

BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION
(99-01-1R)

A **RESOLUTION AMENDING**, Resolution 96-04-1R, as previously amended by Resolution 97-06-1R and Resolution 98-01-1R; and generally relating to the financial affairs of 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 power to fix, alter, charge, and collect rates, fees, and charges for the use of or for the services furnished by the Service or its projects, including administrative and overhead expenses. On April 25, 1996, the Board adopted Resolution 96-04-1R. Resolution 96-04-1R provided *inter alia*, for the adoption and use of an Indirect Cost Recovery Methodology for the Service. The Resolution also included an attachment which detailed the Service's Indirect Cost Recovery Methodology. Resolution 96-04-1R was subsequently amended by Resolution 97-06-1R and Resolution 98-01-1R. The Service has determined to further amend the Indirect Cost Recovery Methodology.

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

1. The Attachment to Resolution 96-04-1R, as amended by Resolution 97-06-1R and Resolution 98-01-1R, is hereby changed to read as follows:

Overhead and General and Administrative (G & A) Costs

- Overhead and G & A costs will be accumulated into a single cost pool for all program level and agency level costs. Multiple cost centers will be used to record, manage and control costs and then accumulated for recovery.
- In order to recover a portion of the Service's indirect overhead costs, a 5% rate shall be charged on direct contract labor. The labor index for recovering the Service's remaining indirect overhead costs shall be direct billable labor, excluding overtime premium costs.

- The recovery of G & A and overhead costs incurred through December 31, 1998, shall be in accordance with the methodology approved by the Board in Resolution 98-01-1R.
- The recovery of G & A and overhead costs incurred after December 31, 1998 shall be in accordance with the following methodology:
- The base recovery rate will be adjusted to meet the following customer criteria:
 1. For that portion of the labor index that exceeds \$350,000 in a fiscal year and is less than \$700,000, the recovery rate will be 75% of the base rate.
 2. For that portion of the labor index that equals or exceeds \$700,000 in a fiscal year, and is less than \$1,000,000, the recovery rate will be 50% of the base rate.
 3. For that portion of the labor index that equals or exceeds \$1,000,000 in a fiscal year, and is less than \$1,200,000, the recovery rate will be 25% of the base rate.
 4. For that portion of the labor index that equals or exceeds 1,200,000, the recovery rate will be zero (\$0.00).
 5. A base recovery rate of 5% will be applied to contract labor (not to include subcontract labor).
- The actual base recovery rate for a fiscal year will be confirmed by the Service's independent auditors as part of the Service's regular fiscal year end audit.
- The most recent audited base recovery rate will be adjusted by the Service for any known or required changes to the rate components. This adjusted recovery rate will then be used by the Service for the next full budget cycle (second fiscal year after the audited year).
- Based upon the annual audit, if recovery of costs in a fiscal year varies from actual overhead and G & A costs by more than plus or minus 3% of actual costs incurred in that fiscal year, the difference that exceeds 3% will be a required adjustment to the next established budgeted base recovery rate.

Working Capital Charge

- In addition to the other charges set forth herein, the Service shall charge a rate of three percent (3%) of the labor index to each project for which a Service client has not provided an operating advance. This charge shall be known as the "Working Capital Charge". For purposes of this section, the labor index shall be direct billable labor, excluding overtime premium costs.
- The rate of the Working Capital Charge shall not be subject to annual audit adjustment. The Board shall, from time to time, review and adjust, in its sole discretion, the rate of the Working Capital Charge.

Fringe Benefit Costs

- Fringe benefit costs will be accumulated in a single cost center cost pool.
- The base index for recovering fringe benefits is the Service's total labor costs, excluding overtime premium costs.
- The actual fringe benefits recovery rate for a fiscal year will be confirmed by the Service's independent auditors as part of the regular fiscal year end audit.
- The most recent audited rate will be adjusted by the Service for any known or required changes to the rate components. This adjusted rate will then be used by the Service for the next full budget cycle (second fiscal year after the audited year).
- Based upon the annual audit, if recovery of costs in a fiscal year varies from actual fringe benefit costs by more than plus or minus 3% of actual fringe benefit costs incurred in that fiscal year, the difference that exceeds 3% will be a required adjustment to the next established budgeted recovery rate.

For purposes of this methodology, normal accounting accruals which are consistent with generally accepted accounting principles will be actual costs.

2. All other terms of Resolution 96-04-1R, as amended by Resolution 97-06-1R and Resolution 98-01-1R remain the same.

3. This Resolution shall be effective as of January 1, 1999.

ADOPTED, this 28th day of January, 1999.

SEAL

BY: 
JAMES W. PECK, DIRECTOR

BY: 
CATHERINE PIEPER STEVENSON
DEPUTY DIRECTOR

BY: 
KENNETH HOWARTH, TREASURER

MARYLAND ENVIRONMENTAL SERVICE

BOARD OF DIRECTORS

RESOLUTION NO. 99-02-1R

A RESOLUTION AUTHORIZING

the issuance, sale and delivery by the Maryland Environmental Service (the "Service") of its Maryland Environmental Service Revenue and Refunding Bonds, (Midshore Regional Landfill Project) Series 1999 (the "Series 1999 Bonds") in an aggregate principal amount not to exceed \$12,500,000 for the purpose of advance refunding certain maturities of the \$8,075,000 Maryland Environmental Service Revenue Bonds (Midshore Regional Landfill Project) Series 1990 (the "1990 Bonds") which are subject to redemption on and after March 1, 2001; paying all or a part of the cost of a project of the Service consisting generally of the design and construction of Cell Number 2A and certain other improvements to the Midshore Regional Landfill located in Talbot County, Maryland (the "Project"); approving the execution and delivery of a Fourth Supplemental Indenture of Trust between the Service and The Bank of New York, as trustee, relating to the Series 1999 Bonds; providing for the Series 1999 Bonds to be obligations of the Service payable from amounts received pursuant to Service Agreements between the Service and the Subdivisions, from such other revenues as may be received by the Service in connection with the operation of the Midshore Regional Landfill, and from the proceeds of future bonds, notes or other obligations of the Service; providing for the sale of the Series 1999 Bonds by competitive bidding; authorizing the Director and other officers of the Service to award the sale of the Series 1999 Bonds to the successful bidder submitting a proper bid; authorizing the Director and other officers of the Service to execute the Fourth Supplemental Indenture of Trust, to execute an Escrow Deposit Agreement (the "Escrow Deposit Agreement"), to execute a Continuing Disclosure Agreement in compliance with Securities and Exchange Commission Regulation 15c2-12(b)(5) and to execute such other documents or certificates as may be necessary in connection with the issuance of the Series 1999 Bonds; and providing generally for other matters necessary for the issuance, sale and delivery of the Series 1999 Bonds.

RECITALS

The Service was created by, exists under, and exercises the powers contained in Sections 3-101 through 3-130 of the Natural Resources Article of the Annotated Code of Maryland (1997 Replacement Volume, 1998 Cumulative Supplement) as amended to date (the "Act"), including (among others) the powers (i) to borrow money and issue bonds or notes for the purpose of paying all or any part of the cost of any one or more projects and to provide for the security of such bonds or notes and the rights of the holders thereof; and (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.

On February 27, 1990, the Service adopted a resolution authorizing the issuance, sale and delivery of \$8,075,000 aggregate principal amount of its Revenue bonds (Midshore Regional Landfill Project), Series 1990 (the "Series 1990 Bonds"), in order to finance a portion of the cost of the acquisition and construction of a regional landfill in Talbot County, Maryland (the "Regional Landfill"). The Series 1990 Bonds were issued on March 8, 1990 pursuant to an Indenture of Trust (the "Original Indenture") between the Service and The Riggs National Bank of Maryland.

On December 23, 1993, the Service issued its \$2,400,000 Maryland Environmental Service Revenue Bond Anticipation Notes (Midshore Regional Landfill Project) Series 1993, (the "1993 Bond Anticipation Notes"). 1993 Bond Anticipation Notes were issued in order to finance a portion of the cost of the design and construction of the second landfill cell of the Regional Landfill. The 1993 Bond Anticipation Notes were issued pursuant to a First Supplemental Indenture of Trust (the "First Supplemental Indenture") between the Service and The Riggs National Bank of Maryland and dated as of December 15, 1993. The 1993 Bond Anticipation Notes were refunded on September 15, 1994, by the issuance by the Service of its \$2,400,000 Maryland Environmental Service Revenue Bond Anticipation Notes (Midshore Regional Landfill Project Series 1994 (the "1994 Bond Anticipation Notes"). The 1994 Bond Anticipation Notes were issued pursuant to a Second Supplemental Indenture of Trust (the "Second Supplemental Indenture") between the Service and The Riggs National Bank of Maryland and dated as of September 15, 1994. On November 10, 1994, the Service issued its \$7,000,000 Maryland Environmental Service Revenue Bonds (Midshore Regional Landfill Project) Series 1994 (the "Series 1994 Bonds") to provide for the payment of the 1994 Bond Anticipation Notes and to finance the remaining cost of designing, acquiring, constructing and equipping the second landfill cell. The Series 1994 Bonds were issued pursuant to a Third Supplemental Indenture of Trust (the "Third Supplemental Indenture") between the Service and The Riggs National Bank of Maryland and dated as of November 1, 1994.

The Service owns and operates the Regional Landfill, and has entered into a Waste Disposal Service Agreement (each, a "Service Agreement") with each of the County Commissioners of Caroline County, County Commissioners of Kent County, County Commissioners of Queen Anne's County, and Talbot County, Maryland (collectively, the "Subdivisions").

Pursuant to the Service Agreements, the Subdivisions deliver to the Regional Landfill all of the Acceptable Waste (as defined in the Service Agreement) generated within their boundaries. The Subdivisions pay a Tipping Fee (as defined in the Service Agreement) for each ton of acceptable waste that is delivered to the Regional Landfill and will pay a Supplemental Fee (as defined in the Service Agreement) in the event that the Total Costs (as defined in the Service Agreement) associated with the Regional Landfill exceed the Landfill revenues (as defined in the Service Agreement).

The Service has determined to issue its Series 1999 Bonds in order to finance a portion of the cost of the Project, and advance refunding certain maturities of the Series 1990 Bonds which are subject to redemption on and after March 1, 2001. The Series 1999 Bonds will be issued pursuant to a Fourth Supplemental Indenture of Trust (the "Fourth Supplemental Indenture") between the Service and the Trustee (as set forth herein) and will be payable from the revenues received under the Service Agreements and from the operation of the Regional Landfill, and from the proceeds of future bonds, notes or other obligations of the Service.

The Service considers the financing, acquisition, 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 1999 Bonds in a principal amount not to exceed \$12,500,000, to be designated Maryland Environmental Service Revenue Bonds (Midshore Regional Landfill Project), Series 1999 shall be, and hereby are, authorized and directed pursuant to the provisions of the Act to provide funds for the payment of all or any part of the cost of the Project, as provided in the Act, the Original Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, and the Fourth Supplemental Indenture.

3. The Series 1999 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.

The total principal amount of the Series 1999 Bonds shall not exceed \$12,500,000. The true interest cost for the Series 1999 Bonds calculated as provided in the Notice of Sale shall not exceed 6.00 percent. The final maturity date of the Series 1999 Bonds shall not be more than fifteen years from the date of the issuance of the Series 1999 Bonds. The Director shall, subject to the limitations set forth in this paragraph, award the sale of the Series 1999 Bonds to the successful bidder therefor, fix the principal amount of the Series 1999 Bonds, the interest rate or rates for the Series 1999 Bonds, and the principal payment schedule for the Series 1999 Bonds, and the Director shall include such items in the Series 1999 Bonds.

4. The Series 1999 Bonds shall be issued under, secured in accordance with, and have the terms set forth in the Fourth Supplemental Indenture substantially in the form of the Fourth Supplemental Indenture presented to this meeting. Such form of the Fourth Supplemental Indenture shall be, and hereby is directed to be, filed among the permanent records of the Service. The Series 1999 Bonds shall be, and hereby are directed to be, executed and delivered to the Trustee substantially in the form of the Series 1999 Bonds appended to the form of the Fourth Supplemental Indenture 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 1999 Bonds, the Trustee shall authenticate such Series 1999 Bonds and deliver the same to the purchaser thereof.

5. The Fourth Supplemental Indenture (including, without limitation, the form of the Series 1999 Bonds appended thereto as Appendix A) 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.

6. 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 1999 Bonds. The Director is hereby authorized to obtain proposals from bond insurance companies for insurance for the Series 1999 Bonds and to enter into any bond insurance or other agreements with such bond insurance companies.

7. It is hereby authorized that the total purchase price for the Series 1999 Bonds shall be paid to the Director, as agent of the Service for the purpose of receiving the purchase price and delivering the Series 1999 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 Fourth Supplemental Indenture, which accounts may include an Escrow Deposit Fund with The Bank of New York, as Escrow Deposit Agent. Moneys in the Escrow Deposit Fund may be made available to (a) pay the principal of and interest on the Series 1990 Bonds as they come due, (b) to redeem the Series 1990 Bonds on the redemption date and at the redemption price specified in the Preliminary Official Statement, and (c) to pay all interest accrued and to accrue on the Series 1990 Bonds from their most recent interest payment dates to the redemption date for the Series 1990 Bonds.

8. 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 1999 Bonds and the other matters contemplated by this Resolution and the Fourth Supplemental Indenture, including but not limited to executing and delivering a Continuing Disclosure Agreement to comply with Securities and Exchange Commission rule 15c2-12(b)(5), and executing and delivering the Escrow Deposit Agreement.

9. The Bank of New York is hereby confirmed as Trustee for the Series 1999 Bonds under the Fourth Supplemental Indenture, and as Escrow Deposit Agent under the Escrow Deposit Agreement.

10. The execution by the Director or other officer of the Service of any 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 Service herewith, by the Service.

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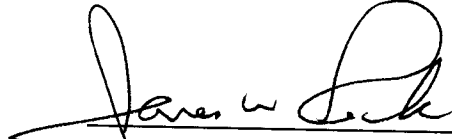
11. This Resolution shall take effect immediately upon its adoption.

ADOPTED THIS 25th DAY OF FEBRUARY, 1999

MARYLAND ENVIRONMENTAL SERVICE

SEAL

**James W. Peck
Director**



**Catherine Pieper Stevenson
Deputy Director**



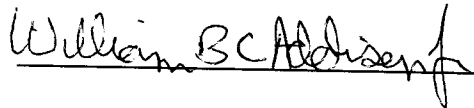
**Kenneth Howarth
Treasurer**



**Lawrence D. Shubnell
Member**

Abstained

**William B.C. Addison, Jr.
Member**



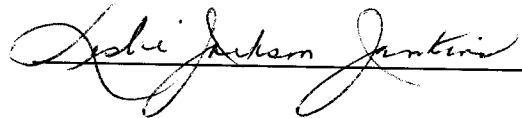
**Daniel F. McMullen, III
Member**

Not Present

**Joseph F. Snee, Jr.
Member**

Not Present

**Leslie Jackson Jenkins
Member**



Attest:



Catherine Pieper Stevenson, Deputy Director

**OFFICE OF THE ATTORNEY GENERAL
MARYLAND ENVIRONMENTAL SERVICE**
2011 Commerce Park Dr
Annapolis, Maryland 21401-2911
410-974-7224

SEAN COLEMAN
Assistant Attorney General

Nancy - Please see
the originals that go
with the MFS resolution
Thank

S.
2/26

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 24, 1999

Moody's Investors Service, Inc.: Aaa
 Standard & Poor's Corporation: AAA
 (See "Ratings" herein.)

NEW ISSUE

In the opinion of Piper & Marbury L.L.P., Bond Counsel, under the terms of the Enabling Legislation, the Series 1999 Bonds, their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale or exchange, shall be exempt at all times from taxation of every kind and nature by the State of Maryland, or by any of its political subdivisions, municipal corporations or public units of any kind; but no opinion is expressed as to Maryland estate or inheritance taxes, the Maryland franchise tax on financial institutions measured by income, or any other Maryland taxes not levied or assessed directly on the Series 1999 Bonds or the income therefrom; and interest on the Series 1999 Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions. As described herein under "Tax Exemptions" interest earned on the Series 1999 Bonds, for federal income tax purposes, is not included in corporate or individual alternative minimum taxable income as an enumerated item of tax preference or other specific adjustment; however, interest earned on the Series 1999 Bonds may be included in a corporation's "adjusted current earnings" in calculating a corporation's alternative minimum taxable income for federal income tax purposes and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

\$11,550,000*
MARYLAND ENVIRONMENTAL SERVICE
Revenue and Refunding Bonds
(Mid-Shore Regional Landfill Project),
Series 1999

Due: September 1, as shown below

Dated: March 1, 1999

The Series 1999 Bonds are issuable only as fully registered bonds in denominations of \$5,000 and integral multiples thereof. All of the Series 1999 Bonds initially will be maintained under a book-entry system and will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Series 1999 Bonds. Individual purchases of the Series 1999 Bonds will be made only in book-entry form, in denominations of \$5,000 and integral multiples thereof. Individual purchasers ("Beneficial Owners") of Series 1999 Bonds will not receive physical delivery of bond certificates.

Interest on the Series 1999 Bonds from March 1, 1999, is payable on September 1, 1999 and semiannually thereafter on March 1 and September 1. So long as the Series 1999 Bonds are maintained under a book-entry system, payments of principal of and the redemption premium, if any, and interest on the Series 1999 Bonds will be made when due by The Bank of New York (the "Trustee") to DTC in accordance with the Indenture (hereinafter defined), and the Trustee will have no obligation to make any payments to any Beneficial Owner of any Series 1999 Bonds. See "Book-Entry Only System." The Series 1999 Bonds will be issued pursuant to an Indenture of Trust, dated as of February 15, 1990, as amended and supplemented by the First Supplemental Indenture of Trust dated as of December 15, 1993, the Second Supplemental Indenture of Trust dated as of September 1, 1994, the Third Supplemental Indenture of Trust dated as of November 1, 1994, and the Fourth Supplemental Indenture of Trust dated as of March 1, 1999 (collectively, the "Indenture") between the Trustee and Maryland Environmental Service (the "Service"). The Service is a body politic and corporate and a public instrumentality of the State of Maryland.

Payment of the principal of and interest on the Series 1999 Bonds when due will be insured by a municipal bond insurance policy to be issued by



Assurance Corporation simultaneously with the delivery of the Series 1999 Bonds, as described herein.

The Series 1999 Bonds constitute special obligations of the Service payable solely from (i) Revenues from the Project pledged by the Service under the Indenture and (ii) to the extent provided in the Indenture, the proceeds of the Series 1999 Bonds.

Neither the State of Maryland nor any political subdivision thereof nor the Service shall be obligated to pay the Series 1999 Bonds or the interest thereon except from the Revenues, and neither the faith and credit nor the taxing power of the State of Maryland, of any political subdivision thereof or of the Service is pledged to the payment of the principal of or the interest on the Series 1999 Bonds. The issuance of the Series 1999 Bonds does not directly or indirectly or contingently obligate, morally or otherwise, the State of Maryland, any political subdivision thereof or the Service to levy or pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Service has no taxing power.

The Series 1999 Bonds are subject to redemption prior to maturity as described herein under "The Series 1999 Bonds -- Redemption Provisions."

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

<u>Maturing September 1</u>	<u>Principal* Amount</u>	<u>Interest** Rate</u>	<u>Price or** Yield</u>	<u>Maturing September 1</u>	<u>Principal* Amount</u>	<u>Interest** Rate</u>	<u>Price or** Yield</u>
2000				2006			
2001				2007			
2002				2008			
2003				2009			
2004				2010			
2005							

(Accrued interest from March 1, 1999 to be added)

The interest rates and prices or yields shown above were furnished by the successful bidders for the Series 1999 Bonds. All other information concerning the terms of the reoffering of the Series 1999 Bonds should be obtained from the successful bidders, and not from the Service. (See, "Sale at Competitive Bidding.")

The Series 1999 Bonds are offered when, as and if issued by the Service, subject to the approval of Piper & Marbury L.L.P., Baltimore, Maryland, Bond Counsel and to certain other conditions. It is expected that the Series 1999 Bonds will be available for delivery in New York, New York, on or about March 24, 1999.

* Estimated, subject to change.

THIS PRELIMINARY OFFICIAL STATEMENT HAS NOT BEEN FINALLY ADOPTED AND THE INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION AND AMENDMENT. THE SERIES 1999 BONDS MAY NOT BE SOLD OR OFFERED PRIOR TO THE TIME THE OFFICIAL STATEMENT IS DELIVERED IN FINAL FORM. UNDER NO CIRCUMSTANCES SHALL THIS PRELIMINARY OFFICIAL STATEMENT CONSTITUTE AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE SERIES 1999 BONDS IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE APPLICABLE SECURITIES LAWS OF SUCH JURISDICTION. A DEFINITIVE OFFICIAL STATEMENT WITH RESPECT TO THE SERIES 1999 BONDS WILL BE MADE AVAILABLE CONCURRENTLY WITH THE SALE OF THE SERIES 1999 BONDS.

PRELIMINARY OFFICIAL STATEMENT DATED February 26, 1999

NEW ISSUE

**Moody's Investors Service, Inc.: Aaa
Standard & Poor's Corporation: AAA
(See "Ratings" herein.)**

In the opinion of Piper & Marbury L.L.P., Bond Counsel, under the terms of the Enabling Legislation, the Series 1999 Bonds, their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale or exchange, shall be exempt at all times from taxation of every kind and nature by the State of Maryland, or by any of its political subdivisions, municipal corporations or public units of any kind; but no opinion is expressed as to Maryland estate or inheritance taxes, the Maryland franchise tax on financial institutions measured by income, or any other Maryland taxes not levied or assessed directly on the Series 1999 Bonds or the income therefrom; and interest on the Series 1999 Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions. As described herein under "Tax Exemptions" interest earned on the Series 1999 Bonds, for federal income tax purposes, is not included in corporate or individual alternative minimum taxable income as an enumerated item of tax preference or other specific adjustment; however, interest earned on the Series 1999 Bonds may be included in a corporation's "adjusted current earnings" in calculating a corporation's alternative minimum taxable income for federal income tax purposes and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

\$11,550,000*

**MARYLAND ENVIRONMENTAL SERVICE
Revenue and Refunding Bonds
(Mid-Shore Regional Landfill Project),
Series 1999**

Dated: March 1, 1999

Due: September 1, as shown below

The Series 1999 Bonds are issuable only as fully registered bonds in denominations of \$5,000 and integral multiples thereof. All of the Series 1999 Bonds initially will be maintained under a book-entry system and will be registered in the name of Cede & Co., as registered owner of and nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Series 1999 Bonds. Individual purchases of the Series 1999 Bonds will be made only in book-entry form, in denominations of \$5,000 and integral multiples thereof. Individual purchasers ("Beneficial Owners") of Series 1999 Bonds will not receive physical delivery of bond certificates.

* Estimated, subject to change.

Interest on the Series 1999 Bonds from March 1, 1999, is payable on September 1, 1999 and semiannually thereafter on March 1 and September 1. So long as the Series 1999 Bonds are maintained under a book-entry system, payments of principal of and the redemption premium, if any, and interest on the Series 1999 Bonds will be made when due by The Bank of New York (the "Trustee") to DTC in accordance with the Indenture (hereinafter defined), and the Trustee will have no obligation to make any payments to any Beneficial Owner of any Series 1999 Bonds. See "Book-Entry Only System." The Series 1999 Bonds will be issued pursuant to an Indenture of Trust, dated as of February 15, 1990, as amended and supplemented by the First Supplemental Indenture of Trust dated as of December 15, 1993, the Second Supplemental Indenture of Trust dated as of September 1, 1994, the Third Supplemental Indenture of Trust dated as of November 1, 1994, and the Fourth Supplemental Indenture of Trust dated as of March 1, 1999 (collectively, the "Indenture") between the Trustee and Maryland Environmental Service (the "Service"). The Service is a body politic and corporate and a public instrumentality of the State of Maryland.

Payment of the principal of and interest on the Series 1999 Bonds when due will be insured by a municipal bond insurance policy to be issued by

Ambac®

Assurance Corporation simultaneously with the delivery of the Series 1999 Bonds, as described herein.

The Series 1999 Bonds constitute special obligations of the Service payable solely from (i) Revenues from the Project pledged by the Service under the Indenture and (ii) to the extent provided in the Indenture, the proceeds of the Series 1999 Bonds.

Neither the State of Maryland nor any political subdivision thereof nor the Service shall be obligated to pay the Series 1999 Bonds or the interest thereon except from the Revenues, and neither the faith and credit nor the taxing power of the State of Maryland, of any political subdivision thereof or of the Service is pledged to the payment of the principal of or the interest on the Series 1999 Bonds. The issuance of the Series 1999 Bonds does not directly or indirectly or contingently obligate, morally or otherwise, the State of Maryland, any political subdivision thereof or the Service to levy or pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Service has no taxing power.

The Series 1999 Bonds are subject to redemption prior to maturity as described herein under "The Series 1999 Bonds -- Redemption Provisions."

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

Maturing September 1	Principal*	Interest** Rate	Price or** Yield	Maturing September 1	Principal*	Interest** Rate	Price or** Yield
2000				2006			
2001				2007			
2002				2008			
2003				2009			
2004				2010			
2005							

(Accrued interest from March 1, 1999 to be added)

The interest rates and prices or yields shown above were furnished by the successful bidders for the Series 1999 Bonds. All other information concerning the terms of the reoffering of the Series 1999 Bonds should be obtained from the successful bidders, and not from the Service. (See, "Sale at Competitive Bidding.")

The Series 1999 Bonds are offered when, as and if issued by the Service, subject to the approval of Piper & Marbury L.L.P., Baltimore, Maryland, Bond Counsel and to certain other conditions. It is expected that the Series 1999 Bonds will be available for delivery in New York, New York, on or about March 24, 1999.

* Estimated, subject to change.

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[BEGIN INSIDE COVER]

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 1999 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No dealer, broker, sales representative, or other person has been authorized by Maryland Environmental Service (the "Service") to give any information or to make any representation other than those contained in this Official Statement and, if given or made, such other information or representation 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, Ambac Assurance Corporation (the "Bond Insurer") and other sources that are deemed to be reliable but is not guaranteed as to accuracy or completeness by the Service, and is not to be construed as a representation as to information from sources other than the Service, of the Service. The Bond Insurer has furnished the information contained under the caption "Municipal Bond Insurance" and the specimen form of municipal bond insurance policy contained in Appendix G. References to all documents referred to herein are qualified in their entirety by reference to the complete terms and provisions of such documents. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 1999 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Service since the date hereof.

This Official Statement is not to be construed as a contract or agreement between the Service and the purchasers or holders of any of the Series 1999 Bonds.

All quotations from, and summaries and explanations of, provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 1999 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Service or the Bond Insurer since the date hereof.

This Official Statement is submitted in connection with the offering of the Series 1999 Bonds and may not be reproduced, used or relied upon, in whole or in part, for any other purpose.

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OFFICIAL STATEMENT

relating to

\$11,550,000*

**MARYLAND ENVIRONMENTAL SERVICE
Revenue and Refunding Bonds
(Mid-Shore Regional Landfill Project)
Series 1999**

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 \$11,550,000* Maryland Environmental Service Revenue and Refunding Bonds, (Mid-Shore Regional Landfill Project) Series 1999 (the "Series 1999 Bonds"). The issuance, sale and delivery of the Series 1999 Bonds are authorized by the Indenture of Trust dated as of February 15, 1990, as amended and supplemented by the First Supplemental Indenture of Trust dated as of December 15, 1993, the Second Supplemental Indenture of Trust dated as of September 1, 1994, the Third Supplemental Indenture of Trust dated as of November 1, 1994, and the Fourth Supplemental Indenture of Trust dated as of March 1, 1999 (the "Indenture"), between the Service and The Bank of New York, as Trustee (the "Trustee").

The Service is authorized to issue the Series 1999 Bonds by the Maryland Environmental Service Act, being Sections 3-101 through 3-131, inclusive, of the Natural Resources Article of the Annotated Code of Maryland (1997 Replacement Volume and 1998 Supplement) (the "Act"). The Series 1990 Bonds (described herein), the Series 1994 Bonds (described herein), the Series 1999 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, reports 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, report or instrument. For the definition of certain words and terms used elsewhere in this Official Statement (including the appendices hereto), see Appendix E.

The Regional Landfill. Pursuant to the Act and the Indenture, the Service issued its \$8,075,000 Maryland Environmental Service Revenue Bonds (Mid-Shore Regional Landfill Project), Series 1990 (the "Series 1990 Bonds") on March 8, 1990, in order to finance the cost of

*Preliminary, subject to change.

designing, acquiring, constructing and equipping the first phase of a regional sanitary landfill facility located in Talbot County, Maryland (the "Regional Landfill"). The first phase of the Regional Landfill consisted of the first landfill cell, a leachate collection system and certain site improvements (the "1990 Project"). The 1990 Project became operational in March, 1991 and has been operated by the Service continually since that date. The Regional Landfill is owned by the Service. It is anticipated that the Regional Landfill will have a total of three landfill cells with a collective useful life extending at least through December 31, 2010.

The Regional Landfill is designed to accept all waste materials normally found in municipally collected residential refuse and most types of commercial and light industrial solid waste ("Acceptable Waste"). Hazardous wastes are not accepted at the Regional Landfill. The Regional Landfill provides waste disposal services to the residents of Caroline County, Queen Anne's County, Kent County and Talbot County, Maryland.

On December 23, 1993, the Service issued its \$2,400,000 Maryland Environmental Service Revenue Bond Anticipation Notes (Midshore Regional Landfill Project) Series 1993 (the "1993 Bond Anticipation Notes") in order to finance a portion of the cost of the design, construction and operation of the second landfill cell of the Regional Landfill, the closure of the Easton Landfill located adjacent to the Regional Landfill and the closure of the first landfill cell of the Regional Landfill (collectively, the "1994 Project"). The 1993 Bond Anticipation Notes were refunded on September 15, 1994, by the issuance by the Service of its \$2,400,000 Maryland Environmental Service Revenue Bond Anticipation Notes (Midshore Regional Landfill Project) Series 1994 (the "1994 Bond Anticipation Notes").

On November 10, 1994, the Service issued its \$7,000,000 Maryland Environmental Service Revenue Bonds (Midshore Regional Landfill Project) Series 1994 (the "Series 1994 Bonds") to provide for the payment of the 1994 Bond Anticipation Notes and to finance the remaining cost of designing, acquiring, constructing and equipping the 1994 Project.

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 "Counties"), pursuant to which each of the Counties has agreed to deliver all of its Acceptable Waste for disposal at the Regional Landfill in each year throughout the term of the 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 Counties. If in any year the revenues of the Service from Tipping Fees and other sources related to the operation of the Regional Landfill (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.

Purpose of the Series 1999 Bonds. The proceeds of the Series 1999 Bonds will be used (i) to refund all maturities of the Service's Revenue Bonds (Mid-Shore Regional Landfill Project), Series 1990 maturing on and after March 1, 2001 and (ii) to finance the cost of designing, acquiring, constructing and equipping the third and final phase of a regional sanitary landfill facility (the "Project"). Upon the issuance of the Series 1999 Bonds, there will be outstanding \$14,605,000* aggregate principal amount of Bonds, consisting of \$3,055,000 of Series 1994 Bonds and \$11,550,000* of Series 1999 Bonds. The Series 1999 Bonds will constitute Additional Bonds under the Indenture and will be secured equally and ratably on a parity with the Series 1994 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated uses of the Series 1999 Bonds, incidental costs related thereto and the estimated sources of funds available therefor are as follows:

Uses of Funds:

Estimated costs of the Project and contingency	\$
Capitalized interest during construction.....	\$
Deposit to the Series 1990 Escrow Deposit Fund	\$
Deposit to Debt Service Reserve Fund (2).....	\$
Administrative fees and expenses, bond insurance premium, legal, financing and miscellaneous expenses (1).....	\$
Total uses of funds	<u>\$</u>

Sources of Funds:

Series 1999 Bonds	\$
Accrued Interest.....	\$
Total Sources of Funds.....	\$

-
- (1) Estimate of the Service.
 - (2) The amount required to make the amount on deposit in the Debt Service Reserve Fund equal the Debt Service Reserve Fund Requirement upon the issuance of the Series 1999 Bonds.

Deposits to Escrow Deposit Fund

A portion of the proceeds of the Series 1999 Bonds will be used to refund the Series 1990 Bonds. The refunding method being used is frequently termed a "net defeasance" in that provision is made to set aside immediately, from the proceeds of a refunding bond issue and other funds then available for debt service on the bonds to be refunded, moneys for investment

which, together with the interest to be received thereon, shall be sufficient to satisfy (a) all

*Preliminary, subject to change.

payments of principal of and premium, if any, and interest on the bonds to be refunded on the dates when due and on the dates on which such bonds are to be redeemed, and (b) all payments of interest accrued and to accrue on the bonds to be refunded from their most recent interest payment dates to the respective redemption dates for such bonds.

The proceeds of the portion of the Series 1999 Bonds allocable to the Series 1990 Bonds will be applied to the purchase of noncallable obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America ("Government Obligations") and to pay certain expenses of the Service relating to the issuance of the Series 1999 Bonds. The Government Obligations and cash, if any, will be held in trust in an escrow deposit fund (the "Escrow Deposit Fund") by The Bank of New York (the "Escrow Deposit Agent") pursuant to an escrow deposit agreement between the Escrow Deposit Agent and the Service. The Government Obligations will mature at such times and in such amounts, and will bear interest payable at such times and in such amounts so that sufficient moneys will be available from such maturing principal and interest and any cash balance in the Escrow Deposit Fund (a) to pay the principal of and interest on the Series 1990 Bonds as they come due, (b) to redeem the Series 1990 Bonds on the redemption date and at the redemption price specified herein, and (c) to pay all interest accrued and to accrue on the Series 1990 Bonds from their most recent interest payment dates to the redemption date for the Series 1990 Bonds. (See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein). The Escrow Deposit Agent will apply the maturing principal of and the interest on the Government Obligations to the payments of the principal and the interest on the Series 1990 Bonds as they come due prior to their redemption date and has been irrevocably instructed to redeem the Series 1990 Bonds at the earliest redemption date at a price including a premium of the principal amount thereof plus accrued interest. The Government Obligations will be pledged only to the payment of the principal and premium, if any, or interest on the Series 1990 Bonds and are not available for the payment of principal or premium, if any, or interest on the Series 1999 Bonds.

PLAN OF FINANCING

As set forth in "Estimated Sources and Uses of Funds," the proceeds of the Series 1999 Bonds will be used to (i) to refund all of the Maryland Environmental Service Revenue Bonds (Mid-Shore Regional Landfill Project), Series 1990 maturing on and after March 1, 2001; (ii) finance the costs of the Project; (iii) make the amount on deposit in the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement upon the issuance of the Series 1999 Bonds, and (iv) pay administrative fees and expenses, bond insurance premium, legal, financing and miscellaneous expenses related to the issuance of the Series 1999 Bonds.

The Series 1999 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 1999 Bonds (other than the Rebate Fund). See "Security and Sources of Payment for the Series 1999 Bonds."

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 1999 BONDS

General

The Bonds are special obligations of the Service, the principal and Redemption Price of and interest on which are payable solely from Revenues and, to the extent provided in the Indenture, the proceeds of the Series 1999 Bonds.

Neither the State of Maryland, nor any political subdivision thereof, nor the Service shall be obligated to pay the Series 1999 Bonds or the interest thereon except from Revenues, and neither the faith and credit nor the taxing power of the State of Maryland, of any political subdivision thereof or of the Service is pledged to the payment of the principal of or the interest on the Series 1999 Bonds. The issuance of the Series 1999 Bonds does not directly or indirectly or contingently obligate, morally or otherwise, the State of Maryland or any political subdivision thereof or the Service to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Service has no taxing power. See "State Not Liable on Series 1999 Bonds."

Pledge of Revenues

Pursuant to the Indenture, the Service has pledged and assigned to the Trustee the Revenues. The Revenues consist of: (i) all payments to the Service or the Trustee pursuant to the Service Agreements, (ii) all moneys and securities on deposit in funds and accounts created by the Indenture (other than the Rebate Fund) and (iii) all other receipts of the Service attributable to the ownership, leasing or operation of the Regional Landfill and the financing or refinancing of the 1990 Project, the 1994 Project, the Project and any other Additional Facilities with the proceeds of Bonds.

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 Series 1990 Bonds, the Series 1994 Bonds, the Series 1999 Bonds and any Additional Bonds. See "Additional Debt."

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 1999 Bonds. The Service Agreements provide that the 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 Payment" in Appendix D.

Obligation of the 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 Counties under the Service Agreements, including interest earnings thereon. Total Costs include (without limitation) debt service payments with respect to the Series 1990 Bonds, the Series 1994 Bonds and the Series 1999 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 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 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; Counties' Budgeting Obligations" in Appendix D.

Quantity of Acceptable Waste

The Service Agreements provide that the Service may accept waste from persons other than the 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 Counties under the Service Agreements. In addition, the Service may accept Acceptable Waste generated outside of

the Counties, provided that either (i) the 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 Counties in connection with a default by any of the Counties under a Service Agreement which can be cured, the Service shall provide the 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.

Termination of the Service Agreements

If the Service or any of the 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 County has the option to terminate its Service Agreement at any time, provided that, among other conditions, the other Counties agree to such termination and the other Counties terminate their Service Agreements. If a County exercises this option to terminate under its Service Agreement, the Counties must purchase and take title to and liability for the Regional Landfill and any Alternative Sites. The amount which the 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.

Debt Service Reserve Fund

Upon the delivery of the Series 1999 Bonds, the Trustee will deposit in the Debt Service Reserve Fund from the proceeds of the Series 1999 Bonds an amount sufficient to make the amount on deposit therein equal to the Debt Service Reserve Fund Requirement after giving effect to the issuance of the Series 1999 Bonds. The Indenture establishes the Debt Service Reserve Fund Requirement as an amount equal to the lesser of Maximum Annual Debt Service on the Bonds or ten percent of the outstanding principal amount of the Bonds. The Indenture provides that Maximum Annual Debt Service on the Bonds will be calculated as described in the definition of "Debt Service Requirements" under "Summary of Certain Provisions of the Indenture" in Appendix E.

The Service may deliver to the Trustee a Debt Service Reserve Fund Credit Facility in substitution for amounts initially deposited in the Debt Service Reserve Fund. See "Investments" and "Application of Moneys in the Debt Service Reserve Fund" under "Summary of Certain Provisions of the Indenture" in Appendix E.

If the amount credited to the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement, the Service is required under the Indenture to deposit with the Trustee in each month an amount sufficient to cure the deficiency in 12 equal monthly installments. See "Summary of Certain Provisions of the Indenture -- Application of Moneys in the Debt Service Reserve Fund" in Appendix E.

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.

Enforceability

The Indenture and the Series 1999 Bonds are subject to bankruptcy, insolvency,

moratorium, reorganization and other state and federal laws affecting the enforcement of creditor's rights and to general principles of equity.

In the event that a County fails to make payments due under a Service Agreement, such County may be sued by the Service, and any judgments resulting from any such suit would be enforceable against the County. Nevertheless, a judgment creditor of the County may be required to seek additional relief to compel the County to provide the funds from which such judgment may be paid, such as a mandatory injunction to require the County to make funds available to pay such judgment.

In addition, the Service Agreement is subject to bankruptcy, insolvency, moratorium, reorganization and other state and federal laws affecting the enforcement of creditor's rights and to general principles of equity.

MUNICIPAL BOND INSURANCE

Ambac Assurance Corporation

Set forth below is a brief summary of certain information concerning Ambac Assurance Corporation (the "Bond Insurer") and the terms of the Municipal Bond Insurance Policy. Information with respect to the Bond Insurer and the Municipal Bond Insurance Policy has been supplied by the Bond Insurer. No representation is made herein by the Service as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof. Reference is made to Appendix G for a specimen form of the municipal bond insurance policy.

Payment Pursuant to Municipal Bond Insurance Policy

The Bond Insurer has made a commitment to issue a municipal bond insurance policy (the "Municipal Bond Insurance Policy") relating to the Series 1999 Bonds effective as of the date of issuance of the Series 1999 Bonds. Under the terms of the Municipal Bond Insurance Policy, the Bond Insurer will pay to the United States Trust Company of New York, in New York, New York or any successor thereto (the "Insurance Trustee") that portion of the principal of and interest on the Series 1999 Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Municipal Bond Insurance Policy). The Bond Insurer will make such payments to the Insurance Trustee on the later of the date on which such principal and interest becomes Due for Payment or within one business day following the date on which the Bond Insurer shall have received notice of Nonpayment from the Trustee. The insurance will extend for the term of the Series 1999 Bonds and, once issued, cannot be canceled by the Bond Insurer.

The Municipal Bond Insurance Policy will insure payment only on stated maturity dates and on mandatory sinking fund installment dates, in the case of principal, and on stated dates for payment, in the case of interest. If the Series 1999 Bonds become subject to mandatory

redemption and insufficient funds are available for redemption of all outstanding Series 1999 Bonds, the Bond Insurer will remain obligated to pay principal of and interest on outstanding Series 1999 Bonds on the originally scheduled interest and principal payment dates, including mandatory sinking fund redemption dates. In the event of any acceleration of the principal of the Series 1999 Bonds, the insured payments will be made at such times and in such amounts as would have been made had there not been an acceleration.

In the event the Trustee has notice that any payments of principal of or interest on a Series 1999 Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Issuer has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such registered owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available.

The Municipal Bond Insurance Policy does not insure any risk other than Nonpayment, as defined in the Policy. Specifically, the Municipal Bond Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity.
2. payment of any redemption, prepayment or acceleration premium.
3. nonpayment of principal or interest caused by the insolvency or negligence of any Trustee or Paying Agent, if any.

If it becomes necessary to call upon the Municipal Bond Insurance Policy, payment of principal requires surrender of Series 1999 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 1999 Bonds to be registered in the name of the Bond Insurer to the extent of the payment under the Municipal Bond Insurance Policy. Payment of interest pursuant to the Municipal Bond Insurance Policy requires proof of Bondholder entitlement to interest payments and an appropriate assignment of the Bondholder's right to payment to the Bond Insurer.

Upon payment of the insurance benefits, the Bond Insurer will become the owner of the Series 1999 Bond or right to payment of principal or interest on such Series 1999 Bond and will be fully subrogated to the surrendering Bondholder's rights to payment.

Ambac Assurance Corporation is a Wisconsin-domiciled stock insurance corporation regulated by the Office of the Commissioner of Insurance of the State of Wisconsin and licensed to do business in 50 states, the District of Columbia, and the Commonwealth of Puerto Rico, with admitted assets of approximately \$3,200,000,000 (unaudited) and statutory capital of approximately \$1,815,000,000 (unaudited) as of September 30, 1998. Statutory capital consists of the Bond Insurer's policyholders' surplus and statutory contingency reserve. Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., Moody's Investors Service,

and Fitch IBCA, Inc. have each assigned a triple-A financial strength rating to the Bond Insurer.

The Bond Insurer has obtained a ruling from the Internal Revenue Service to the effect that the insuring of an obligation by the Bond Insurer will not affect the treatment for federal income tax purposes of interest on such obligation and that insurance proceeds representing maturing interest paid by the Bond Insurer under policy provisions substantially identical to those contained in its municipal bond insurance policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the issuer of the Series 1999 Bonds.

The Bond Insurer makes no representation regarding the Series 1999 Bonds or the advisability of investing in the Series 1999 Bonds and makes no representation regarding, nor has it participated in the preparation of, the Official Statement other than the information supplied by the Bond Insurer and presented under this heading "Municipal Bond Insurance."

Available Information

The parent company of Ambac Assurance, Ambac Financial Group, Inc. (the "Company"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission"). Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the Commission's regional offices at 7 World Trade Center, New York, New York 10048 and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the public reference section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 at prescribed rates. In addition, the aforementioned material may also be inspected at the offices of the New York Stock Exchange, Inc. (the "NYSE") at 20 Broad Street, New York, New York 10005. The Company's Common Stock is listed on the NYSE.

Copies of the Bond Insurer's financial statements prepared in accordance with statutory accounting standards are available from the Bond Insurer. The address of the Bond Insurer's administrative offices and its telephone number are One State Street Plaza, 17th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation Of Certain Documents By Reference

The following documents filed by the Company with the Commission (File No. 1-10777) are incorporated by reference in this Official Statement:

- 1) The Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 and filed on March 31, 1998;
- 2) The Company's Current Report on Form 8-K dated March 27, 1998 and filed on March 27, 1998;

3) The Company's Amendment to its Annual Report on Form 10-K/A for the fiscal year ended December 31, 1997 and filed on March 31, 1998;

4) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 1998 and filed on May 15, 1998;

5) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 1998 and filed on August 14, 1998; and

6) The Company's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 1998 and filed on November 13, 1998.

All documents subsequently filed by the Company pursuant to the requirements of the Exchange Act after the date of this Official Statement will be available for inspection in the same manner as described above in "AVAILABLE INFORMATION".

THE SERIES 1999 BONDS

General

The Series 1999 Bonds will be dated as of March 1, 1999, will bear interest from March 1, 1999, at the rates set forth on the cover page of this Official Statement, payable on September 1, 1999, and semiannually thereafter on each March 1 and September 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 1999 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 1999 Bonds will be made so long as DTC or its nominee is the registered owner of the Series 1999 Bonds. See "Book-Entry Only System."

Redemption Provisions

Optional Redemption -- Series 1999 Bonds

The Series 1999 Bonds maturing on September 1, 2010 will be subject to redemption prior to maturity beginning on September 1, 2009 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 1999 Bonds to be redeemed, plus accrued interest thereon to the date set for redemption:

Extraordinary Mandatory Redemption

The Series 1999 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 1999 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 1999 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 1999 Bonds shall be redeemed, the particular maturities of the Series 1999 Bonds to be redeemed shall be selected by the Service. If fewer than all of the

Series 1999 Bonds of any one maturity shall be called for redemption, the particular Series 1999 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 1999 Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Series 1999 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 1999 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 1999 Bond or portion of a Series 1999 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 1999 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 1999 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 1999 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 1999 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.

Registration and Exchange of Bonds

At such time as the Series 1999 Bonds are no longer held by Cede & Co. (or a successor entity), any Series 1999 Bond may be exchanged for an equal aggregate principal amount of Series 1999 Bonds of the same Series and maturity and bearing interest at the same rate, in any authorized denomination, and the transfer of any Series 1999 Bond may be registered, upon presentation and surrender of such Bond at the principal corporate trust office of the Trustee, together with an assignment duly executed by the registered owner or his 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 any Series 1999 Bond or make any such exchange of any Series 1999 Bond after such Bond or any portion thereof has been selected for redemption.

Acceleration

Upon the occurrence of certain events, the due date for the payment of the principal amount of the Series 1999 Bonds may be accelerated. Upon the occurrence of an Event of Default under the Indenture, the Bond Insurer may at its option direct the acceleration of the Series 1999 Bonds, if the Bond Insurer irrevocably deposits with the Trustee or the Insurance

Trustee an amount that, together with any other funds available to the Trustee or the Insurance Trustee to pay the Series 1999 Bonds, shall be sufficient to pay all amounts due on the Series 1999 Bonds on the date to which such payments are accelerated. See "Summary of Certain Provisions of the Indenture--Events of Default and Remedies" in Appendix E.

So long as no Insurance Default shall have occurred and be continuing, the Bond Insurer shall be deemed the holder of all outstanding Series 1999 Bonds for all purposes of the Indenture, including (without limitation) directing any remedial proceedings under the Indenture and for the purpose of making any request or giving or withholding any consent, vote or direction permitted or required to be made or given by a holder of a Series 1999 Bond. See "Summary of Certain Provisions of the Indenture" in Appendix E.

ANNUAL DEBT SERVICE REQUIREMENTS OF THE SERIES 1999 BONDS

The following table sets forth for each year ending August 31: (i) the amount required for the payment of principal due on the Series 1999 Bonds (whether at maturity or by mandatory redemption) on the immediately succeeding September 1, (ii) the interest due on the Series 1999 Bonds on March 1 of such year and on the immediately succeeding September 1, (iii) the total Debt Service Requirements of the Series 1999 Bonds, (iv) the total debt service requirements of the Outstanding Series 1994 Bonds and (v) the total debt service requirements of the Outstanding Bonds.

<u>Year</u>	Series 1999 Bonds			Total Debt Service on Outstanding <u>Series 1994 Bonds</u>	Total Debt Service on Outstanding <u>Bonds</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		

(1) Interest from March 1, 1999.

BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Series 1999 Bonds. The ownership of one fully registered Series 1999 Bond for each maturity, each in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, 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, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "Indirect Participants").

Purchases of Series 1999 Bonds under the book-entry system may be made through brokers and dealers who are, or act through, DTC Participants. The DTC Participants shall receive a credit balance in the records of DTC. The ownership interest of the actual purchaser of each Bond (the "Beneficial Owner") is to be recorded on the records of the DTC Participant. Beneficial Owners are to receive a written confirmation of their purchase with details of the Series 1999 Bonds acquired. Transfers of ownership interests in Series 1999 Bonds are to be accomplished by book entries made by DTC and by the DTC Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive Series 1999 Bonds representing their ownership interest therein, except as specially provided in the Indenture. Interest and principal is to be paid to DTC, or its nominee, and then is to be paid by DTC to the DTC Participants and thereafter is to be paid by the DTC Participants to the Beneficial Owners when due.

NEITHER THE SERVICE NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

Beneficial Owners of the Series 1999 Bonds or those possessing interest in the Series 1999 Bonds will not receive or have the right to receive physical delivery of such Bonds, and will not be or be considered to be owners thereof under the Indenture. So long as Cede & Co. is the registered owner of the Series 1999 Bonds, as nominee of DTC, references herein to the Bondholder, Holders or registered owners of the Series 1999 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners thereof.

For every transfer and exchange of the Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation

thereto.

DTC may discontinue service with respect to the Series 1999 Bonds at any time by giving notice to the Service and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, the Series 1999 Bonds are required to be delivered as described in the Indenture. Each Beneficial Owner, upon registration of the Series 1999 Bonds held in the Beneficial Owner's name, shall become a Bondholder.

The Service may determine to discontinue the system of book-entry transfers through DTC (or a successor securities depository). In such event, the Series 1999 Bonds are to be delivered as described in the Indenture.

When referring to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to the action by such Beneficial Owner or those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Service to DTC only.

Principal and interest payments on the Series 1999 Bonds are to be made to DTC or its nominee, Cede & Co., as registered owner of the Series 1999 Bonds. Upon receipt of moneys, DTC's current practice is to immediately credit the accounts of the DTC Participants according to their respective holdings shown on the records of DTC. Payments by DTC Participants and Indirect Participants to Beneficial Owners are to be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and would be the responsibility of such DTC Participant or Indirect Participant and not of DTC or the Service, subject to any statutory and regulatory requirements as may be in effect from time to time.

The Service, so long as a book-entry system is used for the Series 1999 Bonds, is to send any notice of redemption or other notices to Holders only to DTC. Any failure by DTC to advise any DTC Participant, or by any DTC Participant to notify the Beneficial Owner, of any such notice and its content or effect shall not affect the validity of the redemption of the Series 1999 Bonds called for redemption or of any other action premised on such notice.

The Service cannot and does not give any assurances that DTC, DTC Participants or others will distribute payments of debt service of the Series 1999 Bonds paid to DTC or its nominee, 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 a manner described in this Official Statement.

ADDITIONAL DEBT

Additional Bonds

The Indenture provides that Additional Bonds will be secured equally and ratably and on

a parity with the Series 1994 Bonds and the Series 1999 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.

THE SERVICE

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. The Service operates as both a Maryland agency and a self-supporting, non-profit public utility. Major activities of the Service include the provision of water supply and wastewater treatment, sewage sludge management, recycling assistance, solid waste management and energy and resource recovery from waste. Services are provided to State of Maryland-owned facilities, local communities, political subdivisions and the private sector.

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.

The Service currently operates approximately 171 public and private water and/or wastewater treatment plants throughout the State of Maryland.

Licensed and certified personnel operate and maintain the facilities. Projects range in

size from basic pumping stations, to a \$13 million advanced wastewater treatment facility. Capabilities include: financing, engineering, design, construction, laboratory testing, operation oversight, management, operation, maintenance and plant supervision.

The Water and Wastewater Division of the Service is headed by Michael Wojton. He directs the activities of both engineering and operational services. His background includes over 22 years of progressively responsible work in water, wastewater, hazardous and solid waste management in both facility operations and management, and environmental engineering. He has extensive experience in project management and program administration. Specific experience includes wells, septic systems, subdivision of land, innovative and alternative technologies, facility planning, EPA and State construction grants; industrial pretreatment, operation and maintenance of water and wastewater works, EPA/State drinking water standards, State construction permits, sludge management and permitting processes. He is a Registered Environmental Sanitarian in Maryland.

In the area of Solid and Hazardous Waste Management, the Service offers site analysis, planning, design, construction, operations and laboratory services. The Service has the capabilities and resources to finance as well as build and operate state-of-the-art solid waste facilities including sanitary landfills, incinerators and resource reclamation centers.

The Waste Management Division is headed by Robert D. Miller. Mr. Miller received both his B.S. and M.S. in Resource Planning and Engineering from West Virginia University. He is also a graduate of the University of Baltimore School of Law. Prior to joining the Service, Mr. Miller was the Director of the Maryland Water Resources Administration from July, 1992 until May, 1995 and held various other positions in the Maryland Water Resources Administration for the twelve preceding years. He was also Chief Resource Planner for the Maryland Forest Service, Forest Planner for the United States Department of Agriculture Forest Service and Wildlife Assistant with the United States Fish and Wildlife Service. Mr. Miller is a member of the American Water Resources Association, the Association of Ground Water Scientists and engineers, the American Water Works Association and the Society of American Foresters.

The Service also operates and manages the Hart and Miller Island Dredge Disposal Facility, solid waste recycling facilities in Baltimore and Montgomery Counties and a solid waste transfer station in Anne Arundel County. The Service has also developed a yard waste composting facility for several Maryland counties and markets the product under the trademark Leaf GRO®

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 Secretary serves part-time. Current staffing includes approximately 500 employees.

JAMES W. PECK, Director, appointed in May, 1995. Mr. Peck received his B.S. from the United States Military Academy and a Masters in Civil Engineering and in Nuclear Engineering from the University of Illinois. He is also a graduate of the Executive Development Program at the University of Iowa. Before becoming Director of the Service. Mr. Peck was the Assistant Secretary at the Maryland Department of Natural Resources from August, 1987 until March 5, 1995 and from December, 1983 to August 1987 he was the Department's Director of Water Resources Administration. For twenty-five years prior to 1983, Mr. Peck was in the United States Corps of Army Engineers. He held positions including Instructor and Assistant Professor of Civil Engineering at the United States Military Academy, Deputy District Engineer in Kansas City, Battalion Commander for the 9th Engineer Battalion in Aschaffenburg, Germany, Assistant Director of Civil Works and District Engineer. Mr. Peck is a Registered Professional Engineer in both Maryland and the District of Columbia. He is a member of the ASCE, the APWA, SAME; Member - Solid Waste Management Task Force, Governor's Nutrient Reduction Oversight Committee, and Northeast Maryland Waste Disposal Authority – Board member.

The other members of the Board of Directors and some of their past and present affiliations are:

CATHERINE PIEPER STEVENSON, Deputy Director and Acting Secretary, appointed 1997. Deputy Assistant Secretary – Department of Natural Resources – 1992 – 1995; Director – Water Resources Administration – Department of Natural Resources – 1998 – 1992; Various other administrative and executive positions – Department of Natural Resources – 1975 – 1997. She earned her undergraduate degree in Earth and Planetary Sciences from Johns Hopkins University as a graduate degree in Administration of Science and Technology from George Washington University.

KENNETH A. HOWARTH, CPA, Treasurer, appointed 1996. Chief Financial Officer – Maryland Environmental Service – 1994 – present; Controller – Maryland Environmental Service – 1986 – 1994; Private industry – various financial positions, including 15 years as Chief Financial Officer – 1960 – 1986; He earned his undergraduate degree in Accounting from Tulane University and an MBA in Finance from Columbia University. Member – Maryland Association of Certified Public Accountants, Government Finance Officers Association, Maryland Public Finance Officers Association.

LAWRENCE D. SHUBNELL, Private Sector Member, appointed 1987. Vice President for Public Finance - Legg Mason Wood Walker, Inc.; former Director of Fiscal Research, U.S. Treasury Department; former Director of Budget Review - the Maryland General Assembly; former Director of the Budget - Anne Arundel County.

WILLIAM B. C. ADDISON, JR., Public Sector Member, appointed in 1994. Appointed Secretary of the Maryland State Senate in 1998. Self-employed farmer who leases and operates a

300 acre tobacco, grain & vegetable farm; Assistant Journal Clerk of The Maryland State Senate since 1978; consultant to The Chesapeake Bay Foundation on Agricultural Management.

JOSEPH F. SNEE, JR., Private Sector Member, appointed 1999. Attorney - Hertech, Gessner, Laws and Snee, P.A.; Member - Harford County Bar Association; Member - Maryland State Bar Association; Director - The Lawyer Referral Service of the Harford County Bar Foundation, Inc.; Member - Harford County Chamber of Commerce.

DANIEL F. McMULLEN, III, Public Sector Member, appointed 1994. Director of Strategic Planning for the Maryland Transportation Authority; former County Administrator - Allegany County; former member of the Maryland Transportation Authority; member of the Allegany County Chamber of Commerce; member of the Allegany County Local Government Study Advisory Committee.

LESLIE JACKSON JENKINS, Public Sector Member, appointed 1998. Deputy Director, Department of Environmental Resources – Prince George's County – 1995 – present; 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.

Bonds and Notes

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 Service has issued bonds and notes aggregating approximately \$39,070,000 in principal amount. As of February 1, 1999, six (6) issues of bonds, aggregating approximately \$29,415,100 in principal amount remained outstanding.

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 Service's 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 will 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.

THE PROJECT

General

The Project includes (i) the design and construction of the third landfill cell (Cell 2A) of the Regional Landfill.

Site

The Regional Landfill is located on an approximately 175 acre site in Talbot County, Maryland, located two miles southeast of the Town of Easton, Maryland. The Regional Landfill is designed to have sufficient capacity to provide for the disposal of the Acceptable Waste collected in the Counties for approximately 20 years. The Service has granted to Talbot County, Maryland a deed of restrictive covenant by which the Service has agreed that it will not accept solid waste at the Regional Landfill Site after December 31, 2010. The Regional Landfill is located in the central portion of the Regional Landfill Site to allow a buffer distance between the active operations of the Regional Landfill and adjacent properties and to provide for adequate setbacks for vegetated berms around the Regional Landfill Site. A minimum distance of 100 feet will be provided between the operating area and the property boundary.

The western portion of the Regional Landfill Site consists of approximately four acres where the support facilities including scales, office, homeowners' drop-off, and landfill equipment maintenance area will be located.

The Service has entered into a contract with Waste Management of Maryland, Inc. (WMI) to load long-haul vehicles at the Regional Landfill for transport out of the Midshore Counties of WMI solid waste delivered to the landfill by WMI or its contractors. The contract with WMI permits the Service to utilize WMI disposal capacity if the Service accepts more than 78,000 tons of solid waste at the Landfill in a year. The construction, equipment for and operation of the transfer operation will be paid for by WMI.

Technology

The Project will include the construction the third of three individually double lined disposal areas ("Phase Three"), which was designed by a Service engineer. The Service expects that this is the final cell that will be constructed for this landfill.

A detailed design has been adopted for Phase Three in order to take advantage of the possibility of new materials and technologies in the future.

Phase Three will be constructed with a double synthetic liner system consisting of two synthetic membrane liners with leachate collection and detection systems. The base of the third landfill cell will be graded and compacted prior to the placement of the synthetic membrane liner system. A minimum 1.5 foot soil buffer zone will be maintained between the bottom of the liner and the predicted high ground water table. Leachate generated through the decomposition of

solid waste will be managed with a pump station, a double lined leachate storage lagoon and through recirculation. Erosion and sedimentation will be controlled through the construction of diversion ditches, sediment traps and sedimentation basins. Leachate storage lagoons will hold leachate to be recirculated. Recirculated leachate will be discharged to a Town of Easton water treatment plant located on the adjacent property. Collection ponds, roadways, maintenance facilities and stormwater management systems will also be included in the Project. Additionally, a public area will be included at the site for the collection of small quantities of household wastes which may include recyclables. See the Independent Engineer's Report in Appendix B.

INDEPENDENT ENGINEER'S REPORT

Century Engineering, Inc. has been retained by the Service as Independent Engineer to prepare a report with respect to the Project (the "Independent Engineer's Report"). The Independent Engineer's Report is included herein as Appendix B.

Presented below are the principal conclusions of the Independent Engineer, as set forth in the Independent Engineer's Report, with respect to the Project.

In the preparation of the Independent Engineer's Report and the opinions presented therein, the Independent Engineer has made certain assumptions with respect to conditions which may occur in the future. While the Independent Engineer believes that these assumptions are reasonable for the purpose of the Independent Engineer's Report, they are dependent upon future events, and actual conditions may differ from those assumed. In addition, the Independent Engineer used and relied upon certain information provided to it by others. While the Independent Engineer believes the sources to be reliable, it has not independently verified the information and offers no assurances with respect thereto. To the extent that actual future conditions differ from those assumed therein or provided to the Independent Engineer by others, the actual results will vary from those forecast. For a list of the principal considerations and assumptions made by the Independent Engineer and the principal information provided by others, see the Independent Engineer's Report.

The following are only the conclusions of the Independent Engineer, whose Independent Engineer's Report should be read in its entirety for a complete understanding of the subject matter contained therein. Based on the review and analyses and the assumptions set forth in the Independent Engineer's Report, the Independent Engineer is of the opinion that:

- The Regional Landfill has been operating in compliance with all required permits.
- Sufficient quantities of solid waste have been and should be available within the 4 Midshore Counties, to allow the Regional Landfill to operate at the proposed operating level for the entire landfill life, projected to end in 2010.
- Sufficient air space capacity (based on the addition of the waste transfer station and Cell No. 2A design) exists at the facility to accept solid waste disposal for the

remaining 11 years of life expectancy.

- The design concept for the Regional Landfill is technically sound, meets or exceeds all current regulatory design standards, and represents state-of-current practice for a municipal landfill.
- Ground water monitoring data indicates that double liners with leachate collection/leak detection systems have provided protection of ground water resources (e.g., potable ground water supplies in the vicinity of the landfill have not been adversely affected due to landfill operations).
- There is no current evidence of ground water contamination as a result of the construction and operation of the Regional Landfill.
- MES intends to secure the services of an independent third party Quality Assurance/Quality Control (QA/QC) testing company during the construction of Cell No. 2A, to assure compliance with the Contract Documents. Geosyntec Consultants performed this service during construction of Cell Nos. 1 and 2.
- Currently valid regulatory permits and approvals required by the State of Maryland to construct and operate the Regional Landfill were obtained during initial design and prior to construction of the facility.
- Cells 1, 2 were designed, constructed and operated in accordance with the requirements of the valid Refuse Disposal Permit. Preliminary design information on proposed Cell 2A, which the Service plans to commence constructing in July of 1999, is also consistent with the requirements of the valid Refuse Disposal Permit.
- An application has been filed with the Maryland Department of the Environment for a modification of the refuse Disposal Permit to authorize a solid waste transfer operation at the Regional Landfill. The application is currently in the formal review process.
- The Maryland Department of the Environment has authorized the interim transfer of solid waste from the working face of the landfill, subject to specific conditions, while the application for a permit modification to authorize waste transfer is being processed and the enclosed transfer facility is designed and constructed.
- Currently valid regulatory permits and approvals have been obtained for disposal of landfill leachate at Easton Utilities Commission Waste Water Treatment Plant.
- The geologic and hydrogeologic characteristics of the site are suitable to support construction and operation of the Regional Landfill.
- The operations plan for the facility is technically sound and workable, based on

current technology. The plan will be modified as necessary to meet future BAT and regulatory requirements.

- The operation and maintenance (O&M) expenses associated with the Regional Landfill have been and are expected to remain reasonable for a facility of this type and size.
- The level of manpower requirements and the types and size of equipment are reasonable for the size of the operation and the quantity of solid waste to be disposed and transferred at the Regional Landfill.
- Expenses to date have been reasonable and have been fully covered by the facility tipping fee.

RATINGS

Standard & Poor's Corporation and Moody's Investors Service, Inc. have assigned their municipal bond ratings of "AAA" and "Aaa", respectively, to the Series 1999 Bonds with the understanding that upon delivery of the Series 1999 Bonds, a policy insuring the payment when due of the principal of and interest on the Series 1999 Bonds will be issued by the Bond Insurer. 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 of the Series 1999 Bonds.

SALE AT COMPETITIVE BIDDING

The Series 1999 Bonds will be offered by the Service at a competitive bidding on March 10, 1999 in accordance with the Official Notice of Sale (the form of which is attached as Appendix C). The interest rates shown on the cover page of this Official Statement are the interest rates to the Service resulting from the award of the Series 1999 Bonds at the competitive bidding. The yield or prices shown on the cover page of this Official Statement were furnished by the successful bidders for the Series 1999 Bonds. All other information concerning the nature and terms of any reoffering should be obtained from the successful bidders for the Series 1999 Bonds and not from the Service.

TAX EXEMPTION

In the opinion of Bond Counsel, the interest on the Series 1999 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 1999 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 corporation or public units of any kind. No opinion is expressed as to estate or inheritance taxes or the Maryland franchise tax on financial institutions measured by income or any other taxes not levied or assessed directly on the Series 1999 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 1999 Bonds, including restrictions that must be complied with throughout the term of the Series 1999 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 1999 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 1999 Bonds; and (iii) other requirements applicable to the use of the proceeds of the Series 1999 Bonds and the facilities financed with the proceeds of the Series 1999 Bonds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Series 1999 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 1999 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 1999 Bonds.

Interest on the Series 1999 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. However, for purposes of calculating the corporate alternative minimum tax, a corporation subject to such tax will be required to increase its alternative minimum taxable income by 75% of the amount by which its "adjusted current earnings" exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For such purposes, "adjusted current earnings" would include, among other items, interest income from the Series 1999 Bonds. In addition, interest income on the Series 1999 Bonds will be includable in the applicable taxable base for the purpose of determining the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States.

Certain Other Federal Tax Consequences

There are other federal tax consequences of ownership of obligations such as the Series 1999 Bonds under certain circumstances, including the following: (i) deductions are disallowed for certain expenses of taxpayers allocable to interest on tax-exempt obligations, as well as interest on indebtedness incurred or continued to purchase or carry tax-exempt obligations and interest expense of financial institutions allocable to tax-exempt interest; (ii) for property and casualty insurance companies, the amount of the deduction for losses incurred must be reduced by 15% of the sum of tax-exempt interest income and the deductible portion of dividends

received by such companies; (iii) interest income that is exempt from tax must be taken into account for the purpose of determining whether, and what amount of, Social Security or railroad retirement benefits are includable in gross income for federal income tax purposes; and (iv) for S corporations having Subchapter C earnings and profits, the receipt of certain levels of passive investment income, which includes interest on tax-exempt obligations such as the Series 1999 Bonds, can result in the imposition of tax on such passive investment income and, in some cases, loss of S corporation status.

Except as noted below in the case of market discount, the sale or other disposition of a Series 1999 Bond will normally result in capital gain or loss to its holder. A holder's initial tax basis in a Series 1999 Bond will be its cost. Upon the sale or retirement of a Series 1999 Bond, for federal income tax purposes a holder will recognize capital gain or loss upon the disposition of such security (including sale, redemption or payment at maturity) in an amount equal to the difference between (a) the amount received upon such disposition and (b) the tax basis in such Series 1999 Bond, determined by adding to the original cost basis in such Series 1999 Bond the amount of original issue discount that is treated as having accrued as described below under "TAX EXEMPTION-Tax Accounting Treatment of Discount Bonds". Such gain or loss will be long-term capital gain or loss if at the time of the sale or retirement the Series 1999 Bond has been held for more than one year. Present law taxes both long and short-term capital gains of corporations at the rates applicable to ordinary income. For noncorporate taxpayers, however, net capital gains will be taxed at a maximum rate of 20%, while short-term capital gains and other ordinary income will be taxed at a maximum rate of 39.6%. The Taxpayer Relief Act of 1997 reduced the maximum tax for long-term capital gains on noncorporate taxpayers from 28% to 20%; however, it generally lengthened the required holding period to obtain the lower rate from more than one year to more than 18 months. Net capital gains are the excess of net long-term capital gains (gains on capital assets held for more than 1 year) over net short-term capital losses. Additionally, the maximum capital gain rate for assets that are held more than 5 years and that are acquired after December 31, 2000 is 18%. Holders should consult their tax advisors regarding the advisability of making an election with respect to a Series 1999 Bond held on or before December 31, 2000 to treat the Series 1999 Bond as sold on January 1, 2001 (with the result that gain, if any, would be recognized and subject to tax and loss, if any, would be permanently disallowed) in order to begin a new holding period for the Bond for purposes of subsequently qualifying for the 18% rate. Because of the limitation on itemized deductions and the deduction for personal exemptions applicable to higher income taxpayers, the effective rate of tax may be higher in certain circumstances.

If a holder acquired a Series 1999 Bond after its original issuance at a discount below its principal amount (or in the case of a Series 1999 Bond issued at an original issue discount, at a price that produces a yield to maturity higher than the yield to maturity at which such bond was first issued), the holder will be deemed to have acquired the bond at "market discount". If a holder that acquires a Series 1999 Bond with market discount unless the amount of the market discount is *de minimis*, as described in the following paragraph realizes a gain upon the disposition of the Series 1999 Bond, such gain shall be treated as taxable interest income to the extent such gain does not exceed the accrued market discount attributable to the period during

which the holder held such Series 1999 Bond, and any gain realized in excess of such market discount will be treated as capital gain. Potential purchasers should consult their tax advisors as to the proper method of accruing market discount.

In the case of a Series 1999 Bond not issued at an original issue discount, market discount will be *de minimis* if the excess of the Series 1999 Bond's stated redemption price at maturity over the holder's cost of acquiring the Series 1999 Bond is less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years between the date the holder acquires the Series 1999 Bond and its stated maturity date. In the case of a Series 1999 Bond issued at an original issue discount, market discount will be *de minimis* if the excess of the Series 1999 Bond's revised issue price over the holder's cost of acquiring the Series 1999 Bond is less than 0.25% of the revised issue price multiplied by the number of complete years between the date the holder acquires the Bond and its stated maturity date. For this purpose, a Series 1999 Bond's "revised issue price" is the sum of (i) its original issue price and (ii) the aggregate amount of original issue discount that is treated as having accrued with respect to the Series 1999 Bond during the period between its original issue date and the date of acquisition by the holder.

A Series 1999 Bond will be considered to have been issued at a premium if, and to the extent that, the holder's tax basis in the Series 1999 Bond exceeds the amount payable at maturity. Under recently released final regulations applicable to the Series 1999 Bonds, the amount of premium would be determined with reference to the amount payable on that call date (including for this purpose the maturity date) which produces the lowest yield to maturity on the Series 1999 Bond. The holder will be required to reduce his tax basis in the Series 1999 Bond for purposes of determining gain or loss upon disposition of the Series 1999 Bond by the amount of amortizable bond premium that accrues (determined on a constant yield method) during his period of ownership. Generally, no deduction (or other tax benefit) is allocable in respect of any amount of amortizable bond premium on the Series 1999 Bonds.

Tax Accounting Treatment of Discount Bonds

Certain maturities of the Series 1999 Bonds may be issued at an initial public offering price which is less than the amount payable on such Series 1999 Bonds at maturity (the "Discount Bonds"). The difference between the initial offering price (including accrued interest) at which a substantial amount of the Discount Bonds of each maturity was sold and the principal amount of such Discount Bonds payable at maturity constitutes original issue discount. In the case of any holder of Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to such Discount Bonds is added to the original cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, early redemption or repayment at maturity). For federal income tax purposes (i) any holder of a Discount Bond will recognize gain or loss upon the disposition of such security (including sale, early redemption or payment at maturity) in an amount equal to the difference between (a) the amount received upon such disposition and (b) the sum of (1) the holder's original cost basis in such Discount Bond, and (2) the amount of original issue discount attributable to the period during which the holder held such Discount Bond, and (ii) the amount of the basis adjustment

described in clause (i)(b)(2) will not be included in the gross income of the holder.

Original issue discount on Discount Bonds will be attributed to permissible compounding periods during the life of any Discount Bonds in accordance with a constant rate of interest accrual method. The yield to maturity of the Discount Bonds of each maturity is determined using permissible compounding periods. In general, the length of a permissible compounding period cannot exceed the length of the interval between debt service payments on the Discount Bonds and must begin or end on the date of such payments. Such yield then is used to determine an amount of accrued interest for each permissible compounding period. For this purpose, interest is treated as compounding periodically at the end of each applicable compounding period. The amount of original issue discount which is treated as having accrued in respect of a Discount Bond for any particular compounding period is equal to the excess of (i) the product of (a) the yield for the Discount Bond (adjusted as necessary for an initial short period) divided by the number of compounding periods in a year multiplied by (b) the amount that would be the tax basis of such Discount Bond at the beginning of such period if held by an original purchaser who purchased at the initial public offering price, over (ii) the amount actually payable as interest on such Discount Bond during such period. For purposes of the preceding sentence (i) only that portion of the interest payment due on September 1, 1999 allocable to the period extending from the date of initial delivery of the Series 1999 Bonds to September 1, 1999 will constitute interest and (ii) the tax basis of a Discount Bond, if held by an original purchaser, can be determined by adding to the initial public offering price (including interest from March 1, 1999 to the date of initial delivery, such interest being referred to as "pre-issuance accrued interest") of such Discount Bond the original issue discount that is treated as having accrued during all prior compounding periods and subtracting the pre-issuance accrued interest. Under the income tax regulations, pre-issuance accrued interest may be excluded from the issue price under certain circumstances and, if so excluded, the pre-issuance accrued interest will be treated as a nontaxable return of the pre-issuance accrued interest and not as a payment on the Discount Bond. If a Discount Bond is sold or otherwise disposed of between compounding dates, then interest which would have accrued for that compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Holders of Discount Bonds should note that, under the referenced regulations, the yield and maturity of a Discount Bond is determined without regard to commercially reasonable sinking fund payments and any original issue discount remaining unaccrued at the time that a Discount Bond is redeemed in advance of stated maturity will be treated as taxable gain. Holders should consult their tax advisors as to the proper tax accounting treatment of Discount Bonds subject to mandatory sinking fund redemption.

The foregoing summarizes certain federal income tax consequences of original issue discount with respect to the Discount Bonds but does not purport to deal with all aspects of federal income taxation that may be relevant to particular investors or circumstances, including those set out above. Prospective purchasers of Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on Discount Bonds. In addition, prospective corporate purchasers should consider possible federal

tax consequences arising from original issue discount on such Discount Bonds under the alternative minimum tax or the branch profits tax. The amount of original issue discount considered to have accrued may be reportable in the year of accrual for state and local tax purposes or for purposes of the alternative minimum tax or the branch profits tax without a corresponding receipt of cash with which to pay any tax liability attributable to such discount. Purchasers with questions concerning the detailed tax consequences of transactions in the Discount Bonds should consult their tax advisors.

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 1999 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.

LEGALITY OF THE SERIES 1999 BONDS FOR INVESTMENT AND DEPOSIT

The Act provides that the Series 1999 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 1999 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.

STATE NOT LIABLE ON SERIES 1999 BONDS

The Series 1999 Bonds are limited obligations of the Service payable solely from the Revenues pledged under the Indenture and, to the extent provided in the Indenture, from the proceeds of the Series 1999 Bonds. By the terms of the Act, the Series 1999 Bonds do not constitute a debt, liability or pledge of the faith and credit of the State of Maryland or of any political subdivision of the State. Neither the State of Maryland nor any political subdivision thereof nor the Service shall be obligated to pay the Series 1999 Bonds or the interest thereon except from the Revenues and to the extent provided in the Indenture from the proceeds of the Series 1999 Bonds. Neither the faith and credit nor the taxing power of the State of Maryland or of any political subdivision thereof or of the Service, is pledged to the payment of the principal of or interest on such Bonds. The Series 1999 Bonds are not directly or indirectly or contingently an obligation, moral or other, of the State of Maryland or of any political subdivision thereof or of the Service to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment. The Service has no taxing power.

LEGAL MATTERS

Piper & Marbury L.L.P., Baltimore, Maryland is acting as Bond Counsel in connection with the issuance of the Series 1999 Bonds. The proposed form of Bond Counsel's approving opinion appears as Appendix F. The Attorney General of Maryland is legal advisor for the Service.

LITIGATION

No litigation is pending in any court seeking to restrain or enjoin the authorization, issuance or delivery of the Series 1999 Bonds or contesting the authority or proceedings for the authorization or issuance of the Series 1999 Bonds or their validity, or the creation, organization, corporate existence or powers of the Service, or the title of any of the present officers thereof to their respective titles.

YEAR 2000 COMPLIANCE

The Service has implemented an agency-wide program to address Year 2000 ("Y2K") issues. Additionally, as an agency of the State of Maryland, the Service coordinates its Y2K program with and receives assistance from the State's Y2K Program Management Office. A staff person within the Service serves as Y2K coordinator and is responsible for developing the agency's Y2K compliance strategy. The Service's Y2K compliance strategy involves five phases: awareness, assessment, remediation/contingency, validation/testing, and implementation. The Y2K compliance strategy is being implemented, and the Service expects to continue working on implementation and testing throughout 1999.

In conjunction with its Y2K compliance strategy the Service has identified systems with particular significance to the operation of its environmental facilities, and to the process of payment of bonds issued by the Service. With respect to the operation of the Regional Landfill, the Service has completed its inventory and assessment, and is in the process of upgrading noncompliant systems. The Service has also installed and will be testing Y2K compliant hardware and software for the accounting system used in connection with bond finance. The process of assessing the impact of the Y2K issue with respect to other significant parties, including the Service's bond trustee, the Depository Trust Company, investment providers, loan servicers, significant facility suppliers, and local governments is in progress but incomplete. In addition, the Service is assessing the impact of the Y2K issue on the receipt and payment of funds received from the customers of the facility, including those firms currently disposing more than 10% of the annual waste disposed at the landfill. Failure of these significant internal systems or such third parties to complete remediation could have a material negative impact on the Service's ability to collect payments due it, and to remit funds to bondholders on a timely basis. It should be noted that pursuant to the Service Agreements by and between the Service and the Midshore Counties, the Counties are obligated to pay a supplemental fee to the Service in the event that Landfill Revenues are not sufficient to cover costs. The Service is in the process of

developing a facility operations continuity plan and a business continuity plan, and is assessing critical business processes and alternatives that may be pursued in the event of a disruption to internal or external systems.

As of January 1, 1999, the Service has expended approximately \$385,000 of its funds on remediation (including upgrade of computer hardware and software), and it has allocated additional funds of \$200,000 for remediation of hardware and software. In addition, on a statewide basis, the State of Maryland has appropriated funds for fiscal years 1998 and 1999 for Y2K contracts for State agencies approved through the State's Y2K Program Management Office ("PMO"). Additional funds may be needed in the future to continue remediation and risk management activities.

To the extent applicable, this statement constitutes a "Year 2000 Readiness Disclosure" within the meaning of Public Law 105-271 (the "Year 2000 Information and Readiness Disclosure Act"). The Year 2000 Readiness Disclosure may be updated from time to time on the Service's website at <http://www.menv.com>.

RELATIONSHIPS

Lawrence D. Shubnell, a member of the Board of Directors of the Service, is Vice President for Public Finance for Legg Mason Wood Walker, Inc. which may participate as managing underwriter or member of a syndicate that bids for the Series 1999 Bonds and if such syndicate is awarded the Series 1999 Bonds, Legg Mason Wood Walker, Inc. may be an underwriter of the Series 1999 Bonds.

EXPERTS

Independent Engineer

The references herein to the Independent Engineer's Report prepared by Century Engineering, Inc. have been approved by said firm but do not purport to be complete in all respects, and the Independent Engineer's Report should be read in its entirety for complete information in respect to the subjects discussed therein. As stated in the Independent Engineer's Report, the Independent Engineer has made a number of assumptions regarding its conclusions, all of which are set forth therein, has utilized the sources of information described therein. While the Independent Engineer believes that such sources of information are reliable, it has not independently verified the accuracy of all such information and offers no assurance with respect thereto. The Independent Engineer's Report has been included herein in reliance upon the conclusions therein and upon such firm's experience in preparing consulting engineering reports for similar projects.

Financial Advisor

Public Financial Management, Inc., Atlanta, Georgia, has served as financial advisor in connection with the issuance of the Series 1999 Bonds.

Verification of Mathematical Computations

The Arbitrage Group, LLC, upon delivery of the Series 1999 Bonds, will deliver to the Service its report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of computations prepared by Public Financial Management, Inc. relating to (a) the sufficiency of the anticipated receipts from the Governmental Obligations, together with the initial cash deposit, if any, to pay, when due, the principal interest and early redemption premium requirements of the Series 1990 Bonds, and (b) the "yield" on the Government Obligations and on the Series 1999 Bonds.

Such computations were based solely upon assumptions and information supplied by Public Financial Management, Inc. on behalf of the Service. The Arbitrage Group, LLC has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of future events.

CONTINUING DISCLOSURE

In order to enable participating underwriters (as defined in SEC Rule 15c2-12) to comply with the requirements of paragraph (b)(5) of SEC Rule 15c2-12, the Service will execute and deliver a continuing disclosure agreement (the "Service Continuing Disclosure Agreement") on or before the date of issuance and delivery of the Series 1999 Bonds. Pursuant to the Service Continuing Disclosure Agreement, among other things, the Service will agree to provide (i) to each nationally recognized municipal securities information repository ("NRMSIR") and to the state information depository, if any, established for Maryland (the "SID"), annual audited financial statements for the Maryland Environmental Service Midshore Regional Landfill Project, such information to be made available within 275 days after the end of the Service's fiscal year, commencing with the fiscal year ending June 30, 1999 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; (ii) in a timely manner, to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB") and to the SID, if any, notice of the occurrence with respect to the Series 1999 Bonds of any of the events described in paragraph (b)(5)(i)(C) of SEC Rule 15c2-12, if such event is material; and (iii) in a timely manner, to each NRMSIR or to the MSRB and to the SID, if any, notice of a failure by the Service to provide the required annual financial information and operating data within the applicable time periods specified above.

In addition, each of the Counties will agree to execute and deliver a Continuing Disclosure Agreement (a "County Continuing Disclosure Agreement") and to provide (i) to each nationally recognized municipal securities information repository ("NRMSIR") and to the state

information depository, if any, established for Maryland (the "SID"), annual audited financial statements for each such County, such information to be made available within 275 days after the end of each County's fiscal year, commencing with the fiscal year ending June 30, 1999 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; (ii) in a timely manner, to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB") and to the SID, if any, notice of the occurrence with respect to the Series 1999 Bonds of any of the events described in paragraph (b)(5)(i)(C) of SEC Rule 15c2-12, if such event is material; and (iii) in a timely manner, to each NRMSIR or to the MSRB and to the SID, if any, notice of a failure by the County to provide the required annual financial information and operating data within the applicable time periods specified above.

The Service and each of the Counties reserve the right to terminate their obligation to provide annual financial information and notices of material events, as set forth above, if and when the Service or any County no longer remains an obligated person with respect to the Series 1999 Bonds within the meaning of SEC Rule 15c2-12. The Service Continuing Disclosure Agreement and each of the County Continuing Disclosure Agreements will provide that the Service or each County, respectively, may provide further or additional assurances that will become part of its obligations under the Continuing Disclosure Agreement. In addition, the Service's Continuing Disclosure Agreement may be amended by the Service and each County's Continuing Disclosure Agreement may be amended by each County, respectively, in their 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 or each County as the obligated person with respect to the Series 1999 Bonds, or type of business conducted; (ii) the Continuing Disclosure Agreement, as amended, would have complied with the requirements of SEC Rule 15c2-12(b)(5) at the time of the issuance of the Series 1999 Bonds, after taking into account any amendments or interpretations of this rule, as well as any change in circumstances; and (iii) the amendment does not materially impair the interests of holders of the Series 1999 Bonds, as determined either by counsel selected by the Service 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 Series 1999 Bonds. The reasons for the Service or each 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.

The Service Continuing Disclosure Agreement and each County Continuing Disclosure Agreement, and any claim made with respect to the performance by the Service or of a County of its obligations thereunder, shall be governed by, subject to and construed according to the laws of the State of Maryland. The Service and each County shall be given written notice at the addresses set forth below of any claimed failure by the Service or any County to perform its obligations under its Continuing Disclosure Agreement, and the Service or any 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 Service must be filed in the Circuit Court for Anne Arundel County, Maryland, and any suit seeking further redress by a County must be filed in the Circuit Court for that County, and any party maintaining such suit or other proceeding 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 Service at 2011 Commerce Park Drive, Annapolis, Maryland 21401 and written notice to each County shall be given at the appropriate County Office. Each Continuing Disclosure Agreement constitutes an undertaking by the Service and each County that is independent of the Service's or County's obligations with respect to the Series 1999 Bonds; any breach or default by the Service or a County under its Continuing Disclosure Agreement shall not constitute or give rise to a breach or default under the Series 1999 Bonds.

The foregoing is a summary of certain provisions of Continuing Disclosure Agreements. It is not a complete recital of the terms of each Continuing Disclosure Agreement, and reference should be made to each Continuing Disclosure Agreement for a complete statement of its terms.

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 its counsel 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.

MARYLAND ENVIRONMENTAL SERVICE

By: _____
James W. Peck, Director

CERTAIN INFORMATION CONCERNING
COUNTY COMMISSIONERS OF CAROLINE COUNTY,
COUNTY COMMISSIONERS OF QUEEN ANNE'S COUNTY,
TALBOT COUNTY, MARYLAND,
AND COUNTY COMMISSIONERS OF KENT COUNTY

CERTAIN INFORMATION CONCERNING COUNTY COMMISSIONERS OF CAROLINE COUNTY

Ratings

The last public issuance of general obligation bonds of County Commissioners of Caroline County (the "County"), issued 1994, were rated "A" by Moody's Investors Service, Inc. This rating has not been reduced; however, no assurance can be given that such rating will remain in effect for any given period of time or that it may not be reduced or withdrawn by the rating agency, if in the judgment of such rating agency circumstances so warrant.

General

Caroline County, located in Maryland's Eastern Shore, was created in 1774 and was the last county in Maryland created under the provincial government. The County is named for Caroline Eden, the wife of the last royal governor. The County seat of Denton is approximately 61 miles from Baltimore and 75 miles from Washington, D.C. The County has a land area of 321 square miles.

The County is rural in character. The 1990 census showed a population of 27,035, an increase of 16% between 1980 and 1990. The 1995 population was 29,050. (See "SELECTED DEMOGRAPHIC AND ECONOMIC FACTORS-Population.") The County seat and principal city is Denton, with a 1990 population of 2,977.

In 1984, the citizens of the County voted to establish a Code Home Rule county, Maryland's fourth. Home rule allows the County to exercise the power of self-government over purely local matters. The Maryland General Assembly retains the ultimate authority regarding maximum limits on property tax rates and the amount of indebtedness incurred by the County. Despite home rule, laws in certain areas, such as education, health, alcoholic beverages, and judicial proceedings, and those establishing new types of taxes or fees, must be passed by the State of Maryland.

The executive offices of the County are located at the Caroline County Courthouse, 109 Market Street, Denton, Maryland 21629. The County Commissioners' office telephone number is (410) 479-0660.

County Services

Through its various departments and offices the County supplies a full scope of governmental services. The principal services and the General Fund budgeted operating expenditures for the 1999 fiscal year in each category are Education (\$11,791,790), Public Safety (police and fire protection) (\$3,890,840), Public Works (\$2,240,467), Recreation, Culture, History (\$1,035,287), Health (\$466,845), General Government (\$1,978,835), Social Services

(\$109,169), Conservation of Natural Resources (\$188,878), and Intergovernmental (\$3,100). Debt (\$2,280,966), Economic Development (\$97,857), Capital (\$33,750), Miscellaneous (\$1,574,246). The Total General Fund operating budget for Fiscal Year 1999 (\$25,692,030).

Adoption of Budget

The formulation of the County's budget is the responsibility of the County Administrator, who is subject to the supervision of the County Commissioners.

The County budget consists of a General Fund Budget, several Special Revenue Fund Budgets and a Capital Budget. 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.

When directed by the County Administrator, the head of each agency which receives or disburses County funds furnishes an annual budget request for the next fiscal year which includes estimates of the revenues and expenditures for the work programs anticipated for that period. Estimates of revenues are detailed as to source, and the estimated expenditures as to project. Requests are submitted on forms designed for each department and the data is then transferred to a standardized summary sheet by the County Administrator.

Two advertised public hearings are held to allow the citizens and taxpayers of the County to comment on the requests and the proposed real property tax rate in May, when the County Commissioners sit as the Board of Estimates.

Budget deliberations are held by the County Commissioners and staff in order to formulate a proposed County budget which is then once again presented to the public by means of a public hearing which has been duly advertised. Adoption of the General Fund Budget and Special Revenue Fund Budgets and establishment of the local income tax rate and real property tax rate are scheduled and completed before July 1 of each fiscal year.

Each year the County Commissioners review capital improvement requests from the various departments and develop a Capital Budget which is considered along with the General Fund Budget. Additionally, a five year Capital Plan is developed, which is approved as a general policy but does not have the force of law.

Basis of Accounting

The modified accrual basis of accounting is followed by the governmental funds and expendable trust and agency funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the appropriation, is employed in the governmental funds. The encumbrances are reported as a reservation of fund balance because they do not constitute expenditures or liabilities.

Accounting Policies

The accounting policies of the County conform to generally accepted accounting principles ("GAAP") as applicable to governments.

REVENUES AND EXPENDITURES

General

The County's principal source of revenue is property taxes, which constitute approximately 48 percent of total General Fund revenues; 28 percent are from local income taxes, with the remainder being state share taxes. The second largest source of revenue is intergovernmental revenues (revenues received from State and Federal governments) which represented 7 percent of all revenue in fiscal year 1998.

A summary of the general fund revenues are included below:

GENERAL FUND - SUMMARY OF REVENUES

Fiscal Year

<u>Revenues</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Property Taxes	\$11,391,397	\$11,215,734	\$11,124,894	\$10,767,329	\$10,199,856
Other Local Tax Revenues	8,071,683	7,194,610	6,130,017	5,793,225	5,422,082
State Shared Taxes	2,701,463	2,375,416	2,098,081	2,308,292	2,132,555
Licenses and Permits	245,876	220,828	201,643	200,884	220,075
Intergovernmental Revenue	2,094,306	1,514,464	1,312,740	1,245,499	1,126,782
Miscellaneous	<u>226,673</u>	<u>582,890</u>	<u>715,274</u>	<u>723,847</u>	<u>869,905</u>
Total Revenues	<u>25,324,898</u>	<u>\$23,103,942</u>	<u>\$21,582,650</u>	<u>\$21,039,076</u>	<u>\$19,971,255</u>

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 ("full cash value") and assessed in each year at a percentage of market value. The assessable

base of the County in each year is determined by multiplying the aggregate full cash value of all real property in the County by this factor. Since 1992, the state-wide factor has been 40%.

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 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 \$50 million in fiscal year 1998. Tax-exempt properties are not included in the following table.

CAROLINE COUNTY
ESTIMATED ASSESSABLE PROPERTY TAX BASE AND TAX RATES
(As of June 30)

<u>Assessed Value</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Real Property	\$406,557,000	\$396,377,000	\$379,972,000	\$367,010,000	\$357,728,000
Personal Property	2,917,000	2,871,000	3,297,000	2,916,000	2,994,000
Corporation and Public Utilities	<u>84,695,000</u>	<u>84,744,000</u>	<u>81,296,000</u>	<u>79,129,000</u>	<u>72,664,000</u>
Total Base	<u>494,169,000</u>	<u>\$483,992,000</u>	<u>464,565,000</u>	<u>449,055,000</u>	<u>433,386,000</u>
County Tax Rate (Per \$100)	2.38	2.42	2.48	2.48	2.49
State Tax Rate (Per \$100)	0.21	0.21	0.21	0.21	0.21

Source: State Department of Assessments and Taxation

The County's property tax rate is \$2.38 for fiscal year 1999; and the State property tax rate was \$0.21 for fiscal year 1999. The total assessed value for real property for the County for the fiscal year 1998 was \$396,376,731.

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 percent allowance for uncollectible taxes is established for prior year taxes receivable. Beginning October interest (at the rate of 1% per month) is charged for each month or fraction thereof that taxes remain unpaid for the current year plus a 3% penalty beginning January for all unpaid County real property taxes due in that levy year. Such taxes become delinquent on October 1 in the fiscal year of billing. Owner occupied properties can pay their taxes in two payments with the first payment due before September 30. The second payment is due in January and has a 5% service charge and 10% administrative fee. Delinquent taxes are satisfied, after prior notice of delinquency, at tax sales conducted by the County in the first year following 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</u>	<u>Total Tax Levy</u>	<u>Current Year Taxes Collected in Year of Levy</u>	<u>Percent of Levy Collected During Year</u>	<u>Delinquent Collections</u>	<u>Total Collections</u>	<u>Percent of Levy Total Collected (Current and Delinquent)</u>
1998	\$11,333,035	\$11,187,524	98.7%	-0-	\$11,187,524	98.7%
1997	\$11,104,080	\$10,945,692	98.5%	\$ 89,051	\$11,034,743	99.3%
1996	\$11,090,737	\$10,907,779	98.3%	\$159,160	\$11,066,939	99.7%
1995	\$10,633,552	\$10,506,089	98.8%	\$123,228	\$10,629,317	99.9%
1994	\$10,145,534	\$10,022,560	98.7%	\$121,411	\$10,143,971	99.9%

Source: Caroline County Office of Finance.

The table below shows the five largest taxpayers in the County and the assessed valuation of their property for fiscal year 1998:

<u>Taxpayer</u>	<u>Assessed Valuation</u>
Bell Atlantic	\$25,565,400
Delmarva Power	\$16,765,520
Choptank Electric	\$15,199,400
Preston Trucking	\$ 2,189,020
Tri Gas & Oil Co., Inc.	\$ 1,513,420

Source: Caroline County Office of Finance.

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. The rate of tax is 2% on the first \$1,000 of taxable income, 3% on the second \$1,000, 4% on the third \$1,000 and 5% on taxable income in excess of \$3,000. Pursuant to State laws, each county and Baltimore City may levy a local income tax at the rate of at least 20%, but not more than 60%, of the State income tax liability of individuals domiciled in their respective jurisdictions. The County currently levies a local income tax pursuant to the State law at the rate of 60% of the State income tax liability on individuals domiciled in the County. The County does not levy a local income tax on corporations.

GENERAL FUND
SUMMARY OF REVENUES AND EXPENDITURES, ENCUMBRANCES, TRANSFERS
AND APPLICATION OF ACCUMULATED FUND BALANCE

Fiscal Year

<u>Revenues</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Property Taxes	\$11,391,937	\$11,215,734	\$11,124,895	\$10,767,329	\$10,199,856
Income	7,318,020	6,554,426	5,566,279	5,237,476	4,844,302
Other Local Tax Revenues	753,663	690,184	563,738	555,749	577,780
State Shared Taxes	2,701,463	2,375,416	2,098,081	2,308,292	2,132,555
Licenses and Permits	245,876	220,828	201,643	200,884	220,075
Intergovernmental Revenue	2,094,306	1,514,464	1,312,740	1,245,499	1,126,782
Charges for Services	592,960				
Miscellaneous	<u>226,673</u>	<u>582,890</u>	<u>715,274</u>	<u>723,847</u>	<u>869,905</u>
Total Revenues	<u>\$25,324,898</u>	<u>\$23,103,942</u>	<u>\$21,582,650</u>	<u>\$21,039,076</u>	<u>\$19,971,255</u>
 <u>Expenditures and Encumbrances</u>					
General Government	1,901,490	\$ 1,779,431	1,761,904	1,768,860	1,598,767
Public Safety	3,382,648	3,064,010	2,706,095	2,703,566	2,351,181
Public Works	1,968,234	1,854,556	1,844,970	1,825,866	1,826,099
Health	557,202	523,480	573,498	669,628	487,441
Social Services	98,268	92,250	105,250	84,094	87,221
Education	940,353	867,381	773,288	697,689	447,536
Parks and Recreation	258,312	235,463	242,940	272,523	449,415
Conservation of Natural Resources	166,175	156,350	135,196	136,307	127,072
Debt Service	1,916,026	1,858,343	1,578,735	1,749,775	1,416,513
Intergovernmental	3,090	3,090	174,148	209,563	201,402
Economic Development	84,403	60,688	28,600	31,126	39,397
Miscellaneous	1,571,964	<u>1,397,549</u>	<u>1,446,805</u>	<u>1,474,884</u>	<u>1,223,259</u>
Capital Outlay	<u>168,425</u>				
Total Expenditures	<u>13,016,590</u>	<u>\$11,892,591</u>	<u>\$11,371,429</u>	<u>\$11,623,881</u>	<u>\$10,255,303</u>
 <u>(Other Financing Resources)</u>					
<u>Uses</u>					
Reappropriated prior year surplus		-			
Other Sources:					
Long-term debt		-			
Operating transfers in	\$176,315	\$ 161,252	\$ 231,845	\$ 157,428	\$ 3,065
Operating transfers out	(11,470,265)	(10,875,427)	(10,469,380)	(10,282,000)	(9,552,000)
Net Operating Transfers		(10,714,175)			
Excess of revenues and other sources over (under) expenditures, encumbrances and	1,014,358	\$ 497,176	(\$26,314)	(\$709,377)	\$167,017

Source: Audit Reports, Annual Financial Reports of Caroline County for years 1994-1998.

GENERAL FUND
STATEMENT OF BUDGET AND ACTUAL OPERATIONS
(Budgetary, Non GAAP Basis)

	Budget	Actual
<u>REVENUE</u>		
Taxes		
Property	\$11,365,000	\$11,391,937
Income	6,630,000	7,318,020
Other Local	535,000	753,633
State Shared	2,543,000	2,701,463
Licenses and Permits	257,000	245,876
Intergovernmental Revenues		
Federal	107,500	190,215
State	1,819,030	1,904,091
Charges for Services	707,000	592,960
Miscellaneous Revenues	229,623	226,673
	\$24,193,153	\$25,324,898
 <u>EXPENDITURES</u>		
General Government	1,846,975	1,901,490
Public Safety	3,404,650	3,382,648
Public Works	2,025,823	1,968,234
Health	572,946	557,202
Social Services	68,300	98,268
Education	940,353	940,353
Recreation and Culture	251,127	258,312
Conservation of Natural Resources	131,109	166,175
Economic Development	84,557	84,403
Intergovernment	3,100	3,090
Miscellaneous	1,580,520	1,571,964
Capital Outlay	148,900	168,425
Debt Service	2,024,793	1,916,026
	\$13,083,153	\$13,016,590
 TOTAL EXPENDITURES	 \$13,083,153	 \$13,016,590
 Excess of Revenues Over (Under) Expenditures	 \$11,110,000	 \$12,308,308

GENERAL FUND BUDGET
FISCAL YEAR 1999

General Government	
County Commissioners & Finance	522,343
Courts & State's Attorney	448,937
Planning & Codes Administration	275,918
Employees Expense	1,429,020
Public Safety	
Sheriff's Department & Jail	2,332,752
Emergency Management	475,094
Fire Companies	707,999
Advanced Life Support	278,655
Animal Control, Other	96,340
Public Works	2,195,467
Health	466,845
Social Services	109,169
Board of Education	10,900,010
Chesapeake College	891,781
Recreation & Culture/Historical	253,153
Library	778,634
Conservation of Natural Resources	188,878
Economic Development	97,857
Intergovernmental	3,100
Miscellaneous	959,112
Debt Service	<u>2,280,966</u>
 Total	 25,692,030

The FY 1999 general fund budget for Caroline County totals \$25,692,030 which represents a 6.2% increase over the original FY 1998 budget.

CERTAIN DEBT INFORMATION

General

The County is not subject to any limitation on the amount of direct general obligation indebtedness, but the incurring of direct bonded indebtedness by the County must be authorized by a public local law enacted by the County Commissioners of Caroline County.

SUMMARY OF TOTAL OUTSTANDING LONG-TERM INDEBTEDNESS

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirement*</u>
1999	\$ 1,221,535	\$ 1,012,635	\$ 2,234,170
2000	1,335,313	1,001,863	2,337,176
2001	1,116,598	934,485	2,051,083
2002	1,098,571	875,818	1,974,389
2003	1,159,489	815,965	1,975,454
2004	1,207,717	753,211	1,960,928
2005	1,229,405	687,527	1,916,932
2006	1,041,184	625,194	1,666,378
2007	892,898	570,555	1,463,453
2008	786,908	525,876	1,312,784
2009	755,026	487,851	1,242,877
2010	788,758	450,023	1,238,781
2011	785,849	410,170	1,196,019
2012	824,550	371,074	1,195,624
2013	711,089	329,631	1,040,720
2014	483,742	293,788	777,530
2015	467,092	269,029	736,121
2016	412,963	247,157	660,120
2017	434,423	225,865	660,288
2018	432,288	203,769	636,057
2019	358,650	178,386	537,036
2020	375,901	160,045	535,946
2021	399,502	140,700	540,202
2022	417,284	120,277	537,561
2023	440,351	99,007	539,358
2024	459,809	76,572	536,381
2025	189,584	56,729	246,313
2026	169,557	50,005	219,562
2027	110,092	39,475	149,567
2028	50,337	32,543	82,880
2029	52,912	29,968	82,880
2030	55,618	27,262	82,880
2031	58,463	24,417	82,880
2032	61,453	21,427	82,880
2033	64,596	18,284	82,880
2034	67,901	14,979	82,880
2035	71,374	11,506	82,880
2036	75,025	7,855	82,880
2037	<u>78,373</u>	<u>4,195</u>	<u>82,568</u>
Total	<u>\$20,742,180</u>	<u>\$12,205,118</u>	<u>\$32,947,298</u>

*Totals may not add due to rounding.

Source: Caroline County Office of Finance.

Short-Term Debt

As of June 30, 1998, the County had \$1,000,000 outstanding on a bank line of credit. This line of credit was paid off on November 30, 1998. At this time, the County has a line of credit not to exceed \$1,700,000, which may be accessed for tax anticipation borrowing.

RATIO OF ANNUAL DEBT SERVICE FOR
GENERAL BONDED DEBT TO TOTAL GENERAL FUND REVENUES

<u>Fiscal Year</u>	<u>Annual Total General Fund Debt</u>	<u>Total General Fund Revenues</u>	<u>General Fund Revenues</u>
1998	\$1,916,026	\$25,324,898	7.5%
1997	1,858,343	23,103,942	8.0%
1996	1,578,735	21,582,650	7.3%
1995	1,749,775	21,039,076	8.3%
1994	1,416,513	19,971,225	7.1%

Source: Caroline County Office of Finance.

CAROLINE COUNTY GENERAL OBLIGATION DEBT RATIO
OF BONDED DEBT TO ASSESSED VALUES,
MARKET VALUES AND BONDED DEBT PER CAPITA

<u>Fiscal Year</u>	<u>County Debt</u>	<u>Assessed Value</u>	<u>Market Value</u>	<u>Ratio of County Debt to Assesse d Value</u>	<u>Ratio of County Debt to Market Value</u>	<u>Population</u>	<u>Debt per Capita</u>
1998	\$14,116,956	\$494,169,000	\$1,235,422,500	2.9	1.1	29,920	\$471.82
1997	11,414,803	483,992,000	1,209,980,000	2.4	0.9	28,700	397.73
1996	8,164,985	464,565,000	1,161,412,500	1.8	0.7	28,700	284.49
1995	7,226,712	449,055,000	1,122,637,500	1.6	0.6	28,700	251.80
1994	6,086,132	433,386,000	1,083,465,000	1.4	0.6	27,035	225.12

Source: Caroline County Office of Finance.

Labor Relations

As of January 1, 1999, the County employed approximately 160 full-time permanent employees. The County has not entered into any collective bargaining agreements.

The County has not experienced a work stoppage due to labor relation disputes and considers its relationship with employees to be satisfactory.

SELECTED DEMOGRAPHIC AND ECONOMIC FACTORS

Population

The following table sets forth the trend in the County's population.

1995	29,050
1993	28,312
1990	27,035
1980	23,143
1970	19,781

Source: U.S. Department of Commerce, Bureau of Census and Maryland Department of State Planning.

Municipal

The following table sets forth the County's ten incorporated municipalities and their populations for the years 1970, 1980, 1990.

<u>Municipalities</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>
Denton	1561	1927	2977
Federalsburg	1917	1952	2365
Goldsboro	231	188	185
Greensboro	1173	1253	1441
Hinderson	135	156	66
Hillsboro	177	180	164
Marydel	176	152	143
Preston	509	498	437
Ridgely	822	933	1034
Templeville (also in Queen Anne's County)	102	96	66

Sources: U.S. Department of Commerce, Bureau of Census.

The following table sets forth the County's unemployment rate as compared with its neighboring counties, the State of Maryland and the United States for the years 1994-1998:

Average Annual Unemployment Rate

Average Annual Unemployment Rate

	<u>1996</u>	<u>1995</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>	<u>1987</u>	<u>1986</u>
Caroline County	5.9%	5.5%	4.8%	3.8%	5.0%	5.5%	6.3%
Dorchester County	10.4	10.0	7.7	6.5	7.4	7.4	8.5
Kent County	7.9	6.8	5.5	4.9	6.0	5.1	5.4
Queen Anne's County	4.6	4.7	3.7	2.7	3.7	3.9	4.5
Talbot County	4.0	3.6	4.8	3.9	3.8	3.8	3.5
Maryland	4.9	5.1	4.6	3.7	4.5	4.2	4.5
United States	5.4	5.6	5.5	5.3	5.5	6.2	7.0

Source: Maryland Department of Economic and Employment Development.

Listed below are representative employment figures of a number of larger private employers in the County.

The top five employers are:

<u>Employer</u>	<u>Product or Service</u>	<u>Estimated Employment</u>
Solo Cup	Styrofoam Paper Cups	482
Interactive Marketing Services	Fulfillment Operations	336
Preston Trucking Company	Freight	324
Maryland Plastics, Inc.	Plastics Items	289
Saulsbury Bros.	Foods	175

Source: Caroline County Office of Finance.

CAROLINE COUNTY, MARYLAND AND U.S.
AVERAGE PER CAPITA PERSONAL INCOME

	<u>Caroline County</u>	<u>Maryland</u>	<u>United States</u>
1998	N/A	N/A	N/A
1997	N/A	N/A	N/A
1996	16,845	27,676	24,436
1995	16,141	26,567	23,359
1994	15,817	25,456	22,186

Source: Maryland Office of Planning, Planning Data Services.

A comparison of Caroline County and State of Maryland personal income is presented in the following table:

<u>Calendar Year</u>	<u>Personal Income</u> <u>(\$000's)</u>		<u>Percent Change from Previous</u> <u>Year</u>	
	<u>Caroline</u>	<u>State</u>	<u>Caroline</u>	<u>State</u>
1996	16,845	27,676	4.36%	417

Source: Maryland Office of Planning, Planning Data Service

Year 2000 Disclosure

Computer systems world-wide will undergo a date transition which may impact the ability of those systems to accurately process information that may be date-sensitive. Any programs that recognize a date using "00" as the year 1900 rather than the Year 2000 may cause systems to process critical financial and operational information incorrectly or to fail completely. Caroline County utilizes a number of computer systems across its operations.

Caroline County is currently working to resolve the potential impact of the Year 2000 on the processing of the data-sensitive data by Caroline County's computerized information systems. In 1998, Caroline County began to modify its computer information systems to ensure proper processing of transactions relating to the Year 2000 and beyond and expects to complete the required modifications during 1999. Caroline County expects to complete its modification of the accounts payable, financial reporting, and tax reporting systems by March 1999.

Caroline County Public Safety Communication systems are undergoing testing and upgrading to be prepared for the Year 2000. Currently, we are under contract with Bell Atlantic to provide a new address database linking the caller's telephone number to the caller's address. Further, Bell Atlantic verbally states that all other systems regarding the receipt of 911 calls both internal and external will be or are currently Year 2000 compliant.

Correctional facilities are in the process of upgrading prisoner tracking and record-keeping software which will be complete by June 1999.

In 1998 Caroline County has upgraded many workstations and LAN systems to make sure these systems are Year 2000 compliant. There are about twenty more systems that will be upgraded by October 1999.

In 1998 Caroline County hired a full-time computer system technician to aid in addressing the Year 2000 compliance issues. The amount expended to date, as well as the amounts anticipated to be expended related to the Year 2000 computer compliance modifications, have not been and are not expected to be material to the County's financial position.

Litigation

The County is a party to several legal proceedings of the type which normally occur in governmental operations. The legal proceedings are not, in the opinion of the County Attorney, likely to have a material adverse effect on the County's financial position.

CERTAIN INFORMATION CONCERNING COUNTY COMMISSIONERS OF QUEEN ANNE'S COUNTY

Ratings

The last public issuance of general obligation bonds of County Commissioners of Queen Anne's County (the "County") issued May 15, 1997, were rated "AAA" and carried insurance by the Financial Guaranty Insurance Company. This rating has not been reduced, however, no assurance can be given that such rating will remain in effect for any given period of time or that it may not be reduced or withdrawn by the rating agency, if in the judgment of such rating agency circumstances so warrant.

General

Queen Anne's County, located on the Eastern Shore of Maryland, was formed in 1706 and was named after Queen Anne, then reigning Queen of England. It is commonly known as the "gateway to the Eastern Shore" as it is linked to the Western Shore by the Chesapeake Bay Bridge. The County has a land area of 373 square miles and more than 258 miles of waterfront.

The County is predominately rural in character, but has experienced significant growth within the last two decades. According to the Bureau of the Census, the County's 1980 population of 25,508 had grown to 33,605 by 1990, an increase of 32%. The County seat is Centreville, with a 1990 population of 2,097.

The administrative offices of the County are located at the Liberty Building, 107 North Liberty Street, Centreville, Maryland 21617. The County Commissioners' office telephone number is (410) 758-4098.

Both the executive and legislative functions of the County are vested in the elected three-member Board of County Commissioners. Commissioners are elected on a countywide basis and serve four-year terms. The Board elects one Commissioner to serve as its president. The Board is required to meet weekly.

The County is governed by an elected three-member Board of County Commissioners of Queen Anne's County (the "Board" or the "County Commissioners") under the Code Home Rule form of government. The Board exercises the governmental powers, including the power to authorize the issuance of debt to finance capital projects, that are granted to Code Home Rule counties by Article XI-F of the Maryland Constitution and Article 25B of the Annotated Code of Maryland. The Board is also authorized to issue short-term debt such as bond anticipation notes.

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 of 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.

COUNTY SERVICES

Through its various departments and offices the County supplies a full scope of governmental services. The principal services and the General Fund budgeted operating expenditures for the 1999 fiscal year in each category are: Education (\$820,171), Public Safety (police and fire protection) (\$5,500,507), Public Works (roads, water and sewage, and solid waste) (\$1,775,014), Parks and Recreation (\$1,354,218), Health (\$921,331) and Social Services (\$58,430).

Budget and Accounting

The formulation of the County's budget is the responsibility of the County Administrator, who is subject to the supervision of the County Commissioners.

The County budget consists of a General Fund Budget several Special Revenue Fund Budgets and Enterprise Fund Budgets. 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. The budget is presented on a GAAP basis.

When directed by the County Administrator, the head of each agency which receives or disburses County funds furnishes an annual budget request for the next fiscal year which includes estimates of the revenues and expenditures for the work programs anticipated for that period. Estimates of revenues are detailed as to source, and the estimated expenditures as to project. All requests are submitted on a standardized form, with supporting data as necessary.

Each department makes a presentation of its budget request to the County Commissioners and County Administrator on an annual basis. Public hearings are held to allow the citizens and taxpayers of the County to comment on the requests.

Budget deliberations are held by the County Commissioners and staff in order to formulate a proposed County budget which is then once again presented to the public by means of a public hearing which has been duly advertised. Adoption of the General Fund Budget and Special Revenue Fund Budgets and establishment of the local income tax rate and real property tax rate are scheduled and completed before July 1st of each fiscal year.

The County prepares a five year Capital Improvements Budget which serves as a planning tool for the scheduling and funding of major capital improvements.

Basis of Accounting

Governmental and agency funds are accounted for on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are accrued when measurable and available and expenditures are recorded when the liability is incurred.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the appropriation, is employed in the governmental funds. The encumbrances are reported as a reservation of fund balance because they do not constitute expenditures or liabilities.

Accounting Policies

The accounting policies of the County conform to generally accepted accounting principles ("GAAP") as applicable to governments.

REVENUES AND EXPENDITURES

General

The County's principal source of revenue is taxes, which constitute 92% percent of total General Fund revenues; 57% percent from real property taxes and 37% percent from local income taxes. The second largest source of revenue is other fees and charges which represent 2% percent of all revenue in fiscal year 1998.

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 and assessed at 40% of 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 year 1998 and fiscal year 1999, the limit has been set at the maximum of 10%. 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 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 \$85 million in fiscal year 1998. Tax exempt properties are not included in the following table.

QUEEN ANNE'S COUNTY
 Estimated Assessable Property Tax Base & Tax Rate
 (as of June 30)

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
<u>Assessed Value</u>					
Real Property	\$1,053,474,037	\$1,000,912,765	\$ 962,231,495	\$ 940,439,030	\$ 829,450,485
Personal Property	7,877,980	25,521,030	12,001,020	8,194,130	9,913,241
Public Utilities	73,871,623	72,881,780	64,839,040	62,911,400	53,671,160
Business Corporations	<u>125,037,970</u>	<u>94,148,320</u>	<u>89,704,340</u>	<u>78,868,560</u>	<u>78,868,560</u>
Total Base	<u>1,260,261,610</u>	<u>\$1,193,463,895</u>	<u>\$1,128,775,895</u>	<u>\$1,090,413,120</u>	<u>\$971,903,446</u>
County Tax Rate (per \$100)	2.25	\$2.35	\$2.17	\$2.17	\$2.17
State Tax Rate (per \$100)	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21

Source: State Department of Assessments and Taxation.

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 uncollectible is established for prior year taxes receivable. Beginning October 1, interest (at the rate of 1% per month) is charged for each month or fraction thereof that taxes remain unpaid for the current year. In addition a 5% penalty is added to all delinquent accounts paid after April 1. 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.

PROPERTY TAX LEVIES AND COLLECTIONS

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current year Taxes Collected in Year of Levy</u>	<u>Percent of Levy Collected During Year</u>	<u>Total Taxes Collected (Current and Delinquent)</u>	<u>Percent</u>	<u>Accumulated Delinquent Taxes</u>	<u>Accumulated Delinquent Taxes as % of Current Year Tax Levy</u>
1998	\$23,491,880	\$23,441,677	99.8%	\$23,504,727	100.1%	\$ 43,385	0.18%
1997	23,603,635	23,545,228	99.8%	23,691,606	100.4%	106,434	0.45%
1996	22,349,990	22,290,672	99.7%	22,426,309	100.3%	194,406	0.87%
1995	21,440,120	21,285,314	99.3	21,305,956	99.4	270,725	1.26
1994	20,530,753	20,397,669	99.4	20,580,247	100.2	138,396	0.67

The table below, for fiscal year 1998, indicates the fifteen largest taxpayers in the County and gives the assessed valuation of their property.

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>% of Total Tax Levy</u>
Second Horizon LLP	\$11,334,000	1.01%
Mario J. Boiardi	5,477,120	0.49%
Kent Island Joint Venture	2,954,290	0.26%
Washington Brick & Terracotta	2,717,060	0.24%
Gateway Partnership	2,299,120	0.20%
Bay Bridge Limited	2,264,720	0.20%
Kent Landing, LTD	2,041,800	0.18%
Clyde E. Sisk	2,029,040	0.18%
TC Shopping Center	2,020,280	0.18%
Mears Point Association	1,994,090	0.18%
Ten Largest Taxpayers	\$35,131,520	3.12%
Pasquale Didonato	1,942,420	0.17%
KRM Development	1,932,890	0.17%
Arthur Kudner	1,897,940	0.17%
Corsica Hills Association	1,326,160	0.12%
Queenstown Bank	1,289,040	0.11%
Fifteen Largest Taxpayers	\$43,519,970	3.86%

Source: (1) Queen Anne's County Finance Department

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.

For calendar years prior to 1992, each county and Baltimore City was authorized pursuant to State law to levy a local income tax at the rate of at least 20%, but not more than 50%, of the State income tax liability of individuals domiciled in their respective jurisdictions. Beginning with calendar year 1992, the maximum rate that each county and Baltimore City may levy for local income taxes has been increased by State legislation from 50% to 60% of the State income tax liability for income up to the Applicable Amounts. Income above the Applicable Amounts continues to be subject to the 50% maximum rate. The County also levied a local income tax at the rate of 50% of the State income tax for calendar year 1993. The County Commissioners increased the levy to 55% effective January 1, 1994.

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 1998 were \$2,071,435. Recordation taxes in Queen Anne's County are by law devoted to recreation purposes. The County also receives revenues from taxes levied on amusement admission charges which amounted to \$219,572 in fiscal year 1998.

State Assistance

During fiscal year 1998, the County received from the State of Maryland approximately \$804,626 for use in the General Fund.

General Fund Results

The following table shows the actual results of the General Fund for the five most recent fiscal years ended June 30.

GENERAL FUND
SUMMARY OF REVENUES AND EXPENDITURES, ENCUMBRANCES, TRANSFER
AND APPLICATION OF ACCUMULATED FUND BALANCE
(GAAP BASIS)

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Revenues:					
Property Taxes	\$25,278,235	\$25,680,929	\$22,637,807	\$21,479,351	\$20,540,655
Other Local Taxes	18,887,322	15,998,109	14,692,410	13,358,669	11,181,650
Licenses and Permits	517,987	199,514	184,026	199,881	413,591
Intergovernmental Revenue	804,626	691,660	761,096	694,434	672,867
Miscellaneous	2,288,417	<u>2,368,565</u>	<u>2,640,993</u>	<u>3,345,673</u>	<u>1,732,443</u>
Total Revenues	<u>47,776,587</u>	<u>\$44,938,777</u>	<u>\$40,916,332</u>	<u>\$39,078,008</u>	<u>\$34,541,206</u>
Expenditures and Encumbrances:					
General Government	3,363,716	3,107,853	\$3,060,870	\$3,049,838	\$2,837,061
Public Safety	6,048,995	5,606,820	5,052,450	4,936,053	4,490,277
Public Works	1,797,227	1,775,684	1,684,740	1,646,384	1,499,873
Health	804,449	789,994	827,908	902,918	943,858
Social Services	52,528	77,667	67,224	43,767	42,989
Education	944,766	817,766	811,381	703,459	596,003
Parks and Recreation	1,448,559	1,317,737	1,079,399	1,230,605	1,124,324
Conservation of Natural Resources	280,358	291,294	272,685	254,029	271,287
Economic Development	195,384	180,240	195,809	231,665	220,158
Debt Service	3,154,118	1,544,036	1,599,427	2,112,292	1,568,473
Intergovernmental	85,541	113,089	84,432	81,537	69,307
Contingencies	85,337	68,644	282,853	79,649	135,419
Miscellaneous	<u>519,106</u>	<u>622,966</u>	<u>461,365</u>	<u>563,912</u>	<u>512,826</u>
Total Expenditures	18,780,084	\$16,313,790	\$15,480,543	\$15,846,108	\$14,311,855
(Other Financing Sources) Uses:					
Debt Proceeds		-	-	-	305,323
* Net Operating Transfers	(26,845,202)	(26,163,946)	(24,778,569)	(21,994,530)	(20,295,202)
Excess of revenues and other sources over (under) expenditures, encumbrances, and other uses	2,151,301	2,461,041	657,220	1,237,370	239,472
Fund Balance Prior Year (Net of Prior Period Adjustments)	<u>5,960,881</u>	<u>3,546,802</u>	<u>2,889,582</u>	<u>1,652,212</u>	<u>1,412,740</u>
FUND BALANCE AT YEAR END	<u>8,112,182</u>	<u>\$6,007,843</u>	<u>\$3,546,802</u>	<u>\$2,889,582</u>	<u>\$1,652,212</u>

* Net Operating Transfers include the following:

	<u>Board of Education</u>	<u>Library</u>	<u>Capital Projects</u>	<u>Other</u>
1998	\$22,606,642	\$788,651	\$3,205,600	\$1,088,217
1997	21,929,642	757,520	2,933,297	543,487
1996	20,729,642	720,023	2,500,000	828,904
1995	20,192,220	720,023	411,437	670,850
1994	18,530,220	618,082	496,045	650,855

Source: Queen Anne's County Finance Office.

Results for Fiscal Year 1998

The following table sets forth actual results for fiscal year 1998, the fiscal year 1999 budget.

GENERAL FUND

	<u>Actual</u> <u>1998</u>	<u>Budget</u> <u>1999</u>
Revenues		
Property Taxes	\$25,278,235	25,657,550
Income Taxes	16,472,820	16,640,547
Recordation	2,071,435	1,850,000
Other	343,067	345,000
Licenses and Permits	517,987	290,950
Intergovernmental	804,626	871,092
Charges for Current Services	994,001	1,052,292
Interest Earned	779,770	750,000
Other Miscellaneous Revenues	516,646	296,062
Transfer From Other Funds	843,908	939,249
Total Revenues	48,620,495	48,692,742
Budgeted Revenues	45,956,335	
Actual Revenues (above)	48,620,495	48,692,742
 Current Expenditures		
General Government	3,363,716	4,069,138
Public Works	1,797,227	2,125,945
Public Safety	6,048,995	6,617,770
Public Health	804,449	944,429
Social Services	52,528	61,124
Education	944,766	1,152,936
Park and Recreation	1,448,559	1,444,528
Miscellaneous	1,165,726	1,336,630
Debt Service	3,154,118	4,527,409
Total Current Expenditures	18,780,084	22,279,909
Other Financing Uses		
Transfer to		
Department of Aging	440,809	484,890
Board of Education	22,606,642	25,706,642
Library	788,651	2,930,000
Capital Projects	3,205,600	818,697
Other Interfund Transfers	647,408	480,567
Total Other Financing Uses	27,689,110	30,420,796
Total Expenditures	46,469,194	52,700,705
Excess (Deficiency)	2,151,301	(4,007,963)
 Budgeted Expenditures	 47,086,979	 52,700,705
Actual Expenditures	46,469,194	

Source: Queen Anne's County Finance Office.

CERTAIN DEBT INFORMATION

General: Section 5-202 of the Code of Public Local Laws of Queen Anne's County provides that the County may borrow money upon its full faith and credit, not to exceed in the aggregate \$8,000,000 outstanding at any time, excluding bonded indebtedness, for the purposes of paying general operating expenses or capital improvements of the County.

In addition, the County is authorized pursuant to Section 24 of Article 31 of the Annotated Code of Maryland (1998 Replacement Volume) to issue its general obligation bonds for the purpose of refunding any of its bonds then outstanding, including the payment of any redemption premium and any interest accrued or to accrue to the date of redemption. The amount of bonds to be refunded shall be subtracted from, and the amount of refunding bonds to be issued shall be added to, the County's outstanding Bonds.

The following tables set forth the County's schedules of debt service requirements for outstanding long-term obligations as of June 30, 1998, and as adjusted to reflect the pro forma debt service schedule of the Bonds.

SUMMARY OF TOTAL OUTSTANDING LONG-TERM INDEBTEDNESS

Years	General Obligation Bonds, Loans & Leases		Enterprise Fund Bonds & Loans (1)		Total Outstanding Long-Term Indebtedness (2)		TOTAL
	Principal	Interest	Principal	Interest	Principal	Interest	
1999	1,520,458	1,881,580	1,195,017	932,903	2,715,475	2,814,482	5,529,957
2000	1,564,100	1,785,832	1,257,508	864,492	2,821,608	2,650,324	5,471,932
2001	1,632,282	1,693,534	1,305,828	804,395	2,938,109	2,497,928	5,436,038
2002	1,715,943	1,602,221	1,364,775	743,367	3,080,718	2,345,588	5,426,306
2003	1,741,204	1,514,859	1,409,472	679,555	3,150,676	2,194,415	5,345,091
2004	1,746,318	1,429,877	1,469,892	613,232	3,216,210	2,043,109	5,259,319
2005	1,825,033	1,339,504	961,293	542,191	2,786,325	1,881,695	4,668,021
2006	1,913,315	1,243,360	998,523	492,401	2,911,838	1,737,761	4,647,599
2007	2,013,652	1,110,733	1,041,705	440,015	3,055,357	1,550,747	4,606,104
2008	2,129,473	1,030,992	1,085,846	384,698	3,215,319	1,415,690	4,631,009
2009	2,245,645	909,862	1,089,411	327,669	3,335,056	1,237,531	4,572,587
2010	1,986,102	780,967	1,047,942	270,950	3,034,044	1,051,918	4,085,962
2011	2,039,942	667,149	1,089,875	215,046	3,129,817	882,195	4,012,012
2012	2,157,858	548,579	1,085,667	157,142	3,243,525	705,721	3,949,246
2013	1,800,959	422,587	909,976	99,047	2,710,936	521,635	3,232,571
2014	1,909,258	318,989	628,371	35,860	2,537,629	354,849	2,892,478
2015	1,462,765	225,894	306,841	12,793	1,769,606	238,687	2,008,293
2016	1,546,495	143,334	19,473	976	1,565,969	144,310	1,710,278
2017	1,630,462	55,367	-	-	1,530,482	55,367	1,685,829
2018	94,681	8,028	-	-	94,681	8,028	102,709
2019	93,060	-	-	-	93,060	-	93,060
2020	12,151	-	-	-	-	-	12,151

Ratios of Debt to Assessed Value, Debt to Actual Value and Debt Per Capital

The following table sets forth the County's long-term debt per capita and ratios of debt to assessed value and debt to estimated actual value for the five most recent fiscal years ended June 30, 1998:

<u>Fiscal Year</u>	<u>County Debt*</u>	<u>Assessed Value</u>	<u>Estimated Actual Value</u>	<u>Debt to Assessed Value</u>	<u>Debt to Actual Value</u>	<u>Population</u>	<u>Debt for Capita</u>
1998	\$34,510,035	\$1,260,261,610	\$3,150,654,025	2.74%	1.10%	40,100	\$862.12
1997	35,398,744	1,193,463,895	2,694,833,043	1.31	2.79	38,400	921.84
1996	16,491,677	1,128,775,895	2,572,123,138	0.64	1.46	38,400	429.47
1995	16,202,597	1,090,413,120	2,501,071,665	0.65	1.49	38,400	421.94
1994	17,323,372	971,903,446	2,216,079,174	0.78	1.78	38,400	451.13

*Exclusive of Sanitary District debt.

The following table sets forth the County's debt service, exclusive of Sanitary District debt, as a percentage of General Fund Revenues for each of its five most recent fiscal years ended June 30, 1998:

	<u>General Fund Revenue</u>	<u>Debt Service</u>	<u>Debt Service (%) General Fund Revenues</u>
1998	\$46,469,193	\$3,213,254	6.72%
1997	42,851,555	1,544,036	3.60
1996	40,916,332	1,599,427	4
1995	39,078,008	2,112,292	5
1994	34,541,206	1,568,473	5

Source: Queen Anne's County Office of Finance.

County Debt Policy and Future Financing Plans

Queen Anne's County not publicly sold bonds since 1997 and plans to issue \$20,126,000 bonds in fiscal year 1999. The County's policy is to borrow only when there exists a necessity to do so. The Capital Budget Plan is used to schedule anticipated bond issuance.

Based on the current capital budget, the County expects to incur additional debt in the approximate amount of \$7,910,000 through fiscal 2004. The new debt will be for school facilities.

SELECTED DEMOGRAPHIC AND ECONOMIC FACTORS

Population of County and Municipalities

During the last 30 years the population of the County has increased approximately 103% as reflected by the following table:

1998	40,100
1997	39,200
1995	38,400
1990	33,953
1980	25,508

* Estimated

Source: United States Department of Commerce, Bureau of Census. Queen Anne's County Department of Planning and Zoning.

Municipal

The following table sets forth the County's eight incorporated municipalities and their populations for the years 1970, 1980 and 1990.

MUNICIPALITIES

	<u>1970</u>	<u>1980</u>	<u>1990</u>
Barclay	107	132	170
Sudlersville	417	443	428
Templeville (partial)	83	60	66
Church Hill	247	319	481
Centreville	1,053	2,018	2,097
Queenstown	387	491	453
Queen Anne (partial)	141	131	250
Millington (partial)	39	34	40

Source: Queen Anne's County Department of Planning and Zoning.

Employment and Labor

The following table sets forth Queen Anne's County's average for the last six calendar years. During this period, Queen Anne's County's unemployment rates were the second lowest of Maryland's eastern shore counties and were below state and national averages throughout the period:

Average Annual Unemployment Rate

	<u>1996</u>	<u>1995</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>	<u>1987</u>	<u>1986</u>
Caroline County	5.9%	5.5%	4.8%	3.8%	5.0%	5.5%	6.3%
Dorchester County	10.4	10.0	7.7	6.5	7.4	7.4	8.5
Kent County	7.9	6.8	5.5	4.9	6.0	5.1	5.4
Queen Anne's County	4.6	4.7	3.7	2.7	3.7	3.9	4.5
Talbot County	4.0	3.6	4.8	3.9	3.8	3.8	3.5
Maryland	4.9	5.1	4.6	3.7	4.5	4.2	4.5
United States	5.4	5.6	5.5	5.3	5.5	6.2	7.0

Source: Maryland Department of Economic and Employment Development.

Listed below are representative employment figures of a number of larger employers in the County as of January, 1998.

<u>Employer</u>	<u>Product or Service</u>	<u>Estimated Employment</u>
[Board of Education	K-12 Education	700
S.E.W. Friel	Canned Food	475*
County Government	Local Government	350
Chesapeake College	Education	216
Tidewater Publishing	Printer	175
Sisk Mailing Service	Mailing Service	175
Delmarva Sash and Door	Doors and Windows	130
United Shellfish	Seafood Processor	100
Armour, Swift-Eckrich	Poultry Processor	100
PRS Guitars	Electric Guitars	100
Bell Atlantic	Telephone Services	88]

*Seasonal employment.

Source: Queen Anne's County Economic Development Commission, Maryland Department of Economic and Employment Development.

BUSINESS AND INDUSTRIAL COMPOSITION

<u>Classification</u>	<u>Number of Firms</u>	<u>Average Number of Employees</u>
Wholesale and Retail Trade	299	3,460
Construction	212	833
Finance, Insurance and Real Estate	53	308
Transportation, Communication and Utilities (excluding railroads)	51	202
Manufacturing	32	903
Service and Other	305	1,774
Local and State Government	15	1,285
Federal Government	<u>18</u>	<u>87</u>
Total	<u>985</u>	<u>8,852</u>

Source: Employment and Payrolls, Third Quarter 1996, March 1997 Maryland Department of Labor, Licensing and Regulation..

A comparison of the Per Capita Personal Income growth for Queen Anne's County, the other jurisdictions on Maryland's eastern shore and the State of Maryland is shown in the table below:

PER CAPITAL INCOME

<u>County</u>	<u>1994</u>	<u>1989</u>	<u>Percentage Increase</u>
Caroline	\$15,816	\$14,122	12.0%
Dorchester	17,652	15,043	17.3
Kent	22,267	18,369	21.2
Queen Anne's.....	22,934	20,315	12.9
Somerset.....	14,549	11,755	23.8
Talbot	29,751	23,578	26.2
Wicomico	19,030	15,627	21.8
Worcester.....	22,381	20,003	11.9
State of Maryland.....	24,835	21,105	17.7
United States.....	21,696	17,690	22.6

Source: Regional Economic Information System, Survey of Current Business, Volume 76 #6, Bureau of Economic Analysis, U.S. Department of Commerce, June and October 1996.

Comparative statistics relating to the distribution of effective buying income are presented in the following table:

NET EFFECTIVE BUYING INCOME

<u>County</u>	<u>\$10,000- 19,999</u>	<u>\$20,000- 34,999</u>	<u>\$35,000- 49,999</u>	<u>\$50,000 & Over</u>
Caroline	19.4	26.7	21.2	17.9
Dorchester	18.9	26.0	19.5	21.1
Kent	18.2	23.0	20.2	27.4
Queen Anne's.....	12.5	22.1	22.4	33.9
Somerset	19.9	27.4	19.1	15.3
Talbot	13.2	22.1	19.1	35.6
Wicomico	17.4	26.2	20.8	23.3
Worcester.....	17.6	25.3	21.2	23.1
State of Maryland.....	16.3	19.2	19.9	42.8

Source: Sales and Marketing Management 1996 Survey of Buying Power (A Bill Publication; August 1996). Copyrighted.

Year 2000 Disclosure

Computer systems throughout the world may be impacted in the year 2000 if they use a two-digit year instead of a four-digit year. Any programs that recognize a date using "00" as 1900 rather than the year "2000" could generate errors or system failures. The County uses a number of computer systems in its operations.

The County's Information Systems Management Office is responsible for addressing year 2000 issues and coordinating the effort to ensure that all County hardware and software systems are Year 2000 compliant. Core financial systems such as tax billing, utility billing, payroll, accounting, and fixed assets are currently compliant.

The County will spend approximately \$250,000 to \$300,000 to resolve the problem in systems outside the Finance Office. These funds are contained in the current budget. The County's approach is threefold:

Purchase off the shelf software packages. In virtually all cases of non-compliant software, the County has elected to replace the current software with vendor software that is certified Year 2000 compliant. Systems to be replaced in this manner include Permits, Aging, Public Housing Authority, and Animal Control.

Purchase upgrades to existing software. While the financial application software has been upgraded, the operating software will be upgraded by June

1999. Additional, the records management system serving the Sheriff's Office will be upgraded.

Replace non-compliant hardware. The majority of hardware units serving County Government are Year 2000 compliant. This would include the server supporting the Finance Office. Other servers and desktop units will be replaced as necessary prior to December 1999.

Litigation

The County is a party to several legal proceedings of the type which normally occur in governmental operations. Those legal proceedings are not, in the opinion of the County Attorney, likely to have a material adverse effect on the County's financial position.

CERTAIN INFORMATION CONCERNING TALBOT COUNTY, MARYLAND

Ratings

The last issuance of general obligation bonds of Talbot County, Maryland (the "County"), issued May 7, 1998, were rated "A1" by Moody's Investors Service, Inc. This rating has not been reduced; however, no assurance can be given that such rating will remain in effect for any given period of time or that it may not be reduced or withdrawn by the rating agency, if in the judgment of such rating agency circumstances so warrant.

General

Talbot County, located in Maryland's Eastern Shore, was visited by Captain 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 1996, the population of the County was 32,370. The 1990 census showed a population of 30,549, an increase of 6.0% between 1990 and 1996. (See "SELECTED DEMOGRAPHIC AND ECONOMIC FACTORS-Population."). The County seat and principal city is Easton, with a 1996 population of 10,195.

Under home rule charter since 1973, the County is governed by an elected five member County Council of Talbot County (the "Council" or the "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. 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.

County Services

Through its various departments and offices the County supplies a full scope of governmental services. The principal services and the General Fund budgeted operating expenditures for the 1999 fiscal year in each category are Education (\$1,061,800), Public Safety (police and fire protection) (\$3,991,320), Public Works (\$2,556,320), Parks and Recreation (\$178,990), Health (\$1,079,165) and Social Services (\$179,240).

Budget

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.

Current Expense

When directed by the County Manager, the head of each agency which receives or disburses County funds furnishes to the County Manager annual work programs setting forth the nature, volume, cost, and other factors concerning the work to be performed and the estimates of the revenues and expenditures of their several operations for the ensuing fiscal year. Estimated revenues are detailed as to source, and estimated expenditures as to program or project. All estimates are submitted in a form and with supporting data as the County Manager requests. The County Manager may amend the budget proposals, except for the budget requests of the Legislative Branch and the Board of Appeals.

The proposed current expense budget contains the following information: (1) a statement of all revenue estimated to be received by the County during the ensuing fiscal year, classified to show the receipts by funds and sources of income; (2) a statement of debt service requirements for the ensuing fiscal year; (3) a statement of the estimated cash surplus if any, available for expenditure during the fiscal year, and any estimated deficit in any fund required to be made up in the ensuing fiscal year; (4) an estimate of the several amounts of monies which the County Manager deems necessary for conducting the business of the County, to be financed from and not to exceed estimated revenue for the ensuing fiscal year; (5) a statement of the bonded and other indebtedness of the County government and its agencies, including self-liquidating and special taxing district debt and contingent liabilities; (6) a statement of the proposed contingency reserves, all of which shall not exceed three per centum of the general fund and of any other fund; (7) a comparative statement of the receipts, amounts budgeted, and actual expenditures for

the last completed fiscal year, the estimated receipts and expenditures of the currently ending fiscal year and the expenditures recommended by the County Manager for the ensuing fiscal year for each program or project, classified by agency, character, and object; and (8) any other material which the County Manager deems advisable or the Council requires.

Capital Budget

When, annually, the County Manager directs, each agency which receives or disburses County funds must submit to the County Manager an itemized list of the capital projects which the agency proposes to undertake in the ensuing fiscal year and the next succeeding five fiscal years thereafter. The County Manager may amend the capital budget and capital program proposals.

The proposed capital budget and capital program are arranged to set forth clearly the plan of proposed capital projects to be undertaken in the ensuing fiscal year and in each of the next five fiscal years, and also the proposed means of financing the plan. The capital budget must include a statement of the receipts anticipated during the ensuing fiscal year from all borrowing and other sources for capital projects.

Budget Message

The budget message contains supporting summary tables and explains the proposed current expense budget and capital program both in fiscal terms and in terms of work to be done. It outlines the proposed financial policies of the County for the ensuing fiscal year and describes the important features of the current expense budget. It also indicates any major changes in financial policies and in expenditures, appropriations, and revenues as compared with the fiscal year currently ending, and sets forth the reasons for the changes.

Adoption of Budget

At such date as may be fixed by the Council, and upon not less than ninety calendar days notice, the County Manager must submit to the Council the proposed County budget for the ensuing fiscal year.

Upon receipt of the proposed County budget, the Council causes to be published a notice of the place and time of at least two public hearings on the budget by the Council. The Council may hold other preliminary hearings on the budget for the purpose of obtaining information as it determines, but no action may be taken by the Council on the budget except in public session and after the public budget hearings.

After the public hearings, the Council may increase, decrease, or delete any items in the budget except those required by the laws of the State, and except any provisions for debt service on obligations then outstanding or for estimated cash deficits.

The passage of the current expense budget and the capital budget must be by the affirmative vote of the full Council, in a law known as the Annual Budget and Appropriation Ordinance of Talbot County.

The Annual Budget and Appropriation Ordinance must be passed by the Council on or before June 1 of each year, to be effective on the first day of the fiscal year.

When the County budget is finally established by the Annual Budget and Appropriation Ordinance, the Council must 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.

Basis of Accounting

Governmental and agency funds are accounted for on the modified accrual basis of accounting. Governmental fund revenues are recognized when received in cash except those accruable, which are recorded as receivables when measurable and available to pay current period liabilities. Such revenue items are property taxes, other taxes, and reimbursable-type grants. Expenditures are recognized on the modified accrual basis with the following exceptions that are in conformity with generally accepted accounting principles: general long-term obligations principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported in the period earned by employees and as required by FASB Statement No. 43, "Accounting for Compensated Absences".

Proprietary funds are accounted for on the accrual basis of accounting. Their revenues are recognized in the period earned and expenses are recognized in the period incurred. Proprietary funds' unbilled services receivable are recognized as revenue at year end.

Accounting Policies

The accounting policies of the County conform to generally accepted accounting principles ("GAAP") as applicable to governmental units as prescribed by the Governmental Accounting Standards Board ("GASB").

REVENUES AND EXPENDITURES

The County's principal source of revenue is taxes, which constitute approximately 93 percent of total budgeted General Fund revenues. In 1998, 43 percent of total General Fund revenues was from local property taxes and 32 percent was from local income taxes.

GENERAL FUND - SUMMARY OF REVENUES

<u>Revenues</u>	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Property Taxes	\$16,784,680	\$16,368,889	\$11,005,617	\$ 7,377,348	\$ 7,224,268
Local Income Tax	12,322,333	13,722,740	12,813,513	13,299,283	12,853,040
Local Other	4,545,825	4,191,033	4,242,500	4,978,286	4,291,537
State Shares Taxes	2,295,010	1,952,213	1,895,436	1,881,006	1,736,300
Licenses and Permits	496,717	453,053	438,323	469,412	412,773
Intergovernmental Revenue	747,745	690,259	590,635	548,159	481,828
Service Charges	889,397	832,512	896,737	1,104,373	959,002
Miscellaneous	721,889	604,622	222,399	154,999	161,093
Total Revenues	<u>\$38,803,596</u>	<u>\$38,815,321</u>	<u>\$32,105,160</u>	<u>\$29,812,866</u>	<u>\$28,119,841</u>

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.

Since 1992, assessments have been made at 40% of full cash value. 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 following table sets forth the assessed value as of January 31 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 \$104 million in fiscal year 1998. Tax exempt properties are not included in the following table.

TALBOT COUNTY
ASSESSSED VALUE OF TAXABLE PROPERTY

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Assessed Value					
Real Property	\$1,208,684,565	\$1,181,049,660	\$1,158,216,730	\$1,146,138,790	\$1,137,215,530
Unincorporated Personal Property.....	12,910,580	11,224,240	13,391,580	11,140,980	12,482,080
Corporations	172,470,000 (est)	178,121,700	159,594,340	147,434,010	132,833,770
Public Utility Operating....	49,174,760	48,760,920	44,293,320	39,663,250	38,322,460
Public Utility Personal Property.....	10,758,100	10,783,390	10,219,340	9,918,250	9,345,590
Total Base	<u>\$1,453,998,005</u>	<u>\$1,429,939,910</u>	<u>\$1,385,715,310</u>	<u>\$1,354,295,280</u>	<u>\$1,330,199,430</u>
County Tax Rate (per \$100 of assessed value).....	\$1.39	\$1.39	\$0.95	\$0.65	\$0.65
State Tax Rate (per \$100 of assessed value).....	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21

Source: State Department of Assessments and Taxation.

Talbot County does not impose a tax upon local personal property, railroad property, or business corporations.

County Property Tax Limitation

On December 5, 1996, Article VI, Section 614 of the Talbot County 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 thereupon shall 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, 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 consumers (CPI-U) percentage of change for the latest calendar year, determined by the U.S.Department of Labor, whichever is the 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. Beginning October 1, interest (at the rate of

2/3 of 1% per month) is charged for each month or fraction thereof that taxes remain unpaid for the current year plus a 5/6% monthly penalty for all unpaid County real property taxes due in that levy year. 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.

REAL PROPERTY TAX LEVIES AND COLLECTIONS

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Year Taxes Collected in Year of Levy</u>	<u>Percent of Levy Collected During Year</u>	<u>Total Taxes Collected (Current & Delinquent)</u>	<u>%</u>	<u>Accumulated Delinquent Taxes</u>	<u>Accumulated Delinquent Taxes as % of Current Year Tax Levy</u>
1998	\$16,783,675	\$16,755,689	99.833%	\$16,782,985	100.00%	\$29,700	0.18%
1997	16,380,951	16,353,766	99.83%	16,369,025	99.93%	29,010	0.18%
1996	11,003,175	10,989,239	99.87%	10,997,668	99.95%	18,007	0.16%
1995	7,364,450	7,352,855	99.84%	7,370,823	100.09%	12,500	0.17%
1994	7,226,594	7,210,226	99.77%	7,224,124	99.97%	19,989	0.28%

Source: Talbot County Finance Office

The table below shows the fifteen largest commercial taxpayers in the County and the assessed valuation of their property as of fiscal year 1998.

<u>Name</u>	<u>Assessed Value</u>
Easton Shoppes, Inc.	\$4,970,120
Eastern Shore Retirement Association	3,782,404
John H. Mears, Jr.	3,456,300
Cal-Mar Associates	3,425,910
Black & Decker, Inc.	3,251,980
Perry Cabin Acquisition	2,592,530
United Dominion Realty	2,502,560
H. J. Ruff Family Partnership	2,459,280
Cougar Acquisition Subsidiary, Inc.	2,341,010
Wal Mart Stores, Inc.	2,292,280
Marlboro Road Ltd Partnership	2,203,720
Frans Burda	2,141,360
Easton Plaza Limited Partnership	1,944,080
Tidewater Inn, Inc.	1,882,040
Easton Meridian	1,620,760

Source: Talbot County Finance Office.

Property Tax Credit Program

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, 1998, the Talbot 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 \$57,340,000 in fiscal year 1998, resulting in a property tax reduction of \$797,000.

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 1998, Talbot County residents have received credits totaling approximately \$95,000 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. The rate of tax is 2% on the first \$1,000 of taxable income, 3% on the second \$1,000, 4% on the third \$1,000 and 5% on taxable income in excess of \$3,000. Pursuant to State laws, each county and Baltimore City may levy a local income tax at the rate of at least 20%, but not more than 60%, of the State income tax liability of individuals domiciled in their respective jurisdictions. The County currently levies a local income tax pursuant to the State law at the rate of 40% of the State income tax liability on 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 1998 were \$1,800,853 and \$2,069,280, 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 1998 were \$675,692.

The County receives a proportionate share of certain taxes from the State of Maryland. The chief revenue producer for the County among these State-shared taxes is State Highway User Revenue.

State and Federal Assistance

During fiscal year 1998, the County received grants from the State of Maryland totaling approximately \$550,903. This figure does not include State-shared taxes as discussed in "Other Local Taxes". The largest single categorical source was \$131,531 from 911 fees collected on all telephone lines in the County. Also included in this aggregate total was \$85,816 for police protection.

During fiscal year 1998, the County received \$196,842 from the Federal government for use as restricted grants.

General Fund Results

The following table shows the actual results of the General Fund for the five most recent fiscal years ended June 30.

GENERAL FUND SUMMARY OF REVENUES AND EXPENDITURES

Revenues	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Real Property Taxes	\$16,784,680	\$16,368,889	\$11,005,617	\$7,377,348	\$7,224,268
Local Income Tax	12,322,333	13,722,740	12,813,513	13,299,283	12,853,040
Local Other Taxes	4,545,825	4,191,033	4,242,500	4,978,286	4,291,537
State Shared Taxes	2,295,010	1,952,213	1,895,436	1,881,006	1,736,300
Licenses and Permits	496,717	453,053	438,323	469,412	412,773
Intergovernmental	747,745	690,259	590,635	548,159	481,828
Service Charges	889,397	832,512	896,737	1,104,373	959,002
Miscellaneous	721,889	604,622	222,399	154,999	161,093
Total Revenues	<u>\$38,803,596</u>	<u>\$38,815,321</u>	<u>\$32,105,160</u>	<u>\$29,812,866</u>	<u>\$28,119,841</u>
 Expenditures					
General Government	2,882,370	\$2,026,723	\$2,076,210	\$1,905,104	\$1,567,157
Public Safety	3,541,799	3,359,025	3,202,160	3,254,835	2,972,989
Public Works	2,536,287	2,212,965	2,159,471	2,195,701	1,897,506
Health and Hospitals	998,450	1,001,464	983,517	1,011,791	858,864
Social Services	131,474	106,180	103,185	96,225	130,910
Education	812,244	813,751	766,439	682,097	641,621
Recreation	134,713	133,115	112,636	136,889	118,291
Conservation of Natural Resources	124,315	127,879	122,898	161,395	144,267
Intergovernmental	431,198	411,503	381,288	356,466	321,931
Employee Benefits	820,203	804,084	830,252	769,903	725,266
Miscellaneous	95,066	160,207	13,058	39,567	16,309
Debt Service	464,632	455,513	955,399	928,862	786,871
Reserve for Contingencies	—	710,000	—	236,454	—
Total Expenditures	\$12,972,751	\$12,322,409	\$11,706,513	\$11,775,289	\$10,181,982
 Other Financing Sources (Uses)					
Operating Transfers in (out):					
To component units:					
Public Schools and Library	(20,124,733)	(\$20,245,388)	(\$19,419,546)	(\$18,888,039)	(\$17,104,655)
Nonpublic Transportation	(4,400)				
To Other Funds	<u>(1,179,000)</u>	<u>(2,094,000)</u>	<u>(405,000)</u>	<u>(463,500)</u>	<u>(821,900)</u>
Total Other Financing Sources (Uses)	<u>(21,308,133)</u>	<u>(22,339,388)</u>	<u>(19,824,546)</u>	<u>(19,351,539)</u>	<u>(17,926,555)</u>
Excess (deficiency) of Revenues Over Expenditures and Other Financing Uses:	<u>\$4,522,712</u>	<u>\$4,153,524</u>	<u>\$574,101</u>	<u>(\$1,313,962)</u>	<u>\$11,304</u>

Source: Audit Reports, Annual Financial Reports of Talbot County for years 1994-1998.

CERTAIN DEBT INFORMATION

The County's Charter provides that, unless otherwise provided by legislative act of the Council, the aggregate amount of the County's bonds and other evidences of indebtedness outstanding at any one time may not exceed fifteen percent of the assessable basis of the County. This limitation does not apply to tax anticipation notes or other obligations having a maturity not in excess of twelve months, or to bonds issued or guaranteed by the County that are payable primarily from taxes or other revenues of special taxing areas, or to debt payable primarily from the proceeds of assessments or charges for special benefits or services.

SCHEDULE OF DEBT SERVICE REQUIREMENTS GENERAL FUND BONDS

Fiscal Year	Shores Erosion	Public Facilities Bonds of 1989		Public Facilities Bonds of 1991		CDA Infrastructure Bonds of 1994		Shore Erosion Tonger's Basin	Public Facilities and Refunding Bonds of 1998		Total
	Principal	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Principal	Interest	
1999	9,852	215,000	13,975	290,000	54,315	52,102	153,148	11,255	300,000	\$753,110	\$1,852,757
2000	9,852			305,000	37,495	54,997	150,844	11,255	555,000	707,263	1,831,706
2001	9,852			325,000	19,500	57,891	148,276	11,255	575,000	673,963	1,820,737
2002	9,852					57,891	145,484	11,255	930,000	650,388	1,804,870
2003	9,852					60,786	142,636	11,255	965,000	599,238	1,788,767
2004	9,852					63,680	139,583	11,255	1,000,000	554,848	1,779,218
2005						69,469	136,322	11,255	825,000	508,848	1,550,894
2006						72,364	132,695	11,255	865,000	472,548	1,553,862
2007						75,259	128,844	11,255	900,000	434,055	1,549,413
2008						78,153	124,764	11,255	945,000	393,555	1,552,727
2009						83,942	120,488	11,255	985,000	351,030	1,551,715
2010						86,837	115,854	11,255	1,035,000	305,720	1,554,666
2011						92,626	110,842	11,255	1,085,000	257,075	1,556,798
2012						98,415	105,496	11,255	505,000	204,995	925,191
2013						104,204	99,816		530,000	180,250	914,270
2014						109,993	93,803		555,000	153,750	912,546
2015						115,782	87,456		585,000	126,000	914,238
2016						121,571	80,772		615,000	96,750	914,093
2017						127,361	73,756		645,000	66,000	912,117
2018						136,044	66,280		675,000	33,750	911,074
2019						144,728	58,292				203,020
2020						150,517	49,794				200,311
2021						159,201	40,958				200,159
2022						170,779	31,610				202,389
2023						179,463	21,584				201,047
2024						188,146	11,046				199,192
Total	\$59,112	\$215,000	\$13,975	\$920,000	\$111,310	\$2,712,201	\$2,570,443	\$157,600	\$15,075,000	\$7,523,136	\$29,357,777

NOTE: This schedule does not include any Sanitary District or Easton Airport bonds.

Source: Talbot County Finance Office

Ratios of Debt to Assessed Value, Debt to Actual Value and Debt Per Capita

The following table sets forward the County's long term debt per capital and ratio of debt to assessed value and debt to market value for the five most recent fiscal years ended June 30:

Fiscal Year	General Fund Debt	Assessed Value	Market Value	Ratio of Debt Assessed Value	Ratio of Debt to Market Value⁶	Estimated Population	Debt per Capita
1998	\$19,138,913	\$1,219,248,705	\$2,958,222,480	1.57%	0.65%	32,930	\$581.20
1997	10,690,109	1,182,597,813	2,867,178,068	0.90%	0.37%	32,630	327.62
1996	11,062,636	1,162,117,748	2,823,525,380	0.95%	0.39%	32,370	341.76
1995	11,585,273	1,135,932,231	2,765,458,908	1.02%	0.42%	32,190	359.90
1994	12,084,055	1,116,720,966	2,720,300,340	1.08%	0.44%	32,010	377.51

**RATIO OF ANNUAL DEBT SERVICE FOR
GENERAL BONDED DEBT TO TOTAL GENERAL FUND REVENUES**

Fiscal Year	Total General Fund Debt Service	Total General Fund Revenues	Ratio of Debt Service to General Fund Revenues
1998	1,197,591	\$38,803,596	3.09%
1997	1,200,179	38,815,321	3.09%
1996	1,214,850	32,105,160	3.78%
1995	1,199,198	29,812,866	4.02%
1994	1,303,279	28,119,841	4.63%

Does not include debt service for Sanitary District or Airport debt service.

Source: Talbot County Finance Office.

Short-Term Debt

As of June 30, 1998, the County did not have any short-term debt outstanding.

Labor Relations

As of March 1, 1998, the County employed approximately 150 full-time employees. The County has not entered into any collective bargaining agreements.

The County has not experienced a work stoppage due to labor relation disputes and considers its relationship with employees to be satisfactory.

SELECTED DEMOGRAPHIC AND ECONOMIC FACTORS

Population

The County remains predominately rural, with population growth occurring primarily in the Town of Easton. Much residential development has occurred in the waterfront areas of the County with most of the commercial and industrial uses locating in and around the incorporated towns. The following table sets forth the trend in the County's population.

1997	32,630
1996	32,370
1995	32,190
1994	32,010
1993	31,600
1992	31,300
1991	31,200
1990	30,549*
1980	25,604
1970	23,682
1960	21,578

*1990 Census Official Jurisdiction Count

Source: Woods Poole Economics, Inc., Washington, D.C.

Municipal

The following table sets forth the County's five incorporated municipalities and their populations for the years 1970, 1980, 1990 and 1996.

<u>Municipalities</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>1996</u>
Easton	6,809	7,536	9,372	10,195
Oxford	750	754	698	701
St. Michaels	1,456	1,301	1,301	1,262
Trappe	426	739	974	1,084

Sources: U.S. Department of Commerce, Bureau of Census and DBED "Brief Economic Facts Sheets".

The following table sets forth the County's unemployment rate as compared with its neighboring counties, the State of Maryland and the United States for the years 1986-1990 and 1995-1996:

Average Annual Unemployment Rate

	<u>1996</u>	<u>1995</u>	<u>1990</u>	<u>1989</u>	<u>1988</u>	<u>1987</u>	<u>1986</u>
Caroline County	5.9%	5.5%	4.8%	3.8%	5.0%	5.5%	6.3%
Dorchester County	10.4	10.0	7.7	6.5	7.4	7.4	8.5
Kent County	7.9	6.8	5.5	4.9	6.0	5.1	5.4
Queen Anne's County	4.6	4.7	3.7	2.7	3.7	3.9	4.5
Talbot County	4.0	3.6	4.8	3.9	3.8	3.8	3.5
Maryland	4.9	5.1	4.6	3.7	4.5	4.2	4.5
United States	5.4	5.6	5.5	5.3	5.5	6.2	7.0

Source: Maryland Department of Economic and Employment Development.

The number of persons living in the County who were available for work and composed the County labor force numbered 17,726 in 1995, and the total employment of this force was 17,086, resulting in an unemployment rate of 3.6% for this period.

Full-Time and Part-Time Employment By Major Industry

	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>	<u>1991</u>
Farm	460	470	470	470	470	490	490
Non-Farm	23,260	23,020	22,770	22,120	20,870	20,050	19,890
Private Employment	21,650	21,430	21,190	20,560	19,370	18,620	18,450
Agricultural Services, Other	760	760	750	750	670	650	690
Mining	10	10	10	10	10	10	20
Construction	1,710	1,700	1,700	1,630	1,500	1,510	1,640
Manufacturing	3,300	3,260	3,220	3,160	3,050	2,830	2,770
Transportation, Communication	380	380	380	370	350	360	410
Wholesale Trade	810	810	810	800	770	610	580
Retail Trade	4,350	4,300	4,250	4,140	3,920	3,740	3,600
Finance, Insurance and Real Estate	1,570	1,540	1,510	1,470	1,400	1,370	1,530
Services	8,770	8,670	8,560	8,230	7,680	7,530	7,200
Government Employment	1,610	1,590	1,580	1,560	1,500	1,430	1,440
Federal Civilian	250	240	240	230	230	190	180
Federal Military	160	160	160	160	160	160	160
State and Local	1,200	1,190	1,180	1,160	1,110	1,080	1,110
Total Employment	23,720	23,490	23,240	22,590	21,340	20,540	20,380

Source: Woods & Poole Economics 1997 Data Pamphlet

Listed below are representative employment figures of a number of larger employers in the County.

<u>Employer</u>	<u>Business</u>	<u>Employees</u>
Black & Decker	Tool Manufacturer	1,250
Memorial Hospital	Health Care	1,100
Allen Family Foods, Inc.	Poultry Processors	630
Talbot County Public Schools	Public Education	600
Cadmus Journal Services	Printers/Publishers	340
Wal Mart	Department Store	284
The Pines-Genesis Eldercare Network	Nursing Home	203
Celeste Industries	Manufacturers	203
William Hill Manor, Inc.	Retirement/Nursing Home	195
Chesapeake Publishing	Publishers	150

Source: Talbot County Income

Average Per Capita Personal Income	
<u>Calendar Year</u>	<u>Talbot County</u>
1998 (est.)	34,185
1997 (est.)	33,125
1996 (est.)	32,100
1995	31,100
1994	30,112

Source: Talbot County Office of Economic Development

Year 2000 Disclosure

Computer systems world-wide will undergo a date transition which may impact the ability of the systems to accurately process information that may be date-sensitive. Any programs that recognize a date using "00" as the year 1900 rather than the year 2000 may result in errors or system failures. The County utilizes a number of computer systems across its operations.

The County staff is currently working to remediate the potential impact of the Year 2000 on the processing of date-sensitive data by the County's computerized information systems, including the financial, 911 and wide area network systems. The County expects to have all the modifications necessary to ensure the proper processing of transactions relating to the Year 2000 and beyond completed by September, 1999.

The County's operations may also be affected by the ability of third parties dealing with the County to manage the effects of the Year 2000 date change. The County is in the process of contacting its major vendors for progress reports on their compliance.

The amount expended to date, as well as the amounts anticipated to be expended by the County related to Year 2000 computer compliance modifications, have not been and are not expected to be material to Talbot County's financial position.

Litigation

The County is a party to several legal proceedings of the type which normally occur in governmental operations. The legal proceedings are not, in the opinion of the County Attorney, likely to have a material adverse effect on the County's financial position.

CERTAIN INFORMATION CONCERNING KENT COUNTY, MARYLAND

Ratings

The last public issuance of general obligation bonds of Kent County, Maryland (the "County") in 1990 was rated "A" by Moody's Investors Service, Inc. This rating has not been reduced, however, no assurance can be given that such rating will remain in effect for any given period of time or that it may not be reduced or withdrawn by the rating agency, if in the judgment of such rating agency circumstances so warrant.

General

Kent County, located on Maryland's Eastern Shore was first explored by Captain John Smith in 1608. Settled by the English, the County was part of the Proprietary of Maryland owned by the Calvert family, and was first referred to as a "county" in 1642, its historical founding date.

The County is predominately rural in character. According to the 1990 census, the population of the County was 17,842. The County seat and largest municipality is Chestertown, with a 1990 population 4,005.

Under Code Home Rule status since 1970, the County is governed by an elected three-member Board of County Commissioners (the "County Commissioners"). The County Commissioners exercise the governmental powers, including the power to authorize the issuance of debt to finance capital projects, that are granted to code home rule counties by Article XI-F of the Maryland Constitution and Article 25B of the Annotated Code of Maryland. The Commissioners are also empowered to authorize the issuance of short-term debt.

As of March 29, 1999, the administrative offices of the County will be located at the County Courthouse, 400 High Street, Chestertown, Maryland 21620. The Commissioners' office telephone number is (410) 778-7435.

County Services

The County provides a full scope of governmental services through its various departments. Budgeted operating expenditures for fiscal year 1999 in service categories include: Education - \$11,691,343; Public Safety - \$3,534,070; Public Works - \$934,930; Parks, Recreation and Culture - \$654,744; Conservation of Health - \$509,688; Social Services - \$496,978; Library - \$307,076; Conservation of Natural Resources - \$222,477; Housing and Community Development - \$127,270; Tourism Development - \$99,083; and Economic Development - \$82,960.

Budget

The County's fiscal year is July 1 through June 30. The County's budget and tax rate must be adopted by the 17th day of June each year and are effective the first day of the fiscal year.

End-of-Year projections and budget requests from all County departments and all County funded outside agencies are collected and assembled for presentation to the County Commissioners by the Office of Budget and Accounting under the direct supervision of the County Administrator. A public hearing is scheduled in advance of adoption of the budget and tax rate.

The County budget represents a complete financial plan for the County reflecting receipts and disbursements from all sources, including all revenue, all expenditures, the surplus or deficit in the general fund of the County government and the Capital Improvement Program.

Accounting Policies

The accounting policies of the County conform to generally accepted accounting principals ("GAAP") as applicable to governments and include a thorough annual audit by an independent accounting firm.

Personnel

The County employs approximately 190 full-time permanent employees. The County Administrator acts in the capacity of the Personnel Administrator to enforce the personnel policies and procedures of Kent County.

A Personnel Attorney is retained for assistance in personnel matters to assure compliance with the Personnel Policies and Procedures of Kent County and other applicable labor law and regulation.

Municipalities

The County's five incorporated municipalities and their populations according to the 1990 census are: Betterton, 360; Chestertown, 4005; Galena, 324; Millington, 409; and Rock Hall, 1584.

Debt Limitations

There are no statutory or constitutional limitations with respect to the amount of general obligation indebtedness which may be incurred by the County.

Other Obligations

The County has no unfunded pension obligations.

Recent Debt Issuance

The incurring of direct bonded indebtedness by the County must be authorized by a public law enacted by the County Commissioners of Kent County. At this time, the County's general bonded debt consists of annual payments ranging from \$69,002 to \$110,709 until FY 2036.

Future Debt Plans

The County plans to issue debt in FY99 for renovation of an historic building to be used as County office space; landfill capping; purchase of land for a new landfill; 5% of cost of Stage 1 of proposed airport; and requested Board of Education capital projects. The County has budgeted \$2,930,210 of new debt for FY99.

REVENUES & EXPENDITURES

General

The County's principal source of revenue is taxes which constitute approximately 87.4 percent of total General Fund revenues. The second largest source of revenue is local income revenues received from State and federal governments representing 4.8 percent of all revenue in fiscal year 1999.

GENERAL FUND SUMMARY OF REVENUES

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Revenues					
Taxes – Property	12,402,688	12,088,469	11,636,596	11,129,570	10,593,722
Taxes – Other	6,739,353	5,848,459	5,323,199	4,996,621	5,336,952
Taxes -- State Shared	175	225	2,252	1,768	1,262,637
Licenses and permits	219,954	224,901	220,608	218,384	198,291
Intergovernmental	872,134	744,064	1,070,802	1,138,546	765,040
Charges for services	606,723	556,739	328,031	288,031	161,034
Fines and Forfeitures	48,532	30,537	41,813	28,165	20,447
Miscellaneous	<u>253,492</u>	<u>197,747</u>	<u>209,662</u>	<u>199,379</u>	<u>236,061</u>
Total revenues	21,143,051	19,691,141	18,832,963	18,000,464	18,574,184

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 (full cash value) and assessed in each year as a percentage of market value. The assessable base of the County is 40% of the aggregate full value. The statewide factor has been 40% of full value since 1992.

KENT COUNTY ESTIMATED ASSESSABLE PROPERTY TAX BASE AND TAX RATES (As of June 30; In Thousands)

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Assessed Value					
Real Property.....	\$487,501	\$486,959	\$474,214	\$462,858	\$450,745
Personal Property.....	0	0	0	0	0
Railroad & Public Utilities.....	<u>43,088</u>	<u>42,402</u>	<u>42,588</u>	<u>39,500</u>	<u>37,094</u>
Total Base	<u>\$530,589</u>	<u>\$529,361</u>	<u>\$516,802</u>	<u>\$502,358</u>	<u>\$487,839</u>
County Tax Rate (per \$100 of assessed value)	\$2.33	\$2.33	\$2.33	\$2.33	\$2.33
State Tax Rate (per \$100 of assessed value)	\$0.21	\$0.21	\$0.21	\$0.21	\$0.21

Source: State Department of Assessments and Taxation Annual Reports for years 1994 through 1998.

Kent County does not impose a tax upon local personal property, railroad property or business corporations.

For fiscal year 1999 the County's property tax rate was \$2.33; the assessable basis for fiscal year 1999 was \$495,807,790.

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 percent allowance for uncollectible taxes is established for prior year taxes receivable. Beginning October 1, interest (at the rate of 1.5% 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>Year</u>	<u>Total Tax Levy</u>	<u>Total Collections</u>	<u>% of Local Collected</u>
1998	\$12,347,262	\$10,985,387	89%
1997	\$12,021,967	\$11,055,342	91%
1996	\$11,592,920	\$10,526,503	90%
1995	\$10,978,782	\$10,175,472	92%
1994	\$10,449,865	\$10,451,286	100%

Major Taxpayers - Kent County

The table below shows the largest taxpayers in the County and the assessed valuation of their property for fiscal year 1999:

<u>Taxpayers</u>	<u>Type of Business</u>	<u>Latest Assessment</u>
Bell Atlantic	Utility	\$22,684,550
PUMH – Heron Point	Retirement Community	\$8,602,208
GMSD Realty Associates	Shopping Center	\$2,532,800
Kent Research & Manufacturing	Valve Manufacturer	\$3,782,250
Kent Crossing Limited Partnership	Rental Housing	\$1,997,000
Kent Plaza Association	Shopping Center	\$2,244,130
Georgetown Yacht Basin	Marine Complex	\$1,923,320
Choptank Electric	Utility	\$3,540,150
Delmarva Power	Utility	\$17,074,840

KENT COUNTY SUMMARY OF REVENUES, EXPENDITURES, TRANSFERS AND CHANGES IN FUND BALANCES GENERAL FUND

For Fiscal Years Ended June 30

	<u>1998</u>	<u>1997</u>	<u>1996</u>	<u>1995</u>	<u>1994</u>
Taxes -- Property	\$12,402,688	\$12,088,469	\$11,636,596	\$11,129,570	\$10,593,722
Taxes -- Other	6,739,353	5,848,459	5,323,199	4,996,621	5,336,952
Taxes -- State Shared	175	225	2,252	1,768	1,262,637
Licenses and permits	219,954	224,901	220,608	218,384	198,291
Intergovernmental	872,134	744,064	1,070,802	1,138,546	765,040
Charges for Services	606,723	556,739	328,031	288,031	161,034
Fines and Forfeitures	48,532	30,537	41,813	28,165	20,447
Miscellaneous	<u>253,492</u>	<u>197,747</u>	<u>209,662</u>	<u>199,379</u>	<u>236,061</u>
Total revenues	\$21,143,051	\$19,691,141	\$18,832,963	\$18,000,464	\$18,574,184
Expenditures					
General Government	\$ 2,011,771	1,854,622	1,550,285	1,197,757	1,467,313
Public safety	3,197,039	3,030,250	2,579,822	2,602,030	2,377,016
Public works	849,043	816,130	737,636	1,081,785	1,926,572
Conservation of Health	457,680	299,459	385,996	449,035	369,448
Social Services	458,077	460,311	456,394	61,608	47,002
Education	465,436	442,153	384,944		298,164
Recreation and Parks	621,042	577,154	508,016	517,583	338,882
Libraries	290,963	278,463	299,421	266,155	245,655
Conservation of Natural	209,787	180,329	167,994	206,013	181,957
Housing and Urban Devel	93,978	72,314	56,207	125,154	66,362
Economic Devel	69,565	76,395	97,931	84,782	68,101
Tourism	83,690	57,725			
Economic Opportunity				335,845	265,602
Debt service	569,678	34,053	40,148	209,667	76,620
Intergovernmental	90,657	90,664	126,299	14,754	14,754
Miscellaneous	<u>196,151</u>	<u>215,957</u>	<u>1,150,223</u>	<u>1,012,928</u>	<u>1,076,438</u>
Total expenditures	<u>\$ 9,664,557</u>	<u>\$ 8,485,979</u>	<u>\$ 8,541,316</u>	<u>\$ 8,165,096</u>	<u>\$ 8,819,886</u>
Excess of revenues over expenditures	11,478,494	11,205,162	\$10,291,647	\$9,835,368	\$9,754,298
Other financing sources					
Operating transfers from other funds		11,475	53,575		
Operating transfer out	(150,564)	(564,230)			
Operating transfers out Comp Units	(10,790,085)	(10,423,179)	(10,208,578)	(11,369,049)	(9,499,409)
Proceeds from sale FA	10,518	10,819			
Ag refund					\$31,677
Excess of revenues over expenditures	548,363	240,047	136,644	(1,533,681)	286,566
Fund Balance:					
Balance -- beginning of year	1,599,329	1,359,282	1,222,638	\$2,756,319	\$3,460,824
Prior Period Adjustment	(168,970)				
End of year	\$ 1,978,722	\$ 1,599,329	1,359,282	\$1,222,638	\$3,747,390

1) Special revenue fund separated from General Fund
ESTIMATED STATEMENT OF REVENUES
AND BUDGET RESULTS FOR FISCAL 98

	1998 BUDGET	1998 ACTUAL	VARIANCE FAV (UNFAV)
Taxes – Property	12,408,000	12,402,688	(5,312)
Taxes – Other	6,111,475	6,739,353	627,878
Taxes - State shared	2,200	175	(2,025)
License & Permits	203,725	219,954	16,229
Intergovernmental	796,006	872,134	76,128
Charges for Services	487,170	606,723	119,553
Fines & Forfeitures	25,700	48,532	22,832
Miscellaneous	172,218	253,492	81,274
Total Revenues	\$20,206,494	\$21,143,051	\$936,557

ESTIMATED STATEMENT OF EXPENDITURES
AND BUDGET RESULTS FOR FISCAL 98

	1998 BUDGET	1998 ACTUAL	VARIANCE FAV (UNFAV)
General Government	2,038,560	2,011,771	26,789
Public Safety	3,203,206	3,197,039	6,167
Public Works	923,088	849,043	74,045
Conservation of Health	457,834	457,680	154
Social Services	458,173	458,077	96
Education	11,255,721	11,255,521	200
Recreation and Parks	606,732	621,042	(14,310)
Library	290,963	290,963	0
Conservation of Natural Resources	205,424	209,787	(4,363)
Housing and Urban Development	94,852	93,978	874
Economic Development	73,831	69,565	4,266
Economic Opportunity	101,702	83,690	18,012
Debt Service	601,130	569,678	31,452
Intergovernmental	90,657	90,657	0
Transfer of Other Funds	0	150,564	(150,564)
Miscellaneous	191,986	196,151	(4,165)
Total Expenditures	\$20,593,859	\$20,605,206	(\$11,347)

GENERAL FUND BUDGET FISCAL 99

	1999 BUDGET
REVENUES	
Taxes – Property	12,678,000
Taxes – Other	6,734,150
Taxes – State Shared	2,200
Licenses & Permits	212,380
Intergovernmental	1,062,128
Charges for Services	309,214
Fines & Forfeitures	142,390
Miscellaneous	348,482
Available Resources	700,320
 Total Revenues	 \$22,189,264
 EXPENDITURES	
General Government	2,273,130
Public Safety	3,534,070
Public Works	934,930
Conservation of Health	509,688
Social Services	496,978
Education	11,691,343
Recreation & Parks	654,744
Libraries	307,076
Conservation of Natural Resources	222,477
Housing & Community Development	127,270
Economic Development	82,960
Tourism Development	99,083
Debt Service	793,052
Intergovernmental/Grants to Municipalities	90,657
Miscellaneous	316,456
Transfer to Capital	55,350
Total Expenditures	22,189,264

BOARD OF COUNTY COMMISSIONERS OF KENT COUNTY
OUTLINE OF FY99 OPERATING BUDGET

The following summary is intended to outline the fiscal priorities and objectives of the County Commissioners of Kent County for the Fiscal Year 1999. The total operating funds is \$22,189,264.

The following summary is intended to outline the fiscal priorities and objectives of the County Commissioners of Kent County for the Fiscal Year 1999. The total operating budget is \$22,189,264. The primary source of revenues are Property Tax, Income Tax, Other Local Taxes, Grants, and Fund Balance Resources.

Kent County's FY1999 spending plan reflects a \$1,595,404 increase over FY1998. Emphasis has been placed on Education, Public Safety and increasing governmental efficiency and accountability.

The FY1999 budget includes no tax rate increase. Revenues are budgeted to grow \$1,595,404 or 7.7% over the FY98 level and stem mainly from higher income tax collections (12.1% increase).

Education has remained a top priority in this year's budget process. The allocation of \$11,090,085 to the Board of Education represents a 2.8% increase over the FY98 expense appropriation. An additional \$428,300 has been approved to fund capital projects for the Board of Education.

Requests for capital outlay (equipment, furnishings, computer hardware, land improvements, etc.) totaled \$238,182.

SELECTED DEMOGRAPHIC AND ECONOMIC FACTORS

Population

The following table sets forth the trend in the County's population:

<u>Year</u>	<u>Population</u>
2015*	20,350
2010*	20,150
1990	17,842

* Estimated

The following table provides the breakdown of employment and wages by industry:

KENT COUNTY EMPLOYMENT & WAGES BY INDUSTRY

	<u>1990 Avg. Employment</u>	<u>Avg. Wkly Wage</u>	<u>1996 Avg. Employment</u>	<u>Avg. Wkly Wage</u>	<u>1990-1996 Change in Employment</u>
Construction	575	453	443	449	-23%
Manufacturing	1059	359	744	512	-30%
Trans-Comm.	235	448	320	530	36%
Wholesale Trade	1751	239	249	497	-86%
Retail Trade	1457	201	1347	229	-8%
Finance/Insurance	290	371	261	436	-10%
Services	2097	315	2324	365	11%
Government	711	429	840	492	18%
TOTAL	8175		6528		

The following table lists the top ten employers of Kent County:

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Dixon Valve and Coupling	Valve Manufacturer	312
Angelica Nursery, Inc.	Wholesale Nursery	300
Kent & Queen Anne's Hospital	Full Service Hospital	300
Washington College	Four-Year College	250
David A. Bramble, Inc.	Asphalt paving, road construction	230
Chestertown Foods, Inc.	Food processing	220
Kent County Commissioners	Local government	190
LaMotte Industries	Chemical testing equipment	70
Velsicol Chemical Corp	Plasticizers & Synthetic Oils	70
Wisco Envelope Co.	Envelopes	65

The following table details the acreage of developed land by type:

KENT COUNTY DEVELOPED LAND (ACRES),

	<u>1990</u>
Low Density Residential	4776
Med/High Density Residential	817
Commercial/Industrial	835

Year 2000 Disclosure

The County began formally addressing the Y2K problem in July, 1997, under the direction of the Computer Network Specialist. All users of traditional computers -- mainframes and PC's -- were queried as to their dependence on that system for date-sensitive calculations, and vendors of support systems were surveyed for the incidence of non-compliant embedded chips or other likely problems. No problems were initially identified, although the Network Specialist is continuing with a plan to exhaustively test and certify each of approximately 60 computers in the County. Any non-compliant systems will be repaired, replaced, or isolated using existing budgetary funds.

Existing contingency plans for operation during unfavorable conditions — regardless of their cause — have been deemed sufficient for dealing with Y2K as well, in the unlikely event that remediation efforts are unsuccessful, or if the electrical and telecommunications utility providers experience Y2K-related failures themselves. Kent County expects little or no disruption of its services in January, 2000.

Litigation

The County retains a County Attorney who is appointed by the Board of County Commissioners for his services in various legal proceedings normally occurring in governmental operations. The County is a party to several legal proceedings of the type which normally occur in governmental operations. The legal proceedings are not, in the opinion of the County Attorney, likely to have a material adverse effect on the County's financial position.

APPENDIX B

INDEPENDENT ENGINEER'S FEASIBILITY REPORT

**MIDSHORE REGIONAL SOLID
WASTE MANAGEMENT FACILITY
FEASIBILITY REPORT
FOR
CONSTRUCTION & OPERATION
OF CELL NO. 2A**

Prepared for:

Maryland Environmental Service

Prepared by:



Century Engineering, Inc.

32 West Road

Towson, Maryland 21204

Tel: 410-823-8070

Fax: 410-823-2184



Michael N. Armstrong

FEBRUARY 5, 1999

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1.0 INTRODUCTION

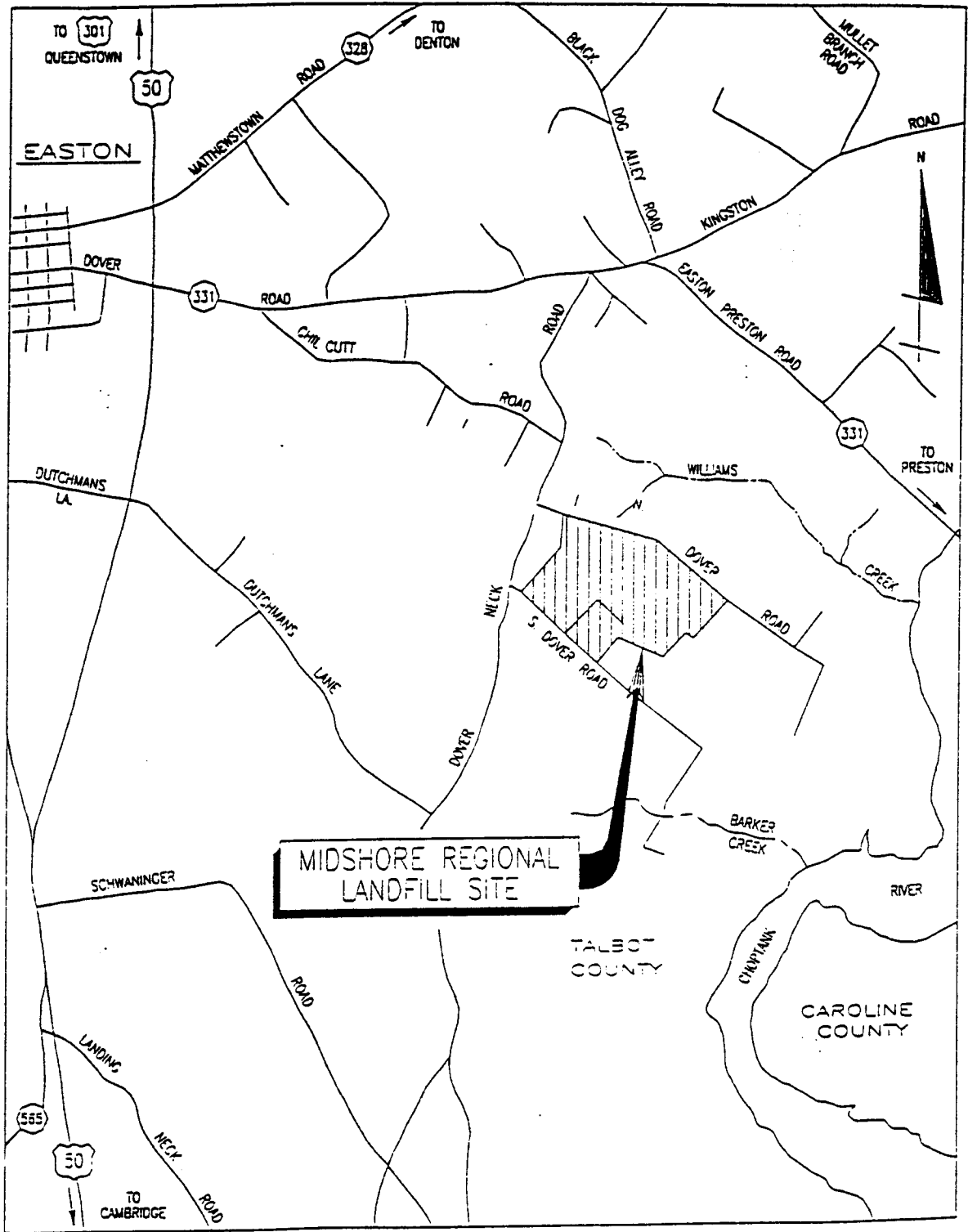
This document is a Feasibility Report that describes the Midshore Regional Solid Waste Facility (MRSWF) in Talbot County, Maryland (see the Vicinity Map on page 2). The purpose of this Report, which updates a 1994 Feasibility Report, is to provide information pertinent to the feasibility of the design, permitting, construction and operation of the facility, which serves primarily for disposal of solid waste in municipal sanitary landfill cells.

In 1990, the Maryland Environmental Service (MES) contracted the consulting firm of Geraghty & Miller, Inc. to review all available information regarding the MRSWF project and to develop an independent Feasibility Report as part of the Official Statement for financing the project. In 1993, MES contracted the consulting firm of Whitman, Requardt & Associates to prepare design and construction documents for the second phase of the project and to provide an updated project Feasibility Report.

This Feasibility Report update is necessitated due to recent events that have considerable impact on projected waste tonnages used in the previous report to determine long-term financing requirements for construction, operation and closure of the facility. The most significant recent event that alters previously projected annual waste tonnage over the life of the facility is the advent of a contractual agreement between MES and Waste Management, Inc. (WMI), a solid waste management contractor. Under the agreement, WMI will provide the financing necessary for MES to construct and operate a solid waste transfer station at the MRSWF site. Due to construction and operation of the transfer station, annual waste tonnage disposed of in the landfill will be substantially reduced over the life of the facility. As a result of this projected reduction, to accommodate the decreased future landfill volume (e.g., air space) required for the facility, MES engineers are currently in the process of redesigning the ultimate landfill cell configuration. Under the revised design, a sole future landfill cell, designated as Cell No. 2A, will replace Cell Nos. 3, 4 and 5 under the Refuse Disposal Permit. The Refuse Disposal Permit will be modified based on the landfill redesign and addition of the transfer station.

All construction documents, operating plans and site operating data accumulated since inception of the project, and all Fiscal Year Annual Reports have been used to prepare this Feasibility Report. Records indicate that the MRSWF weighing system is regularly calibrated by the Maryland Department of Agriculture. The financial records are audited annually by an independent financial auditor. Ground water monitoring and surface water monitoring are performed on a regular basis, as stipulated in the Refuse Disposal Permit issued by the Maryland Department of the Environment (MDE), and monitoring reports are submitted to MDE. Annual reports that document waste received at the facility and projections of remaining air space in the landfill (e.g., remaining life expectancy of the facility) are also filed with MDE. Life expectancy projections are calculated based on weigh records from the facility scale and annual site topographic surveys performed by independent engineering/surveying companies are used in conjunction with topographic design information to calculate remaining landfill air space.

In preparing this report, Century Engineering, Inc. (CEI), based on data provided by MES, evaluation of historical operation, and anticipated construction of a solid waste transfer station at MRSWF, has made assumptions regarding future conditions. Although these assumptions are reasonable, actual future operating results may vary from predicted conditions, due to occurrence of unanticipated events.



VICINITY MAP

SCALE: 1" = 2500'

2.0 OVERVIEW

2.1 MIDSHORE REGIONAL AGREEMENTS

In May 1986, due to solid waste disposal limitations in the Midshore Region, Queen Anne's, Talbot and Caroline Counties entered into a Memorandum of Understanding (MOU) with MES to develop the MRSWF. The facility was designed and developed to serve as the solid waste acceptance and disposal facility for the three counties for a 20-year time period. Under the MOU, the facility was designed and constructed, incorporating "Best Available Technology" (BAT), in accordance with a Refuse Disposal Permit issued by MDE and all applicable statutes, rules and regulations of the State of Maryland. In March 1987, each of the County Commissioners from the three counties signed a contract that authorized MES to construct and operate the MRSWF. Under the contract, MES is also responsible for planning, designing, permitting, and financing the MRSWF. In February 1990, each of the three counties entered into a Waste Disposal Service Agreement, under which the counties agreed to pay MES the cost to provide disposal services for their solid waste at the MRSWF, or at other solid waste disposal sites.

In March 1990, MES issued "Revenue Bonds (Midshore Regional Landfill Project), Series 1990" (e.g., the 1990 Bonds). The bond proceeds were used to cover:

- Cost of the MRSWF initial design and permitting
- Cost associated with site development and construction of the first phase of the project (Cell No. 1)
- Cost of capitalized interest during construction, and working capital for the MRSWF
- Establishment of a debt service reserve fund
- Cost associated with issuing the 1990 Bonds

In 1992, the three original Midshore Counties in partnership for waste disposal services provided by MES, agreed to allow Kent County, Maryland to join the partnership. In September 1992, Kent County became one of the current 4 Midshore County partners in the MRSWF project, by entering into a Waste Disposal Service Agreement with MES.

In December 1993, MES issued a Bond Anticipation Note (1993 BAN) to provide additional funds for:

- Closure and final capping of Easton Landfill
- Initial phase of construction of MRSWF Cell No. 2

In September 1994, MES refinanced the 1993 BAN for a 90-day period to allow sufficient time to rebid the construction contract for Cell No. 2, prior to finalizing the permanent financing. MES issued "Revenue Bonds (Midshore Regional Landfill Project), Series 1994" (e.g., the Series 1994 Bonds) to finance:

- Construction of MRSWF Cell No. 2 and appurtenances
- Closure of Easton Landfill
- Preclosure of Cell No. 1 and the rubble cell at MRSWF

- Establishment of a debt service reserve fund
- Costs associated with issuing the 1994 Bonds
- Costs associated with redemption of the 1993 BAN

During the first calendar quarter of 1999, MES intends to sell Revenue Bonds to finance, in part, the construction cost of the next municipal waste disposal cell, which varies configurationally from the original MRSWF design, comprised of 5 cells. The new cell, Cell No. 2A (described under Section 2.2), is expected to be the third and final waste disposal cell at MRSWF. It is configured to include sufficient capacity to contain the solid waste volume anticipated to be disposed of at MRSWF during the remainder of the facility's operating life, anticipated to be at the end of 2010. Revenue derived from the sale of the bonds will be used to finance:

- Design and construction cost associated with Cell No. 2A and appurtenances
- Cost of Capitalized Interest
- Cost associated with the sale of the Revenue Bonds
- Establishment of a Debt Service Reserve Fund
- Advance refunding of 1990 Bonds.

2.2 OVERVIEW OF DEVELOPMENTS SINCE 1990

MES owns and operates the MRSWF. Under Maryland Department of the Environment (MDE) Refuse Disposal Permit No. 90-20-01-01A, issued on January 24, 1990, Cell No. 1 at MRSWF was completed as scheduled in March 1991 and placed in full operation. Cell No. 2, which is currently accepting waste, is operated under authorization of State Refuse Disposal Permit No. 1994-WSF-0144-0. All acceptable waste delivered to the site from the Midshore County partners is disposed of in the landfill. Prior to January 11, 1999, all acceptable waste delivered to the site from the Midshore partners was disposed of in the landfill. Since that date, a portion of the acceptable waste delivered to the site has been transferred to another solid waste facility outside of the Midshore region (see discussion below). Each participating county delivers acceptable waste generated within the respective county and pays a tipping fee, on a per ton basis, to MES. The original tipping fee was \$25.00 per ton. A recycling surcharge of \$2.50 per ton (10% of the gate fee, later revised in 1996 to a fixed \$4.00 per ton), was added in early 1991, revising the tipping fee to \$27.50 per ton. Subsequent changes in the tipping fee, which include the recycling surcharge, are as follows:

- January 1, 1995 - \$42.35 per ton
- July 1, 1996 - \$45.50 per ton
- January 1, 1998 - \$47.50 per ton

A biennial tipping fee increase of \$2.00 per ton has been approved by the Counties and is scheduled to commence July 1, 2001.

All participating counties support the tipping fee schedule. In addition to the stipulated tipping fee, the counties agree to jointly pay a supplemental fee in an amount equal to the amount that total landfill costs exceed landfill revenues. To-date, a supplemental fee has not been required, as revenues (tipping fees) have consistently exceeded total landfill costs. MES anticipates that projected future tipping fees will be sufficient to cover all anticipated future costs. The Waste Disposal Service Agreements stipulate that each Midshore County partner include in its annual budget for each Fiscal Year, an amount sufficient to meet all of its obligations under the

Agreement, or to take other action as necessary to ensure the availability of funds sufficient to meet all such obligations.

The 1994 Feasibility Report prepared by Whitman, Requardt & Associates reports that the overall life expectancy of the MRSWF, as originally permitted, had been reduced as a result of the following factors:

- Addition of Kent County into the Midshore County partnership resulted in an increase of waste acceptance at the MRSWF.
- Actual population growth exceedence of predicted rates resulted in increased waste generation.
- MDE's proposed regulatory requirements for installation of liners and leachate collection systems in rubble landfills resulted in Talbot County's election to dispose of rubble waste in the MRSWF's municipal solid waste cells, instead of constructing a separate lined rubble cell to replace the existing, closed onsite unlined rubble cell, which had reached its permitted capacity.

The increase in tonnage due to the above conditions reduced the life expectancy of the landfill from 20 years to 18.5 years, based on conditions under the 1994 Feasibility Report, which includes the assumption that the landfill would be constructed to the final design configuration under the existing Refuse Disposal Permit. In consideration of waste tonnage projections in the 1994 Feasibility Report, the facility would reach permitted capacity during May 2009. In the event that actual waste tonnages vary from projected tonnages, there are no technical or regulatory requirements that impede modification of the existing Refuse Disposal Permit, as necessary to accommodate waste disposal over the entire 20-year facility design period.

During 1997, a reduction in the quantity of solid waste delivered to MRSWF was experienced, primarily as a result of an unanticipated diversion of solid waste by Waste Management, Inc. (WMI) to other disposal sites outside of the Midshore region. The direct haul diversion of the waste from MRSWF, reportedly due specifically to WMI internal economic considerations, served as a temporary means of solid waste disposal, while WMI sought authorization to construct a solid waste transfer station in the Cambridge, Dorchester County, Maryland area. WMI has abandoned its efforts to site a transfer station in the Midshore Counties and Dorchester County. Instead, WMI has entered into an agreement whereby MES will construct and operate a transfer station for WMI at MRSWF. Pursuant to this agreement, MES also has the option to utilize WMI to dispose of a portion of the waste accepted at MRSWF by transferring the waste to another WMI disposal facility. A more detailed description of the agreement is provided in Section 4.3.7.

In response to the reduction in solid waste delivered to the site, MES engineers redesigned the configuration of the landfill and canceled the construction of Cell No. 3 (the third of the five cells under the existing Refuse Disposal Permit), which was scheduled to commence in 1997. The solid waste disposal area configuration was redesigned as necessary to allow Cell No. 2 to continue to accept solid waste until the third quarter of 2000. In addition, the areas originally designated for construction of Cell Nos. 3 and 4 were converted to borrow areas to provide soil material needed for solid waste daily and intermediate cover (as per MDE regulations) and for future cell construction.

Under a Refuse Disposal Permit modification, a newly configured municipal waste disposal cell,

Cell No. 2A, will be located in the area originally designated for Cell No. 5. Cell No. 2A's inclusion of additional space, between the closed rubble cell and the existing municipal waste disposal cells, provides significant additional solid waste capacity in previously unavailable air space between the rubble and municipal waste cells. The new cell configuration has been reviewed and approved by MDE, pending submittal of detailed design drawings and technical support documentation, which will be provided as part of the Cell No. 2A construction schedule.

Pursuant to the provisions of the Waste Disposal Service Agreements, in order to make any remaining debt service payments which would become due after the landfill reaches permitted capacity, MES collects an excess tonnage charge on each ton of solid waste over 80,000 tons which is delivered in any year. At the close of the year, MES calculates the amount of excess tonnage charges that are needed as a result of the receipt of the excess waste and applies a portion of the revenues collected to the excess tonnage charge fund. To date, MES has collected \$472,012. Table 6.1 shows excess tonnage charges collected on an annual basis since inception of landfilling activities. Since 1997, no additional charges have been required.

The MRSWF was designed, permitted and constructed to meet or exceed standards specified in 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 Nos. 1 and 2 at MRSWF were designed and constructed incorporating a double liner system consisting of the following components:

- A compacted earth subbase
- A lower barrier consisting 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 is collected and removed from the landfill by means of gravity flow in the leachate collection system. The leachate removed by gravity from each cell is then pumped to separate, covered leachate storage lagoons. As allowed by climatic and leachate storage conditions, leachate is managed by recirculation back into the landfill (through wells that also serve as passive landfill gas vents) to increase the rate of waste consolidation, stabilization and settlement. When conditions are not favorable for leachate recirculation, leachate is pumped via an underground pipeline to Easton Utilities Commission Municipal Waste Water Treatment Plant. Discharge to the Easton Utilities Plant is authorized under Discharge Permit #21-03499.

Permanent erosion and sediment control (E&S) measures have been implemented at MRSWF, and routine maintenance is performed to assure system efficiency. The E&S measures consist of temporary seeding, onsite diversion ditches, sediment traps, silt fences, and sediment basins, as shown on the construction drawings for the facility. A closure plan for the facility specifies final earth cover and a closure cap to promote surface runoff and to minimize infiltration into the closed landfill. 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.

Cell No. 2, which is expected to be filled to capacity in October 2000, will accept waste until completion of Cell No. 2A construction. The design of Cell No. 2A is currently in progress. The original site development plans for stormwater management (SWM) address long-term SWM management requirements for the entire site, including all contributing drainage areas. No additional stormwater management construction is necessary to facilitate construction of Cell No. 2A. As an additional erosion and sediment control measure, silt fencing will be installed near the limits of disturbance of Cell No. 2A during construction.

Easton Landfill occupies a portion of the 175-acre parcel conveyed to MES for the purpose of constructing the MRSWF. The old unlined sanitary landfill which was closed with earth cover upon opening of the MRSWF in 1991, has been subsequently closed and provided with a final cap in accordance with the provisions of COMAR 26.04.07.21E. Landfill closure caps are intended to reduce or eliminate infiltration into the solid waste, to minimize generation of leachate in the landfill following completion of waste acceptance. The Easton Landfill closure cap consists of the following components, from the top of the solid waste to finished grade:

- 2 feet of final earth cover
- A 40 mil VLDPE synthetic geomembrane
- A porous drainage layer to collect stormwater infiltration
- A nonwoven geotextile to prevent clogging of the underlying drainage layer
- 20 inches of earth cover
- 4 inches of topsoil with vegetative stabilization

The closed landfill is now in the postclosure monitoring and maintenance phase to ensure the continued integrity of the site. As specified in COMAR 26.04.07.22B, MES inspects the closure cap system at the closed landfill, performs any necessary repairs, and submits reports to MDE on a semiannual basis.

3.0 WASTE STREAM ANALYSIS

3.1 GENERAL

MRSWF serves as the sole disposal facility for general mixed municipal, residential, commercial and nonhazardous industrial solid waste in the Midshore Region, and as a transfer point, known as the Midshore Consolidation Facility (MCF), for recyclable materials collected by the Midshore Regional Recycling Program (MRRP). The MRRP is administered directly by the Midshore Counties. Sources of solid waste and recyclables in the Midshore Counties, which have remained essentially unchanged, include private residences, commercial districts, municipal centers and transfer stations within the Midshore Counties' geographic boundaries. Waste is transported to the facility by commercial or public haulers. A homeowners' dropoff area, which has operated since the opening of MRSWF in March 1991, is located immediately to the right of the entrance road into the facility. Citizens of the Midshore Counties can directly dispose of their solid waste in containers, designated by type of waste.

Sections 3.2 through 3.4 describe the MRSWF primary market area, types of solid wastes accepted, and quantities of solid waste generated and disposed by the Midshore Counties.

3.2 PRIMARY MARKET AREA

Only solid waste generated within the geographic boundaries of the Midshore Counties is accepted at MRSWF for landfill disposal, unless otherwise agreed upon by the Midshore Counties and MES, in accordance with conditions under the Waste Disposal Service Agreements. Computerized scale facilities record all incoming solid waste. The scale operator limits access to the active disposal area (e.g., landfill working face) in order to determine (and thereby control) the point of origination 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 landfill working face. These operational controls and incoming waste stream monitoring allow MES to identify waste originating outside of the Midshore Counties' geographic boundaries. To date, records indicate that no waste has been accepted from any source outside the Midshore Counties.

As originally planned, a 5.5-acre site adjacent to the municipal waste cells was used as a rubble fill area. Bulky wastes, land clearing, demolition and construction debris was directed away from the municipal landfill and placed in the rubble fill, until its permitted capacity was reached. After closure of the rubble cell, all waste, with the exception of brush and yard debris, has been placed in the municipal cells. The brush and yard debris is separately stored and periodically processed through a tub grinder to produce mulch for onsite use.

The decision was made to construct the MCF on the MRSWF property in order to promote recycling efforts of the Midshore Counties. The MCF, opened in 1993, is an area reserved for consolidation and transfer of segregated mixed metals, plastics, newspaper, magazines, corrugated cardboard, green glass, brown glass, and clear glass. The MCF consists of four three-sided storage bays and a retaining wall that provides dumping access to three roll-off containers. The MES site operations staff administer daily operations of the MCF; the MRRP organizes the transportation, removal and marketing of the recyclable materials from the MCF. All revenues derived from marketing of recyclable materials through the MCF goes directly to the MRRP. MES adopted a Midshore Regional Landfill Recycling Surcharge at the request of the Midshore

Counties in 1991. Originally set at \$2.50 per ton (10% of the gate fee), the current recycling surcharge fee is fixed at \$4.00 per ton. This fee is segregated from that portion of the gate fee reserved for facility operations. The proceeds of this fee are used to facilitate recycling at MRSWF and throughout the Midshore Counties, under the MRRP. In the event that the tipping fee is insufficient to cover all MRSWF operating and debt service costs, the recycling surcharge fee may be used to cover these costs.

3.3 SOLID WASTE TYPES

MRSWF accepts general mixed municipal, residential, commercial and nonhazardous industrial wastes. The Waste Disposal Service Agreements stipulate that hazardous waste of any type in regulated quantities will not be accepted at MRSWF. The rubble fill area has been filled to capacity and all waste delivered to the site (excluding recyclables, tires, white goods, scrap metal, brush and soil for solid waste cover) is now disposed of in the active municipal waste cells. Table 3.1 lists the types of solid wastes that are acceptable and unacceptable for disposal in the lined municipal cells. Effective January 1, 1994, Maryland State Law prohibits the disposal of tires in landfills. All tires received at the Regional Landfill are directed to a stockpile area where they are temporarily stored, pending accumulation of sufficient volume for economical transport to a tire disposal facility. To pay for the tire consolidation and disposal effort, a surcharge is assessed haulers and individuals delivering tires to the MRSWF. Brush is directed to a stockpile area where it is temporarily stored and ultimately processed for onsite use. White goods and other scrap metals are diverted from the landfill and marketed for their scrap value. Prior to the sale of white goods, refrigerant is collected.

TABLE 3.1
MRSWF ACCEPTABLE AND UNACCEPTABLE WASTES

Acceptable Waste:

1. Household Waste including garbage, trash, rubbish and offal derived from households including single- and multi-family residences, hotels, motels, bunkhouses, ranger stations, crew quarters, campgrounds and day use areas.
2. Commercial Waste including all types of general solid waste such as paper, cardboard, packaging materials, plastic and food waste generated by stores, offices, restaurants, warehouses and other non-manufacturing activities.
3. Industrial Solid Waste including scrap raw materials, used containers, by-products and humus matter generated by manufacturing or light industrial processes that are not hazardous wastes regulated under Federal and/or State Hazardous Waste Regulations. Such wastes may include, but are not limited to, nonhazardous solid wastes resulting from the following manufacturing processes: fertilizer/agricultural chemicals; food and related products and byproducts; leather and leather products; plastics and resins; rubber and miscellaneous plastic products; stone, aggregates, clay and concrete products, and other light industrial processes.
4. Water and Wastewater Treatment Plant Sludges that do not contain free liquids as determined by EPA test method 9095, Paint Filter Liquids Test.
5. Asbestos Waste, provided that the waste is packaged and labeled as specified in COMAR 26.11.15.04, and is managed in the following manner:
 - The landfill shall receive prior notice of the delivery.
 - The waste asbestos shall be carefully unloaded to prevent airborne emissions.

TABLE 3.1 (continued)

- The asbestos disposal area shall be restricted to the landfill working face or a separate area of the cell dedicated solely to asbestos disposal.
 - The waste shall not be driven over or compacted until it has been completely covered with sufficient earth material or other solid waste, to prevent any release of asbestos to the atmosphere during solid waste compaction.
 - Operators at the landfill during the asbestos disposal shall wear respiratory protection approved by the National Institute for Occupational Safety and Health for protection against asbestos fibers, and protective clothing when considered necessary.
6. Land Clearing Debris including earthen material such as sands, clay, gravel, silts and topsoil; tree stumps, root mats, brush and limbs, logs and other general vegetation.
 7. Demolition Debris associated with the razing of buildings, roads, bridges and other structures, including structural steel, concrete, bricks, lumber, plaster and plasterboard, insulation materials, roofing materials, structural fabrics, paper and paper products, carpets, wall and floor tiles, and appliances.
 8. Construction Debris including structural steel, cement, concrete, bricks, plaster and plasterboard, wire, carpeting, wall paper, roofing materials, packaging materials, empty paint or adhesive containers (provided that the residue material is dried) and general refuse from construction activities

Unacceptable Waste:

1. Pathological and biological waste, medical and infectious waste, cesspool, septic tank or other human waste and animal remains.
2. Oil, sludges or other liquid wastes, hazardous chemicals, including empty containers for hazardous chemicals.
3. Large automobile and other vehicular parts, trailers, agricultural equipment, marine vessels.
4. Tires.
5. Radioactive materials and non-household hazardous refuse of any kind, including any empty containers which contained hazardous materials such as cleaning fluids, petroleum products, cutting oils, paints, acids, caustics, pesticides, insecticides, poisons, pharmaceuticals or materials that may cause MRSWF to violate air or water quality
6. Any chemical substance considered harmful, toxic or dangerous in the future by any appropriate government agency or unit thereof.
7. regulations, or which pose an undue risk to public health or to the environment, or which may cause damage to the MRSWF landfill cell liners, leachate collection system or other facilities, or adversely affect operation of the landfill.

3.4 SOLID WASTE QUANTITIES

Solid waste studies (by Terraqua in 1982) were conducted at existing solid waste disposal facilities in each of the original Midshore Counties (e.g., Caroline, Queen Anne's and Talbot). From these studies, an average pounds per capita per day (PCD) waste generation rate of 5.5 was developed and used for the original design of MRSWF. This rate, an estimated regional average, was assumed to remain constant over the 20-year permitted life of the facility.

When Kent County joined the Midshore County partnership in 1992, following design and initial construction of MRSWF, the estimated life of the facility decreased, due to anticipated additional waste generation and disposal. However, data from the Cell Nos. 1 and 2 landfill operation indicates that, as a result of recycling efforts, and the exclusion of tires and wood waste in the landfill, the PCD has been reduced from 5.5 PCD used in 1990 to 4.6 PCD.

The revised estimated Midshore Counties PCD generation rate (for municipal solid waste only) is approximately 4.6 pounds/capita/day. This number was calculated using 1990 Census data projections and operating data for Fiscal Year 1994 at MRSWF. The lower PCD partially offsets the decrease of the facility's projected life, as a result of Kent County's entry into the Midshore County partnership.

The national trend of the PCD has recently been one of no growth or a slight reduction in growth. Whereas this trend is expected to continue in the next decade, a no growth PCD of 4.6 pounds/capita/day is a reasonable assumption. This rate and projected population data for the Midshore Counties were used to determine the total cumulative solid waste quantities. Table 3.2 indicates population projections, based on 1990 Census data, supplemented by recent (August, 1998) Maryland Office Of Planning, Planning Data Services demographic and socioeconomic information for each Midshore County. In addition to population and PCD generation rate, the quantity of solid waste generated in the Midshore Counties is dependent upon a variety of other factors, which includes the status of the national and regional economy.

TABLE 3.2
MIDSHORE REGION POPULATION PROJECTIONS

COUNTY	1980 CENSUS	1990 CENSUS	2000	2005	2010
CAROLINE	23,143	27,035	30,600	31,800	32,900
QUEEN ANNE'S	25,508	33,953	41,600	44,900	47,600
TALBOT	25,604	30,549	33,500	34,510	35,500
KENT	16,995	17,842	19,350	19,800	20,150
TOTAL	91,250	109,379	125,050	131,010	136,150

NOTE: DATA COMPILED FROM POPULATION PROJECTIONS FOR MARYLAND SUBDIVISIONS BY THE MARYLAND OFFICE OF PLANNING, PLANNING DATA SERVICE, REVISED AUGUST 1998

The Environment Article, Title 9, Subtitle 5 of the Annotated Code of Maryland, as amended, requires that the Midshore Counties recycle a minimum of 15 percent of all solid waste generated after 1993. Recyclables, white goods, tires, scrap metal and brush are not placed in the landfill. Waste disposed of in the landfill consists of billable tonnage weighed at the facility scale and unbillable waste from the homeowners' dropoff area.

Using the landfill design under the existing Refuse Disposal Permit, the consultant firm of Geraghty and Miller reported in the 1990 Feasibility Report (the original feasibility report for the facility) that the total air space capacity of the landfill was estimated to be 3,214,800 cubic yards (CY). Approximately 80% of the total air space (2,571,840 CY) was estimated to be available for receiving solid waste. The 1990 estimate of 2,571,840 CY of waste capacity, which is considered reasonable for the original design of the MRSWF, has been used to estimate remaining landfill life. Although Cell No. 2 has increased in overall size from 608,900 CY to 660,000 CY due to final design configuration, the overall capacity of MRSWF was reduced by 30,250 CY, due to the need to elevate the lined bottom of Cell No. 2 by 1.5 feet, to comply with COMAR requirements regarding minimum buffer distance between the bottom of a cell and the highest predicted ground water elevation. The Cell No. 2 overall solid waste disposal capacity, at 80 percent air space availability, is 528,000 CY.

Table 3.3 indicates the approximate quantity of total waste disposed of in the landfill in 1995, and projected waste disposal at 5-year intervals. In years 2000, 2005 and 2010, it is assumed that MES can control waste disposal in the landfill, at a constant annual rate, by operating the proposed onsite waste transfer station and diverting excess tonnage for disposal out of the Region. An unbillable annual disposed tonnage of 3,000 tons per year (primarily from the homeowners' dropoff operation) and a modest increase in the projected annual waste transfer tonnage rate are assumed.

TABLE 3.3
MRSWF ACTUAL AND PROJECTED
SOLID WASTE DISPOSAL AND TRANSFER

Waste Disposal Parameters	YEAR			
	1995	2000	2005	2010
TPY (Disposed)	101,050	78,000	78,000	78,000
TPY (Transferred)	0	50,000	52,000	52,000
TPD (Disposed)	276.8	213.70	213.70	213.70
TPD (Transferred)	0	137.0	142.5	142.5
Population	117,500	125,050	131,010	136,150
PCD (lb/capita/day)	4.60	4.60	4.60	4.60

NOTES: TPY = ESTIMATED TOTAL TONS PER CALENDAR YEAR (ASSUMING 3,000 TPY UNBILLABLE)
 TPD = TONS PER DAY; FIGURES BASED ON 7 DAYS/WEEK
 PCD = POUNDS PER CAPITA PER DAY
 CONSTANT PCD RATE OF 4.60 BASED ON CELLS NOS. 1 AND 2 EXPERIENCE

Waste placement in Cell No. 1 began in March 1991. From March 1991 to February 1993, waste was spread and compacted in the landfill by a Caterpillar 816 Compactor, which reportedly spread cover soil and solid waste to an in-place density of 950 pounds per cubic yard (lbs/CY). From February 1993 to July 1994, a Caterpillar 826 Compactor was used. The Whitman,

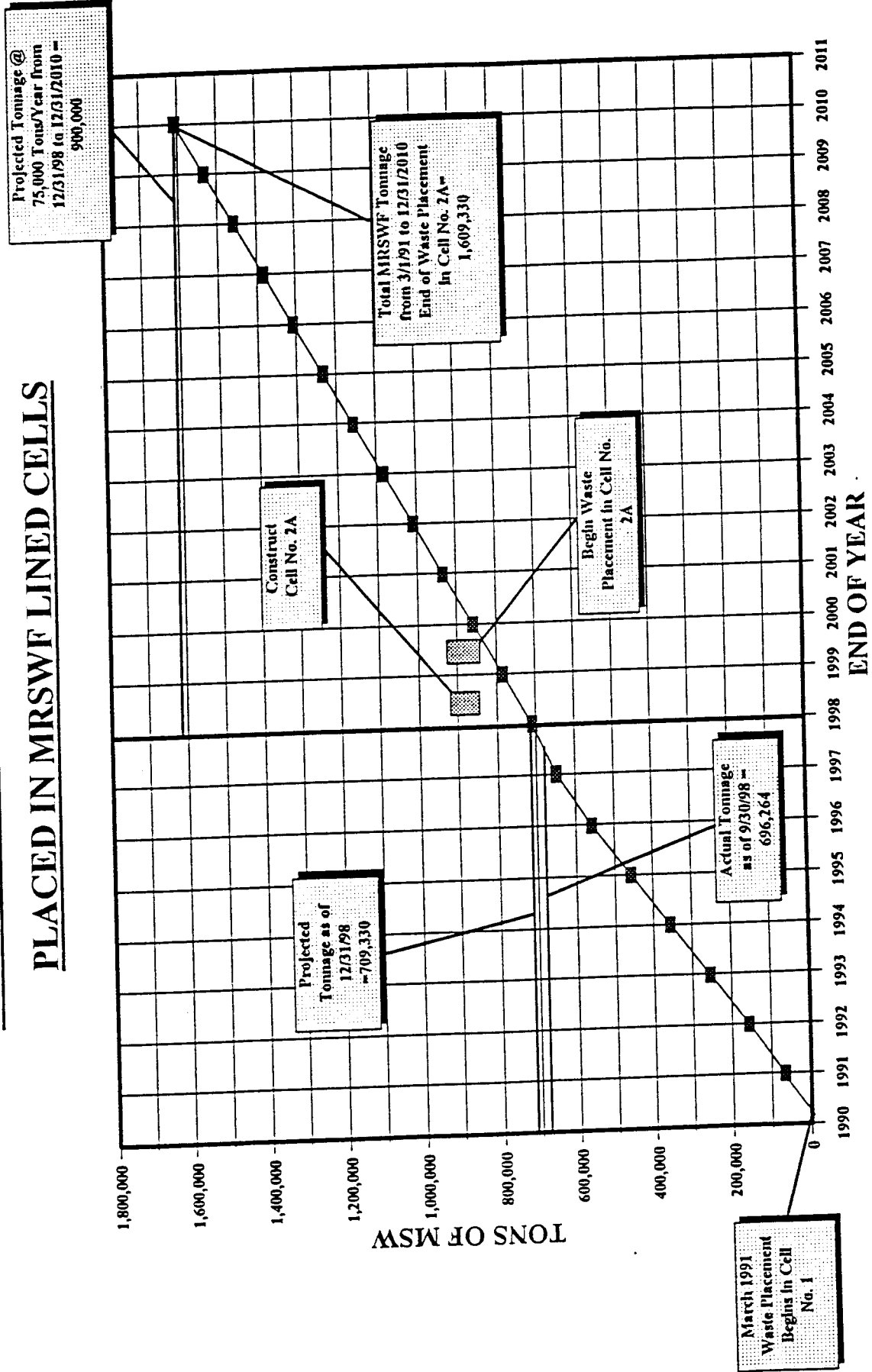
Requardt & Associates 1994 Feasibility Report refers to operating data from Fiscal Year 1994 (July 1, 1993 to June 30, 1994) that indicates in-place cover soil and solid waste density achieved by the upgraded equipment was 1,400 lbs/CY. Calendar year 1997 (January 1 to December 31, 1997) operating data indicates that the in-place density had increased from 950 lbs/CY with the 816 Compactor, to 1,450 lbs/CY with the 826 Compactor. The average in-place density achieved in Cell No. 1 from initial operations to present is 1,115 lbs/CY. The increase in compactive effort and resultant higher in-place waste density is synonymous with an overall operating efficiency improvement since commencement of waste acceptance in Cell No. 1. Other operating procedure improvements, specifically intended to further increase the in-place waste density, include the installation of "Caron" Wheels and a Semi-U Blade on the 826 Compactor.

Information in the solid waste literature indicates that leachate recirculation, which is currently being performed at MRSWF, accelerates the rate of waste consolidation and stabilization, and thereby the rate of long term settlement of the landfill surface. Assuming no accelerated waste consolidation due to leachate recirculation, settlement of 10 per cent of the overall landfill height is expected to occur from 5 to 25 years after the design height is reached. This settlement would provide approximately 80,000 additional cubic yards of air space at MRSWF. With aggressive leachate recirculation and resulting accelerated settlement rate, a greater portion of the permitted air space can be recaptured during the active life of the facility. In 1993, Whitman Requardt & Associates estimated that 60 percent of the additional airspace due to settlement would become available during the site operating period. With aggressive leachate recirculation, use of tarping and other alternate daily cover methods to reduce the volume of required waste cover material, it is a reasonable assumption that most of the 80,000 cubic yards of additional air space capacity due to landfill settlement will become available during the operating life of the facility.

In 1993, Whitman Requardt & Associates calculated the operating life of the facility to be reduced from 20 years to 18.5 years as a result of the inclusion of Kent County into the Midshore County partnership, changes in population, and the inclusion of rubble waste into the municipal cells. Based on anticipated reduction of annual waste acceptance due to: construction and operation of the onsite waste transfer station; air space capacity recapture due to accelerated waste consolidation; and implementation of greater efficiency daily cover methods, it is now anticipated that the full 20-year facility life expectancy, originally planned and permitted for MRSWF, will be achieved.

The projected reduction of annual waste acceptance at MRSWF results in the requirement for decreased air space in the future landfill. To provide the most cost effective manner in which to construct and operate the facility under the changed conditions, MES engineers are in the process of designing Cell No. 2A to replace Cell Nos. 3, 4 and 5 under the existing Refuse Disposal Permit. The Cumulative Tonnage Chart (Table 3.3) on the following page, developed under projected air space reduction requirements, indicates total actual and projected billable tons of municipal solid waste (MSW) to be disposed of in the landfill over the 20-year life of the facility. In developing the chart, MES assumed that 3,000 annual, unbillable tons of solid waste will continue to be accepted in the landfill on an annual basis.

CUMULATIVE BILLABLE TONS OF MSW PLACED IN MRSWF LINED CELLS



4.0 FACILITY DESCRIPTION

4.1 SITE CONDITIONS

The following discussion of site conditions is based on information in the MRSWF Phase II Report (prepared in 1988 for MES, by Geraghty and Miller), which was incorporated in the facility's State Refuse Disposal Permit application.

The MRSWF site is located approximately two miles southeast of the Town of Easton in Talbot County, Maryland (see the Vicinity Map in Section 1.0). The site occupies approximately 175 acres of former farm land and woods. Included within the property is the Easton Landfill, a sanitary landfill which served the Town of Easton and Talbot County before construction of the MRSWF. According to soil survey data, site soil drainage ranges from well drained to poorly drained. Sassafras surficial soils (USDA, 1970) comprise about 70 percent of the site; Woodstown and Keyport soils occupy about 20 percent; the remainder of the site consists of miscellaneous poorly drained soils.

The site lies within the Delmarva peninsula. The Coastal Plain deposits beneath the site are estimated to be approximately 2800 feet thick. These deposits generally consist of unconsolidated beds of clay, silt, sand and gravel. The uppermost geologic formations at the MRSWF site consist of the soil zone and the underlying Pleistocene Pliocene age sediments. These sediments are stratified, lenticular deposits of sands and silts, with small amounts of clay and gravel ranging in thickness from approximately 4 to 28 feet across the site. The Pleistocene Pliocene age sediments are often referred to as the Columbia Aquifer. From a ground water monitoring perspective, this unit constitutes the uppermost aquifer. The interim Talbot County Ground Water Protection Plan (1987) categorizes the Columbia Aquifer as a high potential use source of good quality water. The Columbia Aquifer is considered unconfined and receives most of its recharge through direct precipitation infiltration. As a result, the aquifer is vulnerable to surface point and nonpoint sources of contamination.

The second major group of geologic formations at the site includes the Miocene age sediments. These sediments consist of gray quartz sand zones and gray/blue silt and clay. The uppermost Miocene sediments underlying the Pleistocene Pliocene age deposits at the site consist of silty clays. These deposits range in thickness from approximately 8 to 38 feet. Directly beneath these deposits lies the Frederica Aquifer, which is composed of fine to medium sands, with some silt and common shell fragments. This formation is estimated to be 65 feet thick and represents a potential water supply aquifer in the area. Underlying the Frederica Aquifer are a series of confined aquifers including, but not limited to the Calvert Formation, the Piney Point Formation, the Aquia Formation and the Magothy Formation. In summary, the uppermost geologic formations at the MRSWF site consist of the Pleistocene Pliocene age deposits, underlain by silty clay Miocene age deposits, followed by the confined Frederica Aquifer, which is composed of sandy Miocene deposits.

Ground water elevation contour maps prepared for the design of MRSWF indicate the observed lowest and highest site ground water conditions in 1987 and 1988. An updated ground water elevation contour map was prepared for the design of Cell No. 2. This revised map represents the highest observed ground water elevation readings (recorded from the facility's inception to Fiscal Year 1994) at onsite monitoring wells within the Cell No. 2 area. These contour maps are revised and included in each semi-annual Ground Water Monitoring Report, which is submitted

to MDE. Contour elevations suggest that shallow ground water in the vicinity of the old Easton Landfill flows in a radial pattern away from the existing landfill perimeter in all directions, during both high and low ground water table conditions. Contour elevations also suggest that a ground water divide oriented east to west is located beneath the old Easton Landfill. The existing ground water monitoring data recorded from inception of MRSWF exhibits similar ground water elevation contour characteristics.

The aquifers beneath the site are separated by leaky confining beds (aquitards) and are therefore hydraulically connected to a limited extent. Thus, the geology of the site is such that the individual aquifer hydrologic zones are interconnected and form complex flow systems. To evaluate the direction of ground water flow between the upper geologic formations, ground water elevations were compared between shallow monitoring wells and deep confined aquifer monitoring wells at several locations. The potentiometric head difference between shallow and deep wells indicates ground water flow potential is in a downward direction between the Pleistocene-Pliocene age deposits, the silty clay Miocene age sediments and the Frederica Aquifer.

After reviewing site geologic information and considering hydraulic conductivities, Geraghty and Miller concluded in their hydrogeologic report for the MRSWF's Phase II Report that the ground water flow at the site (in the upper Pleistocene-Pliocene deposits) will be primarily in the horizontal direction. Both the heterogeneity of the Pleistocene-Pliocene deposits and the fine-grained nature of the underlying Miocene sediments should promote lateral movement in the Pleistocene-Pliocene sediments. Ground water flow direction is likely to be more vertical in the fine-grained silty clay Miocene sediments and more horizontal in the Frederica aquifer. Ground water level measurements recorded in the monitoring wells screened in the deeper Frederica aquifer indicate that the direction of ground water flow is toward the northeast. It is noteworthy that the old Easton Landfill is believed to be located above a ground water divide. As such, the anticipated ground water flow direction at this point is downward. Therefore, there exists, based on this finding, a potential for ground water that has contacted landfill materials to migrate downward to the lower confined aquifer from the old Easton Landfill. Since 1994, a closure cap has been constructed over the old Easton Landfill. The cap should minimize leachate generation in the old Easton Landfill.

Soil morphological characteristics and ground water level measurements were used to prepare a ground water elevation contour map, representing the predicted highest ground water condition used to develop the initial design of MRSWF. The predicted highest ground water condition ranged from 1 to 7 feet above the observed highest ground water condition, using ground water readings taken prior to Spring 1989. To provide confirmation for the highest ground water condition, monitoring was continued by collecting ground water elevation data on a monthly basis through July 1989. The observed elevations recorded in 1989 exceeded the predicted highest elevations at 13 of 25 monitoring locations. The 1989 observed ground water levels ranged from 0.20 to 2.88 feet above the predicted highest ground water elevations across the site. Ground water elevation data has continued to be collected since 1990, as part of routine landfill operations, on a monthly basis. The collected water level data does not indicate any significant changes in ground water flow patterns as a result of construction and operation of the MRSWF.

The ground water quality data collected by the State Department of Health and Mental Hygiene (DHMH) and the Maryland Department of the Environment (MDE) from 1981 to 1986 suggest that some ground water quality alteration had occurred locally in the immediate vicinity of the old Easton Landfill. Ground water samples collected in September 1988 from the onsite

monitoring well/piezometer network, indicated that most parameters are generally in the range of natural concentrations, with a few exceptions. Elevated nitrate nitrogen levels that were reported in monitoring wells/piezometers located where farming activities have occurred may be a result of farm field fertilization and mineralization of organic matter. Metals concentrations were considered to be within natural limits and below detection limits in most cases. Volatile organic compounds were below detectable limits for all samples. Values recorded for specific conductance, alkalinity, chloride, and hardness were elevated in the monitoring wells located near the old Easton Landfill perimeter. This data suggests that the old Easton Landfill has altered ground water quality in the immediate vicinity of MRSWF Cell No. 1 perimeter. However, wells screened in the deeper Frederica Aquifer indicated no evidence of ground water contamination. There is currently no remedial action required due to possible alterations of ground water quality that may have resulted from operation of the old Easton Landfill.

Since 1990, based on ground water monitoring conducted at MRSWF, Ground Water Monitoring Data and Statistical Analyses Reports have been prepared by the Environmental Monitoring Division of MES and submitted to MDE. The first report is dated March 8, 1994. Subsequent reports are submitted to MDE on an annual basis. The report for calendar year 1998 is currently being prepared for submission to MDE. All four monitoring reports which have been completed and submitted to MDE as well as the 1998 report currently in preparation conclude that construction and operation of Cell Nos. 1 and 2 at the MRSWF has not adversely impacted ground water quality in the area. Even though laboratory analyses for volatile organic compounds detected minor concentrations of several constituents, the concentrations measured were either at or near the detection level of the laboratory tests, or were present in the blank at similar concentrations. Inorganic analyses were within acceptable ranges, with some minor statistical differences that will be closely monitored during future sampling events.

4.2 ENGINEERING DESIGN

4.2.1 Design Criteria

The initial design of MRSWF was based on an operational life of 20 years. The construction of the individually lined disposal cells was originally planned to occur in sequence, commencing with the initial cell (Cell No. 1) and progressing through a maximum of 5 cells. The facility construction and operation is authorized under State Refuse Disposal Permit No. 90-20-01-01A, issued January 24, 1990, and reissued as Refuse Disposal Permit No. 1994-WSF-0144-0. The renewal permit, which expires February 13, 2000, allows modification of the landfill bottom and top configurations, and the sizing of the leachate collection and storage systems for each cell. This design flexibility provides efficient utilization of technological improvements as pertinent to landfill capacity requirements and changes in ground water elevations.

The first phase of the landfill (Cell No. 1) was designed and permitted by MES. The second landfill cell (Cell No. 2) was designed by Whitman Requardt & Associates. As previously referenced, the design of Cell No. 2A (which is intended to be constructed in lieu of the originally designed Cell Nos. 3, 4 and 5) is being performed by MES. The third and final phase of the landfill will follow the design of Cells 1 and 2 which incorporate a double liner system. This design provides a higher level of public health and environmental protection than the current Federal and State design standards. Leachate recirculation is planned to continue to accelerate waste consolidation and settlement, and additional operational efforts (such as tarping or application of intermediate cover) will continue to minimize leachate production in the landfill.

The landfill cell bottom elevations for Cell No. 1 were set to meet COMAR requirements regarding ground water buffer distance, and were set based on the Geraghty & Miller maximum predicted ground water levels developed during the Refuse Disposal Permit application Phase II review process. The bottom elevations for Cell No. 2 at MRSWF were based on ground water levels in monitoring data gathered from Fiscal Year 1988 through Fiscal Year 1994. This expanded data base resulted in the bottom elevation of Cell No. 2 being raised approximately 1.5 feet above the Operating Plan anticipated design elevations. The revised bottom elevations provide a minimum of 1.5 feet of separation between the highest predicted ground water elevation and the bottom of the liner system, after settlement. The liner system consists of two separate synthetic membranes and leachate collection/detection systems.

The construction and placement of each of the cell liner materials should reduce the amount of potential recharge to the underlying shallow water table aquifer. The effectiveness of the construction activities on lowering the local water table is difficult to predict and document. Verification of predictions will require long term observation to document the actual effect of the landfill construction activities on the water table, and to determine if future landfill cell base elevations should be modified.

4.2.2 Double Liner and Leachate Collection Systems

Since the MRSWF commenced operation in 1991, the Cell No. 1 double liner and leachate collection systems have performed satisfactorily. Cell No. 2 also has double liner and leachate collection systems, and the Cell No. 2A design includes similar systems. Each liner in the double liner system is a high density polyethylene (HDPE) geomembrane. The uppermost liner, the primary protective barrier for groundwater, is to contain leachate generated in, and released by solid waste contained in the cell. An additional level of protection is provided by the lower, secondary liner, which collects any leakage through the primary liner. The synthetic drainage layer (geonet) placed between the two synthetic membranes conveys any leachate leakage through the primary liner to an observation point in the leachate conveyance system, where it is visually monitored. Primary and secondary leachate collection/detection systems are installed directly above the primary and secondary liners, respectively. Leachate collection/detection system design considerations include: the quantity and quality of leachate generated; the degree of leachate head buildup on the liner; the slope of the liner system base; the size, slope and configuration of leachate collection and header piping; and the internal leachate collection sumps.

The primary collection system consists of a HDPE geonet bonded to an overlying nonwoven, needlepunched geotextile, which underlies a 12-inch drainage layer of clean, free draining, sandy soil or an alternative layer of porous protective material. This drainage layer serves as a barrier to protect the liner and leachate collection system from penetration by sharp objects in the initial lift of solid waste, and from equipment operating in the landfill. The geonet that underlies the drainage layer conveys leachate to the collection piping. The geotextile between the drainage layer and geonet limits the migration of fines into the geonet, thereby minimizing the potential for clogging. The secondary leachate collection system, or leak detection system, consists of a second geonet, placed between the primary and secondary HDPE liners. To further protect the underlying water table aquifer, to provide a stable subbase for waste placement, and to limit the potential for liner puncture, 24 inches of low permeability compacted clay liner subbase material is placed directly below the secondary HDPE liner.

Within each landfill cell, the liners and the overlying leachate collection system are sloped at a minimum of 2 percent toward the leachate collection pipes. The 8-inch diameter perforated HDPE pipes convey leachate by gravity to primary collection manholes, where leachate conveyance continues by gravity to a recirculation pumping station wet well, with a pipe connection to a leachate storage lagoon. The leachate in the Cell No. 2 storage lagoon may be pumped to one of the following four locations: Cell No. 1 storage lagoon; Cell No. 2 recirculation wells; Cell No. 1 recirculation wells; or to Easton Utilities Commission Waste Water Treatment Plant. Options for recirculation or disposal of leachate from Cell No. 1 storage lagoon are typical of the Cell No. 2 options. The pumping station employs electric, corrosion resistant, submersible pumps to manage the leachate. Backup pumps are available onsite to immediately replace the primary pumps, in the event of a pump failure. An existing standby electric generator provides electrical power if the primary power supply is interrupted.

Specific procedures have been developed for depositing the initial lift of solid waste over the cell base liner system, to prevent damage to the liner by spreading and compacting waste with heavy equipment. Operating equipment and waste disposal vehicles are only permitted to travel on a layer of solid waste that has previously been placed and compacted. To avoid operation of heavy equipment on the liner, solid waste placed in the initial lift is unloaded over previously compacted solid waste and pushed down the landfill working face. The lowest portion of the first lift is a minimum of 4 feet thick, and compaction is achieved by tracking with a small bulldozer, instead of a cleated, steel-wheeled refuse compactor. The remainder of the initial lift and subsequent lifts of solid waste are spread in full depth lifts and compacted by a Caterpillar 826 Compactor.

4.2.3 Final Landfill Grading

To promote surface runoff and reduce infiltration of precipitation into the landfill, final grading of the completed landfill consists of a maximum side slope steepness of three horizontal to one vertical (3:1), and minimum 4 percent cross slopes on the landfill top. The currently permitted maximum elevation of the completed landfill is at elevation 110 feet above mean sea level (MSL). As each phase of the MRSWF is filled to its final permitted grades, the adjacent phase is planned and constructed. This allows excavation and filling procedures to proceed efficiently. Each completed phase of the landfill is stabilized during fall and spring planting seasons, with vegetation typically found in the geographic area. This provides erosion control and minimal surface runoff infiltration. At design grades, with typically applied soil cover and recommended vegetation, it is anticipated that the Soil Conservation Service (SCS) runoff curve number (RCN) for the finished landfill surface will be 80.

4.2.4 Surface Runoff Control

Surface runoff control, from both the active operational and closed phases of the landfill, is accomplished by perimeter diversion ditches that intercept and convey clean water to one of two onsite sediment/stormwater management ponds. Erosion and sediment control devices for the site are comprised of drainage swales, dikes, sediment ponds, rock protection outlets, and silt fences. It is estimated that implementation of the final grading plan will allow approximately 44 to 65 percent of surface runoff to flow away from the landfill cells, which will minimize infiltration of surface runoff into the waste. The two sediment/stormwater management ponds were installed as part of the initial phase of construction. No additional facilities were necessary for construction of Cell No. 2. Additional facilities for stormwater management for Cell No. 2A

construction are also not anticipated. Additional silt fence for sediment control during Cell No. 2A construction will be installed as necessary.

4.2.5 Leachate Management

In accordance with the original design concept, leachate will continue to be recirculated through the waste to optimally utilize the moisture storage capacity of the in-place solid waste and to promote physical consolidation, chemical, and biological stabilization of the landfill mass.

The leachate pumping station wet wells are equipped with automatic controls that activate a high level alarm. Leachate from Cell No. 1 may be recirculated into Cell No. 1 or Cell No. 2, conveyed to the Cell No. 1 leachate storage lagoon, or routed to Easton Utilities Commission Waste Water Treatment Plant for ultimate treatment and disposal. Options for recirculation or disposal of leachate from Cell No. 2 are typical of the Cell No. 1 options. Flexibility to store, recirculate, or directly dispose of leachate provides maximum efficiency for leachate management. Cell 2A will incorporate similar leachate management options.

Leachate is recirculated into the landfill mass by injection wells, consisting of vertical HDPE perforated risers connected to horizontal HDPE perforated distribution pipes (placed in strategically located lateral stone trenches or other porous media that recirculate leachate into the waste). Recirculation trenches are located far enough from the landfill working face to prevent interference with ongoing landfill operations. The site operating plan details operational procedures for the leachate recirculation system. Under conditions that are not conducive for recirculation, leachate is stored in one of the leachate storage lagoons. Each lagoon is equipped with a floating cover of fiber reinforced synthetic geomembrane material that is resistant to chemical degradation by leachate and sunlight. The floating cover's purpose is to assist in maintaining an anaerobic environment for the leachate, minimize the emission of undesirable odors, and prevent leachate evaporation.

If discharge standards imposed by Easton Utilities Commission are met, leachate may be conveyed to the Easton Utilities Commission Waste Water Treatment Plant for treatment and ultimate discharge. Leachate discharge standards have been imposed to ensure that discharge from the MRSWF does not impair the treatment efficiency of the municipal treatment plant biological treatment processes. Under the provisions of the permit issued by Easton Utilities Commission, a rate surcharge may be assessed whenever leachate characteristics exceed the following standards:

- BOD over 250 mg/l
- TSS over 300 mg/l
- Oil and grease over 150 mg/l
- Temperature exceedence of 130 degrees Fahrenheit or 55 degrees Celsius
- A pH less than 5.0 or greater than 10.0

Since initiating solid waste disposal operations at MRSWF in 1991, MES has recirculated approximately 1.4 million gallons of leachate and pumped over 11 million gallons of leachate to the Easton Utilities Commission Waste Water Treatment Plant. Based on records from MRSWF, the facility generates an average of 9,300 gallons per day. Leachate Storage Lagoon No.1 has a storage capacity of 340,000 gallons, which provides approximately 36 days of storage capacity.

Leachate Storage Lagoon No.2 has a capacity of 289,000 gallons, which provides approximately 31 days of storage capacity.

4.2.6 Landfill Gas Management

Landfill gas is a by-product of the decomposition of the organic fraction of the solid waste in a sanitary landfill. The gas, which is created by the microbial anaerobic decomposition of organic waste, consists of approximately 55 percent methane and 45 percent carbon dioxide. Methane is a colorless, odorless non-toxic gas that is potentially explosive, if ignited, when methane exists in concentration between 5 and 15 percent by volume in air. Less than 1 percent of the landfill gas volume is comprised of trace amounts of nitrogen, oxygen, hydrogen, hydrogen sulfide and various volatile organic compounds.

All of the municipal waste cells constructed at MRSWF include a double synthetic membrane liner that serves as a barrier to subsurface migration of landfill gas. The perimeter surface runoff ditch system allows gas near the landfill surface to vent naturally to the atmosphere. The leachate recirculation wells that are installed throughout the municipal waste cells also serve as landfill gas vents. Cell No. 2A, the only proposed future cell at MRSWF, will also incorporate the leachate recirculation/landfill gas venting wells.

Landfill gas management Federal Regulations under the Clean Air Act, and State Regulations under COMAR 26.11.19 have been promulgated since the MRSWF was placed in operation in 1991. These new regulations, intended to improve landfill gas management at large landfills, will not impact MRSWF. Landfills designed to accept more than 2.5 million metric tons (about 2.75 million tons) of solid waste are required to have active landfill gas extraction systems, to control gas emissions from the landfill to the atmosphere. Usually a landfill gas extraction system is either a recovery and utilization system, under which the gas is used as an energy source, or a combustion system, under which the gas is ignited. Whereas the planned capacity of MRSWF is well below the regulatory threshold value, there is no need for active gas control for compliance with the new regulations.

Passive gas venting through existing leachate recirculation wells will continue to be the method of landfill gas control at MRSWF. MES will continue to monitor landfill gas emissions at MRSWF, per Section 4.5.3. If monitoring results indicate detection of potentially explosive levels of methane, gas control will be enhanced by installation of flares or other combustion methods that have been demonstrated to be effective at other landfills in Maryland. If gas quantities are determined to be sufficient, MES will evaluate the potential for installation of a gas recovery and utilization system.

After cessation of landfilling activities at MRSWF, Maryland regulations governing closure and capping of landfills (COMAR 26.04.07.21) require installation of gas vents. This is intended to preclude buildup of gas under the landfill cap as the solid waste stabilizes. Gas pressure could promote subsurface lateral migration of landfill gas. The COMAR landfill closure regulations also specify permissible limits of methane (as measured in terms of lower explosive limit) at the landfill property boundary and in facility structures.

4.2.7 Final Cover and Cap Configuration

The final cover and cap configuration of the completed Regional Landfill is currently planned to consist of the following layers, in vertically ascending order from the top of the waste:

- Two feet of final cover soil over the last lift of solid waste
- A single layer of 40-mil thick VLDPE synthetic membrane (If a different material is proven to be future best available technology, this layer may be modified.)
- A drainage layer consisting of a geonet or other suitable porous material, to provide internal drainage
- A layer of nonwoven geotextile to prevent fines from clogging the drainage layer
- Twenty inches of final soil cover
- Four inches of topsoil or alternative soil organic medium
- Vegetative cover

The purpose of the final cover and cap system is to prevent erosion of the earth cover, to promote precipitation runoff from the landfill surface to the surface water collection system, and to minimize precipitation infiltration into the waste, thereby minimizing future leachate generation.

4.3 LANDFILL OPERATIONS

4.3.1 Operating Hours

The normal operating hours at MRSWF are 7:00 a.m. to 5:00 p.m., Monday through Saturday. The scale is open from 7:00 a.m. to 3:30 p.m. Monday through Friday, and from 7:00 a.m. to 12:30 p.m. on Saturday. In addition to Sunday, the landfill is also closed on the following holidays: New Years Day; Independence Day; Thanksgiving Day; and Christmas Day. The operating hours may be expanded as necessary to meet actual disposal requirements. Access to the landfill is provided through a single gate entrance from Barkers Landing Road, formerly known as South Dover Road. The gate is closed and locked at all times of no landfill operation. Onsite access roads are constructed and maintained as necessary to accommodate waste placement and cell development.

4.3.2 Vehicle Weighing And Unloading

A scale near the landfill entrance weighs all incoming waste, with the exception of waste deposited in containers in the homeowners' drop off area. Facilities include an adjacent scale house, a parking area, and a combination equipment storage/maintenance/office building. The homeowners' dropoff area (designated for local residents to dispose of individual waste loads) is located just inside the main entrance gate. Facilities associated with the homeowners' dropoff area include a concrete pad for roll-off containers, containers for recyclables, and containers for collecting waste oil and antifreeze.

Solid waste is delivered to the landfill in commercial refuse collection vehicles and transfer trailers, and private citizens' automobiles and pickup trucks. Delivery vehicles are required to stop at either the homeowners' dropoff area (depending upon vehicular type) or the scale, to obtain permission to proceed to the landfill working face.

In accordance with the Operation Plan, to reduce the number of vehicles entering the landfill and unloading waste on or near the working face, private citizens' vehicles are usually not permitted beyond the homeowners' dropoff area. All containers (excluding those designated for recyclables to be transferred offsite) removed from the homeowners' dropoff area are weighed prior to being unloaded in the landfill.

4.3.3 Operating Staff

Landfill operations staff currently include:

- An Operations Manager
- Two Waste Management Technicians
- A Weighmaster
- An Alternate Weighmaster
- Five Heavy Equipment Operators
- A Mechanic/Equipment Operator
- Three Stagers/Loaders

The Operations Manager is responsible for overall execution of the landfill operating plan. The Waste Management Technicians assist in directing the daily maintenance of the facility, maintain the Midshore Consolidation Facility (MCF) and perform tasks associated with leachate management. The Weighmaster and Alternate Weighmaster weigh delivery trucks, issue weigh tickets, collect tipping fees from some haulers and maintain records of quantities and types of waste. The Heavy Equipment Operators spread and compact the waste at the disposal cells; excavate, load, haul, spread and compact cover material; and maintain the landfill site. The Mechanic/Equipment Operator operates the various types of landfill equipment and provides routine maintenance and equipment repair. The Stagers/Loaders manage the homeowners' dropoff area and ensure that the entire site is free of windblown litter and other debris. On an as-needed basis, temporary workers and/or local inmate labor are employed to address the operating needs of the facility.

Routine daily operations are performed with the equipment listed in Table 4.1. The landfill operating plan details procedures for controlling litter, dust, odor, vectors, and fires. No significant deviations (with the exception of daily and intermediate landfill cover procedures) have been made from the original landfill operating plan.

TABLE 4.1

MRSWF
MES EQUIPMENT LIST

Name	Model	FY99 Cost	FY00 Estimated Monthly Cost	FY00 Annual Cost
CAT Landfill Compactor	826C	35,940	-	-
John Deere Riding Mower	F725	1,452	115	1,379
John Deere Farm Tractor	6300	11,412	951	11,412
Vibratory Roller	Bomag	5,786	482	5,786
JCB Backhoe/Loader*	217S	24,911	2,076	24,911
Gallion Grader	T400	3,708	309	3,708
Chevy Crew Cab - P/U	1 Ton	7,152	596	7,152
Mack Dump Truck	18 CY	10,301	866	10,395
Peterbilt Water Truck*	WT4000	24,168	2,014	24,168
Chevy P/U Truck	3/4 Ton	7,172	711	8,532
Chevy Utility Truck	3/4 Ton	7,843	713	8,556
			-	
			-	
	Total	\$ 139,845	\$ 8,833	\$105,999

Name	Model	FY99 Annual Cost	FY00 Estimated Monthly Cost	FY00 Annual Cost
CAT Track Loader	973	60,520	5,043	60,520
CAT Bulldozer	D6	33,208	2,767	33,208
Mack Roll-Off Truck*		6,835	560	6,717
CAT Scraper	615C	69,700	5,146	61,755
New Landfill Compactor		-	5,639	67,669
	Total	\$ 170,263	\$19,155	\$229,869
Total Landfill O&M Equipment Cost		\$310,108	\$27,988	\$335,868

- *95% paid through landfill O&M,
5% paid through recycling O&M

4.3.4. Daily And Intermediate Cover

As originally permitted by MDE, a minimum of 6 inches of soil cover is to be applied to the landfill working face at the conclusion of solid waste placement each day. Other exposed areas of solid waste that will not be active for one month or longer receive a minimum of 12 inches of intermediate soil cover. At the request of MES, MDE has approved use of alternate daily cover material at MRSWF. The approved alternate daily cover includes tarping of the waste overnight, and the use of a material called Recovermat, which is provided at no cost to MRSWF by a supplier from Baltimore. These alternate daily cover methods have reduced the volume of cover soil needed at the site.

Prior to MDE's approval for alternate cover material, daily and intermediate soil cover had been obtained from independent offsite suppliers. Suitable soil material in smaller quantities continues to be delivered to the landfill. If the material is uncontaminated, the tipping fee is waived since the soil is not disposed of in the landfill working face. Instead, it is diverted to the

soil stockpile for use on site. Onsite excavation for soil cover material is now conducted in an area intended to be part of Cell No. 2A construction. Use of this onsite soil eliminates the cost required to purchase and import an equivalent volume of soil borrow material to the site. The construction cost for the next cell is also lowered by reducing the soil excavation needed to achieve the cell subbase configuration. The amount of available borrow material is based on a survey of the area, used in consideration of the permitted cell subbase configuration. A site borrow plan has been developed for use by site operating personnel. Applied soil cover is graded and compacted to promote surface water runoff, control windblown litter, and limit access by vectors (e.g., pests).

4.3.5 Landfill Working Face

The width of the active landfill working face is limited to approximately 100 feet, to reduce the area of solid waste exposed to precipitation, and to promote rapid vertical development of the landfill. Limiting the active work area and filling to final grades, rather than filling laterally, reduces surface runoff and subsequent leachate generation in a given area, until surface runoff is promoted by application of intermediate or final cover. Upon completion of operations in a particular operating phase and following attainment of final waste grades, two-foot depth final soil cover and vegetative stabilization are applied.

4.3.6 Leachate Management Operation

Leachate is pumped from each of the two pumping station wet wells at a rate of approximately 100 gallons per minute (gpm). Leachate is recirculated during the normal operating hours of the landfill only. Inspection of the leachate collection system is performed on a daily basis. Pumps are inspected and maintained, and sump areas are inspected to detect any problems in the leachate collection system operation. Manholes that receive leachate from any area containing solid waste are visually inspected on a daily basis. If solids accumulation is detected, the primary leachate header pipe is hydraulically flushed by sewer pipe jetting equipment. If solids accumulation persists, conditions are assessed, and a more frequent program of hydraulic cleaning is initiated and/or a video inspection of the system is initiated. The leachate recirculation pumps and piping are inspected and maintained in accordance with manufacturer's recommendations. In the event of a pump system failure, replacement parts and pumps are available onsite.

4.3.7 Solid Waste Transfer Operation

Waste Management, Inc. (WMI) recently merged with USA Waste, Inc. In September 1998 this new combined company (retaining the name of Waste Management, Inc.) reached preliminary agreement with MES to deliver approximately 50,000 tons per year of municipal solid waste to MRSWF for processing through a transfer station. Ultimate waste disposal would be at other out of region facilities owned by WMI. In November 1998, WMI of Maryland (a subsidiary of WMI) entered into a contractual agreement with MES, under which WMI of Maryland agreed to provide the funding required for MES to construct and operate a transfer station at MRSWF.

The Midshore Counties have approved the proposed transfer operation at MRSWF. WMI of Maryland has agreed to pay a tipping fee for the transfer operation, based on a fee schedule associated with tonnage of waste delivered. This tipping fee is sufficient to fund all expenses associated with the transfer operation.

The tipping fee will also provide additional revenue for the project. MES has identified the following potential applications for this additional revenue:

- To fund a portion of the facility closure costs, which are mandated pursuant to Federal and State Regulations after cessation of operations
- To stabilize the gate fees charged to landfill customers
- To fund a portion of the current debt on the facility
- To fund a portion of the construction costs for the next Regional Solid Waste Management Facility

The Agreement stipulates an initial tip fee of \$4.50 per ton of waste processed through the transfer operation, up to 50,000 tons per year, and \$2.00 per ton for tonnage in excess of 50,000 tons. The Agreement includes a tip fee escalator based on increases to the Consumer Price Index. Of the tip fee, \$1.65 per ton will cover all operational expenses. The remaining portion of the tipping fee (\$2.85 or \$0.35 per ton, depending on tonnage processed) is considered to be a host fee or additional project revenue. These funds will accumulate over the remaining life of the facility and potentially be used as specified above.

After the transfer activities begin, MES anticipates that it will limit the quantity of solid waste accepted at MRSWF to approximately 78,000 tons per year (assumed 75,000 tons per year billable). This quantity of solid waste has been used to compute the total air space to be incorporated in the design of the new Cell No. 2A. Cell 2A will sufficiently accommodate more than this amount until the facility closes, currently anticipated to be December 31, 2010. Any waste in excess of 78,000 tons per year will be transferred out of MRSWF by WMI. The WMI transfer operation is also anticipated to close by December 31, 2010. The Agreement stipulates that if WMI delivers in excess of 52,000 tons in any fiscal year, MES, in its sole discretion, can either landfill the excess or load it on WMI long-haul trailers for transfer out of region. This "disposal-out" option provides MES with assurance that disposal tonnage can be limited to the stipulated 78,000 tons per year to ensure continued landfill operation through December 2010.

On September 23, 1998, MES applied to MDE for a modification of the Refuse Disposal Permit to authorize the proposed solid waste transfer operation. Maryland Regulations require that the transfer operation be conducted in an enclosed building to minimize adverse environmental impacts (e.g., exposure of waste to rain, wind, etc.). Traffic impacts, collection and disposal of waste water due to the operation, and potential for odors, litter and pests are other issues regulated by MDE in permitting a transfer station. By letter dated October 19, 1998, MDE commented on the Midshore Transfer Station permit application and informed MES that the application processing had commenced.

By separate letter dated October 19, 1998, MDE authorized MES to transfer solid waste from the working face of the landfill on an interim basis. This interim authorization is intended to provide sufficient time for MDE to process the application and for MES to design and construct the necessary enclosed waste transfer building. The interim transfer authorization is subject to the following conditions and recommendations:

- Temporary transfer may occur until October 31, 1999, with no time extension.
- Operating procedures must ensure compliance with existing Refuse Disposal Permit conditions for controlling litter, odor and other nuisances.

- Transfer of waste may occur from the landfill working face only; transfer vehicles shall be covered; remaining waste shall be covered per existing permit conditions.
- Transfer may occur from 7:00 a.m. to 5:00 p.m., Monday through Saturday.
- Closure or cessation of waste acceptance at the end of the granted transfer period shall comply with existing permit conditions.
- Recommendation was made that MES notify citizens regarding the temporary transfer activities.

MES plans to locate the proposed transfer facility on the east side of the paved landfill access road, approximately 200 feet north of the scale house, in an area abutting property owned by Easton Utilities. Preliminary design considerations specify a prefabricated steel building of approximately 7,700 square feet. Of this, 6,300 square feet will be a tipping floor where packer vehicles will unload solid waste. The remainder of the building (at the northernmost end) will consist of a transfer trailer loading area in which tractors will maneuver trailers (having approximately 20 tons capacity) into position to be loaded with solid waste by heavy equipment (i.e., stationary or mobile excavator, crane or loader).

Due to the proximity of the Easton Utilities property with respect to the proposed building configuration, trailers will be maneuvered on the existing landfill gravel perimeter access road and backed into position to be loaded with waste in the transfer building. An approximately 8,000 square foot area, with an aggregate base material or asphalt pavement surface, shall be constructed at the south end of the building to allow an area for packer maneuvering and limited parking. Provisions for collection and containment of contaminated liquid (e.g., leachate) from the waste will be incorporated in the design of the facility.

4.4 LANDFILL CLOSURE AND POSTCLOSURE

No changes in preconceived conceptual closure and postclosure plans are anticipated. After the closure of the landfill and installation of the landfill final cap, the performance of the final cover and capping system will be monitored. Inspections of the closed facility will be made on a semiannual basis, as specified in State of Maryland Regulations. During each inspection, an MES inspector will locate areas of erosion along the landfill side slopes. The inspector will also observe the general condition of monitoring wells, landfill gas vents, surface runoff drainage ditches and leachate collection systems. Areas of excessive erosion, vegetation failure or uneven settlement will be repaired. Damaged wells, vents and other miscellaneous operational appurtenances will be repaired or replaced.

The perimeter surface runoff ditches and sediment/stormwater management ponds will be maintained free of litter and excessive amounts of sediment, to facilitate proper drainage. Sediment/stormwater management ponds will also be cleaned of accumulated sediment on a periodic basis, to facilitate proper operation. Reports of the results of the site inspections and any corrective actions taken will be forwarded to MDE, as specified in Maryland Regulations.

Ground water and surface water monitoring at the landfill will continue following landfill closure for a minimum of 30 years, in a manner consistent with applicable Federal and State Regulations, and until the potential for environmental degradation is no longer anticipated.

4.5 ENVIRONMENTAL MONITORING PROGRAM

The Environmental Monitoring Program at MRSWF is consistent with the protocol outlined in 40 CFR 258 Subparts D and E, COMAR 26.04.04, and the provisions of the State Refuse Disposal Permit.

MES implemented the Environmental Monitoring Program concurrent with the beginning of waste acceptance in March 1991. The purpose of the Environmental Monitoring Program is to detect any deficiencies in the landfill operation in an expedient manner, in order to prevent potential adverse impacts to the surrounding environment. The monitoring program consists of sampling ground water, surface water and landfill gas in the vicinity of the facility. The existing wells have been strategically placed to provide representative samples of the quality of ground water in the uppermost aquifer. The installation, location and depths of these wells are in accordance with 40 CFR Part 258.51 and COMAR 26.04.04.02.J.

4.5.1 Ground Water Monitoring

The first annual Ground Water Monitoring Data and Statistical Analyses Report for ground water monitoring conducted at MRSWF was completed by MES on March 8, 1994 and submitted to MDE. Subsequent reports are developed semi-annually and submitted to MDE in accordance with the schedule specified in the Refuse Disposal Permit. The first report and all subsequent reports conclude that the construction and operation of the landfill has not adversely impacted ground water quality in the area of the facility.

At the onset of construction for Cell No. 2A (the third and final landfill cell), any monitoring wells located within the proposed cell area will be abandoned in accordance with Maryland Regulations, and replacement wells will be installed at appropriate locations. The analysis of water samples taken from existing upgradient wells, as defined in 40 CFR Part 258 Subpart E, represent the quality characteristics of ground water that can not be affected by leachate leakage from the landfill. These wells will not be affected by the progression of the filling operation from one cell to another, and should therefore retain their upgradient well status, for monitoring purposes, throughout the life of the landfill. Conversely, the down gradient wells, used for collection and sampling analyses that characterize the quality of ground water passing under the landfill, may or may not retain their downgradient well status throughout the life of the landfill. The identification of downgradient wells that will maintain their status and continue to be included in the monitoring program, depends on the ground water contour map that is updated annually. The direction of ground water flow and elevation are determined from the updated ground water contour maps. All new monitoring wells will be installed in accordance with COMAR 26.04.04.02.J. Each new well will be strategically placed, to best represent the quality of shallow ground water (based on MDE approved indicator parameters) passing under the landfill and/or the current operating cell.

Ground Water Monitoring Wells GMS-2 (TA-81-2093), GMD-2 (TA-81-2096) and W-3 (TA-81-0024) were abandoned per COMAR 26.04.04.11 in December 1990, to facilitate construction of Cell No. 1. Monitoring Well KW-6 (TA-81-1121) was abandoned in December 1993, to facilitate Cell No. 2 construction. Monitoring Wells GMS-1 (TA-81-2092) and GMS-3 (TA-81-2094) were designated as compliance wells in place of Monitoring Well KW-6. During Cell No. 2 construction, it was discovered that Monitoring Well GMS-1 was located inside the Cell No. 2 containment berm (e.g., the earth dike constructed at the cell perimeter). Prior to completion of

Cell No. 2 construction, the well was abandoned in October 1994, and the replacement well was installed in the area formerly designated for Cell No. 4.

In landfill ground water monitoring, indicator parameters are considered to be those constituents that are characteristic of landfill leachate, whose detection in ground water indicates leachate leakage from the landfill, or ground water degradation from other sources. Each indicator parameter is monitored in quadruplicate and statistically evaluated using the EPA Analysis of Variance method. Other ground water quality parameters, including Volatile Organic Compounds (VOC's) that are monitored semiannually, are not statistically evaluated unless there is a specific reason for concern (such as a spill), or as required by MDE, the regulatory agency.

As discussed in Section 4.1 of this report, the first annual MRSWF ground water monitoring data report (completed by MES in March 1994), and all subsequent reports, including the report for calendar year 1998 which is currently being produced conclude that the construction and operation of the landfill has not adversely impacted ground water quality in the area of the facility. In the event of evidence of contamination from those Chemical Parameters outlined in the Regional Landfill Sampling and Analysis Plan, MES shall adhere to the protocol for Statistically Significant Increase as outlined in 40 CFR 258.

4.5.2 Surface Water Monitoring

Surface water discharges from Sediment/Stormwater Management Pond No. 1 (at the northern end of the facility) and Sediment/Stormwater management Pond No. 2 (at the eastern end of the facility) are monitored by MES on an annual basis. Samples collected following a rain event are analyzed for those parameters listed in Section 2.6 of the Regional Landfill Sampling and Analysis Plan. Surface water monitoring commenced at the site under provisions of NPDES General Discharge Permit No. 92-GP-0001, approved September 21, 1994 by MDE, the agency responsible for regulating surface runoff discharge from the facility. General Discharge Permit No. 92-GP-0001 (which expired on September 20, 1997) was superseded by General Discharge Permit No. 97-SW. MES submitted to MDE the required Notice of Intent to comply with the provisions of General Discharge Permit No. 97-SW on December 29, 1997.

Leachate samples from the leachate storage lagoons are analyzed on a monthly basis. Analytical results are summarized and submitted to Easton Utilities Commission on a quarterly basis, for confirmation of leachate discharge quality. The analyses are also included in the annual operations report submitted to MDE.

4.5.3 Landfill Gas Monitoring

Periodic sampling for landfill gas emissions are conducted as required by MDE. Sampling and analyses methods are consistent with the accepted regulatory protocol.

MES regularly samples the MRSWF and site (including Easton Landfill) for landfill gas, using a portable hand-held landfill gas detection monitoring device, which measures the volume of oxygen and methane in the gas. Gas monitoring is also performed in facility structures and all confined space areas that may be accessed by site personnel. Results of the gas monitoring are recorded and reported to MDE in the MRSWF annual report on solid waste activities.

4.6 CONTINGENCY PLAN

MES has established a contingency plan that serves as a guide for the operating procedures employed to prevent or abate public health and environmental problems. The contingency plan would be implemented based on evidence of ground water or surface water contamination indicated in environmental monitoring reports, information pertinent to potential problems (provided by the landfill operations manager or other parties), and by any other indications of a potential site problem, including public complaints. The contingency plan consists of the following components:

- Problem source identification
- Evaluation of alternative corrective measures
- Course of corrective action plan selection
- Corrective action plan implementation procedures
- Evaluation of corrective action performance

As of the end of January, 1999, MES reports that it has not been necessary to implement the contingency plan.

5.0 REGULATORY PERMITS AND APPROVALS

5.1 STATUS OF PERMITS AND APPROVALS

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: gathering specific site information; data collection (including site hydrogeologic description and ground water elevations); and 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 a 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 MRSWF in January 1990 (Refuse Disposal Permit No. 90-20-01-01A). This permit, which expired in January 1995, was renewed February 14, 1995 under Refuse Disposal Permit No. 1994-WSF-0144-0, which expires on February 13, 2000. MES proposes to submit the application for renewal of the Refuse Disposal Permit in July of 1999.

The request for a modification to the existing Refuse Disposal Permit to authorize the solid waste transfer operation at MRSWF was submitted to MDE in September of 1998 and is currently being processed. MDE has authorized the interim transfer of solid waste from the working face of the landfill until October 19, 1999 to allow MES sufficient time to complete the permitting process and construct the enclosed solid waste transfer facility.

MES prepared an Erosion and Sediment Control Plan for MRSWF which was approved by Talbot County Soil Conservation District in December 1989. Whereas it was determined in 1990 that MDE has jurisdiction for Erosion and Sediment Control Plans for facilities owned by a state agency, MES submitted to MDE a supplementary Erosion and Sediment Control Plan for the construction of Cell No. 2 and the second phase of operations. MDE approved the Plan in May 1994.

Ground Water Discharge Permit No. 90-DP-2748 authorizes seepage discharge to groundwater from the unlined rubble cell. This permit was reissued as Groundwater Discharge Permit No. 95-DP-2748 in 1997.

A Ground Water Appropriation Permit for potable well water was obtained from MDE prior to operation of the landfill. The potable well was installed by a licensed well driller. The well was properly developed and tagged per the requirements of COMAR.

All local permits, including the sewage discharge permit from Easton Utilities Commission and the Talbot County grading permit, were acquired prior to beginning MRSWF construction.

The Easton Utilities Commission Sewage Discharge Permit (No. 21-03499), which expired on January 1, 1998, was renewed until July 31, 1999.

Table 5.1 lists all the currently required permits for MRSWF, other regulatory approvals, and current status.

TABLE 5.1

MRSWF PERMIT STATUS
AS OF DECEMBER 1998

Permitting Agency	Permit Name/ID No.	Status	Effective Dates
1. MDE	Refuse Disposal Permit No. 1994-WSF-0144-0	Approved Expires	Feb. 14, 1995 Feb. 13, 2000
2. MDE	NPDES General Discharge Permit No. 97-SW	Approved Expires	Dec. 1, 1997 Nov. 30, 2002
3. MDE	Ground Water Discharge Permit (for Rubble Cell) No. 95-DP-2748	Renewed Expires	May 12, 1997 May 11, 2002
4. MDE	Secondary Scrap Tire Collection Facility Permit No. 1993-RSC-0506	Approved Expires	May 23, 1996 May 23, 2001
5. Easton Utilities	Sewage Discharge Permit No. 21-03499	Renewed Expires	Jan. 1, 1998 July 31, 1999
6. MDA	Certificate for Weighing and Measuring Devices 58678	Renewed Expires	May 31, 1998 May 31, 1999
7. Talbot County SCD	Sediment & Erosion Control Plan	Approved	Dec. 1990
8. MDE	Sediment & Erosion Control Plan	Approved	March 1995
9. FCC	Permit No. 9806-D109981 Radio Station License Call Sign WPCT498	Renewed Expires	Sept. 4, 1998 Sept. 4, 2003

5.2 REGULATIONS

The design concept for MRSWF, 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 ensures that MRSWF 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. Such change in regulatory design standards occurred during the operational life of Cell No. 1 at MRSWF. The Federal landfill liner design standards promulgated under Subtitle D of the Federal Resource Conservation and Recovery Act (RCRA), given under 40CFR Part 258, imposed more stringent requirements on the permeability of the clay subbase material for a landfill liner. The new regulatory design standard requires that the permeability of clay subbase material under the geosynthetic liner in a municipal solid waste landfill be less than or equal to 1×10^{-7} cm/sec. These Federal design standards, which have been adopted by MDE, were met or exceeded in the design of Cell No. 2 at MRSWF. Cell 2A is being 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.

6.0 FINANCING

6.1 FINANCING OVERVIEW AND CELL NO. 2A CONSTRUCTION COST

Financing of the MRSWF project has been accomplished through the sale of MES Revenue Bonds. The initial financing was through an \$8,075,000 bond offering issued by MES under "Revenue Bonds (Midshore Regional Landfill Project Series), 1990". The Cell No. 2 construction cost and the cost of closing and capping Easton Landfill (the existing landfill that was part of MRSWF property acquisition) were financed through a \$7,000,000 bond offering, issued by MES under "Revenue Bonds (Midshore Regional Landfill Project), Series 1994". MES intends to employ the sale of revenue bonds to finance all future landfill cell development, construction, closure and post-closure costs. The design and construction cost for Cell No. 2A, which is anticipated to be the third and final municipal waste containment cell at MRSWF, is estimated to be \$5,430,000. Cost/revenue projections for transfer station operation, Cell No. 2A financing, and refinancing the 1990 Bonds for MRSWF is shown in Table 6.1. Bond sale is scheduled to occur during the first quarter of calendar year 1999.

6.2 DISTRIBUTION OF BOND PROCEEDS

The proceeds of the sale of the Series 1990 Bonds were utilized to pay for the following items:

- A portion of costs associated with engineering design
- Construction of MRSWF Phase One
- Establishment of a Debt Service Reserve Fund
- Expenses incurred with the sale of the Bonds
- Initial cost of closure for Easton Landfill

Construction costs of the first phase of MRSWF were within the projected budget, but the closure cost of Easton Landfill exceeded the amount projected in 1990. This difference was covered by funds from the Series 1994 Bonds.

In December 1993, MES issued a Bond Anticipation Note (BAN) to provide additional funds required for the closure and final capping of Easton Landfill, and to provide funds for the initial phase of construction of the clay subbase material for Cell No. 2 at MRSWF. In September 1994, MES refinanced the BAN for a 90-day period, while permanent financing was put in place. MES completed the financing with the sale of the 1994 Bonds. The proceeds of the sale of the Series 1994 Bonds were utilized to:

- Construct MRSWF Phase Two
- Implement the closure and final capping of Easton Landfill
- Pay for expenses associated with sale of the Bonds
- Establish a Debt Service Reserve Fund
- Pay preclosure costs for Cell No. 1 and the rubble cell
- Redeem the 1993 Bond Anticipation Note

The proceeds received from the anticipated sale of the Revenue Bonds in the year 1999 for construction of Cell No. 2A at MRSWF are intended to cover the following costs:

- Design and construction costs associated with Cell No. 2A and appurtenances

- Cost of Capitalized Interest
- Expenses associated with the sale of the Revenue Bonds
- Establishment of a Debt Service Reserve Fund
- Advanced refunding of 1990 Bonds

6.3 ANNUAL OPERATING REVENUES

6.3.1 Disposal Fees

MES derives revenue primarily from tipping fees charged for the disposal of solid waste at MRSWF. A tipping fee is the amount charged per ton of solid waste delivered for disposal. The Midshore Counties imposed a 10% recycling surcharge, which is included in the tipping fee collected by MES. The initial gate rate when the landfill commenced operation in 1991 was \$25.00 per ton. Later in 1991, the rate was increased to 27.50 per ton, which included the \$25.00 per ton tip fee and the \$2.50 per ton (10%) recycling surcharge. In 1996, the recycling surcharge was fixed at \$4.00 per ton. Subsequent changes in the gate rate/tip fees at MRSWF are given below:

- January 1, 1995 - \$42.35
- July 1, 1996 - \$45.50
- January 1, 1998 - \$47.50

Tipping fees can fluctuate, depending on factors such as: the volume of solid waste projected to be disposed; operating and maintenance costs; and any major capital expenditures. In the event that tipping fee revenues are insufficient to cover the costs of financing and operating the landfill, additional revenue would be derived from the use of the Recycling Surcharge Fund and the Supplemental Fee, as provided in the Waste Disposal Service Agreements. The Supplemental Fee, to be paid by the Midshore Counties, would be an amount sufficient to cover the amount of any such deficiency.

6.3.2 Interest Income

Additional revenues are generated by annual interest income earnings of the Debt Service Reserve Fund. These revenues may be invested in the MRSWF operation, for equipment replacement, overall facility maintenance, or other reinvestment strategies.

6.3.3 Transfer Fees

MES intends to charge a tipping fee for all solid waste that will be processed through the transfer operation at the MRSWF site commencing in 1999. The transfer operation will be sized to handle approximately 60,000 tons of municipal solid waste on an annual basis. The initial tipping fee for the transfer operation has been set at \$4.50 per ton for up to 50,000 tons per year, and \$2.00 per ton for any additional annual tonnage. The \$4.50 transfer tipping fee is comprised of two parts:

- \$1.65 per ton which will cover all expenses for the transfer operation; and
- The remainder of \$2.85 per ton (\$0.35 for tonnage over 50,000 tons in any year) which is considered to be a host fee.

The host fee is intended to accumulate over the remaining life of MRSWF. Alternative potential end uses for the accumulated host fee, which is considered additional revenue to the project, are identified below:

- To fund a portion of the facility closure costs, which are mandated pursuant to Federal and State Regulations after cessation of operations
- To stabilize the gate fees charged to landfill customers
- To fund a portion of the current debt on the facility
- To fund a portion of the construction costs for the next Regional Solid Waste Management Facility

6.4 ANNUAL OPERATING EXPENSES

Annual operating expenses include items such as labor payroll, insurance premiums, utilities, outside services, leachate disposal fees, administrative costs, and facility and equipment maintenance. Each of these expenses, along with requirements to pay debt service, are used to establish the tipping fee amount. The current landfill operating expenses are considered to be reasonable for a facility with MRSWF's size and operating characteristics. To date, MRSWF operating expenses have been covered by the tipping fee. The tipping fee established for the planned solid waste transfer operation will cover all operating expenses associated with the waste transfer activity. Transfer station operations and maintenance costs are included in Table 6.1.

6.5 COST OF LANDFILL CLOSURE AND POSTCLOSURE

State Regulations require the closure of individual disposal cells, as each cell is filled to design capacity. Cells that have reached design capacity are initially closed with soil material at specified depth in all completed areas, except at an interface with a contiguous active cell. Final closure soil thickness over solid waste is 2 feet; the final landfill cap that overlies the final closure soil is comprised of a synthetic liner under a 20-inch soil layer, overlain by a 4-inch topsoil layer. MES has set aside funds generated from operating revenues, or reserve funds, to pay for the cost of intermediate and final cover application on the individual disposal cells as they reach capacity. Closure periods are anticipated to occur in conjunction with the development of each new disposal cell.

MES also has set aside funds to pay for costs associated with postclosure care after MRSWF reaches permitted capacity and ceases to accept solid waste. These funds are intended to pay for the following:

- Periodic site inspection
- Continued environmental monitoring (e.g., ground water, surface water and landfill gas) and reporting
- Monitoring and disposal of landfill leachate
- Facility maintenance and repair, as required

Table 6.1

Mid-Shore Regional Landfill
 Cost/Revenue Projections
 Transfer Station Operations, Financing Cell 2A and Refunding 1990 Bonds

Fiscal Year	Transfer Stations Tons	Billable Tons	Transfer Stations Tons	Total Tons	Net Revenue	Regular Operations & Maintenance Costs	Incremental Transfer Station Operations & Maintenance Costs	Debt Service Costs	Total Operations & Maintenance Costs and Debt Service	Operational Surplus (Deficit)	Interest on Operations Surplus & DSRF	Adjustments	Cumulative Operational Surplus (Deficit)	Tip Fee (per ton)	Transfer Fee (per ton)	Excess Tonnage Charges
1991	25,448	25,448		25,448	610,436	396,471		348,440	744,910	(134,474)		-	(134,474)	27.50		21,316
1992	84,398	84,398		84,398	2,050,449	931,848		793,402	1,725,250	325,199		-	190,725	27.50		83,240
1993	95,646	95,646		95,646	2,306,495	1,332,691		854,977	2,187,669	118,826		-	309,551	27.50		113,295
1994	98,449	98,449		98,449	2,275,549	1,336,556		938,861	2,275,418	132		-	309,683	27.50		79,383
1995	98,050	98,050		98,050	2,868,305	1,644,882		1,861,545	3,506,427	(638,123)		-	(328,440)	38.42		90,028
1996	96,684	96,684		96,684	3,593,330	1,341,934		2,237,731	3,579,665	13,665		314,775	(0)	42.35		84,750
1997	98,128	98,128		98,128	3,918,033	1,372,478		2,188,393	3,560,871	357,162		-	106,730	45.50		
1998	78,815	78,815		78,815	3,219,450	1,356,464		2,113,417	3,469,881	(250,431)		-	0	47.50	4.50	
1999	75,000	75,000	25,000	100,000	3,175,125	1,315,780	41,250	2,136,038	3,493,068	(317,943)	66,912	144,301	(0)	47.50	4.55	
2000	75,000	75,000	50,000	125,000	3,285,600	1,335,517	84,975	2,115,105	3,535,597	(249,997)	68,106	181,890	170,910	47.50	4.60	
2001	75,000	75,000	50,000	125,000	3,288,149	1,355,549	87,524	1,104,565	2,547,639	740,511	71,366	(640,966)	830,381	49.50	4.65	
2002	75,000	75,000	50,000	125,000	3,440,775	1,375,883	90,150	1,403,058	2,869,091	571,684	87,787	-	1,275,671	49.50	4.71	
2003	75,000	75,000	50,000	125,000	3,443,479	1,396,521	92,854	1,620,218	3,133,326	334,036	111,254	-	1,718,437	49.50	4.76	
2004	75,000	75,000	50,000	125,000	3,446,265	1,417,469	95,640	1,620,218	3,133,326	312,939	129,827	-	2,166,315	49.50	4.82	
2005	75,000	75,000	50,000	125,000	3,449,134	1,438,731	98,509	1,606,663	3,168,439	299,449	148,429	-	2,770,044	51.50	4.38	
2006	75,000	75,000	50,000	125,000	3,602,090	1,460,312	101,465	1,612,398	3,199,122	406,011	195,198	-	3,371,253	51.50	4.94	
2007	75,000	75,000	50,000	125,000	3,605,134	1,482,216	104,509	1,612,398	3,199,122	391,485	220,463	-	3,983,202	51.50	5.00	
2008	75,000	75,000	50,000	125,000	3,608,269	1,504,450	107,644	1,604,690	3,216,783	369,869	246,046	-	4,599,116	51.50	5.07	
2009	75,000	75,000	50,000	125,000	3,611,498	1,527,016	110,873	1,603,740	3,241,630	351,738	271,864	-	5,222,719	51.50	5.13	
2010	75,000	75,000	50,000	125,000	3,614,824	1,549,922	114,199	1,598,965	3,263,086	(895,961)	48,132	1,592,760	5,967,649	51.50	5.20	
2011	33,711	33,711	22,744	56,455	1,634,187	883,884	53,505	1,592,760	2,530,148							
2012	1,609,330	1,609,330	597,744	2,207,073	64,046,576	27,756,574	1,183,097	32,567,478	61,507,149		1,835,482	1,592,760				472,012
Totals																

Closure & Post Closure	
Cumulative Operational Sur	5,967,649
Transfer Station Host Fee	2,199,691
Closure Fee Fund	2,051,816
Excess Tonnage Charges	931,845
Total	11,151,001
Closure & Post Closure Est	11,130,242
Contingency	20,759
Cell 2A	
Design & Construction	5,279,445
Debt Service Reserve Fund	170,000
Transaction Cost	169,503
Capitalized Interest	61,052
Total Cell 2A Financing	5,680,000

Assumptions

- 1) Billable tons @ 75,000 tons/yr does not include 1,500 tons/yr brush
- 2) Net revenue equals brush revenue (1,500 tons x \$8.75) plus landfill revenue (billable tons x tip fee minus \$1 closure fee minus \$4 recycling fee)
- 3) Net transfer revenue (transfer tons x O&M transfer fee) plus transfer revenue (transfer tons x O&M transfer fee)
- 4) Regular O&M costs based on FY 1999 budget times 1.5%
- 5) Transfer station O&M costs equals transfer tons times transfer O&M cost
- 6) Operational surplus equals net revenue minus O&M costs and debt service
- 7) Debt service in FY 2011 paid from Debt Service Reserve Fund
- 8) Debt service is based on a 1999 bond issue of \$11,550,000; Refunding \$5,870,000, Cell 2A \$5,680,000

Note

The Operational Surplus (Deficit) column represents annual operational results on a cash flow basis. Interest earnings on funds in the Special Purpose Fund and in the accounts held by the Trustee, \$4.00 per ton collected as part of the Tipping Fee and allocated for recycling expenses of the Counties and certain other miscellaneous revenues were not included in the calculations of the Operational Surplus (Deficit) column. When these revenues are included, the rate covenant required by Section 5.07 of the Indenture is satisfied in the fiscal year ending 1998

7.0 CONCLUSIONS

Based on review and analysis of the information currently available from the Cell Nos. 1 and 2 operating period (including annual operating reports, permit documents, site monitoring data and reports, construction specifications and drawings), and the preliminary design documents for proposed Cell 2A, the following are reasonable conclusions regarding MRSWF construction and operation:

- The MRSWF has been operating in compliance with all required permits.
- Sufficient quantities of solid waste have been and should be available within the 4 Midshore Counties, to allow MRSWF to operate at the proposed operating level for the entire landfill life, projected to end in 2010.
- Sufficient air space capacity (based on the addition of the waste transfer station and Cell No. 2A design) exists at the facility to accept solid waste disposal for the remaining 11 years of life expectancy.
- The design concept for MRSWF, including the preliminary design information for proposed Cell 2A is technically sound, meets or exceeds all current regulatory design standards, and represents state-of-current practice for a municipal landfill.
- Ground water monitoring data indicates that double liners with leachate collection/leak detection systems as constructed at MRSWF have provided adequate protection of ground water resources(e.g., potable ground water supplies in the vicinity of the landfill have not been adversely affected due to landfill operations).
- There is no current evidence of ground water contamination as a result of the construction and operation of the MRSWF.
- MES intends to secure the services of an independent third party Quality Assurance/Quality Control (QA/QC) testing company during the construction of Cell No. 2A, to assure compliance with the Contract Documents. Geosyntec Consultants performed this service during construction of Cell Nos. 1 and 2.
- Currently valid regulatory permits and approvals required by the State of Maryland to construct and operate MRSWF were obtained during initial design and prior to construction of the facility.
- Cells 1, 2 were designed, constructed and operated in accordance with the requirements of the valid Refuse Disposal Permit. Preliminary design information on proposed Cell 2A, which MES plans to commence constructing in July of 1999, is also consistent with the requirements of the valid Refuse Disposal Permit.
- An application has been filed with MDE for a modification of the Refuse Disposal Permit to authorize a solid waste transfer operation at MRSWF. The application is currently in the formal review process.

- MDE has authorized the interim transfer of solid waste from the working face of the landfill, subject to specific conditions, while the application for a permit modification to authorize waste transfer is being processed and the enclosed transfer facility is designed and constructed.
- Currently valid regulatory permits and approvals have been obtained for disposal of landfill leachate at Easton Utilities Commission Waste Water Treatment Plant.
- The geologic and hydrogeologic characteristics of the site are suitable to support construction and operation of MRSWF.
- The operations plan for the facility is technically sound and workable, based on current technology. The plan will be modified as necessary to meet future BAT and regulatory requirements.
- The operation and maintenance (O&M) expenses associated with MRSWF have been and are expected to remain reasonable for a facility of this type and size.
- The level of manpower requirements and the types and size of equipment are reasonable for the size of the operation and the quantity of solid waste to be disposed and transferred at MRSWF.
- Expenses to date have been reasonable and have been fully covered by the facility tipping fee.

8.0 REFERENCES

- Geraghty & Miller, Inc.: Feasibility Report Midshore Regional Landfill, Easton, Maryland, February 1990.
- Geraghty & Miller, Inc.: Phase II Report, Hydrogeologic Investigation at the Proposed Midshore Regional Landfill Site, Easton, Maryland 1988.
- Interim Talbot County Ground Water Protection Plan 1987.
- Maryland Environmental Service: Phase I Report, Landfill Permit Application, Easton, Maryland 1987.
- Maryland Environmental Service: Phase III Report, Engineering Design and Operating Plan, Midshore Regional Landfill, Easton, Maryland 1989.
- Maryland Environmental Service: Contract No. 90-03-23, Construction of Cell No. 1 Bid Package and Drawings, Midshore Regional Landfill, Easton, Maryland 1989.
- Reybold III, Am.: Soil Survey of Talbot County, Maryland, U.S.D.A. Soil Conservation Service, U.S. Government Printing Office, Washington, D.C. 1970.
- Terraqua Resources Corporation: Phase I Report, Feasibility Study, Maryland Midshore Resource Recovery Project 1982.
- Geraghty & Miller, Inc.: Feasibility Report, Midshore Regional Landfill 1990.
- Maryland Environmental Service: Ground Water Monitoring Data and Statistical Analyses for Semi-Annual Sampling at the Midshore Regional Landfill 1994.
- Maryland Environmental Service: Ground Water Monitoring Sample and Analysis Plan for the Midshore Regional Landfill 1993.
- Collard, William E.: Report of Equipment Landfill Compaction Density Tests of Caterpillar Model 816B Landfill Compactor at Geer Road Sanitary Landfill Site, County of Stanislaus, State of California Solid Waste Management Board.
- Maryland Environmental Service: Fiscal year 1993 Annual Report for the Midshore Regional Solid Waste Facility, October 1993.
- United States Department of Agriculture, Soil Survey Talbot County, Maryland 1970.
- Whitman, Requardt & Associates: Feasibility Report, Midshore Regional Landfill Cell No. 2, October 24, 1994.

OFFICIAL NOTICE OF SALE

MARYLAND ENVIRONMENTAL SERVICE

NOTICE OF SALE OF

\$_____*

MARYLAND ENVIRONMENTAL SERVICE

**REVENUE AND REFUNDING BONDS
(MID-SHORE REGIONAL LANDFILL PROJECT)
SERIES 1999**

Dated March 1, 1999

Sealed proposals and bid proposals by facsimile transmission will be received until 11:00 A.M., local Baltimore, Maryland time on March 10, 1999 by the Treasurer of the Maryland Environmental Service (the "Service"), at the offices of Piper & Marbury L.L.P., Conference Room 12A, Twelfth Floor, 36 South Charles Street, Baltimore, Maryland 21201, for the purchase of the above-described bonds of the Maryland Environmental Service (the "Series 1999 Bonds") aggregating \$_____,* to be issued pursuant to an Indenture of Trust dated as of February 15, 1990, as amended and supplemented by the First Supplemental Indenture of Trust dated as of December 15, 1993, the Second Supplemental Indenture of Trust dated as of September 1, 1994, the Third Supplemental Indenture of Trust dated as of November 1, 1994, and the Fourth Supplemental Indenture of Trust dated as of March 1, 1999 (the "Indenture") between the Service and The Bank of New York, as Trustee (the "Trustee"), all dated March 1, 1999, and maturing, subject to prior redemption, as herein stated, on the first day of September as follows:

Years of Maturity	Annual Amounts Maturing*	Years of Maturity	Annual Amounts Maturing*
2000		2006	
2001		2007	
2002		2008	
2003		2009	
2004		2010	
2005			

* Estimated, subject to change.

The Service will not consider and will reject any proposal for the purchase of less than all of the Series 1999 Bonds for which a proposal is made. As promptly as reasonably possible after the bids are opened, the Service will notify the bidder to whom the Series 1999 Bonds will be

awarded, if and when such award is made, and such bidder, upon such notice, shall advise the Service of the initial reoffering prices to the public of each maturity of the Series 1999 Bonds (the "Initial Reoffering Prices"). The successful bidder shall make a bona fide public offering of the Series 1999 Bonds at the Initial Reoffering Prices and shall provide the related certification described herein.

Ambac Assurance Corporation (the "Bond Insurer") has issued a commitment for municipal bond insurance relating to the Series 1999 Bonds. All bids may be conditioned upon the issuance, effective as of the date on which the Series 1999 Bonds are issued, of a policy of insurance by the Bond Insurer, insuring the payment when due of principal of and interest on the Series 1999 Bonds. Each Series 1999 Bond will bear a legend referring to the insurance. The purchaser, holder or owner is not authorized to make any statements concerning the insurance beyond those set out here and in the bond legend without the approval of the Bond Insurer.

The Series 1999 Bonds are issuable only as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Series 1999 Bonds will be made so long as Cede & Co. is the registered owner of the Series 1999 Bonds. Individual purchases of the Series 1999 Bonds will be made only in book-entry form, in denominations of \$5,000 and integral multiples thereof. Individual purchasers ("Beneficial Owners") of the Series 1999 Bonds will not receive physical delivery of bond certificates. One bond certificate for each maturity will be issued to Cede & Co., the nominee of DTC, and immobilized in its custody.

Interest on the Series 1999 Bonds from March 1, 1999, is payable on September 1, 1999 and semiannually thereafter on March 1 and September 1. So long as DTC or its nominee is the registered owner of the Series 1999 Bonds, disbursements of such payments to DTC is the responsibility of the Trustee. Disbursements of such payments to participants of DTC ("DTC Participants") is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners is the responsibility of DTC Participants or indirect participants of DTC.

The Series 1999 Bonds maturing on or after September 1, 2010 shall be subject to redemption prior to maturity beginning on September 1, 2009 at the option of the Service as a whole at any time or in part on any interest payment date at 100 percent of the principal amount of the Series 1999 Bonds to be redeemed. In addition, the Series 1999 Bonds are subject to Extraordinary Mandatory Redemption from the proceeds of casualty and liability insurance, upon the exercise of the eminent domain or condemnation and Extraordinary Optional Redemption upon the occurrence of certain events as described under "Redemption Provisions" in the Preliminary Official Statement with respect to the Series 1999 Bonds dated February 26, 1999 (the "Preliminary Official Statement").

If fewer than all of the Series 1999 Bonds shall be redeemed, the particular maturities of the Series 1999 Bonds shall be selected by the Service. So long as the Series 1999 Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Series 1999 Bonds to be credited with any partial redemption shall be made as described in the

Preliminary Official Statement under "Book-Entry Only System." If fewer than all of the Series 1999 Bonds of any one maturity shall be called for redemption, the particular Series 1999 Bonds to be redeemed shall be selected by lot or in such manner as the Trustee in its discretion may deem proper.

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

The preliminary aggregate principal amount of the Series 1999 Bonds and the preliminary principal amount of each maturity of the Series 1999 Bonds as set forth in this Notice of Sale (collectively, the "Preliminary Amounts") may be revised before the receipt and opening of sealed bids for their purchase. The revised aggregate principal amount of the Series 1999 Bonds and the revised principal amount of each maturity (collectively, the "Revised Amounts") will be published on Munifacts not later than 2:00 p.m., local Baltimore, Maryland time on the day before the date of sale. In the event that no revisions are made or that such revisions are not published on Munifacts before 2:00 p.m., local Baltimore, Maryland time on the day before 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 and Procedures

Each bidder shall submit one bid on an "all-or-none" basis. Bidders shall state in their proposals the rate or rates of interest to be paid on the Series 1999 Bonds in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%), and each proposal shall be based and submitted on the rate or rates stated therein. Bidders may specify more than one rate of interest to be borne by the Series 1999 Bonds, but the difference between the highest and lowest rates named may not be greater than two percent (2%). Bidders may not specify more than one interest rate for the Series 1999 Bonds of any single maturity. A zero rate may not be named for any maturity. Each rate of interest specified for Series 1999 Bonds of any maturity shall not be less than the rate of interest specified for any earlier maturity.

The Series 1999 Bonds will be awarded to the bidder naming the lowest true interest cost for all the Series 1999 Bonds in any legally acceptable proposal and offering to pay not less than ninety-nine percent (99%) of the aggregate principal amount of the Series 1999 Bonds nor more than one hundred two percent (102%) plus accrued interest. The true interest cost ("TIC") method will be determined by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments from the payment dates to the date of the Series 1999 Bonds and to the amount bid, not including interest accrued to the date of delivery. Where the proposals of two or more bidders result in the same lowest true interest cost, the Series 1999 Bonds may be apportioned by the Service between such bidders in such manner as it determines,

but if this shall not be acceptable, the Service shall have the right to award all of the Series 1999 Bonds to one bidder. The right is reserved to the Service to reject any or all proposals and to waive any irregularity or informality in any proposal. The Treasurer's judgment 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 proposal must be submitted on the form accompanying the Preliminary Official Statement and must be submitted by facsimile or enclosed in a sealed envelope addressed to the Treasurer of the Maryland Environmental Service c/o Piper & Marbury L.L.P., Conference Room 12A, Twelfth Floor, 36 South Charles Street, Baltimore, Maryland 21201, and marked on the outside "Bid for Bonds". Bid proposals may be submitted by facsimile to the Treasurer of the Maryland Environmental Service at the facsimile telephone numbers (410) 468-4106 or (410) 468-4107. **Proposals submitted by facsimile transmission must be preceded by an originally executed blank bid proposal, submitted as described herein, accompanied by a good faith deposit, as described herein, followed by a completed bid proposal submitted by facsimile transmission.** The bid proposal received by facsimile transmission will be attached to the previously submitted signed blank bid proposal and will, together, constitute a bond proposal under the terms of this Notice of Sale. A bid proposal submitted by facsimile transmission must be received by 11:00 a.m. Baltimore time on the Bid Date as shown by the time recorded by the receiving facsimile equipment. The capability to submit proposals by facsimile transmission is being made available as a convenience to bidders. The failure to submit a timely or accurate bid proposal by facsimile transmission for any reason including but not limited to the malfunction or unavailability of the receiving equipment, is entirely the responsibility of the bidders and **not** the Service or Bond Counsel. **Any person submitting a bid proposal by facsimile transmissions assumes all the risks of transmission, legibility, receipt, loss or failure to make timely delivery.**

A certified check, bank cashier's, treasurer's or official check drawn upon or certified by a responsible banking institution in the amount of \$231,000 and made payable to the order of "Treasurer of the Maryland Environmental Service" or a financial surety bond (a "Surety Bond") from an insurance company acceptable to the Service and licensed to issue such a bond in the State of Maryland, in the amount of \$231,000 (the "Deposit") must accompany each proposal as security for compliance with said proposal. If a Surety Bond is used, it must be submitted to the Service's Financial Advisor (Peter Kessenich, Public Financial Management, Inc., 600 Peachtree Street/Suite 3770, Atlanta, Georgia 30308, Phone: (404) 876-1919, Fax: (404) 876-2353) on behalf of the Service prior to the opening of the bids and must be in form and substance acceptable to the Service, including (without limitation) identifying the bidder whose Deposit is guaranteed by such Surety Bond. If the Series 1999 Bonds are awarded to a bidder utilizing a Surety Bond, then such successful bidder is required to submit its Deposit to the Service in the form of a wire transfer not later than 12:00p.m. Baltimore time on the next business day following the award. If such Deposit is not received by that time, the Surety Bond may be drawn by the Service to satisfy the Deposit requirement. Upon making the award, checks submitted by unsuccessful bidders will be returned to them. Funds obtained under the Surety Bond or the proceeds of the check of the successful bidder will be collected and the proceeds thereof retained

by the Service to be applied in part payment for the Series 1999 Bonds. No interest will be allowed on any such deposit. In the event the successful bidder shall fail to comply with the terms of his bid, the proceeds of such check will be retained as and for full liquidated damages.

The Series 1999 Bonds are authorized by Sections 3-101 through 3-130, inclusive, of the Natural Resources Article of the Annotated Code of Maryland (1997 Replacement Volume and 1998 Supplement) and by the Indenture.

The proceeds of the Series 1999 Bonds for which proposals are solicited herein will be used to provide financing for the acquisition and construction of the second cell of a sanitary landfill located near the Town of Easton, Maryland (the "Regional Landfill") and for other purposes as described in the Preliminary Official Statement. The Service has entered into separate waste disposal service agreements (the "Service Agreements") with Talbot County, Maryland, Commissioners of Queen Anne's County, County Commissioners of Caroline County and County Commissioners of Kent County (the "Counties"), pursuant to which the Counties will deliver their Acceptable Waste (as defined in the Service Agreements) to the Service for disposal and will pay the Service certain fees related to the costs of constructing and operating the Regional Landfill.

The Series 1999 Bonds constitute special obligations of the Service payable solely from (i) Revenues (as defined in the Indenture) from the Regional Landfill and (ii) to the extent provided in the Indenture, the proceeds of the Series 1999 Bonds. Neither the full 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 principal of or interest on the Series 1999 Bonds.

The issuance of the Series 1999 Bonds will be subject to legal approval by Piper & Marbury L.L.P, Baltimore, Maryland, whose opinion shall be substantially in the form set forth as an exhibit to the Preliminary Official Statement concerning the Series 1999 Bonds and to verification of the escrow deposit calculation by an independent certified public accountant. The opinion and verification report will be delivered upon request, without charge to the successful bidder for the Series 1999 Bonds.

When delivered, the Series 1999 Bonds shall be duly executed and authenticated and registered in the name of Cede & Co., the nominee of DTC with one Series 1999 Bond representing each maturity of the Series 1999 Bonds, in principal amount equal to the aggregate principal amount of the Series 1999 Bonds of such respective maturity.

It is anticipated that CUSIP identification numbers will be printed on the Series 1999 Bonds, but neither the failure to print any such number on any Series 1999 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 Series 1999 Bonds in accordance with the terms of this Notice of Sale.

If so requested by the purchaser or purchasers at or before the close of business on the date of the sale, the Service will include in the Official Statement such pricing and other information with respect to the terms of the reoffering of the Series 1999 Bonds by the successful

bidder therefor ("Reoffering Information"), if any, as may be specified and furnished in writing by such bidder. If no Reoffering Information is specified and furnished by the successful bidder, the Official Statement will include the interest rates on the Series 1999 Bonds resulting from the bid of the successful bidder and the other statements with respect to reoffering contained in the Preliminary Official Statement. The successful bidder shall be responsible to the Service and its officials for the Reoffering Information furnished by such bidder and for all decisions made by such bidder with respect to the use or omission of the Reoffering Information in any reoffering of the Series 1999 Bonds including the presentation or exclusion of any Reoffering Information in any documents, including the final Official Statement. The successful bidder will also be furnished, without cost, within seven (7) business days of the date of sale with up to 200 copies of the Official Statement (and any amendments or supplements thereto).

SIMULTANEOUSLY WITH OR BEFORE DELIVERY OF THE SERIES 1999 BONDS THE SUCCESSFUL BIDDER SHALL FURNISH TO THE SERVICE A CERTIFICATE ACCEPTABLE TO BOND COUNSEL STATING (i) THE REOFFERING PRICES, EXPRESSED AS A PERCENTAGE OF PAR, TO THE PUBLIC OF EACH MATURITY OF THE BONDS (THE "INITIAL REOFFERING PRICES"); (ii) THAT THE SUCCESSFUL BIDDER HAS MADE A BONA FIDE PUBLIC OFFERING OF THE SERIES 1999 BONDS AT (OR BELOW) THE INITIAL REOFFERING PRICES; AND (iii) THAT A SUBSTANTIAL AMOUNT OF THE SERIES 1999 BONDS WAS SOLD TO THE PUBLIC (EXCLUDING BOND HOUSES, BROKERS AND OTHER INTERMEDIARIES) AT SUCH INITIAL REOFFERING PRICES. Bond counsel advises that (i) such certificate must be made on the best knowledge, information and belief of the successful bidder, (ii) the sale to the public of 10% or more in par amount of the Series 1999 Bonds of each maturity at (or below) the Reoffering Prices would be sufficient to certify as to the sale of a substantial amount of the Series 1999 Bonds, and (iii) reliance on other facts as a basis for such certification would require evaluation by Bond Counsel to assure compliance with the statutory requirement to avoid the establishment of an artificial price for the Series 1999 Bonds.

The Series 1999 Bonds shall be delivered on or about March 24, 1999, at the expense of the Service, at such place in Baltimore, Maryland, or New York, New York, as shall be mutually agreed upon by the Service and the successful bidder, or at such other date or place as shall be mutually agreed upon by the Service and the successful bidder (provided that delivery other than in Baltimore, Maryland, or New York, New York, shall be at the expense of the successful bidder), upon payment of the aggregate principal amount of the Series 1999 Bonds plus the premium or less the discount, if any, set forth in the Proposal for Bonds, plus accrued interest from March 1, 1999 to the date of delivery, less the amount of the good faith deposit. Such payment shall be made in federal funds.

The Series 1999 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 the Series 1999 Bonds.

It shall be a condition to the obligation of the successful bidder to accept delivery of and

pay for the Series 1999 Bonds that simultaneously with or before delivery and payment for the Series 1999 Bonds such successful bidder shall be furnished a certificate of the appropriate Service officials to the effect that to the best of their knowledge and belief, the Official Statement (and any amendment or supplement thereto) (except for the Reoffering Information, as to which no view will be expressed) as of the date of sale and as of the date of delivery of the Series 1999 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 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 Series 1999 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.

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

Copies of the Preliminary Official Statement, which is in a form "deemed final" as of its date by the Service for purposes of SEC Rule 15c2-12(b)(1) but is subject to revision, amendment and completion in the Official Statement, together with this Notice of Sale and the required form of proposal may be obtained from the office of Maryland Environmental Service (410-974-7281), 2011 Commerce Park Drive, Annapolis, Maryland, 21401, or from Public Financial Management (404) 876-1919, Suite 3770, 600 Peachtree Street N.E., Atlanta, Georgia 30308.

By order of
MARYLAND ENVIRONMENTAL SERVICE

PROPOSAL FOR BONDS

March 10, 1999

Treasurer, Maryland Environmental Service
 c/o Piper & Marbury L.L.P.
 Twelfth Floor
 Conference Room 12A
 36 South Charles Street
 Baltimore, Maryland 21201

Dear Sir:

Subject to the provisions and in accordance with the terms of the annexed Notice of Sale which is incorporated by reference herein and made a part of this Proposal for Bonds, we offer to purchase from the Maryland Environmental Service the aggregate principal amount (based on the Revised Amounts) of Maryland Environmental Service Revenue and Refunding Bonds (Mid-Shore Regional Landfill Project), Series 1999 (the "Bonds"), such Bonds to be dated March 1, 1999, to mature (subject to prior redemption as provided in such Notice of Sale) on September 1 in the several years shown in the table below and to bear interest at the rates per annum set opposite such years, respectively.

Years of Maturity	Interest Rates Per Annum	Years of Maturity	Interest Rates Per Annum
2000		2006	
2001		2007	
2002		2008	
2003		2009	
2004		2010	
2005			

- | | |
|--|------------|
| 1. par value of the Series 1999 Bonds (based on the Revised Amounts) | \$ _____ |
| 2. plus a premium bid (not to exceed 2.00% of the aggregate principal amount of the Bonds) in the amount of | + \$ _____ |
| 3. less a discount bid (not to exceed 1.00% of the aggregate principal amount of the Bonds) in the amount of | - \$ _____ |
| making a total sum of | \$ _____ |

In addition, we will pay accrued interest on the Series 1999 Bonds from March 1, 1999 to the date of delivery and will accept delivery in accordance with the Notice of Sale.

We enclose herewith a certified check, bank cashier's, treasurer's or official check drawn upon or certified by a responsible banking institution, payable to the order of Maryland

Environmental Service in the amount of \$231,000 which check is to be returned to us if this proposal is not accepted. If this proposal is accepted, said sum is to be held as security for the performance of this Proposal for Bonds, and is to be applied to the purchase price of the Series 1999 Bonds when the Series 1999 Bonds are delivered and paid for under the terms of this proposal, or is to be retained as and for full liquidated damages in case we fail so to take up and pay for the Series 1999 Bonds.

NOTE: NOT PART OF THIS BID

The following is for information only and is not part of this proposal:

True Interest Cost _____%

WE UNDERSTAND THAT (A) WE ARE TO PROVIDE A CERTIFICATION REGARDING THE PUBLIC SALE OF THE BONDS AS DESCRIBED IN THE NOTICE OF SALE ON OR PRIOR TO THE CLOSING DATE AND (B) IF NOTIFIED THAT WE ARE THE SUCCESSFUL BIDDER, WE WILL BE REQUIRED TO ADVISE THE SERVICE OF THE INITIAL REOFFERING PRICES (AS DESCRIBED IN THE NOTICE OF SALE) FOR EACH MATURITY OF THE BONDS AT THE TIME OF SUCH NOTIFICATION. In this regard, you may contact and rely on the information provided by _____, whose telephone number is _____.

For your information you will find attached a list of underwriters associated with us in this proposal.

and Associates (See List Attached)

SUMMARY OF CERTAIN PROVISIONS
OF THE SERVICE AGREEMENTS
AND
SERVICE AGREEMENT DEFINITIONS

The following is a summary of certain terms of the Service Agreements. It is not a complete recital of the terms of the Service Agreements and reference should be made to the Service Agreements for a complete statement of their terms. Words and terms used in this summary shall have the same meanings as in the Service Agreements, except where otherwise noted.

Definitions (Section 1.1)

The following are definitions of certain terms used in the Service Agreements.

"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 respective 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.

"Alternative Site" means any sanitary landfill or other solid waste disposal facility of any type, other than the Regional 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 Counties under 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 Regional Landfill or the performance of any obligations under the Service Agreements 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.

"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 Regional Landfill or any Alternative Site or the provision of services under the Service Agreements 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 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 Service Agreements, including (without limitation) the Regional Landfill and any Alternative Site.

"Event of Default" has the respective meanings specified in the Service Agreements.

"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 solid waste disposal services and who has received a license or permit from any of the Counties, or who has otherwise been approved to provide such waste disposal services by the Counties, and whose name and address has been provided to the Service in writing by any of the 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 at the Regional Landfill and which 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 Regional Landfill because of the harmful, toxic or dangerous composition or characteristics of the material or substance.

"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 Service Agreements.

"Independent Public Accountants" means the firm of KPMG Peat Marwick 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 Regional Landfill and the provision of solid waste disposal services to the Counties under the Service Agreements, including (without limitation) (a) revenues from tipping fees charged to all users of the Regional Landfill; (b) other operating revenues of the Regional Landfill, including (but not limited to) charges for services or use of property or equipment, proceeds from sale of recyclable materials and revenues from gas, steam, or electricity; and (c) interest earnings on money held by the Service in the Special Purpose Fund or held by the Trustee under the Trust Indenture; 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.

"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 Agreements" means the Service Agreements, the Landfill Deed and the Agreement of Transfer.

"Proportionate Share" of a County means, for any Fiscal Year, the fraction the numerator of which is the population of the respective County and the denominator of which is the aggregate population of the 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 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 County is developed

which is acceptable to the Mid-Shore Counties and the Service, the Counties may agree in writing that Proportionate Share of a 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 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.

"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.

"Special Purpose Fund" means the Mid-Shore Counties 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 Service Agreements and described in the Service Agreements.

"Supplemental Fee" means the fee payable by the Counties to the Service for solid waste disposal services under the Service Agreements and described in the Service Agreements

"Tipping Fee" means the per ton fee payable for solid waste disposal services pursuant to the Service Agreements.

"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 Regional Landfill or any Alternative Site, or the performance by the Service of its obligations under the Service Agreements, 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 80,000 tons of waste is accepted at the Regional 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 80,000 and the denominator of which is the estimated total remaining number of tons of waste which the Regional Landfill is capable of holding; and

(b) an amount equal to the aggregate costs of operation, maintenance,

repair, equipping and management of the Regional Landfill and any Alternative Sites and the provision of waste disposal services under the 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 Easton Landfill, the Regional Landfill and any Alternative Sites, (v) the estimated cost of closure of the Regional 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); and

(c) an amount to provide for general maintenance, compliance monitoring and other costs to be incurred after the Regional 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 Regional Landfill or other Disposal Sites pursuant to the Service Agreements in the Fiscal Year. These amounts shall be held by the Service in a separate fund within the Special Purpose Fund designated the Regional Landfill Closure Fund.

"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 Regional Landfill or any Alternative Sites or otherwise in connection with the provision of services under the 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.

"Unacceptable Waste" means:

(a) Hazardous Waste; and

(b) that portion of solid waste the disposal of which by the Service pursuant to the Service Agreements (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 Regional 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, ashes, foundry sand, sewage sludge, cesspool and other human waste, "red bag" or other types of infectious medical waste, human and animal remains, 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 Regional Landfill, any Alternative Site, the Mid-Shore Counties, the Service or any other Person, having, or which may reasonably be expected to have, a material adverse effect on any of the Project Agreements or on the Regional Landfill or any Alternative Site or the acquisition, design, construction, equipping, start-up, operation, ownership or possession of the Regional 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 hereunder.

Delivery and Acceptance of Waste (Section 2.1)

Throughout the term of the Service Agreements, but subject to certain provisions of the Service Agreements the Mid-Shore Counties shall deliver or cause to be delivered to the Service all Acceptable Waste generated within the Mid-Shore Counties other than Acceptable Waste which is removed from the waste stream for recycling purposes in accordance with the provisions of the Service Agreements and without cost to the Service, provided, however, that so long as each 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 respective Service Agreement or an Event of Default under the respective Service Agreement by the County. The Service shall accept all such Acceptable Waste from the Mid-Shore Counties.

Subcontracting (Section 2.2.)

The Service may subcontract all or a portion of its obligations under the Service Agreements to any entity which in the judgment of the Service is qualified to operate a particular Disposal Site, 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 Service Agreements.

Emergency Operation (Section 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 the Service Agreements. Additional charges for deliveries under this paragraph of Acceptable Waste at hours other than the Receiving Hours shall be payable by the Counties as provided in the Service Agreements.

Repairs and Maintenance (Section 2.6)

Except as otherwise provided in the Service Agreements, the Service shall maintain the Regional Landfill and any Alternative Sites in good condition, including necessary repairs and replacement, consistent with normal and accepted solid waste handling practices and shall maintain the safety of the Regional Landfill and any Alternative Sites at a level consistent with Applicable Law.

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 (Section 2.7)

Each County shall have the right to visit or inspect the Regional 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 and the County and any agent or representative of the County shall comply with all reasonable rules and regulations adopted by the Service and as set forth in the Service Agreements.

Regulatory Requirements (Section 2.8)

The Service shall use its best efforts to operate (or cause to be operated) the Regional 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 (Section 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.

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 each County in respect of each month such information as may be reasonably required by the 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 (Section 2.10)

Nothing in the Service Agreements shall impose upon the Counties or the Service title to any waste.

Returned and Rejected Waste; Recovered Materials (Section 2.11)

The Service, or its designated agent or contract operator, may separate, remove, and dispose of Recovered Materials. In the event that a County or Hauler 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 such 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 a County or Hauler 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 such County or Hauler 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 Hauler, 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 such County and at the cost and expense of the Hauler with respect to waste delivered by such Hauler. Invoices submitted in respect of costs and expenses to be borne by a County under this paragraph shall be payable by the County within 21 days of the date thereof.

The Service shall maintain cost 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 the above paragraph, and (ii) the cost of correcting damage and cleaning up spillage for which a County is responsible under its Service Agreement, 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 (Section 2.12)

The Mid-Shore Counties shall, and the Service shall cause all Haulers to, provide the Service with certain information about each hauler delivering Acceptable Waste to the Service for the account of the Mid-Shore Counties, including, among other things: name and address; motor vehicle registration number of each vehicle used; area of collection; and status as municipal vehicle operator or contract hauler.

The Mid-Shore Counties 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 Mid-Shore Counties shall bear the cost of correcting any damage or cleaning up any spillage caused by their 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 (Section 2.13)

(a) Extent of Refusal Rights

Notwithstanding any other provision of the Service Agreements to the contrary, the Service may refuse delivery of:

- (i) any waste other than Acceptable Waste;
- (ii) any waste delivered at hours other than Receiving Hours or such other hours as otherwise may be established under the Service Agreements;
- (iii) any Acceptable Waste which the Service is not obligated to accept under the Service Agreements; and
- (iv) any waste on any day which, in the judgment of the Service, is beyond the capacity of the Service to handle during Receiving Hours.

(b) Inspection of Delivered Waste

The Service shall have the right but not the obligation to inspect all vehicles delivering waste to a Disposal Site under the Service Agreements, and shall have the right to require that each County or any Hauler remove from any such vehicle before it is unloaded, all waste which is not Acceptable Waste. If the Service determines that it is impractical to separate Acceptable Waste from Unacceptable Waste in any vehicle, or the County or any Hauler delivering such waste is unwilling to make such separation, then the Service may reject the entire vehicle, the waste in such vehicle shall constitute Returned Waste, and such waste shall be removed and disposed of as provided in the Service Agreements, all at the cost and expense of the County with respect to waste delivered by the respective County and at the cost and expense of the Hauler with respect to waste delivered by the Hauler.

Other Contracts for Waste Delivery (Section 2.15)

The Mid-Shore Counties acknowledge and agree that the Service may accept Acceptable Waste from Haulers or other Persons other than the Mid-Shore Counties; provided, however, that (i) tipping fees are charged and collected from such other Persons in accordance with the Service Agreements and (ii) acceptance of such Acceptable Waste does not impair the ability of the

Service to perform its obligations under the Service Agreements. Anything in the Service Agreements to the contrary notwithstanding, the Service shall not accept any waste generated or collected outside of the Counties (i) without the prior written consent of the Mid-Shore Counties or (ii) unless one or more of the Mid-Shore Counties is in default under a the Service Agreements. Prior to accepting any waste generated or collected outside of the Mid-Shore Counties in connection with a default by any of the Counties under a Service Agreement which can be cured, the Service shall provide the Mid-Shore Counties not in default under the Service Agreements, if any, with notice of such default. Such Counties shall have the right to cure such default within 15 days of such notice.

Tipping Fees (Section 5.2)

(a) Tipping Fee for Delivered Waste, Etc.

In addition to the Supplemental Fee provided in the Service Agreements, each County shall pay to the Service a 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 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.

(b) Procurement of Waste

The Mid-Shore Counties acknowledge that each is obligated at all times during the term of its Service Agreement 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 Counties under the Service Agreements shall not interfere with the obligations of the Counties under Applicable Law to recycle solid waste.

(c) Waste Delivered by Private Haulers.

Acceptable Waste delivered by any Hauler or any other Person other than the Counties shall be disposed of by the Service at a tipping fee which is no less than the Tipping Fee established under the Service Agreements.

Tipping Fee Payments (Section 5.3)

All amounts payable for Tipping Fees or Supplemental Fees under the Service Agreements with respect to any month shall be invoiced to the Counties by the Service no earlier than the seventh day of the following month, and shall be paid by the Mid-Shore Counties within 21 days of the date of such invoice.

Supplemental Fee; Quarterly Estimated Payments (Section 5.4).

Notwithstanding any other provision of the Service Agreements, each County shall in each Fiscal Year 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 Mid-Shore Counties have determined that the Tipping Fee and the Supplemental Fee as established and adjusted as provided in the respective Service Agreements represent reasonable terms for the payment by the Mid-Shore Counties of the cost of disposing of Acceptable Waste thereunder.

Each County's Proportionate Share of the Supplemental Fee shall be payable in four estimated quarterly payments calculated as provided in this paragraph. The quarterly amount billed to a 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 (Section 5.5)

The Service shall establish and make available to the Mid-Shore Counties a schedule of charges for deliveries of Acceptable Waste outside of Receiving Hours, which charges shall be in addition to Tipping Fees and certain other fees payable under the Service Agreements 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 Mid-Shore Counties. Such charges shall reimburse the Service for actual additional costs incurred in accepting deliveries outside of Receiving Hours. The Service shall furnish the Mid-Shore Counties on request reasonably detailed justification for such charges.

Late Payment (Section 5.6)

Any amounts payable under the Service Agreements by the Mid-Shore Counties which are not paid when due in accordance with the Service Agreements shall bear interest at the annual rate of 12%.

No Set-Off, Etc. (Section 5.7)

The obligation of each County to pay the amounts to be paid by it from time to time under its respective Service 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 a County under its Service Agreement or limit recourse against a County.

If any dispute concerning the payments of amounts by a 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 its respective Service 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 paragraph shall not otherwise affect the rights of a County under other provisions of its respective Service Agreement

**Estimates of Tipping Fee and Supplemental Fees;
Counties Budgeting Obligations (Section 5.8)**

The Service shall, on or before January 31 of each year, provide each County with the information as to Holidays, 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 Counties and delivered to the Service for disposal in the next Fiscal Year, (d) the Tipping Fee to be charged to the Counties and Haulers under the Service Agreements for the next Fiscal Year, and (e) the amount of each 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 each County under the Service Agreements, each County shall include in its annual budget for such next Fiscal Year an amount or amounts sufficient to meet all of its obligations under its respective Service 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 any County to include in its budget or take appropriate action to assure the availability of amounts sufficient to enable such County to meet all of its obligations under its respective Service Agreement shall excuse, limit, impair or extend the time of performance or payment of any of its obligations thereunder, 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 thereunder prove to be inaccurate.

**Mid-Shore Counties Solid Waste Disposal Service Fund,
Reserves, Accounts, and Reports (Section 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 Service Agreements. 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 Service Agreements; (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 Mid-Shore Counties as to the financial conditions and changes in all funds, accounts and reserves relating to provision of solid waste disposal services under the Service Agreements.

Year-End Adjustment (Section 5.10)

In the event that Total Costs exceed Landfill Revenues during a Fiscal Year, the Counties 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 accordance with the Service Agreements pay each County its Proportionate Share of the amount of such excess up to the amount, if any, of the Supplemental Fee which such 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 (Section 6.1)

The Director of the Service or his representative shall meet with authorized representatives of the 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 each County the proposed budget provided under the Service Agreements, the Service shall submit such proposed budget to the authorized representatives of the Mid-Shore Counties for their review.

Insurance (Section 7.1)

The Service shall obtain and keep in force, during the term of the Service Agreements, 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 Mid-Shore Counties recognize 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 Service Agreements shall be deemed a waiver of any immunity possessed by the Service which has not been waived by statute.

Remedies for Default (Section 8.1)

In the event of the breach by any party of an obligation under the Service Agreements, the right to recover damages or to be reimbursed will ordinarily constitute an adequate remedy. Therefore, no party shall have the right to terminate any Service Agreement for cause for any breach unless an Event of Default on the part of the other party shall have occurred and be continuing.

Events of Default by the Service (Section 8.2)

The persistent or repeated failure or refusal by the Service substantially to fulfill any of its material obligations in accordance with the Service Agreements 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 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 applicable Service Agreement on the part of the Service and which will, in their opinion, give the Mid-Shore Counties a right to terminate their respective Service Agreements for cause under this paragraph 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 paragraph), 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 the Service Agreement, if it has been alleviated to the degree that its existence no longer makes damages an inadequate remedy.

Events of Default by the County (Section 8.3)

Each of the following shall constitute an Event of Default on the part of the Mid-Shore Counties:

(a) The failure on the part of a County to pay any amount required to be paid to the Service under its respective Service 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.

(b) The persistent or repeated failure or refusal by a County substantially to fulfill any of its material obligations in accordance with its respective Service Agreement other than those described in paragraph (a) of this paragraph, 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 Service Agreement on the part of the County and which will, in its opinion, give the Service a right to terminate the Service Agreement for cause under this paragraph 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, 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 under a Service Agreement, if it has been alleviated to the degree that its existence no longer makes damages an inadequate remedy.

Termination on Default (Section 8.4)

If any party shall have a right of termination for cause in accordance with a Service Agreement, 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 (Section 8.6)

Each County shall have, and is granted by its respective Service Agreement, the option to terminate its Service Agreement at any time (a) by obtaining agreement of the other Counties as to the termination of its Service Agreement and upon termination by the other Counties of the Service Agreements to which they are parties, (b) by paying to the Service certain amounts set forth in the Service Agreement, (c) by giving the Service 30 days advance written notice of such

termination, and (d) by executing an agreement between the Service, on the one hand, and the Counties, on the other hand, pursuant to which the Counties shall purchase and take title to and liability for the Easton Landfill, the Regional Landfill and any Alternative Sites and by recording a deed to effect such title transfer.

Amounts Due Upon Termination of Service Agreements (Section 8.7)

In the event any County exercises its option to terminate its respective Service 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 Regional 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 Regional Landfill and any Alternative Sites, including among other amounts 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;

(b) An amount sufficient, when combined with any moneys held by the Service in the Special Purpose Fund other than moneys in the Regional 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 Service Agreement and closing down its direct operations and support activities under the respective Service Agreements; and

(d) An amount specified by the Service sufficient to provide for any other obligations relating to the respective Service Agreements, the Indebtedness or the Regional Landfill or any Alternative Sites or otherwise incurred by the Service for the purpose of providing solid waste disposal services under the respective Service Agreements.

Transfer of Property Upon Termination (Section 8.8)

The parties agree that upon the exercise of the option to terminate under any of the Service Agreements and satisfaction of the requirements thereunder, the Service shall immediately convey to the other Mid-Shore Counties, and the respective County, as joint tenants with each other, shall accept, all right, title and interest in the Easton Landfill, the Regional 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 Service Agreements. The Counties agree 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 (Section 9.1)

The Service Agreements shall be in effect on the date of execution and, unless sooner terminated in accordance with the terms hereof, shall continue in effect until the twentieth anniversary of the Commercial Operations Date.

Uncontrollable Circumstance (Section 11.1)

Each party to a Service Agreement shall be excused for its failure to perform in accordance with the respective Service Agreement any obligation required to be performed by it thereunder, to the extent that such failure results from an Uncontrollable Circumstance, provided, that in no event shall any Uncontrollable Circumstance excuse (i) any County from making any payment under its respective Service Agreement in accordance with the terms thereof or (ii) the Service from accepting and disposing of waste as provided thereunder. Each party shall seek diligently and in good faith to overcome or remove such Uncontrollable Circumstance, provided, however, that among other things the settlement of strikes, lockouts, and other industrial disturbance 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 disturbance 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 this paragraph shall give prompt notice thereof to the other party.

Binding Effect (Section 11.6)

The Service Agreements shall bind and inure to the benefit of the parties to each Service Agreement and any successor or assignee acquiring an interest thereunder.

Amendment or Waiver, Etc. (Section 11.11)

Neither the Service Agreements nor any provision thereof may be changed, modified, amended or waived except by a written instrument signed by the party against whom enforcement of such change, modification, amendment or waiver is sought.

Waiver of Sovereign Immunity (Section 11.12)

The Mid-Shore Counties under the Service Agreements, to the maximum extent permitted by Applicable Law, irrevocably waive and renounce any and all rights to sovereign immunity (or similar rights and defenses) the Mid-Shore Counties may have under Applicable Law with respect to, and agree 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 their respective Service Agreements, or the transactions contemplated thereby, or any breach thereof, against the Counties, asserted or brought by or on behalf of the Service, or any member, officer, director, employee or agent of any thereof.

Limitation of Liability (Section 11.14)

The obligations of the Service under the Service Agreements are limited obligations payable solely from such amounts as may be received by the Service in connection with its operation of the Regional Landfill and the provision of solid waste disposal services to the Mid-Shore Counties under the Service Agreements. The obligations of the Service thereunder shall not be payable from the general funds of the Service and the incurrence or non-performance 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 Service Agreements by the Mid-Shore Counties and the Service shall not impose any personal liability on the members, officers, officials, employees or agents of the Mid-Shore Counties or the Service. No recourse shall be had for any claims based on the Service Agreements against any member, officer, official, employee or other agent of the Counties and the Service in his individual capacity, all such liability, if any, being expressly waived by the Counties and the Service by the execution of the Service Agreements.

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE AND INDENTURE DEFINITIONS

DEFINITIONS OF CERTAIN TERMS

In addition to terms defined elsewhere in this Official Statement, the following are definitions of certain terms contained in this Official Statement. Terms used but not defined herein shall have the meanings set forth in the Indenture.

"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 (without limitation) the completion of the acquisition and construction of the Regional 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.

"Authorized Officer of the Service" means the Director 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 Insurer" means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company.

"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.

"**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 of the Service.

"**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**" means, 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 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 any Additional Facilities, a date on or before the completion of 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 any Credit Facility, which is rated in the highest rating category of each Rating Agency, held to the credit of the Debt Service Reserve Fund.

"Debt Service Reserve Fund Requirement" means, as of any particular date of computation, an amount equal to the lesser of (i) Maximum Annual Debt Service on the Bonds and (ii) 10 percent of the outstanding principal amount of the Bonds.

"Due for Payment" means, when used with respect to any date in connection with the payment of the principal of any Series 1999 Bonds, the stated maturity date of such Series 1999 Bonds or any date on which the principal of such Series 1999 Bonds is due to be paid by the application of a required Sinking Fund Installment for such Series 1999 Bonds; and when used with respect to any date in connection with the payment of the interest on any Series 1999 Bonds, any date on which the interest on such Series 1999 Bonds is payable in accordance therewith.

"First Supplemental Indenture of Trust" means the First Supplemental Indenture of Trust dated as of December 15, 1993 between The Bank of New York as successor to the Riggs National Bank of Maryland and the Maryland Environmental Service.

"Fourth Supplemental Indenture of Trust" means the Fourth Supplemental Indenture of Trust dated as of March 1, 1999 between The Bank of New York as successor to the Riggs National Bank of Maryland and the Maryland Environmental Service.

"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.

"Indebtedness" means 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 the Indenture of Trust between the Service and the Trustee, dated as of February 15, 1990, as amended, modified or supplemented from time to time by Supplemental Indentures.

"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.

"Insurance Default" means, with respect to the Series 1999 Bonds and the Municipal

Bond Insurance Policy (a) the failure of the Bond Insurer to honor a demand for payment under the Municipal Bond Insurance Policy in accordance with its terms, (b) the contesting by the Bond Insurer of the valid and binding nature of the Municipal Bond Insurance Policy or any denial by the Bond Insurer of any further liability or obligation under the Municipal Bond Insurance Policy or (c) the commencement of any insolvency proceeding against the Bond Insurer in a court having jurisdiction or the filing by or against the Bond Insurer of a petition or other pleading seeking an "order for relief" within the meaning of the United States Bankruptcy Code.

"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 the Bond Insurer 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:

(i) 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;

(ii) any obligation for the payment of money under leases that are required to be capitalized under generally accepted accounting principles;

(iii) any obligation for the payment of money under installment purchase contracts having an original term in excess of one year;

(iv) any obligation that would constitute Short-Term Indebtedness if a Liquidity Facility were not in effect with respect thereto; and

(v) 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.

"Municipal Bond Insurance Policy" means the municipal bond insurance policy issued by the Bond Insurer insuring the payment when due of the principal of and interest on the Series 1999 Bonds as provided therein.

"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 1994 Project, 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 1994 Project, 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.

"1994 Project" means the acquisition, design, construction, equipping and operation of a portion of the Regional Landfill consisting of the second cell of the Regional Landfill, a leachate collection system and certain site improvements (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.

"Operating Reserve Requirement" means, for any Fiscal Year, the amount certified by an Authorized Officer of the Service to be equal to one-fourth (1/4) of the estimated annual operating expenses of the Service in connection with the Regional Landfill for such Fiscal Year.

"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.

"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, or 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 of 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 Revenues on deposit in the Regional Landfill Closure Fund within the Special Purpose Fund;

(f) any lien upon Revenues pledged to the payment of Subordinate Obligations;

(g) any lien placed upon any real or tangible personal property being acquired by the Service to secure all or a portion of the purchase price thereof; and

(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 1994 Project, the Project or any Additional Facilities for their intended purpose or the value of the 1994 Project, the Project or any Additional Facilities.

"Project" means the acquisition, design, construction, equipping and operation of a portion of the Regional Landfill consisting of the third cell of the Regional Landfill, a leachate collection system and certain site improvements (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, Inc., 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.

"Regional Landfill" means the sanitary landfill developed by the Service in Talbot County, Maryland and more particularly described in the Service Agreements and in plans, specifications and reports of the Service, consisting (by way of general description and not limitation) of three landfill cells to be developed in stages as required for solid waste disposal, a leachate collection system, all necessary equipment and facilities and land, easements, rights-of-way, leaseholds and other interests in real property.

For the definition of **"Revenues,"** see "Security and Sources of Payment for the Series 1999 Bonds -- Pledge of Revenues."

"Second Supplemental Indenture of Trust" means the Second Supplemental Indenture of Trust, dated as of September 1, 1994, by and between Maryland Environmental Service and The Bank of New York as successor to the Riggs National Bank of Maryland.

"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" means, collectively, the Waste Disposal Service Agreements dated as of February 15, 1990, between the Service and the Waste Disposal Service Agreement dated as of September 15, 1992 between the Service and Talbot County, Queen Anne's County, Caroline County and Kent County providing for the delivery to the Service for disposal of solid waste generated within the boundaries of the Counties.

"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 the 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 the Indenture.

"Subordinate Obligations" means any subordinate Indebtedness issued by the Service as described under "Summary of Certain Provisions of the Indenture -- Subordinate Obligations Authorized" below.

"Third Supplemental Indenture of Trust" means the Third Supplemental Indenture of Trust, dated as of November 1, 1994, by and between Maryland Environmental Service and The Bank of New York as successor to the Riggs National Bank of Maryland.

"**Trust Estate**" means all moneys and securities that from time to time are deposited or are required to be deposited or to be held in trust under any of the provisions of the Indenture and all property, rights and other assets that from time to time may be pledged and assigned to the Trustee under the Granting Clauses of the Indenture.

"**Variable Rate Indebtedness**" means, as of any particular date, Long-Term Indebtedness the interest rate on which is not established at a fixed rate or rates for the remaining term thereof.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. It is not a complete recital of the terms of the Indenture and reference should be made to the Indenture for a complete statement of its terms. Words and terms used in this summary shall have the same meanings as in the Indenture, except where otherwise noted. *At the request of the Bond Insurer, the Indenture may contain provisions that are more restrictive than those summarized below.*

Creation of Funds and Accounts (Section 4.01)

The following funds and separate accounts within funds are created by the Indenture for the benefit of the holders of all Bonds Outstanding under the 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.

Each such fund or account shall be held by the Trustee.

The Rebate Fund is not pledged to the payment of the Bonds.

Application of Proceeds of Series 1999 Bonds (Section 4.02)

Upon the receipt of the proceeds of the Series 1999 Bonds by the Trustee on behalf of the Service in trust for the benefit of the holders from time to time of the Bonds, the Trustee shall make payments from such proceeds as follows: (i) any accrued interest on the Series 1999 Bonds shall be deposited in the Interest Account, (ii) \$_____, being an amount equal to the net capitalized interest on the Series 1999 Bonds, shall be deposited in a separate segregated subaccount in the Interest Account, (iii) \$_____, being an amount necessary to make the amount on deposit in the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement, shall be deposited in the Debt Service Reserve Fund, and (iv) the balance of such proceeds shall be deposited in the Construction Fund for payment of the Costs of the 1999 Project.

Application of Moneys in the Construction Fund (Section 4.03)

Payments from the Construction Fund shall be made to finance or refinance the Costs of or relating to the Project and any other Additional Facilities upon receipt of requisitions meeting

the requirements of the Indenture.

Upon completion of the Project or any Additional Facilities, the Trustee shall pay any balance then remaining in the Construction Fund as follows and in the following order of priority: (i) to the Debt Service Reserve Fund, the amount necessary to make the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement; (ii) to the Redemption Fund, any balance on deposit in the Construction Fund after making the payment required above.

Deposit of Revenues (Section 4.05)

The Revenues received pursuant Indenture and any other moneys that are required to be deposited in the Revenue Fund, shall be deposited by the Trustee in the Revenue Fund. Except as otherwise set forth below, 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 interest accrued and unpaid on the Bonds Outstanding on 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 September 1 and (B) the amount necessary to make the amount on deposit in the Principal Account equal to the principal amount, if any, becoming due on the Bonds Outstanding on the immediately succeeding September 1;

(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 due on the immediately succeeding September 1 and (B) the amount necessary 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 September 1; and

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 the Indenture, 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.

After making the payments required above, any balance remaining in the Revenue Fund

on the last day in any month shall be paid to the Service unless 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 advice of Bond Counsel, shall direct.

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 1994 Project, the Project or any other Additional Facilities, (ii) the proceeds of all or any portion of the 1994 Project, the Project or any other 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 1994 Project, the Project or any other 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 with respect to the 1994 Project, the Project or any other Additional Facilities (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.

Application of Moneys in the Debt Service Fund (Section 4.06)

The Trustee shall pay from the Interest Account the interest due on the Outstanding Bonds on each interest payment date, and any amounts required for the payment of accrued interest upon any purchase or redemption of Outstanding Bonds.

The Trustee shall on each September 1 pay 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 action necessary to effect the timely redemption of Outstanding Term Bonds from the Sinking Fund Account in accordance with the Sinking Fund Installments.

Application of Moneys in the Debt Service Reserve Fund (Section 4.07)

If on any interest payment date the amount in the Interest Account shall be less than the amount of interest due on the Outstanding Bonds, or if on any September 1 the amount credited to the Principal Account and the Sinking Fund Account shall be less than the amount of the principal and the Sinking Fund Installment (either or both, as the case may be) then due on the Bonds, the Trustee forthwith shall transfer any moneys from the Debt Service Reserve Fund, first, to the Interest Account, and second, to the Principal Account and Sinking Fund Account, to the extent necessary to make good any deficiency.

For the purposes of the Indenture, in the case of the Debt Service Reserve Fund a "deficiency" shall mean that the value of the assets of the Debt Service Reserve Fund is less than the Debt Service Reserve Fund Requirement; and a "surplus" shall mean that the value of the assets of the Debt Service Reserve Fund is in excess of the Debt Service Reserve Fund Requirement; provided, however, that interest earned and profits realized by reason of investment of amounts on deposit in the Debt Service Reserve Fund shall not create a surplus within the meaning of the Indenture.

Certain Debt Service Reserve Fund Credit Facilities may be substituted for moneys deposited in the Debt Service Reserve Fund as described below under "Investments."

Any earnings in the Debt Service Reserve Fund shall be applied in accordance with the provisions of the Indenture described below under "Investments."

The Trustee shall determine the value of the assets in the Debt Service Reserve Fund in the manner prescribed in the Indenture as of the close of business on (i) February 1 and August 1 during the period between the date of delivery of the Series 1999 Bonds and the Completion Date of the Project and between the date of delivery of any other Additional Bonds and the Completion Date of any Additional Facilities financed with the proceeds of such Additional Bonds, (ii) on February 1 in each year during any other period, (iii) on the date of any withdrawal from the Debt Service Reserve Fund, and on the last Business Day of each month thereafter until a deficiency no longer exists in the Debt Service Reserve Fund, (iv) on any date on which the Trustee obtains actual knowledge that any Debt Service Reserve Fund Credit Facility is no longer entitled to be credited against the Debt Service Reserve Fund under the Indenture and (v) on any other date on which the Service shall direct.

The Trustee shall transfer the amount of any surplus that exists in the Debt Service Reserve Fund from time to time upon the direction of the Service as follows:

FIRST: to the Construction Fund during the period between the date of delivery of the Series 1999 Bonds and the Completion Date of the Project and, unless the Supplemental Indenture authorizing the issuance of any other Additional Bonds shall otherwise provide, during the period between the date of delivery of such Additional Bonds and the Completion Date of any Additional Facilities financed with the proceeds of such Additional Bonds; and

SECOND: to the Redemption Fund.

Application of Moneys in the Redemption Fund (Section 4.08)

On any date that a determination of the value of the assets of the Debt Service Reserve Fund discloses a deficiency in the Debt Service Reserve Fund, 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 on any Bonds theretofore called for redemption and moneys set aside for the purchase of Bonds theretofore contracted to be

purchased) to the extent of such deficiency. Upon the 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. 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.

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; provided, however, that if any Supplemental Indenture authorizing the issuance of any other Series of Additional Bonds shall so provide, 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 on such date and 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.

Application of Moneys in the Insurance and Condemnation Award Fund (Section 4.09)

(a) The Service may elect within six months of any loss, damage, destruction or taking of the 1994 Project, the Project or any other 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 1994 Project, the Project or any other 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 Counties 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 1994 Project, the Project or any other 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 the Indenture, shall be sufficient to provide for the redemption of all Outstanding Bonds in the manner provided by the 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 paragraph (a) 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 1994 Project, the Project or any other 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 the 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 covered by 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 the 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, destruction or taking, of the property lost, damaged, 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 1994 Project, the Project or any other 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 1994 Project, the Project or any other 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 Service and the Trustee in connection with any condemnation proceeding. Prompt written notice of any taking, loss, damage or destruction of any part of the 1994 Project, the Project or any other 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 the Indenture.

If moneys on deposit in the Insurance and Condemnation Award Funds are to be applied to the redemption of Bonds, such moneys shall be transferred by the Trustee to the Redemption Fund to be applied to the extraordinary redemption of Bonds on the earliest practicable redemption date.

Application of Moneys in the Operating Fund (Section 4.10)

The Service shall apply amounts constituting the Operating Reserve Requirement on any date in order (i) to pay any operating expenses of the Regional Landfill or any Alternative Site, (ii) to pay the costs of normal equipment additions to the Regional Landfill or any Alternative Site, to pay the costs of acquisition of capital improvements to the Regional Landfill or any Alternative Site, (iii) to pay the costs of extraordinary maintenance and repair of the Regional Landfill or any Alternative Site, and (iv) for any other purpose relating to the provision of waste disposal services under the Service Agreements if other moneys held by the Service on such date and available for such purpose are not sufficient for such purpose.

The Service shall determine the value of the assets of its operating funds as of the close of business on July 1 in each year. If the amount thereof shall be less than the Operating Reserve Requirement, the Service is required to cure the deficiency over the succeeding 12 months.

Investments (Section 4.11)

Moneys in any of the funds and accounts established pursuant to the Indenture that are held by the Trustee shall be invested by the Trustee as shall be directed 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 payments from such funds and accounts.

Notwithstanding the foregoing, (i) so long as no Insurance Default shall have occurred and be continuing, moneys in the Interest Account which constitute capitalized interest or accrued interest on the Series 1999 Bonds shall be invested only in Government Obligations or, with the consent of the Bond Insurer, 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.

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 the Indenture. If 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 Series 1999 Bonds and the Completion Date of the Project and, unless the Supplemental Indenture authorizing the issuance of any other 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.

In addition, 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 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 the Bonds secured thereby; (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 the Indenture and (B) immediately prior to the expiration date of such Debt Service Reserve Fund Credit Facility unless all Bonds secured thereby have been paid in accordance with the Indenture 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 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 the Indenture shall be invested, or for any loss arising from any permitted investment.

The Rebate Fund (Section 4.13)

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 the 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 rebates to the United States of America, all in accordance with the expectations of the Service set forth in its Tax and Section 148 Certificate delivered in connection with the issuance of any Series of Tax-Exempt Bonds.

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 the Indenture to the Rebate Fund, the Trustee shall make the transfer referred to therein, any other provision of the 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 of the Code 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.

As used in the above paragraphs, "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.

The Municipal Bond Insurance Policy; Concerning the Bond Insurer (Section 4.14)

So long as no Insurance Default shall have occurred and be continuing, the Service and the Trustee agree to comply with the following provisions:

(a) If the Trustee shall determine on any date that there will be insufficient amounts in the Debt Service Fund and the Debt Service Reserve Fund to pay the principal of, or the interest due on the Series 1999 Bonds on the immediately succeeding March 1 or September 1, or if the Trustee shall have notice that any payment of the principal of, or the interest on a Series 1999 Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Service has been deemed a preferential transfer and theretofore recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall so notify the Bond Insurer. Such notice shall specify the amount of the anticipated deficiency or the amount of such recovery (as the case may be), the Series 1999 Bonds to which such deficiency is applicable or with respect to which such recovery has been made (as the case may be) and whether such Bonds will be deficient or such recovery has been made (as the case may be) as to principal or interest, or both. In the case of any deficiency in the payment of the principal of or the interest on any Series 1999 Bonds due on any March 1 or September 1 of which the Trustee shall have given notice in accordance with this paragraph no later than the last Business Day which is at least five days prior to such March 1 or September 1, the Bond Insurer shall make payments of principal or interest due on the Series 1999 Bonds on such March 1 or September 1; in any other case, the Bond Insurer will make payments of principal or interest due on the Series 1999 Bonds on or before the fifth day next following the date on which the Bond Insurer shall have received such notice of nonpayment or recovery (as the case may be) from the Trustee in accordance with this paragraph.

(b) The Trustee shall, after giving notice to the Bond Insurer as provided in paragraph (a) above, make available to the Bond Insurer and, at the Bond Insurer's direction, to the Insurance Trustee, the registration books of the Service maintained by the Trustee and all records relating to the funds and accounts maintained under the Indenture.

(c) The Trustee shall provide the Bond Insurer and the Insurance Trustee with a list of the Holders of Series 1999 Bonds entitled to receive payments of interest thereon or principal thereof from the Bond Insurer under the terms of the Municipal Bond Insurance Policy and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Holders of Series 1999 Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal of Series 1999 Bonds upon presentation and surrender thereof to the Insurance Trustee by the Holders of Series 1999 Bonds entitled to receive full or partial principal payments from the Bond Insurer.

(d) The Trustee shall, at the time it provides any notice to the Bond Insurer pursuant to paragraph (a) above, notify Holders of Series 1999 Bonds entitled to receive payments of interest thereon or principal thereof from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or a part of the interest payments next coming due on the Series 1999 Bonds held by them upon proof of Bondholder entitlement to such interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the Bondholder's right to such payment, (iii) that should they be entitled to receive full payment of the principal of the Series 1999 Bonds held by them from the Bond Insurer, they must surrender their Series 1999 Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Series 1999 Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Trustee, and (iv) that should they be entitled to receive partial payment of the principal of the Series 1999 Bonds held by them from the Bond Insurer, they must surrender their Series 1999 Bonds for payment thereon first to the Trustee, which shall note on such Series 1999 Bonds the portion of the principal thereof paid by the Trustee and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of the principal of such Series 1999 Bonds.

(e) In the event that the Trustee has notice that any payment of principal of or interest on a Series 1999 Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Service has been deemed a preferential transfer and theretofore recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time the Bond Insurer is notified pursuant to paragraph (a) above, notify all Holders of Series 1999 Bonds that in the event that any Bondholder's payment is so recovered, such Bondholder shall be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to the Bond Insurer its records evidencing the payments of principal of, and interest on the Series 1999 Bonds which have been made by the Trustee and subsequently recovered from Bondholders and the

dates on which such payments were made.

(f) So long as all of the Series 1999 Bonds are maintained in book-entry form, the Insurance Trustee shall disburse principal and interest to a Holder of the Series 1999 Bonds only upon evidence satisfactory to the Insurance Trustee and the Bond Insurer that the ownership interest of such Bondholder in the right to payment of such principal and interest has been effectively transferred to the Bond Insurer on the books maintained for such purpose. The Bond Insurer shall be fully subrogated to all of such Bondholders' rights to payments to the extent of insurance disbursements so made.

(g) In addition to those rights granted the Bond Insurer under the Indenture, the Bond Insurer shall, to the extent it makes payment of principal of, or interest on Series 1999 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books of the Service maintained by the Trustee upon receipt from the Bond Insurer of proof of the payment of interest thereon to the Holder of the Series 1999 Bonds entitled thereto, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Bond Insurer's rights as subrogee upon surrender of the Series 1999 Bonds by the Holders thereof together with proof of the payment of principal thereof.

Additional Bonds (Section 2.05)

The Indenture authorizes the issuance of Additional Bonds by the Service pursuant to a Supplemental Indenture for any one or more of the following purposes (i) to refund or advance refund Outstanding Bonds; (ii) to obtain funds necessary to pay the Cost of Additional Facilities required in order to restore, maintain, improve or increase the disposal capacity of the Project or otherwise permit the Service to meet its waste obligations under the Service Agreements, including (without limitation) the acquisition of Alternative Sites; or (iii) to obtain funds necessary to pay the Cost of completing the 1994 Project, the Project and any Additional Facilities. Additional Bonds may be issued to pay the costs incurred in connection with the issuance and sale of any Bonds, to pay interest on any Bonds prior to and during the acquisition and construction and if deemed advisable by the Service for a limited period after the completion of any Additional Facility and to establish reserves. Series of Additional Bonds shall be on a parity with, and shall be entitled to the same benefit and security of the Indenture (including the pledge of the Revenues made by the Indenture) as the Series 1994 Bonds, the Series 1999 Bonds, and any other series of Additional Bonds that may be issued from time to time as provided in the Indenture.

All Additional Bonds shall mature on a September 1 and redemptions of Additional Bonds from the Sinking Fund Account shall be made on September 1 of the year in which such redemptions are to be made, and the interest on all Additional Bonds shall be payable on March 1 and September 1 of each year unless the Supplemental Indenture authorizing such Additional Bonds provides that separate Debt Service Funds shall be created for each Series of Bonds.

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 1990 Bonds, the Series 1999 Bonds or any other Series of Additional Bonds.

If any Supplemental Indenture provides for the establishment of separate funds for each Series of Bonds, such Supplemental Indenture shall require (i) that the Revenues shall be deposited pro rata as to time and amount among first, the Debt Service Funds and, second, debt service reserve funds for each such Series of Bonds on the basis of the principal of or the Sinking Fund Installment for and the interest on the Bonds of each Series becoming due, and the amounts required to be deposited in such debt service reserve funds, respectively, during the period from September 2 of any year through September 1 of the immediately succeeding year, to the end that the Bonds of each Series shall be equally and ratably secured by the Trust Estate, and (ii) that amounts on deposit in the Debt Service Fund, Construction Fund, Debt Service Reserve Fund and 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 may provide that any proceeds of such Additional Bonds and investment earnings thereon remaining after the completion 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.

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 in such fund equal the Debt Service Reserve Fund Requirement after such Additional Bonds have been issued and may provide that the amount of any increase in the Debt Service Reserve Fund Requirement 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 Indenture requires that, prior to the delivery of each Series of Additional Bonds, there must be delivered to the Trustee, among other things:

(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 to the effect that (i) the Supplemental Indenture authorizing the issuance of such Additional Bonds has been duly authorized, executed and delivered by the Service and, assuming the due authorization, execution and delivery thereof by

the Trustee, constitutes the valid and binding obligation of the Service; (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 the Indenture, and (ii) neither the Service nor any of the Counties 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 the Indenture are therewith delivered to the Trustee in form and substance satisfactory to the Service;

(e) 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 the Indenture), 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;

(g) the written consent of each of the Counties to the issuance of such Additional Bonds, provided, however, that such consent shall not be required in connection with the issuance of Additional Bonds for the purpose of financing or refinancing the costs of the Regional Landfill; and

(h) if such Additional Bonds are issued for the purpose of financing or refinancing a waste-to-energy facility for the Service and any Series 1990 Bonds are then Outstanding, the written consent of the Bond Insurer to the issuance of such Additional Bonds (so long as no Insurance Default shall have occurred and be continuing).

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 Regional 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.

Amendment of the 1994 Project, the Project and Additional Facilities (Section 5.05)

The Service shall not consent to any amendment of the 1994 Project, the Project or any other Additional Facilities which shall: (i) increase the cost of the 1994 Project, the Project or such Additional Facilities to an amount in excess of the amount of moneys available or reasonably expected to become available to pay such costs, or (ii) decrease the scope of the 1994 Project, the Project or such Additional Facilities so that the 1994 Project, the Project or such Additional Facilities, as decreased in scope, would cease to be an economically feasible or functional facility.

Nothing contained in the Indenture shall be construed to prohibit the Service from exercising its judgment and discretion in reducing the scope of the Project or any other 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.

Subordinate Obligations Authorized (Section 2.11)

The Service is authorized to issue and deliver, in addition to Additional Bonds, Subordinate Obligations for any purpose for which Additional Bonds may be issued under the Indenture. The Service may pledge the Revenues to the payment of any Subordinate Obligations, but any such pledge must be junior and subordinate to the pledge of the Revenues to secure the Bonds. So long as no Event of Default under the 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 the holder of any Bond shall have no recourse against the person to whom any such payment shall have been made unless such person shall have had actual knowledge of the insolvency of the Service. During the continuance of any Event of Default under the Indenture, no payments shall be made with respect to any Subordinate Obligation.

Performance of Covenants, Undertakings and Agreements (Section 5.02)

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 the Indenture or in any proceedings of the Service pertaining thereto. The

Service shall take all legally available action to cause the Counties to perform fully all duties and acts and comply fully with the covenants of the Counties contained in the Service Agreements.

Liens, Encumbrances and Charges (Section 5.03)

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 Series 1990 Bonds, the Series 1999 Bonds and, to the extent provided in the Indenture, 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 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 the 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 the Indenture to secure the Bonds and any Subordinate Obligations. Anything in this Section to the contrary notwithstanding, the Service may dispose of Revenues at any time unless it is in default under the Indenture.

Rate Covenant (Section 5.07)

(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 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 the 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 the Indenture or the performance of any other obligation of the Service under the Indenture.

Insurance (Section 5.08)

(a) The Service shall maintain, or cause to be maintained, insurance of the types and in the amounts ordinarily and customarily maintained on facilities such as the Project.

(b) The Service may satisfy the requirements of paragraph (a) of this Section by establishing and maintaining a self-insurance plan protecting the Service against the risks required to be insured against by paragraph (a) of this Section or may participate in any such self-insurance plan established and maintained by the State of Maryland.

Amendments or Modifications of the Indenture and the Service Agreements (Sections 8.01, 8.02 and 8.04)

Without notice to or 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 amending the Indenture or any Supplemental Indenture: (i) to grant to or confer upon the Trustee for the benefit of the holders of 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; (ii) to add to the covenants and agreements of the Service contained in the 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 the Bonds or Subordinate Obligations so long as no 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; (iii) to surrender any right, power or privilege reserved to or conferred upon the Service by the Indenture; (iv) to confirm, as further assurance, any pledge under, and the subjection to any lien on, or claim or pledge of, the Trust Estate; (v) to cure any ambiguity or to cure or correct any defect in the Indenture; (vi) to provide for the terms of Additional Bonds, including 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 1990 Bonds, the Series 1999 Bonds and any other then Outstanding Bonds pursuant to the Indenture or authorize or approve the issuance of Subordinate Obligations in accordance with the Indenture; (vii) to permit the qualification of the Indenture or any Supplemental Indenture under any Federal statute, or under any state blue sky law; (viii) to obtain or maintain any ratings on Bonds from any nationally recognized securities rating agency so long as no provision of any Supplemental Indenture shall prejudice in any material respect the rights of the holders of the Bonds Outstanding at the date as of which the Supplemental Indenture shall become effective (which determination shall be made without regard to the existence of the Municipal Bond Insurance Policy); (ix) to make any other change in the Indenture including (without limitation) any change necessary in connection with the issuance of any Subordinate Obligations, which the Trustee determines shall not materially prejudice 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 the Municipal Bond Insurance Policy); (x) to provide for the issuance of Bonds in coupon form or in book entry form; and (xi) to preserve the excludability from gross income for federal income tax purposes of the interest paid on any Tax-Exempt Bonds theretofore issued.

With the consent or approval of the holders of a majority of the Bonds affected thereby and the Bond Insurer (so long as no Insurance Default shall have occurred and be continuing), a Supplemental Indenture may be adopted modifying any of the provisions of the Indenture, any Supplemental Indenture or any Bond or releasing the Service from any of the obligations, covenants, agreements, limitations, conditions or restrictions therein contained. No such modification may change any terms of redemption of the Bonds or the due date for the payment of principal of or interest on the Bonds or make any reduction in principal or Redemption Price or purchase price of or interest on the Bonds without the consent of the Holders affected thereby. No Supplemental Indenture shall be adopted except with the unanimous consent of the Holders of all Bonds Outstanding, creating a claim or lien upon, or a pledge of, the Revenues ranking prior to or on a parity with the claim, lien and pledge created by the Indenture, or a preference or priority of any Bonds or a reduction in the percentage of Bonds the consent of the Holders of which is required for any modification of the Indenture.

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 the Indenture 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. Except as provided above, the Service shall not enter into any amendment, change or modification of the Service Agreements without the prior written consent of the Trustee, the Bond Insurer (so long as no Insurance Default shall have occurred and be continuing) and the Holders of a majority of the Bonds Outstanding at the effective date of such amendment, change or modification

Events of Default and Remedies (Sections 7.01 and 7.02)

Events of Default include, among others: failure to pay the principal of or interest on any of the Bonds when the same shall become due and payable; the failure to pay 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 when the same shall become due and payable; the entry of a final judgment for the payment of money against the Service if such judgment is under any circumstances payable from the Trust Estate; and certain events of insolvency affecting the Service.

Upon the happening and continuance of any Event of Default, the Trustee may, and upon the written request of the holders of not less than 25% of the outstanding Bonds shall 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 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 amount of the Series 1999 Bonds due and payable without the prior written consent of the Bond Insurer (so long as no Insurance Default shall have occurred and be continuing), and the Trustee may not declare any other Series of Bonds to be due and payable without the prior written consent of any person whose consent shall be required by the Supplemental Indenture authorizing the issuance of such Series of Bonds. Upon the occurrence of any Event of Default so long as no Insurance Default shall have occurred and be continuing, the Bond Insurer may direct the Trustee to declare the aggregate principal amount of the Series 1999 Bonds to be due and payable if the Bond Insurer irrevocably deposits with the Trustee or the Insurance Trustee an amount that, together with any other funds available to the Trustee or the Insurance Trustee to pay the Series 1999 Bonds, shall be sufficient to pay all amounts due on the Series 1999 Bonds on the date to which such payments are accelerated. Upon the giving of notice of such declaration, such principal shall become and be immediately due and payable. If all defaults shall have been remedied pursuant to the Indenture, then the Trustee may annul such declaration (but in the event such declaration has been made upon the written request of the Bondholders, only with the written consent of the holders of not less than 25% of the Bonds).

Enforcement and Priority of Payments Following Default (Sections 7.03 and 7.04)

Upon the happening and continuance of any Event of Default, the Trustee may proceed, and upon the written request of the holders of not less than 10% of the outstanding 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 the 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 as the Trustee shall deem most effectual to protect and enforce such rights.

If at any time there shall have occurred and be continuing an Event of Default, amounts held by the Trustee under the Indenture together with any moneys thereafter becoming available for such purpose (after payment of all amounts owing to the Trustee under the Indenture) shall be

paid to the persons entitled thereto as provided in the following paragraphs (a) and (b):

(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 of all installments of interest then due on all 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 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 the Bonds due and payable on any particular due date, together with such interest, then to the payment first of the 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, 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;

(b) If the principal of all Outstanding Bonds shall have become due and payable either by their terms or by a declaration of acceleration, the moneys held by the Trustee under the Indenture 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 Bonds over any other Bonds, 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.

Interest Payment Date (Section 2.02)

All interest due on the Series 1999 Bonds shall be payable to the persons in whose names the Series 1999 Bonds are registered on the bond registration books maintained by 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. If there is a default in the payment of the interest due on the Series 1999 Bonds on any interest payment date, such defaulted interest shall be payable to the persons in whose names

the Series 1999 Bonds are registered as of the close of business on a special record date established by the Trustee, which will be at least 10 and not more than 15 days before the date set for payment of the defaulted interest (the "Special Record Date"). Notice of the Special Record Date will be mailed first class, postage prepaid, not fewer than 10 days before the Special Record Date, to the registered owners of the Series 1999 Bonds. 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 payments on the Series 1999 Bonds will be paid in next day funds to Cede & Co., as nominee of DTC, or to DTC's registered assigns, as registered owner of the Series 1999 Bonds, on the Special Record Date.

Restrictions Upon Action by Individual Holders (Section 7.07)

No holder of any Bonds shall have any right to institute any suit, action or proceeding in equity or at law on any Bonds for the execution of any trust under the Indenture or for any other remedy under the Indenture unless 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 the holders of not less than 10% of the outstanding 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 the Indenture or to institute such action, suit or proceeding in its or their name, and further unless 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; provided, however, that notwithstanding the foregoing and without complying therewith, the holders of not less than 10% of the outstanding Bonds may institute any such suit, action or proceeding in their own name for the benefit of all holders of Outstanding Bonds.

Defeasance (Section 9.01)

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 the 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 by the Indenture to the Trustee, the holders of Subordinate Obligations or the Bondholders shall be discharged and satisfied.

A Bond shall be deemed to have been paid within the meaning of and with the effect expressed in the Indenture 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 by deposit of moneys 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, and the Service shall have made provision satisfactory to the Trustee for notice to the Holder of such Bond that such moneys are so available for such payment as provided by the Indenture; provided, however, that if such Bond is to be redeemed prior to the maturity thereof, the Service shall have taken all action necessary to redeem such Bond and notice of such redemption shall have been duly given or provisions satisfactory to the Trustee shall have been made for the giving of such notice.

Anything in the 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 which 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.

An Additional Bond or Subordinate Obligation shall be deemed to have been paid within the meaning of the Indenture if it is deemed to be paid in accordance with the provisions of the Supplemental Indenture authorizing or approving the issuance thereof.

Service Protected in Acting in Good Faith (Section 10.06)

In the exercise of the powers of the Service and its members, officers, employees and agents under the Indenture, 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 by it or them to be authorized or within the discretion or rights or powers conferred 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 the Indenture 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.

Indemnification; Responsibilities of the Trustee (Section 6.02 and 6.03)

The Trustee shall be under no obligation to institute any suit, or to undertake any proceeding under the 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 thereby created or in the enforcement of any rights and powers thereunder, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability 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 reimburse the Trustee from the Revenues for all costs and expenses, outlays and counsel fees 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 the Indenture and shall be entitled to a preference therefor over any Bonds Outstanding under the Indenture.

The recitals contained in the 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 the Indenture or with respect to the security afforded by the Indenture, and the Trustee shall incur no liability with respect thereto. Except as otherwise expressly provided in the 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 the 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 the Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Indenture. The Trustee shall not be liable for any action taken or omitted by it in the performance of its duties under the Indenture except for its own negligence or default.

Resignation and Removal of the Trustee (Section 6.08 and 6.09)

The Trustee may at any time resign and be discharged of its duties and obligations under the Indenture by giving not fewer than 30 days' written notice, specifying the date when such resignation shall take effect, to the Service, the Bond Insurer (so long as no Insurance Default shall have occurred and be continuing) 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 the Indenture, in which event such resignation shall take effect immediately on the appointment of such successor and the acceptance of such appointment by such successor.

So long as no Insurance Default shall have occurred and be continuing, the Trustee may be removed at the written direction of the Bond Insurer, duly authorized and delivered to the Service. At any other time, the Trustee may be removed by 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. 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 the 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.

Successor Trustee (Section 6.10)

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 under the Indenture shall thereupon become vacant; and until such successor Trustee shall have been appointed by the holders of Bonds, the Service shall forthwith appoint a Trustee to act under the Indenture. 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 the Indenture or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any holder of Bonds or Subordinate Obligations may 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 \$75,000,000, 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 the Indenture.

EXHIBIT F

(Closing Date)

Maryland Environmental Service
2011 Commerce Park Drive
Annapolis, Maryland 21401

Ladies and Gentlemen:

In connection with the issuance of \$_____ Maryland Environmental Service Revenue and Refunding Bonds (Mid-Shore Regional Landfill Project), Series 1999, dated as of March 1, 1999 (the "Bonds" or the "Series 1999 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 (1997 Replacement Volume and 1998 Supplement)(the "Act");

(ii) the Indenture of Trust dated as of February 15, 1990, between the Service and The Bank of New York as successor to the Riggs National Bank of Maryland, as Trustee (the "Trustee"), as amended and supplemented by the First Supplemental Indenture of Trust dated as of December 15, 1993, the Second Supplemental Indenture of Trust dated as of September 1, 1994, the Third Supplemental Indenture of Trust dated as of November 1, 1994, and the Fourth Supplemental Indenture of Trust dated as of March 1, 1999 each between the Service and the Trustee (the "Indenture");

(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) Municipal Bond Insurance Policy No. _____ (the "Bond Insurance Policy") issued by Ambac Assurance Corporation (the "Bond Insurer"); and

(vii) other proofs submitted to us relative to the issuance and sale of the Bonds.

The terms of the Bonds are contained in the Indenture and the Bonds.

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.

We express no opinion as to the validity of the Bond Insurance Policy or the obligations of the Bond Insurer thereunder.

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 (as defined in the Indenture) and other amounts pledged to such payment under the Indenture. Pursuant to the Act and the Indenture, the Service has previously issued and delivered its \$8,075,000 Maryland Environmental Service Revenue Bonds (Mid-Shore Regional Landfill Project) Series 1990 (the "Series 1990 Bonds") and its \$7,000,000 Maryland Environmental Service Revenue Bonds (Mid-Shore Regional Landfill Project) Series 1994 (the "Series 1994 Bonds"). The Series 1999 Bonds constitute Additional Bonds (as defined in the Indenture) under the Indenture. The Indenture contains provisions permitting the issuance of other Additional Bonds. The Series 1990 Bonds, the Series 1994 Bonds, the Series 1999 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 nor 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 taxes on financial institutions measured by income 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 Internal Revenue Code of 1986, as amended (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. 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 make such rebate payments (or payments in lieu of rebate) 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. However, for purposes of calculating the corporate alternative minimum tax, a corporation subject to such tax will be required to increase its alternative minimum taxable income by 75% of the amount by which its "adjusted current earnings" exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For such purposes, "adjusted current earnings" would include, among other items, interest income from the Bonds. In addition, interest income from the Bonds will be subject to the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States.

Very truly yours,

SPECIMEN FORM OF
MUNICIPAL BOND INSURANCE POLICY

ESCROW DEPOSIT AGREEMENT

This **ESCROW DEPOSIT AGREEMENT**, dated as of _____, 1999, between the Maryland Environmental Service, a body politic and corporate constituting an instrumentality of the State of Maryland (the "Service"), and The Bank of New York, a national banking association having its principal corporate trust office in New York, as escrow deposit agent (the "Escrow Deposit Agent") under this Escrow Deposit Agreement.

RECITALS

On March 8, 1990, the Maryland Environmental Service issued its \$8,075,000 Maryland Environmental Service Revenue Bonds (Mid-Shore Regional Landfill Project) Series 1990 (the "Series 1990 Bonds" or "1990 Refunded Bonds") for the purpose of financing certain projects of the Service.

The Service, pursuant to a Resolution adopted on February 25, 1999 has determined to issue its Revenue and Refunding Bonds (Mid-Shore Regional Landfill Project) Series 1999, a portion of the proceeds of which the Service has determined to use to provide for the payment of the Series 1990 Bonds, by depositing with the Escrow Deposit Agent immediately available funds sufficient to purchase noncallable, non-prepayable direct obligations of, or noncallable non-prepayable obligations the timely payment of the principal of and the interest on which are unconditionally guaranteed by, the United States of America which mature at stated fixed prices as to principal and interest at such times so that sufficient moneys will be available from such maturing principal and interest to pay interest on and principal of the bonds maturing on March 1, 2001 and to pay interest on when due and to redeem on the Series 1990 Bonds at a redemption price of 102% of the principal amount thereof.

NOW, THEREFORE, the Service and the Escrow Deposit Agent, intending to be legally bound hereby and in consideration of the mutual covenants hereinafter contained, do hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions.

All terms defined in the Recitals to this Escrow Deposit Agreement shall have the meanings set forth therein. In addition, the following terms used in this Escrow Deposit Agreement shall have the meanings hereinafter provided for such terms, unless a different meaning clearly appears from the context:

"Bond Counsel" means an attorney at law or firm of attorneys at law selected by the Service regularly rendering opinions of general acceptance in the municipal bond market.

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

"Service" means the Maryland Environmental Service, a body politic and corporate constituting an instrumentality of the State of Maryland.

"Escrow Deposit Agent" means The Bank of New York, a national banking association, as Escrow Deposit Agent under this Escrow Deposit Agreement.

"Escrow Deposit Agreement" means this Escrow Deposit Agreement relating to the Service's Revenue and Refunding Bonds (Mid-Shore Regional Landfill Project) Series 1999 dated as of _____, 1999, between the Service and the Escrow Deposit Agent.

"Escrow Deposit Fund" means the fund which are created and established under this Escrow Deposit Agreement.

"Escrowed Government Obligations" means Government Obligations on deposit from time to time to the credit of the Escrow Deposit Funds created and established by this Escrow Deposit Agreement.

"Government Obligations" means noncallable, non-prepayable direct obligations of, or noncallable and non-prepayable obligations the full and timely payment of the principal of and the interest on which are unconditionally guaranteed by, the United States of America, including noncallable stripped coupons of the above investments issued under the United States Treasury STRIP program if the underlying obligation of the strip is noncallable at the option of the issuer prior to the time it is required to pay debt service hereunder and the interest components of Resolution Funding Corporation Debt Obligations ("REFCORP") for which the underlying bond is noncallable (or noncallable before the due date of such interest component). Such obligations may not include obligations of mutual funds or unit investment trusts that invest in like instruments.

ARTICLE II

ESCROW FOR REFUNDED BONDS

Section 2.01. Receipt of Resolution.

The Escrow Deposit Agent hereby acknowledges receipt of (a) copies of a Resolution adopted February 27, 1990 by the Service and (b) a specimen of the 1990 Refunded Bonds certified as being true and correct by the Trustee.

Section 2.02. Establishment of Escrow Deposit Fund.

(a) There is hereby created and established with the Escrow Deposit Agent a special and irrevocable escrow deposit fund designated "Escrow Deposit Fund" (the "Escrow Deposit Fund") to be held in trust by the Escrow Deposit Agent separate and apart from other funds of the Service and of the Escrow Deposit Agent.

(b) Simultaneously with the receipt of the proceeds of the sale of the Refunding Bonds, the Service shall deliver to the Escrow Deposit Agent (i) for deposit in the Escrow Deposit Fund immediately available funds aggregating \$_____, to be applied solely as provided in this Escrow Deposit Agreement. The Service represents that, based on the verification report of The Arbitrage Group, LLC dated _____ relating to the Refunding Bonds, such funds will be sufficient to purchase Government Obligations in the escrow deposit fund that will mature in principal amounts at such times and bear interest at a rate or rates so that sufficient moneys will be available from such maturing principal and interest and any cash balance to pay, from amounts in the Escrow Deposit Fund, interest when due and to pay on March 1, 2000 the redemption price of the 1990 Refunded Bonds at the redemption price of 102% of the principal amount thereof. The Service further represents that such funds are derived from the net proceeds of the sale of the Refunding Bonds.

Section 2.03. Deposit Irrevocable.

The deposit of funds in the Escrow Deposit Fund shall constitute an irrevocable deposit of such funds for the equal and ratable benefit of the holders of the Refunded Bonds. The principal of the Escrowed Government Obligations deposited in the Escrow Deposit Fund, interest earned thereon and any proceeds from the sale thereof shall be held in escrow and shall be applied, as hereinafter set forth, solely to the payment of the principal and redemption price of and interest on the Refunded Bonds, respectively, or as described in Section 2.10.

Section 2.04. Investment.

(a) The Escrow Deposit Agent hereby acknowledges creation and establishment of the Escrow Deposit Fund and acknowledges receipt of the sums described in Section 2.02 of this Escrow Deposit Agreement. Simultaneously with the receipt of and deposit of the funds described in Section 2.02 hereof, the Escrow Deposit Agent shall apply \$_____ of such funds on deposit in the Escrow Deposit Fund to the purchase of the Government Obligations described in Schedule A. The balance of such funds in the amount of \$_____ shall be held by the Escrow Deposit Agent in cash.

(b) The Escrow Deposit Agent shall hold the Government Obligations described in Schedule A and apply amounts received from the maturing principal and interest thereof in any manner prescribed by Bond Counsel, in order to comply with the requirements of Section 2.04 hereof, subject to the requirement that the Escrow Deposit Agent shall make payments from the Escrow Deposit Fund required to be made on account of the Refunded Bonds pursuant to Section 2.02 hereof.

(c) Except as otherwise expressly provided in this Section 2.04 or Section 2.05, the Escrow Deposit Agent shall have no power or duty to invest any moneys held hereunder or to make substitutions of Escrowed Government Obligations held hereunder.

(d) The Service hereby covenants that no part of the moneys or funds at any time in the Escrow Deposit Fund shall be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause the Refunding Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

Section 2.05 Use of Funds and Payment of the Refunded Bonds and Fees.

The Escrow Deposit Agent shall pay to the Trustee for the 1990 Refunded Bonds from cash on hand in the Escrow Deposit Fund, a sum sufficient (i) to pay interest when due on the 1990 Refunded Bonds through their respective redemption dates and (ii) to pay the redemption price of the 1990 Refunded Bonds on March 1, 2000 as set forth in Schedule B attached hereto.

Section 2.06. Pledges and Liens.

The Service hereby assigns and pledges to the Escrow Deposit Agent for the benefit of the holders of the Refunded Bonds and grants to the Escrow Deposit Agent for the benefit of such holders of the Refunded Bonds a security interest in the Escrowed Government Obligations and funds on deposit in the Escrow Deposit Fund and the interest income thereon. The Escrow Deposit Agent shall have an express first lien on, pledge of and security interest in all funds, Escrowed Government Obligations and income earned then on deposit in or credited to the Escrow Deposit Funds until such funds, Escrowed Government Obligations and income are used and applied in accordance with this Escrow Deposit Agreement, all for the benefit of the holders of the Refunded Bonds.

Section 2.07. Redemption.

(a) The Service represents that it has irrevocably elected to redeem on March 1, 2000 at the redemption price of 102% of the principal amount of, and to pay interest accrued and unpaid to March 1, 1999 on the \$5,430,000 aggregate principal amount of the 1990 Refunded Bonds, being bonds stated to mature on and after March 1, 2001.

(b) The Service hereby directs the Escrow Deposit Agent to mail, or cause to be mailed, the applicable notice of redemption with respect to the 1990 Refunded Bonds substantially in the applicable forms set forth in Exhibit A attached hereto, by first class mail, postage prepaid, at least thirty (30) days prior to each date of redemption, to all registered owners of the applicable Refunded Bonds at their addresses as they appear on the registration books maintained by the bond registrar for the 1990 Refunded Bonds.

(d) The cost of the notices described in subparagraph 2.07(b) shall be paid by the Service pursuant to Section 2.12 hereof.

Section 2.08. Fees and Expenses of Escrow Deposit Agent.

The Service shall pay the Escrow Deposit Agent the fees set forth in the Fee Letter of the Escrow Deposit Agent dated _____. The Service will provide for the payment of the reasonable out-of-pocket expenses incurred by the Escrow Deposit Agent in the performance of its duties under this Escrow Deposit Agreement, including, as provided in Section 2.12, the cost of publishing notices under Section 2.07 and 2.11 hereof. No fees and expenses of the Escrow Deposit Agent other than those described in this Section 2.08 are anticipated. However, if the Escrow Deposit Agent incurs any unusual or extraordinary expenses, or undertakes any unusual or extraordinary services, not anticipated at the time of the execution and delivery of this Escrow Deposit Agreement, the Escrow Deposit Agent may request payment of its reasonable fees and expenses in connection therewith from the Service. The Escrow Deposit Agent shall assert no lien whatsoever upon any of the moneys in the Escrow Deposit Fund for the payment of its fees and expenses.

Section 2.09. Liability and Duties of Escrow Deposit Agent.

(a) The Escrow Deposit Agent and its respective successors, assigns, agents and servants, absent negligence or willful misconduct, shall not be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the execution and delivery of this Escrow Deposit Agreement, the establishment of the Escrow Deposit Funds, the acceptance of the moneys deposited therein, the purchase of Escrowed Government Obligations, the retention of the Escrowed Government Obligations or the proceeds thereof, or any payment, transfer or other application of moneys or securities by the Escrow Deposit Agent in accordance with the provisions of this Escrow Deposit Agreement.

(b) This Escrow Deposit Agreement sets forth exclusively the duties of the Escrow Deposit Agent with respect to any and all matters pertinent hereto and no implied duties or obligations shall be read into this Escrow Deposit Agreement against the Escrow Deposit Agent. The Escrow Deposit Agent may act in reliance upon any instrument or signature believed by it to be genuine and may assume that any person purporting to give any writing, notice, advice or direction in connection with the provisions hereof has been duly authorized to do so.

Section 2.10. Term; Disposition of Surplus Funds.

This Escrow Deposit Agreement shall become effective upon its execution and delivery and shall terminate when all the Refunded Bonds and interest due thereon have been paid and discharged.

Upon the payment of the redemption price of the Refunded Bonds from funds on deposit in the Escrow Deposit Fund and after payment of any unpaid expenses of the Escrow Deposit Agent relating to the redemption of the Refunded Bonds, any moneys and Escrowed Government Obligations remaining in the Escrow Deposit Fund shall be paid and delivered by the Escrow Deposit Agent to the Service or to a depository designated by the Service, to be applied at the Service's discretion in a manner consistent with Section 2.04 hereof.

Section 2.11. Notice of Refunding.

Within thirty (30) days after the delivery of and payment for the Refunding Bonds, the Escrow Deposit Agent shall mail or cause to be mailed, the notice of redemption, substantially in the form set forth in Exhibit B hereto, to all registered owners of the Refunded Bonds at their addresses as they appear on the registration books maintained by the bond registrar for the Refunded Bonds.

Section 2.12. Costs of Notices.

The Escrow Deposit Agent shall submit to the Service for payment by the Service all receipts and invoices for costs and expenses related to the publications and mailings described in Section 2.07 and Section 2.11 hereof.

Section 2.13. Replacement of Escrow Deposit Agent.

The Escrow Deposit Agent may resign by notice in writing given to the Service and published once in a financial trade journal or daily newspaper of general circulation in the Borough of Manhattan, New York, New York, not less than sixty (60) days before such resignation is to take effect. The cost of such publication shall be the responsibility of the Escrow Deposit Agent. Such resignation shall take effect only upon the appointment and qualification of and the acceptance of duties by a successor Escrow Deposit Agent, as described below. The Escrow Deposit Agent may be removed at any time for any breach of trust or failure to comply with the terms of this Escrow Deposit Agreement by any court of competent jurisdiction upon the application of the Service or the registered holders of not less than ten percent (10%) in aggregate principal amount of the outstanding Refunded Bonds.

Upon resignation or removal of the Escrow Deposit Agent, a successor Escrow Deposit Agent (which shall be a commercial bank, trust company or national banking association having a combined capital and surplus of at least \$50,000,000 and which shall be subject to supervision or examination by federal or state authority) shall be appointed by the Service or, if the Service shall fail to make such appointment within forty-five (45) days following removal or receipt of notice of resignation of the predecessor Escrow Deposit Agent, by any court of competent jurisdiction upon the petition of any registered holder of any of the outstanding Refunded Bonds. Such successor Escrow Deposit Agent shall agree in writing to assume all of the duties and obligations of the Escrow Deposit Agent under this Escrow Deposit Agreement and, upon such agreement, without any further act, deed or conveyance, shall immediately become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of its predecessor Escrow Deposit Agent.

Upon the resignation or removal of the initial Escrow Deposit Agent hereunder, Signet Trust Company will refund to the Service a pro rata portion of the fee paid to the Escrow Deposit Agent pursuant to Section 2.08 hereof, such pro rata portion representing the fee payable with respect to the remaining unexpired term of this Escrow Deposit Agreement.

Section 2.14. Amendments.

This Escrow Deposit Agreement shall not be amended without the consent of the parties hereto and all the holders of the Refunded Bonds then outstanding; provided, however, that the Service and the Escrow Deposit Agent may, without the consent of, or notice to, such holders, enter into such agreements supplemental to this Escrow Deposit Agreement (the "Amendments" or "Amendment") as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Escrow Deposit Agreement, for any one or more of the following purposes:

(i) to cure any ambiguity or formal defect or omission in this Escrow Deposit Agreement;

(ii) to grant to, or confer upon the Escrow Deposit Agent for the benefit of such holders any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Deposit Agent; and

(iii) to make any other amendment deemed necessary by the Service and the Escrow Deposit Agent to sever any clause or provision in this Agreement deemed to be illegal or unenforceable.

The Escrow Deposit Agent shall not undertake or execute any Amendment unless it has received an opinion of nationally recognized bond counsel that (A) if such Amendment had been adopted on the date of issuance of the Refunding Bonds, such Amendment would not have caused the Refunding Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the regulations and rulings thereunder applicable to the Refunding Bonds on the date of the Amendment; (B) the Amendment will not cause any of the Refunded Bonds to be "arbitrage bonds;" and (C) the Amendment complies with this Section.

Prior to any amendment or revocation of this Agreement, the Escrow Deposit Agent shall give notice and provide draft legal documents to (i) Moody's Investors Service, Inc. at Moody's Investors Service, Inc., Public Finance Rating Desk/Refunded Bonds, 99 Church Street, New York, New York 10007, (ii) Standard & Poor's Corporation, 25 Broadway, New York, New York 10004, and (iii) Fitch Investors Services, Inc., One State Street Plaza, New York, New York 10004. Failure to give the notices required in this paragraph, however, shall not constitute an event of default hereunder.

Section 2.15. Reports by Escrow Deposit Agent.

Within thirty (30) days following June 30, 1999, the Escrow Deposit Agent shall forward to the Service a statement describing the Escrowed Government Obligations and cash held at the end of business on June 30 in the Escrow Deposit Fund, including the income earned therefrom

and the maturities thereof, and any withdrawals of money from the Escrow Deposit Fund since the date of this Agreement.

ARTICLE III

MISCELLANEOUS

Section 3.01. Entire Agreement.

This Escrow Deposit Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof and may be executed simultaneously in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 3.02. Section and Paragraph Headings.

The Service and the Escrow Deposit Agent agree that the Section and paragraph headings have been prepared for convenience only and are not part of this Escrow Deposit Agreement and shall not be taken as an interpretation of any provision of this Escrow Deposit Agreement.

Section 3.03. Severability.

If any clause, provision or Section of this Escrow Deposit Agreement is held illegal or invalid by any court, the invalidity of such clause, provision or Section shall not affect any of the remaining clauses, provisions or Sections hereof, and this Escrow Deposit Agreement shall be construed and enforced as if such illegal or invalid clause, provision or Section had not been contained herein. In case any agreement or obligation contained in this Escrow Deposit Agreement is held to be in violation of law, then such agreement or obligation shall be determined to be the agreement or obligation of the Service or the Escrow Deposit Agent, as the case may be, only to the full extent permitted by law. Immediately after such occurrence, the Escrow Deposit Agent shall notify Moody's Investors Service, Inc., Standard & Poor's Corporation and Fitch Investors Services, Inc. at their addresses provided in Section 2.14.

Section 3.04. Maryland Law.

This Escrow Deposit Agreement is executed and delivered with the intent that the laws of the State of Maryland shall govern.

Section 3.05. Escrow Deposit Agreement Constitutes Security Agreement.

The Service executes this Escrow Deposit Agreement as a debtor under the Maryland Uniform Commercial Code and the Escrow Deposit Agent executes this Escrow Deposit Agreement as a secured party under the Maryland Uniform Commercial Code, it being intended

by the parties hereto that this Escrow Deposit Agreement shall constitute and be a security agreement under the laws of the State of Maryland.

Section 3.06. Representations.

The Service hereby represents that (a) the Service was duly created by and is in existence under the laws of the State of Maryland, and the Service possesses the authority under an Resolution adopted on February 25, 1999, to enter into the transactions contemplated by this Escrow Deposit Agreement; (b) the Service is not in default under any of the provisions of the laws of the State of Maryland which would affect its existence or its power referred to in the preceding clause (a); and (c) the Service has taken due and proper action to authorize the execution and delivery of this Escrow Deposit Agreement.

Section 3.07. Execution in Several Counterparts.

This Escrow Deposit Agreement 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.

IN WITNESS WHEREOF, the parties hereto have caused this Escrow Deposit Agreement to be duly executed, sealed and delivered as of the day and year first written above.

(SEAL)

MARYLAND ENVIRONMENTAL SERVICE

By: _____
James W. Peck, Director

Attest:

(SEAL)

THE BANK OF NEW YORK
as Escrow Deposit Agent

By: _____

Attest:

Authorized Officer

STATE OF MARYLAND, CITY OF ANNAPOLIS, TO WIT:

I HEREBY CERTIFY, that on this ___ day of _____ in the year 1999, before the subscriber, a Notary Public in and for the State of Maryland, personally appeared _____, of the State of Maryland, and on behalf of the said Service acknowledged the foregoing Escrow Deposit Agreement to be the act and deed of _____, Maryland.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Notary Public

My Commission Expires:

STATE OF NEW YORK; TO WIT:

I HEREBY CERTIFY, that on this ___ day of _____ in the year 1999 before the subscriber, a Notary Public in and for the State, personally appeared _____, of The Bank of New York, a national banking association having its principal office in the Service of New York, New York, and on behalf of the said association acknowledged the foregoing Escrow Deposit Agreement to be the act and deed of The Bank of New York.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Notary Public

My Commission Expires:

EXHIBIT A
to Escrow Deposit Agreement

NOTICE OF REDEMPTION

**Maryland Environmental Service
Revenue Bonds
(Mid-Shore Regional Landfill Project),
Series 1990**

NOTICE IS HEREBY GIVEN of the election by _____, to redeem on _____, \$_____ aggregate principal amount of its Public Improvements Bonds, 1990 Series stated to mature on and after _____, and bearing the following numbers:_____.

The above bonds will become due and will be redeemed on _____ at the redemption price of 102% (expressed as a percentage of the principal amount of the bonds to be redeemed), together with interest accrued to _____, upon presentation and surrender thereof, at the principal corporate trust office of The Bank of New York, New York, New York (the "Trustee"). From and after _____ interest will cease to accrue on the above bonds called for redemption.

Dated: _____, 199_ _____

EXHIBIT B
to Escrow Deposit Agreement

NOTICE OF REFUNDING
Maryland Environmental Service
Revenue Bonds
(Mid-Shore Regional Landfill Project),
Series 1990

NOTICE IS HEREBY GIVEN that there have been deposited in trust with the undersigned Escrow Deposit Agent direct obligations of, or obligations unconditionally guaranteed by, the United States of America (the "Government Obligations").

The projected principal and interest payments to be derived from the Government Obligations will be held in trust by the undersigned Escrow Deposit Agent to the payment of the redemption price on _____ of the \$_____ aggregate principal amount of the _____, 1990 Series maturing on and after _____. The projected principal and interest payments to be derived from the Government Obligations have been calculated to be adequate to make these payments. Such payments to the holders of the _____, being refunded shall be made at the places, in the manner, in such medium of payment, by the Trustees and otherwise as provided in the Bonds and the Resolution passed by the Service relating to such Bonds.

The Bank of New York
as Escrow Deposit Agent

**SCHEDULE A
to Escrow Deposit Agreement**

ESCROW DEPOSIT FUND

<u>Maturity Date</u>	<u>Amount Maturing</u>	<u>Interest Rate</u>	<u>Cost</u>	<u>Type of Security</u>
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**SCHEDULE B
to Escrow Deposit Agreement**

**DEBT SERVICE REQUIREMENTS:
1999 REFUNDED BONDS**

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Premium</u>	<u>Total</u>
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**ACKNOWLEDGMENT BY TRUSTEE FOR THE 1990 REFUNDED
BONDS**

The Bank of New York, as Trustee (the "Trustee") in connection with the Maryland Environmental Service's Maryland Environmental Service Revenue Bonds (Mid-Shore Regional Landfill Project), Series 1990, hereby acknowledges the execution of the attached Escrow Deposit Agreement.

Dated: _____

THE BANK OF NEW YORK
as Trustee

ATTEST:

By: _____

CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** (this "Disclosure Agreement") is executed and delivered by the Maryland Environmental Service (the "Service") in connection with the issuance of its \$_____ Maryland Environmental Service Revenue and Refunding Bonds (Mid-Shore Regional Landfill Project) 1999 Series (the "Bonds"). The Bonds are being issued pursuant to a resolution passed by the Service on February 25, 1999. 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:

"**Listed Events**" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

"**NRMSIR**" shall mean any nationally recognized municipal securities information repository for purposes of the Rule.

"**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.

"**SID**" shall mean any public or private depository or entity designated by the State of Maryland as a state depository for the purpose of the Rule.

Section 3. Provision of Annual Financial Information, Operating Data and Audited Information.

(a) The Service shall provide to each NRMSIR and to the SID, if any, annual audited financial statements for the Mid-Shore Regional Landfill Project, such information to be made

made available within 275 days after the end of the Service's fiscal year, commencing with the fiscal year ending June 30, 1998, 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, 1998), the Service will provide unaudited financial statements within said time period.

(b) Except as otherwise set forth in this paragraph (c), 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.

(i) 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;

(ii) 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 each NRMSIR or to the Municipal Securities Rulemaking Board and to the SID, if any.

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 each NRMSIR or the Municipal Securities Rulemaking Board and the SID, if any.

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 the 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 Director of the Service, 2011 Commerce Park Drive, Annapolis, Maryland 21401, 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.

IN WITNESS WHEREOF this Continuing Disclosure Agreement is being executed by the Director of the Maryland Environmental Service as of this ___ day of March, 1999.

MARYLAND ENVIRONMENTAL SERVICE

By: _____
James W. Peck, Director

A-1

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15067-1B

MARYLAND ENVIRONMENTAL SERVICE

and

THE BANK OF NEW YORK

**FOURTH SUPPLEMENTAL
INDENTURE OF TRUST**

Dated as of March 1, 1999

\$ _____

**Maryland Environmental Service
Revenue and Refunding Bonds
(Mid-Shore Regional Landfill Project),
Series 1999**

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FOURTH SUPPLEMENTAL INDENTURE OF TRUST

THIS FOURTH SUPPLEMENTAL INDENTURE OF TRUST, dated as of March 1, 1999, 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, a national banking association, as trustee (the "Trustee").

RECITALS

Chapter 240 of the Laws of Maryland of 1970, as amended from time to time by acts of the General Assembly of the State, including Chapter 196 of the Laws of Maryland of 1993, codified at Sections 3-101 to 3-130, inclusive, of the Natural Resources Article of the Annotated Code of Maryland (1997 Replacement Volume and 1998 Supplement) (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.

On February 27, 1990, the Service adopted a resolution authorizing the issuance, sale and delivery of \$8,075,000 aggregate principal amount of its Revenue Bonds (Mid-Shore Regional Landfill Project), Series 1990 (the "Series 1990 Bonds"), in order to finance a portion of the cost of the acquisition and construction of a regional landfill in Talbot County, Maryland (the "Regional Landfill"). The Series 1990 Bonds were issued on March 8, 1990, pursuant to an Indenture of Trust, dated as of February 15, 1990 (the "Original Indenture") between the Service and The Bank of New York as successor to The Riggs National Bank of Maryland.

The Service owns and operates the Regional Landfill, and has entered into a Waste Disposal Service Agreement (each, a "Service Agreement") with each of County Commissioners of Caroline County, County Commissioners of Queen Anne's County, County Commissioners of Kent County and Talbot County, Maryland (collectively, the "Subdivisions"), providing for the delivery to the Service for disposal of solid waste generated within the boundaries of the Subdivisions.

On December 23, 1993 the Service issued its Revenue Bond Anticipation Notes (Mid-Shore Regional Landfill Project) Series 1993 (the "Series 1993 Notes"), as Additional Bonds pursuant to the Original Indenture, as supplemented and amended by the First Supplemental Indenture of Trust dated as of December 15, 1993. The Service determined to issue its Revenue Bond Anticipation Notes (Mid-Shore Regional Landfill Project) Series 1994 (the "Series 1994 Notes") as Additional Bonds pursuant to the Original Indenture, as supplemented and amended by the by the First Supplemental Indenture of Trust and Second Supplemental Indenture of Trust for the purpose of paying the principal of the Series 1993 Notes at their maturity. On November 10, 1994, the Service issued its Revenue Bonds (Mid-Shore Regional Landfill Project) Series 1994 (the "Series 1994 Bonds") as Additional Bonds pursuant to the Original Indenture, as supplemented and amended by the First Supplemental Indenture of Trust, Second Supplemental Indenture of Trust, and Third Supplemental Indenture of Trust for the purpose of (i) redeeming

the principal of the Series 1994 Notes, (ii) paying a portion of the cost of closing the Easton Landfill located adjacent to the Regional Landfill, (iii) funding the costs of design, construction and operation of Cell Number 2 of the Regional Landfill, (iv) funding the Debt Service Reserve Fund and (v) paying the costs of issuing and selling the Bonds (collectively, the "1994 Project").

The Service has determined to issue its Revenue and Refunding Bonds (Mid-Shore Regional Landfill Project) Series 1999 (the "Series 1999 Bonds") for the purpose of (i) paying the principal and interest on the Series 1990 Bonds maturing on March 1, 2000 and refunding the Series 1990 Bonds maturing on or after March 1, 2001 which are subject to redemption and, (ii) funding the costs of design, construction and operation of Cell Number 2A, (iii) funding the Debt Service Reserve Fund, and (iv) paying the costs of issuing and selling the Bonds (collectively, the "1999 Project").

The Original Indenture provides that the Series 1990 Bonds and any Additional Bonds (defined herein) issued from time to time under the Original Indenture (collectively, the "Bonds") will be equally and ratably secured to the extent provided in the Original Indenture and herein by a pledge and assignment of the Trust Estate (defined in the Original Indenture).

The Series 1999 Bonds and the Certificate of Authentication to be endorsed thereon are to be substantially in the forms set forth in Appendix A, attached hereto and made a part hereof, with appropriate insertions, omissions and variations as permitted hereby.

All things necessary to make the Series 1999 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 1999 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 Series 1999 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 Series 1999 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 Series 1999 Bonds, does hereby grant, bargain, sell, convey, assign and pledge, and grant a security interest in, the following to the Trustee, for the equal and ratable benefit of the holders of the Series 1999 Bonds, and their respective successors and assigns, forever, subject only to the provisions of the Original Indenture and this Fourth Supplemental Indenture permitting the application thereof on the terms and conditions set forth in the Original Indenture:

GRANTING CLAUSE FIRST

All of the right, title and interest of the Service in and to the proceeds of the Series 1999 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 Series 1999 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 Series 1999 Bonds over any other Series 1999 Bonds, except that (i) the Revenues and all other property described in the Granting Clause Second is pledged pursuant to the Original Indenture for the equal and ratable benefit, security and protection of all present and future owners of Bonds and (ii) the holders of the Series 1999 Bonds shall have no interest in or claim to and shall not be secured by any moneys on deposit in the funds and accounts established pursuant to the Original Indenture for the benefit of the Series 1990 Bonds or the Series 1994 Bonds;

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 Series 1999 Bonds, according to the true intent and meaning thereof, or shall provide for the payment thereof as permitted by Article IX of the Original Indenture, and shall perform and observe all the covenants and conditions of the Original 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 of the Original Indenture, the lien of the Original Indenture and this Fourth Supplemental Indenture shall be discharged and satisfied; otherwise the Original Indenture and this Fourth Supplemental Indenture to be and remain in full force and effect.

All Series 1999 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 respective owners of the Series 1999 Bonds as provided in the Original Indenture and as follows:

ARTICLE I

DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.01. Definitions.

Terms used in this Fourth Supplemental Indenture and not defined herein shall have the respective meanings given such terms in the Original Indenture. As used in this Fourth Supplemental Indenture, the following terms shall have the meanings set forth below, unless a different meaning clearly appears from the context: "Fourth Supplemental Indenture" means the Fourth Supplemental Indenture of Trust dated as of March 1, 1999, between the Service and The Bank of New York, as trustee; "Original Indenture" means the Indenture of Trust dated as of February 15, 1990, between the Service and The National Bank of Maryland, as trustee; "Series 1994 Bonds" means the \$7,000,000 Maryland Environmental Service Revenue Bonds (Mid-Shore Regional Landfill Project) Series 1994; "Series 1999 Bonds" means the \$_____ Maryland Environmental Service Revenue and Refunding Bonds (Mid-Shore Regional Landfill Project) Series 1999; the "Project" constitutes "Additional Facilities" under and as defined in the Original Indenture and includes the cost of the design, construction and operation of Cell Number 2A of the Mid-Shore Regional Landfill (the "Regional Landfill"); and "Revenues" clause (iii) is amended and restated to read as: "all other receipts of the Service attributable to the ownership, leasing or operation of the Regional Landfill and the financing or refinancing of the Project and any other Additional Facilities with the proceeds of Bonds;" "The Bond Insurer" means Ambac Indemnity Corporation; "Insurance Default", "Municipal Bond Insurance Policy" and "Due for Payment" shall have the meanings set forth in the Original Indenture except that they shall refer to the Series 1999 Bonds.

Section 1.02. Rules of Construction.

Unless the context clearly indicates to the contrary, the following rules shall apply to the construction of this Fourth Supplemental 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 Fourth Supplemental 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 the Revenue Fund, the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Fund Account, the Redemption Fund, the Rebate Fund or the Construction Fund shall be to the fund or account so designated that is created under Section 4.01.

(f) Any reference to a particular Article or Section shall be to such Article or Section of this Fourth Supplemental Indenture unless the context shall otherwise require.

ARTICLE II

AUTHORIZATION AND DETAILS OF THE SERIES 1999 BONDS

Section 2.01. Series 1999 Bonds Authorized.

There is hereby authorized the issuance under this Indenture of a Series of Bonds in the aggregate principal amount of _____ Dollars (\$_____), which shall be designated "Maryland Environmental Service Revenue and Refunding Bonds (Mid-Shore Regional Landfill Project) Series 1999," for the purpose of paying the cost of the 1999 Project.

Section 2.02. Details of Series 1999 Bonds; Form of Bonds and Certificate of Authentication.

The Series 1999 Bonds shall be issued as fully registered bonds without coupons. The Series 1999 Bonds shall bear interest at the rate or rates of interest per annum (calculated on the basis of a 360-day year consisting of twelve 30-day months) set forth below and shall mature on September 1 in each of the years and in amounts as follows:

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate
2000	\$	%	2005	\$	%
2001			2006		
2002			2007		
2003			2008		
2004			2009		
			2010		

The Series 1999 Bonds shall be subject to redemption prior to maturity, and shall otherwise have the terms, tenor, denominations, details and specifications as set forth in the form of Series 1999 Bond attached hereto as Appendix A.

The Series 1999 Bonds issued under this Fourth Supplemental Indenture shall be substantially in the form set forth in Appendix A attached hereto and made a part hereof with such insertions, omissions and variations as may be deemed necessary or appropriate by the

Authorized Officer of the Service executing the same and as shall be permitted by the Act. The Service hereby adopts the form of Series 1999 Bond set forth in Appendix A hereto, and all of the covenants and conditions set forth therein, as and for a form of obligation to be incurred by the Service under this Fourth Supplemental Indenture. The covenants and conditions set forth in the form of Series 1999 Bond are incorporated into this Fourth Supplemental Indenture by reference and shall be binding upon the Service as though set forth in full herein.

Section 2.03. Conditions Precedent to Delivery of Series 1999 Bonds.

The Series 1999 Bonds shall be executed by the Service and delivered to the Trustee, whereupon the Trustee shall authenticate the Series 1999 Bonds and, upon payment of the purchase price of the Series 1999 Bonds, shall deliver the Series 1999 Bonds upon the order of the Service, but only upon delivery to the Trustee of:

(a) a counterpart of this Fourth Supplemental Indenture authorizing the issuance of the Series 1999 Bonds executed by the parties hereto;

(b) an opinion of Bond Counsel to the effect that (i) this Fourth Supplemental Indenture authorizing the issuance of the Series 1999 Bonds has been duly authorized, executed and delivered by the Service and, assuming the due authorization, execution and delivery thereof by the Trustee, constitutes the valid and binding obligation of the Service; (ii) the Service is duly authorized and entitled to issue the Series 1999 Bonds, and Series 1999 Bonds executed, authenticated and delivered as provided in this Fourth Supplemental Indenture have been duly and validly issued and constitute valid and binding limited obligations of the Service; and (iii) the issuance of such Series 1999 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 the Series 1999 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;

(d) a written order of the Service directing the authentication and delivery of the Series 1999 Bonds, describing the Series 1999 Bonds to be authenticated and delivered, designating the purchasers to whom the Series 1999 Bonds are to be delivered, stating the purchase price of the Series 1999 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) 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 of the Original Indenture), 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 the Series 1999 Bonds.

Section 2.04. Book Entry of Series 1999 Bonds.

The provisions of this Section shall apply to the Series 1999 Bonds so long as all of the Series 1999 Bonds shall be maintained in book-entry form with DTC, any other provisions of the Indenture to the contrary notwithstanding during such period.

(a) Principal and interest payments on the Series 1999 Bonds shall be payable to Cede & Co., as nominee of DTC, or to DTC's registered assigns, as the registered owner of the Series 1999 Bonds, in next day funds on each date on which the principal or Redemption Price of or interest on the Series 1999 Bonds is due as set forth in the Indenture and in the Series 1999 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 1999 Bonds or their nominees will be the responsibility of DTC's participants. Transfers of beneficial ownership of the Series 1999 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 1999 Bonds if the Service, in its sole discretion, determines that DTC is incapable of discharging its duties with respect to the Series 1999 Bonds, or that the interest of the beneficial owners of the Series 1999 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 1999 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 1999 Bonds only in the event that (i) DTC determines not to continue to act as securities depository for the Series 1999 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 1999 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 1999 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 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 1999 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 1999 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 1999 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 1999 Bonds, DTC, upon ten (10) days prior notice, shall provide to the Service a listing showing the participants' interests in the Series 1999 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 name of such beneficial owners. Replacement Bonds issued to a replacement securities depository shall have the same terms, form and content as the Series 1999 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 of this Indenture.

(d) DTC and its participants and the beneficial owners of the Series 1999 Bonds by their acceptance of the Series 1999 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 1999 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 1999 Bonds.

ARTICLE III

REDEMPTION OF SERIES 1999 BONDS

Section 3.01 Selection of Series 1999 Bonds to Be Redeemed.

If fewer than all of the Series 1999 Bonds of any one maturity shall be called for redemption, the Trustee shall select the particular Series 1999 Bonds or portions of Series 1999 Bonds to be redeemed from such maturity by lot or in such other manner as the Trustee in its discretion may deem proper; provided, however, that the portion of any Series 1999 Bond to be redeemed shall be in the principal amount of \$5,000 or an integral multiple thereof, and that, in selecting Series 1999 Bonds for redemption, the Trustee shall treat each Series 1999 Bond as representing that number of Series 1999 Bonds which is obtained by dividing the principal amount of such Bond by \$5,000.

So long as all of the Series 1999 Bonds shall be maintained in book-entry form with DTC, the Trustee shall notify DTC of the maturities and principal amounts of the Series 1999 Bonds to be redeemed, and such notification is hereby deemed to be in a proper manner of selection of the Series 1999 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 1999 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(d) of the Series 1999 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), or 5(b) of the Series 1999 Bonds, as the case may be.

(b) Each notice of redemption of Series 1999 Bonds shall be given in accordance with the terms of the Series 1999 Bonds at least 30 days before the redemption date and shall set forth (i) the maturities of the Series 1999 Bonds to be redeemed, (ii) the date fixed for redemption, (iii) the Redemption Price to be paid, (iv) that such Series 1999 Bonds will be redeemed at the principal corporate trust office of the Trustee, (v) if fewer than all of the Series 1999 Bonds of any one maturity then Outstanding shall be called for redemption, the distinctive numbers and letters, if any, of the Series 1999 Bonds to be redeemed, (vi) in the case of the Series 1999 Bonds to be redeemed in part only the portion of the principal amount thereof to be redeemed, and (vii) that on the redemption date there shall become due and payable upon all Series 1999 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. If any Series 1999 Bond is to be redeemed in part only, the notice of redemption that relates to such Series 1999 Bond shall state also that on or after the redemption date, upon surrender of such Series 1999 Bond to the Trustee at its principal 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 the Indenture, will be issued in aggregate principal amount equal to the unredeemed portion of such

Series 1999 Bond. Each notice of redemption with respect to any Series 1999 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 1999 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 1999 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 1999 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(d) of the Series 1999 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 1999 Bond or portion thereof to be redeemed and (ii) the date on which the notice of redemption with respect to such Series 1999 Bond or portion thereof is to be published.

Section 3.03. Redemption of Portion of Bond.

In case part but not all of an Outstanding Series 1999 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 registered owner of such Bond or the owner'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.

ARTICLE IV

REVENUES AND FUNDS

Section 4.01. Creation of Funds and Accounts.

(a) The following funds and separate accounts within funds are hereby created for the benefit of the holders of all Series 1999 Bonds Outstanding under this Fourth Supplemental Indenture:

Construction Fund;
 Closure Expenses Account
Debt Service Fund:
 Interest Account,
 Principal Account, and
 Redemption Fund;
1999 Debt Service Reserve 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.

Each such fund or account shall be held by the Trustee hereunder.

(b) As provided in the Original Indenture, such funds and accounts created for the Series 1999 Bonds shall be held and maintained by the Trustee as provided in the Original Indenture and this Fourth Supplemental Indenture solely for the benefit of the holders of the Series 1999 Bonds and are not pledged to the payment of any other Bonds.

(c) The Service has agreed to hold in its operating funds an amount equal to the Operating Reserve Requirement. The Operating Reserve Requirement for each year is defined 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.

(d) A Closure Expenses Account held by the Trustee shall be created to contain certain funds of the Service to be used for closure expenses.

The Rebate Fund is not pledged to the payment of any Series 1999 Bonds.

Section 4.02. Application of Proceeds of Series 1999 Bonds.

In accordance with Section 3-119 of the Act, the proceeds of the Series 1999 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 Series 1999 Bonds, subject to and in accordance with the terms of this Fourth Supplemental Indenture. Upon receipt of such proceeds, the Trustee shall deposit such proceeds as follows: (i) any accrued interest on the Series 1999 Bonds shall be deposited in the Interest Account, (ii) \$_____, being an amount equal to the net capitalized interest on the Series 1999 Bonds, shall be deposited in a separate segregated subaccount in the Interest Account, (iii) \$_____, being an amount necessary to make the amount on deposit in the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement, shall be deposited in the Debt Service Reserve Fund, and (iv) the balance of such proceeds shall be deposited in the Construction Fund for payment of the Costs of the 1999 Project.

**Section 4.03. The Municipal Bond Insurance Policy;
Concerning The Bond Insurer.**

So long as no Insurance Default shall have occurred and be continuing, the Service and the Trustee agree to comply with the following provisions:

(a) If the Trustee shall determine on any date that there will be insufficient amounts in the Debt Service Fund and the Debt Service Reserve Fund to pay the principal of, or the interest due on the Series 1999 Bonds on the immediately succeeding March 1 or September 1, or if the Trustee shall have notice that any payment of the principal of, or the interest on a Series 1999 Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Service has been deemed a preferential transfer and theretofore recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall so notify The Bond Insurer. Such notice shall specify the amount of the anticipated deficiency or the amount of such recovery (as the same may be), the Series 1999 Bonds to which such deficiency is applicable or with respect to which such recovery has been made (as the case may be) and whether such Bonds will be deficient or such recovery has been made (as the case may be) as to principal or interest, or both. In the case of any deficiency in the payment of the principal of or the interest on any Series 1999 Bonds due on any March 1 or September 1 in which the Trustee shall have given notice of such deficiency in accordance with this paragraph no later than the last Business Day which is at least five days prior to such March 1 or September 1, The Bond Insurer shall make payments of principal or interest due on the Series 1999 Bonds on such March 1 or September 1; in any other case, The Bond Insurer will make payments of principal or interest due on the Series 1999 Bonds on or before the fifth day next following the date on which The Bond Insurer shall have received such notice of nonpayment or recovery (as the case may be) from the Trustee in accordance with this paragraph.

(b) The Trustee shall, after giving notice to The Bond Insurer as provided in paragraph (a) above, make available to The Bond Insurer and, at The Bond Insurer's direction, to the Insurance Trustee, the registration books of the Service maintained by the Trustee and all records relating to the funds and accounts maintained under this Indenture.

(c) The Trustee shall provide The Bond Insurer and the Insurance Trustee with a list of the Holders of Series 1999 Bonds entitled to receive payments of interest thereon or principal thereof from The Bond Insurer under the terms of the Municipal Bond Insurance Policy and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the Holders of Series 1999 Bonds entitled to receive full or partial interest payments from The Bond Insurer and (ii) to pay principal of Series 1999 Bonds upon presentation and surrender thereof to the Insurance Trustee by the Holders of Series 1999 Bonds entitled to receive full or partial principal payments from The Bond Insurer.

(d) The Trustee shall, at the time it provides any notice to The Bond Insurer pursuant to paragraph (a) above, notify Holders of Series 1999 Bonds entitled to receive payments of interest thereon or principal thereof from The Bond Insurer (i) as to the fact of such entitlement, (ii) that

The Bond Insurer will remit to them all or a part of the interest payments next coming due on the Series 1999 Bonds held by them upon proof of Bondholder entitlement to such interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the Bondholder's right to such payment, (iii) that should they be entitled to receive full payment of the principal of the Series 1999 Bonds held by them from The Bond Insurer, they must surrender their Series 1999 Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Series 1999 Bonds to be registered in the name of The Bond Insurer) for payment to the Insurance Trustee, and not the Trustee, and (iv) that should they be entitled to receive partial payment of the principal of the Series 1999 Bonds held by them from The Bond Insurer, they must surrender their Series 1999 Bonds for payment thereon first to the Trustee, which shall note on such Series 1999 Bonds the portion of the principal thereof paid by the Trustee and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of the principal of such Series 1999 Bonds.

(e) In the event that the Trustee has notice that any payment of principal of or interest on a Series 1999 Bond which has become Due for Payment and which is made to a Bondholder by or on behalf of the Service has been deemed a preferential transfer and therefore recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time The Bond Insurer is notified pursuant to paragraph (a) above, notify all Holders of Series 1999 Bonds that in the event that any Bondholder's payment is so recovered, such Bondholder shall be entitled to payment from The Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to The Bond Insurer its records evidencing the payments of principal of, and interest on the Series 1999 Bonds which have been made by the Trustee and subsequently recovered from Bondholders and the dates on which such payments were made.

(f) So long as all of the Series 1999 Bonds are maintained in book-entry form, the Insurance Trustee shall disburse principal and interest to a Holder of the Series 1999 Bonds only upon evidence satisfactory to the Insurance Trustee and The Bond Insurer that the ownership interest of such Bondholder in the right to payment of such principal and interest has been effectively transferred to The Bond Insurer on the books maintained for such purpose. The Bond Insurer shall be fully subrogated to all of such Bondholders' rights to payments to the extent of insurance disbursements so made.

(g) In addition to those rights granted The Bond Insurer under this Section, The Bond Insurer shall, to the extent it makes payment of principal of, or interest on Series 1999 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note The Bond Insurer's rights as subrogee on the registration books of the Service maintained by the Trustee upon receipt from The Bond Insurer of proof of the payment of interest thereon to the Holder of the Series 1999

Bonds entitled thereto, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note The Bond Insurer's right as subrogee by the Trustee upon surrender of the Series 1999 Bonds by the Holders thereof together with proof of payment of principal thereof.

(h) Any provision of this Fourth Supplemental Indenture expressly recognizing or granting rights in or to The Bond Insurer may not be amended in any manner which affects the rights of The Bond Insurer hereunder without the prior written consent of The Bond Insurer. Unless otherwise provided in this Section The Bond Insurer's consent shall be required in addition to Bondholder consent, when required, for the following purposes: (i) execution and delivery of any Supplemental Indenture or any amendment, supplement or change to or modification of the Service Agreement, (ii) removal of the Trustee and selection and appointment of any successor trustee and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Bondholder consent; provided, however, The Bond Insurer's consent shall not be required in connection with the issuance of any Additional Bonds.. Any reorganization or liquidation plan with respect to the Service must be acceptable to The Bond Insurer. In the event of any reorganization or liquidation, The Bond Insurer shall have the right to vote on behalf of all bondholders who hold The Bond Insurer-insured bonds absent a default by The Bond Insurer under the applicable Municipal Bond Insurance Policy insuring such Bonds. Anything in this Fourth Supplemental Indenture to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined herein, The Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders of the Trustee for the benefit of the Bondholders under this Fourth Supplemental Indenture.

(i) While the Municipal Bond Insurance Policy is in effect, the Service shall furnish to The Bond Insurer (a) as soon as practicable after the filing thereof, a copy of any financial statement of the Service and a copy of any audit and annual report of the Service; (b) a copy of any notice to be given to the registered owners of the Bonds, including, without limitation, notice of any redemption of or defeasance of Bonds, and any certificate rendered pursuant to this Fourth Supplemental Indenture relating to the security for the Bonds; and (c) such additional information it may reasonably request. The Trustee shall notify The Bond Insurer of any failure of the Service to provide relevant notices, certificates, etc. The Service will permit The Bond Insurer to discuss the affairs, finances and accounts of the Service of any information The Bond Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Service. The Service will permit The Bond Insurer to have access to the 1999 Project and have access to and to make copies of all books and records relating to the Bonds at any reasonable time. The Bond Insurer shall have the right to direct an accounting at the Service's expense, and the Service's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from The Bond Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Bonds. Notwithstanding any other provision of this Fourth Supplemental Indenture, the Trustee or Service (as appropriate) shall immediately notify The Bond Insurer if at

any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any event of default hereunder.

(j) The Trustee may be removed at any time, at the request of The Bond Insurer, for any breach of the Trust set forth herein. The Bond Insurer shall receive prior written notice of any Trustee resignation. Every successor Trustee appointed pursuant to this Section shall be a trust company or bank in good standing located in or incorporated under the laws of the State, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$75,000,000 and acceptable to The Bond Insurer. Notwithstanding any other provision of this Fourth Supplemental Indenture, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Fourth Supplemental Indenture, the Trustee shall consider the effect on the Bondholders as if there were no Municipal Bond Insurance Policy. Notwithstanding any other provision of this Fourth Supplemental Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor, acceptable to The Bond Insurer, shall be appointed.

(k) To the extent that this Fourth Supplemental Indenture confers upon or gives or grants to The Bond Insurer any right, remedy or claim under or by reason of this Fourth Supplemental Indenture, The Bond Insurer is hereby explicitly recognized as being a Fourth-party beneficiary hereunder and may enforce any such right remedy or claim conferred, given or granted hereunder. Nothing in this Fourth Supplemental Indenture expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Service, the Trustee, The Bond Insurer and the registered owners of the Bonds, any right, remedy or claim under or by reason of this Fourth Supplemental Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Fourth Supplemental Indenture contained by and on behalf of the Service shall be for the sole and exclusive benefit of the Service, the Trustee, The Bond Insurer and the registered owners of the Bonds.

(l) Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by The Bond Insurer pursuant to the Municipal Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Service, and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Service to the registered owners shall continue to exist and shall run to the benefit of The Bond Insurer, and The Bond Insurer shall be subrogated to the rights of such registered owners.

(m) So long as no Insurance Default shall have occurred and be continuing, The Bond Insurer shall be deemed the Holder of all Outstanding Series 1999 Bonds for the purposes of making any request or giving or withholding any consent, approval, waiver, vote or direction permitted or required to be made or given by any Holder of a Series 1999 Bond under the Indenture.

Section 4.04. Deposit of Revenues.

Section 4.05(b) of the Original Indenture is hereby amended and restated with paragraph "Fourth" deleted in its entirety.

ARTICLE V

MISCELLANEOUS

Section 5.01. Application of Provisions of Original Indenture.

The provisions of this Fourth Supplemental Indenture are intended to supplement those of the Original Indenture. The Original Indenture shall remain in full force and effect and the provisions of the Original Indenture shall apply with like force and effect to the Series 1994 Bonds and the Series 1999 Bonds to the end that all Series 1994 Bonds and all Series 1999 Bonds shall be equally and ratably secured with Series 1990 Bonds and any Additional Bonds and shall be protected by the Original Indenture, except to the extent that the provisions of the Original Indenture are expressly modified or their application expressly limited by the terms of the Third Supplemental Indenture with respect to the Series 1994 Bonds and this Fourth Supplemental Indenture with respect to the Series 1999 Bonds.

Section 5.02. Severability of Invalid Provision.

If any covenant or agreement provided in this Fourth Supplemental 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 Fourth Supplemental Indenture or of the Series 1999 Bonds .

Section 5.03. Execution in Several Counterparts.

This Fourth Supplemental 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 5.04. Governing Law.

This Fourth Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of Maryland.

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

ATTEST:

By: _____
James W. Peck
Director

Treasurer

(SEAL)

THE BANK OF NEW YORK

ATTEST:

By: _____

STATE OF MARYLAND, CITY OF BALTIMORE, TO WIT:

I HEREBY CERTIFY that on this ___ day of _____ in the year 1999, before the subscriber, a Notary Public in and for the State of Maryland, personally appeared James W. Peck, 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 Treasurer 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, CITY OF BALTIMORE, TO WIT:

I HEREBY CERTIFY that on this ____ day of _____ in the year 1999, before the subscriber, a Notary Public in and for the State of Maryland, personally appeared _____, a Vice President of The Bank of New York, 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 Vice President of The Bank of New York and causing the corporate seal of The Bank of New York to be affixed thereto and attested by a Trust Officer of The Bank of New York.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

(SEAL)

Notary Public

My Commission Expires: _____

CONSENT OF AMBAC INDEMNITY CORPORATION

Pursuant to Section 8.01 of the Original Indenture, AMBAC Indemnity Corporation hereby consents to Section 4.01 of the Fourth Supplemental Indenture of Trust between the Maryland Environmental Service and The Bank of New York dated as of March 1, 1999.

AMBAC Indemnity Corporation

By: _____

Name: _____

Title: _____

Date: _____

REGISTERED

UNITED STATES OF AMERICA

REGISTERED

STATE OF MARYLAND

No. R-1

\$

MARYLAND ENVIRONMENTAL SERVICE

REVENUE AND REFUNDING BONDS
(MID-SHORE REGIONAL LANDFILL PROJECT)
SERIES 1999

Interest Rate
(per annum)

Maturity Date

Reference Date

CUSIP

Registered Owner: Cede & Co.

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 amounts 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 _____ 1, 1999, at the Interest Rate shown above until said Principal Sum is paid, payable on _____ 1, 1999 and semiannually thereafter on [March] 1 and [September] 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, as trustee 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.

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 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. A "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.

The principal or redemption price of and interest on this bond are payable solely from the Revenues (defined herein). Neither the Service, the State of Maryland, nor any political subdivision thereof 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 or any political subdivision thereof is pledged to the payment of the principal or redemption price of 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 endorsed hereon.

1. **Indenture.** This Bond is one of a duly authorized series of bonds of the Service designated "MARYLAND ENVIRONMENTAL SERVICE REVENUE AND REFUNDING BONDS (MID-SHORE REGIONAL LANDFILL PROJECT) SERIES 1999" (the "Series 1999 Bonds"), aggregating _____ Dollars (\$_____) in principal amount, dated as of _____ 1, 1999, 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 Sections 3-101 through 3-131, inclusive, of the Natural Resources Article of the Annotated Code of Maryland, as amended) (the "Act"), and the Indenture of Trust dated as of February 15, 1990 between the Service and the Trustee, as supplemented by the First Supplemental Indenture of

Trust dated as of December 15, 1993, the Second Supplemental Indenture of Trust dated as of September 1, 1994, the Third Supplemental Indenture of Trust dated as of November 1, 1994 and the Fourth Supplemental Indenture of Trust dated as of _____ 1, 1999 (herein, with all amendments thereto, called the "Indenture"). The terms of the Series 1999 Bonds include those stated in the Indenture, and the Series 1999 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 Series 1999 Bonds. By the acceptance of this bond, the holder hereof assents to all of the provisions of the Indenture. Certified copies of the Indenture are on file at the principal corporate trust office of the Trustee and at the office of the Service in the City of Annapolis, Maryland.

2. **Service Agreements; Revenues.** The Service has entered into a Waste Disposal Service Agreement (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, Maryland all of the State of Maryland, (collectively referred to herein as the "Subdivisions") pursuant to which the Subdivisions have each agreed to deliver to the Service Acceptable Waste (defined in the Service Agreements) for disposal at the Regional Landfill (defined in the Indenture) and to pay certain fees for such disposal services.

As defined in the Indenture, the "Revenues" include (i) all payments to the Service or the Trustee pursuant to the Service Agreements and (ii) all other receipts of the Service attributable to the ownership, leasing or operation of the Project (defined in the Indenture) and the financing and refinancing of the Project and any Additional Facilities (defined in the Indenture) with the proceeds of the Series 1999 Bonds and any Additional Bonds (defined herein).

3. **The Series 1999 Bonds.** All the Series 1999 Bonds are of like tenor except as to number, principal amount, maturity, interest rate and redemption provisions and mature on [September] 1 of the years and in the amounts set forth below:

Year	Principal Amount	Interest Rate	Year	Principal Amount	Interest Rate

The Series 1999 Bonds are issuable only in registered form without coupons in denominations of \$5,000 and any integral multiple thereof.

4. **Additional Bonds.** In 1990 the Service issued its Revenue Bonds (Mid-Shore Regional Landfill Project) Series 1990 (the "Series 1990 Bonds") for the purpose of financing the initial construction of the Project. The Indenture provides that Additional Bonds may be issued within the limitations and provisions of the Indenture. (The Series 1990 Bonds, the Series 1994 Bonds, the Series 1999 Bonds and any Additional Bonds are herein referred to as the "Bonds"). All Bonds issued within the limitations and provisions of the Indenture shall be secured equally and ratably by the Revenues and other property pledged by the Service.

5. **Redemption.** The Series 1999 Bonds at the time outstanding may be redeemed prior to their respective maturities as follows:

(a) **Optional Redemption.** Bonds maturing on September 1, 2010, are subject to redemption prior to maturity beginning on September 1, 2009, at the option of the Service as a whole or in part on any interest payment date, at 100% of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date set for redemption

(b) **Redemption from Insurance and Condemnation Proceeds.** The Bonds are subject to redemption prior to maturity, as a whole or in part at any time, 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 Bonds shall be allocated to the 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 certified mail at least 30 days before the redemption date to the registered owner of each Series 1999 Bond or portion of a Series 1999 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 1999 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 1999 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 1999 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. 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.

(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. **Municipal Bond Insurance Policy.** Municipal Bond Insurance Policy No. _____ (the "Policy") with respect to payments due for principal of and interest on this bond has been issued by AMBAC Indemnity Corporation (the "AMBAC Indemnity"). The Policy has been delivered to United States Trust Company of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from the AMBAC Indemnity or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this bond acknowledges and consents to the subrogation rights of the AMBAC Indemnity as more fully set forth in the Policy.

7. **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, including the Series 1999 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 Series 1999 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 Series 1999 Bonds to the date of maturity or redemption thereof, shall have been deposited with the Trustee.

8. **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.

9. **Transfer and Exchange.** This Bond may be exchanged for an equal aggregate principal amount of Series 1999 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 principal 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 has been selected for redemption.

10. **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.

11. **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. **Governing Law.** This Bond shall be governed by and construed in accordance with the laws of the State of Maryland.

13. **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 Treasurer, all as of the first day of _____, 1999.

MARYLAND ENVIRONMENTAL SERVICE

[Seal]

By: _____
James W. Peck
Director

Attest:

Kenneth A. Howarth
Treasurer

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 Piper & Marbury L.L.P., Baltimore, Maryland, bond counsel is on file with the undersigned.

THE BANK OF NEW YORK,
as Trustee

By: _____
Authorized Signatory

**BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION
(99-03-02R)**

A RESOLUTION DECLARING

THE OFFICIAL INTENT OF THE MARYLAND ENVIRONMENTAL SERVICE TO REIMBURSE EXPENDITURES TO BE INCURRED WITH RESPECT TO THE ACQUISITION, DEVELOPMENT, CONSTRUCTION, AND EQUIPPING OF REAL PROPERTY FOR USE AS OFFICE FACILITIES WITH THE PROCEEDS OF THE DEBT 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 acquisition, development, construction, and equipping of real property for use as office facilities by the Service prior to the issuance of debt by the Service for such project; and

WHEREAS, the Service intends to reimburse 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 1.103-18 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 intends to expend money for the acquisition, development, construction, and equipping of a parcel of real property for use as office facilities prior to the issuance of bonds or other debt obligations to reimburse such expenditures. The Service expects to reimburse itself with the proceeds

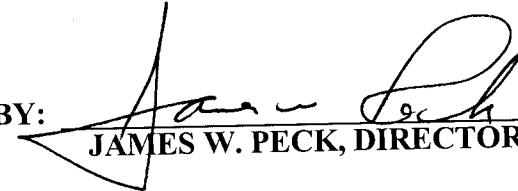
of bonds or other debt obligations in an amount not to exceed Six Million Dollars (\$6,000,000.00).

2. This Resolution shall take effect immediately.

ADOPTED, this 25th day of March, 1999.


SEAL

MARYLAND ENVIRONMENTAL SERVICE

BY: 
JAMES W. PECK, DIRECTOR

BY: 
CATHERINE PIEPER. STEVENSON, DEPUTY DIRECTOR

BY: 
KENNETH HOWARTH, TREASURER

BY: 
MICHAEL H. DAVIS, SECRETARY

ATTEST: 
MICHAEL H. DAVIS, SECRETARY

IS PROVIDED.

statements or two recent Tax returns.

ny is a corporation. Minutes of meeting
stituted for Non-Profit Organizations.

s, call 1-800-538-8788.

✓ Continuing and Unconditional Guaranty:

A continuing and unconditional guaranty may be required as follows:

For Corporations, if closely held, each principal owner must sign;

For Partnerships/Proprietorships, all partners/proprietors must sign;

For Non-Profit organizations, principal officers, directors or trustees must sign.

Corporate Resolution

Legal Name of Agency: Maryland Environmental Service

Headquarters Address 2011 Commerce Park Drive

City/State/Zip Annapolis, Maryland 21401

I, Michael Davis, Secretary of the above named agency (the "Corporation") do hereby certify that I am the keeper of the records, corporate seal and minutes of the proceedings of the Board of Directors of the Corporation; that on the 25th day of March, 19 99, a meeting of the said Board of Directors was held in accordance with the laws of Maryland and Bylaws of the Corporation, that a quorum of Directors was present, and the following resolutions were duly and legally passed:

Copy of Resolutions:

Be it Resolved, that the following officers and/or employees:

Title	Name
<u>James W. Peck - Director</u>	<u>Catherine Pieper Stevenson - Deputy Director</u>
<u>Kenneth A. Howarth - Treasurer</u>	<u>Beth Wojton - Director of Administration</u>

of the Corporation (the "Designees"), or any 2 (Number) of them be and they/he hereby are/is authorized for and on behalf of and in the name of the

Corporation, for such time, at such interest rates, and on such other terms and conditions as are deemed expedient by the Designees to negotiate and procure credit from NationsBank, N.A. (South) ("NationsBank") on VISA Purchasing card(s), to designate the officer(s) or employee(s) to receive Purchasing card(s), and to execute the application and provide any other documents or information required by NationsBank as a requirement of issuing such Purchasing card(s). The authority herein given and the designation of officer(s) or employee(s) shall remain irrevocable as far as NationsBank is concerned until NationsBank is notified in writing of the revocation of such authority and shall have acknowledged in writing receipt of such notification.

Be it Further resolved, that such Purchasing cards, the debt created by their use and any security interest pertaining to that debt, issued to designated officer(s) or employee(s) of the Corporation shall represent legal and binding obligations of the Corporation; and that NationsBank is hereby authorized and directed to pay the proceeds of any such credit without the necessity to look to the use of the credit or of the account, whether such account is opened or maintained by the Designees, or others as designated by the Designees, in their individual capacities or not, and whether funds from the use of such accounts are deposited to the individual credit of, or used for the individual credit of, or used for the individual purposes of, the Designees, or others designated by the Designees, or not.

Be it Further Resolved, the Corporation shall indemnify and hold harmless NationsBank from any claim, loss, cost, damage, liability or expense arising out of its actions in reliance on this Corporate Resolution.

I Hereby Further Certify that the seal affixed hereto is the Corporate Seal of the Corporation; that the individuals named above are the duly elected incumbents of the respective offices of the Corporation set forth opposite their respective names; and that the signatures set opposite their respective titles are the genuine, original signatures of each respectively:

(Please supply genuine signatures hereunder)

Title	Name (printed or typed)	Specimen Signature
<u>Director</u>	<u>James W. Peck</u>	
<u>Deputy Director</u>	<u>Catherine Pieper Stevenson</u>	
<u>Treasurer</u>	<u>Kenneth A. Howarth</u>	
<u>Director of Administration</u>	<u>Beth Wojton</u>	

I have hereunto affixed my name as secretary and have caused the Corporate Seal of the Corporation to be affixed this 25th day of March, 19 99.

Resolution
99-03-3R

(Secretary)

(AFFIX CORPORATE SEAL)

TO INSURE PROMPT PROCESSING, PLEASE CONFIRM THAT THE FOLLOWING REQUIRED INFORMATION IS COMPLETE:

✓ Complete Application and Signature and Authorization:

Complete all sections including Signature and Authorization as follows: For Corporations, individuals named in Corporate Resolution must sign; For Partnerships/Proprietorships: all partners/proprietors must sign; For Non-profit Organizations, an authorized official of the organization must sign.

✓ Financial Statements:

Enclose the two most recent years financial statements.

✓ Corporate Resolution:

This section must be completed if the Company is requesting the Account may be used for purposes other than those officially requesting the Account may be used for.

Forward the completed Application, along with all required documentation to your NationsBank account representative. If you have questions, call 1-800-828-2222.

NationsBank Visa Purchasing Card Application

Company Information Please type or print

NAME OF COMPANY (AS IT WILL APPEAR ON CARD):

(LIMIT 24 SPACES) M | D | E | N | V | I | R | O | N | M | E | N | T | A | L | S | E | R | V | I | C | E

Legal Name Maryland Environmental Service

Street Address 2011 Commerce Park Drive

City/State/Zip Annapolis, Md 21401 Company Tax I.D. # 52-0982511

Business Phone (410 974-7281) Years In Business 28 No. of Employees 503

Briefly Describe the Product Sold or Services Rendered Water & Wastewater Operation, Solid Waste, State Enterprise

Type of Organization: Closely Held Corporation Publicly Held Corporation Partnership Proprietorship Nonprofit Fund Agency

Financial Information

Accounts with NationsBank Yes No Name of Primary Bank Annapolis Commercial

Street Address 10 Church Circle City/State/Zip Annapolis, Md 21401

Banking Officer Margaret R. Anderson Phone No. (410 267-5869)

Checking # 2302002274 Savings # _____ Total Lines of Credit/Loans \$1,000,000

Changes to the Purchasing Card account to include reporting, card additions, deletions and address changes are to be authorized by the following company representative(s).

Signature Beth Wojton Title Director of Administration

Signature Kenneth A. Howarth Title Treasurer

Owners Or Principal Officers

Name James W. Peck Title Director % of Co. Ownership* N/A

Home Address _____

City/State/Zip _____ Soc. Sec. # _____

Name Catherine P. Stevenson Title Deputy Director % of Co. Ownership* N/A

Home Address _____

City/State/Zip _____ Soc. Sec. # _____

Name Kenneth A. Howarth Title Treasurer % of Co. Ownership* N/A

Home Address _____

City/State/Zip _____ Soc. Sec. # _____

*List percentage (%) of ownership only if Closely Held Corporation or Partnership

Individuals To Receive Cards

Names to Appear On Cards	Credit Line Requested*	Names to Appear On Cards	Credit Line Requested*
<u>Rachel Rios</u>	<u>\$ 10,000.00</u>	<u>Pamela McDonagh</u>	<u>\$ 10,000.00</u>
<u>Susie Eppling</u>	<u>\$ 10,000.00</u>	<u>Barbara Phipps</u>	<u>\$ 10,000.00</u>

Please provide additional names on company letterhead signed by authorizing officer.

*Credit lines may be changed at the discretion of NationsBank.

Total Credit Requested \$ 40,000.00

Signature And Authorization

The Entity named above (the "Company"), by the signature of its authorized officer(s) below, requests that a Visa Purchasing card account be established in the name of the Company, and that Visa Purchasing card(s) be issued to the authorized Cardholders set forth above and as otherwise directed in writing by the Company from time to time. The Company certifies that the information in this application, and any other documents submitted in connection with this application, are true and correct. The Company authorizes NationsBank, N.A. (South) to verify the information and obtain further information concerning the credit standing of the business, its representatives, and to exchange credit information with others. The Company understands that if this application is accepted, card(s) will be issued and credit will be extended by NationsBank, N.A. (South), and that any agreement between the Company and NationsBank, N.A. (South) is deemed to have been made in Georgia. The Company agrees to provide additional information upon request. The Company assumes liability for, and agrees to pay for, purchases and cash advances made by Company or anyone authorized by Company, through use of any card, account number, check or other means of access to a Visa Purchasing card account issued pursuant to this application, and agrees to pay, at such place as NationsBank designates, all extensions of credit and other charges in accordance with statement billings. Company may not be liable for unauthorized use which occurs after Company notifies NationsBank in writing at the address specified by NationsBank, of any said loss, theft or possible unauthorized use. In any case, liability shall not exceed the lesser of \$50.00 or the amount of money, property, or services obtained by such unauthorized use prior to notification to NationsBank as described herein. In addition, Company will not be liable for application shall be used solely for business or commercial purposes, and agrees that unless otherwise directed by the Company in writing all monthly statements and other notices regarding the account shall be mailed to the Company at the address shown above. Any person signing below as the duly authorized signatory of the Company attests that the Company is a valid business entity and that each person signing below is authorized to make this application on behalf of the Company and to bind the Company to the terms set forth herein. NationsBank may at any time assign or transfer to another person or entity the account (or any part thereof including the balance) or this application. NationsBank reserves the right to assign or participate the Account and the application to NationsBank Corporation or any subsidiary or affiliate of NationsBank Corporation. This application shall be binding upon and inure to the benefit of Company, NationsBank and their respective successors, permitted assigns, heirs, and personal representatives, provided, however, that no obligation of Company hereunder can be assigned without prior written consent of NationsBank.

Print Name James W. Peck Title Director

Signature [Signature] Date 3/30/99

Print Name Kenneth A. Howarth Title Treasurer

Signature [Signature] Date 3/25/99

IS PROVIDED.

statements or two recent Tax returns.

any is a corporation. Minutes of meeting substituted for Non-Profit Organizations.

call 1-800-538-8788.

✓ Continuing and Unconditional Guaranty:

A continuing and unconditional guaranty may be required as follows:

For Corporations, if closely held, each principal owner must sign;

For Partnerships/Proprietorships, all partners/proprietors must sign;

For Non-Profit organizations, principal officers, directors or trustees must sign.

Corporate Resolution

Legal Name of Agency: Maryland Environmental Service

Headquarters Address 2011 Commerce Park Drive

City/State/Zip Annapolis, Maryland 21401

I, Michael Davis, Secretary of the above named agency (the "Corporation") do hereby certify that I am the keeper of the records, corporate seal and minutes of the proceedings of the Board of Directors of the Corporation; that on the 25th day of March, 1999, a meeting of the said Board of Directors was held in accordance with the laws of Maryland and Bylaws of the Corporation, that a quorum of Directors was present, and the following resolutions were duly and legally passed:

Copy of Resolutions:

Be it Resolved, that the following officers and/or employees:

Title	Name
<u>James W. Peck - Director</u>	<u>Catherine Pieper Stevenson - Deputy Director</u>
<u>Kenneth A. Howarth - Treasurer</u>	<u>Beth Wojton - Director of Administration</u>

of the Corporation (the "Designees"), or any 2 of them be and they/he hereby are/is authorized for and on behalf of and in the name of the

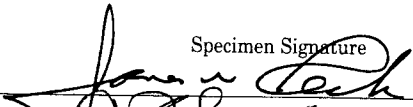
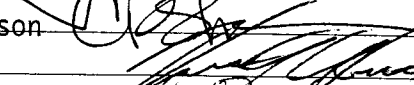
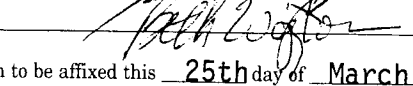
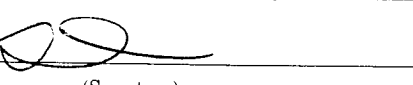
Corporation, for such time, at such interest rates, and on such other terms and conditions as are deemed expedient by the Designees to negotiate and procure credit from NationsBank, N.A. (South) ("NationsBank") on VISA Purchasing card(s), to designate the officer(s) or employee(s) to receive Purchasing card(s), and to execute the application and provide any other documents or information required by NationsBank as a requirement of issuing such Purchasing card(s). The authority herein given and the designation of officer(s) or employee(s) shall remain irrevocable as far as NationsBank is concerned until NationsBank is notified in writing of the revocation of such authority and shall have acknowledged in writing receipt of such notification.

Be it Further resolved, that such Purchasing cards, the debt created by their use and any security interest pertaining to that debt, issued to designated officer(s) or employee(s) of the Corporation shall represent legal and binding obligations of the Corporation; and that NationsBank is hereby authorized and directed to pay the proceeds of any such credit without the necessity to look to the use of the credit or of the account, whether such account is opened or maintained by the Designees, or others as designated by the Designees, in their individual capacities or not, and whether funds from the use of such accounts are deposited to the individual credit of, or used for the individual credit of, or used for the individual purposes of, the Designees, or others designated by the Designees, or not.

Be it Further Resolved, the Corporation shall indemnify and hold harmless NationsBank from any claim, loss, cost, damage, liability or expense arising out of its actions in reliance on this Corporate Resolution.

I Hereby Further Certify that the seal affixed hereto is the Corporate Seal of the Corporation; that the individuals named above are the duly elected incumbents of the respective offices of the Corporation set forth opposite their respective names; and that the signatures set opposite their respective titles are the genuine, original signatures of each respectively:

(Please supply genuine signatures hereunder)

Title	Name (printed or typed)	Specimen Signature
<u>Director</u>	<u>James W. Peck</u>	
<u>Deputy Director</u>	<u>Catherine Pieper Stevenson</u>	
<u>Treasurer</u>	<u>Kenneth A. Howarth</u>	
<u>Director of Administration</u>	<u>Beth Wojton</u>	

I have hereunto Michael Davis Secretary and have caused the Corporate Seal of the Corporation to be affixed this 25th day of March, 1999.



Michael Davis
(Secretary)

(AFFIX)

MARYLAND ENVIRONMENTAL SERVICE

BOARD OF DIRECTORS

RESOLUTION NO. 99-03-4R

A RESOLUTION AUTHORIZING

the procurement, execution and delivery by the Maryland Environmental Service (the "Service") of a 1999 Master Municipal Lease Agreement (the "1999 Master Lease") with United Financial of Illinois, Inc. (the "Lessor") in an aggregate principal amount not to exceed \$1,540,000.00 for the purpose of financing the acquisition of vehicles and equipment (collectively, the "Equipment"); approving the execution and delivery of certain Equipment Schedules (the "Equipment Schedules") relating to the 1999 Master Lease; providing for the 1999 Master Lease to be an obligation of the Service payable from amounts received pursuant to contracts between the Service and the Service's clients, from such other revenues as may be received by the Service in connection with the 1999 Master Lease, and from such other revenues as may be made available to the Service; authorizing the Director and other officers of the Service to execute the 1999 Master Lease, the Equipment Schedules and such other documents or certificates as may be necessary in connection with the issuance of the 1999 Master Lease; and providing generally for other matters necessary for the procurement, execution and delivery of the 1999 Master Lease and Equipment Schedules.

RECITALS

The Service was created by, exists under, and exercises the powers contained in Sections 3-101 through 3-130 of the Natural Resources Article of the Annotated Code of Maryland (1997 Replacement Volume, 1998 Cumulative Supplement) as amended to date (the "Act"), including (among others) the powers (i) to borrow money and issue bonds or notes for the purpose of paying all or any part of the cost of any one or more projects and to provide for the security of such bonds or notes and the rights of the holders thereof; and (ii) to lease as lessee any personal property necessary to carry out the purposes of the Service; and (iii) 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.

The Service has an ongoing need to acquire Equipment necessary for the development and operation of its projects. The Service has determined to procure, execute and deliver the 1999 Master Lease in order to finance the cost of acquisition of Equipment. The 1999 Master Lease requires the Lessor to acquire Equipment, at the request of the Service, and lease the Equipment to the Service. In exchange for the reimbursement the Service will be required to convey a security interest in the Equipment to the Lessor, or its designee.

The Service will pay Lease Payments (the "Lease Payments") to the Lessor consisting of principal and interest on amounts paid by the Lessor to acquire the Equipment. Lease Payments due under the 1999 Master Lease will be payable from amounts received pursuant to contracts between the Service and the Service's clients, from such other revenues as may be received by the

Service in connection with the 1999 Master Lease, and from such other revenues as may be made available to the Service. The Service and the Lessor do not intend that the interest portion of the Lease Payments will be excludable from gross income for federal or state income tax purposes.

The Service considers the procurement, execution and delivery of the 1999 Master Lease 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 procurement, execution and delivery of the 1999 Master Lease, in a principal amount not to exceed \$1,540,000.00, to be designated Maryland Environmental Service 1999 Master Equipment Lease Agreement shall be, and hereby is, authorized and directed pursuant to the provisions of the Act, to finance the acquisition of Equipment by the Service.

3. The 1999 Master Lease will be executed with and delivered to the Lessor substantially on the terms and conditions set forth in the form of the 1999 Master Lease presented to this meeting. Such form of the 1999 Master Lease shall be, and hereby is directed to be, filed among the permanent records of the Service. The 1999 Master Lease shall be executed by the Director (and other officers of the Service if requested by Lessor) substantially in the form of the 1999 Master Lease presented to this meeting with such changes, omissions, insertions and revisions as shall be deemed desirable by the Director; provided, however, that except as otherwise provided in this resolution, such changes, omissions, insertions and revisions shall not alter the substance of the transaction authorized and approved by this resolution.

The annual interest rate of any maturity of the Lease Payments shall not exceed 8.62 percent. The Director shall, subject to the limitations set forth in this resolution, fix the principal amount of the 1999 Master Lease, the interest rate or rates for the Lease Payments, and the payment schedule for the Lease Payments. The Director shall include such items in the 1999 Master Lease and Equipment Schedules, as the case may be. The Service and the Lessor do not intend that the interest portion of the Lease Payments will be excludable from gross income for federal or state income tax purposes.

4. The Director and other officers and employees of the Service shall be, and hereby are, authorized to take such other actions and to execute and deliver such other documents and certificates as the Director shall deem desirable to effect the completion of the procurement, execution and delivery of the 1999 Master Lease, the Equipment Schedules, and such other matters contemplated by this resolution, including, without limitation, addenda, notes, UCC Financing Statements or other instruments issued pursuant thereto.

5. 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.

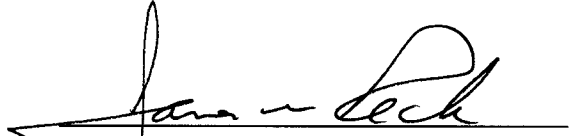
6. This Resolution shall take effect immediately upon its adoption.

ADOPTED THIS 25th DAY OF MARCH, 1999

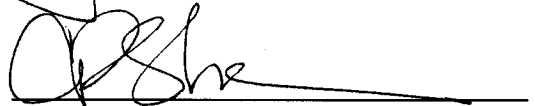
MARYLAND ENVIRONMENTAL SERVICE

SEAL

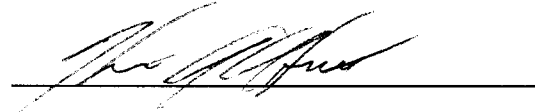
**James W. Peck
Director**



**Catherine Pieper Stevenson
Deputy Director**



**Kenneth Howarth
Treasurer**



**Michael H. Davis
Secretary**



Attest:



Michael H. Davis, Secretary

**BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION
(99-04-01R)**

A RESOLUTION DECLARING

THE OFFICIAL INTENT OF THE MARYLAND ENVIRONMENTAL SERVICE TO REIMBURSE EXPENDITURES TO BE INCURRED WITH RESPECT TO THE ACQUISITION, DEVELOPMENT, CONSTRUCTION, AND EQUIPPING OF A PROJECT FOR THE ACCEPTANCE, TREATMENT, PROCESSING, RECYCLING, COMPOSTING AND DISPOSAL OF WASTEWATER BIOSOLIDS WITH THE PROCEEDS OF THE DEBT 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 acquisition, development, construction, and equipping of a project for the acceptance, treatment, processing, recycling, composting and disposal of wastewater biosolids by the Service prior to the issuance of debt by the Service for such project; and

WHEREAS, the Service intends to reimburse 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 1.103-18 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 intends to expend money for the acquisition, development,

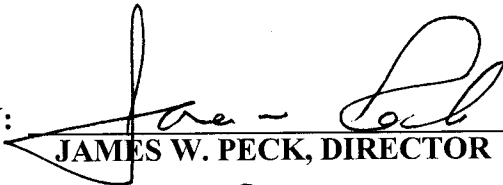
construction, and equipping of a project for the acceptance, treatment, processing, recycling, composting and disposal of wastewater biosolids prior to the issuance of bonds or other debt obligations to reimburse such expenditures. The Service expects to reimburse itself with the proceeds of bonds or other debt obligations in an amount not to exceed Twenty Million Dollars (\$20,000,000.00).

2. This Resolution shall take effect immediately.


ADOPTED, this 29th day of April, 1999.

SEAL

MARYLAND ENVIRONMENTAL SERVICE

BY: 

JAMES W. PECK, DIRECTOR

BY: 

CATHERINE PIEPER STEVENSON, DEPUTY DIRECTOR

BY: 

KENNETH HOWARTH, TREASURER

BY: 

MICHAEL H. DAVIS, SECRETARY

ATTEST: 

MICHAEL H. DAVIS, SECRETARY

**BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION
(99-04-02R)**

A RESOLUTION DECLARING

THE OFFICIAL INTENT OF THE MARYLAND ENVIRONMENTAL SERVICE TO REIMBURSE EXPENDITURES TO BE INCURRED WITH RESPECT TO THE OPERATION, MAINTENANCE, IMPROVEMENT, AND EQUIPPING OF THE PRINCE WILLIAM COUNTY YARD TRIM COMPOSTING FACILITY, AND RELATED FACILITIES, WITH THE PROCEEDS OF THE DEBT 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 operation, maintenance, improvement, and equipping of the Prince William County Yard Trim Composting Facility, and related facilities, prior to the issuance of debt by the Service for such project; and

WHEREAS, the Service intends to reimburse 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 1.103-18 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 intends to expend money for the operation, maintenance, improvement, and equipping of the Prince William County Yard Trim Composting Facility, and related facilities, prior to the issuance of bonds or

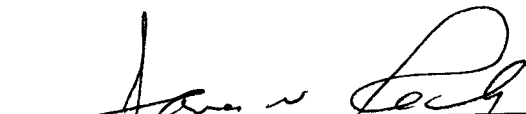
other debt obligations to reimburse such expenditures. The Service expects to reimburse itself with the proceeds of bonds or other debt obligations in an amount not to exceed Two Million Dollars (\$2,000,000.00).

2. This Resolution shall take effect immediately.

ADOPTED, this 29th day of April, 1999.

SEAL

MARYLAND ENVIRONMENTAL SERVICE

BY: 


JAMES W. PECK, DIRECTOR

BY: 

CATHERINE PIEPER STEVENSON, DEPUTY DIRECTOR

BY: 

KENNETH HOWARTH, TREASURER

BY: 

MICHAEL H. DAVIS, SECRETARY

ATTEST: 

MICHAEL H. DAVIS, SECRETARY

NationsBank

NATIONSBANK, N.A.

Corporate Signature Card

Account Number 2302004239

Temporary Signature Card

Account Type Demand Deposit

Account Title Midshore Liability Fund

Name of Corporation Maryland Environmental Service

Tax Identification Number 52-0982511

By signing below, the above named Corporation agrees that this account is and shall be governed by the terms and conditions set forth in the following documents, as amended from time to time: (1) the Deposit Agreement and Disclosures and (2) the Business Accounts and Services Schedule of Fees, and the Corporation further acknowledges the receipt of these documents.

Substitute Form W-9. Certification-Under penalties of perjury, I certify that:

- (1) The number shown on this form is the correct taxpayer identification number (or I am waiting for a number to be issued to me), and
- (2) I am not subject to backup withholding because: (A) I am exempt from backup withholding, or (B) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (C) The IRS has notified me that I am no longer subject to backup withholding.

Certification Instructions

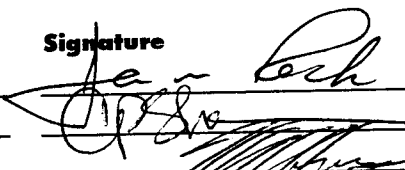
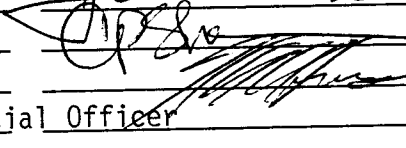
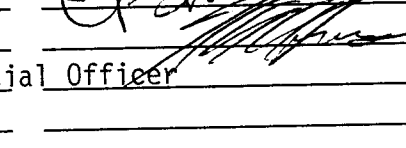
You must cross out item (2) above if you have been notified by the IRS that you are currently subject to backup withholding because of underreporting interest or dividends on your tax return. (See also IRS instructions for Substitute Form W-9 in the Deposit Agreement and Disclosures).

Exempt (check if applicable)

Name (typed or printed)

Title

Signature

- | | | |
|--------------------------------------|---------------------------------------|---|
| 1. <u>James W. Peck</u> | <u>Director</u> |  |
| 2. <u>Catherine Pieper Stevenson</u> | <u>Deputy Director</u> |  |
| 3. <u>Kenneth A. Howarth</u> | <u>Treasurer</u> |  |
| 4. <u>Henry Cook</u> | <u>Deputy Chief Financial Officer</u> | |
| 5. _____ | _____ | _____ |

I, the undersigned, hereby certify (1) I am the Secretary or Assistant Secretary of the Corporation named above, (2) the above named person(s) are those person(s) currently empowered to act under the Corporate resolutions authorizing this account and the other banking services provided for therein, (3) that the title and specimen signature set forth opposite the name of each person are true and genuine, and (4) the Substitute Form W-9 certification.

This 29 day of April 1999


Secretary/Assistant Secretary

Automated Teller Machine Card Request N/A

Provided that the account referenced above is eligible to receive automated teller machine cards, I (as authorized by the resolutions which authorize this account) hereby request the issuance of such cards to any of the authorized signers on this account.

Signature

Title

Bank Information

Date _____ Banking Center Name _____

Associate's Phone Number _____ Associate's Name _____

**BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION
(99-06-01R)**

A RESOLUTION ESTABLISHING

AN EXECUTIVE COMPENSATION PROGRAM FOR DESIGNATED OFFICERS AND EMPLOYEES OF THE MARYLAND ENVIRONMENTAL SERVICE, ADOPTING A STATEMENT OF EXECUTIVE COMPENSATION PHILOSOPHY, DIRECTING THE DIRECTOR TO REVIEW CERTAIN SALARIES, AND DIRECTING THE DIRECTOR TO DEVELOP A CERTAIN EMPLOYEE BONUS PLAN, A CERTAIN EXECUTIVE INCENTIVE COMPENSATION PLAN, AND A CERTAIN PERFORMANCE EVALUATION PLAN.

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 establish a personnel system that is based on merit and compensates employees based on performance; and

WHEREAS, the Board of Directors of the Service ("Board") acknowledges that the Service's most valuable resource is its employees; and

WHEREAS, pursuant to §3-103(b)(1) of the Natural Resources Article the Board is responsible for determining the salary of the Director, Deputy Director, Treasurer and Secretary of the Service (the "Officers"); and

WHEREAS, the Service, at the direction of the Board, has commissioned a private management consulting firm, the Singer Group, Inc., to conduct an Executive Compensation Study

Resolution No. 99-06-01R
Compensation Matters
Page 2

(the "Study") for the Service, a copy of which is attached hereto as Exhibit "1"; and

WHEREAS, the Board desires to implement certain recommendations made in the Study; and

WHEREAS, the Board also desires that the management of the Service should review its current compensation program for all other employees of the Service, and should also make recommendations to the Board for a bonus and incentive program that provides additional compensation to employees whose performance meets certain specified criteria.

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

1. The Board hereby adopts the following Statement on Executive Compensation Philosophy:

The goal of Maryland Environmental Service's executive compensation plan is to attract and retain qualified and competent executives to provide innovative, responsive, and cost-effective environmental management services to Maryland's local governments, state and federal agencies, and private entities.

The objective of the Service's compensation plan is to provide a base of compensation that is fair, competitive, reasonable, and fiscally prudent. The guidelines for external competitiveness will be a blend of salaries in the public, private and nonprofit sectors.

The Service will also provide annual executive incentive compensation based on the organization's achievement of its annual goals, as evaluated by the Board.

Resolution No. 99-06-01R
Compensation Matters
Page 3

2. As used in this Resolution, the term "Executive Employees" means those individuals listed in Section 7 of this Resolution, or such other employees as may, from time to time, be designated by the Board.
3. The Director shall immediately undertake a review of the salary ranges of all employees and employee classifications of the Service, other than the Executive Employees. The review shall examine whether the current salary ranges provide for fair and equitable compensation for employees. The results of the Director's review shall be provided to the Board.
4. By July 31, 1999, the Director shall develop and recommend to the Board a bonus plan ("Bonus Plan") for all employees of the Service who are not Executive Employees. The proposed Bonus Plan shall require the Board to first approve the Service's strategic business goals and associated measures prior to the start of a fiscal year, and then to evaluate, with input provided by the Director, the degree to which the goals were achieved by the Service during the fiscal year, as well as the financial status of the Service and proposed sources of funds to pay bonuses. The proposed Bonus Plan shall include criteria that recognize that an employee is eligible for a bonus by contributing to the achievement of the Service's strategic business goals. The proposed Bonus Plan shall also include provisions for payment of bonuses at such times and in such amounts as may be recommended by managers and executives of the Service, and approved by the Board.
5. By July 31, 1999, the Director shall develop and recommend to the Board an executive incentive plan ("Executive Incentive Plan") for Executive Employees of the Service. The proposed Executive Incentive Plan shall include criteria that recognize that an executive incentive is earned based upon the employee's role in retention of the Service's client base,

Resolution No. 99-06-01R
Compensation Matters
Page 4

acquisition of additional clients and projects, performance in managing projects and executing tasks, special activities, and achievement of the Service's strategic business goals.

The proposed Executive Incentive Plan shall also include provisions for payment of executive incentives in amounts that are between five percent and fifteen percent of the eligible employee's base pay. The proposed Executive Incentive Plan shall require the Board to first approve the Service's strategic business goals and associated measures prior to the start of a fiscal year, and then to evaluate, with input provided by the Director, the degree to which the goals were achieved by the Service during the fiscal year, as well as the financial status of the Service and proposed sources of funds to pay executive incentives.

6. By July 31, 1999, the Director shall develop and recommend to the Board a performance evaluation plan for the Director ("Director's Performance Evaluation Plan"). The proposed Director's Performance Evaluation Plan shall include identification of the essential job functions of the Director, a process for establishing and measuring goals in consultation with the Board, and criteria for the Board to evaluate the Director's performance.
7. Effective the first full pay period of Fiscal Year 2000, the minimum and maximum annual salaries for the Executive Employees listed below shall be as follows:

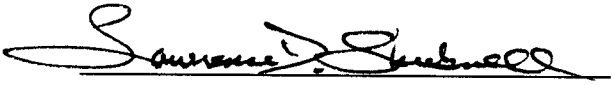
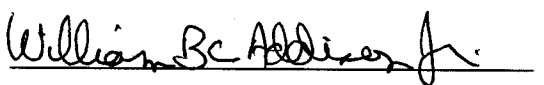
<u>Position</u>	<u>Minimum Salary</u>	<u>Midpoint Salary</u>	<u>Maximum Salary</u>
Director	\$110,000	\$130,000	\$150,000
Deputy Director	\$ 84,000	\$105,000	\$126,000
Treasurer	\$ 84,000	\$105,000	\$126,000
Secretary		AS DETERMINED BY THE BOARD	
Program Director	\$ 84,000	\$105,000	\$126,000

The Board shall determine the specific salary to be paid to an Officer. The Director shall determine the specific salary to be paid to a Program Director.

8. This Resolution shall take effect immediately.

ADOPTED, this 24th day of June, 1999.

MARYLAND ENVIRONMENTAL SERVICE

SEAL	James W. Peck Director	<u>NOT PRESENT</u>
	Catherine Pieper Stevenson Deputy Director	<u>ABSTAINED</u>
	Kenneth Howarth Treasurer	<u>ABSTAINED</u>
	Michael H. Davis Secretary	<u>NOT PRESENT</u>
	Lawrence D. Shubnell Member	<u></u>
	William B.C. Addison, Jr. Member	<u></u>

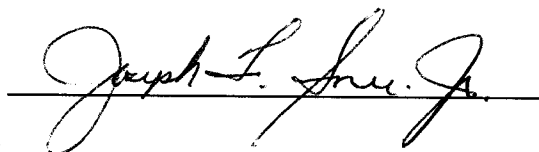
Resolution No. 99-06-01R
Compensation Matters
Page 6

Daniel F. McMullen, III
Member



A handwritten signature in cursive script, reading "Daniel F. McMullen, III", written over a horizontal line.

Joseph F. Snee, Jr.
Member




A handwritten signature in cursive script, reading "Joseph F. Snee, Jr.", written over a horizontal line.

Leslie Jackson Jenkins
Member



A handwritten signature in cursive script, reading "Leslie Jackson Jenkins", written over a horizontal line.

Attest: 
_____ **Michael H. Davis, Secretary**

BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION
(99-08-1R)

A RESOLUTION authorizing

The formal ratification by the Maryland Environmental Service (the "Service") of the procurement of equipment; assignment of the equipment to a Project Reserve Fund (Internal Service Fund); and borrowing of moneys to finance the purchase of the assets.

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, purchase, hold, lease as lessee, and use any franchise and any property, real, personal or mixed, tangible or intangible, or any interest therein necessary to carry out the purposes of the Service; (ii) to create and establish a project reserve fund; and (iii) to borrow money and issue bonds or notes 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.

The Service considers the purchase of various pieces of machinery and equipment for the use and support of certain projects 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. The purchase of the equipment (the "Assets") shall be, and hereby is, confirmed, authorized and directed pursuant to the provisions of the Act.

2. Certain procurements have been or will be initiated by the Service due to funding availability and project schedules.

3. With regard to the attached list entitled "Capital Equipment Expenditures" and totaling Three Hundred Ninety Thousand Dollars (\$390,000.00), the Board approves the following: (a) the purchase of the Assets; (b) assignment of the Assets to the Project Reserve Fund (Internal Service Fund) for lease or rental to MES projects, including, without limitation, to the Midshore Regional Landfill project owned and operated by the Service; (c) borrowing of moneys for a term not to exceed five (5) years to finance the purchase of the Asset; (d) the use of interfund borrowing, as needed, but only a temporary basis, to facilitate the purchase transaction; and (e) use of the proceeds of the permanent financing as appropriate to reimburse the interfund borrowing, including, without limitation, financing in the form of a Master Equipment Lease-Purchase Agreement.

4. The purchases shall be, and hereby are, adopted and authorized as set forth above, and the Director of the Service is hereby authorized to proceed as authorized and approved by this Resolution. The Service may make any substitutions of the Assets to any client-specific project it deems necessary.

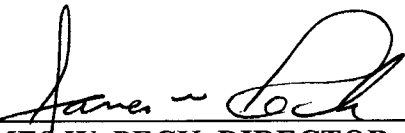
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5. This Resolution shall take effect immediately.

ADOPTED, this 19th day of August, 1999.

SEAL

MARYLAND ENVIRONMENTAL SERVICE

BY: 

JAMES W. PECK, DIRECTOR

BY: 

CATHERINE PIEPER STEVENSON, DEPUTY DIRECTOR

BY: 

KENNETH A. HOWARTH, TREASURER

BY: 

MICHAEL H. DAVIS, SECRETARY

**CAPITAL EQUIPMENT EXPENDITURES
(99-08-1R)**

<u>No.</u>	<u>Description</u>	<u>Model</u>	<u>Estimated Cost</u>
1	Landfill Compactor	n/a	\$ 390,000.00
	Total		<u>\$ 390,000.00</u>

MARYLAND ENVIRONMENTAL SERVICE

BOARD OF DIRECTORS

RESOLUTION NO. 99-10-1R

A RESOLUTION APPROVING:

An adjustment to the charges for the Darlington Water Supply Service District (the "Service District"); reauthorizing the assessment of charges against certain real property in the Service District, and establishing the amount of such charges; making certain findings; and generally providing for other matters related to the Service District.

RECITALS

The Service is created by, exists under, and exercises the powers contained in the Maryland Environmental Service Act, Sections 3-101 through 3-130 of the Natural Resources Article of the Annotated Code of Maryland (1997 Replacement Volume), as amended to date (the "Act"), including (among others) the powers (i) to establish service districts for the provision of services, facilities or property used or useful or having present capacity for future use in connection with the supply of water.

In accordance with the Act, on October 23, 1997, the Board of Directors adopted Resolution 97-10-1R. Resolution 97-10-1R provided, *inter alia*, for the creation of the Darlington Water Supply Service District ("Service District"), the adoption of a Five Year Plan (the "Plan"), the acquisition, operation and maintenance of the Darlington Water System ("System"), and the imposition upon each parcel of real property in the Service District a charge ("Charge") to recover all costs incurred by the Service related to the Service District and the System.

The Service has funded the costs of establishing the Service District, operating and maintaining the System, conducting necessary capital improvements, and administering the Service District, by charging each of the lots and parcels of real property in the Service District. For calendar years 1998 and 1999, the Service charged each lot and parcel of real property in the Service District \$79.50 per calendar quarter for full water service. However, due to frequent water line breaks, and concomitant repairs, the Service's costs have exceeded the amount collected by the Service. In order to maintain a high level of water supply service to the citizens of Darlington, the Service intends to undertake major repairs and renovations to the System. In order to recover sufficient funds to make the repairs and renovations, the Service must adjust the Charge imposed in the Service District to the amount of \$96.99 per quarter per connection for calendar year 2000, and to \$118.33 per quarter per connection for calendar year 2001.

In accordance with the Act, the Service held a public information hearing on the proposed Charges on October 19, 1999 in the community of Darlington. Notice of the public information hearing was made by publication in the Aegis newspaper on October 6, 1999 and October 13, 1999, and by letter sent, postage prepaid, to households on the Service's billing list.

The Service considers the adjustment of the Charge to be in furtherance of the public purposes of the Act and the Service, and to be consistent with the Plan.

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. Acting pursuant to the Act, it is hereby found and determined that the adjustment of the Charge, as described herein, accomplishes the intent and purposes of the Act and generally promotes the health, welfare and safety of the residents of the Darlington community and of the State of Maryland.
3. The Service is hereby authorized to establish charges for services and projects provided by the Service in the Service District, including, without limitation, charges for all costs incurred by the Service in repairing and renovating the System. Such charges shall be imposed against real property located in the Service District in an amount not to exceed \$96.99 per quarter per connection for calendar year 2000, and not to exceed \$118.33 per quarter per connection for calendar year 2001. The current charge of \$79.50 per quarter per connection is confirmed. In accordance with the Act, the Service is hereby authorized and directed to impose an Environmental Service Lien on any real property in the Service District for which the Charge is not paid when due, and to take any other action as is necessary to collect any moneys due the Service in relation to the Service District.
4. The Director and other officers and employees 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 matters contemplated by this Resolution.
5. The execution by the Director of the Service, or his designee, of any document authorized herein to be executed by the Director 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.
6. This Resolution shall take effect immediately.
7. The provisions of this Resolution are severable, and if any provision, sentence, clause, section or part hereof is held or determined to be illegal, invalid or unconstitutional or inapplicable to any person, property or circumstances, such illegality, invalidity or

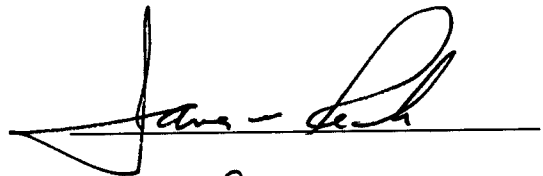
unconstitutionality, or inapplicability shall not affect or impair any of the remaining provisions, sentences, clauses, sections or parts of this Resolution or their application to other persons, property or circumstances. It is hereby declared to be the intent of the Board of Directors of the Maryland Environmental Service that this Resolution would have been passed if such illegal, invalid, unconstitutional or inapplicable provision, sentence, clause, section or part had not been included herein, and as if the person, property or circumstances to which this Resolution or any part hereof are inapplicable had been specifically exempted therefrom.

ADOPTED THIS 28th DAY OF OCTOBER, 1999

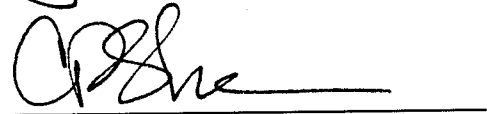
MARYLAND ENVIRONMENTAL SERVICE

SEAL

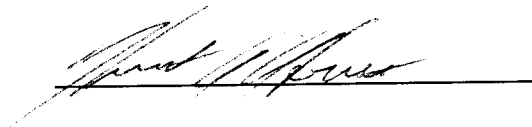
**James W. Peck
Director**




**Catherine Pieper Stevenson
Deputy Director**



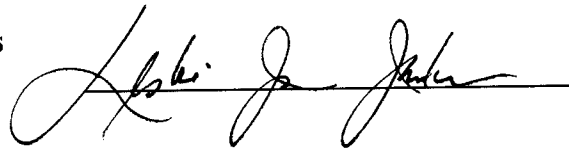
**Kenneth Howarth
Treasurer**



**Michael H. Davis
Secretary**



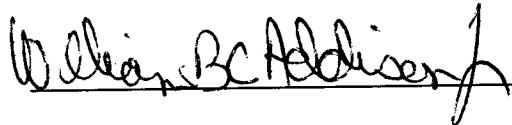
**Leslie Jackson Jenkins
Member**



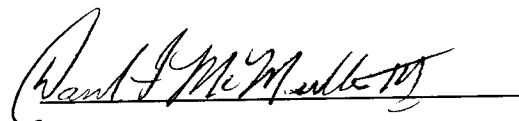
**Lawrence D. Shubnell
Member**



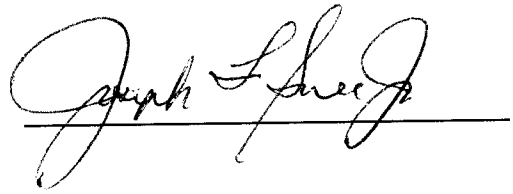
**William B. C. Addison, Jr.
Member**



**Daniel F. McMullen, III
Member**

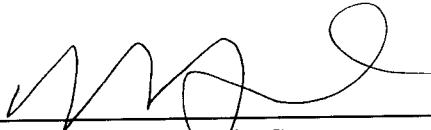


**Joseph F. Snee, Jr.
Member**



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Attest:



Handwritten signature of Michael H. Davis in cursive script, positioned above a horizontal line.

Michael H. Davis, Secretary

**BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE**

RESOLUTION

(99-10-2R)

A RESOLUTION AMENDING, Resolution 96-04-1R, as previously amended by Resolution 97-06-1R, Resolution 98-01-1R, and Resolution 99-01-1R; and generally relating to the financial affairs of 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 power to fix, alter, charge, and collect rates, fees, and charges for the use of or for the services furnished by the Service or its projects, including administrative and overhead expenses. On April 25, 1996, the Board adopted Resolution 96-04-1R. Resolution 96-04-1R provided *inter alia*, for the adoption and use of an Indirect Cost Recovery Methodology for the Service. The Resolution also included an attachment which detailed the Service's Indirect Cost Recovery Methodology. Resolution 96-04-1R was subsequently amended by Resolution 97-06-1R, Resolution 98-01-1R, and Resolution 99-01-1R. The Service has determined to further amend the Indirect Cost Recovery Methodology.

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

1. The Attachment to Resolution 96-04-1R, as amended by Resolution 97-06-1R, Resolution 98-01-1R, and Resolution 99-01-1R, is hereby changed to read as follows:

Overhead and General and Administrative (G & A) Costs

- Overhead and G & A costs will be accumulated into a single cost pool for all program level and agency level costs. Multiple cost centers will be used to record, manage and control costs and

then accumulated for recovery.

- In order to recover a portion of the Service's indirect overhead costs, a 5% rate shall be charged on direct contract labor. The labor index for recovering the Service's remaining indirect overhead costs shall be direct billable labor, excluding overtime premium costs.
- The recovery of G & A and overhead costs incurred from January 1, 1999 through June 30, 1999, shall be in accordance with the methodology approved by the Board in Resolution 99-01-1R.
- The recovery of G & A and overhead costs incurred after June 30, 1999 shall be in accordance with the following methodology:
- The base recovery rate will be adjusted to meet the following customer criteria:
 1. For that portion of the labor index that exceeds \$350,000 in a fiscal year and is less than \$700,000, the recovery rate will be 75% of the base rate.
 2. For that portion of the labor index that equals or exceeds \$700,000 in a fiscal year, and is less than \$1,000,000, the recovery rate will be 50% of the base rate.
 3. For that portion of the labor index that equals or exceeds \$1,000,000 in a fiscal year, and is not more than \$1,200,000, the recovery rate will be 25% of the base rate.
 4. For that portion of the labor index that equals or exceeds 1,200,000, the recovery rate will be zero (\$0.00).
 5. A base recovery rate of 5% will be applied to contract labor (not to include subcontract labor).
- The actual base recovery rate for a fiscal year will be confirmed by the Service's independent auditors as part of the Service's regular fiscal year end audit.
- The most recent audited base recovery rate will be adjusted by the Service for any known or required changes to the rate components. Any adjustment will include retention of two thirds (2/3) of any recovery of costs in excess of actual overhead and G & A costs in a fiscal year. This adjusted recovery rate will then be used by the Service for the next full budget cycle (second fiscal year after the audited year), and will be applied to fiscal year 1999 results for setting the overhead rate for fiscal year 2001.

Working Capital Charge

- In addition to the other charges set forth herein, the Service shall charge a rate of three percent (3%) of the labor index to each project for which a Service client has not provided an operating advance. This charge shall be known as the "Working Capital Charge". For purposes of this section, the labor index shall be direct billable labor, excluding overtime premium costs.

- The rate of the Working Capital Charge shall not be subject to annual audit adjustment. The Board shall, from time to time, review and adjust, in its sole discretion, the rate of the Working Capital Charge.

Fringe Benefit Costs

- Fringe benefit costs will be accumulated in a single cost center cost pool.
- The base index for recovering fringe benefits is the Service's total labor costs, excluding overtime premium costs.
- The actual fringe benefits recovery rate for a fiscal year will be confirmed by the Service's independent auditors as part of the regular fiscal year end audit.
- The most recent audited base recovery rate will be adjusted by the Service for any known or required changes to the rate components. Any adjustment will include retention of two thirds (2/3) of any recovery of costs in excess of actual fringe benefit costs in a fiscal year. This adjusted recovery rate will then be used by the Service for the next full budget cycle (second fiscal year after the audited year), and will be applied to fiscal year 1999 results for setting the fringe benefit recovery rate for fiscal year 2001.

For purposes of this methodology, normal accounting accruals which are consistent with generally accepted accounting principles will be actual costs.

2. All other terms of Resolution 96-04-1R, as amended by Resolution 97-06-1R, Resolution 98-01-1R, and Resolution 99-01-1R remain the same.
3. It is the specific intent of the Board that this Resolution shall be effective retroactive to July 1, 1999.

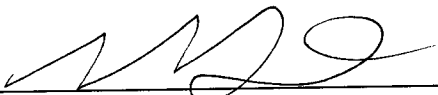
ADOPTED, this 28th day of October, 1999.

SEAL

BY: 
JAMES W. PECK, DIRECTOR

BY: 
CATHERINE PIEPER STEVENSON
DEPUTY DIRECTOR

BY: 
KENNETH HOWARTH, TREASURER

BY: 
MICHAEL H. DAVIS, SECRETARY

MARYLAND ENVIRONMENTAL SERVICE

BOARD OF DIRECTORS

RESOLUTION NO. 99-10-3R

A RESOLUTION APPROVING AND ADOPTING:

the State of Maryland Year 2000 Compliance Plan (Release 2), as modified or supplemented from time to time.

RECITALS

The Service was created by the General Assembly of Maryland in 1970 as an instrumentality of the State of Maryland. In creating the Service, the General Assembly has expressed its intent to: (i) provide for dependable, effective, and efficient purification and disposal of liquid and solid wastes; (ii) encourage reductions in the amount of waste generated and discharged to the environment and the generation of energy and the recovery of useable sources from such waste to the extent practicable; (iii) encourage private sector participation in environmental protection; and (iv) serve its political subdivisions and economic interests.

As an owner, operator, and consultant for numerous public and private environmental facilities located throughout the State of Maryland, the Service recognizes the disruptive potential of the Year 2000 problem, and has established an aggressive, agency-wide risk management program to address, remediate, and prepare contingency plans for Year 2000 issues. The Service's Year 2000 readiness strategy involves five phases: (1) awareness and education; (2) assessment and prioritization; (3) remediation and contingency planning; (4) testing and validation; and (5) implementation.

In the spring of 1998, the Service appointed a Year 2000 Coordinator who was charged with developing the Service's Year 2000 compliance strategies, and serving as a clearinghouse for Year 2000 policy, information, communication, record maintenance, and activities. The Service has also worked closely with the State of Maryland's Year 2000 Program Management Office to improve its Year 2000 risk management program, and to coordinate its efforts with other State agencies.

During 1999, the Service has routinely briefed the Board of Directors on the status of its Year 2000 risk management program, ranging from global matters such as the Service's expenditures and resource allocation to specific matters such as the remediation of particular information technology systems and products.

To date, the Service has expended significant resources in addressing the Year 2000 problem, and is confident that its mission critical systems will be Year 2000 compliant. However, due to the magnitude, complexity and interdependencies associated with the Year 2000 problem, the Service is cognizant that there can be no absolute guarantee that every internal and contiguous Year 2000 problem will be found, corrected and tested prior to January 1, 2000.

Due, in part, to the uncertainty connected with Year 2000 issues, the General Assembly passed emergency legislation (House Bill 901 and Senate Bill 232), providing certain conditional immunity to the State and local governments and officials for actions arising out of date data problems. The immunity provided by this legislation is available to the State and local governments which: (1) publish and make available a written plan to inventory, assess, and provide a contingency plan of action relating to Y2K date data problems in information technology systems and products (the "Compliance Plan"); (2) before October 1, 1999, adopt a Compliance Plan; and (3) before December 31, 1999, complete certain items of the Compliance Plan as specifically set forth in the legislation. On May 27, 1999, Governor Glendening signed this legislation into law (See Chapters 553 and 554, Laws of 1999), which became effective on July 1, 1999.

On July, 1, 1999, the State, through its Year 2000 Program Management Office, published and made available for public inspection and comment the State of Maryland's Year 2000 Compliance Plan in accordance with Md. Courts and Judicial Proceedings Code Ann. § 5-527(B)(1) (1999). The Compliance Plan was adopted by the State on September 24, 1999 (See Md. Reg. Vol.26, issue 20 at p. 1599).

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

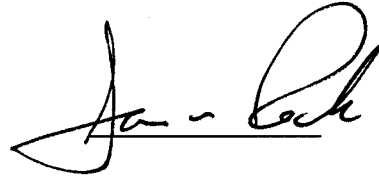
1. The State of Maryland's Year 2000 Compliance Plan, a copy of which is attached to this Resolution, is hereby approved and adopted by the Service.
2. In accordance with the provisions of the State of Maryland's Year 2000 Compliance Plan, the Director, or his designees, shall be, and hereby are, authorized to take any and all such actions as are necessary to implement the provisions of the State of Maryland's Year 2000 Compliance Plan.
3. This Resolution shall take effect immediately upon its adoption.

ADOPTED THIS 28th DAY OF OCTOBER, 1999.

MARYLAND ENVIRONMENTAL SERVICE

SEAL

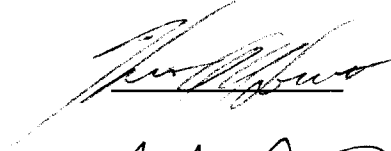
James W. Peck
Director



Catherine Pieper Stevenson
Deputy Director



Kenneth Howarth
Treasurer



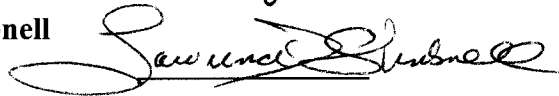
Michael H. Davis
Secretary



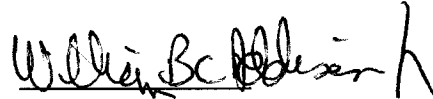
Leslie Jackson Jenkins
Member



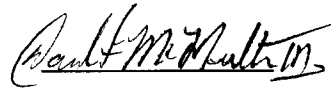
Lawrence D. Shubnell
Member



William B.C. Addison, Jr.
Member




Daniel F. McMullen, III
Member



Joseph F. Snee, Jr.
Member



Attest:


Michael H. Davis, Secretary

BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION
(99-10-4R)

A RESOLUTION authorizing

The formal ratification by the Maryland Environmental Service (the "Service") of the procurement of equipment; assignment of the equipment to a Project Reserve Fund (Internal Service Fund); and borrowing of moneys to finance the purchase of the assets.

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, purchase, hold, lease as lessee, and use any franchise and any property, real, personal or mixed, tangible or intangible, or any interest therein necessary to carry out the purposes of the Service; **(ii)** to create and establish a project reserve fund; and **(iii)** to borrow money and issue bonds or notes 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.

The Service considers the purchase of various pieces of machinery and equipment for the use and support of certain projects 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. The purchase of the equipment (the "Assets") shall be, and hereby is, confirmed, authorized and directed pursuant to the provisions of the Act.

2. Certain procurements have been or will be initiated by the Service due to funding availability and project schedules.

3. With regard to the attached list entitled "Capital Equipment Expenditures" and totaling an amount not to exceed Eighty-five Thousand Dollars (\$85,000.00), the Board approves the following: (a) the purchase of the Assets; (b) assignment of the Assets to the Project Reserve Fund (Internal Service Fund) for lease or rental to MES projects, including, without limitation, to the Western Branch Yard Waste Composting Facility project operated by the Service; (c) borrowing of moneys for a term not to exceed five (5) years to finance the purchase of the Asset; (d) the use of interfund borrowing, as needed, but only a temporary basis, to facilitate the purchase transaction; and (e) use of the proceeds of the permanent financing as appropriate to reimburse the interfund borrowing, including, without limitation, financing in the form of a Master Equipment Lease-Purchase Agreement.

4. The purchases shall be, and hereby are, adopted and authorized as set forth above, and the Director of the Service is hereby authorized to proceed as authorized and approved by this Resolution. The Service may make any substitutions of the Assets to any client-specific project it deems necessary.


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5. This Resolution shall take effect immediately.

ADOPTED, this 28th day of October, 1999.

SEAL

MARYLAND ENVIRONMENTAL SERVICE

BY: 

JAMES W. PECK, DIRECTOR

BY: 

CATHERINE PIEPER STEVENSON, DEPUTY DIRECTOR

BY: 

KENNETH A. HOWARTH, TREASURER

BY: 

MICHAEL H. DAVIS, SECRETARY

CAPITAL EQUIPMENT EXPENDITURES
(99-10-4R)

<u>No.</u>	<u>Description</u>	<u>Model</u>	<u>Estimated Cost</u>
1	Truck Tractor	n/a	\$ 85,000.00
		Total	<u>\$ 85,000.00</u>

**BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE**

RESOLUTION

(99-10-05R)

A RESOLUTION DECLARING

THE OFFICIAL INTENT OF THE MARYLAND ENVIRONMENTAL SERVICE TO REIMBURSE EXPENDITURES TO BE INCURRED WITH RESPECT TO THE DESIGN, ENGINEERING, PERMITTING, CONSTRUCTION, EQUIPPING, INSPECTION AND FINANCING OF CELL NO. 5, PHASE II OF THE CECIL COUNTY CENTRAL LANDFILL, AND RELATED FACILITIES, WITH THE PROCEEDS OF DEBT 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 design, engineering, permitting, construction, equipping, inspection and financing of Cell No. 5, Phase II, of the Cecil County Central Landfill, and related facilities, prior to the issuance of debt by the Service for such project; and

WHEREAS, the Service intends to reimburse 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 1.103-18 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.

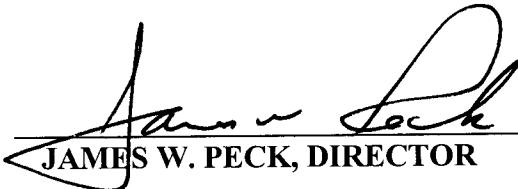
NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MARYLAND ENVIRONMENTAL SERVICE THAT:

1. The Service intends to expend money for the design, engineering, permitting, construction, equipping, inspection and financing of Cell No. 5, Phase II, of the Cecil County Central Landfill, and related facilities, prior to the issuance of bonds or other debt obligations to reimburse such expenditures. The Service expects to reimburse itself with the proceeds of bonds or other debt obligations in an amount not to exceed Four Million Dollars (\$4,000,000.00).
2. This Resolution shall take effect immediately.

ADOPTED, this 28th day of October, 1999.

SEAL

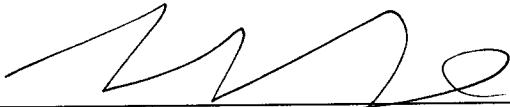
MARYLAND ENVIRONMENTAL SERVICE


BY: 
JAMES W. PECK, DIRECTOR

BY: 
CATHERINE PIEPER STEVENSON, DEPUTY DIRECTOR

BY: 
KENNETH HOWARTH, TREASURER

BY: 
MICHAEL H. DAVIS, SECRETARY

ATTEST: 
MICHAEL H. DAVIS, SECRETARY



**MARYLAND
ENVIRONMENTAL
SERVICE**

B.E.S.T. 2000

**Building
Excellence &
Success
Together**



Goals

- To recognize and reward all eligible employees for contributing to the continued growth and strength of the Service.
- Specifically, to pay employees an incentive for meeting and exceeding preset Goals
- To emphasize that all employees have an impact on the 'bottomline' of the Service
- To link the importance of cooperation and teamwork to the growth and success of the Service.

General

- This program does not replace Performance Based Compensation (PBC). Individual goals will still be set and individual employees will still be evaluated on the achievement of those goals as well as day-to-day performance.
- This program does replace the 'lump sum bonus' system, where up to 15% of employees were eligible to receive a lump sum payment of up to 3% of their base pay.

General

- Award will be made only if goals are achieved. This program is not a giveaway program.
- Progress in meeting the goals will be communicated extensively to employees during the course of the fiscal year

Proposed B.E.S.T. Program

General Purpose - All eligible employees shall be paid an equal amount of the B.E.S.T. pool or \$100 whichever is greater, if the Service's B.E.S.T. goals are met. This payment will be made during the last week of November and will be based on the previous fiscal year's results.

Proposed MES B.E.S.T. Program

Eligibility - All permanent, full and part time employees who:

- have received at least an overall rating of 3 on the employee's last performance appraisal
- are active employees at the time of B.E.S.T. payout,
- are supervised by an MES employee
- are not on probation as of June 30, and
- are not on the Executive Staff

Proposed MES B.E.S.T. Program

B.E.S.T. Pool - is at least 40% of the funds available.

Funds Available - The sum of the fringe variance, overhead variance, project variance and interest income minus the charges to the previous year's restricted retained earnings (Inspire, Training, Information Technology)

Proposed MES B.E.S.T. Program

Award Distribution - The number of eligible employees as of June 30th (last day of the fiscal year) divided into the B.E.S.T. pool. Each employee receives the same amount.

Example: \$152,741 (B.E.S.T. pool) divided by 390 employees equals \$392 per employee

B.E.S.T. Funding Example

	1994	1995	1996	1997	1998	1999
Fringe Variance	(55,400)	175,900	154,100	115,800	7,400	2,700
Plus extra day off			38,339	41,105	49,192	
Plus lump sum bonus				76,652	75,624	91,153
OH Variance	271,500	37,300	(38,800)	260,300	128,600	315,500
Project Variance **	118,900	56,100	30,200	(448,000)	60,800	(55,000)
Interest Income	160,000	167,300	179,600	207,400	249,400	175,600
Minus costs charged to Restricted Retained Earnings: Inspire, Training, Information Technology	(300,200)	(63,000)	(146,300)	(255,300)	(131,300)	(148,100)
Funds Available*	194,800	373,600	217,139	(2,043)	439,716	381,853
B.E.S.T. Pool (assumes 40%)	77,920	149,440	86,856	(817)	175,886	152,741
* Excludes Equipment and Working Capital fund balances						

B.E.S.T. Goals for FY 2000

July 1, 1999 through June 30, 2000

- Increase billable hours, for example:
 - Satisfy MES clients so that contracts are renewed
 - get new projects while keeping old projects
 - decrease amount of time to fill billable vacancies
 - billable hours for FY 1999 - 812,402.73
- Reduce Accident Leave Hours as a percent of total hours worked, FY 99 - 0.19%

B.E.S.T. Goals for FY 2000 July 1, 1999 through June 30, 2000

- Increase the efficiency of specific administrative procedures which shall result in MES being paid more quickly for its services, for example:
 - get mileage reports in on time and correctly coded so that clients can be billed more quickly
 - Reduce the amount of time it takes to send out invoices (Currently it takes 23 to 26 days from monthly closeout to the time invoices are sent out) MES loses approximately \$470/day in interest.

B.E.S.T. Goals for FY 2000

July 1, 1999 through June 30, 2000

- Meet the State's MBE participation goal of 14%
- Reduce non-labor overhead expenses as % of total labor revenues
- Improve the environment through MES activities

Award Process - Prior to the October Board of Directors meeting, the Board will be presented with the final measurements for the fiscal year of each B.E.S.T. goal. At the October Board meeting the Board shall designate the percentage of funds available to be used for the B.E.S.T. pool based on the achievement of the B.E.S.T. goals. The percentage must be at least 40%. If all goals are met, eligible employees are guaranteed a minimum of \$100 each or an equal share of the B.E.S.T. pool whichever is greater.

B.E.S.T. PLUS

- The Board shall also designate 20% of the funds available to be used by the Director to distribute to the Program Directors to reward individual employees who have made extraordinary contributions to achieving the B.E.S.T. goals of the Service. These individuals shall receive an individual award as well as an award from the B.E.S.T. pool.

B.E.S.T. PLUS

- The Program Directors will provide written recommendations and justifications to the Director for employees recommended for B.E.S.T. PLUS awards.
- B.E.S.T Plus Award Distribution Guidelines - 1% to 15% per individual. (Average MES salary is approximately \$31,000, BEST Plus payout would be between \$310 to \$4,650)

BEST Model

Model 1 (BEST only)	1994	1995	1996	1997	1998	1999
Number of employees	323	329	347	445	379	390
BEST Pool (assumes 40% of funds available)	77,920	149,440	86,856		175,886	152,741
Amount per Employee	\$ 241	\$ 454	\$ 250		\$ 464	\$ 392
<hr/>						
Model 2 (BEST Plus)	1994	1995	1996	1997	1998	1999
Number of awardees (assumes 15% of all employees)	62	63	64	63	79	81
BEST-Plus Pool (assumes 20% of funds available)	38,960	74,720	43,428		87,943	76,371
Average BEST Plus amount	\$ 628	\$ 1,186	\$ 679		\$ 1,113	\$ 943
Plus BEST Pool money	\$ 241	\$ 454	\$ 250		\$ 464	\$ 392
<hr/>						
Total Average (BEST & BEST Plus)	\$ 870	\$ 1,640	\$ 929		\$ 1,577	\$ 1,334
Lump sum actuals average		\$ 561	\$ 1,015	\$ 1,070	\$ 1,062	

**BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION
(99-10-06R)**

A RESOLUTION ESTABLISHING

AN EMPLOYEE INCENTIVE PLAN TO BE KNOWN AS THE "BEST" PROGRAM; DEFINING ELIGIBILITY FOR THE BEST PROGRAM; ESTABLISHING CERTAIN GOALS FOR MEASURING THE PERFORMANCE OF THE SERVICE IN A FISCAL YEAR; AUTHORIZING THE PAYMENT OF CERTAIN INCENTIVE PAYMENTS TO ELIGIBLE EMPLOYEES OF THE SERVICE IF CERTAIN CRITERIA ARE MET; AUTHORIZING THE DIRECTOR TO MAKE CERTAIN ADDITIONAL INCENTIVE PAYMENTS TO ELIGIBLE EMPLOYEES OF THE SERVICE; AND GENERALLY RELATING TO THE PAYMENT OF COMPENSATION TO 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 establish a personnel system that is based on merit and compensates employees based on performance; and

WHEREAS, the Board of Directors of the Service ("Board") acknowledges that the Service's most valuable resource is its employees; and

WHEREAS, pursuant to Resolution 99-06-01R, the Board directed the Service to develop and recommend an incentive plan for all employees of the Service who are not Executive Employees; and

Resolution No. 99-10-06R
BEST 2000 Program
Page 2

WHEREAS, the Service has extensively studied and reviewed various compensation programs of the private sector, government agencies, and non-profit entities in order to develop a program for paying incentives to eligible employees; and

WHEREAS, the Board recognizes that incentives should only be paid to employees if the Service is successful in achieving or exceeding defined performance goals; and

WHEREAS, the Service has developed a "Building Excellence & Success Together" incentive program to generally be known as the BEST 2000 Program.

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

1. In furtherance of Section 4 of MES Board Resolution 99-06-1R, the Board hereby adopts as the Service's Incentive Plan the BEST 2000 Program, as described in the attached booklet, which booklet is incorporated herein and made a part hereof. The BEST Goals for FY 2000 identified in the booklet shall be the goals by which the Board measures the performance of the agency for FY 2000. For each fiscal year thereafter, the Service shall, not later than July 31, submit to the Board for its approval, proposed BEST goals for the fiscal year.
2. By September 30 of each fiscal year the Director shall prepare and deliver to the Board an analysis of the Service's success in meeting its goals for the prior fiscal year,. At the first meeting of the Board after September 30 of each year, the Board shall determine (a) the success of the Service in meeting the goals established for the prior fiscal year, and (b) the total amount of funds available to the BEST Program. The amount of funds available shall be known as the BEST Pool of Funds.

Resolution No. 99-10-06R

BEST 2000 Program

Page 3

3. If the Board determines that (a) the Service met its goals for the prior fiscal year, and (b) funds are available, the Service shall, by November 30 of each year, pay to eligible employees a BEST Program Payment. The amount of each individual payment shall be determined by dividing the BEST Pool of Funds by the number of eligible employees. The amount shall not be less than \$100 per eligible employee.

4. The Director is hereby authorized to make an additional payment to individual employees who have made extraordinary contributions to achieving the BEST goals of the Service. This payment shall be known as the BEST Plus payment. The Director shall establish fair and equitable criteria for determining which employees may be eligible for a BEST Plus payment.

5. A. Except as listed below, a permanent full-time or part-time employee of the Service is eligible for the BEST 2000 Program if the employee meets the following criteria:
 - (i) The employee received at least an overall rating of 3.0 on the employee's last performance appraisal;
 - (ii) The employee is actively employed by the Service as of the date the incentive payment is made; and
 - (iii) The employee is directly supervised by an employee of the Service.

- B. The following are not eligible for an incentive payment from the BEST Program:
 - (i) An employee on probation as of the June 30 before the date the incentive payment is made;
 - (ii) A member of the Executive Staff, including an officer of the Service;
 - (iii) An Assistant Attorney General assigned to the Service;

Resolution No. 99-10-06R
BEST 2000 Program
Page 4

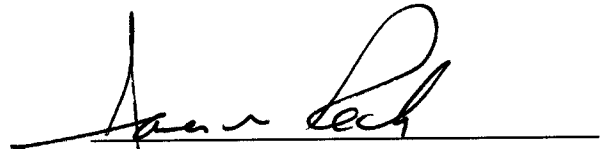
- (iv) An employee who is not directly supervised by an employee of the Service;
 - (v) A temporary employee of the Service.
6. An employee of the Service may not grieve any determination made by the Board or the Director pursuant to Sections 1 through 4 of this Resolution, or the amount of any payment made hereunder.
7. This Resolution shall take effect immediately.

ADOPTED, this 28th day of October, 1999.

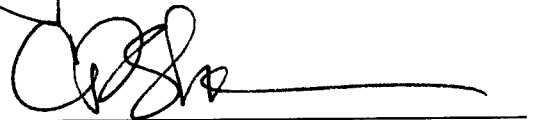
MARYLAND ENVIRONMENTAL SERVICE

SEAL

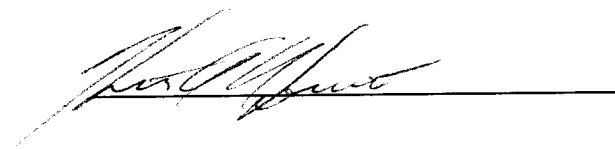
James W. Peck
Director



Catherine Pieper Stevenson
Deputy Director



Kenneth Howarth
Treasurer




Michael H. Davis
Secretary

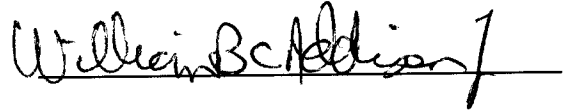


Lawrence D. Shubnell

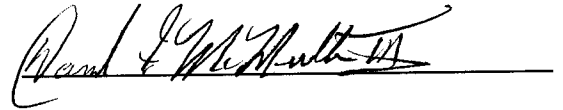
Member



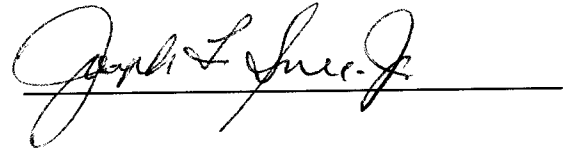
William B.C. Addison, Jr.
Member



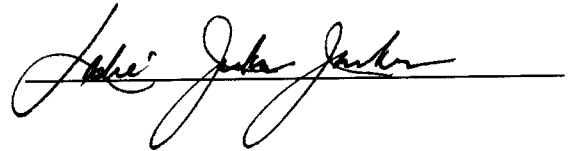
Daniel F. McMullen, III
Member



Joseph F. Snee, Jr.
Member



Leslie Jackson Jenkins
Member



Attest:



Michael H. Davis, Secretary

BOARD OF DIRECTORS
MARYLAND ENVIRONMENTAL SERVICE
RESOLUTION
(99-10-07R)

A RESOLUTION ESTABLISHING

AN EXECUTIVE EMPLOYEE INCENTIVE PLAN; DEFINING ELIGIBILITY FOR THE EXECUTIVE EMPLOYEE INCENTIVE PLAN; ESTABLISHING CERTAIN GOALS FOR MEASURING THE PERFORMANCE OF THE SERVICE IN A FISCAL YEAR; AUTHORIZING THE PAYMENT OF CERTAIN INCENTIVE PAYMENTS TO ELIGIBLE EMPLOYEES OF THE SERVICE IF CERTAIN CRITERIA ARE MET; AND GENERALLY RELATING TO THE PAYMENT OF COMPENSATION TO 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 establish a personnel system that is based on merit and compensates employees based on performance; and

WHEREAS, the Board of Directors of the Service ("Board") acknowledges that the Service's most valuable resource is its employees; and

WHEREAS, pursuant to Resolution 99-06-01R, the Board directed the Service to develop and recommend an incentive plan for Executive Employees of the Service; and

WHEREAS, the Service has extensively studied and reviewed various compensation programs of the private sector, government agencies, and non-profit entities in order to develop a program for paying incentives to eligible employees; and

Resolution No. 99-10-07R
Executive Employee Incentive Plan
Page 2

WHEREAS, the Board recognizes that incentives should only be paid to employees if the Service is successful in achieving or exceeding defined performance goals; and

WHEREAS, the Service has developed an "Executive Employee Incentive Plan" ("Incentive Plan").

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

1. In furtherance of Section 5 of MES Board Resolution 99-06-1R, the Board hereby adopts an Executive Employee Incentive Plan. An award to eligible employees under the Incentive Plan will be based on the extent to which the Service's Strategic Business Goals (as Shown on the attached Exhibit 1, which attachment is incorporated herein and made a part hereof) and the BEST Goals for FY 2000 identified in Resolution 99-10-6R are achieved. For each fiscal year thereafter, the Service shall, not later than July 31, submit to the Board for its approval, proposed Strategic Business Goals and proposed BEST goals for the fiscal year.
2. By September 30 of each fiscal year the Director shall prepare and deliver to the Board an analysis of the Service's success in meeting its goals for the prior fiscal year,. At the first meeting of the Board after September 30 of each year, the Board shall determine (a) the success of the Service in meeting the goals established for the prior fiscal year, and (b) the total amount of funds available to the Incentive Plan. The amount of funds available for payments made pursuant to the Incentive Plan shall be a percentage, designated by the Board, of the sum of the previous fiscal year's fringe variance, overhead variance, project variance and interest income, less charges to the previous year's restricted retained earnings.

Resolution No. 99-10-07R
Executive Employee Incentive Plan
Page 3

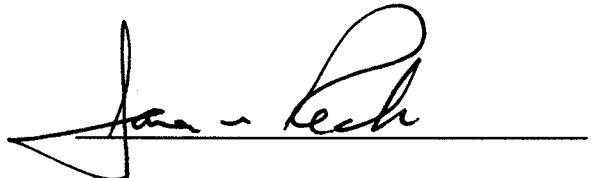
This amount shall be designated the Incentive Plan Pool.

3. If the Board determines that (a) the Service met its goals for the prior fiscal year, and (b) funds are available, the Service shall, by November 30 of each year, pay to eligible employees an Incentive Plan Payment. The amount of each individual payment shall be determined by multiplying an equal percentage not to exceed fifteen percent (15%) to the base pay of each eligible employee.
4. Only the following officers and employees of the Service are eligible for an Incentive Plan payment:
 - (i) The Director, Deputy Director, and Treasurer of the Service;
 - (ii) A Program Director of the Service.
5. This Resolution shall take effect immediately.

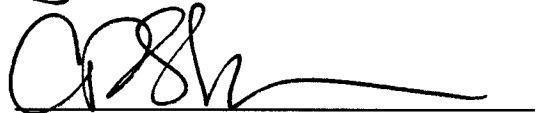
ADOPTED, this 28th day of October, 1999.

SEAL

James W. Peck
Director



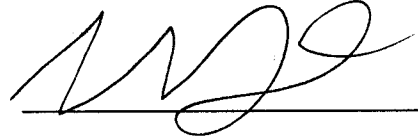
Catherine Pieper Stevenson
Deputy Director



Kenneth Howarth
Treasurer



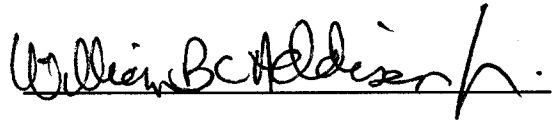
Michael H. Davis
Secretary



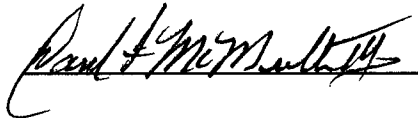
Lawrence D. Shubnell
Member



William B.C. Addison, Jr.
Member



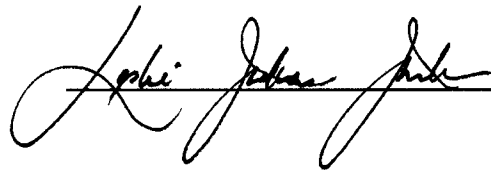
Daniel F. McMullen, III
Member



Joseph F. Snee, Jr.
Member



Leslie Jackson Jenkins
Member



Attest:



Michael H. Davis, Secretary