provisions

Optional Redemption -- Series 2010 Bonds

The Series 2010 Bonds maturing on or after November 1, 2021 will be subject to optional redemption prior to maturity beginning on November 1, 2020 at the option of the Service as a whole at any time or in part of any interest payment date, at 100 per cent of the principal amount of the Series 2010 Bonds to be redeemed, plus accrued interest thereon to the date set for redemption.

Extraordinary Mandatory Redemption

The Series 2010 Bonds are subject to redemption prior to maturity, as a whole at any time or in part on any interest payment date, at a Redemption Price equal to the principal amount of such Series 2010 Bonds redeemed, plus accrued and unpaid interest to the date fixed for redemption, in an amount equal to the amount of the net proceeds of casualty insurance and liability insurance with respect to the Regional Landfill and net proceeds of all or any part of the Regional Landfill which is taken in the exercise of the power of eminent domain, or through the exercise of any right or obligation on the part of any public authority to purchase the same, or as a result of any agreement between the Service and any such public authority, that are deposited and held in the Insurance and Condemnation Award Fund and that are not applied to the repair or replacement of the lost, damaged, destroyed or taken property in accordance with the terms of the Indenture.

Extraordinary Optional Redemption

The Series 2010 Bonds are subject to redemption as a whole at any time at a redemption price equal to the principal amount thereof, plus accrued and unpaid interest to the date fixed for redemption, at the option of the Service upon the occurrence of any of the following events: (i) the Regional Landfill or the Service's interest therein shall have been lost, damaged or destroyed to such an extent that, in the opinion of the Service (A) the Regional Landfill cannot be reasonably restored within a period of 12 months to the condition thereof immediately preceding such loss, damage or destruction, or (B) the Service is thereby prevented from carrying on its normal operation of the Regional Landfill for a period in excess of 12 months from the date of damage or destruction; or (ii) taking or condemnation of the title to, or the temporary use of, all or substantially all of the Regional Landfill by a competent authority or loss of use or possession of all or substantially all of the Regional Landfill, which taking, condemnation or loss results, or is likely to result, in the Service's being prevented or likely to be prevented from carrying on its normal operation of the Regional Landfill for a period in excess of 12 months from the date of any such event; or (iii) as a result of changes in Applicable Law (defined in the Indenture), (A) the Indenture or the Service Agreements shall become void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed therein, or (B) unreasonable burdens or excessive liabilities are imposed upon the Service by reason of the operation of the Regional Landfill, or (C) the Service is no longer able to operate the Regional Landfill; or (iv) changes in the economic availability of raw materials, energy, operating supplies or facilities necessary for the operation of the Regional Landfill or technological or other changes shall have occurred which, in the reasonable judgment of the Service, render the Regional Landfill uneconomic or unsuitable for the purposes specified in the Service Agreements for a period in excess of 12 months from the date of such changes; or (v) a final decree or judgment of any federal court or any determination, decision or decree by the Internal Revenue Service shall have been entered, which decree, judgment, determination or decision is not subject to further appeal and determines that interest paid or payable on any tax-exempt Bond is not or was not excludable from the gross income of the holder thereof for federal income tax purposes.

Selection of Bonds to Be Redeemed

If fewer than all of the Series 2010 Bonds shall be redeemed, the particular maturities of the Series 2010 Bonds to be redeemed shall be selected by the Service. If fewer than all of the Series 2010 Bonds of any one maturity shall be called for redemption, the particular Series 2010 Bonds to be redeemed shall be selected by lot or in such manner as the Trustee in its discretion may deem proper. So long as the Series 2010 Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Series 2010 Bonds to be credited with any partial redemption shall be made as described under "Book-Entry Only System."

Notice of Redemption

As long as the Series 2010 Bonds are registered in the name of Cede & Co. (or a successor entity) in the book-entry system, the Trustee shall give notice of the call for any redemption by certified mail at least 30 days before the redemption date to the registered owner of each Series 2010 Bond or portion of a Series 2010 Bond to be redeemed at the address appearing on the registration books maintained by the Trustee as Bond Registrar. At such time as the Series 2010 Bonds are no longer held by Cede & Co. (or a successor entity), the Trustee shall mail notice of the call for any redemption at least 30 days before the redemption date to the registered owners of the Series 2010 Bonds to be redeemed at their addresses as they appear on the registration books maintained by the Trustee, but such mailing shall not be a condition precedent to such redemption, and failure so to mail any such notice to any of such registered owners shall not affect the validity of the proceedings for the redemption of the Series 2010 Bonds as to which notice of redemption was properly given. Any notice mailed to the holder of any Bond as provided in the Indenture shall be effective whether or not it is actually received by such holder. The Series 2010 Bonds so called for redemption will cease to bear interest on the specified redemption date and shall no longer be secured by the Indenture provided that funds for such redemption are on deposit at that time with the Trustee.

Security and Sources of Payment for the Bonds*General*

The Series 2010 Bonds are special obligations of the Service payable solely from Revenues (as defined in the Indenture) pledged by the Service under the Indenture.

Neither the State of Maryland, or any political subdivision thereof nor the Service is obligated to pay the Series 2010 Bonds or the interest thereon except from the Revenues, and neither the faith and credit nor the taxing power of the State of Maryland or any political subdivision thereof or of the Service, is pledged to the payment of the principal of, redemption price or interest on the Series 2010 Bonds. The Service has no taxing power.

Pledge of Revenues

As defined in the Indenture, the Revenues pledged to the repayment of the Series 2010 Bonds include (i) any moneys received from the State pursuant to Section 3-105(b) of the Act, (ii) any earnings on funds and accounts held by the Trustee under the Indenture (except the Rebate Fund) and (iii) Landfill Revenues which are defined under the Service Agreements, as including, for any Fiscal Year, the aggregate amount of any revenues, fees and income received by the Service in connection with the operation of the Mid-Shore II Landfill and the provision of solid waste disposal services to the Mid-Shore Counties under the Service Agreements, including, without limitation (i) revenues from tipping fees charged to all users of the Mid-Shore II Landfill, (ii) other operating revenues of the Mid-Shore II Landfill, including, but not limited to, charges for services or use of property or equipment, proceeds from the sale of recovered materials and revenues from gas, steam, or electricity and (iii) interest earnings on moneys held by the Service in the Special Purpose Fund (as defined in the Service Agreement and in the Indenture).

The pledge made by the Indenture and the covenants and agreements contained in the Indenture to be performed by or on behalf of the Service are, by their terms, for the equal and ratable benefit, protection and security of the Holders of the the Series 2010 Bonds and any Additional Bonds. See "Additional Bonds."

Additional Bonds

The Indenture provides that Additional Bonds will be secured equally and ratably and on a parity with the Series 2010 Bonds. The Indenture permits the issuance of Additional Bonds for any one or more of the following purposes: (i) to refund or advance refund any Outstanding Bonds; (ii) to obtain funds to pay the Cost of any other additional Facilities required to restore, maintain, improve or otherwise increase the disposal capacity of the Regional Landfill or to otherwise permit the Service to meet its waste disposal obligations under the Service Agreements, including (without limitation) the acquisition or construction of Alternative Sites or (iii) to obtain funds necessary to pay the cost of completing the Project or any Additional Facilities. Additional Bonds may be issued to pay the costs incurred in connection with the issuance and sale of any Bonds, to establish reserves and to pay interest on any Bonds prior to and during acquisition and construction and for a limited period after completion of the Project or any Additional Facilities, as the case may be.

See "Summary of Certain Provisions of the Indenture -- Additional Bonds" in Appendix E for a further description of the conditions under which Additional Bonds may be issued.

Subordinate Obligations

In addition to any Additional Bonds secured on parity with the Series 2010 Bonds as described above, the Service may issue from time to time other indebtedness for any purpose for which Additional Bonds may be issued hereunder. Each Subordinate Obligation shall be issued pursuant to a Supplemental Resolution, which shall specify the interest rate or rates, maturity, redemption provisions, form, registration provisions and all other details of such Subordinate Obligation. The Service may pledge the Revenues to the payment of any Subordinate Obligations, but such pledge shall be junior and subordinate to the pledge of the Revenues to secure Bonds.

See "Summary of Certain Provisions of the Indenture -- Subordinate Obligations" in Appendix E for a further description of the conditions in which Subordinate Obligations may be issued.

Legality of the Series 2010 Bonds for Investment and Deposit

The Act provides that the Series 2010 Bonds are securities in which all public officers and public units of the State of Maryland and its political subdivisions and all banks, trust companies, savings and loan associations, investment companies and others carrying on a banking business, all insurance companies, insurance associations and others carrying on an insurance business, all personal representatives, guardians, trustees, and other fiduciaries, and all other persons may legally and properly invest funds, including capital in their control or belonging to them. The Act also provides that the Series 2010 Bonds are securities which may properly and legally be deposited with and received by any State of Maryland or municipal officer or any unit or political subdivision of the State of Maryland for any purpose for which the deposit of bonds or other obligations of the State of Maryland is authorized by law.

Service Agreements

General

Each County has entered into a Service Agreement with the Service which, subject to certain rights of termination described below, has a term at least equal to the term of the Series 2010 Bonds. The Service Agreements provide that the Mid-Shore Counties will pay the Service a Tipping Fee for the acceptance and disposal of each ton of Acceptable Waste and a Supplemental Fee to the extent that in any year Total Costs exceed Landfill Revenues. See "Summary of Certain Provisions of the Service Agreements -- Tipping Fees, and Supplemental Fee; Quarterly Estimated Payments" in Appendix D.

Obligation of the Mid-Shore Counties to Pay Tipping Fees and Supplemental Fees

The Counties have agreed to pay a Tipping Fee for each ton of Acceptable Waste delivered to the Service by or for the account of the Counties. The Tipping Fee may be adjusted by the Service. In each fiscal year under the Service Agreement (the "Fiscal Year"), the Service shall set a Tipping Fee which together with the Supplemental Fee and other Landfill Revenues shall be at least equal to Total Costs (as hereinafter described) for such Fiscal Year. As provided in the Service Agreements, Landfill Revenues are equal to the aggregate amount of any revenues, fees and income received by the Service in connection with the Regional Landfill and the provision of solid waste disposal services to the Mid-Shore Counties under the Service Agreements, including interest earnings thereon. Total Costs include (without limitation) debt service payments with respect to the Series 2010 Bonds; aggregate costs of operating and maintaining the Regional Landfill and any Alternative Sites used by the Service for the purpose of providing solid waste disposal services under the Service Agreements; costs of disposal of waste other than Acceptable Waste; costs of labor; and amounts to provide for certain costs incurred if the Regional Landfill is closed. See "Summary of Certain Provisions of the Service Agreements -- Definitions" in Appendix D.

The Mid-Shore Counties have also agreed in each Fiscal Year to pay a Supplemental Fee which is equal to the amount by which Total Costs exceed Landfill Revenues in such Fiscal Year. Each County shall make a quarterly estimated payment of its Proportionate Share of the Supplemental Fee, determined in accordance with a formula described in the Service Agreement.

Under the terms of the Service Agreements, the Mid-Shore Counties have each agreed to include in their annual budget for each Fiscal Year during the term of the Service Agreements, the amounts sufficient to meet all of their obligations under the Service Agreements or to take such other action as necessary to ensure the availability of such funds. The failure by any respective County to take any action to assure the availability of sufficient funds shall not excuse or limit such County's obligations under the Service Agreement, including (without limitation) its obligation to pay the Tipping Fee and the Supplemental Fee, whether or not any estimates of Total Costs, Landfill Revenues, Tipping Fees or the County's Proportionate Share of the Supplemental Fee or other amounts payable under the Service Agreement prove to be inaccurate. See "Summary of Certain Provisions of the Service Agreements -- Estimates of Tipping Fee and Supplemental Fees; County Budgeting Obligations" in Appendix D.

The obligation of each County to make payments to the Service under its Service Agreement is not a general obligation of such County and does not constitute an indebtedness of such County within the meaning of any constitutional or statutory limitation or a change against the general credit or taxing power of such County.

Quantity of Acceptable Waste

The Service Agreements provide that the Service may accept waste from persons other than the Mid-Shore Counties provided that Tipping Fees are charged for the disposal of such waste and acceptance of such waste does not impair the obligations of the Service to the Mid-Shore Counties under the Service Agreements. In addition, the Service may accept Acceptable Waste generated outside of the Mid-Shore Counties, provided that either (i) the Mid-Shore Counties have given their consent, or (ii) a County is in default under a Service Agreement. Prior to accepting any waste generated or collected outside of the Mid-Shore Counties in connection with a default by any of the Mid-Shore Counties under a Service Agreement which can be cured, the Service shall provide the Mid-Shore Counties not in default, if any, with notice of such default. See "Summary of Certain Provisions of the Service Agreements -- Other Contracts for Waste Delivery" in Appendix D.

The Service has agreed to accept and, to the extent permitted by law, each County has agreed to deliver all Acceptable Waste generated within each County except for Acceptable Waste to be recycled. The Service may refuse delivery of any waste other than Acceptable Waste. The failure of any County to deliver such Acceptable Waste does not constitute a breach of, or Event of Default under, its respective Service Agreement so long as the County continues to pay its Proportionate Share of the Supplemental Fee. Since March, 1991, a quantity of waste has been delivered and tipping fees collected to provide sufficient revenues to pay total landfill costs, including debt service.

If the Regional Landfill is not capable of accepting the waste delivered to it, the Service may direct that it be delivered to an alternate disposal site designated by the Service. Use by the Service of an alternative disposal site does not constitute or give rise to a breach of a Service Agreement or an Event of Default under a Service Agreement.

Commercial operations on the Mid-shore II Landfill have begun and required notices of been sent to the Mid-Shore Counties indicating as such.

Termination of the Service Agreements

If the Service or any of the Mid-Shore Counties persistently or repeatedly fails or refuses to substantially fulfill its material obligations under a Service Agreement, such failure shall constitute an Event of Default thereunder. If an Event of Default shall have occurred and be continuing, the Service or the respective County, as applicable, would have the right to terminate the Service Agreement upon written notice to the party in default. Upon such termination, the respective County would no longer be obligated to pay the Tipping Fee, Supplemental Fee or any other fee in connection with the Service Agreement. See "Summary of Certain Provisions of the Service Agreements -- Termination on Default" in Appendix D.

Each Mid-Shore County has the option to terminate its Service Agreement at any time, provided that, among other conditions, the other Mid-Shore agree to such termination and the other Mid-Shore Counties terminate their Service Agreements. If a County exercises this option to terminate under its Service Agreement, the Mid-Shore Counties must purchase and take title to and liability for the Regional Landfill and any Alternative Sites. The amount which the Mid-Shore Counties must pay for the purchase is determined by a formula set forth in the Service Agreements, but in no event shall the purchase price be less than the greater of (i) the fair market value of the Regional Landfill and the Alternative Sites, if any, and (ii) the amounts of money necessary to defease or retire and

redeem any outstanding Indebtedness issued for the purposes of the Regional Landfill and any Alternative Sites. See "Summary of Certain Provisions of the Service Agreements -- Option to Terminate at any Time" in Appendix D.

Operating Fund

Pursuant to the Indenture, the Service has agreed to hold in its operating funds an amount equal to the Operating Reserve Requirement. The Indenture establishes the Operating Reserve Requirement for each year as the amount certified by an Authorized Officer of the Service to be equal to one-fourth of the estimated annual operating expenses of the Service in connection with the Regional Landfill for such fiscal year.

Amounts held by the Service may be applied by the Service from time to time to pay expenses and capital costs of the Regional Landfill and any other costs relating to the provision of waste disposal services under the Service Agreements, including (without limitation) to pay costs of extraordinary maintenance or repair.

If on July 1 of any year the amount held by the Service shall be less than the Operating Reserve Requirement, the Service is required to cure the deficiency within 12 months. See "Summary of Certain Provisions of the Indenture -- Application of Moneys in the Operating Fund" in Appendix E.

Flow of Funds

The Service generates Landfill Revenues (as defined in the Service Agreements) primarily through the collection of Tipping Fees from persons disposing of Acceptable Waste. The Tipping Fees are charged on a per ton basis. The current Tipping Fee at Mid-Shore I is \$58 per ton. MES applies the Tipping Fee to any loads greater than 200 pounds. Persons disposing of loads of less than 200 pounds are charged a minimum flat fee of \$5.00. Brush and yard waste may be disposed at a Tipping Fee of \$18.50 per ton, with a minimum flat fee of \$5.00. Persons disposing tires are charged the normal Tipping Fee plus a surcharge that is based on the size of each tire.

MES establishes the weight of each load by weighing incoming vehicles to obtain the gross weight of the vehicles which includes the waste it is carrying. The weighing function is performed on scales manufactured by Mettler Toledo and Cardinal. The weigh data is automatically entered in a computerized data system that utilizes Paradigm software. The tare weights of certain trucks that regularly access the Regional Landfill are stored in the data system, so MES does not weigh those vehicles when they exit the Regional Landfill after tipping their waste. All other vehicles must be weighed by MES as they exit, so that MES can establish the tare weight of the empty vehicle. The difference between the gross weight and the tare weight is the amount of waste disposed in the Regional Landfill, and the hauler is charged the Tipping Fee based on that weight.

Certain Haulers have entered into written agreements with MES to dispose of waste at the Regional Landfill. The agreements allow MES to adjust the tipping fees upon thirty days notice to the Haulers. For those Haulers who have been granted credit privileges by MES, MES will invoice the hauler twice a month for Tipping Fees incurred by the Hauler. Payment is due to MES within fifteen days. Late charges are assessed at the annual rate of 12% percent, and failure to pay invoices can result in disposal privileges being revoked. Persons who do not have a written agreement with MES must pay the Tipping Fee in cash, check or credit card at the Landfill scale house.

All payments received at the Regional Landfill are deposited daily in a MES local bank account. Balances in the local bank account are then swept or transferred daily into MES' regular bank account and credited to the Mid-Shore Landfill Special Purpose Fund. Payments received at MES headquarters from haulers who are invoiced are deposited daily into MES' regular bank account and credited to the Mid-Shore Landfill Special Purpose Fund. All other funds received by MES that constitute Landfill Revenues are likewise credited to the Special Purpose Fund. Landfill Revenues are used to pay the Total Costs of the Landfill.

Pursuant to Sections 5.4 and 5.10 of the Service Agreement, if Total Costs exceed Landfill Revenues during a Fiscal Year, each County must pay its Proportionate Share of the Supplemental Fee. The Supplemental Fee is the amount by which Total Costs exceed Landfill Revenues. The amount, if any, of the Supplemental Fee to be paid by each County is calculated on a quarterly basis, and at the end of each Fiscal Year.

Any amounts payable by any of the Mid-Shore Counties to MES which are not paid when due bear interest at the annual rate of 12%. The obligations of the Mid-Shore Counties to make any payments to MES under the Service Agreements are not subject to diminution by reason of any set-off, abatement, counterclaim, existence of a

dispute or any other reasons. In the event a Mid-Shore County fails to pay any amounts due MES under the Service Agreement within 60 days of the date such amount is due, then pursuant to Section 3-108(b) of the Act, MES may direct the Comptroller of Maryland to pay directly to MES all State funds, or that portion of them required by MES relating to the income tax, the tax on racing, the recordation tax, the tax on amusements and the license tax until the amount due MES by the Mid-Shore County has been paid.

State Intercept Provision

The provisions of Section 3-108 (b) of the Act provide that if a County fails to pay the Service for projects or services provided pursuant to the Act within 60 days of the due date, as established by contract, all State funds, or that portion of them required, relating to the income tax, the tax on racing, the recordation tax, the tax on amusements and the license tax which would otherwise be distributed to such County by the Comptroller of Maryland shall be paid directly to the Service until the amount paid to the Service is equal to the amount due to the Service by such County. To date, no County has defaulted in the payment of moneys owed to the Service under the Service Agreements. Accordingly, the Service has never received payments from the Comptroller of Maryland in accordance with the provisions of the Act and has not attempted to invoke the provision of the Act.

Book-Entry System

General

The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Series 2010 Bonds. The Series 2010 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Series 2010 Bonds in principal amount equal to the aggregate principal amount of the Series 2010 Bonds of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2010 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2010 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2010 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series 2010 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2010 Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2010 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Service or the Registrar and Paying Agent, on payable date in accordance with their respective holdings shown on DTC's. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct or Indirect Participant and not of DTC, DTC's nominee, the Registrar and Paying Agent or the Service, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Service or its Registrar and Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Book-Entry Only System — Miscellaneous

The information in the Section "Book-Entry Only System — General" has been obtained from DTC. The Service takes no responsibility for the accuracy or completeness thereof. The Service will have no responsibility or obligations to DTC Participants or the persons for whom they act as nominees with respect to the payments to or the providing of notice to the DTC Participants, or the Indirect Participants, or Beneficial Owners. The Service cannot and does not give any assurance that DTC Participants or others will distribute principal and interest payments paid to DTC or its nominees, as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

Discontinuation of Book-Entry Only System

DTC may discontinue providing its services as securities depository with respect to the Series 2010 Bonds at any time by giving reasonable notice to the Service. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2010 Bond certificates are required to be printed and delivered. The Service may also decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2010 Bond certificates will be printed and delivered.

In the event that the Book-Entry Only System is discontinued, the Series 2010 Bonds in fully certificated form will be issued as fully registered Series 2010 Bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof. Such Series 2010 Bonds will be transferable only upon the registration books kept at

the principal office of the Registrar and Paying Agent, by the registered owner thereof in person, or by an attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer in the form attached thereto and satisfactory to the Registrar and Paying Agent, and duly executed by the registered owner or a duly authorized attorney. Within a reasonable time of such surrender, the Service shall cause to be issued in the name of the transferee a new registered Series 2010 Bond or Series 2010 Bonds of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Bond surrendered and maturing on the same date and bearing interest at the same rate. The new Series 2010 Bond or Series 2010 Bonds shall be delivered to the transferee only after due authentication by an authorized officer of the Registrar and Paying Agent. The Service may deem and treat the person in whose name a Series 2010 Bond is registered as the absolute owner thereof for the purpose of receiving payment of or on account of the principal or redemption price thereof and interest due thereon and for all other purposes.

In the event that the Book-Entry Only System is discontinued, the Series 2010 Bonds may be transferred or exchanged at the principal office of the Registrar and Paying Agent. Upon any such transfer or exchange, the Service shall execute and the Registrar and Paying Agent shall authenticate and deliver a new registered Series 2010 Bond or Series 2010 Bonds without coupons of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Series 2010 Bond exchanged or transferred, and maturing on the same date and bearing interest at the same rate. In each case, the Registrar and Paying Agent may require payment by any holder of Series 2010 Bonds requesting exchange or transfer of Series 2010 Bonds of any tax, fee or other governmental charge, shipping charges and insurance that may be required to be paid with respect to such exchange or transfer, but otherwise no charge shall be made to the holder of Series 2010 Bonds for such exchange or transfer.

The Registrar and Paying Agent shall not be required to transfer or exchange any Series 2010 Bond after the mailing of notice calling such Series 2010 Bond or portion thereof for redemption as previously described; provided, however, that the foregoing limitation shall not apply to that portion of a Series 2010 Bond in excess of \$5,000 which is not being called for redemption.

NEITHER THE SERVICE NOR THE BOND REGISTRAR AND PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO 1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; 2) THE PAYMENT BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2010 BONDS; 3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; 4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR 5) THE SELECTION BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF BONDS.

Tax Matters

Tax Exemption

In the opinion of Bond Counsel, the interest on the Series 2010 Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations, and decisions; and, under the terms of the Service's enabling legislation, the Series 2010 Bonds, their transfer, the interest payable on them, and any interest derived from them, including any profit realized in their sale or exchange, shall be exempt at all times from every kind and nature of taxation by the State of Maryland, or by any of its political subdivisions, municipal corporations or public units of any kind. No opinion is expressed as to estate or inheritance taxes or the Maryland franchise tax or any other taxes not levied or assessed directly on the Series 2010 Bonds, their transfer, or the income therefrom.

Under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), there are certain restrictions that must be met subsequent to the delivery of the Series 2010 Bonds, including restrictions that must be complied with throughout the term of the Series 2010 Bonds in order that the interest thereon be excludable from gross income. These include the following: (i) a requirement that certain earnings received from the investment of the proceeds of the Series 2010 Bonds be rebated (or that certain payments in lieu of rebate be made) to the United States, (ii) other requirements applicable to the investment of the proceeds of the Series 2010 Bonds; and (iii) other requirements applicable to the use of the proceeds of the Series 2010 Bonds and the facilities financed with the proceeds of the Series 2010 Bonds. Failure to comply with one or more of these requirements could result in the

inclusion of the interest payable on the Series 2010 Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The Service has covenanted to regulate the investment of the proceeds of the Series 2010 Bonds and to take such other actions as may be required to maintain the excludability from gross income for federal income tax purposes of interest on the Series 2010 Bonds.

Interest on the Series 2010 Bonds is not included in the alternative minimum taxable income of individuals, corporations, or other taxpayers as an enumerated item of tax preference or other specific adjustment, and interest on the Series 2010 Bonds is not included in "adjusted current earnings" for purposes of computing the alternative minimum tax applicable to corporations.

Consequences of Certain Other Federal Tax

The accrual or receipt of interest on the Series 2010 Bonds may otherwise affect the federal income tax liability of the owners of the Series 2010 Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2010 Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2010 Bonds.

Original Issue Discount

Certain maturities of the Series 2010 Bonds may be issued at an initial public offering price which is less than the amount payable on such Bonds at maturity (collectively, the "Discount Bonds"). The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity (other than "qualified stated interest") constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount which is treated as having accrued with respect to a Discount Bond is added to the cost basis of the owner in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received upon disposition of such Discount Bond that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes. Amounts received upon disposition of such Discount Bond, to the extent such amounts exceed the cost basis of the owners thereof as adjusted by the amount of original issue discount accrued on the Discount Bond up to the disposition date, will be treated as taxable gain for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days which are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such discount Bond for a particular semiannual accrual period is equal to the product of (a) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (b) the amount which would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less the amount of any interest payable for such Discount Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts which have been treated as accrued original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount which would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discounted Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond.

Market Discount.

A purchaser (other than a person who purchases a Series 2010 Bond upon issuance at the issue price) who buys a Series 2010 Bond at a discount from its principal amount (or its adjusted issue price if issued with original issue discount) will be subject to the market discount rules of the Code. In general, the market discount rules of the Code treat principal payments and gain on disposition of a debt instrument as ordinary income to the extent of accrued market discount. Each potential investor should consult his tax advisor concerning the application of the market discount rules to the Series 2010 Bonds.

Premium.

Certain maturities of the Series 2010 Bonds may be issued or purchased in the secondary market at prices which are in excess of the stated redemption price of such Series 2010 Bonds at maturity (collectively, the "Premium Bonds"). An amount equal to the excess of the purchase price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium, if any). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Backup Withholding.

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2010 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The new reporting requirement does not, in and of itself, affect or alter the excludability of interest on the Series 2010 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal and State Tax Law.

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the market value of the Series 2010 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2010 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2010 Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2010 Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2010 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not purport to be complete; holders of the Series 2010 Bonds should consult their own tax advisors as to the effects, if any, of the Code (and any proposed or subsequently enacted amendments to the Code) in their particular circumstances.

II. Maryland Environmental Service

The Service

Enabling Legislation

The Service is a body politic and corporate of the State of Maryland constituting a public instrumentality organized and existing under and by virtue of the Act. The Service was created by the Maryland General Assembly in 1970 as an agency of the Maryland State Department of Natural Resources. Pursuant to Chapter 196 of the 1993 Acts of the Maryland General Assembly, effective July 1, 1993, the Service was established as an instrumentality of the State and a public corporation independent of the Department of Natural Resources. Chapter 196 also expanded the Board of Directors from seven to nine members; provided for the appointment of the Deputy Director, Secretary and Treasurer by the Director, with the approval of the Governor; provided for the appointment of the remaining Board members by the Governor, with the advice and consent of the Senate; exempted the Service from most provisions of the State Procurement Law; established the retirement and health benefits available for certain employees of the Service; authorized the Service to create a new personnel system; exempted the Service from most provisions of the State Merit System Law effective January 1, 1995; authorized the Service to create private corporations; authorized the Service to exercise the corporate powers granted Maryland corporations under the Maryland General Corporation Law; and made other changes to the law governing the Service.

In 2009 the General Assembly further amended the Act by authorizing the Service to undertake and finance energy production and transmission projects. Chapter 183, Acts 2009, effective October 1, 2009, made other clarifying and stylistic changes to the Act.

Purpose

The Service's mission is to assist with the preservation, improvement, and management of the quality of air, land, water and natural resources, and to promote the health and welfare of the citizens of Maryland. The Service undertakes this mission by providing operational and technical services to protect and enhance the environment. Major activities of the Service include the provision of water supply and wastewater treatment, sewage sludge management, recycling assistance, GIS mapping, solid waste management, dredged material planning and management services, energy and resource recovery from waste, and energy conservation and generation services. MES has the ability to provide services to any project that impacts the watershed area of the Chesapeake Bay. Services are provided to State of Maryland-owned facilities, local communities, political subdivisions and the private sector.

The Service currently operates approximately 400 environmental projects located in three states – projects with budgets that range from \$2,800 to \$6.3 million annually. Licensed and certified personnel operate and maintain many of the facilities. The Service's capabilities include: financing, engineering, design, construction, laboratory testing, operation oversight, management, operation, maintenance and plant supervision.

Projects

The Service is organized into three operating groups: Environmental Operations, Technical and Environmental Services and Water and Wastewater.

Environmental Operations - The operators, engineers, environmental specialists and project managers in Environmental Operations work to meet the solid waste management needs of Maryland's communities. This Group has been involved in the design, permitting assistance, construction, inspection, project management and operation of countless facilities throughout the State of Maryland.

Technical and Environmental Services - Environmental Dredging & Restoration Division of TES includes, Operations & Maintenance, Engineering and Planning primarily in support of the Maryland Port Administration, the Corps of Engineers and the Department of Natural Resources. The Environmental Monitoring Division undertakes GIS\GPS\Survey, Remediation & Hazardous Waste and Environmental Compliance projects.

Water and Wastewater – Licensed and certified personnel operate water and wastewater facilities throughout the state. Capabilities include: engineering, project management,, operation, maintenance and plant supervision.

The three operating groups are supported by the Administration and Finance Groups which includes Human Resources, Procurement, Communications, Grants, Internal Audits, Business Development, Environmental Compliance, Safety, Administrative Services, Information Technologies, Payroll, Accounts Payable and Receivable, and Accounting.

Membership and Organization

The Service's affairs are managed by a nine member Board of Directors. The four officers are Director, Deputy Director, Treasurer and Secretary. The Director is appointed by the Governor with the advice and consent of the Senate. The Deputy Director, Secretary and Treasurer are appointed by the Director with the approval of the Governor. The other five members, three from the public sector and two from the private sector, are appointed by the Governor with the advice and consent of the Senate. The Director, Deputy Director. and Treasurer serve full-time for the Service; the current Secretary serves part-time. The Service presently has approximately 725 employees.

JAMES M. HARKINS, Director, appointed 2005. Mr. Harkins was elected as the fifth County Executive of Harford County in December 1998 and was reelected in November 2002. He served in the Maryland House of Delegates from 1991 – 1998, where he was ranking minority member of the House Judiciary Committee, and served one year on the House Appropriations Committee. He served as a Harford County Sheriff's Deputy from 1973 - 1998. Mr. Harkins has been a member of the Board of Trustees, Maryland State Retirement and Pension System, since 2004 and is current chair of the retirement board's administrative committee. He is a member of the Greater Baltimore Committee's Transportation Finance & Governance Task Force and sits on the Board of Visitors, R Adams Cowley Shock Trauma Center, University of Maryland Medical System.

He has served on the Maryland Association of Counties as President, 2004, treasurer, 2000-01 and secretary, 2001; Board of Directors, Baltimore Metropolitan Council, 1998-2005 (chair, 2001; member, legislative committee); Member, Commission on Transportation Investment, 1999; Task Force to Ensure Utility Services, 1999-2000; Governor's Commission on the Structure and Efficiency of State Government, 2003 (chair, law enforcement agencies subcommittee); Transportation Task Force, 2003.

JOHN J. O'NEILL, Jr., Deputy Director, was appointed to that position in 2005. Previous to this appointment, Mr. O'Neill had over 42 years of experience in responsible governmental jobs, including County Administrator for Harford County, MD, Deputy Secretary of the Maryland Department of Public Safety and Correctional Services, Assistant Secretary of that department, Acting Superintendent of the Maryland State Police and Director of Planning and Research for the Maryland State Police. In the all of these positions he served as or supervised the chief budget officer for the respective agency. Mr. O'Neill received a Bachelor of Science degree in Economics in 1968 and a Masters of Business Administration in 1975. He also holds a Masters of Advanced Technology in Information Systems (2001) from Villa Julie College (now Stevenson University).

HENRY I. COOK, Treasurer and Chief Financial Officer – Mr. Cook was hired by the Service as Deputy CFO in October 1998, was then appointed to CFO 2005 and Treasurer & CFO in 2010. Mr. Cook received his Bachelor of Science in Business Administration with a concentration in Accounting and Finance from Towson University and attended graduate school at Loyola University with a major in Finance. With 35 years of progressive experience in accounting, finance and management, he has held senior level positions such as Manager Financial Accounting, Controller, Vice President of Finance and Administration and Chief Financial Officer. He is an active member of the Government Finance Officers Association (GFOA).

RICHARD E. STREETT, JR., DMV, Secretary, appointed 2007. Veterinarian – Churchville Veterinarian Clinic; Partner, Spenceola Group Principal – Residential and Commercial property development and management; Chair Upper Chesapeake Health System Foundation; Member Upper Chesapeake Health System Board of Directors; Member Executive Board of Maryland Veterinary Medical Association; Secretary American Veterinary Medical Foundation.

WILLIAM B.C. ADDISON, JR., Public Sector Member, appointed in 1994. Appointed Secretary of the Maryland State Senate in 1998. Self-employed farmer; Assistant Journal Clerk of the Maryland State Senate 1978-1998; consultant to the Chesapeake Bay Foundation on agricultural management.

MARYLAND ENVIRONMENTAL SERVICE

LESLIE JACKSON JENKINS, Esq., Public Sector Member, appointed 1998. Associate Director, Office of Central Services Prince George's County; Deputy Director Management Services, Prince George's County Department of Environmental Resources - 1995; County Council Liaison - Prince George's County - 1992 - 1995; Associate County Attorney - Prince George's County - 1988 - 1992; Member - Maryland State Bar Association, District of Columbia Bar Associate, and J. Franklin Bourne Bar Association.

JOSEPH F. SNEE, JR., Esq., Private Sector Member, appointed June 1, 1994 to Present; Attorney, Gessner, Snee, Mahoney & Lutche, P.A., 1985 to Present; Bar Admissions – Harford County Bar, Court of Appeals of Maryland, United States District Court for the District of Maryland, and United States Court of Appeals for the Fourth Circuit; Director, Upper Chesapeake Health Foundation, Inc.; and Director, The Presbyterian Home of Maryland, Inc.

TALMADGE E. SIMONS, Private Sector Member, appointed _____, 2006. Former heavy highway contractor, specializing in water-wastewater, landfill, and heavy highway construction . Former director, Upper Chesapeake Hospital, presently, Member of the Board of Directors of Harford Bank.

EDWARD C. ADAMS, Jr., P.E., Public Sector Member, appointed _____, 2007. Director, Baltimore County Department of Public Works – 2000-present; Director, Harford County Department of Public Works – 1999-2000; Chief, Baltimore County Public Works, Construction Contracts Administration – 1995-1999; Area Engineer, Baltimore County Public Works – 1987-1995; Maryland Department of Transportation Highway Access Permit Stakeholders Review Group – 2010; Governor's Transportation Transition Team – 2006; Past President – County Engineers Association of Maryland; Northeast Maryland Waste Disposal Authority – Board Member.

STEVEN G. TOMCZEWSKI, Executive Director Environmental Operations – Mr. Tomczewski was hired to this post in March 2005. He has 35 years of management and engineering experience predominantly within the private sector. This experience has included 25 years of experience with Wheelabrator Technologies/Waste Management primarily involved with the engineering, construction and management of municipal solid waste to energy facilities within the Mid-Atlantic area. These facilities included the Baltimore (MD), Falls Township (PA), Westchester (NY) and Gloucester County (NJ) locations. He was also responsible for the engineering, construction and operation of a waste wood fired cogeneration facility located in Maine. Mr. Tomczewski earned B.S. in Chemical Engineering from Drexel University in 1975. He is an active member of the Solid Waste Association of North America serving for the past several years as Treasurer for the Mid-Atlantic SWANA Chapter.

III. The Project

General

The Service currently operates the Mid-shore Regional Solid Waste Facility, located in Talbot County, for the benefit of the Mid-Shore Counties. Each of the Mid-Shore Counties has agreed to host, on a rotating basis, a regional solid waste facility operated solely for the benefit of the parties to the Service Agreements. The first such facility, the Mid-Shore I Landfill, opened in 1991, and is scheduled to close on or before December 31, 2010. The Mid-shore I Landfill is expected to be succeeded by a new municipal solid waste landfill in Caroline County, the Mid-Shore II Landfill, with an operating life of at least 20 years.

Relationship with the Mid-Shore Counties

Since the early 1980's the Service and Caroline, Queen Anne's and Talbot Counties have been working together to develop and implement a regional solution to those counties' municipal solid waste disposal needs. The parties first studied the feasibility of developing a resource recovery facility in the region. After concluding that a resource recovery facility was not practical, the parties then agreed in May, 1986, to move forward with a regional landfill project.

In March, 1988, the three counties and MES executed a contract ("1988 Contract") whereby MES agreed to develop the regional landfill, including preparing the detailed engineering design of the facility, acquire all necessary federal, State and local permits and approvals, issue bonds to finance the cost of the new landfill, construct and then operate the project. The 1988 Contract obligated the three counties, and not MES, to select a site for the landfill.

Later that year, in July, 1988 MES and Caroline, Queen Anne's and Talbot signed a Memorandum of Understanding ("1988 MOU") further defining their roles, responsibilities, obligation and direction of the parties in implementing the project. The 1988 MOU defined the project as the Mid-Shore Regional Landfill ("Mid-Shore I"), and designated the site of the landfill to be on a parcel of land adjacent to the Easton Landfill. MES was directed to take the lead in acquiring the site. Caroline and Queen Anne's were required to establish an inventory of proposed sites in their respective counties for future regional landfills. Those two counties each agreed to acquire an option to purchase at least one of the sites designated in their respective counties. The parties also undertook to determine, by September, 1988, the most suitable method of securing revenues adequate to construct and operate the landfill and make provisions for the payment of debt service, including, but not limited to, MES establishing a solid waste service district pursuant to the Act.

Consistent with the 1988 Contract and the 1988 MOU, MES obtained a solid waste disposal permit from the Maryland Department of the Environment in January, 1990. MES also acquired from the Town of Easton the site for the Mid-Shore I Landfill. As a condition of transferring the property, the Town of Easton required MES to take title to the adjacent Easton Landfill, and to close and monitor the Easton Landfill in accordance with State and federal requirements.

In order to finance the cost of constructing the Mid-Shore I Landfill, and closing the Easton Landfill, MES agreed that it would issue indebtedness. In February, 1990, MES issued its \$8,075,000 Revenue Bonds (Mid-Shore Regional Landfill Project), Series 1990, in order to finance a portion of the construction of the Mid-Shore I Landfill, and the closure of the Easton Landfill. At that time the parties agreed that MES would not need to establish a service district.

Pursuant to Waste Disposal Service Agreements executed by and between each of the Mid-Shore Counties and MES ("Prior Service Agreements"), MES is authorized to charge a tipping fee for each ton of solid waste accepted at the Mid-Shore I Landfill. If the sum of the tipping fees, plus any other revenues made available to MES are not sufficient to pay the total costs incurred by MES in operating the Mid-Shore I Landfill, including any debt service, the Service Agreements require the Mid-Shore Counties to pay to MES a supplemental fee to make up the difference. To date under the Prior Service Agreements, the Mid-Shore Counties have never had to pay a supplemental fee.

The Mid-Shore I Landfill opened to receive solid waste in 1991. In September 1992, Kent County entered into a Service Agreement with MES to become the fourth County participating in the Mid-Shore I project. Since

that time MES has incurred additional debt to fund the construction of additional landfill cells. At the end of 2007, the Service defeased the remaining \$2,540,000 of the Mid-Shore Regional Landfill Project Series 1999 Bonds, which was the last debt outstanding for the Mid-Shore I Landfill.

Caroline County subsequently identified a site adjacent to the Holly Road Landfill for construction of a second Mid-Shore Regional Landfill (the "Mid-Shore II Landfill").

Pursuant to a Memorandum of Understanding dated February 4, 2005, between the Service and the Mid-Shore Counties, the Service agreed to proceed with the planning, design, permit acquisition, financing, construction, and operation of the Mid-Shore II Landfill to be located near Ridgely, Caroline County, Maryland. The Prior Service Agreements will expire on March 1, 2011. The Mid-Shore I Landfill termination date is expected to be _____.

In 2009, in furtherance of the Project, the Service and each of the Mid-Shore Counties entered into new Service Agreements under which the Mid-Shore Counties have made binding, long-term commitments to the Service for the disposal of solid waste generated within the boundaries of the Mid-Shore Counties. See "The Bonds – Service Agreements" and "APPENDIX D – Summary of Certain Provisions of the Service Agreements and Service Agreement Definitions."

Mid-Shore II Landfill

General

The project includes the design, construction and equipping of the Mid-Shore II Landfill and the closure and capping of the existing Hobbs Road Landfill. The Mid-Shore II Landfill is located near the intersection of Holly Road and River Road in Caroline County, southeast of the Town of Ridgely. The initial waste containment cell and site infrastructure are currently nearing completion of construction and the facility is scheduled to commence full-scale operations on January 3, 2011. Prior to that date the Service anticipates that limited quantities of "soft trash" will be disposed in the new Landfill in order to provide a buffer between the Landfill liner and the general municipal solid waste that will be disposed there. Limited commercial operations are expected to begin _____ and in accordance with the Service Agreements, each Mid-Shore County has been provided a advisory of the same on _____. The Mid-Shore II Landfill is designed to accommodate the solid waste disposal needs of the four partner counties for at least a 20-year period. The Mid-Shore II Landfill will consist of 5 cells and will accommodate 2.5 million tons of waste.

In addition to the actual Mid-Shore II Landfill, several associated projects are part of the overall project. These associated projects include: Ackerman Farm which will be utilized for Forest Conservation, Wetland Mitigation and landfill soil borrow requirements; the Hobbs Road Landfill capping project which is also a requirement for MES to perform under the Service Agreement with Caroline County, River Road upgrade which is required to allow for the refuse truck traffic on River Road from MD 480 to the landfill entrance; and a traffic roundabout which is planned for the intersection of MD 480 and River Road. See "The Bonds – Purpose of Series 2010 Bonds."

Hobbs Road Landfill Closure Project

MES has agreed to undertake the design and construction of a closure cap for the closed Caroline County Hobbs Road Landfill. Upon completion of the closure cap construction, MES will maintain and monitor the capped landfill during the post-closure period, so long as MES is also operating the Mid-Shore II Landfill. Caroline County will continue to own the Hobbs Road Landfill, and will be responsible for any additional remediation that may be required.

The design configuration consists of the following component elements, which will be installed over the prepared final surface of the closed Hobbs Road Landfill: An impervious 40-mil synthetic geomembrane material; A double-sided bonded geocomposite drainage material; Two-feet of cover soil material with the upper 4-inches consisting of topsoil; and landfill gas collection and management system to safely vent the collected gas and prevent off-site gas migration.

River Road Improvements

The primary entrance to the Mid-Shore II Landfill is on River Road. MES intends to improve the existing roadway by widening it, and by constructing a roundabout at the intersection of Md. Route 480 and River Road.

Ackerman Farm

In addition to the need for a site to conduct mitigation of environmental impacts, it was determined that the Mid-Shore II Landfill would require approximately 1.15 million cubic yards of soil beyond the amount available at the landfill site. The soil is needed for construction of the landfill cells, daily and intermediate cover for the operation of the landfill, and capping / closure of the landfill. The Ackerman Farm, consisting of approximately 120 acres and located adjacent to the landfill site, was purchased by MES to provide a resource for the environmental impact and borrow issues noted above. In 2009, the perimeter of the property was planted with saplings from the DNR Tree Nursery; these trees will serve as perfect buffer for mining borrow operations in the future.

Site

The Mid-Shore II Landfill is located approximately two miles east of the town of Ridgely in Caroline County, Maryland. The Mid-Shore II Landfill site is located on tax Map 23 Parcel 94 in Caroline County, Maryland and is approximately 205 acres in size. Various residential and agricultural properties are located to the west and south of the site. The former Caroline County Holly Road Landfill is located southeast of the site on tax Map 23 Parcel 130. The Mid-Shore II Landfill site was acquired by MES from Caroline County in 2009. Previously, the site was used by Caroline County for a variety of purposes, including quarrying to obtain materials for roads construction and maintenance (1975 to present), storage of materials for road construction and maintenance, and temporary parking for County vehicles. The location where waste disposal activities were conducted is referred to as the former Holly Road Landfill, which is still owned by Caroline County Commissioners and is not part of the Mid-Shore II Landfill. Sanitary waste disposal activities ceased in this area in 1991 when the Mid-Shore I Landfill opened in Talbot County.

Technology

The Mid-Shore II Landfill was designed, permitted and constructed to meet or exceed standards specified in the Code of Maryland Regulations (COMAR 26.04.07) and applicable Federal Standards under Subtitle D of the Federal Resource Conservation and Recovery Act (RCRA), and 40 CFR Part 258. These regulations were enacted to mandate installation of liner systems to create barriers that prevent the infiltration of leachate (e.g., contaminated liquid resulting from percolation of precipitation through solid waste) into ground water. Cell No. 4 (the first cell constructed in 2009-2010) was designed and constructed incorporating a double liner system consisting of the following components:

- A compacted earth subsurface (clay)
- A lower barrier of a 40 mil HDPE synthetic membrane
- A secondary leak detection/leachate collection synthetic drainage layer
- An upper barrier consisting of a 60 mil HDPE synthetic membrane
- A primary leachate collection system, consisting of a synthetic drainage layer overlain by sandy soil

Landfill leachate will be collected and removed from the landfill cell by means of gravity flow in the leachate collection system into a wet well. Wet well pumps will then pump the collected leachate into a 500,000 gallon leachate storage tank. Leachate will then be pumped from the storage tank into tanker trucks where it will then be transported to Mid-Shore I Landfill located in Easton, MD. At Mid-Shore I, the leachate from the tanker trucks will be discharged into the Mid-Shore I Landfill covered leachate storage lagoons and then ultimately discharged to the Easton Utilities Wastewater Treatment Plant.

Permanent erosion and sediment control (E&S) measures will be implemented at Mid-Shore II Landfill, and routine maintenance will be performed to assure system efficiency and compliance. The E&S measures consist of temporary seeding, onsite diversion ditches, sediment traps, silt fences, and sediment basins. A closure plan for the facility will specify final earth cover and a closure cap to promote surface runoff and to minimize liquid infiltration into the closed landfill cells. Postclosure monitoring and maintenance, as specified in Federal and State

Regulations, will ensure the integrity of the landfill for a minimum of 30 years after cessation of waste acceptance at the site. Collection ponds, roadways, maintenance facilities and stormwater management systems will also be included in the project.

Waste Stream Analysis

General

The Mid-Shore II Landfill will serve as the sole disposal facility for general mixed municipal, residential, commercial and nonhazardous industrial solid waste in the Mid-Shore Region. Waste is transported to the facility by commercial or public haulers. A homeowners' drop-off facility will be operated by MES for the Mid-Shore Counties at the existing Holly Road homeowner drop-off facility located off Holly Road adjacent to the Mid-Shore II Landfill on River Road. Citizens of the Mid-Shore Counties can directly dispose of their solid waste in containers, designated by type of waste.

Primary Market Area

Only solid waste generated within the geographic boundaries of the Mid-Shore Counties is accepted at the Mid-Shore II Landfill for disposal, unless otherwise agreed upon by the Mid-Shore Counties and MES, in accordance with conditions under the Service Agreements. Computerized scale facilities record all incoming solid waste. The weighmaster limits access to the active disposal area (e.g., landfill working face) in order to determine (and thereby control) the point of origin of the solid waste, and the quantity and types of solid waste to be accepted for disposal. Random waste load inspections are routinely conducted by MES personnel at the Mid-Shore II Landfill working face. These operational controls and incoming waste monitoring allow MES to identify waste originating outside of the Mid-Shore Counties' geographic boundaries. To date, records indicate that no waste has been intentionally accepted from any source outside the Mid-Shore Counties at the Mid-Shore I Landfill.

The Mid-Shore Regional Recycling Program (MRRP) organizes the collection, removal, consolidation, transportation and marketing of recyclable commodities throughout the Mid-Shore Counties, primarily via a voluntary drop-off program. Recycling containers are located at various locations throughout the Mid-Shore Counties, and citizens make their own arrangement to dispose of recyclable material at these containers. The MRRP is administered directly by the Mid-Shore Counties and is supported by a recycling surcharge added to the Mid-Shore tip fee. This surcharge is currently \$5.00 per ton of incoming landfill solid waste and was adopted by MES at the request of the Mid-Shore Counties. All revenues derived from the marketing of recyclable commodities go directly to the MRRP. In the event that the Mid-Shore II Landfill tipping fee revenue is insufficient to cover all Mid-Shore II Landfill operating and debt service costs, the recycling surcharge may be used by MES to cover these costs.

Solid Waste Types

The Mid-Shore II Landfill will accept general mixed municipal, residential, commercial and nonhazardous industrial wastes. The Service Agreements stipulate that hazardous waste of any type in regulated quantities will not be accepted at Mid-Shore II Landfill. Effective January 1, 1994, Maryland State Law prohibits the disposal of tires in landfills. All tires received at Mid-Shore II Landfill will be directed to a stockpile area where they are temporarily stored, pending accumulation of sufficient volume for economical transport to a licensed tire disposal facility. To cover the cost for the tire consolidation and disposal effort, a fee will be assessed to haulers and individuals delivering tires to the Mid-Shore II Landfill. Yard waste and brush will be directed to a wood process area, currently located within the planned Mid-Shore II Cell #5 area and will be ultimately ground up via mobile tubgrinder for onsite utilization. White goods and other scrap metals will be diverted from the Mid-Shore II Landfill disposal area and marketed for their scrap value. Prior to the sale of white goods, CFC refrigerants will be collected and recycled.

Solid Waste Quantities

Based on the latest solid waste generation studies, an average pounds per capita per day ("PCD") of 4.6 was utilized to calculate anticipated Mid-Shore II Landfill life. This rate and population projection data for the Mid-Shore Counties were used to determine the total cumulative solid waste quantities anticipated over the life of the Mid-Shore II Landfill. The table below indicates population projections from data compiled by the Maryland Office of Planning Data Service, as of February 2009. In addition to population and PCD generation rate, the quantity of

solid waste generated in the Mid-Shore Counties is dependent upon a variety of factors, which includes the status of the national and regional economy.

Mid-Shore Region Population Projections

County	1980	1990	2000	2005	2010	2015	2020	2025	2030
Caroline	23,143	27,035	29,772	31,350	34,100	37,250	40,300	43,200	46,000
Queen Anne's	25,508	33,953	40,563	44,950	48,650	52,450	55,650	58,900	61,900
Talbot	25,604	30,549	33,812	35,550	36,950	38,550	40,050	41,250	42,100
Kent	16,695	17,842	19,197	19,760	20,300	21,300	22,200	22,900	23,410
Total	90,950	109,379	123,344	131,610	140,000	149,550	158,200	166,250	173,410

NOTE: Data compiled from population projections for Maryland Subdivisions by the Maryland Office of Planning Data Service, as of February 2009.

The Environmental Article, Title 9, Subtitle 5 of the Annotated Code of Maryland, as amended, requires that the Mid-Shore Counties recycle a minimum of 15 per cent of all solid waste generated. Recyclables, white goods, tires, scrap metal and brush are not placed into the Mid-Shore II Landfill disposal cells.

Using the Mid-shore II Landfill design under the existing Refuse Disposal Permit, the Mid-Shore II Landfill design engineer has estimated that the total air space capacity of Mid-Shore II Landfill equals approximately 8,285,000 cubic yards. Approximately 80 per cent of the total air space (6,628,000 cubic yards) would be available for solid waste disposal. This represents a total potential placement of 3,976,795 tons of solid waste over the life of the landfill.

Tonnage and Tipping Fee History

The following chart shows the solid waste disposal trends for the Mid-Shore I Landfill for the past 10 fiscal years. The projected tonnage for fiscal year 2011 is 50,845 tons, which only incorporates the first six months of fiscal year 2011 after which the Mid-Shore I Landfill will no longer accept waste.

**Historical Quantity of Solid Waste
(tons)
(Fiscal Year Ended June 30)**

Fiscal Year	Total Tonnage
2001	105,694
2002	94,644
2003	102,613
2004	122,139
2005	120,145
2006	121,857
2007	118,614
2008	117,662
2009	104,877
2010	100,009

Source: Maryland Environmental Service.

The following chart indicates the Service's tipping fees for municipal solid waste ("MSW") and yard waste ("YW") for the past five fiscal years.

**Historical Tipping Fees
(Fiscal Year Ended June 30)
(Per Ton)**

<u>Fiscal Year</u>	<u>MSW</u>	<u>YW</u>
2007	\$50.50	\$18.50
2008	52.50	18.50
2009	55.00	18.50
2010	55.00	18.50
2011	58.00	18.50

Source: Maryland Environmental Service.

Regulatory Permits and Approvals

Refuse Disposal Permit- MDE

Solid waste disposal facilities are required to be designed, constructed and operated in accordance with applicable regulations, codes, standards and laws. Prior to construction and operation of a solid waste disposal facility in the State of Maryland, a Refuse Disposal Permit must be issued by the Maryland Department of the Environment (MDE). Three distinct phases in the Refuse Disposal Permit application process consist of: (I) gathering specific site information; (II) data collection (including site hydrogeologic description and ground water elevations); and (III) facility design. Each phase must be approved by MDE.

In addition to the three phases described above, the Refuse Disposal Permit application process also includes the opportunity for a public informational meeting and formal public hearing conducted by MDE. MES prepared and submitted each of the 3 required phases of the permit application, participated in the required meetings and hearing, responded to all comments, and received a Refuse Disposal Permit from MDE for Mid-Shore II Landfill on February 3, 2009 (Refuse Disposal Permit No. 2005-WMF-0608). This permit is in effect through February 2, 2014.

Nontidal Wetlands and Waterways Permit- MDE

In order to comply with MDE's Nontidal Wetlands and Waterways regulations, MES performed various analyses of the wetland issues associated with the Mid-Shore II Landfill site. After extensive review by MDE of this work, and a formal public hearing, MDE issued a Nontidal Wetlands and Waterways Permit Number 200764583/07-NT-2179 to MES. This permit was issued on July 2, 2009 and will remain in effect through October 31, 2018.

Compliance with this permit includes wetland mitigation as well as stream mitigation projects to be performed. The Ackerman Farm will be utilized for the wetland mitigation work.

Erosion and Sediment Control Permit - MDE:

Erosion and sediment control for the ongoing operations of the Mid-Shore II Landfill is an essential aspect of the permit process required to begin actual landfill operations. The Erosion and Sediment Control Permit for operations at the Mid-Shore II Landfill site is anticipated to be issued by MDE in late September/early October 2010

Forest Conservation Plan – Department of Natural Resources

In order to mitigate the timbering of the Mid-Shore II Landfill footprint, the Department of Natural Resources required MES to develop a detailed Forest Conservation Plan which required the planting of over 25,000 native trees which were purchased from the DNR Tree Nursery located in Preston, MD. These trees were planted in buffer areas of the Mid-Shore II Landfill site as well as on the Ackerman Farm property. Forest Conservation easements were established to protect these planted areas. The Forest Conservation Plan (FCA File # E08-01) was approved on October 21, 2009.

Notice of Intent (NOI) – MDE

MDE issued the Notice of Intent (NOI) approval for the Mid-Shore II landfill on March 5, 2010, Permit registration number 02SW2163. This permit allows for the discharge of storm water from the landfill site and requires the maintenance of all storm water control devices, primarily the two stormwater ponds located on the Mid-Shore II Landfill site.

Water Appropriation Permit – MDE

The Water Appropriation Permit was issued by MDE on March 1, 2010 and remains in effect through March 1, 2022. This permit allows for the allocation of 4,400 gallons per day on a yearly average or a maximum daily withdrawal of 8,000 gallons of water from the two stormwater ponds located on the Mid-Shore II Landfill site. This water is to be utilized for dust control within the landfill site.

Additonal

All required local Caroline County permits, including the Caroline County Erosion and Sediment Control permit for construction, were acquired prior to beginning Mid-Shore II Landfill construction.

A Discharge Service Agreement with Easton Utilities which went into effect on October 23, 2009, allows for the ultimate discharge of leachate originating from the Mid-Shore II Landfill. This leachate will be tank transported to the Mid-Shore I Landfill in Easton where it will then be discharged to the Easton Utilities Waste Water Treatment facility adjacent to Mid-Shore I Landfill. This permit is in effect through September 1, 2030.

Regulations

The design concept for Mid-Shore II Landfill, which includes the phased construction of new disposal cells as previously constructed cells are filled with solid waste, enables the design for future disposal cells to be adapted to potential changes in regulations that may be promulgated by the United States Environmental Protection Agency (USEPA), MDE or other regulatory agencies. Adaptations to the design of future disposal cells ensure that Mid-Shore II Landfill requirements are periodically updated to meet current Best Available Technology (BAT). It is noteworthy however, that future changes in environmental laws could also result in increased capital and operating costs, which would impact the landfill tipping fee. The Mid-Shore II Landfill Cell #4 (first developed cell) was designed to incorporate current Best Available Technology for municipal solid waste management facilities, and will meet or exceed the current applicable Federal and State design requirements.

Solid Waste Regulation

The Mid-Shore II Landfill is being constructed and will be operated in accordance with Maryland Refuse Disposal Permit No. 2005-WMF-0608, issued by the Maryland Department of the Environment on February 3, 2009.

Various State and local regulations control the collection and transportation solid waste to the Mid-Shore II Landfill. The Service is not obligated to monitor or manage compliance with such regulations by individuals, except to the extent such activity may occur in the normal course of the Service's operation of the Mid-Shore II Landfill. The Service has adopted rules governing the safe and proper utilization of the Mid-Shore II Landfill by individuals who come onto the Landfill property.

NEITHER THE SERVICE NOR ANY OF THE MID-SHORE COUNTIES HAVE ADOPTED ORDINANCES, RESOLUTIONS, OR REGULATIONS MANDATING THAT HAULERS MUST DISPOSE OF WASTE AT THE MID-SHORE II LANDFILL.

Insurance

Pursuant to Title 9 of the State Finance and Procurement Article, Annotated Code of Maryland, the General Assembly has created the State Insurance Program ("Program") and the State Insurance Trust Fund ("SITF"). The Treasurer of Maryland is responsible for the Program, and administers the SITF. The Underwriting Department of the Treasurer's Insurance Division consults with State agencies, including the Service, to determine if their insurance needs are best covered through the SITF, through the purchase of commercial insurance, or a combination of the two.

The Service shall maintain, or cause to be maintained, through the Maryland State Treasurer, insurance of the types and in the amounts it, in consultation with the State Treasurer, deems prudent and reasonable.

IV. Financial Information

Financial Information – The Service

The following chart shows the change in net assets for the Service for the past five completed fiscal years. These revenues are not pledged towards the payment of the Series 2010 Bonds. The Mid-Shore Regional Landfill project financial results are reported in a separate private purpose trust fund. See "Financial Information – Mid-Shore Regional Landfill Private Purpose Trust Fund."

Maryland Environmental Service Audited Financial Results
Changes in Net Assets
(Fiscal Years Ending June 30)
(Expressed in Thousands)

	2010	2009	2008	2007	2006
Operating Revenues	\$118,755	\$105,735	\$123,136	\$91,943	\$76,786
Operating Expenses					
Salaries and benefits.....	38,671	37,185	34,818	30,736	28,013
Other	66,510	54,542	75,862	49,052	38,429
General and administrative	9,152	10,998	9,598	9,086	7,493
Total Expenses.....	114,333	102,725	120,278	88,874	73,935
Operating Income	4,422	3,010	2,858	3,069	2,851
Nonoperating Revenues (Expenses)					
Nonoperating revenue (expense), net	(1,242)	(876)	(153)	(348)	(389)
Grants	581	1,821	-	8	25
Loss from discounted operations	-	-	(3,191)	(1,214)	(1,708)
Change in Net Assets	3,761	3,955	(486)	1,515	779
Net Assets, Beginning of Year....	12,170	8,215	8701	7,186	6,407
Net Assets, End of Year	\$15,931	\$12,170	\$8,215	\$8,701	\$7,186

Source: Maryland Environmental Service Audited Financial Statements for fiscal years 2006-2010.

FINANCIAL INFORMATION

The following chart shows the net assets of the Maryland Environmental Service for the past five completed fiscal years. The Mid-Shore Regional Landfill project assets are reported in a separate private purpose trust fund. See "Financial Information – Mid-Shore Regional Landfill Private Purpose Trust Fund."

Maryland Environmental Service Audited Financial Results
Net Assets
(Fiscal Years Ending June 30)
(Expressed in Thousands)

	2010	2009	2008	2007	2006
Assets					
Current and other assets	\$61,637	\$75,667	\$57,890	\$57,986	\$44,920
Capital assets	15,835	16,695	10,509	14,304	13,966
Total Assets	77,472	92,362	68,399	72,290	58,886
Liabilities					
Current and long-term debt and capital leases	15,704	18,771	18,494	19,382	20,791
Other liabilities	45,837	61,421	41,690	44,207	30,909
Total Liabilities	61,541	80,192	60,184	63,589	51,700
Net Assets					
Invested in capital assets, net of related debt	5,655	5,655	4,252	7,210	3,525
Restricted	10	9	8	7	6
Unrestricted	10,266	6,506	3,955	1,484	3,655
Total Net Assets	\$15,931	\$12,170	\$8,215	\$8,701	\$7,186

Source: Maryland Environmental Service Audited Financial Statements for fiscal years 2006-2010.

Financial Information – Mid-Shore Regional Landfill Private Purpose Trust Fund

The Midshore Regional Landfill is reported as private purpose trust fund. The purpose of the fund is to establish and account for the operations of the Midshore Regional Landfill. The Service utilizes the accrual basis of accounting and economic measurement focus in preparing its financial statements wherein revenues are recognized when earned and expenses are recognized when incurred. The Service prepares and submits annual operating budgets to each of the Mid-Shore Counties. The Mid-Shore Counties have the ultimate responsibility for payment of operating expenses and debt of the facility. To date all operating expenses and debt have been paid from Landfill Revenues.

The following chart shows the change in net assets for the Mid-Shore Regional Landfill Private Purpose Trust Fund for the past five completed fiscal years.

**Mid-Shore Regional Landfill Private Purpose Trust Fund
Changes in Net Assets
(Fiscal Years Ending June 30)
(Expressed in Thousands)**

	2010	2009	2008	2007	2006
Operating Revenues	\$5,279	\$5,427	\$5,903	\$5,801	\$5,626
Operating Expenses					
Salaries and benefits.....	1,172	1,237	1,148	1,069	896
Other	3,217	3,817	2,903	3,704	2,695
General and administrative	359	361	340	363	317
Total Expenses.....	4,748	5,415	4,391	5,136	3,908
Operating Income	531	12	1,512	665	1,718
Nonoperating Revenues (Expenses)					
Interest Income.....	18	61	280	535	390
Other revenue	1	-	2	7	(88)
Interest expense.....	(47)	(10)	(8)	(257)	(198)
Change in Net Assets	503	63	1,786	950	1,822
Net Assets, Beginning of Year....	6,285	6,222	4,436	3,486	1,664
Net Assets, End of Year	\$6,788	\$6,285	\$6,222	\$4,436	\$3,486

Source: Maryland Environmental Service Audited Financial Statements for fiscal years 2006-2010.

FINANCIAL INFORMATION

The following chart shows the net assets of the Maryland Environmental Service for the past five completed fiscal years.

Mid-Shore Regional Landfill Private Purpose Trust Fund
Net Assets
(Fiscal Years Ending June 30)
(Expressed in Thousands)

	2010	2009	2008	2007	2006
Assets					
Current and other assets	\$12,984	\$7,220	\$7,849	\$9,502	\$13,888
Capital assets	19,717	11,823	9,416	6,254	3,700
Total Assets	32,701	19,043	17,265	15,756	17,588
Liabilities					
Current and long-term debt and capital leases	12,754	1,012	189	239	3,555
Accrued landfill closure and post closure costs	11,236	10,589	9,705	9,636	9,216
Other liabilities	1,923	1,157	1,149	1,445	1,331
Total Liabilities	25,913	12,758	11,043	11,320	14,102
Net Assets					
Invested in capital assets, net of related debt	10,524	10,811	9,227	6,015	174
Net assets designated closure/post closure	5,772	4,685	3,004	4,127	3,682
Net assets designated defeasance	-	-	-	-	1,413
Net assets designated Easton ..	870	900	889	862	841
Net assets designated DSRF ...	-	-	-	-	1,177
Unrestricted net assets	(10,378)	(10,111)	(6,898)	(6,568)	(3,801)
Total Net Assets	\$6,788	\$6,285	\$6,222	\$4,436	\$3,486

Source: Maryland Environmental Service Audited Financial Statements for fiscal years 2006-2010.

FINANCIAL INFORMATION

The following table Budget and Actual results from fiscal year 2010 and the Budget and forecasted revenues and expenses for fiscal year 2011.

**Mid-Shore Regional Landfill
Fiscal Year 2010 Budget and Actual Financial Results
Fiscal Year 2011 Budget and Forecast
(Fiscal Years Ending June 30)**

	<u>Budget 2010</u>	<u>Actual 2010</u>	<u>Budget 2011</u>	<u>Forecast 2011</u>
Operating Revenues.....	\$5,588,500	\$5,278,754	\$6,176,065	\$5,957,000
Operating Expenses				
Salaries and related costs.....	1,733,453	1,531,113	1,532,781	1,538,717
Technical and special fees.....	69,900	42,098	52,500	52,500
Communications.....	9,425	6,363	7,913	7,913
Travel.....	2,694	502	1,908	1,908
Supplies and materials.....	805,612	652,546	452,782	452,782
Utilities.....	196,000	33,264	108,500	108,500
Motor vehicles O&M.....	455,315	280,141	432,631	432,631
Contractual services.....	450,776	376,777	505,768	750,000
Fixed charges.....	743,346	1,162,190	428,229	678,279
Closure and postclosure cost...	883,923	646,398	733,880	754,330
Data processing.....	18,200	16,072	19,550	19,550
Total Operating Expenses.....	<u>5,368,644</u>	<u>4,747,464</u>	<u>4,276,442</u>	<u>4,797,100</u>
Operating Income.....	219,856	531,290	1,899,623	1,159,890
Debt Service				
Bond principal.....	-	-	320,000	332,338
Bond interest.....	-	-	1,280,000	491,675
Total debt service.....	-	-	<u>1,600,000</u>	<u>824,013</u>
Other Revenue (Expense).....	15,000	(28,304)	(7,200)	(30,000)
Net Increase (Decrease).....	<u>\$234,856</u>	<u>\$502,986</u>	<u>\$292,423</u>	<u>\$305,877</u>

Source: Maryland Environmental Service Office of Finance.

V. Debt and Capital Requirements

General

The bonds and notes issued by the Service are limited obligations of the Service, payable solely from revenues of the Service received in connection with the respective projects financed or refinanced, and do not constitute general obligations of the Service to the payment of which the full faith and credit of the Service is pledged.

The several series of outstanding bonds and notes issued by the Service are special obligations of the Service, payable solely from revenues of the Service received in connection with the respective projects financed or refinanced, and do not constitute general obligations of the Service and the full faith and credit of the Service is not pledged to the payment of the principal or redemption price of and interest on these series of bonds. The Service has never defaulted in the payment of the maturing principal of or interest on any of its bonds or notes.

The Service expects to finance and refinance a variety of projects eligible for financing under the Act, other than the Project and any Additional Facilities which may be financed under the Indenture. The Service intends to issue other series of bonds and notes for such purpose. Each such series may be issued pursuant to an indenture or indentures separate and apart from any other indenture, except to the extent a series of bonds may be issued on a parity with bonds of another series if permitted by the applicable indenture.

On September 29, 2009, the Service issued the Revenue Bond Anticipation Note (Mid-Shore II Regional Landfill Project), Series 2009A, in the principal amount of \$12,000,000. The Service anticipates using proceeds of the Series 2010 Bonds to pay off the Note. As of the date hereof, other than the Note, there is no additional debt outstanding to be paid from Landfill Revenues or relating to the Mid-Shore I Landfill or to the Project.

Debt Service Requirements

The following table sets forth for each year ending June 30: (i) the amount required for the payment of principal due on the Series 2010 Bonds (whether at maturity or by mandatory redemption) on the immediately succeeding November 1, (ii) the interest due on the Series 2010 Bonds on May 1 of such year and on the immediately succeeding November 1, and (iii) the total Debt Service Requirements of the Series 2010 Bonds.

Fiscal Year	Series 2010 Bonds		
	Principal	Interest	Total
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
Total			

Future Financing Plans

The Service anticipates incurring loans from the Maryland Water Quality Financing Administration to pay for a portion of the costs of the Project. The first loan is expected to be issued in December 2010 in the amount of \$1,500,000 in the form of a loan forgiveness and a second loan is expected to be issued in July 2011 in the amount of \$1,835,600. See "The Bonds – Plan of Financing."

The Service expects the Mid-Shore II Landfill will begin operations on _____ commencing with Cell #4. The Service anticipates Cell #4 will reach capacity by the end of calendar year 2013. The design of Cell #3 is expected to begin in 2011 with construction to be completed in 2013. Cell #3 is projected to reach capacity in 2021 requiring Cell #5 to be designed in 2019 and construction to be completed in 2021. It is anticipated Cell #5 will reach capacity in 2025; therefore design of Cell #2 will be begin in 2023 with construction starting in 2024. The Service projects that Cell #2 will be able to accept waste through the end of the Mid-Shore II Landfill life which ends in 2030 per the Service Agreements. Therefore, the Service does not anticipate that Cell #1 will not need to be developed unless the Mid-Shore Counties agree to extend the current 20 year term of the Mid-Shore II Landfill through the extension of the Service Agreements. The Service cannot anticipate whether the Mid-Shore Counties would agree to an extension of the Service Agreements. Design and construction of each additional landfill cell that comes online may require the issuance of additional bond financing sufficient to pay the costs incurred.

	<u>Acres</u>	<u>Estimated Cost</u>
Cell #3	18.0	\$8,266,500
Cell #5	9.2	5,137,900
Cell #2	13.7	9,039,300

DEBT AND CAPITAL REQUIREMENTS

The following mobile equipment will need to be replaced with the indicated frequency during the life of Mid-Shore II Landfill. Equipment will be funded with a combination of financing and or excess revenues from operations.

	<u>Useful Life</u>	<u>Estimated Cost</u>
Landfill Compactor	7 years	\$1,200,000
Landfill Dozer	5 years	350,000
Front End Loader	5 years	375,000
Excavator	5 years	400,000

VI. Miscellaneous

Litigation

There is no litigation pending, or to the knowledge of the Service, threatened wherein an unfavorable decision, ruling or finding would adversely affect (i) the transactions contemplated by, or the validity or enforceability of, the Bonds, the Trust Indenture, or the Service Agreements (including the payment and collection of Landfill Revenues, as set forth in therein) or (ii) the tax-exempt status of the interest on the Bonds. No litigation is pending in any court seeking to restrain or enjoin (i) the authorization, issuance or delivery of the Bonds, (ii) contesting the authority or proceedings for the authorization or issuance of the Bonds or their validity, (iii) the creation, organization, corporate existence or powers of the Service, or (iv) the title of any of the present officers of the Service to their respective titles.

Ratings

Standard & Poor's Corporation and Moody's Investors Service, Inc. have assigned ratings of "___" and "___", respectively, to the Series 2010 Bonds. A rating, including any related outlook with respect to potential changes in such rating, reflects only the view of the agency giving such rating and is not a recommendation to buy, sell or hold the Series 2010 Bonds. An explanation of the significance of such rating may be obtained only from the rating agency furnishing the same. No assurance can be given that such ratings will remain in effect for any given period of time or that they may not be reduced or withdrawn by the rating agencies, or either of them, if in the judgment of such rating agencies circumstances so warrant. Any downward change in or withdrawal of such ratings, or either of them, could adversely affect the market price or marketability of the Series 2010 Bonds.

Sale at Competitive Bidding

The Bonds were offered by the Service for sale at a competitive bidding on October 19, 210, in accordance with the respective form of the Official Notice of Sale set forth in Appendix B. The interest rates shown on the inside cover page of this Official Statement are the interest rates per annum payable by the Service resulting from the award of the Bonds at the competitive bidding. The yields or prices shown on the inside cover page of this Official Statement for the Bonds were furnished by the successful bidders for the Bonds. All other information concerning the nature and terms of any reoffering of the Bonds should be obtained from the successful bidders for the Bonds and not from the Service.

Continuing Disclosure Undertaking

In order to enable the successful bidders for the Bonds to comply with the requirements of paragraph (b)(5) or the Securities and Exchange Commission Rule 15c2-12, the Service will execute and deliver, on or before the date of issuance and delivery of the Bonds, a Continuing Disclosure Agreement (the "Service Continuing Disclosure Agreement"), the form of which is attached as Appendix F. Each County agrees to execute and deliver, on or before the date of issuance and delivery of the Bonds, a Continuing Disclosure Agreement (a "County Continuing Disclosure Agreement," and together with the Service Continuing Disclosure Agreement, the "Continuing Disclosure Agreements"). The form of the Kent County Continuing Disclosure Agreement, which is representative of each County Continuing Disclosure Agreement, is attached as Appendix G. The Service and each County believes they have complied with their obligations under the existing Continuing Disclosure Agreements executed pursuant to Rule 15c2-12(b)(5), and has in recent years filed their secondary market disclosures with the _____ disclosure facility set up by _____. As of _____, 20____, the Service and each County files their secondary market disclosures with the Electronic Municipal Market Access ("EMMA") system.

Legal Matters

Kutak Rock LLP is acting as Bond Counsel in connection with the issuance of the Series 2010 Bonds. The proposed form of Bond Counsel's approving opinion appears as Appendix C. Certain legal matters will be passed upon for the Service by the Office of the Attorney General of the State of Maryland.

Independent Auditors

The Service currently uses SB & Company, LLC to audit its financial statements. Requests for financial statements of the Service should be in writing and addressed to Finance Department, Maryland Environmental Service, 259 Najoles Road, Millersville, Maryland 21108.

Financial Advisor

Public Advisory Consultants, Inc., Owings Mills, Maryland, serves as financial advisor in connection with the issuance of the Series 2010 Bonds and other matters related to the Service's finances. Public Advisory Consultants, Inc. also either currently serves as financial advisor or has served in the past as financial advisor for the County Commissioners of Kent County, Maryland, the County Commissioners of Queen Anne's County, Maryland and Talbot County, Maryland.

Miscellaneous

The attached Appendices A through G are integral parts of this Official Statement and should be read in their entirety together with the foregoing information.

The Service and the Office of the Attorney General have reviewed the information contained herein and have approved this Official Statement.

The execution and delivery of this Official Statement by the Director of the Service has been duly authorized by the Service.

Official Statement

This Official Statement has been approved and authorized by the Service for use in connection with the sale of the Series 2010 Bonds representing the \$ _____ Revenue Bonds (Mid-Shore II Regional Landfill Project), Series 2010.

The form of the Official Notice of Sale for the Series 2010 Bonds attached as Appendix B to this Official Statement set forth the terms and conditions of the public sale and delivery of and payment for the Series 2010 Bonds. Reference is particularly made to the Official Notice of Sale for statements of the legal opinions as to the validity of the Series 2010 Bonds, the legal opinions and other certifications relating to the accuracy and completeness, in all material respects, of the Official Statement, and the other signed documents to be delivered to the successful bidders for the Bonds at or prior to closing as a condition to the bidders' obligations to accept delivery of and to pay for the Series 2010 Bonds. The successful bidders will be furnished without cost with up to 200 copies of this Official Statement and of any amendment or supplement that may be issued.

MARYLAND ENVIRONMENTAL SERVICE

By: _____

James M. Harkins, Director

**APPENDIX A – CERTAIN INFORMATION CONCERNING THE COUNTY
COMMISSIONERS OF CAROLINE COUNTY, MARYLAND, THE COUNTY
COMMISSIONERS OF KENT COUNTY, MARYLAND, THE COUNTY
COMMISSIONERS OF QUEEN ANNE'S COUNTY, MARYLAND, AND TALBOT
COUNTY, MARYLAND**

Caroline County

General

The County is a body politic and corporate and a political subdivision of the State of Maryland which performs all local government functions in Caroline County except those performed by the County's 10 incorporated municipalities.

Caroline County is situated on Maryland's Eastern Shore midway between Maryland's northern and southern borders and the Chesapeake Bay and the Atlantic Ocean, and is one of the five counties that comprise the Upper Eastern Shore. It shares the historic Mason-Dixon line with Delaware on its eastern border. It is bordered on the north by Queen Anne's County, on the west by Talbot County and on the south by Dorchester County. The County is 321 square miles in area and is approximately 10 miles wide and 28 miles long at its midsection. The County seat and principal town is Denton with an estimated 2005 population of 2,960. Denton is located 61 miles east of Baltimore and is 75 miles from Washington, D.C. Maryland Route 404 runs through the County and connects with U.S. 50 and U.S. 13. The County is also served by U.S. 301. Caroline County is in the Atlantic Coastal Plain and its land area includes level terrain with streams and rivers flowing into the Chesapeake Bay.

The County is rural in character with vegetable, grain and poultry farming as its major industry. Caroline County, for the past 35 years, has diversified its economic base through the addition of three industrial parks that are predominantly occupied by manufacturing businesses. The County's population was 23,143 in 1980 and 27,035 in the 1990 census. According to the 2000 census the County's population was 29,772, which represents an increase of 10% since 1990. The 2005 census estimate reflects that the County's population has increased to 32,200, which represents an increase of 8% over the 2000 census count.

The County is governed by an elected three-member Board of County Commissioners of Caroline County. In 1984, the citizens of Caroline County voted to establish the County as a code home rule county. Home rule allows the County to exercise the power of self-government over purely local matters.

The executive offices of the County are located at 109 Market Street, Denton, Maryland 21629. The County's central telephone number is (410) 479-0660. The County's internet address is www.carolinemd.org.

Budget

The County budget is comprised of the Current Expense Budget, the Capital Budget and Capital Program, and the Budget Message.

Current Expense Budget

The Current Expense Budget details the County's plan for expenditures, by program, for the ensuing fiscal year. The County Commissioners, acting as the Board of Estimates, are required to make a list or schedule of all the resources or sources of revenue from which any income will accrue to the County or be derived during the next fiscal year. No later than April 1 of each year, each department, organization or agency seeking an appropriation is required to provide an estimate thereof to the Board of Estimates. During the month of April, the Board of Estimates holds at least two public hearings on requests for appropriations. Following the hearings, the Board of Estimates fixes the estimated appropriations in such amounts as it deems reasonable and proper.

Capital Budget and Capital Program

The Capital Budget of the County is its plan to receive and expend funds for capital projects during the ensuing fiscal year. The Capital Program of the County is its plan to receive and expend funds for capital projects during the

next succeeding five fiscal years thereafter. Preparation of the Capital Budget and Capital Program is initiated by the submission from each office, department, institution, board, commission and other agency of the County government to the Budget Officer of an itemized list of the capital projects which each agency proposes to undertake in the ensuing fiscal year and the next five succeeding fiscal years thereafter. The County Administrator is required to submit the Capital Program to the County Commissioners no later than February 15 of each year. Upon adoption, the first year of the Capital Program constitutes the Capital Budget for the next fiscal year.

Adoption of Budget

After receiving requests for appropriations and holding public hearings, the Board of Estimates, with the assistance of the County Administrator, submits to the County Commissioners, by May 15 of each year, a budget for the ensuing fiscal year. The budget includes a budget message, which explains the budget both in fiscal terms and in terms of the work programs. It outlines the proposed financial policies of the County for the ensuing fiscal year, describes the important features of the budget, indicates any major changes from the current year in financial policies, expenditures, and revenues together with the reasons for such changes, summarizes the County's debt position and includes such other material as the County Administrator deems desirable, or as the County Commissioners may require. The budget provides a complete financial plan of all County funds and activities for the ensuing fiscal year and, except as required by law, is in such form as the County Administrator deems desirable or the County Commissioners may require. The budget begins with a clear general summary of its contents; shows the detail estimated income, indicating the proposed property tax levy and local income surtax rate, and all proposed expenditures, including debt service, for the ensuing fiscal year; and is required to be arranged to show comparative figures for actual and estimated income and expenditures of the current fiscal year, actual income and expenditures of the current fiscal year, and actual income and expenditures of the preceding fiscal year. It is required to indicate in separate sections:

(1) The proposed goals and objectives and expenditures for current operations during the ensuing fiscal year, detailed for each fund by organization unit, and program, purpose or activity, and the method of financing such expenditures;

(2) Proposed capital expenditures during the ensuing fiscal year, detailed for each fund by organization unit when practicable, and the proposed method of financing each such capital expenditure; and

(3) The anticipated income and expense and profit and loss for the ensuing fiscal year for each utility or other enterprise fund operated by the County.

For any fund, the total of the proposed expenditures shall not exceed the total of estimated income plus carried forward fund balance. After the public hearing, the County Commissioners may adopt the budget with or without amendment. In amending the budget, they may add or increase programs or amounts and may delete or decrease any programs or amounts, except expenditures required by law or for debt service, or for an estimated cash deficit, provided that no amendment to the budget shall increase the authorized expenditures to an amount greater than total estimated income. The County Commissioners must adopt the budget on or before the last day of the month of the fiscal year currently ending. If they fail to adopt the budget by this date, the budget proposed shall go into effect.

Modifications to Budget after Adoption

After the County budget has been finally adopted, the Board is authorized (i) to transfer appropriations between general classifications of expenditures in the Current Expense Budget within the same office or department and within the same fund, (ii) transfer appropriations between offices, departments or other agencies of the County government and within the same fund of the Current Expense Budget, (iii) to transfer appropriations between projects in the Capital Budget, (iv) to make additional or supplemental appropriations from unexpected or unencumbered funds set aside for contingencies, and (v) to meet a public emergency affecting life, health, or property, to make emergency appropriations from contingent funds, or from revenues from sources not anticipated in the budget for the current fiscal year.

Basis of Accounting

General

The County accounts for revenues and expenditures in the following types of funds and account groups: Governmental Funds, Proprietary Funds, Fiduciary Funds and Account Groups. The Governmental Funds include the General Fund, the Special Revenue Funds and the Capital Projects Funds and are the funds through which most County governmental functions typically or financed. The Proprietary Funds account for self-supporting operations and include various Enterprise Funds. The Fiduciary Funds include Agency Funds and Trust Funds. The Account Groups are used to establish control and accountability for the County's general fixed assets and general long-term obligations and include the General Fixed Assets Account Group and the General Long-Term Debt Account Group.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Funds and Expendable Trust Funds are accounted for using a current financial resources management focus. The Agency Funds do not involve measurement of results of operations. With this measurement focus, only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (net total assets) is segregated into contributed capital and retained earnings components. Proprietary Fund-type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting refers to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds, Expendable Trust Funds, and Agency Funds are accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when they become measurable and available as net current assets. Grants revenues recorded in Governmental Funds are recognized as revenues in the accounting period the expenditure is made. Taxpayer-assessed income, gross receipts, and sales taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Property taxes are the primary source of revenues susceptible to accrual. Building permits, fees, fines and miscellaneous revenues are recorded when received as they are generally not measurable until actually received. Any revenues received in advance are deferred. Anticipated refunds of property taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is that principal and interest on general long-term debt is recognized when due.

The Proprietary Funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. Unbilled Water and Sewer Fund utility service receivables are recorded at year-end.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund and Special Revenue Funds. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Retirement and Pension Programs

The County Commissioners created the Caroline County Defined Benefit Pension Plan and Trust ("the Plan") as of July 1, 1969. The Plan was amended and restated as of July 1, 1996, as of July 1, 1997 and as of January 1, 2003 and renamed the Caroline County, Maryland Employees Pension Plan. Prior to inception of the Plan, County employees were covered under a Pension Benefit Plan or the Employees' Retirement System of the State of Maryland (the

"State Retirement System"). Only the Roads Department employees were covered under the State Retirement System of which there are no current employees. All employees hired after July 1, 1996 must join the Caroline County, Maryland Employees Pension Plan.

All of the County's permanent employees who work at least 20 hours per week (excluding Library and Board of Education employees, and elected and certain appointed officials) participate in the Plan, which is a single-employer, defined benefit plan. The Plan is administered by M & T Bank.

All employees, except for the above exclusions, are eligible to participate in the Plan immediately upon employment (appointed officials upon the fifth year of their anniversary of employment). Under the provisions of the Plan, pension benefits vest 0% for the first five years of service, 50% at the end of the fifth year of service, and an additional 10% at the end of each year until 100% vesting occurs after year 10. Employees hired prior to September 16, 1997 are 100% vested with five years of service. Employees may retire when they have 30 years of service (25 years for police and public safety employees), or when they reach age 62 and have five years of service and receive benefits equal to the following formula: 1.6% of the participant's final average earnings multiplied by the participant's years of credited service.

The following is a schedule of funding progress for the Plan for the five most recent years for which information is available:

Plan Year	Plan Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Payroll	Unfunded as a Percent of Payroll
2008.....	\$13,583,409	\$18,425,556	\$4,842,147	73.72%	\$9,323,986	51.93%
2007.....	11,904,279	16,976,810	5,072,531	70.12	9,191,745	55.19
2006.....	9,897,605	15,409,505	5,511,900	64.23	8,520,406	64.69
2005.....	7,917,091	13,514,678	5,597,587	58.58	7,103,488	78.80
2004.....	7,326,327	11,593,642	4,267,315	63.19	6,543,269	65.22

Source: Actuarial Valuation as of July 1, 2008. Pike Associates.

The following table sets forth the County's contributions to the Plan for the five most recent fiscal years ended June 30 for which information is available.

2009.....	\$1,586,832
2008.....	1,500,000
2007.....	1,500,000
2006.....	2,000,000
2005.....	667,200

Source: Caroline County Office of Finance.

The County makes an annual contribution to the State Retirement System for its share of the liability for the former employees who were in the system. The County is required to pay the State Retirement System \$26,620 annually until fiscal year 2020. There is no outstanding liability under the Pension Benefit Plan in effect prior to July 1, 1969. As of July 1, 2009, the Sheriff's Department moved its retirement plan to the State LEOPS plan and \$387,832 of the current pension system assets were transferred to the State Plan.

In addition to the retirement and pension systems, all employees of the County, including general, elected and appointed, participate in the Federal Insurance Contributions Act ("FICA").

Other Post-Employment Benefits

Caroline County recognizes the financial significance of GASB Statement 43 and Statement 45 and has developed a plan to fund the unfunded OPEB liability. The County is a phase II county and the effective date for GASB 45 was the fiscal year ending June 30, 2009. An irrevocable Trust has been set up with M&T Bank and is administered by the OPEB Board. The Trust balance was \$3,844,549 as of June 30, 2009. The estimated normal annual cost is \$218,527 with an annual required contribution (ARC) of \$447,766. Due to budget constraints the fiscal year 2010 budget provides for a payment of only \$50,000.

The Caroline County Board of Education contracted with the firm Bolton Partners, Inc. to calculate its post-retirement medical and life insurance benefits actuarial valuation as of July 1, 2008. If the Board of Education's liability is funded in an irrevocable trust, the unfunded accrued liability is estimated to be \$34,031,000, and if funded on a pay-as-you-go basis, it is estimated to be \$63,588,000. The ARC if funded in an irrevocable trust is estimated to be \$3,367,000, and on a pay-as-you-go basis, the ARC is estimated to be \$5,534,000. The County's obligation for funding any portion of this liability has yet to be determined.

Deferred Compensation Plans

Certain appointed officials participate in a defined contribution deferred compensation plan whereby the County contributes 5-12% of salary to an account in the name of the participating employee. In addition, the employee may contribute certain amounts to his account under the plan subject to certain limitations.

Total contributions to this plan by the County were \$70,310 for fiscal year 2008. Total contributions to this plan by the County were \$105,728 for fiscal year 2009.

In addition, the County maintains a qualified retirement plan under Internal Revenue Code Section 457. This plan allows merit employees to make contributions toward retirement. The County made contributions of \$12,804 to this plan for fiscal year 2008. County contributions to this plan were \$28,918 for fiscal year 2009.

The County has a contract with a retirement company under which the company manages and administers the plans, serves as trustee to the underlying trust and advises the participants. Contributions (employer and employee) are invested as selected by the employees. A separate account is maintained for each participant.

County Expenditures

The following table summarizes the actual expenditures and encumbrances of the County by major functional purpose for the County's five most recent fiscal years ended June 30 for which audited results are available:

**General Fund
Summary of Expenditures, Encumbrances and Transfers
Fiscal Year Ended June 30**

	2009	2008	2007	2006	2005
General government	\$5,359,829	\$5,405,259	\$5,081,408	\$4,573,009	\$3,972,655
Public safety	11,507,215	11,216,121	10,726,227	9,696,050	7,956,246
Public works	4,251,527	4,542,120	4,617,145	4,414,210	3,715,039
Health	902,434	907,222	818,872	688,233	630,629
Social services	305,414	297,356	266,635	217,338	180,582
Education	13,775,814	13,921,394	13,495,222	12,550,027	12,617,601
Recreation and culture	826,987	879,244	797,944	725,254	551,342
Conservation of natural resources	380,322	339,118	370,577	389,107	265,827
Economic development	257,850	298,151	255,350	213,800	155,540
Library	1,450,000	1,450,000	1,390,070	1,275,000	1,116,588
Miscellaneous	162,210	146,415	193,497	242,972	300,282
Debt service	3,750,189	3,371,965	2,515,879	2,447,151	2,690,391
Total	<u>\$42,929,791</u>	<u>\$42,774,365</u>	<u>\$40,528,826</u>	<u>\$37,432,151</u>	<u>\$34,152,722</u>
Operating transfers	(469,336)	3,111,366	5,390,714	2,813,853	386,802
Total	<u>\$42,460,455</u>	<u>\$45,885,731</u>	<u>\$45,919,540</u>	<u>\$40,246,004</u>	<u>\$34,539,524</u>

Source: Caroline County Comprehensive Annual Financial Reports

County Revenues

General

The County's principal source of revenues is taxes, 51.2% of which are derived from ad valorem property taxes. The second and third largest sources of revenue are revenues derived from income taxes and revenue from shared user taxes, which comprised approximately 26.1% and 8.3%, respectively, of total tax revenues in fiscal year 2009.

The following table shows the various sources of revenue of the County's General Fund for the five most recent fiscal years ended June 30:

**General Fund
Summary of Revenues
Fiscal Year Ended June 30**

	2009	2008	2007	2006	2005
Taxes	\$37,050,808	\$37,567,209	\$36,385,549	\$35,384,266	\$31,791,574
Licenses and permits	221,565	249,409	320,221	386,344	384,666
Intergovernmental revenues	3,219,388	2,887,981	2,909,666	2,797,591	2,591,743
Charges for services.....	885,550	1,191,743	1,314,655	1,094,080	1,123,854
Miscellaneous	245,688	268,115	688,950	519,595	266,373
Total	\$41,622,999	\$42,164,457	\$41,619,041	\$40,181,876	\$36,158,210

Source: Caroline County Comprehensive Annual Financial Reports

Taxes

Ad valorem property taxes, the County's largest source of tax revenues, have increased slightly from 43.9% of revenues in fiscal year 2005 to 51.2% of total revenues in fiscal year 2009. During the same time, income tax revenues as a percentage of total revenues have decreased slightly from 27.0% in fiscal year 2005 to 26.1% in fiscal year 2009. The following table represents the County tax revenues by source for each of the five most recent fiscal years ended June 30:

**Tax Revenue by Source
Fiscal Year Ended June 30**

	2009	2008	2007	2006	2005
General property tax (1)	\$21,230,919	\$19,369,181	\$17,775,491	\$16,500,112	\$15,862,182
Local income tax.....	10,850,717	11,646,303	11,260,800	10,665,389	9,769,410
State shared	3,461,580	4,009,537	4,145,807	4,193,556	3,129,871
Local other	1,417,592	2,542,188	3,203,451	4,025,209	3,030,111
Total taxes.....	\$37,050,808	\$37,567,209	\$36,385,549	\$35,384,266	\$31,791,574

Note: (1) Includes payments in lieu of taxes, additions and abatements, interest on taxes, discounts on taxes, and tax credits for the elderly and the disabled.

Source: Caroline County Comprehensive Annual Financial Reports

Assessed Value and Tax Rates

The following table sets forth the assessed value of all taxable property in the County for the five most recent fiscal years ended June 30. Assessed value of tax-exempt properties owned by Federal, State, and local governments, churches, schools, fraternal organizations, cemeteries, disabled veterans and the blind are not included in the table. Under applicable law, there are no tax limits with respect to property taxes set forth in the table. Currently, there are no residential personal property tax in Maryland.

**Assessed Value
Fiscal Year Ended June 30**

	2009	2008	2007	2006	2005
Real property.....	\$2,410,033,590	\$2,168,863,864	\$1,937,403,404	\$1,683,578,642	\$1,507,546,709
Personal property (1)	0	0	593,030	1,219,456	2,139,710
Corporate and Utility (2) ...	52,761,220	49,645,980	63,878,104	69,448,662	75,918,580
Total property	\$2,462,794,810	\$2,423,426,447	\$2,204,583,632	\$1,940,065,669	\$1,758,415,602

Note: (1) Personal Property was phased out over a three year period starting in fiscal year 2006.

(2) Personal property on Business Corporations was phased over a three year period starting in fiscal year 2006. The only remaining personal property is for Railroad and Public Utilities.

Source: Caroline County Comprehensive Annual Financial Reports

County property tax rates for fiscal years 2005 through 2009 are shown in the following table:

**Property Tax Rates
Fiscal Year Ended June 30**

	2009	2008	2007	2006	2005
Unincorporated areas	\$0.870	\$0.870	\$0.870	\$0.910	\$0.952
Incorporated areas without septic	0.830	0.830	0.830	0.870	0.912
Incorporated areas with septic	0.750	0.750	0.750	0.790	0.832

Source: Caroline County Comprehensive Annual Financial Reports

Tax Levies and Collections

County taxes are billed as of July 1 of each fiscal year. Taxpayers of owner-occupied residential real property may choose to pay on a semiannual or annual basis. The County records property tax revenues as the taxes are billed. Any taxes that remain unpaid 60 days after the close of the fiscal year are reclassified from revenues to deferred revenues as required by the National Council on Governmental Accounting Interpretation 3.

Semi-annual taxpayers making their second installment payments after September 30 are required to pay a service and administrative fee with the second semi-annual payment. The service fee must be set at a rate that generates revenues not in excess of the lost interest income associated with the three-month delay in payment. The administrative fee is 10% of the service fee. Taxes are considered in arrears as of January 1 and a one-time penalty of 3% is charged plus a 1% interest charge is assessed each month that remains unpaid.

Delinquent taxes are collected after several prior notices of delinquency, by tax sale conducted by the appointed tax collector in the month of June following the year of billing. Buyers of tax sale property are required, by law, to institute suit in the Circuit Court for Caroline County in order to foreclose upon a property.

The following table sets forth certain pertinent information in respect to the County's tax levies and tax collections each of the five most recent fiscal years ended June 30:

	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Collected in Subsequent Years	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2009	\$21,140,313	\$21,111,314	99.9%	\$ 0	\$21,111,314	99.9%
2008	19,128,522	19,093,410	99.8%	0	19,093,410	99.8%
2007	17,540,340	17,487,694	99.7%	20,386	17,508,080	99.8%
2006	16,343,864	16,265,635	99.5%	70,302	16,335,937	100.0%
2005	15,687,683	15,613,507	99.5%	57,073	15,670,580	99.9%

Source: Caroline County Comprehensive Annual Financial Reports

County's Largest Taxpayers

The following table sets forth a list of the County's 10 largest taxpayers with respect to ad valorem property taxes for fiscal year 2009:

**Ten Largest Principal Taxpayers
(Real and Personal Property Taxes)
Fiscal Year Ended June 30, 2009**

Taxpayer	Type of Business	Assessed Value	Tax Amount	Percentage of Total Assessed Valuation
Choptank Electric	Electric power	\$22,798,295	\$484,053	0.94%
Delmarva Power and Light.....	Electric power	16,382,170	355,990	0.68%
Verizon Maryland.....	Telephone utility	14,475,940	315,575	0.60%
Burris Foods, Inc	Transport of refigerated food products	9,121,880	79,360	0.38%
East Star, LLC	Excavating	8,936,355	76,767	0.37%
Istar SCC Distribution	Cups and containers	6,902,800	51,771	0.29%
H&M Bay, Inc.	Refrigerated trucking	6,393,500	47,951	0.26%
Boaters World.....	Marine products distribution	6,212,533	46,594	0.26%
Federalsburg Terminal.....	Trucking	5,904,300	44,282	0.24%
Maryland Plastics.....	Plastic tableware	4,679,700	35,098	0.19%

Source: Caroline County Comprehensive Annual Financial Report Fiscal Year 2009

Income Tax

The State imposes an income tax on the adjusted gross income of individuals for Federal income tax purposes, subject to certain adjustments.

Pursuant to State law, each county and Baltimore City must levy a local income tax at the rate of at least 1% and may levy such a tax at a rate not to exceed 3.20% for tax years 2002 and thereafter, of taxable income of individuals domiciled in their respective jurisdictions. This tax is collected by the State and forwarded to the taxing subdivisions. The County rate was set at 2.63% of the State taxable income for the tax year beginning January 1, 2002, and has remained the same through calendar year 2008. The County does not levy a local income tax on corporations.

Summary of Revenues and Expenditures

General Fund
Summary of Revenues and Expenditures and Transfers

	2009	2008	2007	2006	2005
Revenues					
General property tax (1)	\$21,320,919	\$19,369,181	\$17,775,491	\$16,500,112	\$15,862,182
Local income tax.....	10,850,717	11,646,303	11,260,800	10,665,389	9,769,410
State shared	1,417,592	4,009,537	4,145,807	4,193,556	3,129,871
Other Local Taxes	3,461,580	2,542,188	3,203,451	4,025,209	3,030,111
Licenses and permits	221,565	249,409	320,221	386,344	384,666
Intergovernmental revenues	3,219,388	2,887,981	2,909,666	2,797,591	2,591,743
Charges for services.....	885,550	1,191,743	1,314,655	1,094,080	1,123,854
Miscellaneous	245,688	268,115	688,950	519,595	266,373
Total Revenues	\$41,622,999	\$42,164,457	\$41,619,041	\$40,181,876	\$36,158,210
Expenditures					
General government	5,359,829	5,405,259	5,081,408	4,573,009	3,972,655
Public safety.....	11,507,215	11,216,121	10,726,227	9,696,050	7,956,246
Public works	4,251,527	4,542,120	4,617,145	4,414,210	3,715,039
Health.....	902,434	907,222	818,872	688,233	630,629
Social services.....	305,414	297,356	266,635	217,338	180,582
Education	13,775,814	13,921,394	13,495,222	12,550,027	12,617,601
Recreation and culture	826,987	879,244	797,944	725,254	551,342
Conservation of natural resources	380,322	339,118	370,577	389,107	265,827
Economic development	257,850	298,151	255,350	213,800	155,540
Library.....	1,450,000	1,450,000	1,390,070	1,275,000	1,116,588
Miscellaneous	162,210	146,415	193,497	242,972	300,282
Debt service	3,750,189	3,371,965	2,515,879	2,447,151	2,690,391
Total	\$42,929,791	\$42,774,365	\$40,528,826	\$37,432,151	\$34,152,722
Excesss of Revenues Over Expenditures.....	(1,306,792)	(609,908)	1,090,215	2,749,725	2,005,488
Other Financing Sources					
(Uses)					
Operating Transfers In.....	801,776	1,213,240	1,483,040	653,200	530,000
Operating Transfers Out.....	(322,440)	(3,111,366)	(6,873,754)	(3,467,053)	(916,802)
Total Other Financing Sources (Uses).....	469,336	(1,898,126)	(5,390,714)	(2,813,853)	(386,802)
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses.....	(837,456)	(2,508,034)	(4,300,499)	(64,128)	1,618,686
Fund Balance at Beginning of Year, Restated	3,059,564	5,570,966	9,826,101	9,809,219	8,194,898
Increase (Decrease) in Inventory Equity Transfer.....	(79,178)	(3,368)	45,364	81,010	(4,365)
Fund Balance at End of Year	\$2,142,930	\$3,059,564	\$5,570,966	\$9,826,101	\$9,809,219

Source: Caroline County Comprehensive Annual Financial Reports

2011 Budget

For fiscal year 2011, the County has an approved General Fund Budget of \$41,491,343, which is partially supported by a property tax rate of \$0.87 for unincorporated areas of the County and ranging from \$0.75 to \$0.81 for Towns depending on the amount of police service and refuse collection the Town offers. The Capital Budget for the same period is \$10,302,319.

The County Commissioners of Kent County, Maryland

General

The County is a body politic and corporate and a political subdivision of the State of Maryland which performs all local government functions in Kent County except those performed by the County's five incorporated municipalities.

Kent County is situated on Maryland's Eastern Shore and borders the Chesapeake Bay on the west, Cecil County on the north, New Castle County, Delaware on the northeast, Kent County, Delaware on the southeast, and Queen Anne's County on the south, and is one of the five counties that comprise the Upper Eastern Shore. The County is 414 square miles in area. The County seat is Chestertown with an estimated 2009 population of 5,043.

The County's population was 17,842 in 1990 and 19,197 in the 2000 census, which represents an increase of 7.6%. The 2009 census estimate reflects that the County's population has increased to 20,247, which represents an increase of 5.5% over the 2000 census count.

The County is governed by an elected three-member Board of County Commissioners. In 1970, the citizens of the County voted to establish the County as a code home rule county. Home rule allows the County to exercise the power of self-government over purely local matters.

The executive offices of the County are located at 400 High Street, Chestertown, Maryland 21620. The County's central telephone number is (410) 778-4600. The County's internet address is www.kentcounty.com.

Financial Information

The County's principal source of revenue is taxes, which constitute approximately 93 percent of total General Fund revenues. In 2009, 60 percent of total General Fund Revenues was from local property taxes. The second largest source of revenue is local income taxes, which represented 29 percent of all General Fund revenue in fiscal year 2009.

During the five most recent fiscal years ended June 30, 2009, revenue from property taxes, as a percentage of total General Fund revenue, fluctuated between 52 percent and 60 percent. Local income taxes have fluctuated between 26 percent and 29 percent of total General Fund revenue over the same period.

The table on the following page shows the various sources of revenue for the five most recent fiscal years in which an audit is available ended June 30:

**KENT COUNTY, MARYLAND
SUMMARY OF REVENUES AND EXPENDITURES
GENERAL FUND**

	2009	2008	2007	2006	2005
Revenues					
Real Property taxes	\$25,655,349	\$23,105,492	\$20,519,221	\$18,842,282	\$17,430,033
Local Income taxes	12,100,769	12,100,529	11,174,843	10,297,550	8,487,310
Other local taxes	1,761,652	2,756,528	2,882,833	3,251,528	3,017,794
State shared taxes	120	220	170	220	310
Licenses & Permits	208,923	237,391	247,157	253,650	278,510
Intergovernmental	1,475,161	1,898,653	1,762,450	2,134,009	2,142,344
Service Charges	774,346	725,249	793,673	829,353	863,080
Fines and Forfeitures	102,041	117,449	108,817	114,176	152,600
Miscellaneous	333,995	581,979	746,553	600,264	401,370
Total Revenues	<u>\$42,412,356</u>	<u>\$41,523,490</u>	<u>\$38,235,717</u>	<u>\$36,323,032</u>	<u>\$32,773,351</u>
Expenditures					
General Government	5,307,907	4,825,109	4,500,375	3,979,700	3,408,279
Public Safety	9,228,893	9,235,221	7,693,894	7,024,405	5,955,485
Public Works	1,728,635	1,573,954	1,453,694	1,351,827	1,075,352
Health	1,016,993	891,614	749,882	675,562	625,583
Social Services	387,104	307,968	278,325	284,616	994,079
Education	18,292,447	16,977,056	15,814,153	14,756,125	14,144,904
Recreation	1,243,265	1,214,689	1,119,983	989,302	988,261
Libraries	595,495	560,614	535,204	490,023	437,986
Resource Conservation and Development	337,429	337,746	277,345	269,423	225,317
Housing and Urban Development	145,043	144,744	573,260	715,384	164,462
Economic Development	168,816	173,135	158,242	126,874	145,708
Tourism	361,241	329,722	325,233	299,371	228,346
Debt Service	1,960,731	2,178,138	3,352,825	2,718,646	1,788,588
Intergovernmental	168,521	151,821	132,084	116,647	104,242
Miscellaneous	146,011	154,666	109,549	57,101	85,598
Total Expenditures	<u>\$41,088,531</u>	<u>\$39,056,197</u>	<u>\$37,074,048</u>	<u>\$33,855,006</u>	<u>\$30,372,190</u>
Other Financing Sources (Uses)					
Transfers from other funds...	119,225	33,626	1,493,478	0	0
Transfers to other funds	(1,324,427)	(2,621,360)	(499,594)	(868,919)	(2,458,732)
Proceeds from sales of fixed assets	56,241	28,866	40,893	45,834	6,596
Total Other Financing Sources (Uses)	<u>\$(1,148,961)</u>	<u>\$(2,558,868)</u>	<u>\$1,034,777</u>	<u>\$(823,085)</u>	<u>\$(2,452,136)</u>
Excess (Deficiency) of Revenues over Expenditures and Other Financing Uses	<u>\$174,864</u>	<u>\$(91,575)</u>	<u>\$2,196,446</u>	<u>\$1,644,941</u>	<u>\$(50,975)</u>

Source: Kent County Audited Financial Statement for fiscal years 2005-2009.

The table on the following page shows the General Fund ending fund balance for the five most recent fiscal years in which an audit is available ended June 30:

**KENT COUNTY, MARYLAND
FUND BALANCES
GENERAL FUND**

	2009	2008	2007	2006	2005
Fund Balance					
Reserved	\$1,535,618	\$1,898,252	\$2,039,923	\$1,975,138	\$ 591,674
Unreserved – designated for future year's expenditures.....	791,753	236,552	987,555	0	869,010
Undesignated	4,633,030	4,650,733	3,849,634	2,705,528	1,575,041
Total Fund Balance	\$6,960,401	\$6,785,537	\$6,877,112	\$4,680,666	\$3,035,725

Source: Kent County Audited Financial Statement for fiscal years 2005-2009.

The table below displays the General Fund Fiscal Year 2010 Budget, the Fiscal Year 2010 Estimated from the Fiscal Year 2011 Budget and the Fiscal Year 2011 Budget.

**KENT COUNTY, MARYLAND
GENERAL FUND BUDGETS**

	Budget 2011	Estimated 2010	Budget 2010
Revenues			
Real and Personal Property taxes	\$29,545,426		\$28,158,827
Income taxes	9,325,000		12,400,000
Other local taxes	1,762,430		1,727,400
Licenses & Permits	241,250		204,700
Intergovernmental Funding	89,998		966,714
Service Charges	373,994		487,280
Fines and Forfeitures	29,200		48,500
Miscellaneous	171,120		309,450
Rainy Day Funds	196,000		791,753
Total Revenues	\$42,246,037		\$45,094,624
Expenditures			
General Government	4,883,252		5,798,604
Public Safety	8,186,564		9,041,668
Public Works	3,633,639		1,708,339
Conservation of Health	880,696		991,360
Social Services	273,768		348,641
Education	18,758,805		19,521,592
Parks, Recreation and Culture	1,235,966		1,439,955
Library	541,266		584,000
Conservation of Natural Resources	330,584		372,766
Tourism and Economic Development ..	289,864		483,151
Debt Service	1,940,475		1,726,100
Intergovernmental	199,563		189,210
Miscellaneous	485,305		769,800
Transfers to Other Funds	606,290		2,119,438
Total Expenditures	\$42,246,037		\$45,094,624
Excess (Deficiency) of Revenues over Expenditures	\$ -		\$ -

Source: Kent County Budget for fiscal years 2010-2011 and Kent County Finance Department.

The County Commissioners of Queen Anne's County, Maryland

General

Both the executive and legislative functions of the County are vested in the elected five-member Board of County Commissioners. Commissioners are elected on a county-wide basis and serve four-year terms. The Board is required to meet weekly.

The County in 1990 adopted the Code Home Rule form of government provided in Article XI-F of the Maryland Constitution and Article 25B of the Annotated Code of Maryland. Under this form of government, the Board has the authority to enact, amend, and repeal local laws relating to the incorporation, organization, and government of the County, including laws authorizing the issuance and sale of bonds to finance capital projects for the County. Each member of the Board has one vote and, except for emergency bills, a simple majority of the Board is sufficient to enact any bill into law.

County financial matters are administered through the County Finance office. This office is responsible for the administration of the financial affairs of the County, which generally include: the collection of the County taxes, fees and other revenues and funds of every kind due to the County; the enforcement of collection of taxes in a manner provided by law; the custody and safekeeping of all funds or securities belonging to or by law deposited with, distributed to or handled by the County; the disbursement of the County funds; the keeping and supervision of all accounts; and such other functions as may be prescribed by the Board.

The formulation of the County's budget is the responsibility of the County Administrator. In addition to formulating the budget, the County Administrator is responsible for the study of the organization, methods and procedures of each office, department, board, commission, institution and agency of the County government; the submission to the Board of periodic reports on their efficiency and economy; and such other duties and functions as may be assigned to the Administrator by the Board.

Retirement and Pension Programs

The Employees Retirement System of Maryland (Retirement System) was established October 1, 1941. The Retirement System covers most employees hired prior to January 1, 1980, who have not elected to transfer in to the Pension System. Under the terms of the Retirement System, a member may retire with full benefits upon attaining age 60 or after completing 30 years of eligible service regardless of age. A member may retire with reduced benefits prior to attaining age 60 after completing 25 years of eligible service. A member terminating employment before attaining retirement age, but after completing five years of eligible service, becomes eligible for a vested retirement allowance upon reaching age 60.

Under the terms of the Alternate Contributory Pension System, a member may retire after 30 years of service regardless of age; at age 65 with two years of service; at age 64 with three years of service; at age 63 with four years of service; or at age 62 with at least five years of service. An employee may also take early retirement with reduced benefits at age 55 with 15 years of service. A member terminating employment before attaining retirement age, but after completing five years of eligible service, becomes eligible for a vested pension allowance upon reaching age 62.

The Law Enforcement Officers Pension System (LEOPS) was established in July 2, 1990 and adopted by the County on July 1, 2004. LEOPS currently covers uniformed law enforcement officers of the Sheriff's Department. Under the terms of LEOPS, a member may retire with full benefits upon attaining age 50 or after completing 25 years of eligible service regardless of age. LEOPS members are not eligible for early service retirement allowances. A member terminating employment before attaining retirement age, but after completing five years of eligible service, becomes eligible for a vested pension allowance upon reaching age 50.

On retirement from service, a member of any of these plans shall receive an annual service retirement allowance based on the member's average final compensation and years of creditable service multiplied by a factor. This factor varies from 1.2% to 2.0% per eligible service year, depending on employee/employer contributions and other plan-specific provisions. Early retirement, where available, is subject to provisions that reduce the benefit received.

**COUNTY PENSION SYSTEM CONTRIBUTIONS
FOR FISCAL YEARS ENDING JUNE 30:**

Retirement Plan Contributions	2009	2008	2007
Total Payroll	\$ 27,725,213	\$ 25,633,969	\$ 23,050,582
Covered Payroll			
Pension System	21,756,765	20,349,987	18,299,851
LEOPS	2,646,509	2,156,204	1,901,081
Expenditure/Expense			
Pension System	1,540,473	1,639,121	1,383,040
LEOPS	490,008	536,266	399,856

Source: Queen Anne's County Comprehensive Annual Financial Report for fiscal year 2009.

Other Post Employment Benefits (OPEB)

The County joined with the Board of Education, the Free Library, and Kent County to create an OPEB Trust in fiscal year 2009. The trust will hold and invest funds for the future; all current costs will continue to be paid from the County's various operating accounts. By the end of fiscal year 2009 all fiscal year 2009 allocations to OPEB had been transferred to this separate legal entity.

ARC-funded basis

County (including library): \$5.5 M (June 30/09 report)

Board of Education: \$3.4 M (June 30/09 report)

In fiscal year 2009 the contributions were approximately (not audited):

County: \$750,000

Board of Education: \$250,000

For fiscal year 2010 the amounts were increased, but because of the drastic reduction in State Highway User Revenue (approximately \$5.5 million) most all of which was subsequent to the adoption of the County budget and County tax rates, the County will be proposing that all contributions to OPEB be re-allocated to cover this unanticipated short-fall.

The County has entered into a contact with Bolton Partners for an update of the OPEB actuarial report. The new report should be completed prior to the end of this calendar year.

REVENUES AND EXPENDITURES

General

The County's principal source of revenue is taxes, which constitute 92 percent of total General Fund revenue for fiscal 2008: 51 percent from real property taxes, 36 percent from local income taxes, and 5 percent from other local taxes. For fiscal year 2009, taxes are estimated to constitute 93 percent of total General Fund revenue with an estimated 54 percent from real property taxes, an estimated 35 percent from local income taxes, and an estimated 3 percent from other local taxes.

Property Taxes and Assessments

The assessment of all real and tangible personal property for purposes of property taxation by the County is the sole responsibility of the State Department of Assessments and Taxation, an independent State agency.

For state and county real property tax purposes, real property is valued at market value. Beginning in fiscal year 1992 a Homestead Tax Credit is applied to each owner-occupied residence which limits the amount that assessments may increase. The increase is limited to a range from 0% to 10%, which is set by the Queen Anne's County Commissioners annually. For fiscal years 2005 and 2006, the limit was set at the maximum of 10%. Beginning in fiscal year 2007, the limit is 5% for county property tax purposes. All property is physically inspected

once every three years and any increase in full cash value arising from such inspection is phased in over the ensuing three taxable years in equal annual installments.

The County does not currently levy any tax on commercial and manufacturing inventory or tangible personal property.

The following table sets forth the assessed value of all taxable property in the County for each of its five most recent fiscal years and the County and State tax rates (per \$100 of assessed valuation) applicable in each of those years. Assessed value of tax exempt properties owned by federal, state and county governments, churches, schools, fraternal organizations, cemeteries, disabled veterans and the blind, aggregated approximately \$547,163,868 in fiscal year 2009. For fiscal years 2011 and 2010, the tax rate was set at \$0.77 per \$100 of assessed value. Tax-exempt properties are not included in the following table.

<u>Assessed Value</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Real Property	\$ 7,021,559,380	\$ 6,336,821,535	\$ 5,630,595,749	\$ 5,001,695,749	\$ 4,539,283,380
Public Utilities	61,513,370	61,729,010	63,168,480	59,360,390	57,382,490
Total Base	<u>\$ 7,083,072,750</u>	<u>\$ 6,398,550,545</u>	<u>\$ 5,693,764,229</u>	<u>\$ 5,061,055,866</u>	<u>\$ 4,596,665,870</u>
County Tax Rate (per \$100) \$	0.770	0.770	0.800	0.870	0.926
State Tax Rate (per \$100) \$	0.112	0.112	0.112	0.112	0.132

Source: State Department of Assessments and Taxation

Note: The State Department of Assessments and Taxation no longer supplies amounts for Personal Property or Business Corporations for Counties that do not tax those categories.

Tax Levies and Collections

County taxes are due and payable as of July 1 of each fiscal year and the County records property tax revenues as the taxes are billed. A 100% allowance for uncollectibles is established for prior year taxes receivable. Beginning October 1, a penalty (at the rate of 1% per month) is charged for each month or fraction thereof that taxes remain unpaid for the current year. Such taxes become delinquent on October 1 in the fiscal year of billing. Delinquent taxes are satisfied, after prior notice of delinquency, at tax sales conducted by the County in the year of delinquency.

The following table sets forth certain information with respect to the County's tax levies and tax collections for each of the five most recent fiscal years ended June 30.

<u>Fiscal Year Ending June 30</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Current Taxes Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
2005	\$40,608,914	\$40,542,167	99.8%	\$211,284	\$40,753,451	100.4%
2006	43,208,732	43,107,941	99.8%	97,716	43,205,657	100.0%
2007	44,500,414	44,401,745	99.8%	69,517	44,471,262	99.9%
2008	48,575,431	48,505,180	99.9%	73,704	48,578,884	100.0%
2009	53,839,023	53,756,369	99.9%	0	53,756,369	99.9%

Source: Queen Anne's County Comprehensive Annual Financial Report 2009.

The table below, for fiscal years 2008, indicates the ten largest taxpayers in the County and gives the assessed valuation of their property.

Taxpayer	2009 Assessed Valuation	% of Total Tax Levy
Second Horizon Group Limited Partnership	\$46,985,218	0.66%
KRM Development Corporation	36,871,333	0.52%
Great American Life Insurance Company	25,675,400	0.36%
White's Heritage Partners	25,292,490	0.36%
Waterford Centreville, LLC	13,799,182	0.19%
Reliable Development Company	13,016,740	0.18%
Washington Brick and Terra Cotta Company	12,556,666	0.18%
JSE Investment	12,021,658	0.17%
K Hovnanian's Four Seasons at Kent Island	11,838,400	0.17%
Mears Point Association	11,693,204	0.17%
Ten Largest Taxpayers	\$209,750,291	2.96%

Source: Queen Anne's County Comprehensive Annual Financial Report 2009.

Income Taxes

Effective January 1, 2008, the personal state income tax rate for Maryland residents is graduated up to 6.25%.

Each county and Baltimore City is authorized pursuant to State law to levy a local income tax at the rate of at least 1.25%, but not more than 3.2%, of the State adjusted gross income of individuals domiciled in their respective jurisdictions. Queen Anne's County has levied an income tax of 2.85% for calendar 2009 and 2.85% for calendar year 2010.

Other Local Taxes

In addition to general property taxes and income taxes, the County is authorized to levy and collect other miscellaneous taxes, the largest of which is the recordation tax on instruments conveying title to property and securing debt. Revenues from this tax in the fiscal year ended 2009 were \$2,930,197. The County also receives revenues from taxes levied on amusement admission charges which amounted to \$176,691 in fiscal year 2009 and a hotel tax which amounted to \$428,998 in fiscal year 2009.

State Assistance

During fiscal year 2009, the County received from the state and federal governments approximately \$1,991,356 for use in the General Fund.

General Fund

The following table shows the actual results of the General Fund on a GAAP basis for the five most recent fiscal years ended June 30. Thereafter, a General Fund Statement of Budget and Actual Operating for Fiscal Years 2009-2010 is displayed. A capital budget summary for fiscal year 2010-2015 is also provided.

**GENERAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (GAAP BASIS)**

Revenues:	<u>Actual 2009</u>	<u>Actual 2008</u>	<u>Actual 2007</u>	<u>Actual 2006</u>	<u>Actual 2005</u>
Property Taxes	\$ 55,337,698	\$ 49,975,236	\$ 46,180,114	\$ 44,630,519	\$ 42,170,029
Other Local Tax Revenues	39,524,220	39,264,523	41,746,098	39,142,532	34,354,209
Licenses & Permits	874,639	890,821	895,931	824,917	829,784
Intergovernmental Revenue	1,991,356	2,002,097	1,755,166	2,027,158	2,210,034
Service Charges & Miscellaneous	<u>3,987,224</u>	<u>3,473,731</u>	<u>4,982,563</u>	<u>3,806,552</u>	<u>3,045,683</u>
Total Revenues	\$ 101,715,137	\$ 97,370,605	\$ 95,559,872	\$ 90,431,678	\$ 82,609,739
Expenditures and Encumbrances:					
General Government	9,871,927	9,419,224	8,291,750	7,688,267	7,403,955
Public Safety	20,083,251	18,438,978	15,778,978	14,086,737	12,970,683
Public Works	3,319,967	3,421,818	3,626,304	3,410,687	3,052,365
Health	1,572,848	1,430,670	1,428,395	1,355,057	1,261,488
Social Services	243,535	227,631	192,615	206,524	188,203
Education	48,856,359	45,610,824	41,506,099	39,496,299	37,887,681
Parks and Recreation	2,885,148	2,702,610	2,581,156	2,409,167	2,106,042
Conservation of Natural Resources	540,541	529,490	474,452	430,965	416,912
Economic Development	1,148,312	1,257,851	1,064,849	839,386	934,890
Library	1,390,398	1,247,108	1,242,573	1,144,622	1,049,612
Capital Outlay	750,431	911,961	1,046,834	837,490	1,041,907
Debt Service	7,843,837	8,011,934	6,029,697	6,220,075	5,839,168
Miscellaneous	<u>702,558</u>	<u>731,771</u>	<u>812,206</u>	<u>765,188</u>	<u>763,575</u>
Total Expenditures	\$ 99,209,112	\$ 93,941,870	\$ 84,075,908	\$ 78,890,464	\$ 74,916,481
Other Financing Sources (Uses):					
Issuance of Debt	122,780	0	248,460	0	0
Insurance Proceeds	19,404	0	0	0	0
Net Benefit of Refunding Bonds	0	0	0	0	164,178
Proceeds of Sale of Capital Assets	9,554	21,644	77,130	17,926	68,109
Net Operating Transfers	<u>(553,398)</u>	<u>(12,972,431)</u>	<u>(10,480,078)</u>	<u>(255,728)</u>	<u>(9,601,403)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	2,104,365	(9,522,052)	1,329,476	11,303,412	(1,625,858)
Fund Balance Prior Year (net of correction)	<u>12,921,078</u>	<u>22,443,130</u>	<u>21,113,654</u>	<u>9,810,242</u>	<u>11,436,100</u>
ENDING FUND BALANCE	<u>\$ 15,025,443</u>	<u>\$ 12,921,078</u>	<u>\$ 22,443,130</u>	<u>\$ 21,113,654</u>	<u>\$ 9,810,242</u>

Source: Comprehensive Annual Financial Reports for Fiscal Years 2005-2009.

**GENERAL FUND
STATEMENT OF BUDGET AND ACTUAL OPERATIONS
(NON GAAP BASIS)**

	FY 10 ESTIMATED (UNAUDITED)	FY 10 BUDGET (ADOPTED)	FY 11 BUDGET (ADOPTED)
Revenue:			
Real and Personal Property, Net	\$ 57,967,128	\$ 59,326,899	\$ 59,934,809
Income Taxes	29,647,125	36,033,311	32,980,024
Other Local Taxes	3,043,253	3,629,614	3,245,000
Licenses and Permits	863,782	775,000	767,165
Intergovernmental	2,669,998	1,838,908	1,834,854
Charges for Current Service	1,789,596	1,688,383	1,650,573
Interest	62,808	450,000	227,181
Rents	17,511	20,000	15,000
Miscellaneous	195,219	115,233	143,508
Total Revenue	97,488,118	103,877,348	101,798,114
Total Transfers/Other Sources	1,576,202	6,171,608	8,496,427
Total Revenues and Transfers	99,064,320	110,048,956	109,294,541
EXPENDITURES			
General Government	9,733,264	10,194,858	10,705,253
Public Safety	21,950,972	22,278,618	21,915,637
Public Works	3,392,177	3,668,171	3,664,895
Public Health	1,843,068	1,893,554	1,866,559
Social Services	1,942,842	2,286,109	1,988,289
Education	49,273,036	50,025,906	49,691,877
Recreation & Parks	2,646,665	2,785,990	2,613,876
Transfer to Library	1,424,078	1,458,431	1,423,851
Conservation of Natural Resources	544,016	590,514	591,121
Economic & Community Development	1,445,894	1,791,069	1,710,272
Debt Service	8,103,808	7,732,209	11,067,516
Intergovernmental	283,832	228,686	228,686
Insurance & Local Allocations	883,648	533,909	1,569,254
Reversions	-	-	(610,000)
Contingency	83,786	65,280	50,865
Transfers to Other Funds	5,706,763	4,470,652	943,055
Other Allocations	-	45,000	-
Total Expenditures and Transfers	109,257,849	110,048,956	109,294,541
Surplus (Deficit)	\$ (10,139,529)	\$ 0	\$ 0

Source: Fiscal Year 2010 and 2011 Budget and Queen Anne's County Finance Department.

**Capital Budget Summary – General Capital Fund
FY 2010-2015**

GENERAL CAPITAL BUDGET SUMMARY							
	FY 10	FY 11	FY 12	FY13	FY14	FY15	TOTAL
RESOURCES							
BEGINNING FUND BALANCE AVAILABLE	\$3,722,367	\$622,667	\$112,367	\$282,367	\$915,084	\$1,427,398	
TRANSFER FROM GEN FUND	700,000	750,000	750,000	1,000,000	1,000,000	1,000,000	5,200,000
TRANSFER TAX	800,000	800,000	1,000,000	1,000,000	1,000,000	1,200,000	5,800,000
GRANTS	13,798,574	11,390,825	13,165,825	23,427,723	6,480,000	510,000	68,772,947
BONDS	16,080,251	21,540,000	28,966,429	22,755,419	3,050,000	257,103	92,649,202
GENERAL OPERATING FUNDS	795,917	1,258,760	1,011,891	927,749	925,805	918,127	5,838,249
OTHER SOURCES	433,626	602,500	148,400	355,000	188,400	100,000	1,827,926
TOTAL GENERAL RESOURCES	<u>36,330,735</u>	<u>36,964,752</u>	<u>45,154,912</u>	<u>49,748,258</u>	<u>13,559,289</u>	<u>5,412,628</u>	<u>180,088,324</u>
EXPENDITURES							
OUTSIDE AGENCIES AND OTHER	290,000	195,000	445,000	395,000	6,145,000	-	7,470,000
GENERAL SERVICES	1,391,000	10,955,000	12,730,000	175,000	140,000	140,000	25,531,000
BOARD OF ELECTIONS	64,000	-	-	-	-	-	64,000
FINANCE OFFICE	46,000	53,000	-	-	-	-	99,000
SHERIFF	393,096	222,876	226,476	230,076	233,676	237,276	1,543,476
EMERGENCY SERVICES	297,396	967,376	3,054,190	6,435,246	352,329	466,851	11,573,388
DETENTION CENTER	52,000	16,000,000	15,000	50,000	-	-	16,117,000
PLANNING & ZONING	317,000	215,000	298,000	275,500	503,000	333,000	1,941,500
MIS	210,000	170,000	120,000	90,000	90,000	90,000	770,000
ANIMAL CONTROL	-	29,283	-	29,283	-	-	58,566
SOLID WASTE	128,626	354,000	319,000	384,000	299,000	204,000	1,688,626
LIBRARY SYSTEM	-	-	1,165,000	1,415,000	-	-	2,580,000
DPW ADMINISTRATION	-	-	-	-	-	-	-
AGING	219,250	249,250	689,250	835,250	690,000	355,000	3,038,000
BOARD OF EDUCATION	30,809,700	5,105,000	25,308,000	37,650,000	3,300,000	405,000	102,577,700
CHESAPEAKE COLLEGE	-	-	43,429	490,419	49,686	102,103	685,637
PARKS & RECREATION	1,490,000	2,336,600	459,200	378,400	329,200	545,000	5,538,400
PUBLIC HOUSING AUTHORITY	-	-	-	-	-	-	-
TOTAL EXPENDITURES	<u>35,708,068</u>	<u>36,852,385</u>	<u>44,872,545</u>	<u>48,833,174</u>	<u>12,131,891</u>	<u>2,878,230</u>	<u>81,276,293</u>
ENDING FUND BALANCE	<u>622,667</u>	<u>112,367</u>	<u>282,367</u>	<u>915,084</u>	<u>1,427,398</u>	<u>2,534,398</u>	<u>-</u>

Note: Fiscal Years 2011-2015 are presented for planning purposes only and are subject to change on an annual basis. While funding sources have been identified for these years, no monies have been appropriated at this time.

Talbot County, Maryland

Description of the County

Talbot County, located on Maryland's Eastern Shore, was visited by Captain John Smith in 1608 and settled by the English 50 years later. The County has a land area of 279 square miles and more than 600 miles of waterfront.

The County is predominately rural in character. In 2000 census, the population of the County was 33,812. The 1990 census showed a population of 30,549, an increase of 10.7% between 1990 and 2000. (See "DEMOGRAPHY AND ECONOMY - Population.") The County seat and principal city is Easton, with a 2000 population of 11,708.

Under home rule charter since 1973, the County is governed by the elected five-member County Council. The Council exercises the governmental powers, including the power to authorize the issuance of debt to finance capital projects, that are granted to charter counties by Article XI-A of the Maryland Constitution and Article 25A of the Annotated Code of Maryland (2005 Replacement Volume and 2009 Supplement). (See "Form of Government.") The Council is also empowered to authorize the issuance of short term debt such as bond anticipation notes.

The executive offices of the County are located at the County Courthouse, 11 North Washington Street, Easton, Maryland 21601. The County Council's office telephone number is (410) 770-8001.

Form of Government

Both the executive and legislative functions of the County are vested in the elected, five-member County Council. Council members are elected on a county-wide basis and serve four-year terms; the terms of the current members of the Council run to December 2010. The Council elects one Council member to serve as its President and one to serve as its Vice President.

As the result of a referendum held in November 1973, the County has adopted the Charter Home Rule form of government provided in Article XI-A of the Maryland Constitution and Article 25A of the Annotated Code of Maryland (2005 Replacement Volume and 2009 Supplement). Under this form of government, the Council has the authority to enact, amend, and repeal legislation relating to the incorporation, organization, and government, of the County, including laws authorizing the issuance and sale of bonds to finance capital projects for the County. Each member of the Council has one vote and, except for emergency bills, a simple majority of the Council is sufficient to enact any bill into law.

The County Manager, who is appointed by the Council, is the chief administrative officer of the County and is charged with the administration of all agencies of the County government. Under the Charter, the County Manager functions as Finance Officer, Budget Officer, Personnel Officer, Purchasing Agent, and Central Services Officer. As Finance Officer, he is responsible for keeping a system of accounts, controlling appropriations and allotments, preparing monthly and annual financial statements for the Council, auditing, prior to payment, any claims against the County of whatever kind, depositing, investing and having custody of all funds, prescribing accounting systems, preparing for bond sales and advising on debt management, administering tax sales, collecting and billing for all revenues and receipts due the County, and other functions prescribed by law. As Budget Officer, he is required to prepare and submit to the Council all County budgets in the manner prescribed by the Charter, and to study the organization, methods and procedures of each agency of the County government and submit to the Council periodic reports on their efficiency and economy.

Budget and Accounting

The formulation of the County's budget is the responsibility of the County Manager, who is subject to the supervision of the County Council.

The County budget consists of the current expense budget, the capital budget and capital program, and the budget message. It represents a complete financial plan for the County reflecting receipts and disbursements from all sources, including all revenue, all expenditures, and the surplus or deficit in the general and all special funds of the County government.

Revenues and Expenditures

The County's principal source of revenue is taxes, which constitute approximately 86 percent of total General Fund revenues. In 2009, 41 percent of total General Fund Revenues was from local income taxes. The second largest source of revenue is local property tax, which represented 36 percent of all General Fund revenue in fiscal year 2009.

During the five most recent fiscal years ended June 30, 2009, revenue from income taxes, as a percentage of total General Fund revenue, fluctuated between 41 percent and 29 percent. Ad valorem property taxes have fluctuated between 36 percent and 31 percent of total General Fund revenue over the same period. See "Financial Information - County Property Tax Limitation."

The table on the following page shows the various sources of revenue for the five most recent fiscal years ended June 30:

TALBOT COUNTY, MARYLAND GENERAL FUND SUMMARY OF REVENUES

	2009	2008	2007	2006	2005
Taxes					
Local Property.....	\$27,436,368	\$26,371,828	\$25,051,218	\$23,824,569	\$22,509,555
Local Income Tax.....	31,635,555	31,626,307	28,794,974	23,825,934	19,492,772
Local Other.....	7,097,837	9,949,967	12,002,501	13,647,096	13,681,174
State Shared (1).....	0	0	3,273,376	3,263,627	2,661,716
Licenses & Permits.....	517,588	665,413	678,461	784,871	675,383
Intergovernmental Revenues.....	5,939,925	7,498,96	5,252,842	2,299,491	3,137,409
Service Charges.....	2,336,814	2,220,939	2,035,151	1,918,108	1,965,982
Miscellaneous.....	2,317,463	2,945,769	3,101,960	1,939,467	1,003,127
Total Revenues.....	\$77,281,550	\$81,278,719	\$80,190,483	\$71,503,163	\$65,127,118
RATES					
Local Property.....	\$0.449	\$0.475	\$0.50	\$0.52	\$0.54
Local Income Tax—(Calendar Year).....	2.25%	2.25%	2.25%	2.25%	2.25%

(1) In fiscal years 2008 and 2009, State Shared Taxes in the form of Highway User Revenue is included in the Intergovernmental Revenues.
Note: Local Income Tax rates are now shown as a percentage of taxable income.

Property Taxes and Assessments

The assessment of all real and tangible personal property for purposes of property taxation by the County is the sole responsibility of the State Department of Assessments and Taxation, an independent State agency.

Starting in fiscal year 2002, real property assessments are based on full cash value. Prior to 2002, assessments were made at 40% of full cash value. All real property is physically inspected once every three years and any increase in full cash value arising from such inspection is phased in over the ensuing three taxable years in equal annual installments.

The County does not currently levy any tax on commercial and manufacturing inventory or tangible personal property.

County Property Tax Limitation

On November 5, 1996, Article VI, Section 614 of the Charter, entitled "Tax Levy and Balanced Budget," was amended to read as follows:

"When the county budget is finally established by the Annual Budget and Appropriation Ordinance, the Council shall thereupon levy and cause to be raised the amount of taxes required by the current expense budget and the current portion of the capital budget in the manner provided by law so that the budget is balanced as to proposed income and expenditures.

Notwithstanding any other provisions of this Article of the Charter, from and after July 1, 1997, revenues derived from taxes on properties existing on the county real property tax rolls at the commencement of the County fiscal year shall not increase, compared with the previous year, by more than two percent, or by the Consumer Price Index for all urban customers (CPI-U) percentage of change for the latest calendar year, determined by the U.S. Department of Labor, whichever is lesser."

Tax Levies and Collections

County taxes are due and payable as of July 1 of each fiscal year. Such taxes become delinquent on October 1 in the fiscal year of billing. Delinquent taxes are satisfied, after prior notice of delinquency, at tax sales conducted by the County in June of each year. Beginning October 1, interest (at the rate of $\frac{2}{3}$ of 1% per month) is charged for each month or fraction thereof that taxes remain unpaid for the current year plus a $\frac{5}{6}$ of 1% monthly penalty for all unpaid County real property taxes due in that levy year.

The following table sets forth certain information with respect to the County's tax levies and tax collections for each of the five most recent fiscal years ended June 30.

TALBOT COUNTY, MARYLAND PROPERTY TAX LEVIES AND COLLECTIONS

Fiscal Year	Total Tax Levy	Current Year Taxes Collected in Year of Levy	Percent of Levy Collected During Year	Total Taxes Collected (Current and Delinquent)	% of Total Taxes Collected to Total Tax Levy	Accumulated Delinquent Taxes	Accumulated Delinquent Taxes as % of Current Year Tax Levy
2009.....	\$26,854,677	26,898,002	100.16%	\$26,837,144	99.93%	84,856	0.32%
2008.....	25,789,640	25,775,727	99.95%	25,778,320	99.96%	23,998	0.09%
2007.....	24,484,233	24,452,320	99.87%	24,447,669	99.85%	26,591	0.11%
2006.....	23,255,337	23,233,397	99.91%	23,232,622	99.90%	21,940	0.09%
2005.....	21,921,706	21,889,134	99.85%	21,888,446	99.85%	32,572	0.15%
2004.....	20,578,116	20,555,632	99.88%	20,544,580	99.84%	24,484	0.12%
2003.....	19,505,902	19,462,848	99.78%	19,460,641	99.77%	43,054	0.22%
2002.....	18,660,305	18,630,613	99.84%	18,658,671	99.99%	29,975	0.16%

The table for fiscal year 2009 indicates the 10 largest commercial taxpayers in the County and gives the assessed valuation of their property.

**TALBOT COUNTY, MARYLAND
LARGEST COMMERCIAL TAXPAYERS
2009 FISCAL YEAR**

<u>Name</u>	<u>Assessed Value</u>	<u>% Of Total Taxable Levy</u>
Retirement Comm. Of Easton, Inc.....	\$22,315,466	0.26%
Perry Cabin Acquisitions Corp.....	19,421,566	0.22%
Eastern Shore Retirement Association.....	13,749,200	0.16%
Easton Shoppes Business Trust.....	13,427,800	0.15%
Lowe's Home Centers, Inc.....	11,587,900	0.13%
Remco Properties, LLC.....	11,049,200	0.13%
Individual.....	10,825,866	0.12%
Wal Mart Stores, Inc. #1715.....	8,683,600	0.10%
Target Corporation.....	8,560,000	0.10%
Individual.....	8,195,960	0.09%
Total-10 Largest Taxpayers.....	\$127,816,558	1.47%

Source: Talbot County Finance Office

Property Tax Credit Programs

In 1990, the State of Maryland enacted legislation requiring counties to establish, for County purposes, a limit on the increase in taxable assessments of owner-occupied dwellings (principal residences). On an annual basis, each County must adopt a "homestead credit percentage" between 0 and 10% for purposes of local property taxation. For the taxable year beginning July 1, 2001, the County Council has established a Homestead Tax Credit percentage which limits the taxable assessment increase for owner-occupied dwellings to 0% over the taxable assessment of the prior year. This credit reduced the County's taxable assessments by \$ _____ in fiscal year 2009, resulting in a property tax reduction of \$ _____.

The State of Maryland also administers a tax credit program based on the ability of homeowners to pay property taxes. The program is available to all homeowners regardless of age for taxes on a principal residence. The tax credit amount is calculated based upon the amount by which state, county and municipal property taxes exceed a fixed percentage of the household income. In fiscal year 2009, Talbot County residents have received credits totaling \$80,453 under this program.

Income Taxes

The State imposes an income tax on the adjusted gross income of individuals as determined for Federal income tax purposes, subject to certain adjustments. Beginning January 1, 2009 the State income tax rates are as follows:

Taxpayers Filing Joint, Surviving Spouse or Head of Household Returns		All Other Individual Taxpayers	
<u>Taxable Income</u>	<u>Tax Rate</u>	<u>Taxable Income</u>	<u>Tax Rate</u>
\$1-\$1,000	2.00%	\$1-\$1,000	2.00%
\$1,001-\$2,000	3.00%	\$1,001-\$2,000	3.00%
\$2,001-\$3,000	4.00%	\$2,001-\$3,000	4.00%
\$3,001-\$200,000	4.75%	\$3,001-\$150,000	4.75%
\$200,001-\$350,000	5.00%	\$150,001-\$300,000	5.00%
\$350,001-\$500,000	5.25%	\$300,001-\$500,000	5.25%
\$500,000-\$ million	5.50%	\$500,000-\$1 million	5.50%
In excess of \$1 million	6.25%	In excess of \$1 million	6.25%

Pursuant to State laws, each county and Baltimore City may levy a local income tax at the rate of at least 2% but not more than 6% on the State taxable income of individuals domiciled in their respective jurisdictions. The County currently levies a local income tax pursuant to the State law at the rate of 2.25% on the State taxable income of individuals domiciled in the County. The County does not levy a local income tax on corporations.

Other Local Taxes

In addition to general property taxes and income taxes, the County is authorized to levy and collect other miscellaneous taxes, the largest of which are the transfer and recordation taxes on instruments conveying title to property and securing debt. Revenues from these taxes in the fiscal year ended 2009 were \$2,958,214 and \$3,016,205, respectively. The County also receives revenues from taxes levied on amusement admission charges, trailers and hotel/motel room rentals. Revenues from all these sources in the fiscal year ended 2009 were \$1,123,418.

State and Federal Assistance

During fiscal year 2009, the County received grants from the State of Maryland totaling \$5,939,925. Two of the largest single categorical sources were \$2,759,442 for Highway User Revenues and \$967,877 from 911 fees collected on all telephone lines in the County. Also included in this aggregate total were \$92,920 for police protection and \$217,072 for fire and rescue services.

During fiscal year 2009, the County received \$567,968 from the federal government for use as restricted grants. \$146,707 of this total was for homeland security and other emergency management programs.

General Fund

The chart below details the Summary of Revenues and Expenditures for Talbot County during the last five years.

**TALBOT COUNTY, MARYLAND
GENERAL FUND
SUMMARY OF REVENUES & EXPENDITURES**

	2009	2008	2007	2006	2005
Revenues					
Real Property taxes.....	\$27,436,368	\$26,371,828	\$25,051,218	\$23,824,569	\$22,509,555
Local Income taxes.....	31,635,555	31,626,307	28,794,974	23,825,934	19,492,772
Other local taxes.....	7,097,837	9,949,967	12,002,501	13,647,096	13,681,174
State shared taxes (1).....	0	0	3,273,376	3,263,627	2,661,716
Licenses & Permits.....	517,588	665,413	678,461	784,871	675,383
Intergovernmental.....	5,939,925	7,498,496	5,252,842	2,299,491	3,137,409
Service Charges.....	2,336,814	2,220,939	2,035,151	1,918,108	1,965,982
Miscellaneous.....	2,317,463	2,945,769	3,101,960	1,939,467	1,003,127
Total Revenues.....	\$77,281,550	\$81,278,719	\$80,190,483	\$71,503,163	\$65,127,118
Expenditures					
General Government.....	\$5,711,234	\$5,545,546	\$5,171,834	\$5,184,406	\$4,389,089
Public Safety.....	11,633,072	11,246,960	9,959,797	9,157,646	9,135,164
Public Works.....	3,821,235	4,040,458	4,339,455	4,284,492	3,416,808
Health and Hospitals.....	2,331,749	1,957,072	1,847,636	1,526,270	1,445,596
Social Services.....	925,062	852,015	799,645	703,201	586,076
Education.....	40,425,988	36,705,795	34,322,424	32,257,738	30,651,686
Recreation.....	963,286	2,004,489	2,397,890	413,905	427,372
Conservation of Natural Resources.....	313,771	274,430	295,659	244,923	210,248
Intergovernmental.....	750,180	860,442	860,102	701,132	544,538
Employee Benefits.....	2,926,325	2,644,213	2,748,331	2,579,628	2,303,921
Miscellaneous.....	122,362	233,696	94,132	209,365	58,960
Debt Service.....	416,808	419,229	418,483	419,130	416,207
Reserve for Contingencies....	228,661	157,807	135,445	66,850	363,013
Total Expenditures.....	\$70,569,733	\$66,942,152	\$63,390,833	\$57,748,504	\$53,948,678
Other Financing Sources (Uses)					
Bond Premium.....	\$0	\$307,130	\$0	\$0	\$0
Payments to refunding bond escrow agent.....	0	0	0	(138,711)	0
Transfers in (out).....	(7,183,962)	(14,353,174)	(8,097,925)	(8,824,543)	(2,594,975)
Total Other Financing Sources (Uses).....	\$(7,183,962)	\$(14,046,351)	\$(8,097,925)	\$(8,963,254)	\$(2,594,975)
Excess (Deficiency) of Revenues over Expenditures and Other Financing Uses.....	\$(472,145)	\$290,216	\$8,701,725	\$4,791,405	\$8,583,465

(1) In fiscal years 2008 and 2009, State shared taxes in the form of Highway User Revenues is included in Intergovernmental revenues.

The table below displays the General Fund Fiscal Year 2010 Budget, the Fiscal Year 2010 Estimated from the Fiscal Year 2011 Budget and the Fiscal Year 2011 Budget.

**Talbot County Maryland
General Fund
FY 2010 and 2011 Budgets**

	Budget 2010	Estimated 2010	Budget 2011
Revenues			
Property Tax	\$27,500,000	\$28,139,106	\$28,781,000
Income Tax	26,600,000	18,350,000	22,600,000
Other Local Taxes	5,252,000	7,030,000	7,488,000
Federal and State Grants	1,920,546	1,990,626	1,664,434
State Shared Taxes	710,161	78,161	78,161
Licenses and Permits	613,700	572,300	571,850
General Government	1,803,550	1,689,300	1,617,452
Public Safety	206,300	253,315	449,060
Recreation	104,500	79,000	91,300
Interest Income	1,800,000	1,350,000	1,800,000
Miscellaneous	1,098,500	1,099,000	163,500
Unexpended Funds from Prior Years	9,682,743	9,682,743	6,986,750
Total Revenues	\$77,772,000	\$70,313,551	\$72,316,750
Appropriations			
Education			
County Roads Maintenance			
Public Safety			
Health Services			
Judicial			
County Services			
General Government			
Reserve for Contingencies			
Transfer to Capital Fund			
Transfer to Recreation Fund			
Transfer to Pool Fund			
Transfer to Post-Employment Benefit Trust			
Impact Fee Reserves			
Total Appropriations			

Source: Fiscal Year 2011 Budget.

Other Post Employment Benefits

In June 2004, the Governmental Accounting Standards Board (GASB) issued its formal Statement No. 45 - *Accounting and Financial Reporting for Employers for Postemployment Benefits Other Than Pensions*. This Statement established requirements that standardize the methods used to account for non-pension post employment benefits, commonly referred to as "other post employment benefits" or "OPEB". In order to implement these changes, governments must quantify and recognize the cost of OPEB attributable to former and current employees. The County must implement this standard for its fiscal year beginning July 1, 2008.

The County and Board of Education had actuarial valuations performed for their plans as of July 1, 2008. The Talbot County Free Library performed its own valuation using the alternative measurement method provided for in GASB 45. The valuations were done to determine the funded status of the plans as well as the annual required contribution ("ARC") for the fiscal year ended June 30, 2009. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. As of June 30, 2009, the County's plan was zero percent funded. For fiscal year 2009, the County's employer contribution for retiree's benefits was \$216,362 for 31 eligible participants with 18 dependents/family members.

**APPENDIX B
OFFICIAL NOTICE OF SALE**

**MARYLAND ENVIRONMENTAL SERVICE
\$ ____ * REVENUE BONDS (MID-SHORE II REGIONAL LANDFILL PROJECT)
SERIES 2010**

Dated _____, 2010
DTC Book-Entry

Electronic proposals will be received via **Parity®** on behalf of the Maryland Environmental Service (the "Service") by the [Director] [Chief Financial Officer] of the Service, at _____ until 11:00 a.m. Prevailing Eastern Time on Tuesday, October 19, 2010 (the "Bid Date", unless postponed as described in this Notice of Sale) for the purchase of the above-referenced bonds (the "Bonds"), all dated the date of delivery, all bearing interest payable on May 1, 2011, and semiannually thereafter on November 1 and May 1 until maturity or earlier redemption, all issued under the provisions of Chapter 240 of the Laws of Maryland of 1970, as amended from time to time by the acts of the General Assembly of the State, codified at Sections 3-101 to 130, inclusive of the Natural Resources Article of the Annotated Code of Maryland, as amended (the "Act"), and in accordance with a Resolution adopted on September 27, 2010.

The Bonds will be subject to principal amortization either through serial maturities or mandatory sinking fund redemptions or a combination thereof (see "Serial and/or Term Bonds" below) on November 1 in the years and principal amounts set forth below (the "Preliminary Amounts"), subject to the provisions of "Adjustments to Principal Amounts" herein:

Revenue Bonds (Mid-Shore II Regional Landfill Project), Series 2010

<u>Maturing November 1</u>	<u>Principal Amount*</u>	<u>Maturing November 1</u>	<u>Principal Amount*</u>
2011	\$	2021	\$
2012		2022	
2013		2023	
2014		2024	
2015		2025	
2016		2026	
2017		2027	
2018		2028	
2019		2029	
2020		2030	

*Preliminary; subject to change

Bank of New York Mellon, West Patterson, New Jersey, will act as the Trustee and Registrar for the Bonds.

Purpose of Issue

The Bonds are to be issued to provide a portion of the financing for the remaining costs of the Mid-Shore II Regional Landfill project, to fund capitalized interest and to refund and to pay the Note, as described in the Preliminary Official Statement, subject to "Adjustments to Principal Amount" below.

Serial Bonds and/or Term Bonds

Bidders may designate in their proposal two or more consecutive principal amounts shown in the amortization schedule above as a term bond, which matures on the maturity date of the last included principal amount of the sequence. More than one such sequence of principal amounts may be designated as term bonds. Any term bond so designated shall be subject to mandatory redemption in each year on the principal payment date and in the entire amount of each serial maturity designated for inclusion in such term bond.

Adjustments to Principal Amounts

Pre-sale, the Service reserves the right to change the maturity schedule for the Bonds from time to time up until 9:30 a.m., Prevailing Eastern Time, by changing the aggregate principal amount of the Bonds and/or the principal amount of one or more of the maturities of the Bonds. Should a revision to the aggregate principal amount of the Bonds and the revised principal amount of each maturity (collectively, the "Revised Amounts") occur, such revision will be published on TM3 not later than 9:30 a.m., Prevailing Eastern Time, on the date of sale. In the event that no revisions are made or that such revisions are not published on TM3 before 9:30 a.m., Prevailing Eastern 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.

Bid Specifications

Each proposal must be submitted electronically as described below. No bid of less than 100% of the aggregate principal amount of the Bonds, no oral or written bid and no bid for less than all of the Bonds described in this Notice of Sale will be considered by the Service.

The right is reserved to waive any irregularity or informality in any proposal and to reject any or all proposals. The judgment of the [Director] [Chief Financial Officer] of the Service shall be final and binding upon all bidders with respect to the form and adequacy of any proposal received and as to its conformity to the terms of this Notice of Sale.

Each bidder shall submit one proposal on an "all or none" basis for the Bonds. Each proposal must specify the amount bid for the Bonds (not less than 100% of the aggregate principal amount of the Bonds) and must specify in multiples of one-eighth ($\frac{1}{8}$) or one-twentieth ($\frac{1}{20}$) of one percent (1%) the rate or rates of interest per annum which the Bonds are to bear but shall not specify (a) more than one interest rate for any Bonds having the same maturity, (b) a zero rate of interest, or (c) for maturities November 1, 2021 through November 1, 2030, inclusive, no interest rate may be bid that is lower than the interest rate in the immediately preceding year.

Electronic Bids Only

Bid proposals must be submitted by electronic bidding via **Parity®**, in the manner described below, and must be received by 11:00 a.m., Prevailing Eastern Time, on the Bid Date. 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 of Sale, the terms of this Notice of Sale shall control. For further information about **Parity®**, potential bidders may contact **Parity®** at (212) 849-5021.

Disclaimer

Each prospective electronic bidder shall be solely responsible to submit its bid via **Parity®** as described above. Each prospective electronic bidder shall be solely responsible to make necessary arrangements to access **Parity®** for the purpose of submitting its bid in a timely manner and in compliance with the requirements of this Notice of Sale. Neither the Service nor **Parity®** shall have any duty or obligation to provide or assure access to **Parity®** to any prospective bidder, and neither the Service nor **Parity®** shall be responsible for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by **Parity®**. The Service is using **Parity®** as a communication mechanism, and not as the Service's agent, to conduct the electronic bidding for the Bonds. The Service 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 parameters specified in this Notice of Sale. All costs and expenses incurred by prospective bidders in connection with their submission of bids via **Parity®** are the sole responsibility of the bidders; and the Service 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, such bidder should telephone **Parity®** at (212) 849-5021 and notify the Service's financial advisor, Public Advisory Consultants, Inc. by facsimile at (410) 581-9808 and by telephone at (410) 581-4820.

Electronic Bidding Procedures

Electronic bids must be submitted for the purchase of the Bonds via **Parity®**. Bids will be communicated electronically to the Service at 11:00 a.m., Prevailing Eastern Time, on October 19, 2010 (or such later Bid Date as announced in accordance with this Notice of Sale). 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 Service, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. The Service shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, **Parity®**, the use of such facilities being the sole risk of the prospective bidder. For purposes of the electronic bidding process, the time as maintained on **Parity®** shall constitute the Prevailing Eastern Time.

If any provision of this Notice of Sale shall conflict with the information provided by **BiDCOMP®/ Parity®** as the approved provider of electronic bidding services, this Notice of Sale shall control.

Basis of Award

Proposals will be opened promptly after 11:00 a.m. Prevailing Eastern Time, on the Bid Date. The successful bidder(s) will be determined based on the lowest interest cost to the Service. The lowest interest cost shall be determined in accordance with the true interest cost ("TIC") method by doubling the semiannual interest rate (compounded semi-annually) necessary to discount the debt service payments from the payment dates to the date of the Bonds and to the price bid. If two or more bidders offer to purchase the Bonds at the same lowest interest cost, then such award will be made to the bidder offering the highest purchase price. If two or more bidders offer to purchase the Bonds at the same lowest interest cost, with the same purchase price, the Service shall have the right to award all of the Bonds to one bidder.

Good Faith Deposit

After receipt of bids is closed and prior to the award, the apparent successful bidder indicated on PARITY must submit a good faith deposit of \$_____ to the Service by wire transfer as instructed by the Service or its financial advisor. The award to the apparent successful bidder is contingent upon receipt of the good faith deposit, and the Bonds will not be awarded to such Bidder until the Service has confirmation of receipt of the good faith deposit. No interest will be allowed on any good faith deposit. In the event the successful bidder shall fail to comply with the terms of its bid, the good faith deposit may be retained as and for full liquidated damages.

Security

Neither the State of Maryland, nor any political subdivision thereof, nor the Service shall be obligated to pay the Bonds or the interest thereon except from the Revenues, and neither the faith and credit nor the taxing power of the State of Maryland, nor any political subdivision thereof is pledged the payment of the principal of or the interest on the Bonds.

Book-Entry Only

The Bonds will be issued by means of a book-entry system with no physical distribution of bond certificates made to the public. One bond certificate for each maturity will be issued to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), and immobilized in DTC's custody or in the custody of the Bond Registrar and Paying Agent. The book-entry system will evidence ownership of the Bonds in the principal amount of \$5,000 and integral multiples thereof, with transfers of ownership interest of each actual purchaser of a Bond effected on the records of DTC and its participants. The successful bidder, as a condition to delivery of the Bonds, shall be required to deposit the bond certificates with DTC or with the Trustee and Registrar to be held under DTC's "FAST" system, registered in the name of Cede & Co., DTC's nominee. All fees due DTC shall be paid by the successful bidder.

Principal will be paid to Cede & Co., nominee of DTC, as registered owner of the Bonds at the designated corporate trust office of the Trustee and Registrar, on the date such principal is payable upon presentment and surrender of the Bonds. Interest on the Bonds is payable on May 1, 2011, and semiannually thereafter on November 1 and May 1 of each year to Cede & Co., nominee of DTC as the registered owner of the Bonds.

Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC, and transfer of principal and interest payments to beneficial owners of the Bonds by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The Service will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

DTC may determine not to continue to act as securities depository for the Bonds at any time by giving notice to the Service. The Service may determine to select a different securities depository or the Service may determine not to continue the book-entry system. If the Service does not identify another qualified securities depository to replace DTC, the Service will deliver replacement bonds in the form of fully-registered certificates.

Optional Redemption

Bonds that mature on or before November 1, 2020, are not subject to optional redemption prior to their maturities. Bonds which mature on or after November 1, 2021, are subject to optional redemption commencing on November 1, 2020, as a whole at any time or in part on any interest

payment date, at the option of the Service, without premium plus accrued interest thereon to the date fixed for redemption.

Legal Opinion

The Bonds will be issued and sold subject to approval as to legality by Kutak Rock LLP, Washington, DC, bond counsel. The approving opinion of Kutak Rock LLP. will be delivered, upon request, to the successful bidder for the Bonds, without charge, and the text of the approving opinion will also be printed on, or attached to, each Bond.

Undertakings of the Successful Bidder

Upon award of the Bonds, the successful bidder shall advise the Service of the initial reoffering prices to the public of each maturity of the Bonds. Simultaneously with or before delivery of the Bonds, the successful bidder shall furnish to the Service a certificate in form and substance acceptable to bond counsel (a) certifying that a bona fide offering of the Bonds has been made to the public (excluding bond houses, brokers, and other intermediaries), and (b) stating the prices at which a substantial portion of each maturity of the Bonds were sold to the public (excluding bond houses, brokers, and other intermediaries).

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print any 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.

Official Statement

Within seven business days after the award of the Bonds to the successful bidder thereof on the date of sale, the Service will authorize its Official Statement, which is expected to be substantially in the form of the Preliminary Official Statement referred to below. The Preliminary Official Statement has been deemed final by the Service for the purpose of Rule 15c2-12 of the Securities and Exchange Commission, subject to revision, amendment and completion in a final Official Statement. The Service will also issue any supplement or amendment to the Official Statement that may be necessary between the date of the Official Statement and the date of delivery of the Bonds. If requested and furnished to the Service in writing by the successful bidder at or before the close of business on the day of sale, the Service will include in the Official Statement such pricing and other information relating to the reoffering of the Bonds, if any, as may be so furnished. If the successful bidder furnishes no such information, the Official Statement will include the interest rates on the Bonds resulting from the proposal of the successful bidder and the other statements with respect to reoffering contained in the Preliminary Official Statement. Whether or not any such information is included in the Official Statement, the successful bidder shall be responsible to the Service and its officials in all respects for the accuracy, fairness and completeness of such information, and for all decisions made with respect to the use or omission of such information in any reoffering of the Bonds, including the presentation or exclusion of any such information in any documents, including the Official Statement. Within seven business days after the award of the Bonds, the successful bidder will also be furnished, without cost, up to 150 copies of the Official Statement (and any amendment or supplement thereto, except to the extent any such amendment or supplement is required due to a change in the reoffering information provided by the successful bidder).

Continuing Disclosure

In order to assist the successful bidder in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"), the Service and each County will undertake, pursuant to a continuing disclosure agreement, to provide certain information annually and notices

of certain events. [A description of these agreements and the form of Continuing Disclosure Agreement of the Service is included in the Preliminary Official Statement as Appendix ___.]

It shall be a condition to the obligation of the successful bidder to accept delivery and pay for the Bonds that, simultaneously with or before delivery of and payment for the Bonds, said successful bidder shall be furnished, without cost, with the continuing disclosure agreement of the Service dated as of the date of delivery of the Bonds, pursuant to which the Service undertakes to provide continuing disclosure as required by the Rule.

Delivery of the Bonds

Delivery of the Bonds will be made to the successful bidder through the facilities of DTC on or about November 4, 2010. Payment for the Bonds shall be made in immediately available funds.

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 the successful bidder to accept delivery of and pay for the Bonds that, simultaneously with or before delivery and payment for the Bonds, said successful bidder shall be furnished a certificate of the President of the Board to the effect that, to the best of his knowledge and belief, the Official Statement (and any amendment or supplement thereto) (except for the reoffering information and except as to 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 Service, except as reflected or contemplated in the Official Statement.

Amendment and Postponement

The Service reserves the right to modify or amend this Notice of Sale prior to the date of sale including, but not limited to, adjusting and changing the principal amount of Bonds being offered; however, such modifications or amendments shall be made not later than 9:30 a.m. Prevailing Eastern Time on the date of the sale, and communicated through TM3.

The Service reserves the right to postpone, from time to time, the date established for the receipt of bids. Any such postponement will be communicated through TM3. 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 24 hours prior to such alternative sale date. In addition, the Service reserves the right, on the date established for the receipt of bids, to reject all bids and establish a subsequent date on which bids will again be received. If all bids are rejected and a subsequent date for receipt of bids established, notice of the subsequent sale date will be announced via TM3 at least 24 hours prior to such subsequent sale date. On any such alternative or subsequent sale date, any bidder may submit a proposal for the purchase of the Bonds in conformity in all respects with this official Notice of Sale except for the date of sale and except for the changes announced by TM3 at the time the alternative or subsequent sale date and time are announced.

Any proposal submitted shall be made in accordance with this Notice of Sale, including any modifications, amendments or changes communicated via TM3 in accordance with the provisions of this Notice of Sale.

Additional Information

The Preliminary Official Statement dated October __, 2010, together with this Notice of Sale, will be supplied to prospective bidders upon request made in writing to the Service's financial advisor, Public Advisory Consultants, Incorporated, 25 Crossroads Drive, Suite 402, Owings Mills, Maryland 21117, or by telephone, (410) 581-4820 or by facsimile transmission, (410) 581-9808 or by email, pac@paconsults.com.

MARYLAND ENVIRONMENTAL SERVICE

By: _____

James M. Harkins, Director

PROPOSAL FOR MARYLAND ENVIRONMENTAL SERVICE REVENUE BONDS (MID-SHORE II REGIONAL LANDFILL PROJECT), SERIES 2010

[Director] [Chief Financial Officer] of the Maryland Environmental Service
259 Najoles Road
Millersville, MD 21108-2515

Dear Sir:

Subject to the provisions and in accordance with the terms of the official Notice of Sale which is incorporated by reference herein and made a part of this Proposal for Bonds, we offer to purchase the revenue bonds of the Maryland Environmental Service described in such Notice of Sale, being \$ _____ * Maryland Environmental Service Revenue Bonds (Mid-Shore II Regional Landfill Project), Series 2010, such bonds to be dated the date of delivery and to mature November 1 in the several years shown in the table below (subject to prior redemption as provided in such Notice of Sale), and to bear interest at the rates per annum set opposite such years, respectively.

The referenced bonds will be subject to principal amortization either through serial maturities or mandatory sinking fund redemptions or a combination thereof (see "Serial and/or Term Bonds" in the official Notice of Sale) on November 1 in the years and principal amounts set forth below:

Revenue Bonds (Mid-Shore II Regional Landfill Project), Series 2010

MATURITIES AND PRINCIPAL AMOUNTS

<u>Maturing November 1</u>	<u>Principal Amount*</u>	<u>Maturing November 1</u>	<u>Principal Amount*</u>
2011		2021	
2012		2022	
2013		2023	
2014		2024	
2015		2025	
2016		2026	
2017		2027	
2018		2028	
2019		2029	
2020		2030	

*Subject to adjustment as described in the official Notice of Sale.

We hereby designate that the following bonds be aggregated into Term Bonds maturing on November 1 of the following year(s) (leave blank if none specified):

<u>Years Aggregated</u>	<u>Maturity Year</u>
_____ through _____	_____
_____ through _____	_____

We will pay an amount equal to the par value of the bonds
plus a premium (if any) in the amount of.....
making a total sum of.....

We will accept delivery in accordance with the Notice of Sale.

We understand that, if we are the successful bidder, at the time the above-described bonds are awarded we will be required to advise the Service of the initial reoffering prices (as described in the official Notice of Sale) for each maturity of such bonds. In this regard, you may communicate with and rely on the information provided by _____, whose telephone number (including area code) is _____.

By: _____
[(See List Attached)]

No addition or alteration, except as provided above and in the official Notice of Sale, is to be made to this Proposal.

The following information is not a part of this Proposal and the omission or inaccuracy of this information will not affect the validity of this Proposal.

The interest cost of this Proposal as determined by the TIC method is _____%.

The aggregate interest to be paid on the bonds from their dated date to their maturity is \$ _____.

Public Advisory Consultants, Inc.'s contact information is (410) 581-4820 (voice) and (410) 581- 9808 facsimile).

APPENDIX C
PROPOSED FORM OF OPINION OF BOND COUNSEL

[Form of Approving Opinion]

November __, 2010

Maryland Environmental Service
259 Najoles Road
Millersville, MD 21108-2515

Ladies and Gentlemen:

In connection with the issuance of \$ _____ Maryland Environmental Service Revenue Bonds (Mid-Shore II Regional Landfill Project), Series 2010, dated as of _____, 2010 (the "Bonds"), as special obligations of the Maryland Environmental Service (the "Service"), we have examined:

- (i) Sections 3-101 through 3-130, inclusive, of the Natural Resources Article of the Annotated Code of Maryland, as amended (the "Act");
- (ii) the Indenture of Trust dated as of October 1, 2010 (the "Indenture"), by and between the Service and The Bank of New York Mellon, as Trustee (the "Trustee");
- (iii) an executed and authenticated Bond;
- (iv) relevant provisions of the Constitution and laws of the State of Maryland;
- (v) relevant provisions of the Internal Revenue Code of 1986, as amended (the "Code");
- (vi) such other opinions, documents, certificates and letters as we deem relevant and necessary in rendering this opinion.

The terms of the Bonds are contained in the Indenture and the Bonds. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Indenture.

In rendering our opinion, we have assumed (i) the corporate power and authority of the Trustee to authorize, execute and deliver the Indenture and to perform its obligations thereunder and (ii) the due authorization, execution and delivery by the Trustee of the Indenture. We have made no independent investigation of, and are rendering no opinion regarding, the title to real or personal property.

Based upon the foregoing, it is our opinion that:

- (a) The Service is a validly created and existing body politic and corporate and

public instrumentality of the State of Maryland.

(b) The Indenture has been duly authorized, executed and delivered by the Service and constitutes the valid and binding obligation of the Service.

(c) The Service is duly authorized and entitled to issue the Bonds. Bonds executed and authenticated as provided in the Indenture have been duly and validly issued and constitute valid and binding special obligations of the Service, payable solely from Revenues and other amounts pledged to such payment under the Indenture. The Bonds and any Additional Bonds issued within the limitations and provisions of the Indenture are equally and ratably secured by the Indenture to the extent provided therein.

(d) The Indenture and the Bonds are subject to bankruptcy, insolvency, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors' rights and to general principles of equity.

(e) By the terms of the Act, the Bonds do not constitute a debt or a pledge of the faith and credit of the State of Maryland or of any political subdivision thereof. Neither the State of Maryland and any political subdivision thereof nor the Service shall be obligated to pay the Bonds or the interest thereon except from the Revenues and other amounts pledged to the payment of the Bonds under the Indenture. Neither the faith and credit nor the taxing power of the State of Maryland or of any political subdivision thereof is pledged to the payment of the principal of or the interest on the Bonds.

(f) By the terms of the Act, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized in the sale or exchange thereof, at all times shall be exempt from taxation of every kind and nature whatsoever by the State of Maryland or by any of its political subdivisions, municipal corporations, or public units of any kind. No opinion is expressed as to estate or inheritance taxes or the Maryland franchise tax or any other taxes not levied or assessed directly on the Bonds, their transfer, or the income therefrom.

(g) Interest on the Bonds will be excludable from gross income for Federal income tax purposes under existing statutes, regulations and decisions. It is noted that under the provisions of the Code, there are certain restrictions that must be met subsequent to the delivery of the Bonds, including restrictions that must be complied with throughout the term of the Bonds in order that the interest thereon be excludable from gross income. These include: (i) a requirement that certain investment earnings received from the investment of the proceeds of the Bonds be rebated to the United States of America under some circumstances (or that certain payments in lieu of rebate be made); (ii) other requirements applicable to the investment of the proceeds of the Bonds; and (iii) other requirements applicable to the use of the proceeds of the Bonds and the facilities financed with the proceeds of the Bonds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Bonds in gross income for Federal income tax purposes, effective from the date of their issuance. The Service has covenanted to regulate the investment of the proceeds of the Bonds and to take such other actions as may be required to maintain the excludability from gross income for Federal income tax purposes of interest on the Bonds.

(h) Interest on the Bonds is not included in alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other

specific adjustment, and interest on the Bonds is not included in "adjusted current earnings" for purposes of computing alternative minimum tax applicable to corporations.

Very truly yours,

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE SERVICE AGREEMENTS AND SERVICE AGREEMENT DEFINITIONS

The following is a brief summary of certain provisions of the Service Agreements, and such summary is qualified in its entirety by reference to the Service Agreements. Words and terms used in this summary shall have the same meanings as in the Service Agreements, except where otherwise noted.

Delivery and Acceptance of Waste. §2.1.

Beginning on the Commercial Operations Date and throughout the term of the Agreement, but subject to the provisions of this section and of Sections 2.11, 2.12 and 2.13, the County shall deliver or cause to be delivered to the Service all Acceptable Waste generated within the County other than Acceptable Waste which is removed from the waste stream for recycling purposes in accordance with the provisions of the Agreement and without cost to the Service, provided, however that so long as the County pays its Proportionate Share of the Supplemental Fee the failure to deliver all such Acceptable Waste to the Service shall not constitute or give rise to a breach of the Agreement or an Event of Default under the Agreement by the County. The Service shall accept all such Acceptable Waste from the County.

On and after the Commercial Operations Date, all deliveries shall be made to the Mid-Shore II Landfill unless the Service notifies the County that the Mid-Shore II Landfill is not capable of accepting deliveries of waste; in which event the Service shall direct that waste be delivered to the Disposal Site designated by the Service. In no event will use by the Service of Disposal Sites other than the Mid-Shore II Landfill constitute or give rise to a breach of the Agreement or an Event of Default under the Agreement by the Service.

Commencement of Operations; Subcontracting. §2.2.

The Service's current estimate (which is non-binding) of the approximate Commercial Operations Date is January 1, 2011. The Service shall notify the County quarterly, during each January, April, July and October, of any change in such estimate of the Commercial Operations Date which results in a cumulative deviation of more than 30 days from the estimate most recently given to the County. The Service shall give the County at least seven days' prior notice of the date expected to be the actual Commercial Operations Date.

The Service may subcontract all or a portion of its obligations under the Agreement to any entity which in the judgment of the Service is qualified to operate a particular Disposal Site or to provide the subcontracted services, but only (i) with the prior written consent of the Mid-Shore Counties, which consent shall not be unreasonably withheld and (ii) upon receipt of a certificate from the Independent Engineer that the proposed subcontractor is qualified to perform the subcontracted obligation; provided, however, that no such subcontract shall relieve the Service from its obligations under the Agreement.

Emergency Operation. §2.4.

In the event that, due to a natural disaster or other emergency condition, there is delivered to the Service Acceptable Waste in quantities substantially in excess of those normally delivered during such season, the Service shall use reasonable efforts to accommodate the additional service demands; provided, however, that the Service's determination as to its methods of operation and its ability to provide all such solid waste disposal services as demanded on a timely basis shall be final. Payment for any such extraordinary operation to accept Acceptable Waste in quantities in excess of usual amounts shall be made as provided in Section 5.2(a). Additional charges for deliveries under Section 2.4 of Acceptable Waste at hours other than the Receiving Hours shall be payable by the County as provided in Section 5.5.

Repairs and Maintenance. §2.6.

Except as otherwise provided in the Service Agreements, the Service shall maintain the Mid-Shore II Landfill and any Alternative Sites in good condition, including necessary repairs and replacement, consistent with normal and accepted solid waste handling practices. The Service shall maintain the safety of the Mid-Shore II Landfill and any Alternative Sites at a level consistent with Applicable Law. The Service shall maintain all of the facilities, buildings, grounds, equipment, and systems used to provide solid waste disposal services under the Agreement, in good repair and in a neat and orderly condition to protect them against deterioration and to maintain the aesthetic quality of the Mid-Shore II Landfill site and any Alternative Sites.

The Service shall require and enforce similar standards with regard to repair, replacement, safety, maintenance, and appearance, in its arrangements with any operators under subcontract.

Access and Security. §2.7.

The County shall have the right to visit or inspect the Mid-Shore II Landfill and any Alternative Sites at any reasonable time upon giving the Service reasonable notice. Any such visits shall be conducted in a manner so as to cause minimum interference with solid waste disposal operations. In connection with such visits and inspections, the County and any agent or representative of the County shall comply with all reasonable rules and regulations adopted by the Service. Such rules and regulations may include a requirement that each person, including any agent or representative of the County, visiting the Mid-Shore II Landfill or Alternative Site, shall sign a statement (a) assuming the risk of the visit to the facility, (b) stating that such Person shall not, except as may be required by law, intentionally disclose or use any confidential information of the Service other than for the purpose for which it was furnished and that no such information shall be duplicated or disclosed to others or used in whole or part for any other purpose, except that portions of it may be furnished to other Persons who (i) have agreed in writing to restrict the use thereof as provided in the Agreement and (ii) have been retained by the County to comment upon or evaluate such information.

Regulatory Requirements. §2.8.

The Service shall use its best efforts to operate (or cause to be operated) the Mid-Shore II Landfill and any Alternative Sites in a manner which will not violate any Applicable Law. The Service shall not be deemed to have breached its obligations under the preceding sentence in respect of any period during which it may in good faith be contesting the validity or application of any such law or regulation or be diligently attempting to comply therewith, in each case to the extent that Applicable Law permits continued operation pending resolution of said dispute.

Weighing Records. §2.9.

The Service shall operate and maintain motor truck scales, calibrated to the accuracy required by Maryland law, to weigh all vehicles delivering solid waste to the Service for disposal or removing Rejected Waste, Recovered Materials or Returned Waste. Each loaded vehicle shall be weighed, indicating gross weight, tare weight, date and time, vehicle identification, and the hauler's identification on a weight record.

The Service shall maintain daily records of the total tonnage of waste delivered to the Service, the tonnage of Acceptable Waste accepted by the Service, and the tonnages of Recovered Materials, Rejected Waste, and Returned Waste, respectively. The Service shall furnish to the County in respect of each month such information as may be reasonably required by the County within ten days after the end of such month. Copies of all weigh tickets will be maintained by the Service for a period of at least two years.

Ownership of Waste. §2.10.

Nothing in the Service Agreements shall impose upon the County or the Service title to any waste.

Returned and Rejected Waste, Recovered Materials. §2.11.

In the event that the County or Haulers shall deliver waste which is determined by the Service to be Unacceptable Waste after it has been delivered and unloaded, the Service shall remove and dispose of such waste, as Rejected Waste, at the County's cost and expense with respect to waste delivered by the County and at the Hauler's cost and expense with respect to waste delivered by the Hauler. In the event that the County or Haulers shall deliver waste which is determined by the Service to be Unacceptable Waste (or waste which contains Unacceptable Waste if the Service deems it impracticable to separate such Unacceptable Waste or the County or Haulers delivering such waste is unwilling to make such separation) prior to being delivered and unloaded, such waste shall be deemed Returned Waste and the Service may, at its election, (a) refuse to accept such waste, upon which refusal the County or Haulers, as the case may be, shall promptly remove and dispose of all of such waste so refused or (b) remove and dispose of such waste, in either case at the cost and expense of the County with respect to waste delivered by the County and at the cost and expense of the Hauler with respect to waste delivered by the Hauler. Any invoice submitted in respect of costs and expenses to be borne by the County under Section 2.11 shall be payable by the County within 21 days of the date thereof.

The Service shall maintain appropriate records with respect to (i) the removal and disposal of Rejected Waste, Recovered Materials and Returned Waste that the Service elects to remove and dispose of under clause (b) of Section 2.11 and (ii) the cost of correcting damage and cleaning up spillage for which the County is responsible pursuant to Section 2.12, all in accordance with generally accepted accounting principles. Such cost records, to the extent they relate to Rejected Waste, or Returned Waste that the Service elects to remove and dispose of under such clause or such damage or spillage, allocable to the County, shall be made available for inspection by the County at such times during normal business hours as the County may reasonably request.

Manner of Deliveries. §2.12.

The County shall, and the Service shall cause all Haulers to, provide the Service with the following information about each hauler delivering Acceptable Waste to the Service for the account of the County: name and address; make, body type and motor vehicle registration number of each vehicle used; area of collection; and status as municipal vehicle operator or contract hauler.

The County shall use their best efforts to deliver only Acceptable Waste to the Service and not to bring any vehicle onto a Disposal Site which is carrying refuse which may leak, spill or allow waste to be blown or scattered before unloading, all in accordance with the Service's regulations. The County shall bear the cost of correcting any damage or cleaning up any spillage caused by its employees and shall reimburse the Service on demand for all such costs. The Service shall require that any Hauler bear the cost of any damage or cleaning up any spillage caused by such Hauler or its employees.

Refusal of Deliveries. §2.13.

(a) Extent of Refusal Rights constructed, or if any Waste Disposal Service Agreement is terminated by either of the parties to such Agreement.

Sale of Recovered Materials. §3.1.

The Service, or its designated agent or contract operator, may separate, remove, transfer, sell or dispose of any Recovered Materials derived from Acceptable Waste delivered to a Disposal Site.

Tipping Fees. §5.2.

In addition to the Supplemental Fee provided in Section 5.4, the County shall pay to the Service the Tipping Fee for each ton of Acceptable Waste that it delivers to the Service and is accepted for disposal under the Service Agreements. The Tipping Fee may be adjusted from time to time as determined in good faith by the Service, upon advice and recommendation of the Mid-Shore Counties, provided, however, that any such advice or recommendation shall not be binding upon the Service or a condition to the fixing or adjustment of Tipping Fees by the Service. In each Fiscal Year, the Service shall fix, charge, and collect Tipping Fees which together with other Landfill Revenues plus

Supplemental Fees for each such Fiscal Year shall be at least equal to Total Costs for each such Fiscal Year.

The County acknowledges that it is obligated at all times during the term of the Service Agreements to use its best efforts to deliver or cause to be delivered, from both public and private sources, Acceptable Waste for disposal by the Service; provided, however, that the obligations of the County under the Agreement shall not interfere with the obligations of the County under Applicable Law to recycle solid waste.

For any Acceptable Waste delivered by any Hauler or any other Person other than the County, the Service shall charge a disposal fee which is no less than the Tipping Fee established under Section 5.2(a); except that the Service, after consulting with the Mid-Shore Counties, may charge a fee that is less than the Tipping Fee if the Hauler or other Person agrees to deliver a significant volume of Acceptable Waste under a "put or pay" arrangement with the Service.

Tipping Fee Payments. §5.3

All amounts payable under Sections 5.2(a) or 5.4 with respect to any month shall be invoiced to the County by the Service no earlier than the seventh day of the following month, and shall be paid by the County within 21 days of the date of such invoice.

Amounts charged to any Person other than the County under Section 5.2(c) shall be collected by the Service at the time of delivery or invoiced monthly to such Person in accordance with normal business practices.

Supplemental Fee; Quarterly Estimated Payments. §5.4

The County shall in the Fiscal Year in which the Commercial Operations Date occurs and in each Fiscal Year thereafter pay to the Service its Proportionate Share of the Supplemental Fee. The Supplemental Fee shall be an amount equal to the amount, if any by which Total Costs exceed Landfill Revenues. The Service and the County have determined that the Tipping Fee and the Supplemental Fee as established and adjusted as provided in the Agreement represent reasonable terms for the payment by the County of the cost of disposing of Acceptable Waste under the Agreement.

The County's Proportionate Share of the Supplemental Fee shall be payable in four estimated quarterly payments calculated as provided in this paragraph. Beginning with the quarter in which the Commercial Operations Date occurs, the quarterly amount billed to the County for Supplemental Fees shall be computed by multiplying the County's Proportionate Share by an amount equal to:

(A) the sum of (i) estimated Total Costs for such quarter and (ii) the excess of actual Total Costs over estimated Total Costs for the quarter immediately preceding the quarter in which the invoice is prepared, minus

(B) Landfill Revenues received in the quarter immediately preceding the quarter in which the invoice is prepared.

If the computation results in a positive number, this shall be the amount of the estimated Supplemental Fee billed to the County for the particular quarter. If the computation yields zero or a negative number, no Supplemental Fee payment is required for the quarter.

Payment for Out-of-Hours Deliveries. §5.5.

The Service shall establish and make available to the County a schedule of charges for deliveries of Acceptable Waste outside of Receiving Hours, which charges shall be in addition to Tipping Fees and any other fees payable under Section 5.2 in respect of such deliveries. Such schedule may be amended from time to time by the Service on at least 30 days' prior notice to the County. Such charges shall reimburse the Service for actual additional costs incurred in accepting deliveries outside of Receiving Hours. The Service shall furnish the County on request reasonably detailed justification for such charges.

Any amounts payable by the County under the Agreement on account of deliveries outside of Receiving Hours may be included in the monthly invoice delivered to the County under Section 5.3 or separately invoiced to the County from time to time, as the Service may elect.

Late Payment. §5.6.

Any amounts payable under the Agreement by the County which are not paid when due in accordance with the Agreement shall bear interest at the annual rate of 12%.

No Set-Off, Etc. §5.7.

The obligation of the County to pay the amounts to be paid by it from time to time under the Agreement shall not be subject to diminution by reason of any set-off, abatement, counterclaim, existence of a dispute or any other reason, known or unknown, foreseeable or unforeseeable, which might otherwise constitute a legal or equitable defense or discharge of the liabilities of the County under the Service Agreements or limit recourse against the County.

If any dispute concerning the payments of amounts by the County in respect of Debt Service is referred to a court of competent jurisdiction for resolution, then the amount in dispute (as well as any undisputed amount) shall be paid by the County when due under the Agreement and before pursuing dispute resolution with respect to such amount. The disputed amount shall be repaid to the County if the dispute is resolved in favor of the County. This section shall not otherwise affect the rights of the County under Article VIII of the Agreement.

Estimates of Tipping Fee and Supplemental Fees; County Budgeting Obligations. §5.8.

The Service shall, on or before January 31 of each year provide the County with the information as to Holidays referred to in Section 2.3, along with a proposed budget of (a) estimated Total Costs for the next Fiscal Year beginning July 1, (b) estimated Landfill Revenues for the next Fiscal Year, (c) estimated total tonnage of Acceptable Waste to be generated within the Mid-Shore Counties and delivered to the Service for disposal in the next Fiscal Year, (d) the Tipping Fee to be charged to the Mid-Shore Counties and Haulers under the Agreement for the next Fiscal Year, and (e) the amount of the County's Proportionate Share of the Supplemental Fee for the next Fiscal Year.

In order to assure the timely payment of amounts required to be paid by the County under the Agreement, the County shall include in its annual budget for such next Fiscal Year an amount or amounts sufficient to meet all of its obligations under the Agreement or take such other appropriate action as may be necessary to ensure the availability of funds sufficient to meet all such obligations. Notwithstanding the preceding sentence, no failure or inability of the County to include in its budget or take appropriate action to assure the availability of amounts sufficient to enable the County to meet all of its obligations under the Agreement shall excuse, limit, impair or extend the time of performance or payment of any of its obligations under the Agreement, whether or not any estimates of Total Costs, Landfill Revenues, Tipping Fees or the County's Proportionate Share of the Supplemental Fee or other amounts payable under the Agreement prove to be inaccurate.

Mid-Shore Counties Solid Waste Disposal Service Fund, Reserves, Accounts, and Reports. §5.9.

The Service shall establish and maintain within its own books and records the Special Purpose Fund as a discrete fund for the purpose of recording all of the financial transactions relating to the provision of solid waste disposal services to the Mid-Shore Counties under the Agreement. All receipts of moneys owing to or derived from the development and operations of facilities (including, but not limited to, borrowed proceeds, grants or gifts, Landfill Revenues and the Supplemental Fee) shall be credited to the Special Purpose Fund; and all costs of development and operations shall be disbursed from the Special Purpose Fund.

Moneys credited to the account of the Special Purpose Fund may, for the purpose of investing such moneys, be commingled with moneys of other funds and accounts belonging to the Service,

provided that any earnings or losses from such commingled assets are credited monthly and on a pro-rata basis to the Special Purpose Fund.

The Service may also establish and maintain such other discrete accounts and reserves as it may in good faith deem necessary (1) to provide security for Indebtedness issued for the purposes of the Agreement; (2) to ensure a regular annual income to pay for maintenance and monitoring of Disposal Sites after close-down of operations; (3) to pay the required costs of any settlements, litigation or awards, or suits for damages attributed to any Disposal Site, or (4) for any other necessary purpose.

The Service shall provide regular reports to the County as to the financial conditions and changes in all funds, accounts and reserves relating to provision of solid waste disposal services under the Agreement.

Audit; Year-end Adjustment. §5.10

The Service shall provide to the County within 120 days after the last day of each Fiscal Year of the Service, a financial statement of the results of operation of the Special Purpose Fund and any other accounts or reserves established under Section 5.9 of the Agreement, prepared in accordance with generally accepted accounting principles, and audited by the Independent Public Accountants in accordance with generally accepted auditing standards. Such financial statements shall include a statement of the Total Costs and Landfill Revenues for each such Fiscal Year.

In the event that Total Costs exceed Landfill Revenues during a Fiscal Year, the County shall within 30 days of receiving written notice thereof from the Service pay the Service, as a Supplemental Fee payment its Proportionate Share of the amount of the deficiency. In the event that Landfill Revenues exceed Total Costs during a Fiscal Year, the Service shall within 30 days of receipt of the financial statements provided in Section 5.10(a) pay the County its Proportionate Share of the amount of such excess up to the amount, if any, of the Supplemental Fee which the County had paid the Service during such Fiscal Year, but only to the extent that at such time there are funds available in the Special Purpose Fund which are not obligated or restricted for other purposes and the Service at such time has made all payments on any Indebtedness or with respect to Total Costs then due and payable. Any excess of Landfill Revenues over Total Costs in a Fiscal Year shall not be credited against any Supplemental Fee paid or to be paid in any other Fiscal Year.

Regular Meetings. §6.1.

The Director of the Service or his representative shall meet with authorized representatives of the Mid-Shore Counties at least once every three months on a regular basis to review and recommend as to the policies, operations, budgets, and any other matters pertaining to the provision of solid waste disposal services under the Service Agreements. The Service shall make a good faith effort to implement any recommendation consistent with the Service Agreements and approved by each of the Mid-Shore Counties. Before submitting to the County the proposed budget provided in Section 5.8, the Service shall submit such proposed budget to the authorized representatives of the Mid-Shore Counties for their review.

Insurance. §7.1.

The Service shall obtain and keep in force, during the term of the Agreement, insurance as it deems prudent, to the extent it is available and can be obtained for an amount which is reasonable. The Service may provide any such insurance through a self-insurance program of the Service or of the State of Maryland.

The County recognizes that the Service, as an instrumentality of the State of Maryland, possesses sovereign immunity to the extent it has not been waived by statute. Nothing in the Agreement shall be deemed a waiver of any immunity possessed by the Service which has not been waived by statute.

Remedies for Default. §8.1.

In the event of the breach by any party of an obligation under the Agreement, the right to recover damages or to be reimbursed will ordinarily constitute an adequate remedy. Therefore, no party shall have the right to terminate the Agreement for cause for any breach unless an Event of Default (as defined in Sections 8.2 and 8.3) on the part of the other party shall have occurred and be continuing.

Events of Default by the Service. §8.2.

The persistent or repeated failure or refusal by the Service substantially to fulfill any of its material obligations in accordance with the Agreement shall constitute an Event of Default on the part of the Service, unless such failure or refusal shall be excused or justified by Uncontrollable Circumstance or a default by one or more of the Mid-Shore Counties, provided however, that no such failure or refusal shall constitute an Event of Default unless and until:

(a) all of the Mid-Shore Counties shall have given prior written notice to the Service stating that in their opinion a particular default or defaults (to be described in reasonable detail in such notice) exist which will, unless corrected, constitute a material breach of the Agreement on the part of the Service and which will, in their opinion, give the Mid-Shore Counties a right to terminate their respective Waste Disposal Service Agreements for cause under this section unless such default is corrected within a reasonable period of time, and

(b) the Service shall have neither corrected such default nor initiated reasonable steps to correct the same within a reasonable period of time (which shall in any event be not less than 180 days from the date of the notice given pursuant to clause (a) of this section), provided that if the Service shall have commenced to take reasonable steps to correct such default within such reasonable period of time, the same shall not constitute an Event of Default for as long as the Service is continuing to take reasonable steps to correct such default.

A material breach shall be deemed to have been corrected for purposes of this section, if it has been alleviated to the degree that its existence no longer makes damages an inadequate remedy.

Events of Default by the County. §8.3.

Each of the following shall constitute an Event of Default on the part of the County:

(c) The failure on the part of the County to pay any amount required to be paid to the Service under the Agreement when such amount becomes due and payable if the Service has made written demand therefor accompanied by notice that unless such amount is paid within 10 days after such demand the default will constitute an Event of Default, and such amount is not so paid.

(d) The persistent or repeated failure or refusal by the County substantially to fulfill any of its material obligations in accordance with the Agreement other than those described in paragraph (a) of this section, unless such failure or refusal shall be excused or justified by Uncontrollable Circumstance, provided that no such failure or refusal shall constitute an Event of Default unless and until (i) the Service shall have given prior written notice to the County stating that in its opinion a particular default or defaults (to be described in reasonable detail in such notice) exist which will, unless corrected, constitute a material breach of the Agreement on the part of the County and which will, in its opinion, give the Service a right to terminate the Agreement for cause under this section unless such default is corrected within a reasonable period of time, and (ii) the County shall have neither corrected such default nor initiated reasonable steps to correct the same within a reasonable period of time (which shall in any event be not less than thirty (30) days from the date of the notice given pursuant to clause (i) of this section), provided that if the County shall have commenced to take appropriate steps to correct such default within such reasonable period of time, the same shall not constitute an Event of Default for as long as the County is continuing to take reasonable steps to correct such default.

A material breach shall be deemed to have been corrected for purposes of this section, if it has been alleviated to the degree that its existence no longer makes damages an inadequate remedy.

Termination on Default. §8.4.

If any party shall have a right of termination for cause in accordance with the second sentence of Section 8.1, the same may be exercised only by written notice of termination given to the party in default. The proper exercise of such right of termination shall be in addition to and not in substitution for such other remedies, whether damages or otherwise, as the party exercising the right of termination may have.

Option to Terminate at any Time. §8.6.

The County shall have, and is hereby granted, the option to terminate the Agreement at any time (a) by obtaining agreement of the other Mid-Shore Counties as to the termination of the Agreement and upon termination by the other Mid-Shore Counties of the Agreement to which they are parties, (b) by paying to the Service the amount set forth in Section 8.7, (c) by giving the Service thirty days advance written notice of such termination, and (d) by executing an agreement between the Service, on the one hand, and the Mid-Shore Counties, on the other hand, pursuant to which the Mid-Shore Counties shall purchase and take title to and liability for the Easton Landfill, the Mid-Shore I Landfill, the Mid-Shore II Landfill and any Alternative Sites and by accepting and recording one or more deeds to effect such title transfer.

Amounts Due Upon Termination of Agreement. §8.7.

In the event the County exercises its options under Section 8.6 to terminate the Agreement, the County, together with the other Mid-Shore Counties, shall pay to the Service or (as appropriate) to the trustee or trustees for any outstanding Indebtedness:

(a) The greater of (i) the fair market value of the Mid-Shore II Landfill and any Alternative Sites and (ii) the amounts of money necessary to defease or retire and redeem any outstanding Indebtedness issued for the purposes of the Mid-Shore II Landfill and any Alternative Sites, including without limitation all principal amounts, premiums if any, interest to the date of final redemption, legal and trustee expenses, and any such other amounts as may be required by the trustee of such Indebtedness, or by any remarketing agent, bank, credit facility provider, or tender agent, pursuant to the resolution or indenture establishing the Service's obligations as to that Indebtedness, or pursuant to any other financing document with respect thereto;

(b) An amount sufficient, when combined with any moneys held by the Service in the Special Purpose Fund other than moneys in the Mid-Shore II Landfill Closure Fund or other restricted or obligated moneys, to satisfy all current obligations normally paid from the Special Purpose Fund, including without limitation any amounts owed for salaries, services, materials, supplies, utilities, insurance, installment purchase agreements, or working capital loans;

(c) An amount sufficient to compensate the Service for any of the costs of terminating the Agreement and closing down its direct operations and support activities under the Agreement; and

(d) An amount specified by the Service sufficient to provide for any other obligations relating to the Agreement, the Indebtedness or the Mid-Shore II Landfill or any Alternative Sites or otherwise incurred by the Service for the purpose of providing solid waste disposal services under the Agreement.

Transfer of Property Upon Termination. §8.8.

The parties agree that upon the exercise of the option to terminate under Section 8.6 and satisfaction of the requirements under Section 8.7, the Service shall immediately convey to the County

and the other Mid-Shore Counties, and the County, as joint tenant with the other Mid-Shore Counties, shall accept, all right, title and interest in the Easton Landfill, the Mid-Shore I Landfill, the Mid-Shore II Landfill, any Alternative Sites, all appurtenant real and personal property, and in the remaining assets of the Special Purpose Fund and any other reserves and accounts held by the Service under the Agreement. The County agrees to indemnify and hold harmless the Service for any and all claims asserted against the Service which are based upon acts or omissions which occur subsequent to termination.

Term. §9.1.

The Agreement shall enter into effect on the date of the Agreement and, unless sooner terminated in accordance with the terms of the Agreement, shall continue in effect until such time as the Service is released of its obligations to conduct post-closure monitoring of the Mid-Shore I and Mid-Shore II Landfills by the Maryland Department of the Environment or its successor.

Uncontrollable Circumstance. 11.1.

Each party to the Service Agreements shall be excused for its failure to perform in accordance with the Service Agreements any obligation required to be performed by it under the Service Agreements, to the extent that such failure results from an Uncontrollable Circumstance, provided that in no event shall any Uncontrollable Circumstance excuse (i) the County from making any payment under the Service Agreements in accordance with the terms of the Service Agreements or (ii) the Service from accepting and disposing of waste as provided under the Service Agreements. Each party shall seek diligently and in good faith to overcome or remove such Uncontrollable Circumstance, provided, however, that the settlement of strikes, lockouts, and other industrial disturbances or of any legal actions or administrative proceedings shall be entirely in the discretion of the party suffering the same, and it shall be not required to make settlement of strikes, lockouts, and other industrial disturbances or of legal actions or administrative proceedings when such settlement would be unfavorable, in the judgment of the party suffering the strike, labor dispute or other industrial disturbance or legal action or administrative proceedings. A party claiming the benefit of Section 11.1 shall give prompt notice thereof to the other party.

Assignment. §11.2

The Agreement may not be assigned by either party without the prior written consent of the other party hereto, except that the Service may, without the consent of the County, assign its interest and obligations under the Agreement to a trustee or trustees as collateral for or otherwise in connection with arrangements for the financing or refinancing of all or part of the Mid-Shore II Landfill or any Alternative Sites or any modifications thereof or additions thereto. In the event of an assignment by the Service under this section, the County shall be notified thereof in writing and shall make payments due under the Service Agreements to such Person as may be designated by such assignee in such notice or otherwise.

Waiver of Sovereign Immunity. §11.12.

The County, to the maximum extent permitted by Applicable Law, irrevocably waives and renounces any and all rights to sovereign immunity (or similar rights and defenses) the County may have under Applicable Law with respect to, and agrees not to raise sovereign immunity (or any similar defense) as a defense to, any claim, suit or proceeding (of whatever nature), based on or arising out of the Agreement, or the transactions contemplated by the Agreement, or any breach of the Agreement, against the County, asserted or brought by or on behalf of the Service, or any member, officer, director, employee or agent of any thereof.

Limitation of Liability. §11.14.

The obligations of the Service under the Agreement are limited obligations payable solely from such amounts as may be received by the Service in connection with its operation of the Mid-Shore II Landfill and the provision of solid waste disposal services to the Mid-Shore Counties under the

Agreement. The obligations of the Service under the Agreement shall not be payable from the general funds of the Service and the incurrence or nonperformance of such obligations shall not constitute or create a legal or equitable pledge of, or lien or encumbrance upon, or claim against, any of the assets or property of the Service or upon any of its income, receipts or revenues, except the amounts described in the immediately preceding sentence.

The execution and delivery of the Agreement by the County and the Service shall not impose any personal liability on the members, officers, officials, employees or agents of the County or the Service. No recourse shall be had for any claims based on the Agreement against any member, officer, official, employee or other agent of the County and the Service in his individual capacity, all such liability, if any, being expressly waived by the County and the Service by the execution of the Agreement.

Definitions

Certain of the terms used in this Official Statement are defined in the Service Agreements. Certain terms are defined elsewhere in this Official Statement. In addition, the following terms from the Service Agreements have the following respective meanings in this Official Statement, unless a different meaning clearly appears from the context:

"Acceptable Waste" means:

(a) household garbage, trash, rubbish, refuse and offal of the kinds now normally collected or disposed of, or caused to be collected or disposed of, by the County, including, without limitation,

(i) oversized household items such as beds, mattresses, sofas, refrigerators and washing machines (which items may be delivered separately),

(ii) leaves, twigs, grass and plant cuttings,

(iii) branches, tree logs and wood,

(iv) items of discarded tangible personal property such as bicycles, baby carriages or occasional tires; and

(b) such types of commercial and light industrial waste as are now normally collected or disposed of, or caused to be collected or disposed of, by the County; and

(c) non-burnable construction material or demolition debris.

In no event shall Acceptable Waste include any materials that are Unacceptable Waste. At any time, the County and the Service mutually may agree that any materials initially defined as Unacceptable Waste will be reclassified as Acceptable Waste or any materials initially defined as Acceptable Waste will be reclassified as Unacceptable Waste.

"Agreement" means each Waste Disposal Service Agreement between the Service and each Mid-Shore County, each dated as of a date in May 2009, as the same may from time to time be amended, modified or supplemented in accordance with the terms of the Agreement.

"Alternative Site" means any sanitary landfill or other solid waste disposal facility of any type, other than the Mid-Shore II Landfill, owned by, and operated by or under contract with, the Service at which Acceptable Waste is accepted, stored or disposed of by the Service and which may be used by the Service for the purpose of providing solid waste disposal services to the County under the Agreement.

"Applicable Law" means any law, regulation, requirement or order of any federal, state or local agency, court or other governmental body applicable from time to time to the acquisition, design,

construction, equipping, financing, ownership, possession or operation of the Mid-Shore II Landfill or the performance of any obligations under the Agreement or any other agreement entered into in connection therewith.

"Business Day" means any day other than a Saturday, a Sunday or a day on which either State or national banks in Maryland are not open for the conduct of normal banking business.

"Commercial Operations Date" means the date on which the Mid-Shore II Landfill is capable of receiving Acceptable Waste in accordance with Applicable Law; provided, however, that the Commercial Operations Date shall be no later than January 1, 2011, irrespective of whether the Mid-Shore II Landfill is capable at such time of receiving Acceptable Waste. The Service shall provide the County no less than fourteen (14) days' prior written notice of the Commercial Operations Date.

"Debt Service" means an amount equal to (i) the amount of any principal of and premium, if any, and interest on the Indebtedness or any other financing by or on behalf of the Service to finance costs related to the Mid-Shore II Landfill or any Alternative Site or the provision of services under the Agreement or the closure of the Mid-Shore I Landfill or the Hobbs Road Landfill plus (ii) fees and expenses (including fees and expenses of counsel to the Service) of the Service, the Trustee, and any remarketing agent, letter of credit bank or other credit facility provider, and tender agent, if any, for the Indebtedness and administrative fees and expenses of the Service under the Trust Indenture and any other financing documents relating to the Indebtedness.

"Disposal Site" means any sanitary landfill or other solid waste disposal facility designated by the Service to receive all or a portion of the solid waste required to be disposed of by the Service under the Agreement, including (without limitation) the Mid-Shore II Landfill and any Alternative Site.

"Easton Landfill" means the property located adjacent to the Mid-Shore I Landfill consisting of approximately 18.5 acres.

"Event of Default" has the respective meanings specified in the Agreement.

"Fiscal Year" means the year commencing on July 1 of any calendar year and ending on June 30 of the succeeding calendar year.

"Hauler" means any Person who provides commercial or residential solid waste disposal services and who has received a license or permit from any of the Mid-Shore Counties, or who has otherwise been approved to provide such waste disposal services by the Mid-Shore Counties, and whose name and address has been provided to the Service in writing by any of the Mid-Shore Counties.

"Hazardous Waste" means:

(a) any material or substance the treatment, storage or disposal of which, because of the composition or characteristics of the material or substance, is unlawful to treat, store or dispose of at the Mid-Shore II Landfill and is considered hazardous material under Applicable Law, including, without limitation, materials that are:

(i) regulated as a toxic or hazardous waste as defined under either Subtitle C of the Solid Waste Disposal Act, 42 U.S.C. §§ 6921-6939a, or Section 6(e) of the Toxic Substances Control Act, 15 U.S.C. §2605(e), as replaced, amended, expanded or supplemented, and any rules or regulations promulgated thereunder, or under the Environment Article of the Annotated Code of Maryland, Title 7, Section 7-101 et seq., as replaced, amended, expanded or supplemented, and any rules or regulations promulgated thereunder, or

(ii) low level nuclear materials, special nuclear materials or nuclear by-product materials, all within the meaning of the Atomic Energy Act of 1954; and

(b) any other materials which any governmental agency or unit having appropriate jurisdiction shall lawfully determine from time to time to be ineligible for disposal through facilities similar to the Mid-Shore II Landfill because of the harmful, toxic or dangerous composition or characteristics of the material or substance.

"Hobbs Road Landfill" means the property located in Caroline County on Hobbs Road east of Denton and formerly utilized as a sanitary landfill by Caroline County. Caroline County will retain title to the Hobbs Road Landfill.

"Holiday" means New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day, and any other day that the Service, after consulting with the Mid-Shore Counties, determines that the Mid-Shore II Landfill should be temporarily closed.

"Indebtedness" means any bonds, notes, commercial paper or other obligations issued by the Service for borrowed money relating to the provision of solid waste disposal services under the Agreement.

"Independent Engineer" means an engineer or firm of engineers of recognized national standing retained by the Service.

"Independent Public Accountants" means the firm of Clifton Gunderson LLP, or another independent public accountant or firm of independent public accountants of recognized national standing retained by the Service.

"Landfill Revenues" means, for any Fiscal Year, the aggregate amount of any revenues, fees and income received by the Service in connection with the operation of the Mid-Shore II Landfill and the provision of solid waste disposal services to the Mid-Shore Counties under the Waste Disposal Service Agreements, including (without limitation) (a) revenues from tipping fees charged to all users of the Mid-Shore II Landfill; (b) other operating revenues of the Mid-Shore II Landfill, including (but not limited to) charges for services or use of property or equipment, proceeds from sale of recovered materials and revenues from gas, steam, or electricity; and (c) interest earnings on money held by the Service in the Special Purpose Fund, but not including interest earnings on any accounts or reserves created under the Agreement; provided, however, that Landfill Revenues do not include the Supplemental Fee; and provided further, that Landfill Revenues do not include (x) gifts, grants, bequests, contributions or donations to the Service which constitute non-operating revenue of the Service or (y) any balance in the Special Purpose Fund on the first day of a Fiscal Year carried over from any previous Fiscal Year.

"Mid-Shore Counties" means County Commissioners of Caroline County, County Commissioners of Queen Anne's County, Talbot County and County Commissioners of Kent County.

"Mid-Shore I Costs" means "Total Costs" as defined in the Prior County Waste Disposal Service Agreement.

"Mid-Shore I Landfill" means the sanitary landfill consisting of approximately 137 acre parcel of land located between Barker's Landing Road and North Dover Road immediately east of Dover Neck Road, near the Town of Easton and which receives solid waste from the Mid-Shore Counties under the prior waste disposal service agreements.

"Mid-Shore I Termination Date" means the termination date of the Prior County Waste Disposal Service Agreement under Section 9.1 thereof.

"Mid-Shore II Deed" means the deed dated January 6, 2009, pursuant to which title to the Mid-Shore II Landfill was conveyed from the County to the Service and referred to in Recital Clause H of the Agreement.

"Mid-Shore II Landfill" means the sanitary landfill which the Service anticipates developing on an approximately 218 acre parcel of land located adjacent to the Holly Road Landfill near Ridgley, Caroline County, Maryland, and which is intended to receive solid waste from the Mid-Shore Counties under the Waste Disposal Service Agreements.

"Mid-Shore II MOU" means the Memorandum of Understanding by and between the Mid-Shore Counties and the Service for Solid Waste Disposal, dated as of February 4, 2005 and executed by representatives of the Mid-Shore Counties and the Service.

"Mid-Shore II Project Documents" means, collectively, the Mid-Shore II MOU, the Mid-Shore II Deed, the Project Resolutions, and the Waste Disposal Service Agreements.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company or unincorporated organization, or any government unit or agency or political subdivision.

"Project Resolutions" means, collectively, the resolutions approved by each of the legislative bodies of the Mid-Shore Counties in May 2009.

"Proportionate Share" of a Mid-Shore County means, for any Fiscal Year, the fraction the numerator of which is the population of the Mid-Shore County and the denominator of which is the aggregate population of the Mid-Shore Counties. For purposes of determining the Proportionate Share, population figures for the most recent calendar year for which such figures are published in the U.S. Department of Commerce: Bureau of the Census, Current Population Reports, Series P-26 (the "Current Population Report") shall be used. If the Current Population Report is no longer published, another publication or manner of determining population acceptable to the Mid-Shore Counties and the Service shall be used.

Beginning in the Fiscal Year immediately following the Fiscal Year in which a method for determining the amount (in tons) of Acceptable Waste generated in each Mid-Shore County is developed which is acceptable to the Mid-Shore Counties and the Service, the Mid-Shore Counties may agree in writing that Proportionate Share of a Mid-Shore County shall mean for any Fiscal Year, from the date specified in such written agreement, the fraction the numerator of which is the amount of Acceptable Waste generated in the Mid-Shore County in the immediately preceding calendar year and the denominator of which is the aggregate amount of Acceptable Waste generated in the Mid-Shore Counties in the immediately preceding calendar year.

"Receiving Hours" means the times when the Mid-Shore II Landfill is open for the receiving of Acceptable Waste (i.e., 7 a.m. until 3:30 p.m. Monday through Friday and from 9 a.m. until 2 p.m. on Saturdays, except Holidays).

"Recovered Materials" means glass, paper, metals, plastics, "white goods" or other materials recovered or separated from Acceptable Waste delivered to the Service for disposal.

"Rejected Waste" means any waste delivered to the Service that is determined to be Unacceptable Waste by the Service after it is deposited at the Disposal Site.

"Returned Waste" means any waste delivered to the Service that is determined by the Service to be Unacceptable Waste before it is deposited at the Disposal Site.

"Service" means Maryland Environmental Service, an instrumentality of the State of Maryland constituted as a body politic and corporate.

"Special Purpose Fund" means the Mid-Shore II Solid Waste Disposal Services Fund established on the books of the Service for the purpose of maintaining discrete financial accounting records of transactions undertaken pursuant to the Agreement and described in Section 5.9 of the Agreement.

"Supplemental Fee" means the fee payable by the Mid-Shore Counties to the Service for solid waste disposal services under the Waste Disposal Service Agreements and described in Section 5.4 of the Agreement.

"Tipping Fee" means the per ton fee payable for solid waste disposal services pursuant to the Agreement.

"Ton" means a "short ton" of two thousand (2,000) pounds.

"Total Costs" means, with regard to any Fiscal Year, all costs or expenses of the Service, or amounts payable by the Service, in connection with the ownership or operation of the Mid-Shore II Landfill or any Alternative Site, or the performance by the Service of its obligations under the Agreement, including (without limitation) the sum of:

(a) an amount for the cost of facilities, which shall be equal to Debt Service for the Fiscal Year; provided, however, that if in any Fiscal Year more than a total of 135,000 tons of waste is accepted at the Mid-Shore II Landfill or other Disposal Sites, then the Total Costs for such Fiscal Year shall be increased by an amount determined by the Service to be equal to the aggregate principal amount of Indebtedness outstanding times a fraction the numerator of which is the number of tons of waste so accepted in excess of 135,000 and the denominator of which is the estimated total remaining number of tons of waste which the Mid-Shore II Landfill is capable of holding; and

(b) an amount equal to the aggregate costs of operation, maintenance, repair, equipping and management of the Mid-Shore II Landfill and any Alternative Sites and the provision of waste disposal services under the Waste Disposal Service Agreements for the Fiscal Year, including (but not limited to) (i) the costs of any services provided under operating contracts, service charges or rentals or tipping fees paid to owners or operators of Disposal Sites, (ii) the costs of disposal of Unacceptable Waste, (iii) the costs of direct labor, supervision, on-site clerical support, fringe benefits, insurance, taxes, materials, supplies, transportation, utilities, tools, equipment, rentals, and lease payments, (iv) the cost of providing and operating monitoring wells with respect to the Hobbs Road Landfill, the Mid-Shore II Landfill and any Alternative Sites, (v) the estimated cost of closure of the Hobbs Road Landfill, the Mid-Shore II Landfill and any Alternative Sites and (vi) all indirect costs to the Service for administrative, financial, engineering and other oversight and support services (including fees and expenses of counsel to the Service);

(c) an amount to provide for general maintenance, compliance monitoring and other costs to be incurred after the Mid-Shore II Landfill or any Alternative Site has been closed, which amount shall be equal to one dollar multiplied by the aggregate number of tons of waste accepted for disposal at the Mid-Shore II Landfill or other Disposal Sites pursuant to the Agreement in the Fiscal Year. These amounts shall be held by the Service in a separate fund within the Special Purpose Fund designated the Mid-Shore II Landfill Closure Fund; and

(d) on and after the Mid-Shore I Termination Date, an amount equal to the Mid-Shore I Costs.

"Total Revenues" means, for any Fiscal Year, the sum of Landfill Revenues and the Supplemental Fee.

"Trust Indenture" means any trust indenture, bond resolution or comparable instrument under which Indebtedness is issued by the Service in connection with the financing or refinancing of the Mid-Shore II Landfill or any Alternative Sites or otherwise in connection with the provision of services under the Waste Disposal Service Agreements, or any modifications thereof or additions thereto, which Indebtedness is, in whole or in part, payable from the revenues credited to the Special Purpose Fund.

"Trustee" means the trustee under the Trust Indenture.

"Unacceptable Waste" means:

(a) Hazardous Waste; and

(b) that portion of solid waste the disposal of which by the Service pursuant to the Agreement (i) may present a substantial endangerment to public health or safety, or (ii) would cause Applicable Law to be violated, or (iii) is likely to materially adversely affect the operation of the Mid-Shore II Landfill or other Disposal Sites; provided however, that if such Unacceptable Waste (other than Hazardous Waste) is delivered in quantities and concentrations as determined by the Service and as part of normal collections so as not to have the effect described in clauses (i), (ii) or (iii) above it shall constitute Acceptable Waste unless otherwise directed by State or federal regulatory authorities. The Unacceptable Waste described in this paragraph (b) shall include (without limitation) explosives, pathological and biological waste, radioactive materials, friable asbestos, ashes, foundry sand, untreated sewage sludge or septage, cesspool and other human waste, "red bag" or other types of infectious medical waste, human remains, animal remains that result from testing on the animals, motor vehicles, including such major motor vehicles parts as automobile transmissions, engines and rear ends, agricultural and farm machinery and equipment, marine vessels and major parts thereof, any other large type of machinery or equipment and liquid wastes

"Uncontrollable Circumstance" means any event or condition, whether affecting the Mid-Shore II Landfill, any Alternative Site, the County, the Service or any other Person, having, or which may reasonably be expected to have, a material adverse effect on any of the Mid-Shore II Project Documents or on the Mid-Shore II Landfill or any Alternative Site or the acquisition, design, construction, equipping, start-up, operation, ownership or possession of the Mid-Shore II Landfill or any Alternative Site, if such event or condition is beyond the reasonable control and not the result of willful or negligent action or a lack of reasonable diligence, of the party (the "Non-Performing Party") relying thereon as justification for not performing any obligation or complying with any condition required of such party under the Agreement.

APPENDIX E
SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND INDENTURE
DEFINITIONS

APPENDIX F
FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE SERVICE

CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** (this "Disclosure Agreement") dated as of November 1, 2010, is executed and delivered by the Maryland Environmental Service (the "Service") in connection with the issuance of its \$ _____ Bonds (Mid-Shore II Regional Landfill Project) Series 2010 (the "Bonds"). The Bonds are being issued pursuant to a resolution passed by the Service on September 27, 2010. The Service, intending to be legally bound hereby and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement.

This Disclosure Agreement is being executed and delivered by the Service for the benefit of the owners and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The Service's obligations hereunder shall be limited to those required by written undertaking pursuant to the Rule.

Section 2. Definitions.

In addition to the definitions set forth above, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Continuing Disclosure Service" shall mean the continuing disclosure service established by the Municipal Securities Rulemaking Board known as the Electronic Municipal Market Access ("EMMA") system.

"Listed Events" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, any successor provisions of similar import promulgated by the Securities and Exchange Commission in the future, and any applicable no-action and other authoritative interpretations of Rule 15c2-12 released by the Securities and Exchange Commission.

Section 3. Provision of Annual Financial Information, Operating Data and Audited Information.

(a) The Service shall provide to the Continuing Disclosure Service, annual audited financial statements for the Mid-Shore II Regional Landfill Project, made available within 275 days after the end of the Service's fiscal year, commencing with the fiscal year ending June 30, 2011, unless the audited financial statements are not available on or before such date, in which event said financial statements will be provided promptly when and if available. In the event that audited financial statements are not available within 275 days after the end of the Service's fiscal year (commencing with the fiscal year ending June 30, 2011), the Service will provide unaudited financial statements within said time period.

(b) Except as otherwise set forth in this paragraph (b), the presentation of the financial information referred to in paragraph (a) and in paragraph (b) shall be made in accordance with the same accounting principles as utilized in connection with the presentation of applicable comparable financial information included in the final official statement for the Bonds.

(1) The Service may make changes to the presentation of the financial information required in paragraph (a) and paragraph (b) necessitated by changes in Generally Accepted Accounting Principles;

(2) The Service may otherwise modify the presentation of the financial information required herein, provided that this Disclosure Agreement is amended in accordance with Section 6 hereof.

(c) If the Service is unable to provide the annual financial information and operating data within the applicable time periods specified in (a) and (b) above, the Service shall send in a timely manner a notice of such failure to the Continuing Disclosure Service.

Section 4. Reporting of Significant Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) modifications to rights of bond holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds; and
- (xi) rating changes.

(b) Whenever the Service obtains knowledge of the occurrence of a Listed Event, the Service shall as soon as possible determine if such event would constitute material information for owners of Bonds. If the Listed Event constitutes material information for owners of Bonds, the Service shall promptly file a notice of such occurrence with the Continuing Disclosure Service.

Section 5. Termination of Reporting Obligation.

The Service's obligations under this Disclosure Agreement shall terminate upon the payment in full of all of the Bonds either at their maturity or by early redemption. In addition, the Service may terminate its obligations under this Disclosure Agreement if and when the Service no longer remains an obligated person with respect to the Bonds within the meaning of Securities and Exchange Commission Rule 15c2-12.

Section 6. Amendment.

The Service may provide further or additional assurances that will become part of the Service's obligations under this Disclosure Agreement. In addition, this Disclosure Agreement may be amended by the Service in its discretion provided that: (i) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Service as the obligated person with respect to the Bonds, or type of business conducted; (ii) the Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iii) the amendment does not materially impair the interests of holders of the Bonds, as determined by counsel selected by the Service that is expert in federal securities law matters. The reasons for the Service agreeing to provide any further or additional assurances or for any amendment and the impact of the change in the type of operating data or financial information being provided will be explained in information provided with the annual financial information containing the additional or amended operating data or financial information.

Section 7. Additional Information.

Nothing in this Disclosure Agreement shall be deemed to prevent the Service from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any disclosure made pursuant to Section 4(a) or (b) hereof or notice of occurrence of a Listed Event in addition to that which is required by this Disclosure Agreement. If the Service chooses to include any information in any disclosure made pursuant to Section 4(a) or (b) hereof or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Service shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure made pursuant to Section 4(a) or (b) hereof or notice of occurrence of a Listed Event.

Section 8. Law of Maryland.

This Disclosure Agreement, and any claim made with respect to the performance by the Service of its obligations hereunder, shall be governed by, subject to, and construed according to the laws of the State of Maryland or the federal law.

Section 9. Limitation of Forum.

Any suit or other proceeding seeking redress with regard to any claimed failure by the Service to perform its obligations under this Disclosure Agreement must be filed in the Circuit Court for Anne Arundel County, Maryland.

Section 10. Limitation on Remedies.

The Service shall be given written notice at the address set forth below of any claimed failure by the Service to perform its obligations under the Disclosure Agreement, and the Service shall be given 45 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the Service shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the Service shall be given to the attention of the Assistant Attorney General and the Director of the Service at: Maryland Environmental Service, 259 Najoles Road, Millersville, MD 21108-2515, or at such alternate address as shall be specified by the Service with disclosures made pursuant to Section 4(a) or 4(b) hereof or a notice of occurrence of a Listed Event.

Section 11. Relationship to Bonds.

The Disclosure Agreement constitutes an undertaking by the Service that is independent of the Service's obligations with respect to the Bonds; any breach or default by the Service under this Disclosure Agreement shall not constitute or give rise to a breach or default under the Bonds.

Section 12. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the owners and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF this Continuing Disclosure Agreement is being executed by the Maryland Environmental Service as of this ____ day of November, 2010.

MARYLAND ENVIRONMENTAL SERVICE

By: _____
James M. Harkins, Director

KUTAK ROCK LLP
DRAFT 09/22/10

**APPENDIX G
FORM OF CONTINUING DISCLOSURE AGREEMENTS KENT COUNTY
(AS REPRESENTATIVE OF THE COUNTY CONTINUING DISCLOSURE
AGREEMENTS)**

CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** (this "Disclosure Agreement") dated as of November 1, 2010, is executed and delivered by the County Commissioners of _____ County, Maryland, a political subdivision of the State of Maryland (the "County") in connection with the issuance of its \$ _____ Bonds (Mid-Shore II Regional Landfill Project) Series 2010 (the "Bonds"). The County, intending to be legally bound hereby and in consideration of good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement.

This Disclosure Agreement is being executed and delivered by the County for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The County's obligations hereunder shall be limited to those required by written undertaking pursuant to the Rule.

Section 2. Definitions.

In addition to the definitions set forth above, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Continuing Disclosure Service" shall mean the continuing disclosure service established by the Municipal Securities Rulemaking Board known as the Electronic Municipal Market Access ("EMMA") system.

"Listed Events" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time, any successor provisions of similar import promulgated by the Securities and Exchange Commission in the future, and any applicable no-action and other authoritative interpretations of Rule 15c2-12 released by the Securities and Exchange Commission.

Section 3. Provision of Annual Financial Information, Operating Data and Audited Information.

(a) The County shall provide to the Continuing Disclosure Service, annual audited financial statements for the Mid-Shore II Regional Landfill Project, made available within 275 days after the end of the County's fiscal year, commencing with the fiscal year ending June 30, 2011, unless the audited financial statements are not available on or before such date, in which event said financial statements will be provided promptly when and if available. In the event that audited financial statements are not available within 275 days after the end of the County's fiscal year (commencing with the fiscal year ending June 30, 2011), the County will provide unaudited financial statements within said time period.

(b) The presentation of the financial information referred to in paragraph (a) shall be made in accordance with the same accounting principles as utilized in connection with the presentation of applicable comparable financial information included in the final official statement for the Bonds, provided that the County may modify the accounting principles utilized in the presentation of financial information by amending this Disclosure Agreement pursuant to the provisions of Section 6 hereof. Changes in Generally Accepted Accounting Principles, where applicable to financial information to be provided by the County, shall not require the County to amend this Disclosure Agreement.

(c) If the County is unable to provide the annual financial information and operating data within the applicable time periods specified in (a) and (b) above, the County shall send in a timely manner a notice of such failure to the Continuing Disclosure Service.

Section 4. Reporting of Significant Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) modifications to rights of bond holders;
- (viii) bond calls;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds; and
- (xi) rating changes.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would constitute material information for beneficial owners of Bonds. If the Listed Event constitutes material information for beneficial owners of Bonds, the County shall promptly file a notice of such occurrence with the Continuing Disclosure Service.

Section 5. Termination of Reporting Obligation.

The County's obligations under this Disclosure Agreement shall terminate upon the payment in full of all of the Bonds either at their maturity or by early redemption. In addition, the County may terminate its obligations under this Disclosure Agreement if and when the County no longer remains an obligated person with respect to the Bonds within the meaning of Securities and Exchange Commission Rule 15c2-12.

Section 6. Amendment.

The County may provide further or additional assurances that will become part of the County's obligations under this Disclosure Agreement. In addition, this Disclosure Agreement may be amended by the County in its discretion provided that: (i) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County as the obligated person with respect to the Bonds, or type of business conducted; (ii) the Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, as determined by counsel selected by the County that is expert in federal securities law matters; and (iii) the amendment does not materially impair the interests of holders of the Bonds, as determined either by counsel selected by the County that is expert in federal securities law matters or by an approving vote of the holders of 25% of the outstanding aggregate principal amount of Bonds. The reasons for the County agreeing to provide any further or additional assurances or for any amendment and the impact of the change in the type of operating data or financial information being provided will be explained in information provided with the annual financial information containing the additional or amended operating data or financial information.

Section 7. Additional Information.

Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any disclosure made pursuant to Section 4(a) or (b) hereof or notice of occurrence of a Listed Event in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any disclosure made pursuant to Section 4(a) or (b) hereof or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure made pursuant to Section 4(a) or (b) hereof or notice of occurrence of a Listed Event.

Section 8. Law of Maryland.

This Disclosure Agreement, and any claim made with respect to the performance by the County of its obligations hereunder, shall be governed by, subject to, and construed according to the laws of the State of Maryland.

Section 9. Limitation of Forum.

Any suit or other proceeding seeking redress with regard to any claimed failure by the County to perform its obligations under this Disclosure Agreement must be filed in the Circuit Court for ___ County, Maryland.

Section 10. Limitation on Remedies.

The County shall be given written notice at the address set forth below of any claimed failure by the County to perform its obligations under the Disclosure Agreement, and the County shall be given 15 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the County shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the County shall be given to the attention of the _____, or at such alternate address as shall be specified by the County with disclosures made pursuant to Section 4(a) or 4(b) hereof or a notice of occurrence of a Listed Event.

Section 11. Relationship to Bonds.

The Disclosure Agreement constitutes an undertaking by the County that is independent of the County's obligations with respect to the Bonds; any breach or default by the County under this Disclosure Agreement shall not constitute or give rise to a breach or default under the Bonds.

Section 12. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF this Continuing Disclosure Agreement is being executed on behalf of County Commissioners of _____ County, Maryland and the seal of the County is being impressed hereon attested to by the _____ to the County Commissioners, as of this _____ day of November, 2010.

(SEAL)

**COUNTY COMMISSIONERS OF _____
COUNTY, MARYLAND**

ATTEST:

By: _____
_____ of the Board of County Commissioners

[Title]

**BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION
10-09-2R**

A RESOLUTION AUTHORIZING

THE SERVICE TO AMEND ITS 401K RETIREMENT PLAN AGREEMENT, AND GENERALLY RELATING TO THE RETIREMENT PROGRAM FOR CERTAIN EMPLOYEES OF THE SERVICE.

R E C I T A L S

WHEREAS, pursuant to §3-103.1(b) of the Natural Resources Article of the Annotated Code of Maryland, the Maryland Environmental Service (“Service”) is directed and authorized to determine and establish compensation and benefits for its employees; and

WHEREAS, the Board of Directors of the Service (“Board”) has previously approved an Adoption Agreement (“Adoption Agreement”) establishing a 401(k) Savings (“Plan”) for its employees and has adopted amendments to the Plan from time to time; and

WHEREAS, the Board desires to further amend the Adoption Agreement in order to bring the Adoption Agreement into compliance with the Heroes Earnings and Assistance Relief Tax Act of 2008 (HEART)..

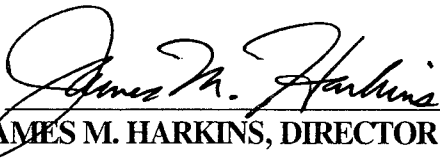
NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MARYLAND ENVIRONMENTAL SERVICE THAT:

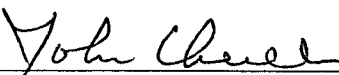
1. The Comprehensive 401(k) Profit Sharing Plan Nonstandardized Adoption Agreement which was previously approved by the Board is hereby amended in accordance with the attached Exhibit “A”, “Heroes Earnings and Assistance Relief Tax Act of 2008 (HEART) Adoption Agreement Amendment.”

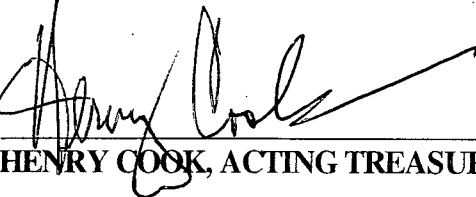
2. This Resolution shall be effective immediately.


ADOPTED this 27th day of September, 2010.

MARYLAND ENVIRONMENTAL SERVICE

BY: 
JAMES M. HARKINS, DIRECTOR

BY: 
JOHN O'NEILL, DEPUTY DIRECTOR

BY: 
HENRY COOK, ACTING TREASURER

BY: 
RICHARD P. STREET, JR., V.M.D.
SECRETARY

Heroes Earnings and Assistance Relief Tax Act of 2008 (HEART) Adoption Agreement Amendment

This amendment of the Plan (hereinafter referred to as "the Amendment") is comprised of this Heroes Earnings and Assistance Relief Tax Act of 2008 (HEART) Adoption Agreement Amendment (the "Adoption Agreement Amendment") and the corresponding Basic Plan Document Amendment. The Amendment is adopted to reflect the provisions of the Heroes Earnings and Assistance Relief Tax Act of 2008 (HEART). The Amendment is intended to provide good faith compliance with HEART and related guidance until the Plan is formally restated to incorporate such guidance. This Amendment is effective as specified in this Adoption Agreement Amendment except as otherwise provided in the Basic Plan Document Amendment. This Amendment supersedes the existing provisions of the Plan to the extent that those provisions are inconsistent with the provisions of the Amendment. This amendment will not cause the Plan to become an individually designed plan.

EMPLOYER INFORMATION

Name of Plan Maryland Environmental Service 401(k) Savings Plan

Plan Sequence Number 001 Trust Identification Number (if applicable) _____ Account Number 090463

CONTRIBUTIONS Complete Part A

Part A. Benefit Accrual in the Case of Death or Disability Resulting from Qualified Military Service

Will the benefit accrual provisions under Code Section 414(u)(9) apply to individuals who are unable to be reemployed on account of death or Disability while performing qualified military service as defined in Code Section 414(u) (select one)?

Option 1: Yes, effective 01/01/2007 (Specify a date that is on or after January 1, 2007, or, if later, the Effective Date of the Plan.)

Option 2: No.

NOTE: If no option is selected, Option 2 will apply.

VESTING AND FORFEITURES Complete Part A

Part A. Vesting in the Case of Disability Resulting from Qualified Military Service

Will Years of Vesting Service be credited to individuals who are unable to be reemployed on account of Disability while performing qualified military service as defined in Code Section 414(u) (select one)?

Option 1: Yes, effective _____ (Specify a date that is on or after January 1, 2007, or, if later, the Effective Date of the Plan.)

Option 2: No.

Option 3: Not applicable. Individuals become 100% Vested upon Disability under the terms of the Plan.

NOTE: If no option is selected, Option 2 will apply. Regardless of which option is selected, individuals who are unable to be reemployed on account of death while performing qualified military service must be credited with Years of Vesting Service.

DISTRIBUTIONS AND LOANS TO PARTICIPANTS Complete Part A

Part A. Deemed Severance from Employment (NOTE: This question applies only to 401(k) Plans. Skip this question if the Plan is a money purchase or target benefit pension Plan or a profit sharing Plan.)

May a Participant request a distribution of their Elective Deferrals, Qualified Nonelective Contributions, Qualified Matching Contributions, and earnings on account of Deemed Severance from Employment while performing military service as defined in Code Section 3401(h)(2)(A) (select one)?

Option 1: Yes, effective 01/01/2009 (Specify a date that is on or after January 1, 2009, or, if later, the Effective Date of the Plan.)

Option 2: No.

NOTE: If no option is selected, Option 1 will apply.

DEFINITIONS
Complete Part A

Part A. Differential Wage Payments

Unless a different definition of Compensation is required by either the Code or ERISA, will Differential Wage Payments be included in Compensation for contribution, allocation and other general Plan purposes (*select one*)?

NOTE: *Option 1 must be selected if the Plan is a standardized prototype Plan. Either Option 1 or Option 2 may be selected if the Plan is a non-standardized prototype Plan or a volume submitter Plan. Refer to the Plan's Adoption Agreement to determine whether the Plan is a standardized or non-standardized prototype Plan or a volume submitter Plan.*

Option 1: Yes. If this Plan is a non-standardized prototype Plan or a volume submitter Plan, this Option 1 is effective 01/01/2009 (*Specify a date that is on or after January 1, 2009, or, if later, the Effective Date of the Plan.*) If this Plan is a standardized prototype Plan this Option 1 is effective the later of January 1, 2009, or the Effective Date of the Plan.

Option 2: No.

NOTE: *If no option is selected, Option 1 will apply and the effective date will be the later of January 1, 2009, or the Effective Date of the Plan.*

EMPLOYER SIGNATURE

Signature of Employer

James M. Harkins

1. I acknowledge that I have relied upon my own advisers regarding the completion of the Amendment and the legal and tax implications of amending this Plan;
2. I understand that my failure to properly complete the Amendment may result in disqualification of the Plan; and
3. I have received a copy of the Amendment.

Signature of Adopting Employer _____

Date Signed

10/11/10

Type Name

JAMES M. Harkins

Title

Director

**BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE**

RESOLUTION

10-10-1R

A RESOLUTION

AUTHORIZING THE DIRECTOR OF THE MARYLAND ENVIRONMENTAL SERVICE ("SERVICE") TO CLOSE CERTAIN OFFICES AND FACILITIES OF THE SERVICE ON FRIDAY, NOVEMBER 26, 2010, AND FURTHER AUTHORIZING CERTAIN PAYMENTS TO EMPLOYEES OF THE SERVICE.

R E C I T A L S

WHEREAS, pursuant to §3-103.1(b)(4) of the Natural Resources Article, Annotated Code of Maryland, the Service may determine the terms of employment of its employees, including compensation, benefits, holiday schedules, and leave policies; and

WHEREAS, the employees of the Service are dedicated, resourceful and hard-working; and

WHEREAS, by law, the offices of most State agencies will be closed on Friday, November 26, 2010.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MARYLAND ENVIRONMENTAL SERVICE THAT:

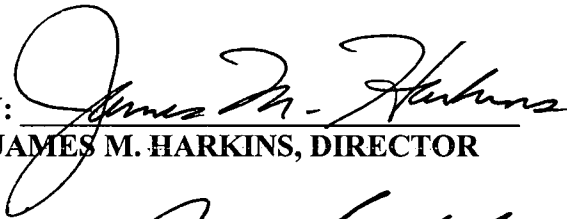
- 1.** The Director may close the offices and facilities of the Service on Friday, November 26, 2010, except for those offices and facilities which the Service is obligated by law or agreement to operate and have open for business on that day.
- 2.** All employees of the Service shall be granted paid leave on Friday, November 26, 2010, in the same manner as if that day were a Holiday under COMAR 14.27.02.15.A.

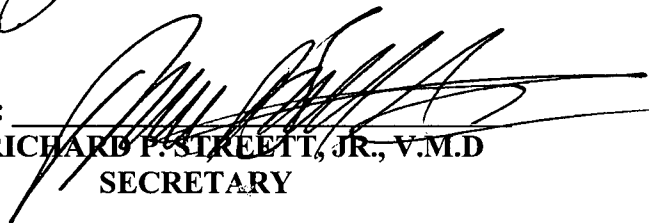
Resolution No. 10-10-1R
Authorization to Close MES Offices on 11/26/10
Page 2

ADOPTED, this 25th day of October, 2010.

SEAL

MARYLAND ENVIRONMENTAL SERVICE

BY: 
JAMES M. HARKINS, DIRECTOR

BY: 
RICHARD P. STREETT, JR., V.M.D.
SECRETARY

MARYLAND ENVIRONMENTAL SERVICE

BOARD OF DIRECTORS

RESOLUTION NO. 10-12-1R

A RESOLUTION AUTHORIZING

The execution and delivery by the Maryland Environmental Service (the "Service") of a Second Amendment to Installment Financing and Security Agreement (the "Second Amendment"), between the Service and Bank of America, N.A. (the "Bank"), for the purpose of extending the maturity of the Service's \$12,000,000 Revenue Bond Anticipation Note (Mid-Shore II Regional Landfill Project), Series 2009A (the "Note"), and amending certain terms of the Installment Financing and Security Agreement, dated as of September 29, 2009 (the "Financing Agreement"), as amended by the First Amendment to Installment Financing and Security Agreement dated as of August 1, 2010 (the "First Amendment"), both between the Service and the Bank; authorizing the execution and delivery of a modified Note pursuant to the Second Amendment; and authorizing the Director and other officers of the Service to execute and deliver related instruments and documents; and providing generally for other matters in connection therewith.

RECITALS

The Service was created by, exists under, and exercises the powers contained in Section 3-101 through 3-130 of the Natural Resources Article of the Annotated Code of Maryland (2005 Replacement Volume, 2010 Supplement), as amended to date (the "Act"), including, (among others) the powers (i) to borrow money for the purpose of paying all or any part of the cost of any one or more projects or for any other purpose of the Service, (ii) to enter into contracts with the Federal or any State government, or any unit, instrumentality or subdivision thereof, or with any municipality or person within or without the State of Maryland, providing for or relating to the furnishing of services to the facilities of any project of the Service, and (iii) to make any contract or agreement the Service determines to be necessary or incidental to the performance of its duties and to the execution of the purposes of and the powers granted by the Act, including contracts with any person, on terms and conditions the Service approves.

Pursuant to a Memorandum of Understanding dated February 4, 2005 (the "MOU"), between the Service and the County Commissioners of Caroline County, County Commissioners of Queen Anne's County, County Commissioners of Kent County, and Talbot County, Maryland (collectively, the "Mid-Shore Counties"), the Service agreed to proceed with the planning, design, permit acquisition, financing, construction, and operation of a new solid waste landfill to be known as the Mid-Shore II Regional Landfill and located near Ridgely, Caroline County, Maryland (the "Project"). In furtherance of the Project, the Service and the Mid-Shore Counties have entered into waste disposal service agreements (the "Service Agreements") under which the Mid-Shore Counties have made binding, long-term commitments to the Service for the disposal of solid waste generated within the boundaries of the Mid-Shore Counties. The Service

Agreements provide that the Mid-Shore Counties will pay a tipping fee for each ton of acceptable waste that is delivered to the Project, and will pay a supplemental fee in the event that the total costs of the Project exceed the Project revenues.

On September 29, 2009, the Service sold to the Bank, and the Bank purchased from the Service, the Note, for the purpose of financing a portion of the costs of the Project. The Note was issued and sold in accordance with the terms of the Financing Agreement. The Financing Agreement, among other things, provided that the Note would terminate on September 29, 2010, unless such date was extended pursuant to the Financing Agreement (the "Termination Date").

On August 26, 2010, the Service and the Bank executed the First Amendment which extended the Termination Date of the Note to December 29, 2010 (the "Extended Termination Date")

The Service intends to issue its long-term bonds (the "Bonds") at a time that approximates the date of opening of the Project, in an amount not to exceed \$20,000,000 for the purpose of (i) financing additional costs of Project not paid with the proceeds of the Note, including, but not limited to, reimbursement of Project costs incurred prior to the date of issuance of the Bonds and (ii) retiring the Note.

The Service has determined, however, that the issuance of the Bonds cannot be accomplished by the Service on or prior to the Extended Termination Date.

At the request of the Service, the Bank has consented to extend the Termination Date of the Note for sixty-one (61) days from December 29, 2010 until February 28, 2011.

To evidence the agreement of the Service and the Bank, the Service and the Bank desire to enter into the Second Amendment to provide, among other things, for the further extension of the Termination Date and the amendment of certain terms of the Financing Agreement. It is the intention of the Service that such actions constitute a mere modification of the Note and not a reissuance thereof for federal income tax purposes.

The Service considers all the transactions contemplated by this Resolution to be in furtherance of the public purposes of the Act and the Service.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MARYLAND ENVIRONMENTAL SERVICE, that:

1. Capitalized terms used and not defined herein shall have the meanings set forth in the title and the Recitals to this Resolution.
2. The Note is hereby authorized to be modified pursuant to the terms of the Second Amendment authorized by the further provisions of this Resolution, for the purpose of extending the Termination Date thereof, and the Director of the Service shall be, and hereby is, authorized to execute and deliver a modified Note substantially in the form approved hereby with such changes, omissions, insertions, and revisions as shall be deemed desirable by the Director, provided, however, that such changes, omissions, insertions and revisions shall not alter the substance of the transaction authorized and approved by this Resolution. The execution of a modified Note by the Director of the Service shall be conclusive evidence of the approval by the Service of

insertions, and revisions as shall be deemed desirable by the Director, provided, however, that such changes, omissions, insertions and revisions shall not alter the substance of the transaction authorized and approved by this Resolution. The execution of a modified Note by the Director of the Service shall be conclusive evidence of the approval by the Service of all changes in the form of the modified Note and of the due execution of the modified Note by the Service. The Director of the Service is expressly authorized, in consultation with Bond Counsel, and without the need for further approval of the Board, to execute and deliver from time to time such amendments to the Note as shall be deemed necessary or appropriate by the Director to cure any defect or ambiguity in the Note, or to add any provision thereto beneficial to the Service.

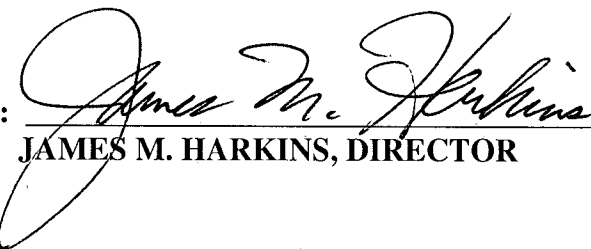
3. The Second Amendment shall be, and hereby is, adopted and approved, and the Director of the Service shall be, and hereby is, authorized to execute and deliver such Second Amendment substantially in the form approved hereby with such changes, omissions, insertions, and revisions as shall be deemed desirable by the Director, provided, however, that such changes, omissions, insertions and revisions shall not alter the substance of the transaction authorized and approved by this Resolution. The execution of the Second Amendment by the Director of the Service shall be conclusive evidence of the approval by the Service of all changes in the form of the Second Amendment and of the due execution of the Second Amendment by the Service. The Director of the Service is expressly authorized, in consultation with Bond Counsel, and without the need for further approval of the Board, to execute and deliver from time to time such amendments to the Financing Agreement and the Second Amendment as shall be deemed necessary or appropriate by the Director to cure any defect or ambiguity in either the Financing Agreement or the Second Amendment, or to add any provision thereto beneficial to the Service.
4. The Service hereby covenants that it will take, or refrain from taking, any and all actions necessary to comply with the applicable provisions of Section 103 and Sections 141 through 150, inclusive, of the Internal Revenue Code of 1986, as amended (the "Code") and the Income Tax Regulations thereunder, in order to preserve the status of the interest on the Note, as modified by the First Amendment and the Second Amendment, as excluded from gross income for Federal income tax purposes. Without limiting the generality of the foregoing covenant, the Service hereby covenants to continue to comply with the provisions of the Non-Arbitrage Certificate and Tax Covenants executed and delivered by the Service in connection with the issuance of the Note.
5. The Director and the other officers of the Service shall be, and hereby are, authorized to take such other acts and to execute and deliver such other documents, certificates, papers, instruments, opinions, or affidavits and to do or cause to be done any and all other acts and things necessary or proper for carrying out this Resolution, and the terms and conditions of the Note, the Financing Agreement, the Second Amendment and the Bonds.

6. The execution by the Director of the Service, or any other officer of the Service, of any other document authorized herein to be executed by the Director or other officer shall constitute conclusive evidence of approval of such document, and any and all changes thereto from the form presented to the Board.
7. This Resolution shall take effect immediately upon its adoption.

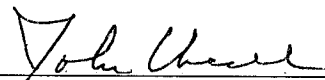
ADOPTED, this 13th day of December, 2010.

SEAL

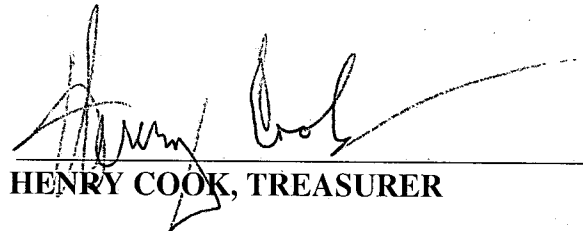
MARYLAND ENVIRONMENTAL SERVICE

BY: 

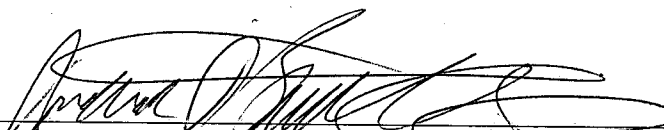
JAMES M. HARKINS, DIRECTOR

BY: 

JOHN O'NEILL, DEPUTY DIRECTOR

BY: 

HENRY COOK, TREASURER

BY: 

RICHARD P. STREETT, JR., V.M.D., SECRETARY