

NEW ISSUE - BOOK ENTRY ONLY

RATINGS: Moody's Investors Service: Aaa (Aa3 Underlying)
Fitch: AAA (AA Underlying)
See "Ratings."

In the opinion of Bond Counsel to the Authority, assuming compliance with certain covenants described herein, the interest on the Series 2003 Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations, and decisions, except with respect to any Series 2003 Bond during the period that such Series 2003 Bond is owned by a "substantial user" of the projects financed or refinanced with the proceeds of the Series 2003 Bonds or a "related person" (as described herein) and that, by the terms of the Act (as defined herein), the Series 2003 Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, shall at all times 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 agencies of any kind. Interest on the Series 2003 Bonds, including original issue discount accrued in respect of Discount Bonds (as defined herein), will be includable in the alternative minimum taxable income of individuals, corporations and other taxpayers for federal income tax purposes. See "Tax Matters."

\$184,450,000

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY

**Solid Waste Refunding Revenue Bonds
(Montgomery County Solid Waste Disposal System)
Series 2003**

Dated: Day of Delivery

Due: April 1, as shown below

The Series 2003 Bonds (the "Series 2003 Bonds") are to be issued pursuant to an Indenture of Trust dated as of March 1, 1993, as supplemented by a First Supplemental Indenture of Trust dated as of April 3, 2003 (the "Indenture"), between the Northeast Maryland Waste Disposal Authority (the "Authority") and The Bank of New York, as Trustee (the "Trustee"). The Series 2003 Bonds are issuable as fully registered bonds without coupons. The Series 2003 Bonds will bear interest at the rate or rates of interest per annum as set forth below, and mature on April 1 in each of the years and amounts as set forth below. Interest on the Series 2003 Bonds is payable each October 1 and April 1, commencing October 1, 2003.

The Series 2003 Bonds are available only in book-entry form through The Depository Trust Company ("DTC") as Securities Depository. Payment of principal of, redemption price, if any, and interest on, the Series 2003 Bonds will be payable to DTC. DTC is required to remit such payments to Participants, who are required in turn to remit such payments to Beneficial Owners of the Series 2003 Bonds. See "Description of the Series 2003 Bonds." **Purchasers of Series 2003 Bonds will not receive certificates representing their ownership interest in the Series 2003 Bonds.** If the Authority discontinues maintenance of the Series 2003 Bonds under a book-entry system, the Authority will issue bond certificates directly to Beneficial Owners of the Series 2003 Bonds pursuant to the terms of the Indenture.

The Series 2003 Bonds are subject to optional and extraordinary redemption prior to maturity as described under "Description of the Series 2003 Bonds."

The proceeds of the Series 2003 Bonds will be used to refund certain maturities of the Authority's Solid Waste Revenue Bonds (Montgomery County Resource Recovery Project), Series 1993A, which were issued to finance the costs of design and construction of a mass-burn, resource recovery facility located in Dickerson, Maryland (the "Resource Recovery Facility") and the related transportation system and to make improvements to a transfer station and certain other County Disposal System facilities.

The scheduled payment of principal and interest on the Series 2003 Bonds when due will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the Series 2003 Bonds by Ambac Assurance Corporation. See "Bond Insurance Policy."

Ambac

Under the Indenture, the Authority has pledged payments made by Montgomery County, Maryland to the Authority from its Solid Waste Disposal Fund for solid waste disposal services provided by the Authority pursuant to the Waste Disposal Agreement and payments made for electricity generated and electrical generating capacity made available by the Resource Recovery Facility. **The Series 2003 Bonds are limited obligations of the Authority payable solely from and secured by the Project Revenues and other amounts pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the State of Maryland, or of any political subdivision thereof, including Montgomery County, Maryland, or of the Authority is pledged to the payment of the principal of, redemption premium, if any, or the interest on, the Series 2003 Bonds. The Authority has no taxing power. See "Security and Sources of Payment for the Bonds."**

\$184,450,000 Serial Bonds

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>
2009	\$13,370,000	5.250%	3.560%	109.050	2013	\$ 20,045,000	5.500%	4.360%	109.156
2010	18,055,000	5.500	3.860	109.969	2014	23,200,000	5.500	4.450	108.396
2011	18,885,000	5.500	4.110	109.389	2015	16,075,000	5.500	4.510	107.894
2012	20,420,000	5.500	4.250	109.262	2016	54,400,000	5.500	4.570	107.394

The Series 2003 Bonds are offered subject to prior sale when, as and if issued by the Authority and accepted by the Underwriters, subject to the approval of Piper Rudnick LLP, Baltimore, Maryland, Bond Counsel, who will also pass on certain legal matters for the Authority. Certain legal matters will be passed upon for Montgomery County by Venable, Baetjer and Howard, LLP, Baltimore, Maryland, and for the Underwriters by Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania, and Baltimore, Maryland. It is expected that the Series 2003 Bonds will be available for delivery in New York, New York, on or about April 3, 2003.

LEHMAN BROTHERS

**LEGG MASON WOOD WALKER
INCORPORATED**

BEAR, STEARNS & CO. INC.

**FERRIS, BAKER WATTS
Incorporated**

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE SERIES 2003 BONDS.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information set forth in this Official Statement is not to be construed as a representation either by the Underwriters, or, as to information from sources other than the Authority, by the Authority, or as to information from other sources other than the County, by the County.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2003 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the Authority, the County, or the Underwriters to give any information or to make any representations with respect to the Series 2003 Bonds other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof.

The Series 2003 Bonds have not been registered under the Securities Act of 1933 and the Indenture has not been qualified under the Trust Indenture Act of 1939, in reliance upon exemptions contained in such acts. The registration or qualification of the Series 2003 Bonds in accordance with applicable provisions of securities laws of the states in which the Series 2003 Bonds have been registered or qualified and the exemption from registration or qualification in the other states cannot be regarded as a recommendation thereof. Neither these states nor any of their agencies have passed upon the merits of the Series 2003 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or holders of any Series 2003 Bonds.

TABLE OF CONTENTS

	Page	
Introduction.....	1	<u>Appendices:</u>
Sources and Uses of Funds.....	3	A – Summary of Certain Definitions
Description of the Series 2003 Bonds.....	4	B – Independent Engineer's Report
Security and Sources of Payment for the Bonds.....	8	C – Financial Information Concerning the County Disposal System
The County Disposal System.....	14	D – Financial Information Concerning the Authority
The Authority.....	33	E – Summary of Certain Provisions of the Indenture
Operation of Authority Facilities.....	35	F – Summaries of Certain System Documents
Governmental Regulation.....	39	G – Proposed Form of Opinion of Bond Counsel
Summary of Conclusions of Independent Engineer.....	40	H – Specimen Financial Guaranty Insurance Policy
Bond Insurance Policy.....	42	I – The Refunded Series 1993A Bonds
Tax Matters.....	44	
Continuing Disclosure.....	47	
Legal Matters.....	49	
R.W. Beck, Inc.....	49	
Financial Advisors.....	49	
Ratings.....	49	
Underwriting.....	49	
Additional Information.....	50	

SUMMARY OF OFFICIAL STATEMENT

This Summary is provided for the convenience of the reader and does not purport to be complete. Potential investors should read the entire Official Statement before considering an investment in the Series 2003 Bonds. Capitalized terms used in this Official Statement are defined in Appendix A, Summary of Certain Definitions.

The Offering \$184,450,000 aggregate principal amount of Solid Waste Refunding Revenue Bonds (Montgomery County Solid Waste Disposal System) Series 2003 to be issued by the Northeast Maryland Waste Disposal Authority. The proceeds of the Series 2003 Bonds will be used for the purpose of providing the funds to currently refund certain bonds (as further described under “Introduction — Purpose,” the “Refunded Series 1993A Bonds”) that were issued by the Authority to finance the costs of the design and construction of a mass-burn, resource recovery facility located in Dickerson, Maryland (the “Resource Recovery Facility”), a related transportation system (the “Transportation System”) and improvements to the County’s transfer station (the “Transfer Station” and, together with the Resource Recovery Facility and the Transportation System, the “Project”) and certain other County Disposal System facilities. See “Introduction.”

Sources and Uses of Funds

Sources

Principal amount of Series 2003 Bonds	\$184,450,000.00
Premium on Series 2003 Bonds	15,748,789.70
Debt Service Reserve Fund – Series 1993A Bonds	23,442,186.12
Debt Service Fund – Series 1993A Bonds	<u>3,070,370.00</u>
Total Sources of Funds	\$226,711,342.82

Uses

Debt Service Reserve Fund – Series 2003 Bonds	\$ 18,445,000.00
Refund Refunded Series 1993A Bonds	205,078,908.16
Financing expenses	3,183,436.48
Additional proceeds	<u>4,001.18</u>
Total Uses of Funds	\$226,711,342.82

At the time of the sale of the Series 2003 Bonds, proceeds thereof in the amount required to refund the Refunded Series 1993A Bonds will be deposited to the Escrow Deposit Fund and the Authority will deliver to the Trustee an irrevocable instruction to redeem the Refunded Series 1993A Bonds, in accordance with their terms, on July 1, 2003. Upon the Trustee’s receipt of such proceeds and instruction, the Refunded Series 1993A Bonds will no longer be Outstanding under the terms of the Indenture.

Description of the Series 2003 Bonds

The Series 2003 Bonds will be dated April 3, 2003, and will bear interest from their dated date, payable on October 1, 2003, and semiannually thereafter on each April 1 and October 1, until maturity or proper redemption. The Series 2003 Bonds will mature on April 1 in each of the years and in the principal amounts, and will bear interest at the rates set forth on the cover page of this Official Statement. The Series 2003 Bonds are subject to optional and extraordinary redemption at the times and subject to the conditions set forth under “Description of the Series 2003 Bonds – Redemption.”

**Security and
Sources of
Payment for the
Bonds**

The Series 2003 Bonds are limited obligations of the Authority, payable solely from Project Revenues and certain other amounts held under the Indenture. The Authority operates the Project (together with any Additional Facilities, “the Authority Facilities”) as part of the County Disposal System pursuant to an agreement with the County (as further defined in Appendix A, Summary of Certain Definitions, the “Waste Disposal Agreement”). The primary source of Project Revenues is the fee payable by the County under the Waste Disposal Agreement (the “Waste Disposal Fee”), which is paid from County Disposal System Revenues as described below. A supplemental source of Project Revenues is the Authority’s share of proceeds from the sale of electricity generated by the Resource Recovery Facility. The Waste Disposal Fee, which the County must pay whether or not the Authority performs, equals the Authority’s cost of providing the Authority Facilities, including debt service on the Series 2003 Bonds, net of the Authority’s share of any electric revenues and any other revenues received by the Authority from operation of the Authority Facilities.

Revenues of the County Disposal System (as further defined in Appendix A, Summary of Certain Definitions, “County Disposal System Revenues”) come primarily from the fees that the County collects for providing disposal services. These fees are collected by either (a) including charges on property tax bills (“System Benefit Charges”) or (b) collecting tipping fees for Refuse delivered to the Transfer Station with respect to which System Benefit Charges are not payable (“Tipping Fees”). System Benefit Charges are included on property tax bills and, if not paid when due, can be enforced through foreclosure in the same manner as if the owner had failed to pay property taxes. Of the County Disposal System Revenues for Fiscal Year 2002, System Benefit Charges and Tipping Fees accounted for approximately 70 percent and 21 percent, respectively.

The County has pledged all County Disposal System Revenues to secure its obligation to pay the Waste Disposal Fee and other County obligations under certain multi-year contracts entered into in connection with the County Disposal System (as further defined in Appendix A, Summary of Certain Definitions, “Long Term Obligations”). The County anticipates that, concurrently with the Authority’s issuance of the Series 2003 Bonds, the County will issue \$31,075,000 of its Solid Waste Disposal System Refunding Bonds (2003 Series A) (the “System Refunding Bonds”) to refund all of its outstanding Solid Waste System Revenue Bonds, 1993 Series A. Upon the issuance of the System Refunding Bonds, the Waste Disposal Agreement and the System Refunding Bonds will be the County Disposal System’s only Long Term Obligations. As used in this Official Statement, “County System Indebtedness” is a collective term meaning (a) debt service on the System Refunding Bonds and (b) the debt service component of the Waste Disposal Fee (which is substantially all amounts payable by the Authority under the Indenture with respect to the Series 1993A Bonds that will not be redeemed on July 3, 2003 (the “Non-Refunded Series 1993A Bonds”), the Series 2003 Bonds and any Additional Bonds (collectively, the “Bonds”) that may be issued under the Indenture).

The County must comply with a covenant in the Master Authorization (the “Rate Covenant”) that requires it to fix, charge and collect rates, fees and charges for disposal services so that, on an annual basis, County Disposal System Revenues are at least equal to 100 percent of the County Disposal System’s operating expenses (as further defined in Appendix A, Summary of Certain Definitions, “Operating Expenses”) and 110 percent of County System Indebtedness. The County has the authority under County law to set System Benefit Charges at a level sufficient to comply with the Rate Covenant. Accordingly, if System Benefit Charges were ever to become the sole source of County Disposal System Revenues, the County is authorized and required to set the System Benefit Charges at levels sufficient to comply with the Rate Covenant. See “Security and Sources of Payment for the Series 2003 Bonds – Project and County Disposal System Revenues” and “The County Disposal System – County Disposal System Revenues.”

Upon the issuance of the Series 2003 Bonds, proceeds thereof in the amount of the Debt Service Reserve Fund Requirement for the Series 2003 Bonds will be deposited into the Series 2003 Debt Service Reserve Fund. See “Security and Sources of Payment for the Bonds—Debt Service Reserve Fund.”

**The County
Disposal System**

The County Disposal System is an integrated solid waste disposal system serving the County. The County Disposal System is capable of disposing of all types of non-hazardous solid waste generated in the County through the Resource Recovery Facility and the County’s recycling and composting facilities.

Substantially all solid waste from single-family residences and small multi-family residences and all solid waste from County facilities is delivered to the Transfer Station in Derwood, Maryland, which has been in commercial operation since 1982. Haulers of solid waste from large multi-family residences and businesses in the County may deliver solid waste that can be processed at the Resource Recovery Facility (“Processible Waste”) to the Transfer Station upon payment of the Tipping Fee and most elect to do so. At the Transfer Station, Processible Waste is compacted and put into containers, which are loaded onto railcars. The railcars are pulled by CSX-owned locomotives over CSX-owned and operated tracks to the Resource Recovery Facility, located in Dickerson, Maryland, 18 miles from the Transfer Station. Solid waste that is not Processible Waste (“Nonprocessible Waste”) is delivered by truck to a landfill designated by the County (the “County Designated Landfill”).

The Resource Recovery Facility, which has been in commercial operation since August 1995, incorporates proprietary, mass-burning technology to process solid waste and produce high-pressure, high-temperature steam to generate electricity. The Resource Recovery Facility has the interconnections necessary to deliver electric energy and capacity into the PJM wholesale market and the Authority is currently selling electricity to Mirant Americas Energy Marketing, L.P., a member of PJM (“Mirant”). Ash and other residue resulting from operation of the Resource Recovery Facility (together, “Residue”) are transported by rail to the County Designated Landfill.

The County is obligated under an agreement with the Authority to make a County Designated Landfill available to the Authority for the disposal of solid waste. The County has entered into an agreement (the “Brunswick Agreement”) with Brunswick Waste Management Facility, Inc. (“Brunswick”), a subsidiary of Allied Waste Industries of North America Inc. Brunswick is generally obligated to accept all solid waste (other than hazardous or otherwise unacceptable waste) delivered to Brunswick by or on behalf of the County and to dispose of such waste at Brunswick’s landfill in Virginia (the “Brunswick Landfill”). If, for any reason, capacity at the Brunswick Landfill is unavailable, Brunswick must cause an affiliate to make capacity available at a landfill owned by the affiliate in Georgia. Brunswick’s obligations are guaranteed by Allied Waste Industries of North America, Inc. In addition, the County owns undeveloped property within two miles of the Resource Recovery Facility that has been permitted for the construction of a landfill.

The County’s recycling facility (the “Materials Recovery Facility”), adjacent to the Transfer Station, sorts and ships paper and containers. The County’s composting facility (the “Composting Facility”) is a 118-acre property near Dickerson, Maryland at which Yard Waste is composted, dried and screened for marketing. The Materials Recovery Facility and the Composting Facility are operated by the Maryland Environmental Service, a State agency, under contract with the County.

See “The County Disposal System – Authority Facilities” and Appendix B, Independent Engineer’s Report, for a more detailed description of the County Disposal System.

The Authority	The Northeast Maryland Waste Disposal Authority was organized under the provisions of the Act in 1980 to assist the political subdivisions in the Northeast Maryland region, other public entities and the private sector in waste management and the development of waste disposal facilities adequate to accommodate the region's requirements for disposal of solid waste. The Authority has seven member jurisdictions. The Authority also helps to provide facilities that generate steam, electricity or other forms of energy that are derived from or otherwise related to waste disposal. See "The Authority."
Operation of the Authority Facilities	<p>Covanta Montgomery, Inc. (formerly Ogden Martin Systems of Montgomery, Inc.) (the "Company") constructed the Resource Recovery Facility and currently operates the Project under the terms of the Service Agreement. According to the Independent Engineer, the Resource Recovery Facility has been operating in material compliance with the requirements of its permits and has demonstrated the ability to meet or exceed the levels of performance guaranteed by the Company under the Service Agreement. See Appendix B, Independent Engineer's Report.</p> <p>The obligations of the Company relating to the acceptance and disposal of solid waste and operation of the Transfer Station generally mirror those of the Authority under the Waste Disposal Agreement. In addition, the Company must perform substantially all of the Authority's obligations under the other Primary Project Agreements (other than the Authority's obligations under the Service Agreement).</p>
Bond Insurance Policy	Concurrently with the issuance of the Series 2003 Bonds, Ambac Assurance Corporation will issue its financial guaranty insurance policy for the Series 2003 Bonds. This policy guarantees the scheduled payment of principal of, and interest on the Series 2003 Bonds, when due, as set forth in the form of the policy included in Appendix H, Specimen Financial Guaranty Insurance Policy. See "Bond Insurance Policy."
Tax Matters	In the opinion of Bond Counsel to the Authority, assuming compliance with certain covenants described herein, the interest on the Series 2003 Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations, and decisions, except with respect to any Series 2003 Bond during the period that such Series 2003 Bond is owned by a "substantial user" of the projects financed or refinanced with the proceeds of the Series 2003 Bonds or a "related person" (as described herein) and that, by the terms of the Act (as defined herein), the Series 2003 Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, will at all times 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 agencies of any kind. Interest on the Series 2003 Bonds, including original issue discount accrued in respect of Discount Bonds (as defined herein), will be includable in the alternative minimum taxable income of individuals, corporations and other taxpayers for federal income tax purposes. See "Tax Matters."
Continuing Disclosure	The Authority and the County have each undertaken responsibility for continuing disclosure to Bondholders and have covenanted to provide to each nationally recognized municipal securities information repository recognized by the SEC certain annual financial information and operating data within six months after the end of each Fiscal Year, as well as notices of material events, all in accordance with the requirements of SEC Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934, as amended. See "Continuing Disclosure."

OFFICIAL STATEMENT

\$184,450,000

NORTHEAST MARYLAND WASTE DISPOSAL AUTHORITY
Solid Waste Refunding Revenue Bonds
(Montgomery County Solid Waste Disposal System)
Series 2003

INTRODUCTION

General

This Official Statement, including the cover page and Appendices hereto, sets forth certain information in connection with the sale and issuance of \$184,450,000 principal amount of Solid Waste Refunding Revenue Bonds (Montgomery County Solid Waste Disposal System) Series 2003 (the "Series 2003 Bonds") by the Northeast Maryland Waste Disposal Authority (the "Authority"). The Series 2003 Bonds will be issued under and pursuant to an Indenture of Trust dated as of March 1, 1993, as supplemented by a First Supplemental Indenture of Trust dated as of April 3, 2003 (the "Indenture"), between the Authority and The Bank of New York, as Trustee (the "Trustee").

The descriptions and summaries of the various documents set forth in this Official Statement do not purport to be comprehensive or definitive and are qualified in their entirety by reference to such documents. Certain capitalized terms used in this Official Statement are defined in the text where they appear. These brief definitions are intended only for convenience. Definitions of capitalized terms used in the documents described in this Official Statement are set forth in Appendix A, Summary of Certain Definitions, or in the Appendices in which they are used.

Purpose

The Series 2003 Bonds are being issued for the purpose of providing the funds to currently refund certain maturities (the "Refunded Series 1993A Bonds") of the Authority's Solid Waste Revenue Bonds (Montgomery County Resource Recovery Project), Series 1993A (the "Series 1993A Bonds"). See "Estimated Sources and Uses of Funds" and Appendix I, The Refunded Series 1993A Bonds. The proceeds of the Series 1993A Bonds were used to finance the costs of the design and construction of a mass-burn, resource recovery facility located in Dickerson, Maryland (the "Resource Recovery Facility"), a related transportation system (the "Transportation System") and improvements to a transfer station in Derwood, Maryland (the "Transfer Station" and, together with the Resource Recovery Facility and the Transportation System, the "Project") and improvements to certain other County Disposal System facilities. The Resource Recovery Facility commenced operation in August 1995. See "The County Disposal System."

Security and Sources of Payment for the Bonds

The Series 2003 Bonds are limited obligations of the Authority, payable solely from Project Revenues and certain other amounts held under the Indenture. The Authority operates the Project (together with any Additional Facilities, the "Authority Facilities") as part of the County Disposal System pursuant to an agreement with the County (as further defined in Appendix A, Summary of Certain Definitions, the "Waste Disposal Agreement"). The primary source of Project Revenues is the fee payable by the County under the Waste Disposal Agreement (the "Waste Disposal Fee"), which is paid from County Disposal System Revenues as described below. A supplemental source of Project Revenues is the Authority's share of proceeds from the sale of electricity generated by the Resource Recovery Facility. The Waste Disposal Fee, which the County must pay whether or not the Authority performs, equals the Authority's cost of providing the Authority Facilities, including debt service on the Series 2003 Bonds, net of the Authority's share of any electric revenues and any other revenues received by the Authority from operation of the Authority Facilities.

Revenues of the County Disposal System (as further defined in Appendix A, Summary of Certain Definitions, "County Disposal System Revenues") come primarily from the fees that the County collects for providing

disposal services. These fees are collected by either (a) including charges on property tax bills (“System Benefit Charges”) or (b) collecting tipping fees for Refuse delivered to the Transfer Station with respect to which System Benefit Charges are not payable (“Tipping Fees”). If System Benefit Charges are not paid when due, the County has available to it the same foreclosure remedy that it would have if the owner had failed to pay property taxes. Of the County Disposal System Revenues for Fiscal Year 2002, System Benefit Charges accounted for approximately 70 percent and Tipping Fees, approximately 21 percent.

The County has pledged all County Disposal System Revenues to secure its obligation to pay the Waste Disposal Fee and other County obligations under certain multi-year contracts entered into in connection with the County Disposal System (as further defined in Appendix A, Summary of Certain Definitions, “Long Term Obligations”). The County anticipates that, concurrently with the Authority’s issuance of the Series 2003 Bonds, the County will issue \$31,075,000 of its Solid Waste Disposal System Refunding Bonds (2003 Series A) (the “System Refunding Bonds”) to refund all of its outstanding Solid Waste System Revenue Bonds, 1993 Series A. Upon the issuance of the System Refunding Bonds, the Waste Disposal Agreement and the System Refunding Bonds will be the County Disposal System’s only Long Term Obligations. As used in this Official Statement, “County System Indebtedness” is a collective term meaning (a) debt service on the System Refunding Bonds and (b) the debt service component of the Waste Disposal Fee (which is substantially all amounts payable by the Authority under the Indenture with respect to the Non-Refunded Series 1993A Bonds, the Series 2003 Bonds and any Additional Bonds (collectively, the “Bonds”) that may be issued under the Indenture).

The County must comply with a covenant in the Master Authorization (the “Rate Covenant”) that requires it to fix, charge and collect rates, fees and charges for disposal services so that, on an annual basis, County Disposal System Revenues are at least equal to 100 percent of the County Disposal System’s operating expenses (as further defined in Appendix A, Summary of Certain Definitions, “Operating Expenses”) and 110 percent of County System Indebtedness. The County has the authority under County law to set System Benefit Charges at a level sufficient to comply with the Rate Covenant. Accordingly, if System Benefit Charges were ever to become the sole source of County Disposal System Revenues, the County is authorized and required to set the System Benefit Charges at levels sufficient to comply with the Rate Covenant. See “Security and Sources of Payment for the Series 2003 Bonds – Project and County Disposal System Revenues” and “The County Disposal System – County Disposal System Revenues.”

Upon the issuance of the Series 2003 Bonds, proceeds thereof in the amount of the Debt Service Reserve Fund Requirement for the Series 2003 Bonds will be deposited into the Series 2003 Debt Service Reserve Fund. See “Security and Sources of Payment for the Bonds – Debt Service Reserve Fund.”

Bond Insurance

The payment of the scheduled principal of and interest on the Series 2003 Bonds when due will be insured by a financial guaranty insurance policy issued by Ambac Assurance Corporation (the “Bond Insurer”). See “Bond Insurance Policy.”

SOURCES AND USES OF FUNDS

The Series 2003 Bonds are being issued to refund, through redemption, the Refunded Series 1993A Bonds. In accordance with the Indenture, the net proceeds of the Series 2003 Bonds, together with certain other monies as shown below in an amount equal to \$205,078,908.16, being the amount required to refund the Refunded Series 1993A Bonds, will be deposited with the Trustee. The Refunded Series 1993A Bonds will be redeemed in whole on or about July 1, 2003. Appendix I, The Refunded Series 1993A Bonds, sets forth the series and CUSIP numbers of the Refunded Series 1993A Bonds.

Sources

Principal amount of Series 2003 Bonds	\$184,450,000.00
Premium on Series 2003 Bonds	15,748,789.70
Debt Service Reserve Fund – Series 1993A Bonds	23,442,186.12
Debt Service Fund – Series 1993A Bonds	<u>3,070,370.00</u>
Total Sources of Funds	\$226,711,343.82

Uses

Debt Service Reserve Fund – Series 2003 Bonds	\$ 18,445,000.00
Refund Refunded Series 1993A Bonds ¹	205,078,908.16
Financing expenses ²	3,183,436.48
Additional proceeds	<u>4,001.18</u>
Total Uses of Funds	\$226,711,343.82

¹ To be deposited to the Escrow Deposit Fund.

² Includes legal, rating agency, financial advisor, printing and underwriting costs and bond insurance premiums.

At the time of the sale of the Series 2003 Bonds, proceeds thereof in the amount that, together with the other funds shown above, will be sufficient to refund the Refunded Series 1993A Bonds will be deposited to the Escrow Deposit Fund and the Authority will deliver to the Trustee an irrevocable instruction to redeem the Refunded Series 1993A Bonds, in accordance with their terms, on or about July 1, 2003. Upon the Trustee's receipt of such proceeds and instruction, the Refunded Series 1993A Bonds will no longer be Outstanding under the terms of the Indenture.

DESCRIPTION OF THE SERIES 2003 BONDS

General

The Series 2003 Bonds will be dated April 3, 2003, will bear interest at the rates set forth on the cover page of this Official Statement, payable on October 1, 2003 and semiannually thereafter on each April 1 and October 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 2003 Bonds will be issued only as fully registered bonds in denominations of \$5,000 and any integral multiple thereof. So long as the Series 2003 Bonds are maintained in book-entry form, payments of principal or Redemption Price of, and interest on, the Series 2003 Bonds will be made as described below under "Book-Entry-Only System." At any other time interest on the Series 2003 Bonds will be payable by check mailed by the Trustee to persons in whose names Series 2003 Bonds are registered as of the fifteenth day of the month preceding the applicable interest payment date (or, in the case of defaulted interest, as of a date fixed by the Trustee which shall be at least 10 and no more than 15 days prior to the date fixed for payment thereof) at the address shown on the registration books of the Authority maintained by the Trustee and will be paid, upon proper prior notification to the Trustee, by wire transfer to owners of at least \$1 million in principal amount of Series 2003 Bonds.

Redemption

Optional Redemption

Series 2003 Bonds maturing on or after April 1, 2014 are subject to redemption prior to maturity, at the option of the Authority, as a whole or in part at any time on or after April 1, 2013, at the following Redemption Prices, expressed as percentages of the principal amounts of the Series 2003 Bonds to be redeemed, plus accrued interest thereon to the date set for redemption:

<u>Period During Which Redeemed</u> <u>(both dates inclusive)</u>	<u>Redemption Price</u>
April 1, 2013 through April 1, 2016	100%

Extraordinary Redemption

The Series 2003 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 thereof plus accrued interest thereon to the date set for redemption, at the option of the Authority upon the direction of the County from funds deposited in the Redemption Account for the Series 2003 Bonds upon the occurrence of any of the following events:

(i) the Project or the Authority's interest therein is lost, damaged or destroyed to such an extent that, in the opinion of the Authority and the County Representative, (A) the Project reasonably cannot be restored within a period of 12 months to the condition thereof immediately preceding such loss, damage or destruction, or (B) the Authority 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 or the Project Sites by a competent authority or loss of use or possession of all or substantially all of the Project or the Project Sites, which taking, condemnation or loss, in the opinion of the Authority and the County Representative, results, or is likely to result, in the Authority'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, in the opinion of the Authority and the County Representative, (A) any of the Primary Project Agreements becomes 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 Authority or the County by reason of the operation of the Project, or (C) the Project is no longer able to be operated; 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 have occurred which, in the opinion of the Authority and the County Representative, render the Project uneconomic or unsuitable for the purpose specified in the Waste Disposal Agreement for a period in excess of 12 months from the date of such changes.

Book-Entry-Only System

General

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2003 Bonds. The Series 2003 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for maturity of the Series 2003 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. If, however, the aggregate principal amount of any maturity exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such maturity.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2003 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2003 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2003 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2003 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2003 Bonds, except in the event that use of the book-entry system for the Series 2003 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2003 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2003 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of

the actual Beneficial Owners of the Series 2003 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2003 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to DTC. If less than all of the Series 2003 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2003 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2003 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Series 2003 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Neither the Authority nor the Trustee will have any responsibility or obligation to any direct or indirect participant or any Beneficial Owner or any other person not shown on the registration books of the Trustee as being a bondholder with respect to: (a) the Series 2003 Bonds; (b) the accuracy of any records maintained by DTC or any direct or indirect participant; (c) the payment by DTC or any direct or indirect participant of any amount due to any Beneficial Owner in respect to the principal of or interest on the Series 2003 Bonds; (d) the delivery by DTC to any direct or indirect participant or by any direct or indirect participant to any Beneficial Owner of any notice which is required or permitted under the terms of the order to be given to holders of the Series 2003 Bonds; (e) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Series 2003 Bonds; or (f) any consent given or other action taken by DTC as holder of the Series 2003 Bonds.

DTC may discontinue providing its services as depository with respect to the Series 2003 Bonds at any time by giving reasonable notice to the Authority. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2003 Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2003 Bonds will be printed and delivered.

The information in this section, "Description of the Bonds – Book-Entry-Only System," concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

Discontinuance of Book-Entry-Only System

The Authority may discontinue the maintenance of the Series 2003 Bonds in book-entry form or replace DTC with another qualified Securities Depository. Unless the Authority appoints such a Securities Depository to replace DTC, the Series 2003 Bonds held by DTC will be cancelled and the Authority will execute and the Registrar will authenticate and delivery Series 2003 Bonds in fully certificated form to the Direct and Indirect Participants shown on the records of DTC provided to the Registrar or, to the extent requested by any Direct or Indirect Participant, to the Beneficial Owners of the Series 2003 Bonds shown on the records of such Direct or Indirect Participant provided to the Registrar.

Registration and Exchange of Series 2003 Bonds

So long as the Series 2003 Bonds are maintained in book-entry form, Beneficial Owners thereof will have no right to receive physical possession of the Series 2003 Bonds, and transfers of ownership interests in the Series 2003 Bonds will be made through book entries by DTC and the Direct and Indirect Participants.

If the book-entry-only system is discontinued, any Series 2003 Bond may be exchanged for an equal aggregate principal amount of Series 2003 Bonds of other Authorized Denominations of the same maturity and bearing interest at the same rate, and the transfer of any Series 2003 Bonds may be registered, upon presentation and surrender of such Series 2003 Bond at the municipal trust office of the Registrar, together with an assignment duly executed by the Owner or his or her attorney or legal representative. In such event, the Authority and the Registrar may require the person requesting any such exchange or transfer to reimburse them for any tax or other governmental charge payable in connection therewith.

In the event of discontinuance of the book-entry-only system, the Series 2003 Bonds are transferable only upon the registration books maintained by the Registrar by the Owner in person or by the Owner's attorney duly authorized in writing and only upon surrender thereof at the municipal trust office of the Registrar in New York, New York, together with a written instrument of transfer duly executed by the Owner or the Owner's duly authorized attorney in the form of Assignment printed on the reverse of the Series 2003 Bonds or such other form as may be satisfactory to the Registrar, along with the address and social security number or Federal employer identification number of such transferee (or, if registration is to be made in the name of multiple individuals, of all such transferees). In the event that the address of the Owner of a Series 2003 Bond (other than a Owner which is the nominee of the broker or dealer in question) is that of a broker or dealer, there must be disclosed on the Registration Books the information pertaining to the Owner required above. Within a reasonable time after such surrender, the Authority must issue in the name of the transferee or transferees a new fully registered Series 2003 Bond of any denomination or denominations permitted by the Indenture, in an aggregate principal amount equal to the unmatured and unredeemed principal amount of such transferred fully registered Series 2003 Bond, and bearing interest at the same rate and maturing on the same date only after payment of any required tax, fee or other governmental charge relating to such transfer and only after due authentication thereof by an authorized officer of the Registrar.

The Authority and the Paying Agent may treat the person in whose name the ownership of the same is registered on the Registration Books as the absolute owner thereof for the purpose of payment of or on account of the principal of any such Series 2003 Bonds and interest thereon and neither the Authority nor the Paying Agent shall be affected by notice to the contrary. All such payments will be valid and effectual to satisfy and discharge the liability upon such Series 2003 Bond, including the interest thereon, to the extent of the sum or sums so paid.

The Owner of any Series 2003 Bond may also exchange such Series 2003 Bond for other Series 2003 Bonds of the same issue, date, tenor and security in Authorized Denominations upon surrender of the original Series 2003 Bond to the Registrar. New Series 2003 Bonds delivered upon any exchange, after payment of any required tax, fee or other governmental charge relating to such exchange and after due authentication thereof by an authorized officer of the Registrar, will be valid obligations of the Authority, evidencing the same debt as the Series 2003 Bonds surrendered, will be secured by the Master Authorization and the Indenture and will be entitled to all of the security and benefits thereunder to the same extent as the Series 2003 Bonds surrendered.

In case any outstanding Series 2003 Bond is mutilated or destroyed, stolen or lost, the Authority shall at the request of the Registrar execute and deliver a new Series 2003 Bond of like tenor and amount as the Series 2003 Bond

so mutilated, destroyed, stolen or lost, in exchange and substitution for such Series 2003 Bond to the Registrar, upon surrender of such Series 2003 Bond has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Registrar and the Authority with satisfactory indemnity and complying with such other reasonable regulations as the Authority or its agent may prescribe and paying such expenses as the Authority may incur in connection therewith.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Project and County Disposal System Revenues

General

The Series 2003 Bonds are limited obligations of the Authority, payable solely from Project Revenues and certain other amounts held under the Indenture. The Authority operates the Authority Facilities as a part of the County Disposal System pursuant to the Waste Disposal Agreement and the Waste Disposal Fee is the primary source of Project Revenues. The Waste Disposal Fee equals the Authority's cost of providing the Authority Facilities (including debt service on the Series 2003 Bonds) less the Authority's share of any revenues (other than the Waste Disposal Fee) from operation of the Authority Facilities, primarily revenues from the sale of electricity.

The financial operations of the County Disposal System are governed by Chapter 48 of the Montgomery County Code ("Chapter 48"). The Master Authorization was adopted pursuant to Chapter 48 to set forth the specific terms under which the County could enter into Long Term Obligations (including the Waste Disposal Agreement) to secure financing for the County Disposal System. Under the Master Authorization, the County has pledged all County Disposal System Revenues to secure Long Term Obligations and must deposit all such revenues into the Solid Waste Disposal Fund, a fund established by County law to segregate the assets, revenues and expenses relating to the County Disposal System. Long Term Obligations are described below under "County Debt Secured by County Disposal System Revenues."

The primary source of County Disposal System Revenues is System Benefit Charges. System Benefit Charges are included on property tax bills and, if not paid when due, can be enforced through foreclosure in the same manner as if the owner had failed to pay property taxes. A supplemental source of County Disposal System Revenues is Tipping Fees, which are collected in various ways depending on the creditworthiness of a hauler. Of the County Disposal System Revenues for Fiscal Year 2002, System Benefit Charges accounted for approximately 70 percent and Tipping Fees, approximately 21 percent. See "The County Disposal System – County Disposal System Revenues."

The County Disposal System includes curbside collection of recyclable materials that can be recovered and separated from Processible Waste and returned to the economic mainstream ("Recyclables") but does not include the County's collection services for other Processible Waste ("Refuse"), which it conducts in certain parts of the County. Revenues from the collection of Refuse are not available to pay the Waste Disposal Fee or any other Long Term Obligation.

Project Revenues

Pledge of Project Revenues. Under the Indenture, the Authority has pledged to the Trustee, for the equal and ratable benefit of (a) the Bondholders for payment of the principal or redemption price of, and interest on, the Bonds and (b) the Bond Insurer (and any other provider of a credit facility for Additional Bonds) for the payment of all amounts that may become payable under the Bond Insurance Policy (and any such other credit facility):

- the Authority's right, title and interest in and to the proceeds of the Series 2003 Bonds and amounts on deposit in the funds and accounts under the Indenture; except that (i) the Debt Service Reserve Fund for a series of Bonds secures only that series and (ii) amounts on deposit for the benefit of the holders of certain Non-Refunded Series 1993A Bonds that may become subject to prepayment from available funds, if any, following a termination of the Service Agreement for Company default;
- all Project Revenues; and

- substantially all of the Authority's right, title and interest in and to and under the Primary Project Agreements and, to the extent permitted by Applicable Law, Project permits, licenses and approvals.

The Authority has not granted a mortgage on, or a security interest in, the Project. However, in the Indenture, the Authority agrees not to grant any security interest in the Project or to create or suffer to exist any liens or encumbrances on the Project, except for Permitted Encumbrances. In addition, State law prohibits mechanics' liens from being imposed on property of the Authority, and, as the Authority is not a tax-paying entity, its property similarly is not subject to the imposition of tax liens. As a public instrumentality of the State, the Authority's property is also not subject to the imposition of judgment liens.

Project Revenues Defined. Project Revenues include:

- all amounts payable to the Authority or the Trustee pursuant to the Waste Disposal Agreement, the Service Agreement or any other Project Agreement, including any agreement pursuant to which the Authority sells electric energy and capacity generated by the Resource Recovery Facility (an "Energy Sales Agreement"); and
- all other receipts, revenues, rentals, income, insurance and condemnation proceeds and other moneys payable to or due to the Authority attributable to the ownership, leasing or operation of the Project, the Project Sites and certain related facilities, if any.

Project Revenues do not include amounts paid by the Trustee to the Authority or certain payments made by the Company to the Authority in support of the Authority's general operations. For the complete definition of Project Revenues and a more detailed description of the Indenture, see Appendices A, Summary of Certain Definitions, and E, Summary of Certain Provisions of the Indenture, respectively. Also see Appendix D, Financial Information Concerning the Authority. For a summary of selected revenue and expense information for the Project see "Operation of Authority Facilities – Revenue and Expenses of the Project" below.

County Disposal System as Primary Source of Project Revenues

Waste Disposal Agreement. In the Waste Disposal Agreement, the Authority agrees to dispose of all solid waste delivered by or on behalf of the County to the Transfer Station (or, in certain circumstances, to an alternate disposal facility), subject to certain rejection rights. The County must pay the Waste Disposal Fee whether or not the County delivers, or causes to be delivered, any waste to the Authority for disposal. The County's payment obligations under the Waste Disposal Agreement are limited to amounts available therefor in the Solid Waste Disposal Fund. However, as described above under "General," the County must comply with the Rate Covenant in the Master Authorization and Chapter 48 gives the County the authority to set System Benefit Charges at levels that are sufficient for it to do so.

The County may terminate the Waste Disposal Agreement for convenience or for the Authority's default, but any such termination is conditioned on the County making arrangements to redeem or defease all Outstanding Bonds in accordance with their terms. As an alternative, at any time that the County is entitled to terminate the Waste Disposal Agreement, including following a termination of the Service Agreement for Company default, the County may elect to assume operation of the Authority Facilities from the Authority (an "Authority Conduit Event") Upon such an assumption:

- the Authority's obligation to provide waste disposal services would cease;
- the County would assume the Authority's obligations under the Primary Project Agreements; and
- the Waste Disposal Fee would be reduced to the amounts needed to pay debt service on the Outstanding Bonds and to pay the Authority's administrative costs. The pledge of Project Revenues and Primary Project Agreements under the Indenture would remain unchanged.

The ability of the County to elect to assume operation of the Authority Facilities is subject to certain conditions, including meeting a revenue test, obtaining the consent of the Bond Insurer and the assurance of the Rating Agencies that the ratings on the Outstanding Bonds will not be lowered by reason of the County's assumption of operations.

Under the Waste Disposal Agreement, the Authority generally (a) may not exercise any discretionary right it has under the Authority Component Agreements (other than the Waste Disposal Agreement) without the County's consent and (b) must exercise any discretionary right if directed to do so by the County. In addition, the County generally has the right to direct the Authority's actions relating to disputes under Authority Component Agreements. The discretionary rights referred to in this paragraph do not include any of the Authority's rights under the Waste Disposal Agreement.

See Appendix F, Summaries of Certain System Documents, for a more detailed description of the Waste Disposal Agreement.

Master Authorization

General. The Master Authorization, which, together with Chapter 48, governs the funding and operation of the County Disposal System, is incorporated into the Waste Disposal Agreement and is required to be made part of all the County's Long Term Obligations. A Long Term Obligation is defined in the Master Authorization and is generally any bond or other obligation for money borrowed by the County in connection with the County Disposal System or a multi-year agreement entered into by the County in connection with the County Disposal System, under which the County's payment obligations are not subject to appropriation but are secured by County Disposal System Revenues. Before entering into a Long Term Obligation, the County must satisfy certain conditions in the Master Authorization, including meeting a revenue test. See "The County Disposal System – Master Authorization – Long Term Obligations." The County anticipates that, concurrently with the Authority's issuance of the Series 2003 Bonds, the County will issue the System Refunding Bonds. Upon the issuance of the System Refunding Bonds, the Waste Disposal Agreement and the System Refunding Bonds will be the County's only Long Term Obligations. The County's current capital improvement plan does not include any projects that would require the County to enter into any additional Long Term Obligations.

Pledge of County Disposal System Revenues. In the Master Authorization, the County has pledged, as security for its payment and performance obligations under Long Term Obligations, all of the County's right, title and interest in and to, among other things, all County Disposal System Revenues. County Disposal System Revenues are substantially all revenues generated by, and any other moneys received by the County attributable to, the County Disposal System. The County must deposit all County Disposal System Revenues into the Solid Waste Disposal Fund. See Appendix A, Summary of Certain Definitions, for a complete definition of County Disposal System Revenues.

The County has not granted a mortgage on, or a security interest in, the County Disposal System. However, in the Master Authorization, the County agrees that, so long as any Long Term Obligation is outstanding, it will not mortgage, pledge or encumber any part of the facilities in the County Disposal System or issue any indebtedness (unless subordinated to Long Term Obligations) or enter into any obligation (other than the Waste Disposal Agreement and other Long Term Obligations) that is secured by a pledge of, or other lien or charge on, County Disposal System Revenues. See "County Disposal System – Master Authorization – Long Term Obligations" for a more detailed description of Long Term Obligations and Appendix A, Summary of Certain Definitions, for the complete definition of Long Term Obligations. In addition, mechanics' liens may not be imposed on property of the County, and, as the County is not a tax-paying entity, its property similarly is not subject to the imposition of tax liens. As a chartered county of the State, the County's property is also not subject to the imposition of judgment liens.

Sources of County Disposal System Revenues

The primary source of County Disposal System Revenues is System Benefit Charges. Chapter 48, which permits the imposition and collection of System Benefit Charges, was approved by referendum in 1994. A supplemental source of System Disposal Revenues is Tipping Fees. Of the County Disposal System Revenues that the County received in Fiscal Year 2002:

- approximately 70 percent came from System Benefit Charges, which were included on property tax bills;
- approximately 21 percent came from Tipping Fees; and
- the balance came from various sources, including proceeds from the sale of Recyclables and investment income.

See Table 1 under Appendix C, Financial Information Concerning the County Disposal System, for a more detailed breakdown of County Disposal System Revenues for the last five Fiscal Years.

Electricity Sales Revenues

The Authority shares with the Company revenues that it receives from sales of electric energy and capacity. The Authority's share of electricity revenues varies at certain thresholds but, generally stated, it is approximately 93 percent of revenues attributable to processing up to 558,450 tons per year, which is the annual capacity guaranteed by the Company, and 60 percent of revenues attributable to processing more than that amount. The Authority's share of revenues reduces the amount of the Waste Disposal Fee that would otherwise be payable. See "Operation of Authority Facilities – Sale of Electricity."

Bond Insurance Policy

Concurrently with the issuance of the Series 2003 Bonds, Ambac Assurance Corporation will issue its financial guaranty insurance policy for the Series 2003 Bonds. This policy guarantees the scheduled payment of principal of, and interest on the Series 2003 Bonds, when due, as set forth in the form of the policy included in Appendix H, Specimen Financial Guaranty Insurance Policy. See "Bond Insurance Policy."

Additional Debt Secured by the Indenture

The Series 2003 Bonds are being issued on a parity with the Non-Refunded Series 1993A Bonds, except that (i) the Trustee will maintain separate debt service reserve funds for the Series 2003 Bonds and the Non-Refunded Series 1993A Bonds, and (ii) neither series of Bonds is secured by the debt service reserve fund established for the other series. In addition, in the event of a termination of the Service Agreement as a result of a Company default, the Company is required to make a termination damage payment. If the Authority, at the County's direction, elects to continue to operate the Resource Recovery Facility, the termination damage payment will be based on the shortfall, if any, of the tested throughput capacity of the Resource Recovery Facility from its guaranteed throughput capacity. A portion of that payment that bears the same proportion to the total termination damage payment as the principal amount of the Outstanding Non-Refunded Series 1993A Bonds bears to the principal amount of the Outstanding Bonds is required to be applied to the redemption of Non-Refunded Series 1993A Bonds. In the event that such a payment is required, Non-Refunded Series 1993A Bonds in a principal amount equal to the payment required to be applied to redemption will be selected by the Trustee as "Designated Bonds." Upon such designation, the Designated Bonds will no longer be parity bonds secured by the Trust Estate or Outstanding Bonds under the Indenture, but will only be secured by the Company termination damage payment obligation, whether or not such payment is made.

The Indenture prohibits the Authority from incurring Indebtedness that is payable from, or secured in whole or in part by, the Trust Estate except for (a) Additional Bonds, (b) costs payable to the Company under the Service Agreement for capital projects resulting from an Uncontrollable Circumstance, (c) obligations that are subordinate to all Outstanding Bonds and (d) unsecured indebtedness.

Additional Bonds may only be issued if, among other things, the County certifies that the conditions to the execution of a Long Term Obligation in the Master Authorization have been satisfied with respect to the Additional Bonds. In addition, Additional Bonds must (i) be issued on a parity with all Outstanding Bonds and (ii) for purposes of acquiring, completing or improving the Authority Facilities or any other purpose permitted or required under the Service Agreement, the Waste Disposal Agreement or the Act. The Series 2003 Bonds are being issued as Additional

Bonds. The Authority does not anticipate issuing any more Additional Bonds. See Appendix E, Summary of Certain Provisions of the Indenture, "Additional Indebtedness of the Authority."

Debt Secured by County Disposal System Revenues

The County anticipates that, concurrently with the Authority's issuance of the Series 2003 Bonds, the County will issue the System Refunding Bonds to refund all of its outstanding Solid Waste System Revenue Bonds, 1993 Series A. Upon the issuance of the System Refunding Bonds, the Waste Disposal Agreement and the System Refunding Bonds will be the County's only Long Term Obligations. The Master Authorization limits the County's ability to enter into Long Term Obligations by requiring it to meet, prior to entering a Long Term Obligation, certain conditions intended to ensure that the County will continue to be able to meet all of its Long Term Obligations, including satisfying a revenue test. The Master Authorization prohibits the County from assuming any obligation that is senior to Long Term Obligations and secured by County Disposal System Revenues. See "The County Disposal System - Master Authorization – Long Term Obligations."

The following table shows scheduled debt service payments on County System Indebtedness after giving effect to the issuance of the Series 2003 Bonds and the System Refunding Bonds.

County System Indebtedness

<u>Fiscal Year</u>	<u>Debt Service on Non-Refunded Series 1993A Bonds</u>	<u>Debt Service on Series 2003 Bonds</u>	<u>Debt Service on County Solid Waste Disposal System Series 1993</u>	<u>Debt Service on System Refunding Bonds</u>	<u>Total Debt Service</u>
6/30/2003	\$31,492,925.00		\$3,369,623.13		\$34,862,548.13
6/30/2004	19,182,805.00	\$10,055,150.97		\$4,011,033.33	33,248,989.31
6/30/2005	19,156,650.00	10,111,325.00		4,012,350.00	33,280,325.00
6/30/2006	19,123,087.50	10,111,325.00		4,012,300.00	33,246,712.50
6/30/2007	19,086,900.00	10,111,325.00		4,009,700.00	33,207,925.00
6/30/2008	19,055,950.00	10,111,325.00		4,014,450.00	33,181,725.00
6/30/2009	19,024,100.00	23,481,325.00		4,006,750.00	46,512,175.00
6/30/2010		27,464,400.00		4,009,000.00	31,473,400.00
6/30/2011		27,301,375.00		4,010,750.00	31,312,125.00
6/30/2012		27,797,700.00		4,008,750.00	31,806,450.00
6/30/2013		26,299,600.00		2,819,250.00	29,118,850.00
6/30/2014		28,352,125.00			28,352,125.00
6/30/2015		19,951,125.00			19,951,125.00
6/30/2016		57,392,000.00			57,392,000.00

Source: Northeast Maryland Waste Disposal Authority Official Statement with respect to the Series 1993A Bonds and Montgomery County, Maryland with respect to the Series 2003 Bonds and System Refunding Bonds.

Debt Service Reserve Fund

A Debt Service Reserve Fund has been established for the benefit of the Series 2003 Bonds. A separate Debt Service Reserve Fund exists for the benefit of the Non-Refunded Series 1993 Bonds. A separate Debt Service Reserve Fund will be established for any series of Additional Bonds. Upon the issuance of the Series 2003 Bonds, proceeds thereof in an amount equal to the Series 2003 Debt Service Reserve Fund Requirement will be deposited into the Series 2003 Debt Service Reserve Fund. The Series 2003 Debt Service Reserve Fund Requirement is an amount equal to the lesser of (a) the Maximum Annual Debt Service on the Outstanding Series 2003 Bonds and (b) 10% of the lesser of (i) the proceeds of the Outstanding Series 2003 Bonds and (ii) the aggregate principal amount of the Outstanding Series 2003 Bonds.

Amounts in the Series 2003 Debt Service Reserve Fund will be available for transfer to the Series 2003 Debt Service Fund and related accounts if the amounts therein are insufficient to make required payments on the Series 2003 Bonds. If the amount on deposit in the Series 2003 Debt Service Reserve Fund falls below the Series 2003 Debt Service Reserve Fund Requirement, the Trustee must make a series of deposits (over a period of time as long as 24 months) until the requirement is met. However, if the requirement is not met as a result of a decline in the value of the assets credited to the Series 2003 Debt Service Reserve Fund, no deposits will be required unless the amount on deposit is valued at less than 90% of the requirement.

O&M Reserve Fund

An O&M Reserve Fund has been established under the Indenture. The Trustee must make monthly transfers from the Revenue Fund to the O&M Reserve Fund in an amount equal to the O&M Reserve Fund Deposit Requirement for the next month. So long as the Service Agreement is in effect, the O&M Reserve Fund Deposit Requirement is an amount equal to one-twelfth of 10% of the Operating Charge or such lesser amount as is required to bring the balance of the O&M Reserve Fund to \$5 million. If the Authority exercises its right under the Service Agreement to transfer the operation and maintenance of the Transfer Station from the Company to a new operator, as described under "Operation of the Authority Facilities – The Service Agreement – Company's Obligations," the \$5 million amount will be reduced at the Authority's direction to an amount agreed to by the Authority and the Company. Unless otherwise provided in a Supplemental Indenture, the O&M Reserve Fund Deposit Requirement will be zero following the termination, if any, of the Service Agreement.

Amounts on deposit in the O&M Reserve Fund are applied from time to time to the payment of the costs of certain items of scheduled extraordinary maintenance.

Enforceability of the Waste Disposal Agreement

It is a County event of default under the Waste Disposal Agreement if (i) the County fails to pay any or all of any portion of the Waste Disposal Fee when due and such default continues for a period of 30 days, (ii) the County defaults in the performance or observance of any other covenant, agreement or condition in the Waste Disposal Agreement and such default continues for a period of 90 days after written notice (unless such default cannot be cured within 90 days and the County institutes corrective action within such period and diligently pursues such action until the default is remedied), (iii) the County files a petition or otherwise seeks relief under any federal or state bankruptcy or similar law with respect to the County or the Solid Waste Disposal Fund, or (iv) an Event of Default (as defined in the Master Authorization), such as a failure of the County to observe the Rate Covenant, occurs.

Upon the occurrence of a County event of default, the Authority may commence an action for specific performance of any covenant contained in the Waste Disposal Agreement, such as the Rate Covenant. In addition, if the Authority were to obtain a judgment for damages against the County, the Authority may seek to levy and collect such damages from the moneys pledged by the County pursuant to Section 4.1 of the Master Authorization, which includes, but is not limited to, all funds held in the Solid Waste Disposal Fund.

In addition, upon the occurrence of a County event of default, the Authority may terminate the Waste Disposal Agreement and seek to be appointed as, or to obtain the appointment of, a receiver of the moneys, securities and funds then held by the County in the Solid Waste Disposal Fund. Subject to compliance with the Solid Waste Management Plan and so long as such receiver provides, or causes to be provided, disposal service to the Collection and Disposal District (subject to payment for such service) such receiver may (i) operate and maintain the Authority Facilities, (ii) charge, collect and receive such revenues, and (iii) use such other components of the County Disposal System as necessary or appropriate to permit the Authority Facilities to operate at their capacity; provided, however, that a receiver would have not power to impose or collect System Benefit Charges. Such receiver will be entitled to charge the Collection and Disposal District a per-ton fee at the higher of a per-ton rate (calculated to recover all components of the Waste Disposal Fee) and the short term spot market prices that the receiver can charge at the time.

Limited Obligation

The Series 2003 Bonds are limited obligations of the Authority payable solely from the Project Revenues and certain amounts available under the Indenture, including certain proceeds of the Series 2003 Bonds. The Series 2003 Bonds are not payable from the general fund of the Authority and do not constitute a legal or equitable pledge of, or lien or encumbrance upon, any of the assets or property of the Authority or upon any of its income, receipts or revenues, except as provided in the Indenture. The Series 2003 Bonds do not constitute a debt, liability or pledge of the faith and credit of the State or any political subdivision of the State, including the County. Neither the State nor the Authority nor any political subdivision of the State, including the County, is obligated to pay the principal or Redemption Price of, or interest on, the Series 2003 Bonds except from the Project Revenues and other amounts pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the State or the Authority or any political subdivision of the State, including the County, is pledged to the payment of the principal of or the interest on the Series 2003 Bonds. The issuance of the Series 2003 Bonds is not directly or indirectly or contingently an obligation, moral or other, of the state, or the Authority or any political subdivision of the State, including the County, to levy or pledge any tax or make any appropriation for their payment. There is no provision for appropriations for the benefit of the Authority by the State. The Authority has no taxing power. The Authority has no claim on any revenues or receipts of the State or any agency or political subdivision thereof, except its right to receive payments from the County pursuant to the Waste Disposal Agreement and its rights arising under the Master Authorization as an obligee under the Long Term Obligations of the County, including the Waste Disposal Agreement.

THE COUNTY DISPOSAL SYSTEM

General

Montgomery County has developed and implemented an integrated solid waste management system, the County System, to provide for the management and disposal of solid waste generated within the County. The County System provides for the collection, recycling, composting, transfer, mass burning, and landfilling of solid waste. The County has been providing solid waste collection and disposal services since 1943. The County directly provides recycling collection services to residential units of six or fewer families in all unincorporated parts of the County, provides Refuse collection to approximately 40% of those residences, and licenses the private haulers which serve most of the rest of the County. The County Disposal System is the portion of the County System relating to the disposal of solid waste and certain curbside recycling collection services. The County owns the Transfer Station, the Materials Recovery Facility, the Composting Facility and the Project Sites. The Authority owns the Resource Recovery Facility and operates it, together with the Transfer Station and the related Transportation System, pursuant to the Waste Disposal Agreement. Additionally, the County has contractual arrangements for the management of various other components of the County Disposal System. The County System is designed to promote reuse, recycling and composting and the County estimates that approximately 37% of the solid waste generated in the County is managed with these methods. The Resource Recovery Facility is the primary disposal site for all Refuse delivered to the County Disposal System.

The County has established a Solid Waste Disposal Fund. The Solid Waste Disposal Fund is managed as an enterprise fund of the County. The primary sources of revenue for the County Disposal System are System Benefit Charges, which are collected on the property tax bill of residences and businesses. Since 1994, when the County implemented the System Benefit Charges, system revenues collected through these charges have constituted over 70% of County Disposal System Revenues. The County Disposal System's second largest revenue source is Tipping Fees

charged to haulers delivering Refuse for which disposal charges are not prepaid through System Benefit Charges. Tipping Fee revenue was approximately 21% of System Disposal Revenue in Fiscal Year 2002. Market-based Tipping Fee revenues have increased over each of the past five years because, while the Tipping Fee has remained constant at \$44 per ton, the amount of Refuse delivered that is subject to the Tipping Fee has increased each of the past five years. Other County Disposal System Revenues include interest earnings and miscellaneous revenues and fees. Additionally, the County's payment obligations to the Authority for Refuse disposal are reduced by certain revenues, principally electricity revenues, received by the Authority.

As more fully described below, pursuant to the Master Authorization, the County has entered into the Rate Covenant to support its Long Term Obligations and the County has the ability to increase the System Benefit Charges, without any legal limitation, to meet the Rate Covenant.

Legislative Authority

The operation and funding of the County Disposal System is governed by (a) Chapter 48 of the Montgomery County Code and (b) the County's covenants contained in the Master Authorization, which is a contractual obligation of the County for the benefit of counterparties to Long Term Obligations, including the Authority under the Waste Disposal Agreement. Since 1976, the County has maintained the Solid Waste Disposal Fund to segregate the assets, revenues and expenditures related to the disposal of solid waste in the County, and the Master Authorization requires the County to maintain this fund. All County Disposal System Revenues must, by law and pursuant to the Master Authorization, be credited to the Solid Waste Disposal Fund, and may not be diverted for other purposes. Chapter 48 specifically provides that the Solid Waste Disposal Fund must be maintained so that revenues at least equal expenses. Chapter 48 and the Master Authorization further provide that, to the extent that annual expenses exceed or are less than annual revenues, the fees and charges assessed for solid waste disposal will ordinarily be adjusted at least annually to fund such deficits or to utilize such surpluses; provided that retention of surpluses is permitted when necessary to fund estimated future expenses or to provide funding for future anticipated short-term deficits. All the costs incurred by the County in providing disposal services through the County Disposal System are paid from the Solid Waste Disposal Fund.

Solid Waste Management Plan

State law requires the County to develop a Solid Waste Management Plan for the entire County, including all towns, municipal corporations and sanitary districts. The Solid Waste Management Plan must cover a ten-year planning period and be updated periodically. The plan must describe the solid waste disposal systems, solid waste acceptance facilities and the systematic collection and disposal of solid waste by public or private entities. The Solid Waste Management Plan and each periodic revision to the plan must be approved by the Maryland Department of the Environment.

The current Solid Waste Management Plan covers the period from 1998 through 2007. The County is presently updating the Solid Waste Management Plan to cover the period from 2002 through 2011. The updated Solid Waste Management Plan is expected to be completed and approved by the end of calendar year 2003.

The Solid Waste Management Plan establishes waste reduction as the most preferred management technique, followed by reuse and recycling, then incineration with energy recovery, and, least preferred, landfilling.

Master Authorization

System Revenue Pledge

In the Master Authorization, the County pledges substantially all amounts in the Solid Waste Disposal Fund to the payment of Long Term Obligations. See Appendix F, Summaries of Certain System Documents, "Summary of Certain Provisions of the Master Authorization."

Covenants

Certain covenants of the County in the Master Authorization are described below. In addition to those, the Master Authorization includes various fiscal and management-related covenants.

Service Covenant. The County must, consistent with prudent solid waste management practices, provide or cause the provision of capacity for, the disposal or recycling of all solid waste generated in the County.

Non-Competition Covenant. The County must not operate, or permit in the County, any waste disposal facilities that will compete with the County Disposal System.

Rate Covenant. The County must fix, charge, and collect rates, fees, and charges for disposal services rendered by the County through the County Disposal System and must revise such rates, fees and charges as may be necessary or appropriate, to produce, in each Fiscal Year, County Disposal System Revenue that (when combined with available balances in specified funds) will at least equal the sum of:

- 100% of the Operating Expenses of the County Disposal System for such Fiscal Year; plus
- 110% of the payments to be made in such Fiscal Year in respect of County System Indebtedness and 100% of the remaining balances payable as Long Term Expenses for such Fiscal Year; plus
- 100% of the amount required to fund reserves for debt service on County System Indebtedness, long term maintenance and rate stabilization for such Fiscal Year.

Long Term Expenses are (a) any amounts payable by the County pursuant to Long Term Obligations and (b) debt service on certain general obligation bonds that the County issued prior to adoption of the Master Authorization and of which \$282,233 in principal amount remains outstanding. Under the Master Authorization, the available fund balances that may be taken into account in determining compliance with the Rate Covenant may not exceed 25% of the rates, fees, and charges which would have to be imposed to meet the Rate Covenant if such balances were not considered. See Appendix F, Summaries of Certain System Documents, "Summary of Certain Provisions of the Master Authorization — Rates and Charges — Rate Covenant."

As long as the County meets the Rate Covenant, the Master Authorization permits the County to provide free or reduced rate disposal service with respect to specific types of Recyclables or Refuse in order to provide incentives for the use of certain components of the County Disposal System. The County has not implemented any incentive rates to date.

Waste Delivery Covenant. The County must deliver or cause to be delivered to the County Disposal System all residential Refuse generated in the County and all Refuse from County facilities. In addition, the County must use its best efforts (other than by legislation) to deliver or cause to be delivered substantially all non-residential Refuse. This obligation is subject to the provisions of the Solid Waste Management Plan that provide for the development of source reduction programs and commercial recycling programs which may be implemented through private facilities.

Long Term Obligations

The Master Authorization authorizes the County to have Long Term Obligations outstanding from time to time. Generally, a Long Term Obligation is:

- any bond or other obligation for money borrowed by the County in connection with the County Disposal System that is secured by County Disposal System Revenues;
- any contract to which the County is a party that (a) bears upon or affects any obligation or responsibility of the County under the Master Authorization, including the Rate Covenant or (b) is a multi-year contract that (i) does not include a provision stating that the contract is subject to appropriations and (ii) the County cannot terminate at its option and without penalty; and
- any agreement that the County enters into with an issuer of a letter of credit, bond insurance or any other credit facility that secures bonds issued by the County or any other bonds issued in accordance with one of the Long Term Obligations described above.

For the complete definition of Long Term Obligation, see Appendix A, Summary of Certain Definitions.

The Master Authorization requires the County to satisfy certain conditions before entering into a Long Term Obligation, including the condition that the County deliver a certificate of an independent, certified accountant stating that, among other things, the Rate Covenant was satisfied during any 12-month period that ended within the past six months. However, this certification is not required when the County enters into a Long Term Obligation to cure a default under the Rate Covenant or under the Waste Disposal Agreement. See Appendix F, Summaries of Certain System Documents, “Summary of Certain Provisions of the Master Authorization — Long Term Obligations.”

Reserves

The Master Authorization requires the County to deposit all County Disposal System Revenues into the Revenue Account of the Solid Waste Disposal Fund and to periodically transfer moneys therein to other accounts of the Solid Waste Disposal Fund. Transfers must first be made to the Operating Account and then to the Long Term Obligation Account. Moneys remaining in the Revenue Account must then be transferred, to the extent available, to the County Bond Debt Service Reserve Account, the Renewal and Replacement Account, the Rate Stabilization Account and the General Account (collectively, the “Reserve Accounts”). The amounts to be deposited into the Reserve Accounts are as follows:

- Funds must be deposited into the County Bond Debt Service Reserve Account in the amount required to make the balance thereof equal to the greatest amount of debt service becoming due in the Fiscal Year in which such computation is made or in any succeeding Fiscal Year or such other amount as may be allowed within the limitations of the Code. This requirement will be satisfied if the County Bonds at issue are secured by (i) a general obligation of the County for which its full faith and credit are pledged, or (ii) a banking facility or guaranty facility with a minimum rating of “A” from Moody’s or Standard & Poor’s;
- Funds must be deposited into the Renewal and Replacement Account in the amount required to make the balance thereof equal to the amount that is determined by the Consulting Engineer to be reasonably necessary as a reserve for expenses with respect to certain types of repairs, renewals, replacements and maintenance of items used in the County Disposal System and for expenses relating to the closure of certain components used in the County Disposal System;
- Funds must be deposited into the Rate Stabilization Account to make the balance thereof equal to the amount determined by the County in its discretion as is appropriate for its purpose; and
- Any funds remaining after deposits are made to the other Reserve Accounts must be deposited into the General Account.

Management of the System

The Department of Public Works and Transportation, which is part of the County's Executive Branch, is responsible for planning, implementing and managing the County Disposal System, which it carries out through its Division of Solid Waste Services (the "Division"). The Division is assisted in discharging its responsibilities by the County Department of Finance, the County Attorney's Office, and other departments of the County's Executive Branch. The Department of Public Works and Transportation has seven separate divisions headed by division chiefs. As of January 2003, the Division has 74 full-time employees involved in managing solid waste activities in the County.

Key personnel with management responsibility for the County System include:

Albert J. Genetti, Jr., Director. Mr. Genetti was appointed as the Director of the Montgomery County Department of Public Works and Transportation on June 1, 1999. Mr. Genetti holds a Bachelor of Science degree from the U.S. Military Academy at West Point, and a Master's degree in Civil Engineering from the University of Illinois. Mr. Genetti has served in a wide variety of leadership posts over the course of a 36-year career in the Army and the Army Corps of Engineers where he attained the rank of Major General. He is a member of the Society of Military Engineers, the Army Engineer Association and the Association of the United States Army.

Arthur G. Balmer, Chief of the Division of Solid Waste Services. Mr. Balmer is a graduate of the Scott Sutherland School of Architecture, Robert Gordon's Institute of Technology, Aberdeen, Scotland, U.K. He received his Diploma in Architecture (6-year course) in 1962 and registered as an architect with the Architects Registration Council of the U.K. in 1963. In 1964, he was elected an Associate of the Royal Institute of British Architects and in 1966 an Associate of the Royal Incorporation of Architects in Scotland. From 1966 to 1980 he practiced as a private architect under his own name in Scotland. Projects included large industrial, commercial and housing projects. Since 1980, he has resided in the U.S. Mr. Balmer was General Manager for Field Operations with the Maryland Environmental Services from 1980-1984. There he directed the construction and operation of many projects, including management of the \$53 million Dredge Spoil Containment Site at Hart Miller Island in the Chesapeake Bay and the Hawkins's Point Hazardous Waste Landfill near Baltimore. Mr. Balmer is responsible for directing and coordinating the solid waste processing, disposal, collection and recycling, and solid waste planning activities of the County's Department of Public Works and Transportation. He has direct responsibility for managing annual operating budgets in excess of \$90 million.

Daniel E. Locke, P.E., Project Manager. Mr. Locke is the Montgomery County Project Manager and Section Chief of the Disposal Systems Implementation Group within the Division of Solid Waste Services. Mr. Locke received a Master's Degree in Engineering Management from George Washington University in 1993 and a Bachelor's Degree in Mechanical Engineering from The Pennsylvania State University in 1981. For 15 years, he worked for a private electric utility and was responsible for various aspects of construction, maintenance and operation of several power generation facilities. Mr. Locke is responsible for and provides daily oversight of citizen advisory group interaction, several solid waste facilities and programs, and the division's planning functions. He is a registered professional engineer in Maryland and Virginia.

Timothy L. Firestine, County Director of Finance. Mr. Firestine became the Director, Department of Finance in August, 1991. Prior to his appointment, Mr. Firestine served as Chief of the Budgets Division, Chief of Interagency Analysis and Review, Budget and Planning Program Manager, and Senior Management and Budget Specialist in the County Office of Management and Budget. Before coming to the County, Mr. Firestine was the Budget Officer for the Allegheny County, Pennsylvania, Controller's Office. Mr. Firestine received his Bachelor of Arts Degree from Albright College and his Master of Public Administration Degree from the University of Pittsburgh. Mr. Firestine is a member of the Board of Investment Trustees for the Employee's Retirement System of Montgomery County. He is a member of the Government Finance Officers Association and serves on its Committee on Debt and Fiscal Policy. Mr. Firestine is currently the Treasurer of the Maryland Government Finance Officers Association and recently served on the Board of Trustees for Suburban Health Care System, Inc., in Bethesda, Maryland.

County Disposal System Components

The County Disposal System includes the Transfer Station, the Resource Recovery Facility, the Materials Recovery Facility, and the Composting Facility. The County has a contract for out-of-State landfill disposal, and owns undeveloped property dedicated for use as a County-owned landfill if necessary.

Authority Facilities

Transfer Station. The Transfer Station is owned by the County and leased to the Authority pursuant to the Project Site Lease. Refuse is delivered by truck to the Transfer Station, which is located on an approximately 40-acre site in Derwood, Maryland in the central portion of the County, approximately 18 miles from the Resource Recovery Facility. The Transfer Station has been in operation since 1982 and is permitted to receive up to 821,500 tons of solid waste per year. The County expects to expand the capacity of the Transfer Station by adding a fourth compactor. Refuse is compacted at the Transfer Station for transport by rail to the Resource Recovery Facility. Yard Waste that can be composted is transported to the Composting Facility and brush and branches are chipped for distribution as mulch. All Nonprocessable Waste and some Recyclables are loaded at the Transfer Station and transported by truck to the County Designated Landfill.

Transportation System. The Transportation System includes railcars and intermodal sealed containers. Waste delivered to the Transfer Station is compacted and put into the containers, which are then loaded onto the railcars at a railroad yard adjacent to the Transfer Station Site. The railcars are pulled by CSX-owned locomotives over CSX-owned and operated tracks to a rail yard adjacent to the Resource Recovery Facility. Residue generated by the processing of Refuse is transported by rail to the County Designated Landfill.

Under the Rail Transportation Agreement, the Authority must maintain its containers and railcars and CSX must maintain all other machinery, equipment and other material necessary for CSX to transport Residue from the Transfer Station to the Resource Recovery Facility, including a locomotive. The term of the Railroad Transportation Agreement expires on August 7, 2015. The Authority will be in default if it fails to pay amounts due within a specified period of time and either party will be in default if it fails to fulfill any material obligation following notice and a cure period of a reasonable period of time. A party may terminate the Rail Transportation Agreement only for the default of the other party if, among other things, (a) there exists no reasonable expectation that the terminating party can recover damages sufficient to compensate it for any loss incurred as a result of the default and (b) there has been a final nonappealable determination that the default relates to a material obligation.

The County expects that, prior to the end of the term of the Rail Transportation Agreement, it will be able to negotiate an extension of the agreement on acceptable terms. In the event of a disruption to the Transportation System, the County owns and could lease truck transportation equipment to transport solid waste that, according to the Independent Engineer, could provide a credible alternative to the Transportation System moving the same daily volumes if the Rail Transportation System were unavailable for short periods of time.

Resource Recovery Facility. The Resource Recovery Facility is a mass-burn waste-to-energy facility owned by the Authority. The Resource Recovery Facility, which opened in August 1995, is located on a County-owned, 34-acre site near Dickerson, Maryland, which is leased to the Authority under the Project Site Lease. The Resource Recovery Facility consists of three, 600 tons-per-day, mass-burning, refuse-fired boiler units that produce high-pressure, high-temperature steam to generate electricity. The Resource Recovery Facility incorporates the mass-burning technology of Martin GmbH fur Umwelt- Energietechnik ("Martin GmbH"). According to the Independent Engineer, this technology is a sound and proven method of solid waste disposal and energy recovery. See "Operation of the Authority Facilities – Martin Technology" and Appendix B, Independent Engineer's Report. Electricity from the Resource Recovery Facility is sold by the Authority to Mirant pursuant to the Mirant Agreement. See "Operation of Authority Facilities – Sale of Electricity." After incineration, ferrous metal is recovered from the Residue and sold to scrap metal dealers. The remaining Residue is transported by rail to the County Designated Landfill for disposal.

Operation. The Authority operates the Authority Facilities for the County pursuant to the Waste Disposal Agreement. See “Security and Sources of Payment for the Bonds – County Disposal System as Primary Source of Project Revenues – Waste Disposal Agreement.” The Company operates the Resource Recovery Facility for the Authority pursuant to the Service Agreement. See “Operation of Authority Facilities – The Service Agreement.”

Project Sites. The Authority purchased the 34-acre Facility Site, together with easements necessary for rail, water, electricity and wastewater service, from the Potomac Electric Power Company (“PEPCO”) pursuant to the Facility Site Agreement and deeded them to the County. The Authority and the County then entered into the Project Site Lease under which the County leased the Facility Site, the approximately 40-acre Transfer Station Site, the Transfer Station and related easements to the Authority. One of these easements gives the Authority access to a water discharge canal, which is the source of cooling water for the Resource Recovery Facility, until at least 2019. The term of the Project Site Lease ends in 2030 and County does not have a right to terminate it as long as the Waste Disposal Agreement is in effect. After entering into the Facility Site Agreement, PEPCO sold its generating plant to Mirant, together with a portion of the site on which the plant is located, which is adjacent to the Facility Site. However, PEPCO did not assign the Facility Site Agreement to Mirant and remains obligated under the Facility Site Agreement.

Landfill Arrangements

The Landfill Agreement. The Waste Disposal Agreement provides that the County must make a landfill available for the Project. Under the Landfill Agreement, the County must accept at a landfill designated by it from time to time (the “County Designated Landfill”) all solid waste that is delivered by or on behalf of the Authority, subject to sufficient capacity being available and to certain rejection rights. During a shutdown of the County Designated Landfill, the County must accept what waste it can and use reasonable efforts to make an alternate facility available to the Authority for the waste that the County is unable to accept. Events of default under the Landfill Agreement are the failure to pay amounts due and persistent or repeated failure to perform a material obligation that is not cured within a reasonable amount of time. If the Authority defaults, the County will have the right to recover damages but will not have the right to terminate the Landfill Agreement. If the County defaults, the Authority will be entitled to injunctive or mandamus relief to enforce the County’s obligations. The term of Landfill Agreement will continue until, at the earliest, the final maturity date of the Series 2003 Bonds. The County believes that sufficient out-of-County landfill services would be available at rates consistent with its current arrangements if, for any reason, capacity is not available pursuant to Brunswick Agreement (described below).

The Brunswick Agreement. The County Designated Landfill is currently a landfill that is owned and operated by Brunswick. The County entered into the Brunswick Agreement with Brunswick, a wholly owned subsidiary of Allied Waste Industries of North America, Inc., under which, subject to certain rejection rights, Brunswick is obligated to accept, at the Transfer Station, the Resource Recovery Facility or other County-designated facility, all Nonprocessable Waste and bypassed waste that is delivered by or on behalf of the County. Brunswick must supervise the loading of such waste into containers and onto its trucks and must transport it to the Brunswick Landfill in Brunswick County, Virginia. Brunswick must also load Residue at the Resource Recovery Facility into railcars and cause CSX to move the railcars to the Brunswick Landfill. Brunswick must maintain an independently monitored, dedicated cell reserved for the County’s waste at the Brunswick Landfill, which is a Subtitle D facility that opened in 1997. Brunswick is required to cause a landfill that is located in Georgia and owned by an affiliate of Brunswick to be available for the disposal of County solid waste in the event that an uncontrollable circumstance causes the Brunswick Landfill to be unavailable. Brunswick’s obligations under the Brunswick Agreement are guaranteed by Allied Waste Industries of North America, Inc. The term of the Brunswick Agreement expires on June 30, 2012 and the County has the right to extend it for a five-year period. Brunswick may terminate the agreement earlier for a payment default by the County and the County may terminate it for its convenience or if the Brunswick Landfill and the landfill in Georgia are closed for 10 or more days as a result of an uncontrollable circumstance. The Brunswick Agreement provides for a remedy of specific performance in the event of a default by Brunswick. See Appendix F, Summaries of Certain System Documents, “Summary of Certain Provisions of the Brunswick Agreement.”

County-Owned Landfills. At present, the County does not operate any landfills. However, the County owns approximately 650 acres located two miles from the Resource Recovery Facility. The County currently has a State permit to construct a landfill on 125 of those acres, with the balance of 525 acres to be used as a buffer. The construction permit is scheduled to expire on April 15, 2003, but the County has applied for a five-year renewal, and plans to continue to renew the permit prior to the end of each five-year permit period. The County plans to develop this landfill as and when out-of-County disposal becomes unfeasible. This site is currently used for agricultural purposes. The County owns two closed landfills, the Gude Landfill near Rockville and the Oaks Landfill near Laytonsville.

Materials Recovery Facility

The County provides curbside recycling collection services to all single family residences in the unincorporated portions of the County. All Recyclables collected at curbside, and certain Recyclables collected by independent collection contractors, are transported by truck to the Materials Recovery Facility, located on a 10-acre site in Derwood, Maryland, adjacent to the Transfer Station. The Materials Recovery Facility, which opened in 1991, is operated by the Maryland Environmental Service, a State agency, under contract with the County. The Materials Recovery Facility sorts and sells or disposes of paper and containers (such as glass bottles, aluminum cans and plastic bottles). The Materials Recovery Facility has a capacity of 346 tons of mixed paper per 8-hour shift and 100 tons of mixed containers per 8-hour shift. At present, the Materials Recovery Facility is operated for a single 8-hour shift per working day.

Composting Facility

The County composts Yard Waste (principally leaves and grass) at a 118-acre facility near Dickerson, Maryland. The resulting compost is dried and screened for marketing. The Composting Facility, which opened in 1992, is operated by the Maryland Environmental Service. Agreements between the County and local citizens groups limit the Composting Facility to no more than 77,000 tons of Yard Waste per year.

Permits

All components of the County Disposal System are in material compliance with all required permits. See "Government Regulation" and Appendix B, Independent Engineer's Report, "Environmental Regulatory Considerations."

Waste Disposal Services

Pursuant to the Master Authorization, the County must, consistent with prudent solid waste management practices, provide or cause the provision of capacity for the disposal or recycling of all Refuse generated in the County.

Service Area

Chapter 48 provides that the County System's service area is the entire County. Located adjacent to Washington, DC, the County includes 487 square miles of land area. As of January 1, 2003, the County had 338,700 households. Aggregate personal income of County residents approached \$42 billion in 2000, and is projected to total over \$45 billion in 2002. The County, which accounts for just over 16 percent of the State's population, accounts for over 23 percent of the State's total personal income.

Waste Generation

Pursuant to State law and as part of its ongoing management and planning process, the County annually collects statistics regarding the solid waste generated in the County ("County Generated Waste") and projects the County Generated Waste expected to be delivered to the County for disposal. All waste haulers operating in the County are required to be licensed by the County and, as a condition of the license, each waste hauler must provide the County with statistics regarding all County Generated Waste that they transport, whether disposed of through the

County Disposal System or elsewhere. Accordingly, the County maintains accurate records of the amount of solid waste collected in the County by each licensed hauler and where that waste is disposed.

Table 1 presents historic waste generation statistics for the County System for Fiscal Years 1998 through 2002, and Table 2 presents the County's projections for Fiscal Years 2003 through 2008:

Table 1

Historical Waste Generation

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
County Population ²	837,000	846,000	873,341	881,000 ¹	892,000 ¹
Total Employment ²	505,738	523,374	545,000	555,000 ¹	565,000 ¹
Processible Waste (tons)	907,233	926,699	1,034,739	1,097,825	1,145,623
Nonprocessible Waste (tons)	<u>32,364</u>	<u>38,922</u>	<u>50,854</u>	<u>52,463</u>	<u>66,119</u>
Total County Generated Waste (tons)	<u>939,597³</u>	<u>965,621³</u>	<u>1,085,593</u>	<u>1,150,288</u>	<u>1,211,741</u>

1. Projected; final figures are not yet available.

2. Source: Maryland National Capital Park and Planning Commission

3. Estimated; does not reflect updated population and employment data shown.

Source (except as otherwise noted): Montgomery County, Maryland

Table 2

Projected Waste Generation

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
County Population	903,000	914,000	925,000	935,000	945,000	955,000
Total Employment	575,000	585,000	595,000	603,000	611,000	618,000
Processible Waste (tons)	1,162,656	1,179,689	1,196,722	1,211,161	1,225,601	1,239,082
Nonprocessible Waste (tons)	<u>67,132</u>	<u>60,639</u>	<u>61,661</u>	<u>62,698</u>	<u>63,751</u>	<u>64,820</u>
Total County Generated Waste (tons)	<u>1,229,788</u>	<u>1,240,328</u>	<u>1,258,383</u>	<u>1,273,860</u>	<u>1,289,352</u>	<u>1,303,902</u>

Source: Montgomery County, Maryland

Table 3 presents historic disposition of County Generated Waste for Fiscal Years 1998 through 2002, and Table 4 presents the County's projections for Fiscal Years 2003 through 2008:

Table 3

Historical Waste Disposal Methods for County Generated Waste (in tons)

Waste Disposal by Type of Facility

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
County System					
Refuse Sent to Resource Recovery Facility	435,883	469,748	495,003	522,686	575,312
Yard Waste at County System Facilities	59,589	67,176	67,755	72,573	70,730
Other Recyclables at County System Facilities ¹	65,676	63,966	80,832	87,580	91,470
Nonprocessible Waste at County Facilities	<u>32,364</u>	<u>39,179</u>	<u>50,854</u>	<u>52,463</u>	<u>66,119</u>
Total Solid Waste Processed by County System	<u>593,512</u>	<u>640,069</u>	<u>693,994</u>	<u>735,302</u>	<u>803,631</u>
Non-County System					
Back-yard composting	84,294	78,124	108,378	106,736	110,100
Recyclables at Non-County System Facilities	95,497	112,741	104,964	127,172	140,359
Exported Refuse	<u>166,294</u>	<u>134,686</u>	<u>178,257</u>	<u>181,077</u>	<u>157,652</u>
Total Solid Waste Disposed by Non-County System Facilities	<u>346,085</u>	<u>325,551</u>	<u>391,599</u>	<u>414,985</u>	<u>408,111</u>
Total County Generated Waste	<u>939,597</u>	<u>965,621</u>	<u>1,085,593</u>	<u>1,150,288</u>	<u>1,211,741</u>

¹ Does not include metals recovered from residue.

Disposition of Waste Delivered to Resource Recovery Facility

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Waste reduction through combustion	301,162	329,643	340,393	363,338	388,075
Metals recovered from Residue	13,399	11,943	16,696	14,623	16,447
Ash Recycled	--	--	36,846	29,775	--
Ash Landfilled	<u>121,322</u>	<u>128,162</u>	<u>101,068</u>	<u>114,950</u>	<u>170,790</u>
Total Refuse combusted at Resource Recovery Facility	<u>435,883</u>	<u>469,748</u>	<u>495,003</u>	<u>522,686</u>	<u>575,312</u>

Source: Montgomery County, Maryland

Table 4

Projected Disposal Methods for County Generated Waste (in tons)

Waste Disposal by Type of Facility						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
County System						
Refuse Sent to Resource Recovery Facility	600,117	560,121	578,845	598,130	617,994	638,454
Yard Waste at County System Facilities	77,027	77,708	78,384	78,789	79,189	79,558
Other Recyclables at County System Facilities ¹	92,807	83,909	88,471	91,949	96,156	100,703
Nonprocessible Waste at County System Facilities	<u>67,132</u>	<u>60,639</u>	<u>61,661</u>	<u>62,698</u>	<u>63,751</u>	<u>64,820</u>
Total Solid Waste Disposed by County System	<u>837,083</u>	<u>782,337</u>	<u>807,361</u>	<u>831,566</u>	<u>857,090</u>	<u>883,535</u>
Non-County System						
Back-yard composting	111,043	112,354	113,674	114,968	116,272	117,567
Recyclables at Non-County System Facilities	137,645	158,270	162,338	166,600	171,606	173,773
Exported Refuse	<u>144,018</u>	<u>187,327</u>	<u>175,010</u>	<u>160,725</u>	<u>144,383</u>	<u>129,027</u>
Total Solid Waste Processed by Non-County System	<u>392,706</u>	<u>457,951</u>	<u>451,022</u>	<u>442,293</u>	<u>432,251</u>	<u>420,367</u>
Total County Generated Waste	<u>1,229,788</u>	<u>1,240,328</u>	<u>1,258,383</u>	<u>1,273,860</u>	<u>1,289,352</u>	<u>1,303,902</u>

¹ Does not include metals recovered from residue.

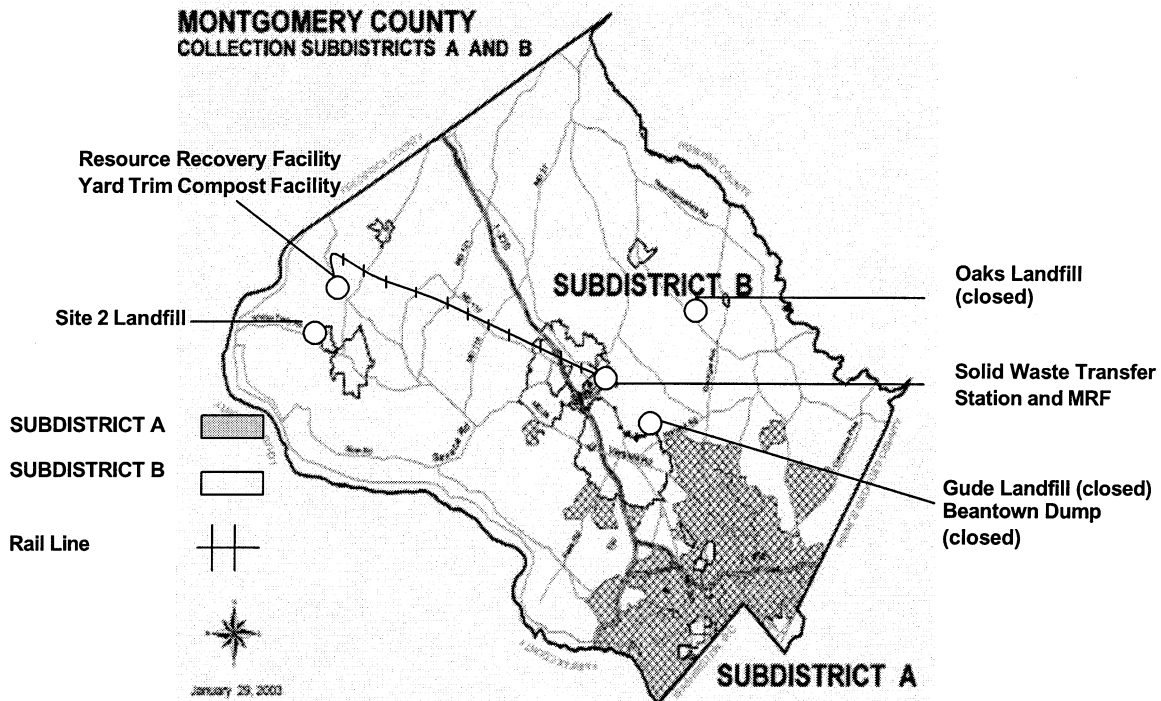
Disposition of Waste Delivered to Resource Recovery Facility

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Waste reduction through combustion	406,280	379,202	391,878	404,934	418,382	432,233
Metals Recovered from Residue	16,803	15,683	16,208	16,748	17,304	17,877
Ash Recycled	--	--	--	--	--	--
Ash Landfilled	<u>177,034</u>	<u>165,236</u>	<u>170,759</u>	<u>176,448</u>	<u>182,308</u>	<u>188,344</u>
Total Refuse combusted at Resource Recovery Facility	<u>600,117</u>	<u>560,121</u>	<u>578,845</u>	<u>598,130</u>	<u>617,994</u>	<u>638,454</u>

Source: Montgomery County, Maryland

Collection of Refuse

The service area of the County System is divided into subdistricts which relate to the provision of collection services to single family households (units of six or fewer). Sub-District A is made up of unincorporated areas in the more densely developed southern portion of the County proximate to Washington, D.C. Sub-District B is made up of the balance of the unincorporated areas of the County and the 19 incorporated cities, towns and villages in the County. Sub-District A includes approximately 84,829 single family households and households in multi-family residences comprised of six or fewer units, and Sub-District B includes approximately 117,155 such households. These subdistricts, together with County Disposal System Components, are shown on the following map.



Refuse collection practices vary in different portions of the County and for different categories of waste generators. In Sub-District A, Refuse from single-family residences and multi-family residences with six or fewer units is collected by licensed collectors under contract to the County. Certain incorporated municipalities, including Rockville, Maryland, and Gaithersburg, Maryland, provide collection services using their own vehicles and personnel, or by direct municipal contract with licensed haulers. All other Refuse in the County is collected by licensed independent contractors in accordance with private subscriptions.

Table 5 reviews the historical refuse collected and disposed in Fiscal Years 1995 through 2002.

Table 5

Historical Refuse Collection (in tons)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Solid waste subject to Tipping Fee	N/A	N/A	N/A	230,914	267,567	329,417	349,771	406,563
Refuse not subject to Tipping Fee ¹	N/A	N/A	N/A	<u>237,333</u>	<u>239,006</u>	<u>216,440</u>	<u>225,378</u>	<u>234,868</u>
Total solid waste delivered ²	<u>507,925</u>	<u>425,966</u>	<u>494,079</u>	<u>468,247</u>	<u>506,573</u>	<u>545,857</u>	<u>575,149</u>	<u>641,431</u>
Tipping Fee	\$59.00	\$59.00	\$44.00	\$44.00	\$44.00	\$44.00	\$44.00	\$44.00

1. Includes residential Refuse collected by the County in Sub-District A, residential Refuse collected in Sub-District B and delivered to the Transfer Station with no Tipping Fee, and Refuse delivered by County agencies.

2. Corresponds to Refuse delivered to Resource Recovery Facility plus Nonprocessable Waste at County facilities in Table 3.

Source: Montgomery County, Maryland

Waste Flow Management

Haulers that deliver Refuse to the Transfer Station that is not covered by System Benefit Charges are generally charged a Tipping Fee. The County uses the Tipping Fee as one of the means by which it manages waste flow. The County manages waste flow by:

- Requiring haulers under contract with the County to deliver residential Refuse from Sub-District A to the Transfer Station;
- Causing County facilities to deliver their Refuse to the Transfer Station;
- Not charging a Tipping Fee to haulers of residential Refuse from Sub-District B; and
- Setting and resetting the Tipping Fee at levels that are based on the rates of competitive facilities outside the County.

The County monitors tipping fees at competitive disposal facilities outside the County, as well as the amount of Refuse generated in the County that is delivered to those facilities. Haulers' licenses require haulers to periodically report to the County the quantity of such Refuse it collected and where the hauler disposed of it. The County uses this information and other information to determine how much Refuse is generated in the County and how much is being delivered to competing facilities. The County then sets the Tipping Fees either to encourage haulers to deliver such Refuse to the Transfer Station or to discourage haulers from delivering Refuse to the Transfer Station.

Prior to Fiscal Year 2002, the quantity of Refuse delivered to the Transfer Station was less than the guaranteed throughput capacity of the Resource Recovery Facility and, to encourage delivery, the County kept the Tipping Fee at a competitive rate of \$44. The amount of Refuse being delivered to the Transfer Station continues to increase and the County intends to increase the Tipping Fee in Fiscal Year 2004. The County believes that, even with an increase, enough Refuse will be delivered to run the Resource Recovery Facility at or near the throughput capacity that is guaranteed under the Service Agreement.

County Disposal System Revenues

Fees and Charges

Chapter 48 authorizes the County to recover the entire revenues needs of the County Disposal System through System Benefit Charges and also allows the County to charge various fees, including the Tipping Fee, for solid waste at the time the solid waste enters the County Disposal System. The principal disposal fees and charges imposed and collected by the County are residential and non-residential Systems Benefit Charges, and Tipping Fees. The County also collects fees for accepting various categories of Recyclables delivered to facilities in the County Disposal System. The Master Authorization requires that the County deposit all such fees and charges into the Solid Waste Disposal Fund. Systems Benefit Charges are included on property tax bills and, if not paid when due, can be enforced through foreclosure in the same manner as if the owner had failed to pay property taxes. The County may also bring suit against the property owner for any unpaid residential Systems Benefit Charges.

Annual Rate Setting Process

The owner of each single-family residence (including each unit in a multi-family residence comprised of six or fewer units) in the unincorporated portions of the County is charged a solid waste disposal fee. The haulers of Refuse generated by these households are not charged a Tipping Fee and the solid waste disposal fee for such Refuse is charged on the tax bill and serves as a pre-paid tipping fee. Solid waste disposal fees for a given Fiscal Year are calculated based on the average tons per residence of Refuse projected to be disposed by such residences in such Fiscal Year, multiplied by the Tipping Fee. The solid waste disposal fee is a System Benefit Charge applicable only to single-family residences in unincorporated areas of the County.

In order to calculate System Benefit Charges and other rates sufficient to comply with the Rate Covenant and Chapter 48, the County has developed a rate-setting methodology to ensure that the System Benefit Charges are calculated to reflect as closely as possible the actual costs, or allocated portion of the costs, to the County of providing base and incremental solid waste management services. The methodology allocates the costs of the entire County Disposal System as fairly as practicable over different categories of system beneficiaries in accordance with the availability the components of the County Disposal System and various special services to which they are entitled. Base solid waste management services are those that benefit all generators of solid waste and all persons who collect, store, transport, or otherwise handle solid waste. This base system cost is comprised principally of budgetary operating costs (but excluding the net costs of incremental services described below) plus capital expenditures, contingencies and landfill post-closure care liability not covered by landfill reserves (e.g., inflation), less revenues from sale of recovered materials, investment earnings and miscellaneous revenues. The base system costs are then allocated to single-family residences, multi-family residences and non-residential properties in proportion to each sector's waste generation. Base System Benefit Charges are calculated such that, together with revenue from Tipping Fees and disposal fees, base system costs are satisfied.

In addition to base solid waste management services, the County provides various incremental solid waste management services only to certain classes of rate-payers. The net costs of incremental services are allocated to those sectors via the incremental component of the System Benefit Charge. Incremental System Benefit Charges for non-municipal single-family residences cover the costs of Recyclables collection and processing at the Materials Recovery Facility and Yard Waste composting facility, education, and other sector-specific services. To date, incremental services provided by the County to multi-family and non-residential properties have included specialized recycling education, hazardous waste acceptance, and an allocated share of the net operating costs of County recycling facilities, but no recycling collection services have yet been provided by the County to those sectors. Finally, the calculation of the incremental System Benefit Charge for each rate-paying sector may also include a sector-specific rate stabilization component to smooth the temporal effects of sudden changes in sector-specific County Disposal System costs. Municipal single-family residences have not received County incremental services and thus have paid only the base single-family System Benefit Charge.

System Benefit Charges, Tipping Fees and acceptance fees at other facilities are set annually by the County Council. Chapter 48 authorizes the County Council to adjust rates more frequently. Due to the nature of the property tax bill collection method, mid-year adjustments to fees and charges collected via property tax bills would be

cumbersome to implement until the following year's tax bills were prepared. However, the Tipping Fee may be adjusted within 90 days of the County Council's decision to do so.

Historically, the System Benefit Charges rates have been lower than were originally projected when the County implemented its current rate structure in 1994.

Residential Fees and Charges. Set forth in Table 6 below is an allocation of the System Benefit Charges for single-family residences and multi-family residences (buildings with more than six residential units) in the unincorporated area of the County, and single family residences in incorporated municipalities for the Fiscal Years 1998 through 2003.

Non-Residential System Benefit Charges. Chapter 48 authorizes the County to assess non-residential System Benefit Charges in a variety of ways. Currently, the County establishes non-residential System Benefit Charges which vary from property to property according to the average waste generation rate for different non-residential land use categories, and the property's improved gross floor area (measured by 2,000 square foot units). Currently, there are five categories of non-residential generators based on average waste generation per 2000 square foot unit. Non-residential solid waste generators in specific land uses are categorized into a generator category based on waste generation studies. The non-residential System Benefit Charge for a generator is then multiplied by the number of 2,000 square foot units attributable to that generator.

In order to assure an equitable charge structure, the County periodically conducts local studies of waste generation from up to 39 different building use types and adjusts its rate categories accordingly.

Non-residential System Benefit Charges are collected by the County in the manner in which real property taxes are collected. If a non-residential System Benefit Charge or any portion of it is not paid when due, the property for which the charge has been made may be sold at tax sale in the same manner as real property is sold for nonpayment of real property taxes. Table 6 also shows the average non-residential System Benefit Charge (discussed below) per 2,000 square feet for Fiscal Years 1998 through 2003. The average non-residential System Benefit Charge is calculated as the total non-residential System Benefit Charges divided by the total gross floor area units charged as a System Benefit Charge.

Table 6

**Annual Per-Household Rates of Residential
System Benefit Charges**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Single Family ¹ (\$ per Dwelling Unit)						
Solid Waste Disposal Fee	\$ 50.71	\$ 49.44	\$ 44.83	\$ 39.77	\$ 32.69	\$ 40.34
Base System Benefit Charge	93.66	98.04	86.23	75.86	61.31	65.21
Incremental System Benefit Charge	<u>61.83</u>	<u>57.71</u>	<u>76.90</u>	<u>76.25</u>	<u>76.47</u>	<u>64.92</u>
Total Single-Family	<u>\$206.20</u>	<u>\$205.19</u>	<u>\$207.96</u>	<u>\$191.88</u>	<u>\$170.47</u>	<u>\$170.47</u>
Multi-Family ² (\$ per Dwelling Unit)						
Base System Benefit Charge	\$ 57.04	\$ 49.47	\$ 50.55	\$ 38.59	\$ 39.58	\$ 25.19
Incremental System Benefit Charge	<u>1.88</u>	<u>2.11</u>	<u>7.05</u>	<u>5.26</u>	<u>4.16</u>	<u>16.10</u>
Total Multi-Family	<u>\$ 58.92</u>	<u>\$ 51.58</u>	<u>\$ 57.60</u>	<u>\$ 43.85</u>	<u>\$ 43.74</u>	<u>\$ 41.29</u>
Incorporated Municipality Base System Benefit Charge (\$ per Dwelling Unit)	\$ 93.66	\$ 98.04	\$ 86.23	\$ 75.86	\$ 61.31	\$ 65.21
Non-Residential Charges (average \$ per 2000 square feet)	\$250.68	\$287.63	\$316.86	\$284.28	\$283.39	\$275.95

¹ Residences in multi-family buildings with six or fewer units

² Buildings with seven or more units

Source: Montgomery County, Maryland

Set forth below in Table 7 are the County's projected System Benefit Charges for single-family and multi-family dwelling units for Fiscal Years 2004 through 2009. Table 7 also sets forth the average non-residential System Benefit Charge per 2,000 square feet for Fiscal Years 2004 through 2008.

Table 7

Projected System Benefit Charges

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Single-Family Charges (\$ per Dwelling Unit)	\$181.71	\$196.48	\$207.73	\$215.23	\$221.21
Multi-Family Charges (\$ per Dwelling Unit)	\$ 40.19	\$ 39.12	\$ 39.24	\$ 39.66	\$ 39.64
Non-Residential Charges (average \$ per 2000 square. feet)	\$244.17	\$274.27	\$252.97	\$257.96	\$262.52

Source: Montgomery County, Maryland

Tipping Fees

The County generally charges the Tipping Fee for Refuse delivered to the Transfer Station for disposal. Tipping Fees are charged based on actual weight of Refuse deliveries to the Transfer Station. Since Fiscal Year 1997, the County has maintained the Tipping Fee at \$44 per ton based on its review of market rates. See Table 5 above “Historical Refuse Collection.” The County does not charge a Tipping Fee for loads weighing less than 500 pounds.

The County also receives per-ton tipping fees for accepting containers of commingled recyclables received from municipalities and for Yard Waste received from other than its contract collectors. Currently, the tipping fee for Yard Waste is \$29 per ton, the tipping fee for residential mixed paper is zero and the tipping fee for accepting recyclable commingled containers is \$15 per ton for municipalities and zero for all other sources.

The County does not charge Tipping Fees for Refuse disposed by single-family residences that are charged solid waste disposal fees, as discussed above. The County has an inspection program to verify that haulers serving these residences do not commingle waste subject to Tipping Fees with waste for which a System Benefit Charge has been paid. The program is enforceable with an escalating series of sanctions (including monetary penalties and loss of license) enforced through contract provisions and collection licensure requirements. The County believes that little or no multi-family, non-residential or unincorporated municipality waste is being accepted without paying Tipping Fees, other than loads weighing less than 500 pounds.

Other Revenue Sources and Credits

The County Disposal System receives revenue from the sale of methane extracted from closed landfills and recyclable material sold from its Materials Recovery Facility. In addition, the County’s obligations to make payments to contractors under various operating agreements are reduced by a portion of the contractors’ revenue from the sale of electricity and ferrous metals from the Resource Recovery Facility and compost produced at the Composting Facility.

Management Discussion of Financial Operations

The Solid Waste Disposal Fund is managed as an enterprise fund of the County. The County’s Fiscal Year is July 1 through June 30. The Solid Waste Disposal Fund’s financial management is governed by the terms of the various laws and agreements the County has adopted and executed, including Chapter 48, the Master Authorization and the Waste Disposal Agreement. In addition, as an enterprise fund of the County, the Solid Waste Disposal Fund’s annual budgeting and rate-making process is included in the County’s annual budget process.

Set forth in Table 8 below is selected revenue and expense information for the Solid Waste Disposal Fund for the last five Fiscal Years, and set forth in Table 9 below are projections for the same revenue and expense information for Fiscal Years 2003 through 2008.

Table 8

**Solid Waste Disposal Fund
Historical Revenues and Expenses – Budgetary Basis**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenues					
Tipping Fees	\$10,552,878	\$12,199,576	\$13,431,222	\$15,039,834	\$17,168,088
System Benefit Charges	63,061,770	64,138,448	68,181,281	64,690,899	61,744,879
Miscellaneous	2,283,014	2,808,788	2,270,134	2,940,838	2,373,088
Investment Income	<u>5,397,250</u>	<u>5,207,687</u>	<u>4,800,322</u>	<u>6,087,073</u>	<u>2,693,124</u>
Subtotal Revenues	<u>81,294,912</u>	<u>84,354,500</u>	<u>88,682,959</u>	<u>88,758,644</u>	<u>83,979,180</u>
Interfund Transfers					
Charge to General Fund for County Agency Waste	1,164,829	1,261,984	1,400,949	1,157,550	1,377,550
Distribution of Excess Series 1993 Bond Proceeds	1,076,157	3,198,869	901,482	-	-
Indirect Costs Paid to General Fund	<u>(818,710)</u>	<u>(711,560)</u>	<u>(750,920)</u>	<u>(1,092,000)</u>	<u>(1,431,490)</u>
Subtotal Interfund Transfers	<u>1,422,276</u>	<u>3,749,293</u>	<u>1,551,511</u>	<u>65,550</u>	<u>(53,940)</u>
Expenditures					
Personnel Costs	(3,946,022)	(3,722,677)	(4,066,082)	(4,439,603)	(4,717,761)
Operating Expenses	(76,588,828)	(69,193,779)	(75,743,975)	(72,843,914)	(74,232,591)
Capital Outlay	<u>(379,997)</u>	<u>(1,225,282)</u>	<u>(1,608,509)</u>	<u>(3,231,934)</u>	<u>(2,065,924)</u>
Subtotal Expenditures	<u>(80,914,847)</u>	<u>(74,141,738)</u>	<u>(81,418,566)</u>	<u>(80,515,451)</u>	<u>(81,016,276)</u>
Other Fixed Assets Acquisition	<u>(440,837)</u>	<u>(914,564)</u>	<u>(1,987,518)</u>	<u>(940,490)</u>	<u>(373,644)</u>
Landfill Costs¹	<u>642,298</u>	<u>82,000</u>	<u>(298,000)</u>	<u>904,000</u>	<u>(189,541)</u>
Net Change	<u>\$ 2,003,802</u>	<u>\$13,129,491</u>	<u>\$ 6,530,386</u>	<u>\$ 8,272,254</u>	<u>\$ 2,345,779</u>

¹ Represents the payout of closure costs, less current year accrued closure costs.

Source: Montgomery County, Maryland

Table 9

Solid Waste Disposal Fund
Proposed and Projected Revenues and Expenses – Budgetary Basis

	<u>2003¹</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues						
Tipping Fees	\$ 18,631,329	\$ 18,288,792	\$ 19,304,569	\$ 20,320,979	\$ 21,669,386	\$ 22,797,517
System Benefit Charges	58,239,883	59,950,046	64,015,029	67,406,797	70,119,929	72,232,588
Miscellaneous	2,215,164	2,472,807	2,497,165	2,428,726	2,417,375	2,439,964
Investment Income	<u>1,849,000</u>	<u>2,549,000</u>	<u>3,869,000</u>	<u>4,449,000</u>	<u>5,059,000</u>	<u>5,389,000</u>
Subtotal Revenues	<u>80,935,376</u>	<u>83,260,644</u>	<u>89,685,762</u>	<u>94,605,502</u>	<u>99,265,690</u>	<u>102,859,069</u>
Interfund Transfers						
Charge to General Fund for County Agency Waste	1,155,580	1,316,554	1,316,554	1,316,554	1,316,554	1,316,554
Transfers In From Leaf Vacuuming Fund (new in FY 2004)	-	602,529	818,236	723,930	675,747	568,192
Indirect Costs Paid to General Fund	<u>(1,381,407)</u>	<u>(922,726)</u>	<u>(957,882)</u>	<u>(998,409)</u>	<u>(1,047,201)</u>	<u>(1,087,539)</u>
Subtotal Interfund Transfers	<u>(225,827)</u>	<u>996,356</u>	<u>1,176,907</u>	<u>1,042,075</u>	<u>945,099</u>	<u>797,206</u>
Expenditures						
Personnel Costs	(5,384,110)	(5,607,514)	(5,845,304)	(6,123,222)	(6,463,273)	(6,739,606)
Operating Expenses	(77,123,167)	(81,655,255)	(88,373,769)	(91,871,566)	(94,422,627)	(97,299,349)
Capital Outlay	<u>(851,761)</u>	<u>(2,498,875)</u>	<u>(2,276,865)</u>	<u>(1,740,549)</u>	<u>(1,518,697)</u>	<u>(240,432)</u>
Subtotal Expenditures	<u>(83,359,035)</u>	<u>(89,761,644)</u>	<u>(96,495,938)</u>	<u>(99,735,337)</u>	<u>(102,404,597)</u>	<u>(104,279,387)</u>
Other Fixed Assets Acquisition	<u>(500,000)</u>	<u>-</u>	<u>(3,345,000)</u>	<u>(435,000)</u>	<u>(1,942,000)</u>	<u>-</u>
Landfill Costs²	<u>1,001,831</u>	<u>1,086,100</u>	<u>1,108,706</u>	<u>1,133,426</u>	<u>1,158,799</u>	<u>1,183,900</u>
Net Change	<u><u>\$(2,147,654)</u></u>	<u><u>\$(4,418,543)</u></u>	<u><u>\$(7,869,562)</u></u>	<u><u>\$(3,389,335)</u></u>	<u><u>\$(2,977,009)</u></u>	<u><u>\$ 560,788</u></u>

¹ Proposed budget based on Tipping Fees and System Benefit Charges in effect for 2003.

² Represents the payout of closure costs, less current year accrued closure costs.

Source: Montgomery County, Maryland

Set forth in Table 10 is information on the Solid Waste Disposal Fund's cash position for the last five Fiscal Years, and set forth in Table 11 below are projections for the same cash position information for Fiscal Years 2003 through 2008. As shown in Table 10, the County Disposal System has added significant reserves during the past five Fiscal Years. Reserves as of June 30, 2002 include \$44,170,038 of restricted cash and investments and \$34,051,884 of unrestricted cash and investments. The County has created certain management reserves for various future needs of the County Disposal System and, in addition to the Debt Service Reserve Fund for the County System Bonds, has allocated the restricted cash to these purposes. Unrestricted cash and investments includes the full amount necessary to pay for projected future post-closure care related to costs at the County's closed landfills, in addition to other undesignated amounts.

Table 10

**Solid Waste Disposal Fund
Ending Cash and Investments**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Unrestricted equity in pooled cash and investments	\$45,152,806	\$45,392,900	\$51,445,319	\$40,533,275	\$41,760,959
Restricted equity in pooled cash and investments	22,523,193	24,154,686	26,285,136	38,132,716	38,669,556
Restricted investments	<u>4,325,060</u>	<u>4,325,060</u>	<u>4,325,060</u>	<u>4,325,060</u>	<u>4,325,060</u>
Total ending cash and investments	<u>\$72,001,059</u>	<u>\$73,872,646</u>	<u>\$82,055,515</u>	<u>\$82,991,051</u>	<u>\$84,755,575</u>

Source: Montgomery County, Maryland

THE AUTHORITY

The Northeast Maryland Waste Disposal Authority is a body politic and corporate and a public instrumentality of the State of Maryland. The Authority was organized under the Act in 1980 by resolutions of the City of Baltimore and the counties of Baltimore, Anne Arundel and Harford. The counties of Montgomery, Carroll and Howard subsequently joined the Authority as the fifth, sixth and seventh member jurisdictions.

The Authority was established to assist the political subdivisions in the Northeast Maryland region, other public entities and the private sector in waste management and the development of waste disposal facilities adequate to accommodate the region's requirements for disposal of solid waste. The Authority also helps to provide facilities that generate steam, electricity or other forms of energy that are derived from or otherwise related to waste disposal.

Under the Act, the Authority is empowered to issue revenue bonds for the construction, acquisition or refinancing of facilities and properties useful in connection with waste disposal facilities, pollution control facilities and facilities for generating and furnishing electric energy or gas or other forms of energy, including land, structures, equipment, patents, licenses and other rights necessary or useful in the construction or operation of such facilities.

The Authority consists of one member from each of the seven political subdivisions which are currently participants in the Authority and the Director of the Maryland Environmental Service, *ex officio*. The members are appointed by the Governor of the State of Maryland to serve four year terms. Appointments are based on recommendations from the chief executives of the participating subdivisions. Members continue in office until their successors have been appointed and qualified and are eligible for reappointment. The present members of the Authority are:

<u>Name and Office</u>	<u>Principal Occupation</u>
George L. Winfield	Director, Department of Public Works for the City of Baltimore
Arthur G. Balmer	Chief, Division of Solid Waste Services, Montgomery County Department of Public Works and Transportation
Jerald R. Wheeler	Director, Department of Public Works for Harford County
Ronald E. Bowen	Director, Department of Public Works for Anne Arundel County
Frederick J. Homan	Director, Baltimore County Office of Budget and Finance
James M. Irvin	Director, Department of Public Works for Howard County
Gary L. Horst	Director, Carroll County Enterprise and Recreation Services
James W. Peck (<i>ex officio</i>)	Director, Maryland Environmental Service

The Authority employs a full-time Executive Director, who serves at the pleasure of the Authority and whose appointment is subject to the approval of the Governor. The Executive Director is the chief administrative officer of the Authority and is responsible for appointing a staff as determined by the Authority to be necessary to carry out its duties. The Authority currently employs a full-time staff of nine persons: the Executive Director, two project managers, two project analysts, one director of finance and administration, one bookkeeper, one administrative assistant/network manager and one receptionist/administrative assistant.

The Executive Director is Robin B. Davidov, who was appointed by the Authority effective August 13, 1996. Ms. Davidov joined the Authority in 1981. Until 1994, she worked as a project planner and a project manager for the Authority on a variety of Authority projects, including the Project. In September 1994, she was appointed Deputy Director. Ms. Davidov holds a Masters Degree in Regional Planning from the University of Pennsylvania.

Other Projects of the Authority

The Authority has developed and financed three waste-to-energy facilities and a sewage sludge composting facility and has approximately \$460 million in bonds outstanding. The Authority has issued several series of bonds and notes in addition to the Bonds. The bonds and notes issued by the Authority are limited obligations of the Authority issued in connection with the projects financed or refinanced, and do not constitute general obligations of the Authority to the payment of which the full faith and credit of the Authority is pledged.

In 1983, the Authority issued \$190,760,000 of its long-term revenue bonds and \$45,000,000 of its short-term revenue notes (no longer outstanding) to finance a 2,250 ton-per-day, mass-burn, Southwest Resource Recovery Facility located in Baltimore and designed to serve the City of Baltimore and Baltimore County. This facility was constructed and is operated by Baltimore Refuse to Energy Systems Company, Limited Partnership, a Maryland limited partnership, the partners of which are wholly owned subsidiaries of Waste Management, Inc. In September, 1984, this facility began start-up operations and it passed performance tests in January, 1985. Commercial operations began in May 1985. In January 1993, the Authority issued its \$154,290,000 Resource Recovery Revenue Refunding Bonds (Southwest Resource Recovery Facility), Series 1993 for the purpose of providing funds which were applied to the refunding of the 1983 Bonds. In December 1998, the Authority issued its \$41,060,000 Resource Recovery Revenue Bonds (Baltimore Resco Retrofit Project) Series 1998 for the purpose of providing funds which were applied to the acquisition and construction of air pollution control facilities.

In December 1985, the Authority sold \$17,350,000 of its variable/fixed rate revenue bonds to finance a 55,000 ton-per-year sludge composting facility located in the City of Baltimore, which is owned and operated by US Filter, a subsidiary of Vivendi Universal, a company organized under the laws of France. The facility processes sewage sludge generated by a waste treatment facility of the City of Baltimore and Baltimore County into compost

that can be used as a soil conditioner and fertilizer. Construction of the facility began in January 1986 and it was completed in December 1986. Commercial operations began in March 1988.

In 1985, the Authority issued \$23,730,000 of its variable/fixed rate revenue bonds at a variable rate of interest to finance a 360 ton-per-day solid waste disposal facility located in Harford County, Maryland. In 1986, the Authority converted all of these bonds to fixed rates of interest. This facility uses a modular-type, mass-burning, waste incineration process and was designed and manufactured by Consumat Systems, Inc., a Virginia corporation. The facility is operated by Waste Energy Partners, L.P. and was privately owned until July 2002. Steam from the facility is sold to the United States Army for use in its base heating system at the Aberdeen Proving Ground. It passed acceptance tests and began commercial operations in 1988. In July 2002, the Authority issued its \$11,055,000 Taxable Resource Recovery Revenue Bonds for the purpose of purchasing the facility.

The Resource Recovery Facility is financially, contractually and operationally independent from all such other projects of the Authority. The Series 2003 Bonds are limited obligations of the Authority and are not secured by a pledge of assets or revenues of any other Authority project. The assets or revenues pledged to the payment of the Bonds under the Indenture are not pledged to the payment of any other obligations of the Authority. See "Security and Sources of Payment – Limited Obligation."

Corporate Existence of the Authority

The Act states that the Authority and its corporate existence shall continue until terminated by law, provided, however, that no such law shall take effect so long as the Authority shall have bonds or other evidences of indebtedness outstanding unless adequate provision has been made for the payment thereof. Upon making adequate provision for the payment of all outstanding bonds or other evidences of indebtedness of the Authority, the Authority may merge into the Maryland Environmental Service, with the consent of the Maryland Environmental Service and the approval of the Governor, by filing a statement of merger with certain designated State agencies. Upon termination of the existence of the Authority, all its rights and properties shall pass to and be vested in the State for distribution as provided for in contracts between the Authority and the participating subdivisions and in the statement of merger, if any.

OPERATION OF AUTHORITY FACILITIES

The Service Agreement

General

The Company constructed the Resource Recovery Facility and currently operates the Project under the terms of the Service Agreement. The initial term of the Service Agreement ends on the latest of (a) August 7, 2015, (b) the final maturity date of the Bonds and (c) the date on which all Bonds are defeased. The Service Agreement can be terminated at an earlier date for default or for the convenience of the Authority. If the Authority terminates the Service Agreement for convenience and intends to continue operation of the Project, the Authority must pay to the Company costs incurred by the Company as a result of the early termination plus an amount equal to (i) \$15 million if the termination occurs prior to the end of Fiscal Year 2004, (ii) \$10 million if the termination occurs in Fiscal Year 2005, (iii) \$7.5 million if the termination occurs in Fiscal Years 2006 through 2010, and (iv) \$5 million thereafter, in each case, adjusted for inflation. If the Authority terminates the Service Agreement for convenience and intends to abandon operations, it must pay to the Company 115 percent of the costs incurred by the Company as a result of the early termination. The Authority's obligations under the Service Agreement are limited obligations, payable only from Project Revenues to the extent permitted by the Bond Documents and applicable law.

Company's Obligations

According to the Independent Engineer, the Project is being operated in material compliance with the requirements of its permits and has demonstrated the ability to meet or exceed the levels of performance guaranteed by the Company under the Service Agreement. The electricity guarantee is not effective unless the Resource Recovery Facility is operating at 90% or more of its capacity. Until Fiscal Year 2002, quantities of waste delivered to the

Transfer Station were insufficient for the electricity guarantee to be effective. Although sufficient quantities were delivered in Fiscal Year 2002, the Resource Recovery Facility fell short of the electricity guarantee by less than one percent. See “Summary of Conclusions of Independent Engineer” and Appendix B, Independent Engineer’s Report.

The obligations of the Company relating to the acceptance and disposal of waste and operation of the Transfer Station generally mirror those of the Authority under the Waste Disposal Agreement. In addition, the Company must perform substantially all of the Authority’s obligations under the other Primary Project Agreements (other than the Authority’s obligations under the Service Agreement).

The Service Agreement permits the Authority to transfer the operation of the Transfer Station from the Company to another operator, in which case, the Authority will issue a change order under the Service Agreement to account for the resulting reduction in its scope.

Service Fee

The Authority pays the Company a service fee that consists of the following components:

- a fixed operating charge, subject to adjustments for inflation; plus
- expenses that the Service Agreement permits the Company to pass through to the Authority, plus
- the Company’s share of electricity revenues received by the Authority varies at certain thresholds but, generally stated, it is approximately seven percent of revenues attributable to processing 558,450 tons per year, which is the annual capacity guaranteed by the Company, and forty percent of revenues attributable to processing more than that amount; minus
- liquidated damages for the Company’s shortfall in performance, if any.

The service fee is subject to adjustment as a result of, among other things, uncontrollable circumstances (including a change in law).

The Company and the Guarantor; Bankruptcy

Covanta Montgomery, Inc. (formerly, Ogden Martin Systems of Montgomery, Inc.) is a Maryland corporation and a wholly owned, indirect subsidiary of Covanta Energy Corporation (formerly, Ogden Corporation), a Delaware corporation (“Covanta Energy” or the “Guarantor”). Covanta Energy is subject to the informational requirements of the Securities Exchange Act of 1934 and, accordingly, must file reports and other information with the SEC. These reports and other information can be inspected and copied at the SEC’s office at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549 or at the SEC’s regional offices. Copies can also be obtained from the SEC’s website at <http://www.sec.gov>.

Covanta Energy is the Guarantor under the Guaranty Agreement, in which it guarantees the Company’s performance under the Service Agreement. However, on April 1, 2002, the Guarantor and the Company filed a voluntary petition for Chapter 11 reorganization with the U.S. Bankruptcy Court in the Southern District of New York. The Company’s business as operator of the Project continues in the normal course while the Guarantor and the Company develop a Plan of Reorganization for approval by their creditors and other stakeholders and the Bankruptcy Court. The terms of the automatic stay that has been imposed under the Bankruptcy Code presently prevent the Authority from, among other things, terminating the Service Agreement without obtaining relief from the automatic stay from the Bankruptcy Court.

Neither the Company nor the Guarantor has yet filed a Plan of Reorganization, and there is substantial uncertainty both as to the timing of the Company and the Guarantor’s emergence from bankruptcy and the contents of their Plans of Reorganization. At the time such Plans are confirmed, the Bankruptcy Code requires that the Company and the Guarantor either assume or reject contracts to which they are parties such as, in the case of the Company, the Service Agreement, and, in the case of the Guarantor, the Guaranty Agreement. If these contracts are assumed, any

existing defaults must be cured as a condition to assumption unless otherwise agreed to by the parties thereto. If these contracts are rejected, the Authority will have an unsecured claim for contractual termination damages against the estates of the Company and the Guarantor, as applicable. It is not certain whether the Company and the Guarantor will assume or reject the Service Agreement and the Guaranty Agreement, as applicable, or whether, if the contracts are rejected, the Authority will realize any value for its claims.

The Service Agreement requires the Company to deliver and maintain a Guarantor Security Letter of Credit in the amount of \$50 million if the Guarantor fails to maintain an Investment Grade Rating. Before filing for bankruptcy, the Company failed to comply with this requirement. The Service Agreement provides that, in the event of such a failure, the County may (but is not required to) direct the Authority to terminate the Service Agreement or the Authority may reduce the service fee payable to the Company by \$1 million per year, to be applied in equal amounts to each of the 12 monthly service fee payments. The Authority has been applying this reduction since January 2002. When the Company and the Guarantor emerge from bankruptcy, assuming that the Company and the Guarantor seek to assume the Service Agreement and Guaranty Agreement, as applicable, and assuming that the Guarantor Security Letter of Credit has not been delivered, the Bankruptcy Court will be required to decide whether the Company's continued failure to deliver the Guarantor Security Letter of Credit is a default under the Service Agreement that must be cured by the Company and, if so, whether the Authority can terminate the Service Agreement if such failure persists.

Martin Technology

The Resource Recovery Facility's combustion system incorporates certain technology that is owned by Martin GmbH. The Company has rights to use this technology under a Cooperation Agreement, dated as of April 30, 1983, as amended, between Martin GmbH and the Company's direct parent, Covanta Systems, Inc., formerly Ogden Martin Systems, Inc. In connection with the issuance of the Series 1993 Bonds, Martin GmbH delivered to the Authority a Covenant of Assurance, in which Martin GmbH agreed that it will make the technology and related know-how available to the Authority, to a substitute operator or a purchaser of the Resource Recovery Facility if (a) the Cooperation Agreement is terminated or (b) the Service Agreement is terminated for Company default or for the convenience of the Authority.

Qualified Substitute Operator

Under the Indenture, the Authority may not terminate the Service Agreement for Company default and continue operation of the Project unless, among other things:

- all dispute resolutions proceedings under the Service Agreement relating to the cause of termination and the amount of damages payable by the Company as a result of termination have been finally concluded in favor of the Authority; and
- the Authority has executed a long-term agreement with a Qualified Substitute Operator for the operation and maintenance of the Project.

The Indenture also limits the Authority's ability to terminate the Service Agreement for Company default and abandon the Project. See Appendix E, Summaries of Certain Provisions of the Indenture, for a more detailed description of the requirements of the Indenture relating to termination of the Service Agreement.

The Authority believes that it could obtain a Qualified Substitute Operator to operate the Resource Recovery Facility on substantially the same cost basis as the Company. The Independent Engineer sees no technical reason to believe that another operator could not continue to operate the Project at similar technical performance levels and for the service fee specified in the Service Agreement for the term of the Series 2003 Bonds. See "Summary of Conclusions of Independent Engineer" and Appendix B, Independent Engineer's Report.

Sale of Electricity

Electricity generated by the Resource Recovery Facility is delivered via PEPCO's transmission facilities to a direct interface with the PJM transmission system. The Authority has rights to the necessary interconnections under the PEPCO Interconnection Agreement and the PJM Interconnection Services Agreement.

PJM is the country's first fully functioning regional transmission organization and operates North America's largest power grid, serving more than 25 million people in all or parts of Delaware, Maryland, New Jersey, Ohio, Pennsylvania, Virginia, West Virginia and the District of Columbia. PJM currently operates a wholesale electricity market with more than 200 market buyers, sellers and traders of electricity and has administered more than \$9 billion in energy and energy service trades since the regional markets opened in 1997. PJM provides interconnection service to interconnection customers pursuant to the PJM Open Access Transmission Tariff.

The Authority is currently selling all electricity generated by the Resource Recovery Facility to Mirant, which is a member of PJM, under the Mirant Agreement. Mirant pays negotiated rates for electricity. Those rates are higher than the current market price for electricity but are only in effect through the end of 2003. If the parties fail to negotiate new rates, either party may terminate the Mirant Agreement. The Authority expects that, due to the state of the market for electricity, any renegotiation will result in rates that are lower than the current ones. If the parties fail to agree on new rates and the Mirant Agreement is terminated, the Authority will continue to have access to the PJM wholesale market through its interconnection arrangements with PEPCO and PJM. The Authority is not a member of PJM, which is a requirement for bidding directly into the PJM wholesale market, but could continue to sell electricity to any PJM market participant under a bilateral agreement. See Appendix F, Summaries of Certain System Documents, for a description of some of the provisions the PEPCO Interconnection Agreement and PJM Interconnection Service Agreement.

The average prices for electricity purchased in the PJM wholesale market for the current Fiscal Year and the preceding four Fiscal Years are set forth below:

Table 11

PJM LMP Average Pricing for the PJM Zone (\$/MWh)

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
July	\$34.23	\$91.67	\$24.99	\$35.66	\$39.06
August	29.58	31.77	29.81	62.81	39.09
September	23.53	22.06	25.76	26.14	27.28
October	18.26	20.52	29.79	24.00	28.75
November	17.24	16.60	30.41	22.06	25.37
December	16.74	18.17	44.33	20.26	32.01
January	19.94	24.74	36.58	21.65	45.49
February	16.60	24.21	28.97	20.73	
March	19.61	22.06	35.30	24.77	
April	21.44	24.65	34.77	28.45	
May	22.68	29.34	30.53	22.37	
June	37.10	27.19	32.03	30.45	
Average	\$23.08	\$29.42	\$31.94	\$28.28	\$33.86

Source: PJM.COM – Historical Energy Prices

In addition to the market for electric energy, PJM requires its load serving members to acquire credits for electric generating capacity. The Resource Recovery Facility would be eligible to sell such credits to PJM members.

Revenues and Expenses of the Project

Table 12 below sets forth selected revenue and expense information for the Project for the last five Fiscal Years.

Table 12

**Authority's Montgomery County Project
Selected Financial Data
1998 - 2002**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenues					
Waste Disposal Fee	\$46,286,800	\$43,446,425	\$47,303,525	\$45,681,400	\$42,703,224
Electric Revenues	5,924,115	7,426,783	8,599,844	9,424,814	12,830,690
Interest and Other	<u>2,850,196</u>	<u>2,811,757</u>	<u>2,731,326</u>	<u>2,661,705</u>	<u>2,228,295</u>
Total Revenues	<u>\$55,061,111</u>	<u>\$53,684,965</u>	<u>\$58,634,695</u>	<u>\$57,767,919</u>	<u>\$57,762,209</u>
Expenses					
Operating Expenses ¹	\$23,311,376	\$21,540,444	\$26,346,359	\$25,885,232	\$24,793,794
Interest Expenses ²	21,595,453	20,943,410	20,210,279	19,533,281	18,849,484
Depreciation	8,323,485	8,193,750	8,216,734	8,232,390	8,234,721
Other ³	<u>373,323</u>	<u>399,434</u>	<u>299,141</u>	<u>297,486</u>	<u>1,188,786</u>
Total Expenses	<u>\$53,603,637</u>	<u>\$51,077,038</u>	<u>\$55,072,513</u>	<u>\$53,948,389</u>	<u>\$53,066,785</u>
Excess (Deficiency) of Revenues over Expenses	<u>\$ 1,457,474</u>	<u>\$ 2,607,927</u>	<u>\$ 3,562,182</u>	<u>\$ 3,819,530</u>	<u>\$ 4,695,424</u>
Debt Service Reserve	\$31,863,705	\$31,863,705	\$31,863,705	\$31,863,705	\$31,863,705
Operating Reserve	0	0	0	0	\$ 870,934

¹ Consists primarily of payments to the Company under the Service Agreement

² Interest payments on the Series 1993A Bonds

³ Consists primarily of bond issuance cost amortization

GOVERNMENTAL REGULATION

Environmental Regulation

Resource recovery facilities, including the Resource Recovery Facility, are regulated pursuant to federal, state and local environmental laws. Federal laws such as the Clean Air Act and Clean Water Act and their state counterparts govern discharges of pollutants from waste-to-energy facilities to air and water, and other federal, state and local laws comprehensively govern the generation, transportation, storage, treatment and disposal of solid waste. In most cases, Maryland has been authorized in relevant part to implement these federal laws and, thus, Maryland law largely operates in lieu of the federal law in these areas. These environmental regulatory laws and the regulations and permits issued thereunder also establish operational standards, including specific limitations upon emissions of certain air and water pollutants. Failure to meet these standards may subject the Authority and the Company to regulatory civil and criminal enforcement actions, and unless excused by particular circumstances, liabilities, fines or damages. Continuous or repeated unexcused failure to comply with the environmental regulatory standards of operation may result in action by the regulatory agencies and default by the Company under the Service Agreement. Various environmental laws also may make the County, the Authority and the Company potentially liable for environmental

contamination associated with the operation of the Authority Facilities or other components of the County Disposal System.

Construction of the Resource Recovery Facility was initially authorized by Prevention of Significant Deterioration air quality approval, and the Resource Recovery Facility's operation is presently governed by an air quality operating permit ("Facility Air Permit") in the form of a "Title V Permit" issued by the MDE. According to the Independent Engineer, the Resource Recovery Facility currently is operating in material compliance with the Facility Air Permit. The operation of the County Disposal System also requires that permits be issued with respect to (i) water discharge (by the Industrial Point Source Division of the MDE), (ii) water appropriation (by the State Department of Natural Resources), (iii) non-tidal wetlands (by the United States Army Corps of Engineers and including a waste quality certification by the Standards and Certifications Division of the MDE), (iv) waste-handling activities (by the MDE), and (v) miscellaneous approvals related to stormwater management, hazardous materials management, and the like by MDE or local authorities. All permits necessary for operation of the Resource Recovery Facility and other components of the County Disposal System have been issued and are final and in full force and effect.

The ash residue produced at the Resource Recovery Facility is tested to determine whether its characteristics require it to be treated as hazardous waste under Applicable Law. In testing to date, ash residue from the Resource Recovery Facility has produced results which qualify the ash for handling as nonhazardous waste. See "Summary of Conclusions of Independent Engineer."

This summary of legislative and regulatory actions which might affect the County Disposal System and the obligations of the parties to the Primary Project Agreements does not purport to be a complete, comprehensive or definitive summary of all such actions. Waste-to-energy facilities and related activities are subject to continuing review by legislative and administrative bodies having proper jurisdiction, and similar or different proposals could be made or actions taken by such bodies which could affect the County Disposal System and the obligations of such parties. The enactment or promulgation of new legislation or regulations governing air emissions, ash residue, water discharges, or County Disposal System operations generally could affect the conditions, the effectiveness or the renewal of permits or approvals or other regulatory requirements applicable to the County Disposal System.

Utility Regulation

On November 1, 1990, the Federal Energy Regulatory Commission ("FERC") issued an order granting the Authority's application for certification of the Resource Recovery Facility as a "qualifying small power production facility" ("QF") under the Public Utility Regulatory Policies Act of 1978 and the regulations thereunder ("PURPA"). Accordingly, the Company and the Authority are exempt from regulation under the Public Utility Holding Company Act of 1935 ("PUHCA") and from certain state laws and regulations governing electric utility rates and financial and organizational regulation. If, in the future, the Resource Recovery Facility no longer qualifies as a QF but continues to sell electricity exclusively at wholesale, protection of the Company and the Authority from PUHCA regulation can be preserved by obtaining an "Exempt Wholesale Generator" determination from FERC. Since the Authority is a public authority, it is exempt from most provisions of the Federal Power Act, including the requirement that rates for its wholesale electric sales from the Resource Recovery Facility be filed with, and accepted by, the FERC. The Authority's and the County's rates for the acceptance of solid waste for processing at the Facility are not subject to regulation under existing state or federal law.

SUMMARY OF CONCLUSIONS OF INDEPENDENT ENGINEER

R. W. Beck, Inc. (the "Independent Engineer") prepared a report that addressed the technical, environmental and financial aspects of the Project in connection with the issuance of the Series 1993 Bonds and, since that time, has prepared the reports on the County Disposal System that are required under the Master Authorization. In connection with the issuance of the Series 2003 Bonds, the Independent Engineer conducted a limited review of certain aspects the Project and issued a report on the results of that review (the "Independent Engineer's Report"). Set forth below are the principal conclusions included in the Independent Engineer's Report. For an understanding of the scope of the Independent Engineer's review, as well as the estimates, assumptions and calculations upon which its conclusions are based, the Independent Engineer's Report should be read in its entirety. The Independent Engineer's Report is included as Appendix B of this Official Statement.

- The Company has operated and maintained the Resource Recovery Facility in accordance with generally accepted industry practices.
- The Transportation System has demonstrated the ability to transport Processible waste between the Transfer Station and the Resource Recovery Facility and meet the guarantee set forth in the Service Agreement.
- The mass-burn Martin technology used in the Resource Recovery Facility is a sound and proven method of solid waste disposal and energy recovery. In addition, the Resource Recovery Facility has demonstrated the ability to meet the performance guarantees set forth in the Service Agreement.
- The Company has processed all of the Processible Waste delivered to the Transfer Station by the County and has demonstrated the ability to operate the Transfer Station at levels which have met or exceeded the guarantees set forth in the Service Agreement.
- The Authority constructed the Project to account for future growth in the County's waste generation. Prior to Fiscal Year 2002, the quantities of Processible Waste which were delivered to the Transfer Station were not sufficient for the electrical guarantee to be effective. Due to an administrative oversight in 2002 regarding the failure to provide notice for excluded days in the calculation of this guarantee, the Company failed to meet the net electrical generation guarantee by less than one percent, and the Authority deducted approximately \$184,000 from the Fiscal Year 2002 Service Fee for this occurrence. However, specific historical data and the data for the first six months of the current Fiscal Year (Fiscal Year 2003) demonstrate the ability of the Company to meet the electrical production guarantee. The Independent Engineer believes that the administrative oversight experienced in 2002 has been corrected by the Company.
- Past and most recent stack test results and residue ash tests indicate that the Company is meeting the environmental guarantees set forth in the Service Agreement. In addition, the County's routine testing of the residue ash from the Resource Recovery Facility on a periodic basis has demonstrated that the ash has not exhibited characteristics that would cause the ash to be classified as hazardous waste.
- The Company has maintained and is maintaining the key permits and approvals, including the renewal of such permits and approvals, required for the continued operation of the Project, and the Project is being operated in material compliance with the requirements of its permits, including the Maximum Achievable Control Technology emission standards promulgated under the Clean Air Act.
- The Company currently has employees with the technical capabilities necessary for the proper operation of the Project in accordance with the Project's operating permits and the technical operating provisions of the Service Agreement.
- Covanta Energy Corporation currently has employees at its corporate headquarters who have the technical backgrounds and capabilities necessary to allow it to continue to provide adequate home office support to the Project.
- In addition to the Company, other replacement operators of waste-to-energy facilities have demonstrated the technical capabilities necessary for the operation of waste-to-energy facilities, and it is reasonable to assume that such operators should be capable of operating the Resource Recovery Facility in accordance with the technical requirements of the Service Agreement and the operating requirements of the Project permits.
- We are not aware of any technical reason to believe the Company, or another replacement operator, cannot continue to operate the Project at similar technical performance levels set forth in the Service Agreement for the Service Fee specified in the Service Agreement for the term of the Bonds.
- Assuming the operator of the Project properly operates the Project pursuant to the terms of the Service Agreement, performs routine maintenance in accordance with industry standards and the needs of the Project and undertakes all required renewals and replacements on a timely basis, it is reasonable to expect that the useful life of the Resource Recovery Facility should extend beyond the term of the Series 2003 Bonds.

BOND INSURANCE POLICY

Ambac Assurance Corporation

Ambac Assurance Corporation (the “Bond Insurer”) 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, the Territory of Guam and the Commonwealth of Puerto Rico, with admitted assets of approximately \$6,115,000,000 (unaudited) and statutory capital of approximately \$3,703,000,000 (unaudited) as of December 31, 2002. Statutory capital consists of the Bond Insurer’s policyholders’ surplus and statutory contingency reserve. Standard & Poor’s Credit Markets Services, a Division of The McGraw-Hill Companies, Moody’s and Fitch 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 Bond Insurance Policy shall be treated for federal income tax purposes in the same manner as if such payments were made by the Obligor of the Series 2003 Bonds.

The Bond Insurer makes no representation regarding the Series 2003 Bonds or the advisability of investing in the Series 2003 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 the heading “Bond Insurance Policy.”

Payment Pursuant to Bond Insurance Policy

The Bond Insurer has made a commitment to issue a financial guaranty insurance policy (the “Bond Insurance Policy”) relating to the Series 2003 Bonds effective as of the date of issuance of the Series 2003 Bonds. Under the terms of the Bond Insurance Policy, the Bond Insurer will pay to The Bank 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 2003 Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor (as such terms are defined in the 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 Paying Agent. The insurance will extend for the term of the Series 2003 Bonds and, once issued, cannot be canceled by the Bond Insurer.

The Bond Insurance Policy will insure payment only on stated maturity dates, in the case of principal, and on stated dates for payment, in the case of interest.

In the event the Paying Agent has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder (as defined in the Bond Insurance Policy) by or on behalf of the Obligor 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 Bond Insurance Policy does not insure any risk other than Nonpayment, as defined in the Bond Insurance Policy. Specifically, the Bond Insurance Policy does not cover:

1. payment on acceleration, as a result of a call for 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, Paying Agent or Bond Registrar, if any.

If it becomes necessary to call upon the Bond Insurance Policy, payment of principal requires surrender of Series 2003 Bonds to the Insurance Trustee together with an appropriate instrument of assignment so as to permit ownership of such Series 2003 Bonds to be registered in the name of the Bond Insurer to the extent of the payment under the Bond Insurance Policy. Payment of interest pursuant to the Bond Insurance Policy requires proof of Holder entitlement to interest payments and an appropriate assignment of the Holder's right to payment to the Bond Insurer.

Upon payment of the insurance benefits, the Bond Insurer will become the owner of the Obligation, appurtenant coupon, if any, or right to payment of principal or interest on such Obligation (as defined in the Bond Insurance Policy) and will be fully subrogated to the surrendering Holder's rights to payment.

Available Information

The parent company of the Bond Insurer, Ambac Financial Group, Inc. ("AFG"), is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports, proxy statements and other information with the SEC. These reports, proxy statements and other information can be read and copied at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC maintains an internet site at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding companies that file electronically with the SEC, including AFG. These reports, proxy statements and other information can also be read at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005.

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, 19th Floor, New York, New York 10004 and (212) 668-0340.

Incorporation of Certain Documents by Reference

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

1. AFG's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 and filed on March 26, 2002;
2. AFG's Current Report on Form 8-K dated April 17, 2002 and filed on April 18, 2002;
3. AFG's Quarterly Report on Form 10-Q for the fiscal quarterly period ended March 31, 2002 and filed on May 13, 2002;
4. AFG's Current Report on Form 8-K dated July 17, 2002 and filed on July 19, 2002;
5. AFG's Current Report on Form 8-K dated August 14, 2002 and filed on August 14, 2002;
6. AFG's Quarterly Report on Form 10-Q for the fiscal quarterly period ended June 30, 2002 and filed on August 14, 2002;
7. AFG's Current Report on Form 8-K dated October 16, 2002 and filed on October 17, 2002;
8. AFG's Quarterly Report on Form 10-Q for the fiscal quarterly period ended September 30, 2002 and filed on November 14, 2002;
9. AFG's Current Report on Form 8-K dated November 18, 2002 and filed on November 20, 2002;

10. AFG's Current Report on Form 8-K dated January 23, 2003 and filed on January 24, 2003;
11. AFG's Current Report on Form 8-K dated February 25, 2003 and filed on February 28, 2003; and
12. AFG's Current Report on Form 8-K dated February 25, 2003 and filed on March 4, 2003.

All documents subsequently filed by AFG 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." See also Appendix E, Summary of Certain Provisions of the Indenture, "Concerning the Bond Insurer."

TAX MATTERS

Piper Rudnick LLP, Bond Counsel to the Authority, is of the opinion that, assuming compliance with certain covenants described herein, the interest on the Series 2003 Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations, and decisions, except with respect to any Series 2003 Bond during the period that such Series 2003 Bond is owned by a "substantial user" of the financed facilities or a "related person" (as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code")) and that, by the terms of the Act, the Series 2003 Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized on the sale or exchange thereof, shall at all times 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 agencies of any kind. No opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the Series 2003 Bonds, their transfer or the income therefrom.

Insofar as the opinion of Bond Counsel relates to facts or conclusions concerning the status of the financed facilities as solid waste disposal facilities, and insofar as the opinion of Bond Counsel relates to facts or conclusions concerning the costs and uses thereof, Bond Counsel has relied, without independent verification, upon certifications made on behalf of the County and the Authority, and upon the assumption that all information furnished to Bond Counsel with respect thereto was complete and accurate.

Under the provisions of the Code, there are certain restrictions that must be met subsequent to the delivery of the Series 2003 Bonds in order for interest on the Series 2003 Bonds to remain excludable from gross income for federal income tax purposes, including restrictions that must be complied with throughout the term of the issue of bonds of which the Series 2003 Bonds are a part (for purposes of this Tax Matters section, such issue consisting of the Series 2003 Bonds together with the System Refunding Bonds, collectively, the "Bonds"). These include 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 certain circumstances, and other requirements applicable to the investment 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 Series 2003 Bonds in gross income for federal income tax purposes, effective from their date of their issuance. The Authority and the County have made certain covenants regarding the investment of the proceeds of the Bonds and with respect to the taking of actions required to maintain the excludability of interest on the Bonds from gross income for federal income tax purposes. Bond Counsel has assumed compliance with such covenants in rendering its opinion.

Interest on the Series 2003 Bonds, including original issue discount accrued in respect of Discount Bonds (defined herein), will be includable in the alternative minimum taxable income of individuals, corporations and other taxpayers for federal income tax purposes. The Code imposes an alternative minimum tax at a rate equal to 20%, in the case of corporations, and at a maximum marginal rate equal to 28%, in the case of noncorporate taxpayers, of the taxpayer's alternative minimum taxable income, i.e., his or her regular taxable income increased by items of tax preference and other adjustments. In addition, interest income on the Series 2003 Bonds will be includable in the applicable tax base for the purposes of determining the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States.

There are other federal income tax consequences of ownership of obligations such as the Series 2003 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 must be reduced by 15% of the sum of tax-exempt interest income received or accrued 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 2003 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, for a Series 2003 Bond held as a capital asset, the sale or other disposition of a Series 2003 Bond will normally result in capital gain or loss to its holder. A holder's initial tax basis in a Series 2003 Bond will be its cost. Upon the sale or retirement of a Series 2003 Bond, for federal income tax purposes a holder will recognize capital 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 tax basis in such Series 2003 Bond, determined by adding to the original cost basis in such Series 2003 Bond the amount of original issue discount that is treated as having accrued as described below under "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 2003 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 28%, while short-term capital gains and other ordinary income will be taxed at a maximum rate of 38.6%. Under legislation enacted in 2001, this maximum rate of 38.6% is reduced in stages until for taxable years beginning on and after January 1, 2006, the maximum rate will be 35%. Net capital gains are the excess of net long-term capital gains (gains on capital assets held for more than one year) over net short-term capital losses. Additionally, with respect to noncorporate taxpayers, the maximum capital gain rate for assets that are held more than 5 years and that are acquired after December 31, 2000 is 18%. 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 acquires a Series 2003 Bond after its original issuance at a discount below its principal amount (or in the case of a Series 2003 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 Series 2003 Bond was first issued), the holder will be deemed to have acquired the Series 2003 Bond at "market discount," unless the amount of market discount is *de minimis*, as described in the following paragraph. If a holder that acquires a Series 2003 Bond with market discount subsequently realizes a gain upon the disposition of the Series 2003 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 2003 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 2003 Bond not issued at an original issue discount, market discount will be *de minimis* if the excess of the Series 2003 Bond's stated redemption price at maturity over the holder's cost of acquiring the Series 2003 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 2003 Bond and its stated maturity date. In the case of a Series 2003 Bond issued with original issue discount, market discount will be *de minimis* if the excess of the Series 2003 Bond's revised issue price over the holder's cost of acquiring the Series 2003 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 Series 2003 Bond and its stated maturity date. For this purpose, a Series 2003 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 2003 Bond during the period between its original issue date and the date of acquisition by the holder.

A Series 2003 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 2003 Bond exceeds the amount payable at maturity. The amount of the 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 2003 Bonds. The holder will be required to reduce his tax basis in the Series 2003 Bond for purposes of determining gain or loss upon disposition of the Series 2003 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 2003 Bonds.

Tax Accounting Treatment of Discount Bonds

Certain maturities of the Series 2003 Bonds may be issued at an initial public offering price which is less than the amount payable on such Series 2003 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 based on permissible compounding. In general, the length of the 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 compounding period. The amount of original issue discount which is treated as having accrued in respect of a Discount Bond for any particular permissible 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 October 1, 2003 allocable to the period extending from the date of initial delivery of the Bonds to October 1, 2003 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 April 3, 2003 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 preissuance accrued interest and not as a payment on the Discount Bond. If a Discount Bond is sold or otherwise disposed of between compounding periods, 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 applicable 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.

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 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 2003 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.

CONTINUING DISCLOSURE

This offering is subject to the continuing disclosure requirements of Rule 15c2-12 (the “Rule”) under the Securities Exchange Act of 1934, as amended. The Authority and the County have each undertaken to provide certain annual financial information and material events notices as required by the Rule (the “Undertaking”). A failure by the Authority or the County to comply with the Undertaking will not constitute an event of default under the Indenture, the Waste Disposal Agreement or the Master Authorization, and the Series 2003 Bondholders are limited to the remedies described in the Undertaking. A failure to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2003 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2003 Bonds and their market price. In the event of a failure to comply with the Undertaking, any record owner or beneficial holder of a Series 2003 Bond, whether acting jointly or severally, may only seek mandamus or specific performance by court order to secure compliance with the obligations of the Authority or the County, as the case may be, under the Disclosure Agreements.

Undertaking of the Authority

Undertaking

The Authority has agreed that, until the earlier to occur of (i) the legal defeasance or payment in full of the Series 2003 Bonds, or (ii) exercise by the County of the Authority Conduit Option, the Authority will disseminate to each nationally recognized municipal securities information repository (“NRMSIR”) then recognized by the Commission for purposes of the Rule and to any state-based information depository (“SID”) existing at the time in the State then recognized by the SEC for purposes of the Rule, notice, in a timely manner, of the following events with respect to the Series 2003 Bonds, if material: (A) Annual Audited Financial Information on a basis permitting comparison with the material included in Appendix D, Financial Information Concerning the Authority, and, with certain limited exceptions, an Annual Bond Disclosure Report setting forth any material changes to any of the Project Agreements and updating as of the end of each Fiscal Year the information contained in this Official Statement, under the headings “The Authority,” “Operation of Authority Facilities” (excluding the subsection “The Company and the Guarantor; Bankruptcy” and Table 11) and (B) notice, in a timely manner, of the following events with respect to the Bonds, if material (the “Events”): (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of interest on the Series 2003 Bonds; (7) modifications to rights of Bondholders; (8) bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Series 2003 Bonds; and (11) rating changes.

If the Authority fails to disseminate the information specified above as required, then the Authority must give notice of such failure to each NRMSIR and SID, if any.

Termination

The obligations to provide the Undertaking by the Authority will terminate upon the earlier to occur of: (i) the legal defeasance or payment in full of the Series 2003 Bonds, or (ii) exercise by the County of the Authority Conduit Option.

Dissemination

The Authority may appoint or engage a Dissemination Agent to assist it in carrying out its Undertaking.

Amendment

The Undertaking of the Authority may only be amended if (i) the amendment is made in connection with a change in circumstances arising from a change in legal requirements, change in law, or change in the identity, nature or status of the obligated person or type of business conducted; (ii) the Undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Series 2003 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 interest of the Series 2003 Bondholders, as determined either by parties unaffiliated with the Authority or by approving vote of the Series 2003 Bondholders.

Undertaking of the County

Undertaking

The County has executed a Continuing Disclosure Agreement pursuant to which it undertakes, until the earlier to occur of the legal defeasance or payment in full of the Series 2003 Bonds, to disseminate to each NRMSIR and SID, if any, (i) Annual Audited Financial Information with respect to the Solid Waste Disposal Fund on a basis permitting comparison with the materials included in Appendix C, Financial Information Concerning the County Disposal System, and (ii) annually, current information regarding any material changes to Chapter 48 as the same may affect the Bonds and updating the information contained in this Official Statement under the headings “County Disposal System – Legislative Authority, – Solid Waste Management Plan, – Master Authorization,” and “– Disposal System Revenues (as it relates to setting of System Benefit Charges and Tipping Fees)” and Tables 3 and 6.

In the event that the County exercises the Authority Conduit Option, the County further agrees to disseminate to each NRMSIR and SID, if any, (i) current information regarding any material changes to any of the Project Agreements and updating the information contained in this Official Statement under the headings “Operation of Authority Facilities” (excluding the subsection “The Company and the Guarantor; Bankruptcy” and Table 11) and (ii) notice in a timely manner, of the following events: (A) principal and interest payment delinquencies; (B) non-payment related defaults; (C) unscheduled draws on debt service reserves reflecting financial difficulties; (D) unscheduled draws on credit enhancements reflecting financial difficulties; (E) substitution of credit or liquidity providers, or their failure to perform; (F) adverse tax opinions or events affecting the tax-exempt status of interest on the Series 2003 Bonds; (G) modifications to rights of Bondholders; (H) bond calls; (I) defeasances; (J) release, substitution, or sale of property securing repayment of the Series 2003 Bonds; and (K) rating changes.

If the County fails to disseminate the information specified above as required, it must give notice of such failure to each NRMSIR and SID, if any.

Termination

The obligations to provide the Undertaking by the County will terminate upon the legal defeasance or payment in full of the Series 2003 Bonds.

Dissemination

The County may appoint or engage a Dissemination Agent to assist it in carrying out its Undertaking.

Amendment

The Undertaking of the County may only be amended if (i) the amendment is made in connection with a change in circumstances arising from a change in legal requirements, change in law, or change in the identity, nature or status of the obligated person or type of business conducted; (ii) the Undertaking, as amended, would have

complied with the requirements of the Rule at the time of the primary offering of the Series 2003 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 interest of the Bondholders, as determined either by parties unaffiliated with either County or by approving vote of the Series 2003 Bondholders.

LEGAL MATTERS

The Series 2003 Bonds are offered subject to the approval of legality by Piper Rudnick LLP, Baltimore, Maryland, Bond Counsel. See Appendix G, Proposed Form of Opinion of Bond Counsel, for the form of that opinion. Certain legal matters will be passed upon for the County by Venable, Baetjer & Howard, LLP, Baltimore, Maryland, and for the Underwriters by Ballard Spahr Andrews & Ingersoll, LLP, Philadelphia, Pennsylvania, and Baltimore, Maryland.

R.W. BECK, INC.

The references herein to the Independent Engineer's Report prepared by R.W. Beck, 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, R.W. Beck, Inc. has made a number of assumptions in reaching its conclusions, all of which are set forth in the Independent Engineer's Report and used the sources of information described therein. While R.W. Beck, Inc. 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 in this Official Statement in reliance upon the conclusions therein of R.W. Beck, Inc. and upon such firm's experience in preparing independent engineer's reports for similar projects.

FINANCIAL ADVISORS

In connection with the issuance of the Series 2003 Bonds, Public Financial Management of Philadelphia, Pennsylvania, has acted as financial advisor to the County and Public Resources Advisory Group of New York, New York, has acted as financial advisor to the Authority. Neither Public Financial Management nor Public Resources Advisory Group is obligated to undertake, and nor has either of Public Financial Management or Public Resources Advisory Group undertaken, an independent verification of, nor assumed responsibility for, the accuracy of the information contained in this Official Statement. Public Financial Management and Public Resources Advisory Group are independent advisory firms and are not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

RATINGS

Moody's Investors Service ("Moody's") and Fitch, Inc. ("Fitch") (collectively, the "Rating Agencies") are expected to assign the Series 2003 Bonds the ratings of "Aaa" and "AAA," respectively, with the understanding that upon delivery of the Series 2003 Bonds, the Bond Insurance Policy will be issued by the Bond Insurer. In addition, Moody's and Fitch have assigned the Series 2003 Bonds the underlying ratings of "Aa3" and "AA," respectively. Such ratings reflect only the views of the Rating Agencies. Explanations of the significance of each rating may be obtained from Moody's at 99 Church Street, New York, New York 10007 and from Fitch at One State Street Plaza, New York, New York 10004. There is no assurance that the ratings will continue for any period of time or that they will not be revised or withdrawn entirely by such Rating Agencies if in their judgment circumstances so warrant. Any revision or withdrawal of the ratings may have an adverse effect on the market price of the Series 2003 Bonds.

UNDERWRITING

The Series 2003 Bonds are being purchased by the Underwriters listed on the cover page of this Official Statement, for whom Lehman Brothers is acting as Representative. The Underwriters have agreed to purchase the Series 2003 Bonds at an aggregate purchase price of \$198,951,745.70 (which represents the par amount of the Series 2003 Bonds, plus original issue premium of \$15,748,789.70, less an underwriting discount of \$1,247,044). It is a condition to the Underwriters' obligation to purchase the Series 2003 Bonds that, at the same time, all conditions to

their obligation under a separate agreement to purchase the Series 2003 Bonds are met (or waived by the Underwriters) and that the Authority issues and sells the Series 2003 Bonds to the Underwriters. The Bond Purchase Agreement provides that the Underwriters will purchase all the Series 2003 Bonds, if any are purchased, and requires that the Authority and the County indemnify the Underwriters against losses, claims, damages and liabilities to third parties arising out of any materially incorrect or incomplete statements of information contained in this Official Statement. The Underwriters may change the initial public offering prices set forth on the front cover of this Official Statement from time to time, and may offer and sell the Series 2003 Bonds to certain dealers (including dealers depositing Series 2003 Bonds into investment trusts) and others at prices lower than the offering prices set forth on the cover page.

ADDITIONAL INFORMATION

All summaries and explanations of provisions of laws, resolutions, contracts, agreements and other documents herein are only brief outlines of certain provisions thereof and do not constitute complete statements of such provisions and do not summarize all of the pertinent provisions of such laws or documents. All such descriptions are qualified in their entirety by reference to such laws and documents. For further information as to the documents, reference should be made to the complete documents, copies of which are on file at the principal corporate trust office of the Trustee for examination.

Copies of the Indenture, the Waste Disposal Agreement and the Master Authorization and related documentation may be obtained from the Authority or the Trustee, and during the initial offering period from the Underwriters at Lehman Brothers, 399 Park Avenue, New York, New York 10022, phone (212) 526-7000.

This Official Statement is not to be construed as a contract or agreement between the Authority and the purchasers or owners of any of the Series 2003 Bonds. Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended merely as opinions and not as representations of fact. No representation is made that any of the opinions or estimates will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the County, the Company or the Bond Insurer since the date hereof.

The execution and distribution of this Official Statement have been duly authorized by the Authority.

NORTHEAST MARYLAND WASTE DISPOSAL
AUTHORITY

By: /s/ Arthur G. Balmer
Authorized Member

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APPENDIX A

SUMMARY OF CERTAIN DEFINITIONS

Each definition summary in this Appendix A that is used in a Project Agreement or the Bond Documents is qualified by the meanings given to such term in that Project Agreement or Bond Document. Unless otherwise provided in a definition summary:

- a reference to an agreement or other legal instrument include any subsequent amendment or supplements thereto; and
- a reference to a Person include that Person's permitted successors and assigns.

Act means the Northeast Maryland Waste Disposal Authority Act, being codified as Sections 3-901 through 3-929, inclusive, of the Natural Resources Article of the Annotated Code of Maryland (1989 Replacement Volume and 1992 Cumulative Supplement) and all future acts supplemental thereto or amendatory thereof.

Additional Bonds means any bonds, notes or other Indebtedness of the Authority, other than the Non-Refunded Series 1993A Bonds and the Series 2003 Bonds, issued pursuant to the provisions of the Indenture.

Additional Facilities means (i) any additions, improvements, extensions or alterations to or of the Project or the Project Sites and (ii) any other facilities in which the Authority has an ownership or possessory interest if such ownership or possessory interest is required by Applicable Law and is acquired by the Authority to perform its obligations under the Project Agreements or the Bond Documents, or to enable any other Person to perform the Authority's obligations under the Project Agreements or the Bond Documents, including (without limitation) any additional resource recovery facilities, waste disposal facilities, landfills, recycling facilities, composting facilities, transfer stations, collection equipment, rail transportation facilities, administrative facilities, treatment facilities, storage facilities and any real property, fixtures, rights-of-way, easements and other interests and all personal property and rights therein which are necessary or desirable for the performance by the Authority of its obligations under the Project Agreements and the Bond Documents. Additional Facilities do not include facilities financed with the proceeds of taxable or tax-exempt bonds (other than the Bonds or subordinated indebtedness) issued by the Authority, unless such facilities are specifically designated as "Additional Facilities" in a written notice from the Authority to the Trustee.

Alternate Disposal Facility means a sanitary landfill (including any Designated Landfill) within or without the County boundaries, solid waste acceptance, transportation and disposal facilities at which Disposable Refuse is accepted, stored or disposed of by the Authority other than the normal sites to be used for such activities pursuant to the Waste Disposal Agreement.

Applicable Law means any law, regulation, requirement or order of any federal, state or local agency, court or other governmental body applicable from time to time to the acquisition, design, construction, equipping, start-up, testing, financing, ownership, possession or operation of the Authority Facilities or the performance of any obligations under the Project Agreements, the Bond Documents or any other agreements entered into in connection with the Project Agreements or the Bond Documents.

Authority means the Northeast Maryland Waste Disposal Authority, a body politic and public instrumentality of the State.

Authority Conduit Option is defined in the Summary of Certain Provisions of the Waste Disposal Agreement under "Termination for Convenience or at End of Term" in Appendix F, Summaries of Certain System Documents.

Authority Facilities means (i) the Project, (ii) the Project Sites and (iii) any Additional Facilities.

Authorized Denomination means \$5,000 or any integral multiple thereof.

Bankruptcy Code means Title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as amended from time to time, or any substitute or replacement legislation.

Bond Counsel means Piper & Rudnick, LLP and any other attorney or firm of attorneys with experience and nationally recognized expertise in the area of municipal finance and whose legal opinions are generally accepted by purchasers of municipal bonds as may be designated by the Authority from time to time.

Bond Documents means, collectively, the Indenture, any Supplemental Indenture, the Bond Insurance Policy, any other Credit Facility and any other agreement executed in connection with the issuance of any Additional Bonds and designated as such in the Supplemental Indenture authorizing the issuance of such Bonds.

Bond Insurance Policy means the financial guaranty insurance policy issued by the Bond Insurer in connection with the issuance of the Series 2003 Bonds.

Bond Insurer means Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company.

Bondholders or **holder** or any similar term when used with reference to the Bonds means the registered owner of a Bond.

Bonds means the Series 1993A Bonds, the Series 2003 Bonds and any other Additional Bonds.

Brunswick means Brunswick Waste Management Facility, Inc.

Brunswick Agreement means the Service Agreement between the County and Brunswick dated as of June 19, 1997.

Brunswick Landfill means the modern sanitary landfill in Brunswick County, Virginia owned by Brunswick and identified as the facility to receive waste under the Brunswick Agreement.

Business Day means a day other than a Saturday, Sunday or legal holiday in the State or in the State of New York observed as such by the Authority or the Trustee.

Chapter 48 means Chapter 48 of the Montgomery County Code, and any amendments thereof and any supplements thereto.

Code means the Internal Revenue Code of 1986, as the same may be amended from time to time, and the regulations promulgated thereunder.

Collection and Disposal District means the collection and disposal district established pursuant to Chapter 48 in which the County is required to provide solid waste collection services, as such district may be expanded from time to time.

Company means Covanta Montgomery, Inc (formerly, Ogden Martin Systems of Montgomery, Inc.), a Maryland corporation.

Composting Facility means the Dickerson Composting Facility located in the northwest part of the County.

Consulting Engineer means an independent engineer or engineering firm or corporation of engineers of recognized standing, having skill and experience with respect to the design, construction and operation of facilities similar to those which comprise the County Disposal System (or, as used in the Indenture, the Project), as may be designated by the County (or, as used in the Indenture, the Authority) from time to time in accordance with the Master Authorization. R.W. Beck is currently the Consulting Engineer.

County means Montgomery County, Maryland and its successors and permitted assigns.

County Bonds means any of the bonds, notes or other obligations for borrowed money of the County issued in connection with the County Disposal System pursuant to a Bond Resolution which bonds are secured, in whole or in part, by County Disposal System Revenues.

County Council means the County Council for the County.

County Disposal System means the portions of the County System relating to the disposal of solid waste.

County Executive means the County Executive of the County.

County Designated Landfill means one or more landfills or facilities which the County owns, operates or has a contractual right to use, designated and made available to the Authority by the County for disposal of Landfill Waste under the Landfill Agreement.

County Disposal System Components means the facilities which comprise the County Disposal System, including without limitation, resource recovery facilities, waste-to-energy facilities, landfills, recycling facilities, composting facilities, transfer stations, collection equipment, rail transportation facilities and equipment, facilities and equipment related to the interconnection of the County Disposal System to any purchaser of energy generated through the operation of the County Disposal System, administrative facilities, treatment facilities, storage facilities and including all real property, fixtures, rights therein, and rights-of-way, easements and other interests and all personal property and rights therein which are necessary or desirable for the efficient operation of the County Disposal System or the provision of disposal services and any appurtenances which are necessary or useful and convenient therefor.

County Disposal System Revenues means (a) all moneys in the Solid Waste Disposal Fund, (b) all rents, rates, fees, service charges, user charges, instruments, chattel paper, negotiable documents and other charges, income or receipts which are payable to, received by or imposed by the County in connection with the County Disposal System, including but not limited to, Revenues relating to (i) the collection, transportation, storage, treatment, recycling and disposal of Refuse by any County Disposal System Components, or derived as a result of the provision of disposal services, including without limitation, rates and charges imposed upon haulers of Disposable Refuse, municipalities or anyone in respect of the disposal of Disposable Refuse (regardless of where such Disposable Refuse originates or is received), (ii) amounts payable to the County pursuant to any Solid Waste Management Contract, (iii) the sale of Recyclable Materials, (iv) revenues generated through the operation of any Disposal System Component owned by the County, (v) payments from the County to the Solid Waste Disposal Fund for services rendered to the County through the County Disposal System, (c) any moneys received by or on behalf of the County from the United States of America, or any agency thereof, or from the State, or any agency thereof, as or on account of a grant or contribution not repayable by the County with respect to the County Disposal System (but not including grants made for the purpose of providing funds for the payment of Capital Costs); (d) the proceeds of insurance covering a loss due to an interruption in the operation of the County Disposal System, if any, (e) any investment income which is derived from the investment of any funds in the Solid Waste Disposal Fund (other than investment income of any funds in the Construction Account), (f) any moneys deposited by the County in the Solid Waste Disposal Fund at the discretion of the County (but not including moneys deposited by the County for the purpose of paying a specific Capital Cost or Operating Expense), (g) any grants from any persons relating to the operation and maintenance of the County Disposal System; provided, however, that "County Disposal System Revenues" do not include (1) the proceeds of County Bonds deposited in the Construction Account established by the Master Authorization or (2) interest earned on the Rebate Account established by the Master Authorization or (3) certain prepayments and collateral received by the County in connection with the County Disposal System until such time as waste for which the prepayment was made or the County is entitled to retain the collateral, as the case may be.

County System means (a) plants, structures, buildings, machinery, equipment, fixtures and other real and personal property owned or leased by the County pursuant to and for the purpose of complying with the Master Authorization and providing solid waste management service (including curbside collection of Recyclables) pursuant to Chapter 48, including but not limited to any County Disposal System Components which are necessary or desirable for the efficient operation of the County System and any appurtenances which are necessary or useful and convenient therefor including any item which would in whole or part constitute a "Project" as such term is

defined in Montgomery County Code Section 20-48 as may be amended from time to time and (b) any rights and obligations of the County under any Solid Waste Management Contracts, as such contracts may be amended, modified or renewed.

County System Indebtedness is a collective term meaning (a) debt service on the System Refunding Bonds and the Prior Bonds and (b) the debt service component of the Waste Disposal Fee, which is generally all amounts payable by the Authority under the Indenture with respect to the Non-Refunded Series 1993A Bonds, the Series 2003 Bonds and any Additional Bonds that may be issued under the Indenture.

Credit Facility means any letter of credit, bond insurance policy, bond purchase agreement, guaranty, line of credit, surety bond or similar credit facility that imposes an unconditional obligation on the issuer thereof to pay the principal of and interest on the Outstanding Bonds of all or any part of a series when due for payment and that (i) is effective throughout the term of the Bonds secured thereby or (ii) provides for the realization of funds thereunder in an amount sufficient to pay the principal of and interest on Bonds secured thereby prior to its expiration date unless a substitute Credit Facility meeting the requirements of this definition is delivered to the Trustee of Paying Agent prior to such date. When used with reference to all or a part of any Series of Bonds, "Credit Facility" means any Credit Facility securing all or a part of such Series of Bonds.

Credit Facility Provider means the issuer of any Credit Facility then in effect. When used with reference to any Series of Bonds, "Credit Facility Provider" means the provider of any Credit Facility securing such Series of Bonds.

CSX means CSX Transportation, Inc. and its permitted successors and assigns under a Rail Transportation Agreement between CSX and the Authority dated as of October 1, 1989.

Debt Service Reserve Fund means the fund so created and designated under the Indenture as security for a Series of Bonds.

Debt Service Reserve Fund Requirement means (A) with respect to the Debt Service Reserve Fund securing the Series 1993A Bonds, as of any particular date of computation, an amount equal to the lesser of (i) Maximum Annual Debt Service on the Outstanding Bonds secured thereby and (ii) 10 percent of the proceeds of the Outstanding Bonds secured thereby, (B) with respect to the Series 1993B Bonds, an amount equal to zero (\$0), as such Bonds are not secured by a Debt Service Reserve Fund, (C) with respect to the Debt Service Reserve Fund securing the Series 2003 Bonds, the Series 2003 Debt Service Reserve Fund Requirement and (D) with respect to any Additional Bonds, the requirement provided in the Supplemental Indenture providing for the issuance of Additional Bonds, subject to the provisions of the Indenture.

Department means the County's Department of Public Works and Transportation.

Disposal System Expenses means expenses of the County Disposal System, including the Waste Disposal Fee payable under the Waste Disposal Agreement.

DTC means the Depository Trust Company.

Energy Sales Agreement means means the Mirant Agreement and any other agreements for the sale of steam, electricity, hot water or any other energy produced at the Resource Recovery Facility from the Processing of waste.

EPA means the United States Environmental Protection Agency.

Escrow Deposit Agreement means Escrow Deposit Agreement between The Bank of New York and the Authority dated as of April 3, 2003.

Escrow Deposit Fund means the fund which is created under the Escrow Agent Agreement.

Event of Default, as used in the Master Authorization, has the meaning given in Appendix F, Summaries of Certain System Documents.

Facility Site means the real property located in Dickerson, Maryland, on which the Resource Recovery Facility is to be located, including the Facility Site Easements, as further described in the Facility Site Agreement.

Facility Site Agreement means the Facility Site Agreement among PEPCO, the Authority and the County dated October 5, 1989, as amended and supplemented by a Confirmation and Clarification dated December 5, 1989, a Joint and Mutual Determination dated June 20, 1990 and a Letter of Interpretation dated February 18, 1993.

Facility Site Easements means the easements appurtenant to the Facility Site and described in the Facility Site Agreement and the Project Site Lease.

FERC means the Federal Energy Regulatory Commission.

First Supplemental Indenture means The First Supplemental Indenture of Trust between the Authority and the Trustee dated as of April 3, 2003.

Fiscal Year means the twelve-month period beginning on July 1 of each year and ending on the last day of June of the following year or any consecutive twelve-month period adopted by the County as the official accounting year of the County.

Fitch means Fitch, Inc.

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, whether or not the obligations are issued or held in book entry form on the books of the United States Department of the Treasury.

Guarantor means Covanta Energy Corporation (formerly, Ogden Corporation), a Delaware corporation, and its permitted successors and assigns.

Guaranty Agreement means the Guaranty Agreement, dated November 16, 1990, executed by Covanta Energy Corporation for the benefit of the Authority.

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, to the extent that any of the foregoing is (1) incurred by the Authority in connection with the Authority Facilities or the performance by the Authority of its obligations under the Project Agreements and (2) payable under any circumstances from the Project Revenues.

Indenture means the Indenture of Trust between the Authority and the Trustee, dated as of March 1, 1993, as amended and supplemented by the First Supplemental Indenture.

Independent Engineer, means the Consulting Engineer or any other independent consulting firm having a favorable national reputation for skill and experience with respect to the design, construction and operation of solid waste disposal facilities, designated by the Authority to perform the activities required by the Indenture to be performed by the Independent Engineer. References in this Official Statement to the Independent Engineer, other than references in the descriptions of the Bond Documents, are references to R.W. Beck, in its capacity as the preparer of the Independent Engineer's Report.

Independent Engineer's Report means the statement of R.W. Beck set forth in Appendix B.

Landfill Agreement means the agreement between the Authority and the County dated as of November 16, 1990, as amended March 11, 1993.

Long Term Expenses means, for any period, any amounts required to be paid by the County pursuant to (a) Long Term Obligations (including the Waste Disposal Fee) or (ii) debt service on certain general obligation bonds that the County issued prior to adoption of the Master Authorization and of which \$282,233 in principal amount remains outstanding.

Long Term Indebtedness means all Bonds (other than certain Non-Refunded Series 1993A Bonds that are subject to prepayment from available funds, if any, following the termination of the Service Agreement for Company default), together with all of the following Indebtedness incurred, assumed or guaranteed by the Authority:

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

As used in this definition, (a) "Short-Term Indebtedness" means any Indebtedness incurred or assumed by the Authority for a term not exceeding 365 days, except any such Indebtedness with respect to which a Liquidity Facility is then in effect and (b) "Liquidity Facility" means a written commitment to provide money to purchase or retire any Indebtedness.

Long Term Obligations means (1) County Bonds, (2) any Solid Waste Management Contracts, including the Waste Disposal Agreement, which expressly provide for the issuance of indebtedness by the other party which is to be secured by County Disposal System Revenues, (3) any reimbursement agreement that secures bonds that are Long Term Obligations and (4) any other multiyear Solid Waste Management Contract which (a) does not contain an express provision that such contract is subject to appropriations and (b) is not terminable at the option of the County without the payment of damages, penalties or other extraordinary amounts by the County upon termination. "Long Term Obligations" does not include subordinated indebtedness that is secured by County Disposal System Revenues.

Martin GmbH means Martin GmbH für Umwelt- und Energietechnik.

Master Authorization means the Master Authorization of the County, which became effective on November 16, 1990.

Materials Recovery Facility means the materials recovery facility owned by the County and located in Derwood, Maryland.

Maturity Date, as used in the Waste Disposal Agreement, means the earlier of (i) the final maturity date of the Bonds, (ii) the date on which all of the Bonds are defeased in accordance with the terms thereof.

Maximum Annual Debt Service means, when used with reference to any Long-Term Indebtedness for any Fiscal Year, as of any particular date of computation, the greatest amount required in the then-current of any future Fiscal Year to pay debt service requirements of such Long-Term Indebtedness.

MDE means the Maryland Department of the Environment.

Mirant means Mirant Americas Energy Marketing, L.P.

Mirant Agreement means the Electricity Sales Agreement between the Authority and Mirant dated as of July 12, 2001.

Montgomery County Code the Montgomery County Code of 1994, as amended.

Moody's means Moody's Investors Service, Inc.

Non-Refunded Series 1993A Bonds is defined under "Introduction – Purpose."

O&M Reserve Fund means the fund of that name established under the Indenture.

O&M Reserve Fund Deposit Requirement has the meaning set forth under "Security and Sources of Payment for the Series 2003 Bonds – O&M Reserve Fund."

Operating Expenses means the reasonable or necessary costs and expenses of the County (but not including Long Term Expenses) of operating, maintaining, repairing, insuring, and administering the County Disposal System or providing disposal services, including, without limitation, (a) all administrative, general and commercial expenses, (b) insurance and surety bond premiums, (c) payments to others for the collection, transfer, disposal or processing of solid waste (other than expenses relating to Refuse collection), (d) engineering expenses, (e) legal expenses, and any damages, judgments, awards, fines, penalties, assessments, impositions, charges, levies, litigation settlement amounts or other similar costs or expenses properly incurred and owing by the County in connection with the County Disposal System, (f) auditing expenses, (g) ordinary and current rentals of equipment or other costs which are not paid from the Construction Account, (h) any other current expenses which are required or permitted to be paid by the County in connection with the County Disposal System under the provisions of the Master Authorization or by law, including, without limitation, payments made to consultants and professionals retained by the County, all to the extent that such expenses are properly incurred by the County and attributable to the County Disposal System, (i) expenses which are incurred in connection with the issuance of County Bonds or the execution of Long Term Obligations, (j) costs incurred in connection with the preparation of any reports, plans, opinions or certificates which are required to be prepared under the terms of the Master Authorization and (k) costs incurred in connection with the monitoring of any Disposal System Component, whether before or after its closure.

Outstanding means as of any particular date, (a) when used with reference to Bonds (other than Designated Bonds), all Bonds authenticated and delivered under the Indenture except (i) any Bond cancelled by the Trustee (or delivered to the Trustee for cancellation) on or before such date, (ii) any Bond for the payment of the principal or Redemption Price of, and interest on, which provision shall have been made as provided in Section 9.01 of the Indenture and (iii) any Bond in lieu of or in substitution for which a new Bond shall have been authenticated and delivered pursuant to the Indenture and (iv) certain Non-Refunded Series 1993A Bonds that are subject to prepayment from available funds, if any, following the termination of the Service Agreement for Company default.

Owner, when used with reference to Series 2003 Bonds, means the registered owner of any Series 2003 Bond.

Non-Processible Waste means solid waste that is not Processible Waste.

Paying Agent means the Trustee.

PEPCO means the Potomac Electric Power Company, a District of Columbia and Virginia corporation.

PEPCO Interconnection Agreement means the Interconnection Agreement between PEPCO and the Authority dated as of July 13, 2001.

Permitted Encumbrance means:

(a) any lien of any contractor, subcontractor, supplier of goods, materials, equipment or services or laborer or any other like lien arising in the ordinary course of business, in respect of a claim that is paid or that is

discharged within 60 days of the due date thereof, or that is being contested in good faith by appropriate proceedings conducted with due diligence, so long as such proceedings would be permitted by paragraph (b) of this definition;

(b) any lien arising in connection with workers' compensation, unemployment insurance, old age pensions and social security benefits and any lien securing any appeal and release bond, provided that adequate provisions of the payment of such obligation has been made on the books of the Authority;

(c) any lien incurred or deposit made in the ordinary course of business to secure the performance of any tender; statutory obligation, bid, lease or government contract and any performance bond, fee and expense arrangement with a trustee or fiscal agent and any similar obligation;

(d) any attachment or judgment lien being contested in good faith by appropriate proceedings diligently pursued during the period prior to the earlier of the commencement of proceedings for the enforcement thereof or 30 days after the date of attachment of entry thereof, respectively, and thereafter if such lien shall have been duly stayed and shall have been discharged within 60 days after the expiration of any such stay;

(e) any lien in respect of taxes, assessments, governmental charges or levies on the Authority Facilities or any part thereof as to which interest and penalties have not yet accrued or that are being contested in good faith by appropriate proceedings being conducted with due diligence, if the enforcement of such lien shall have been duly stayed;

(f) any lien, security interest or encumbrance on the Trust Estate created by any Bond Document;

(g) any lien or security interest placed upon any furniture, equipment or other tangible personal property or any fixture acquired by the Authority at the time of acquisition or within the period required under the Maryland Uniform Commercial Code to perfect a security interest in such property that is prior to other such security interests therein in order to secure all or a portion of the purchase price thereof;

(h) such utility, access and other easements, rights of way, restrictions, exceptions, minor defects or irregularities in or clouds on title or encumbrances not arising out of the borrowing of money or the securing of advances of credit as normally exist with respect to properties similar in character to the Authority Facility or the Revenues and as will not, in the opinion of the Authority, the Trustee and each Credit Facility Provider, if any (as confirmed by the Independent Consultant upon the request of any Credit Facility Provider), interfere with or impair the operations of the Authority Facilities in any material respect;

(i) any lien upon Revenues pledged to the payment of Subordinate Obligations, provided that such lien is junior and subordinate to the lien on the Revenues securing the Bonds;

(j) any lien or encumbrance on the Project or the Project Sites or any part thereof existing on the date of issuance of the Series 1993A Bonds and any lien or encumbrance on any Additional Facilities existing on the date such property was acquired by the Authority;

(k) such easements, rights-of-way, servitudes, restrictions and other defects, liens and encumbrances as the Authority shall determine do not materially impair the use of any Authority Facilities for their intended purpose or the value of any Authority Facility; and

(l) so long as the Service Agreement is in effect, any Permitted Lien as defined in the Service Agreement.

A contest referred to in this definition will be permitted only if such contest says the execution or enforcement of the lien, charge or encumbrance being contested and does not (i) materially adversely affects the ability of the Authority to perform any of its obligations under the Project Agreements; (ii) involve the risk of any sale, forfeiture or loss of the Project or any portion thereof, or (iii) involve the risk of imposition of any penalties or liabilities, whether civil or similar, upon the Authority or any material penalties or liabilities upon the Authority.

Person means any individual, corporation, partnership, joint venture, association, joint-stock company or unincorporated organization, or any governmental unit or agency or political subdivision.

PJM means PJM Interconnection, L.L.C.

PJM Interconnection Service Agreement means the Interconnection Service Agreement between PJM and the Authority dated as of June 28, 2001.

PJM Open Access Transmission Tariff means the Open Access Transmission Tariff providing transmission service within the PJM Control Area and PJM West Region (as such areas are recognized by the North American Electric Reliability Council), including any schedules, appendices, or exhibits attached thereto, as in effect from time to time.

Primary Project Agreements means, collectively, the Service Agreement, the Landfill Agreement, the Project Site Lease, the Facility Site Agreement, the Rail Transportation Agreement, the Mirant Agreement, the Guaranty Agreement and, as the term is used other than in descriptions of the Service Agreement, the Waste Disposal Agreement.

Processible Waste means solid waste that can be processed at the Resource Recovery Facility.

Project means, collectively, the Transfer Station, the Resource Recovery Facility, the Transportation System and any changes to the Transfer Station and the Resource Recovery Facility made in accordance with the Waste Disposal Agreement.

Project Agreements means the Primary Project Agreements and (ii) any other agreements that are necessary for the Authority to fulfill its obligations under the Waste Disposal Agreement or the Bond Documents, including agreements entered into by or on behalf of the Authority regarding an Alternate Disposal Facility.

Project Revenues means (i) all amounts payable to the Authority or the Trustee pursuant to the Project Agreements, including, without limitation, all amounts payable pursuant to the Energy Sales Agreement, all amounts payable by or on behalf of the Company pursuant to the Service Agreement, all amounts payable by or on behalf of CSX pursuant to the Rail Transportation Agreement and all amounts payable by or on behalf of the County pursuant to the Waste Disposal Agreement, the Landfill Agreement and the Project Site Lease, and (ii) all other receipts, revenues, rentals, income, insurance or condemnation proceeds, and other moneys payable to or due to the Authority attributable to the ownership, leasing or operation of the Authority Facilities including, without limitation, (A) all rates, fees, service charges, user charges, and other charges, income or receipts that are payable to, received by or imposed by the Authority or the Trustee in connection with the Project Agreements or the Authority Facilities, (B) all revenues generated from the sale of Recovered Materials, (C) the proceeds of any automobile liability insurance or insurance that is "Required Insurance" as defined in the Service Agreement, (D) any other revenues of the Authority which revenues would constitute "Revenues" pursuant to the Master Authorization if earned or received by the County, and (E) any amount on deposit in, or held to the credit of, the O&M Reserve Fund; provided, however, that "Revenues" do not include (i) any amount paid to the Authority in respect of the Authority development and implementation fee as provided in the Indenture or the certain amounts that the Company pays to the Authority in support of the Authority's general activities, (ii) any amount paid to the Authority in respect of any Authority Administrative Costs or Administrative Expenditures, or (iii) any other amounts paid by the Trustee to the Authority.

Project Site Lease means the Project Site Lease between the Authority, as tenant, and the County, as landlord, dated as of November 16, 1990, as supplemented by a letter of interpretation dated March 11, 1993.

Project Sites means the Facility Site and the Transfer Station Site.

PURPA means (1) the Public Utilities Regulatory Policies Act of 1978 and (2) the regulations issued thereunder, as each may be amended from time to time.

Qualified Substitute Operator means a Person that the Authority determines is qualified to operate and maintain the Project.

Rail Transportation Agreement means the Railroad Transportation Agreement between the Authority and CSX dated as of October 1, 1989, as amended September 1, 1990.

Rate Covenant means the terms and conditions imposed on the County by Section 5.13 of the Master Authorization.

Rating Agency means, with respect to the Series 2003 Bonds, Fitch and Moody's.

RCRA means the Resource Conservation and Recovery Act of 1976, 42 U.S.C. §6901 *et seq.*, as amended.

Recyclables means Processible Waste that may be recovered and separated from Processible Waste and that is capable of being returned to the economic mainstream

Redemption Account means the account of that name established pursuant to the Indenture.

Redemption Price means, when used with respect to any Series 2003 Bond or portion thereof, the principal amount of such Series 2003 Bond or such portion thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture.

Refunded Series 1993A Bonds is defined under "Introduction – Purpose."

Refuse means Processible Waste other than Recyclables.

Registrar means The Bank of New York.

Resource Recovery Facility means the Authority's mass-burn, resource recovery facility located in Dickerson, Maryland.

R.W. Beck means R. W. Beck, Inc.

Securities Depository means DTC or any substitute for or successor to such securities depository that shall maintain a book-entry system with respect to the Series 2003 Bonds.

Series means any series of Bonds authorized by the Indenture.

Series 1993 Bonds means, collectively, the Series 1993A Bonds and the Northeast Maryland Waste Disposal Authority Solid Waste Revenue Bonds (Montgomery County Resource Recovery Project), Taxable Series 1993B authorized by the Indenture.

Series 1993A Bonds means the Northeast Maryland Waste Disposal Authority Solid Waste Revenue Bonds (Montgomery County Resource Recovery Project), Series 1993A.

Series 2003 Bonds means the Northeast Maryland Waste Disposal Authority Solid Waste Refunding Revenue Bonds (Montgomery County Solid Waste Disposal System) Series 2003.

Series 2003 Debt Service Reserve Fund means the fund so created and designated under the Indenture as security for the Series 2003 Bonds.

Series 2003 Debt Service Reserve Fund Requirement means, with respect to the Series 2003 Debt Service Reserve Fund, as of any particular date of computation, an amount equal to the lesser of (a) the Maximum Annual Debt Service on the Outstanding Series 2003 Bonds and (b) 10% of the lesser of (i) the proceeds of the Outstanding Series 2003 Bonds and (ii) the aggregate principal amount of the Outstanding Series 2003 Bonds.

Service Agreement means the Service Agreement between the Authority and the Company, as amended, and as supplemented by certain letters of interpretation executed in connection with the issuance of the Series 1993 Bonds and the Project Implementation Agreement between the Authority and the Company dated as of January 30, 2002.

Solid Waste Disposal Fund means the Solid Waste Disposal Fund established pursuant to Chapter 48.

Solid Waste Management Plan means the comprehensive ten-year plan the County is required to develop pursuant to the Solid Waste Plan Act, Section 9-501 through 9-521 of the Environment Article of the Annotated Code of Maryland (1996 Replacement Volume and 2002 Cumulative Supplement).

Standard & Poor's means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc.

State means the State of Maryland.

Subordinate Obligations means any Indebtedness secured by a pledge of all or a portion of the Trust Estate junior and subordinate to the pledge of the Trust Estate securing the Bonds and issued by the Authority in accordance with the Indenture.

Supplemental Indenture means any indenture of trust between the Authority and the Trustee amending, modifying or supplementing the Indenture, any Supplemental Indenture or any Bond delivered and becoming effective in accordance with the terms of the Indenture.

System Benefit Charges means the charges for solid waste management services imposed by the County on residential and non-residential property within a County-wide Solid Waste Management District and include a base System Benefit Charge, an incremental System Benefit Charge and a solid waste disposal fee.

System Refunding Bonds means the County's Solid Waste Disposal System Refunding Bonds (2003 Series A).

Tipping Fees means the fees payable for Refuse delivered to the Transfer Station.

Transfer Station means the transfer station facilities owned by the County and located on Shady Grove Road in Montgomery County, Maryland.

Transfer Station Site means the site located on Shady Grove Road in Montgomery County, Maryland, on which the Transfer Station is located, together with certain rail transportation property rights, as more particularly described in the Project Site Lease.

Transportation System means the intermodal solid waste transportation system, including railcars, which is a component of the Project.

Trustee means The Bank of New York.

Trust Estate means all monies 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.

Uncontrollable Circumstance means any event or condition affecting the Project, the Authority, the County or the Company that has, or may reasonably be expected to have, a material adverse effect on any of the Authority Component Agreements or the Bond Documents or on a Project Site, or on the operation, ownership of possession of the Project, or on the delivery of waste to the Project, if such event or condition is beyond the reasonable control, and not the result of willful or negligent action or a lack of due diligence of, the party relying thereon as justification for non-performance.

Waste Disposal Agreement means the Amended and Restated Waste Disposal Agreement, dated April 3, 2003 between the County and the Authority.

Waste Disposal Fee means, the annual fee payable to the Authority by the County under the Waste Disposal Agreement.

Yard Waste means grass clippings, leaves, brush and other related organic material.

INDEPENDENT ENGINEER'S REPORT

**MONTGOMERY COUNTY RESOURCE
RECOVERY FACILITY AND TRANSFER STATION**



APPENDIX B

INDEPENDENT ENGINEER'S REPORT

MONTGOMERY COUNTY RESOURCE RECOVERY FACILITY AND TRANSFER STATION

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	B-1
OVERVIEW OF THE PROJECT	B-1
Scope of Review	B-3
PROJECT PARTICIPANTS.....	B-3
Introduction	B-3
The County	B-3
The Authority	B-3
Covanta Energy Corporation.....	B-3
Covanta Systems	B-4
The Company	B-4
CSX Transportation, Inc.	B-4
PROJECT AGREEMENTS	B-4
Operating Agreements.....	B-4
The Waste Disposal Agreement.....	B-4
The Service Agreement.....	B-4
Facility Site Agreement	B-5
Project Site Lease.....	B-5
The Landfill Agreement.....	B-5
The Rail Transportation Agreement.....	B-5
PROJECT DESCRIPTIONS.....	B-6
The Transfer Station.....	B-6
The Transportation System	B-6
Overview.....	B-6
Transportation System Process	B-7
Transportation of Residue, Non-Processible Waste and Bypassed Waste.....	B-7
The RRF	B-7
RRF Site Description	B-7
Description of the RRF	B-7
Refuse Storage Areas.....	B-9
Boilers and Steam Cycle.....	B-9
Air Pollution Control Equipment.....	B-10
PROJECT GUARANTEES.....	B-10
Introduction	B-10
Operating Guarantees	B-10
Environmental Guarantees	B-12
HISTORICAL SYSTEM PERFORMANCE.....	B-12
Introduction	B-12
Operation History	B-12
Transfer Station.....	B-12

ANNEX B

INDEPENDENT ENGINEER'S REPORT

MONTGOMERY COUNTY RESOURCE RECOVERY FACILITY AND TRANSFER STATION

TABLE OF CONTENTS

(continued)

	<u>Page</u>
RRF	B-14
Environmental Performance.....	B-17
REVIEW OF THE CURRENT CONDITION OF THE PROJECT	B-17
Transfer Station and Transportation System	B-17
RRF	B-18
REVIEW OF TECHNOLOGY	B-18
Transfer Station and Transportation System	B-19
RRF	B-19
ESTIMATED USEFUL LIFE OF THE PROJECT	B-19
Transfer Station and Transportation System	B-19
RRF	B-19
REVIEW OF OPERATORS	B-19
REVIEW OF SERVICE FEE	B-20
ENVIRONMENTAL REGULATORY CONSIDERATIONS	B-22
Environmental Regulatory Requirements	B-22
Discussion of Certain Municipal Waste Combustor Standards	B-22
Status of Permits and Approvals	B-22
RRF Refuse Disposal Permit	B-24
RRF NPDES Permit.....	B-24
Air Operating Permit.....	B-24
Solid Waste Operating Permits	B-24
Other Permits and Approvals.....	B-25
Hazardous Waste Management.....	B-25
Operating Compliance.....	B-25
Air Emissions Compliance.....	B-25
Notice of Violations	B-25
Residue Ash Testing	B-26
Discussion with MDE Staff	B-26
Compliance Summary	B-26
Future Changes in Environmental Regulations.....	B-26
PRINCIPAL CONSIDERATIONS AND ASSUMPTIONS	B-26
CONCLUSIONS.....	B-27

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March 14, 2003

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Ladies and Gentlemen:

**Subject: Independent Engineer's Report of the
Resource Recovery Facility and Transfer Station**

INTRODUCTION

Presented herein is the Independent Engineer's Report (the "Report") regarding our technical review of the resource recovery facility ("RRF"), the transfer station ("Transfer Station"), and a refuse transportation system (the "Transportation System", and collectively with the RRF and the Transfer Station, the "Project"). The Project comprises a key component of the solid waste management system (the "System") of Montgomery County, Maryland (the "County"). The Report includes consideration of: (1) the current status of the Project; (2) its compliance with operating permits; and (3) the estimated useful remaining life. The RRF is owned by the Northeast Maryland Waste Disposal Authority (the "Authority"). The RRF Site is owned by the County and the County has the right to purchase the RRF at the end of the term of the Authority 2003 Bonds (defined below) or under certain other conditions at a price of one dollar. The Project is operated by Covanta Montgomery, Inc. (the "Company") pursuant to a Service Agreement between the Authority and the Company dated November 16, 1990, as amended (the "Service Agreement").

OVERVIEW OF THE PROJECT

The Transfer Station was designed to accept up to 2,400 tons per day ("TPD") of solid waste, but has accepted up to 3,000 TPD during peak periods. It has been in operation since 1982 and was upgraded in 1993 as part of the development of the Project.

The Transportation System is used to transport: (1) Processible Waste (as such term is defined in the Official Statement for the Authority 2003 Bonds (defined below) (the "Official Statement")) from the Transfer Station to the RRF; (2) Non-Processible Waste (as such term is defined in the Official Statement) from the Transfer Station to

a landfill designated by the County (the "County Designated Landfill"); and (3) Residue (as such term is defined in the Official Statement) from the RRF to the County Designated Landfill. The Transportation System involves an 18-mile movement of forty-foot long intermodal containers (boxes) stacked two high on lightweight special purpose rail cars. The rail cars are pulled by CSX Transportation locomotives using tracks owned by CSX Transportation and operated by its employees. Currently Non-Processible Waste is transported by truck to an out-of-County landfill, and Residue is delivered to a contractor at the RRF. The Contractor's residue containers are loaded onto railcars, and, under its own arrangements with CSX, transports it by rail to the County Designated Landfill.

The RRF consists of three 600 TPD mass-burning, refuse fired boiler units designed to process 1,800 TPD of solid waste (at 5,500 Btu/lb) and produce high pressure, high temperature steam for electrical power generation. Electricity is generated by a steam turbine-generator rated at approximately 62,000 kWe gross generation and a net of 55,000 kWe per hour after taking into account the RRF's in-plant electrical requirements. The RRF includes air pollution control equipment which is capable of meeting the Maximum Achievable Control Technology ("MACT") emission standards promulgated by the United States Environmental Protection Agency ("USEPA") under the federal Clean Air Act ("CAA"). The RRF is located on a 35-acre parcel of land (the "RRF Site") near Dickerson, Maryland. The power produced by the RRF is sold to Mirant pursuant to a 20 year power sales agreement. Currently the price of electricity is set until December 31, 2003 and the County expects the price to be renegotiated prior to that time. Ash residue remaining after incineration of the solid waste at the RRF is disposed of in the County Designated Landfill (currently an out-of-County facility), as defined in the Official Statement.

The RRF is owned by the Authority. The County pays the Authority for solid waste management services pursuant to the Waste Disposal Agreement between the County and the Authority dated as of November 16, 1990, as amended (the "Waste Disposal Agreement"). The Authority financed the Project in 1993 through the issuance of \$325,985,000 of tax-exempt Solid Waste Revenue Bonds (Montgomery County Resource Recovery Project), Series 1993 A (the "Authority Series 1993 A Bonds"), and approximately \$34,660,000 of taxable Solid Waste Revenue Bonds (Montgomery County Resource Recovery Project), Series 1993 B (the "Authority Series 1993 B Bonds," and collectively with the Authority Series 1993 A Bonds, the "Authority 1993 Bonds"). The proceeds of the Authority 1993 Bonds were used to: (1) finance the cost of construction of the RRF; (2) finance the cost of the Transportation System, including the cost of improvements to the Transfer Station; (3) fund a debt service reserve fund for the Authority Series 1993 A Bonds; (4) provide capitalized interest on the Authority 1993 Bonds during construction of the Project; (5) pay the cost of certain issuance expenses; (6) to reimburse the County for previously incurred development expenses; and (7) certain other additional facilities as defined in the Trust Indenture. The Authority 1993 Bonds were issued pursuant to an Indenture of Trust (the "Trust Indenture") between the Authority and The Bank of New York (successor to the Signet Trust Company), serving as the Trustee. At the time of the issuance of the Authority 1993 Bonds, the County issued \$50,680,000 of Montgomery County Solid Waste Revenue Bonds, 1993 Series A (the "County 1993 Bonds"). The proceeds of the County 1993 Bonds were used: (1) to refund \$34,365,000 principal amount of Montgomery County, Maryland Solid Waste System Revenue Bond Anticipation Notes; (2) to pay costs of closing then-existing cells at the County's Oaks Sanitary Landfill; (3) to pay costs of developing new landfill space at the Oaks Sanitary Landfill and at the undeveloped Site 2 landfill which is located less than two miles from the RRF; (4) to pay costs of developing the County's recycling center; and (5) to pay costs of issuing the original bonds.

The Authority plans to refund a portion of the Authority 1993 Bonds through the issuance of an estimated \$184,450,000 of tax-exempt Northeast Maryland Waste Disposal Authority Solid Waste Refunding Revenue Bonds (Montgomery County Solid Waste Disposal System) Series 2003 (the "Authority 2003 Bonds"). The proceeds of the Authority 2003 Bonds will be used to: (1) refund a portion of the Authority 1993 Bonds; (2) establish a debt service reserve fund for the Authority 2003 Bonds; and (3) pay for certain costs associated with the issuance of the Authority 2003 Bonds. The County also plans to refund the County 1993 Bonds through the issuance of approximately \$31,075,000 of Tax Exempt Montgomery County Solid Waste Disposal System Refunding Revenue Bonds (2003 Series A) (the "County 2003 Bonds"). The proceeds will be used to refund the County 1993 Bonds and pay for certain costs associated with the issuance of the County 2003 Bonds.

Scope of Review

During the preparation of this Report, we have reviewed the Company's current method of operation of the Project and seven years of the Company's historical operating records related to the RRF. We have visited and made general field observations of the Project. The general field observations were visual, aboveground examinations of selected areas which we deemed adequate to comment on the condition of the existing facilities and were not in the detail which would be necessary to reveal conditions with respect to safety; the internal physical condition of any facilities; or the conformance with agreements, codes, permits, rules, or regulations of any party having jurisdiction with respect to the construction, operation, and maintenance of the facilities comprising the Project. We have met with representatives of the County, the Company, and the Authority. We have reviewed: (1) the Company's current and proposed maintenance program; (2) the Company's projected level of renewals and replacements; (3) the experience and capabilities of those Company personnel currently involved in the operation and maintenance of the Project; and (4) information provided by Covanta Energy Corporation ("Covanta") regarding the reported capabilities of home office personnel located in its Fairfield, New Jersey headquarters.

We contacted regulatory agencies to review the current status of permits of the Project and the Company's compliance with the permit requirements. We reviewed those sections of the Service Agreement dealing with operating performance guarantees and compared the historical operation of the RRF with the guarantees set forth in the Service Agreement. It should be noted that we have not reviewed any information related to the other components of the System, the availability of solid waste to the Project, the competitive tipping fee for solid waste generated in and around the County, or the price to be received for electricity generated by the RRF.

PROJECT PARTICIPANTS

Introduction

Presented below is a brief discussion of the major participants in the Project.

The County

The County has covenanted in the Master Authorization to provide solid waste disposal services for all waste generated in the County so long as bonds or other long-term obligations of the County disposal system are outstanding. The County is responsible for delivering or causing the delivery of Processible Waste generated within the County to the Project pursuant to the terms and conditions of the Waste Disposal Agreement. The County is also responsible for making arrangements to deliver Non-Processible Waste and Residue from the Transfer Station or the RRF to the County Designated Landfill. The County pays the Authority a Waste Disposal Fee for the services the Project provides to the County that is calculated in accordance with the terms of the Waste Disposal Agreement. The County has 74 full time employees involved in managing solid waste activities in the County.

The Authority

The Authority was established to assist the participating subdivisions in Maryland and the private sector in waste management and the development of waste disposal facilities adequate to accommodate the requirements for disposal of solid waste. The Authority has perpetual existence as a corporation. The Authority is empowered to issue its revenue bonds and to lend the proceeds of the sale thereof to any person for the construction, acquisition, or refinancing of facilities and properties useful in connection with waste disposal facilities, pollution control facilities, and facilities for generating and furnishing electric energy or gas or other forms of energy, including land, structures, equipment, patents, licenses, and other rights necessary or useful in the construction or operation of such facilities.

Covanta Energy Corporation

Covanta, a Delaware corporation, is engaged in providing a variety of services through corporate subsidiaries concentrating primarily on waste-to-energy services and the environmental and energy services area.

Covanta Systems

Covanta Systems, Inc., ("Covanta Systems"), a Delaware corporation, is a wholly owned subsidiary of Covanta Projects and was organized in April 1983. Its principal offices are located in Fairfield, New Jersey. In April 1983, Covanta Systems entered into a cooperation agreement (the "Cooperation Agreement") with Martin GmbH fur Umwelt-und Energietechnik of Germany ("Martin"), whereby Covanta Systems acquired the rights to the Martin technology for solid waste disposal and energy recovery on an exclusive basis in the United States, Mexico, and certain Caribbean countries.

The RRF incorporates the proprietary combustion technology of Martin which has been utilized in Europe for over 35 years and is used in over 140 operating installations throughout the world.

The Company

The Company was created in 1989 under the laws of the State of Maryland as a wholly owned subsidiary of Covanta Systems for the purpose of developing and implementing the Project. The Company designed, constructed, equipped, started-up, and tested, and has been operating the Project in accordance with the Service Agreement. The Company presently operates and maintains the Project.

CSX Transportation, Inc.

CSX was formed November 1, 1980, by merger of Chessie System, Inc. and Seaboard Coast Line Industries, Inc. CSX provides rail haul services to the Authority for the transportation of Processible Waste from the Transfer Station to the RRF. Such services are provided pursuant to the Rail Transportation Agreement. CSX also provides ash hauling services, outside of the Rail Transportation Agreement, to the residue ash contractor.

PROJECT AGREEMENTS

Operating Agreements

The Project was developed pursuant to a series of agreements dealing with the delivery of solid waste to the Transfer Station, the construction and operation of the RRF, the site of the RRF, the modification and operation of the Transfer Station, the transportation of waste via rail from the Transfer Station to the RRF, the sale of electricity produced by the RRF, the disposal of bypass waste, the disposal of residue ash generated by the RRF, and payment by the County to the Authority for waste disposal services. Presented below is a brief discussion of certain points included in the various agreements related to the operation of the Project.

The Waste Disposal Agreement

The Waste Disposal Agreement obligates the Authority to operate the Project and provide solid waste disposal service to the County. The County has designated the Project as the central County solid waste acceptance facility for the disposal of non-recycled, acceptable waste generated in the County. The Authority's obligations with regard to the amount of waste it must accept from the County are the same as the Company's obligations under the Service Agreement. The term of the Waste Disposal Agreement expires on the final maturity date of all outstanding Authority 2003 Bonds. The County has consistently paid the Authority the Waste Disposal Fee.

The Service Agreement

The Project is being operated by the Company pursuant to the Service Agreement. The Service Agreement obligates the Company to operate the Project until the later of (1) August 7, 2015; (2) the end of one of the three 5-year renewal terms or (3) the date on which the Authority 2003 Bonds mature (or the maturity date of any additional bonds issued under the Trust Indenture) or are defeased. Included among the terms and conditions of the Service Agreement are the following:

1. The Project must meet certain performance guarantees which include: (a) transferring a guaranteed quantity of waste per year that is delivered to the Transfer Station; (b) incinerating a guaranteed quantity of waste per year at the RRF, subject to adjustment for waste higher heating value ("HHV"); (c) generating a guaranteed quantity of kilowatt hours ("kWh") of electricity from each ton of waste incinerated (on a net basis), subject to adjustment for waste HHV and certain other adjustments; (d) generating no more than 30 percent residue from each ton of waste incinerated subject to certain adjustments; (e) recovering a minimum percentage of the ferrous metals in the waste incinerated, subject to certain limitations; (f) consuming a maximum amount of utilities at the RRF and the Transfer Station; and (g) satisfying all applicable air emissions and environmental requirements. Specific guarantees are presented later herein.

2. During the operating period, the Authority is required to pay the Company an annual Service Fee. The Company can earn excess fees for the processing of waste in excess of an amount specified in the Service Agreement.

The total Service Fee paid by the Authority to the Company includes: (1) the Operating Charge; (2) Approved Passthrough Costs; (3) revenue credits from the sale of electricity and recovered materials; and (4) service fee adjustments and charges for any liquidated damages.

Facility Site Agreement

The Facility Site Agreement among PEPCO, the Authority and the County was signed on October 5, 1989. Pursuant to this agreement, PEPCO sold the RRF Site to the Authority. The Authority deeded the property to the County on November 16, 1990 and signed the Project Site Lease. PEPCO also granted the Authority easements located appurtenant to the RRF Site for a period equal to the shortest of: (1) 29 years which may be extended for successive 29-year terms; (2) until the County no longer owns the RRF Site; or (3) until the Authority no longer operates the RRF. The easements include access to water in the water discharge canal, utility easements, and rail easements.

Project Site Lease

The Project Site Lease, dated as of November 16, 1990, is between the County and the Authority (the "Project Site Lease") and provides the Authority access to the Transfer Station and the RRF Site. The Project Sites consist of the Transfer Station Site and the RRF Site. The Project Site Lease provides that the County will: (1) lease the RRF Site, and any improvements thereon, other than the RRF, to the Authority so that the Authority may perform its obligations under the Waste Disposal Agreement; and (2) grant the Authority an irrevocable right to use the Transfer Station Site and all personal property and improvements thereon. The term of the lease is 40 years from the Lease Commencement Date, unless earlier terminated.

The Landfill Agreement

The Landfill Agreement dated as of November 16, 1990 as amended (the "Landfill Agreement") provides the Authority with access to landfill capacity at a County Designated Landfill in order to fulfill its obligations under the Waste Disposal Agreement. The Landfill Agreement must remain in effect as long as any Authority 2003 Bonds are outstanding. The County must accept, at the County Designated Landfill, to the extent that the County has sufficient capacity at such County Designated Landfill all Residue produced at the RRF and all acceptable waste delivered to the Transfer Station. We note that acceptable waste includes both Processible Waste and Non-Processible Waste. Currently, all Residue and Non-Processible Waste is sent to an out-of-County landfill under a contract that can be extended under the same terms to 2017.

The Rail Transportation Agreement

The Rail Transportation Agreement addresses the transportation of waste via rail from the Transfer Station to the RRF. The Rail Transportation Agreement, dated as of October 1, 1989 and as subsequently amended on September 1, 1990, is between the Authority and CSX; the Company administers certain provisions of the Rail

Transportation Agreement. The term of the agreement expires on August 7, 2015 and is subject to extension by mutual agreement of the parties. CSX is required to provide service to the RRF and the Transfer Station under a rate formula set forth in this agreement.

Included among the terms and conditions of the Rail Transportation Agreement are the following:

1. The Authority is responsible, at its expense, for acquiring, providing and maintaining the containers, rail cars, and associated equipment necessary to fulfill its obligations.
2. CSX is responsible, at its expense, for providing and maintaining all machinery and equipment which CSX requires to transport the rail cars containing waste and residue, including railroad track and railroad locomotives.
3. The Authority is responsible for loading waste into and unloading waste from containers at the Transfer Station and the RRF. The Authority is responsible for placing containers onto and removing them from rail cars at the Transfer Station and the RRF.
4. CSX is responsible for obtaining and maintaining all permits necessary to perform its obligations.
5. Freight charges are established and adjusted pursuant to a rate schedule set forth in the Rail Transportation Agreement.

PROJECT DESCRIPTIONS

Presented below is a brief description of the three components which comprise the Project.

The Transfer Station

After non-recycled solid waste is collected in the County, it is brought to the Transfer Station. The Transfer Station is located on an approximately 40-acre site in the central part of the County near Derwood, Maryland. Designed to receive up to 2,400 TPD and has handled 3,000 TPD, the Transfer Station has been in commercial operation since the spring of 1982 and is permitted to receive up to 821,500 tons of waste annually. There is currently no daily limit in the Transfer Station permit.

Solid waste is delivered to the Transfer Station by collection vehicles and Processible Waste is loaded into containers which are transported to the RRF. Modifications were made to the Transfer Station by the Company as part of the development of the Transportation System. Such modifications included the addition of compactors, the rail yard, roadway improvements and new mobile equipment.

The Transportation System

Overview

The Transportation System facilitates the transportation of: Processible Waste from the Transfer Station to the RRF in containers, Non-Processible waste from the Transfer Station to the County Designated Landfill via truck, ferrous metals from the RRF to market via truck, and Residue from the RRF to the County Designated Landfill via rail in containers and yard debris in containers from the Transfer Station to the RRF for shipment to the compost facility via truck.

The central element of the Transportation System is the 18-mile movement of forty-foot long intermodal containers (boxes) stacked two high ("double stacked") on lightweight, special purpose rail cars via a railroad right-of-way between a railroad yard located adjacent to the existing Transfer Station and a 1.2-mile access track and rail yard located adjacent to the RRF. Rail transportation is accomplished in trains pulled by CSX Transportation locomotives and using tracks owned by CSX Transportation and operated by its employees. In addition, truck tractors and chassis were acquired and are deployed by the County to perform specific complementary transport system functions, as described below. In the event of a rail system disruption, these pieces of highway

equipment can be combined with supplementary conventional tractor trailer highway equipment to provide a credible transport supply alternative to the rail system moving the same daily volumes.

Transportation System Process

The Transportation System is a series of integrated processes. First, the Company compacts Processible Waste into logs via compactors at the Transfer Station. The logs are mechanically discharged into forty-foot sealed containers. Once filled with compacted Processible Waste, the containers are driven approximately 600 yards from the Transfer Station to an adjacent rail yard at which containers are loaded double-stacked onto light weight rail cars for movement to the RRF. On their return from the RRF, containers are unloaded from the railcars.

A CSX train crew switches the cars together to form a single train of 45 cars (assuming 2,250 TPD on the average are being transported) loaded with 40 forty-foot containers, totaling 2,800 feet in length. The train crew pushes the train out onto the main line, pulls it approximately 18 miles to Dickerson, and pushes it backwards two miles along a side track to a rail yard located adjacent to the RRF.

At the RRF, containers of solid waste are unloaded directly onto waiting tractors with chassis or onto a paved temporary storage area while tractors and chassis shuttle them between the rail yard and the RRF, a distance of less than one-half mile. Truck chassis that tilt are placed under the forty-foot containers to facilitate dumping the Processible Waste at the RRF. After the train makes its return trip to the Transfer Station, empty forty-foot containers are unloaded and shuttled to the Transfer Station for the next cycle of Processible Waste loading.

Transportation of Residue, Non-Processible Waste and Bypassed Waste

Residue from the RRF is temporarily stored in a residue pit at the RRF before being loaded into containers. Residue is rail-hauled to an out-of-County landfill under a long term contract with a waste hauler. The waste hauler supplies its own containers and rail cars. The waste hauler also transports Non-Processible Waste and bypass waste (if any) from the Transfer Station by truck to the same out-of-County landfill.

The RRF

RRF Site Description

The RRF Site consists of a total of 35 acres in the northwestern portion of the County. The RRF Site is shown in Figure A-1. All necessary utilities, including water, waste water disposal, telephone, auxiliary fuel, fire protection, and electricity, are made available to the RRF Site. The process water obtained from the Mirant Discharge Canal is treated in a make-up water treatment system prior to use at the RRF. Potable water is obtained from an on-site well. Wastewater from the RRF is discharged, after treatment, to Mirant's Cooling Water Discharge Canal.

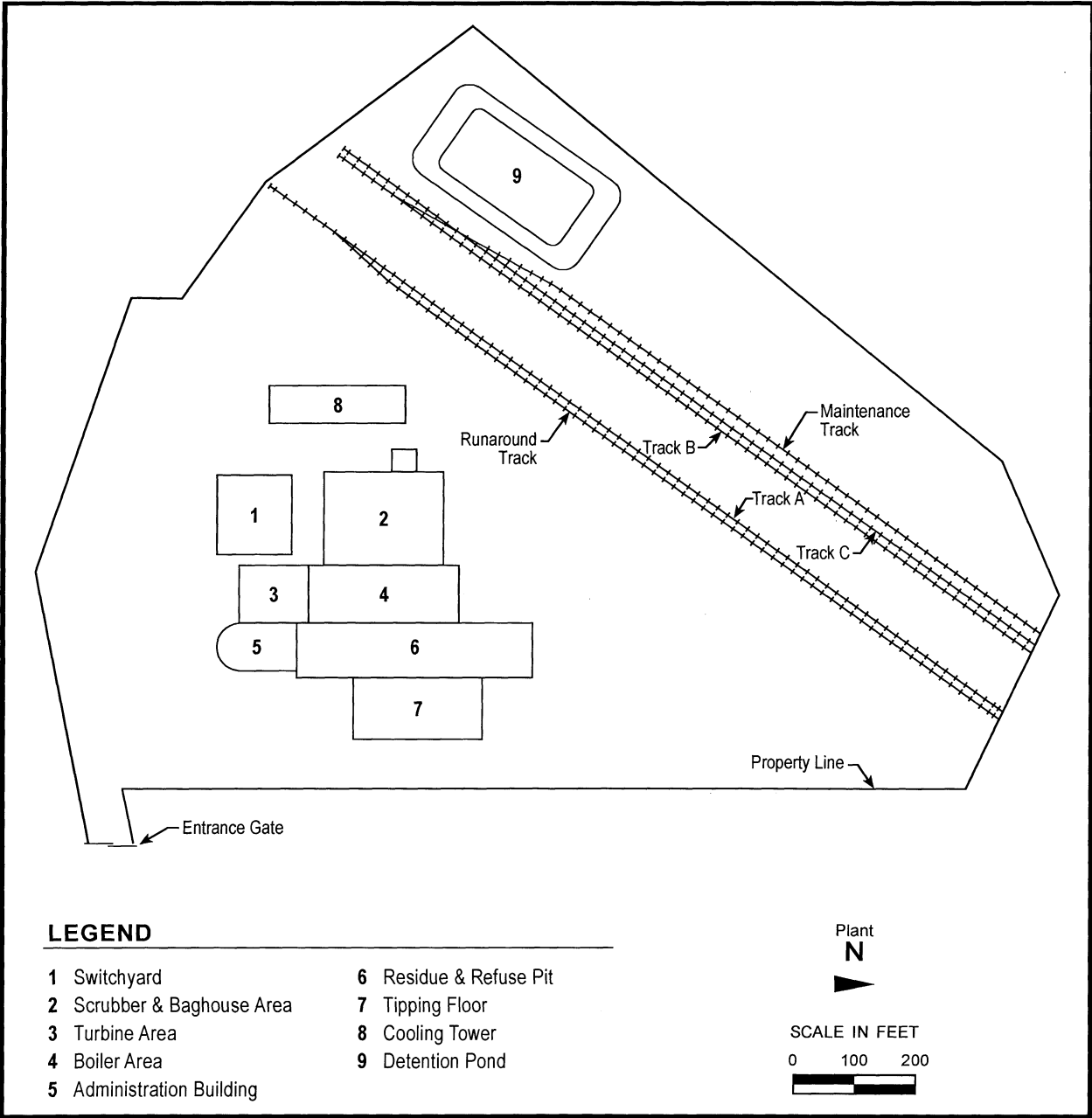
A 69 kV power line from the RRF is connected to the substation (owned by PEPCO) at Mirant's Station H, which is approximately 0.5 miles from the RRF Site. On site, an electrical switchyard contains equipment and auxiliaries necessary to deliver the generator output voltage to the power grid.

Based on our review, we are of the opinion that the RRF Site is adequate for operation of the RRF and for the required components of the Transportation System.

Description of the RRF

The RRF commenced construction in 1993 and completed its acceptance tests in August 1995. Commercial operation began in August 1995 and continues. The RRF incorporates the Martin mass-burning grate technology similar in design to units used in other waste-to-energy facilities built and operated by Covanta Systems. The design of the RRF incorporates the use of a spray dryer absorber ("SDA") flue gas scrubber with fabric filter baghouse in the flue gas outlet of each of the refuse-fired boilers. In addition, hydrated lime injection into the boilers, ammonia injection for control of nitric oxides, and sorbent injection for control of mercury are also utilized. Dolomitic lime is added to the ash for stabilization.

Figure A-1
Montgomery County Resource Recovery Facility
Site Plan



The RRF consists of three 600 TPD mass-burning, refuse-fired boiler units designed to process 1,800 TPD of solid waste (at 5,500 Btu/lb) and produce high pressure, high temperature steam for electrical power generation. The RRF operates 24 hours per day, 365 days per year, with sufficient redundancy to permit continuous processing of waste at reduced capacity during periods of maintenance and overhaul of major equipment. The RRF's guaranteed annual throughput capacity is 558,450 tons, subject to adjustment for waste HHV.

The RRF consists of an enclosed tipping floor and waste receiving and storage pit, three refuse-fired boilers and auxiliary equipment, air pollution control equipment, ash handling system, ferrous recovery equipment, Mirant Discharge Canal water intake structure, pumps, and pipeline, water treatment equipment, a turbine-generator, stack, full capacity by-pass condenser, cooling towers, electrical switchyard, and other equipment for a completely operational steam electric power plant. The RRF also includes a rail yard and intermodal container off-loading equipment, an administration building, residue container weigh station, maintenance building, residue storage pit, and parking facilities.

Refuse Storage Areas

After the incoming solid waste transfer containers have been removed from the train, they are placed on transfer vehicles. The vehicles are driven, a distance of less than one-half mile, into a completely enclosed receiving area providing access to the refuse storage pit. Solid waste is received Monday through Saturday, after the trains arrive at the rail yard. The refuse storage pit incorporates nine tipping bays and has a total design refuse storage capacity of 7,200 tons, which is equivalent to four days of continuous processing at 1,800 TPD. The storage pit has accommodated over 10,000 tons of waste during operations.

The receiving area, the refuse storage pit, stoker feed hoppers, and refuse charging cranes are enclosed in a building structure designed to maintain a slightly negative air pressure by drawing the combustion air from these areas. This measure is intended to limit the escape of solid waste odors from the building.

Boilers and Steam Cycle

One of two overhead cranes transfers solid waste from the storage pit to the water-cooled loading chutes, where hydraulically-operated feeders push the solid waste onto the grates at a rate determined by the automatic combustion control system. The Martin grates are constructed as assemblies of modular grate units. The units are driven by hydraulic systems to provide a reverse reciprocating motion of the grates, which move the burning refuse along the length of the downward sloped grate. At the end of its travel along the grate, the solid waste is completely combusted, and the remaining ash residue falls into a proprietary Martin ash residue discharger, which receives the combustion residue and cools it in a quench chamber. The fly ash from the dry flue gas scrubber and the fabric filter baghouse is conveyed to the ash discharger where it is combined with the bottom ash and quenched. The residue, containing sufficient moisture to prevent dusting, is transferred by a conveyor to the residue storage pit. The residue pit is sized for five days' storage at a waste throughput of 1,800 TPD. One of two overhead cranes transports the residue to a scalper screen which extracts pieces of residue larger than 10 inches for protection of downstream equipment. Oversized material is collected in a roll-off container at one end of the residue pit. The smaller material is transmitted to the residue loading building where it passes beneath a magnetic drum to separate ferrous metal and ash. Ferrous material removed via the drum magnet is conveyed to a rotating trommel screen for cleaning. The cleaned ferrous material is discharged from the trommel into open top trailers for transport to market. Residue is loaded into containers that are loaded on a train supplied by the waste hauler and the residue is disposed of in the County Designated Landfill.

Steam from the refuse-fired boilers drives the condensing turbine-generator, which, under normal operating conditions, allows the RRF to produce a net electrical output of approximately 55,000 kWe per hour when burning solid waste having an HHV of approximately 5,500 Btu/lb at the rate of 75 tons per hour. This is net of the RRF's in-plant electrical requirements which are provided by the turbine-generator.

Air Pollution Control Equipment

The RRF incorporates air pollution control equipment for compliance with applicable emission standards and minimize air quality impact. As part of the emission limits specified in the Title V Air Operating Permit (the "Title V Permit"), the RRF is required to reduce a variety of pollutants including acid gases, particulates, products of incomplete combustion, trace metals, nitrogen oxides and dioxins/furans. The RRF is required to meet certain other emissions limits in addition to those specified in the Title V Permit due to requirements imposed by the County including additional trace metals and polynuclear aromatic hydrocarbons. Each boiler operates at a minimum temperature, and residence time to control dioxins and furans, and is equipped with a dry flue gas scrubber in combination with a reverse air fabric filter baghouse in order to meet these requirements. In addition, a hydrated lime injection system in each furnace is included to augment the acid gas removal capability of the RRF.

The purpose of the dry injection/dry flue gas scrubbers is to remove the acid gases (mainly sulfur oxides, hydrochloric acid, and hydrofluoric acid) from the flue gas. Flue gases flow through the vertical cylindrical chambers of the dry flue gas scrubbers and are contacted by sprays of lime slurry. Pebble lime (calcium oxide) is delivered to the RRF by truck and stored in a silo. Lime from the silo is mixed with water forming the slurry for use in the dry flue gas scrubbers. Water in the slurry is evaporated while the acid gases are neutralized to form a collectable dry powder. The treated cooled flue gas flows to the adjacent reverse air type fabric filter baghouse where the flyash, dry powder reaction products and unreacted lime are removed from the flue gas. The treated flue gas is discharged to the atmosphere through the stack.

The RRF incorporates selective non-catalytic reduction ("SNCR") system for the control of oxides of nitrogen ("NO_x"). The process utilizes the injection of ammonia into the high temperature zone of the boiler (1,600°F to 2,000°F). The ammonia reacts with NO_x to form nitrogen and water which are emitted from the RRF stack.

The RRF incorporates a mercury control system to meet the conditions to satisfy the Title V Permit. Removal is accomplished by injecting activated carbon into the flue gas stream after the boiler economizer. Mercury in the vapor state is adsorbed onto the surface of the carbon particles. The solid sorbent with the adsorbed mercury is collected in the baghouse and combined with bottom ash for disposal. The carbon is stored in a bulk storage area and is transferred to each unit and injected at a constant feed rate.

PROJECT GUARANTEES

Introduction

The following are the technical guarantees set forth in the Service Agreement with respect to operation of the Project. Solid waste throughput and electrical generation at the RRF are dependent on the heating value of the solid waste. The Company's history of meeting these guarantees is discussed under Historical System Performance, presented later herein.

Operating Guarantees

The Operating Guarantees which the RRF is required to meet are set forth in Table 1. The RRF Guarantees are based on different HHV of the solid waste. The actual HHV of the solid waste has ranged between 5,000 to 5,500 Btu/hr.

Table 1
RRF Operating Guarantees

Waste HHV (Btu/lb)	Throughput ⁽¹⁾ (tons)	Net Electrical ⁽¹⁾⁽²⁾ (kWe/ton)	Residue ⁽³⁾ %
4,500	614,304	502	29.8
5,000	614,304	570	29.8
5,500	558,450	643	29.8
6,000	511,910	718	29.8
6,500	472,530	788	29.8

- (1) For HHV's between the designated points a linear interpolation is performed except that a throughput maximum is set at HHV less than or equal to 5,000 Btu/lb.
(2) This generation is net of in-plant use.
(3) Residue guarantee is increased by a maximum of 0.22 percent for carbon and dolomitic lime addition.

The ferrous recovery guarantee is set at 80 percent of the ferrous material greater than one inch. We note that the electrical guarantee does not take effect for any day in which all three units are not operating above 90 percent capacity factor solely due to a lack of waste or cooling water. Further, the ferrous recovery guarantee reverts to a "best efforts" basis if there is less than five percent ferrous material in the solid waste delivered to the RRF. The County's original plans for the Project included the sizing of the RRF to accommodate future growth in the waste stream and thus, initially not utilizing the full capacity of the Project. Thus, prior to FY 2002, the amount of Processible Waste delivered to the RRF was not sufficient for the electrical guarantee to be effective. In addition, as a result of the success of the County's recycling program, there has been insufficient ferrous in the solid waste for the numerical ferrous recovery guarantee to be effective.

Presented in Table 2 below is a summary of the guarantees the RRF was required to meet once a correction has been made for the actual HHV of the incoming solid waste. A discussion on the actual level of operation of the RRF, and comparison to the guarantees is presented in the section of the Report entitled Historical System Performance.

Table 2
RRF Operating Guarantees Corrected for HHV

Year ⁽¹⁾	Actual HHV (Btu/lb)	Guaranteed Processible Waste (Tons)	Guaranteed Net kWe/ton
1996 ⁽²⁾	5,235	539,049	604
1997	5,219	589,840	602
1998	5,221	589,616	602
1999	5,334	576,994	619
2000	5,346	575,876	620
2001	5,250	586,377	607
2002	5,204	591,516	600
2003 ⁽³⁾	5,177	594,532	596

- (1) Year ending June 30.
(2) 11 months.
(3) 6 months, guarantee level assumes the HHV remains constant for the year.

The transportation system guarantee requires the Company to transport 1,920 TPD of Processible Waste from the Transfer Station to the RRF. However, the rail sidings are designed to handle 2,250 TPD. In

addition, the Company guarantees to handle the following amounts of Processible Waste delivered to the Transfer Station.

- A maximum of 1,925 tons on any day.
- A maximum of 2,125 tons on the first day in a calendar week that the amount of processible waste exceeds 1,925 tons.
- A maximum of 10,800 tons in any seven consecutive day period.
- A maximum of 558,450 tons per year.

In addition, the Company guarantees to handle up to a maximum of 400 cubic yards of Non-Processible Waste during any 24 hour period.

The Transfer Station guarantees are not corrected for waste heating value. The Company is also required to use reasonable efforts to accept additional waste if: (1) Transfer Station capacity is available; (2) the waste is available during normal Transfer Station operating hours; (3) accepting the waste is consistent with applicable law; and (4) the additional use is consistent with the Company's maintenance obligations.

Environmental Guarantees

The Company has guaranteed that the Project will meet the environmental guarantees set forth in the Service Agreement and the operating permits. The assessment of the compliance with these guarantees is monitored on a continuing basis for the following parameters: Particulates, Sulfur Dioxide, Nitrogen Oxides, Carbon Monoxide, Hydrogen Chloride, Sulfuric Acid, Fluorine, Beryllium, Hydrocarbons, Lead, Mercury, Dioxins/Furans, Ammonia, Non-Methane Hydrocarbons, Chlorophenols, Bichlorinated Biphenols, Chlorobenzynes, Antimony, Arsenic, Cadmium, Chromium, Cobalt, Copper, Selenium, and Zinc. Such monitoring takes the form of annual stack testing, performed by an outside contractor.

Certain parameters are measured by the Continuous Emissions Monitoring System ("CEMS"), and such parameters include carbon monoxide, sulfur dioxide, hydrogen chloride, nitric oxide and opacity. The specific performance criteria for all five parameters are set forth in the Service Agreement as "Long-Term CEM Performance Guarantees".

The Company is required to notify the Authority and the County if the monitoring program indicates that RRF emissions exceed annual average emission targets set forth in the Service Agreement. The Company must propose a corrective plan to bring the RRF back into compliance, and the Company's plan must be agreed to by the Authority and the County. If the implementation of the agreed upon plan does not correct the problem, a further plan will be implemented.

HISTORICAL SYSTEM PERFORMANCE

Introduction

We have reviewed historical data regarding the operation of the Project since the commencement of commercial operation in 1995. Such historical data included, but was not limited to annual plant availability, solid waste processed, electricity generated and sold, ferrous material recovered and residue ash generation.

Operation History

The Project was accepted by the Authority and entered commercial operation in August 1995, and has accepted solid waste at the Transfer Station, transported the Processible Waste via the rail system to the RRF and combusted the delivered Processible Waste for approximately seven and one-half years.

Transfer Station

Table 3 presents historical data regarding the amount of solid waste handled by the Company at the Transfer Station since acceptance of the RRF in 1995. As Table 3 indicates, the amount of solid waste handled by the

Company at the Transfer Station has increased over time, at the point where in FY 2002, the level of waste delivered to the Transfer Station exceeded, for the first time, by a small amount, the guaranteed processing level in the Service Agreement. We note that the Company has handled all of the waste delivered to the Transfer Station. Due to the nature of the operation of the Transportation System, a significant number of containers are continually in transit between the Transfer Station and the RRF. With the increase in solid waste deliveries, combined with the container maintenance requirements and occasional delays by CSX in returning containers back to the Transfer Station, the Company has experienced increased operating challenges regarding the availability of containers. Furthermore, it was reported by the Company, and confirmed by the County, that on peak days the amount of Processible Waste requiring transfer to the RRF was approaching the available number of containers at the Transfer Station. The current container fleet contains 183 units which are used by the Company to transport the Processible Waste to the RRF. Additional containers are used by the County for other waste disposal system purposes. The initial design of the Transportation System included spare containers to accommodate peak waste deliveries ("Surge Capacity"). The increase in peak waste deliveries, combined with occasional delays in the CSX schedule and required container maintenance has used up this Surge Capacity. Forty-five new containers have been ordered by the Company and are currently being delivered to the Transfer Station to restore the needed Surge Capacity. In addition, the current container fleet, as part of the five year container replacement program, is in the process of being evaluated by the Company to determine how many old containers may be retained as additional spares. The Company anticipates that a net increase in the container fleet will result in sufficient spare containers to allow for unusual events and still handle incoming waste on peak delivery days.

Table 3
Solid Waste Handled at the Transfer Station

Year⁽¹⁾	Solid Waste Handled by the Company at the Transfer Station (tons)⁽⁴⁾	Non-Processible Tons at the Transfer Station⁽⁵⁾	Solid Waste Processed at the RRF Tons⁽⁶⁾
1996 ⁽²⁾	359,000	11,416	347,622
1997	474,000	17,622	456,082
1998	448,000	12,117	435,833
1999	488,000	18,252	469,748
2000	515,000	17,688	497,557
2001	536,000	18,830	517,186
2002	607,000	29,115	578,540
2003 ⁽³⁾	320,000	15,712	304,617

(1) Year ending June 30.

(2) 11 months.

(3) 6 months.

(4) Rounded, due to differences in moisture between the Transfer Station and the RRF which are not measured.

(5) Handled by the Company and directed to landfill. Other non-processible tons are handled by the County.

(6) Measured by loading crane at the RRF. The measurement has been reconciled with pit inventory. This measurement is from distinct "loaded on rail at the Transfer Station" as reported in the Official Statement.

The Transfer Station accepts solid waste six days per week and compact the processible solid waste into containers. The tipping floor is cleaned prior to receiving solid waste by the start of the next day. Table 3 indicates that in FY 2002, the Company was able to handle waste at the Transfer Station and deliver processible waste to the RRF in amounts greater than the guarantee levels. In the first six months of FY 2003, the Company has continued that performance.

The compactors are available to operate 480 hours in a typical 30-day month. Table 4 shows the actual utilization and availability of the compactors based on this schedule. The difference between the two values is the time when the compactors were on stand-by but not actually in use. We note that compactor availability was not recorded by the Company prior to January 1, 1998.

Table 4
Compactor Availability

Year ⁽¹⁾	Compactor #1		Compactor #2		Compactor #3	
	Utilization	Availability	Utilization	Availability	Utilization	Availability
1998 ⁽²⁾	45.1	68.5	67.1	92.3	31.9	97.2
1999	63.2	88.0	61.3	86.2	20.1	89.4
2000	48.3	66.2	69.3	89.1	48.0	99.7
2001	66.6	94.2	67.9	89.7	42.1	97.5
2002	66.9	82.4	75.8	86.0	55.6	87.5
2003 ⁽²⁾	67.2	82.3	73.9	80.1	58.7	80.3

(1) Year ending June 30.

(2) 6 months.

Although the current difference between availability and utilization indicates that the compactors should be capable of handling additional quantities of processible waste, the Company has reported that on peak days, the compactors have been required to operate three to four hours beyond their typical 16 hours per day. The County has stated that it expects future increases in peak waste deliveries above the guaranteed levels. Such additional deliveries will impact Transfer Station operations, including the ability of the compactors to process all of the waste prior to the next day's deliveries. This is of particular concern if a compactor experiences a major forced outage. The County is currently planning to purchase an additional compactor for installation in FY 2004 to enable the Company to handle the anticipated increase in peak waste flow and allow the Company to maintain operations even if one compactor experiences significant forced outage.

In summary, the Company has demonstrated the ability to operate the Transfer Station at levels which exceed the guarantees set forth in the Service Agreement.

RRF

During the first six years of operation, the amount of processible waste caused to be delivered by the County to the Transfer Station was less than the design rating of the RRF. Therefore, all three boilers were not required to operate at design capacity. The Company took the operating approach of placing one boiler in standby mode when sufficient waste was not available. All units were rotated through the idling stage to even out the wear on the individual boiler trains. Table 5 presents data regarding the key operating statistics for the RRF that are part of the Company guarantees. The level of waste deliveries during the first six years of operation was not sufficient for the electrical power guarantee to be effective. The Company was able to burn all processible waste delivered during this period, and has exceeded the processing guarantee and electrical production guarantee for the first six months of FY 2003. In addition, the residue guarantee has been met since the initiation of operations.

Table 5
Key RRF Operating Statistics

Year ⁽¹⁾	Processible Waste Processed (tons)	Net Electrical Production kWe/ton	Ash Production % of Processible Waste	Ferrous Recovery % of Processible Waste
1996 ⁽²⁾	353,606 ⁽⁴⁾	513 ⁽⁴⁾	26.9	3.0
1997	450,478 ⁽⁴⁾	535 ⁽⁴⁾	26.3	3.1
1998	441,600 ⁽⁴⁾	527 ⁽⁴⁾	26.8	3.0
1999	476,626 ⁽⁴⁾	576 ⁽⁴⁾	27.3	2.5
2000	500,178 ⁽⁴⁾	579 ⁽⁴⁾	27.5	3.0
2001	522,037 ⁽⁴⁾	564 ⁽⁴⁾	27.6	2.9
2002	578,540 ⁽⁵⁾	585 ⁽⁶⁾	29.8	3.0
2003 ⁽³⁾	314,617	598	29.0	3.0

(1) Year ending June 30.

(2) 11 months.

(3) 6 months.

(4) Insufficient waste to effectuate performance guarantees shown in Table 1.

(5) Exceeded transportation handling guarantee.

(6) Missed electrical guarantee.

During FY 2002, the Company did not meet the electrical production guarantee and the Company and the Authority negotiated a settlement for that particular guarantee for 2002. The actual calculation of the electrical production guarantee, according to the Service Agreement, excludes from the calculation days when the boilers operate at less than 90 percent steam flow provided that these excluded times are caused by items outside of the Company's control (lack of waste or cooling water). Additionally, the Company is required to provide the Authority with advance notice that a day, in their opinion, is to be excluded from the electrical guarantee calculation, and thus the average net electrical production shown in Table 5 is not reflective of the calculation which is undertaken to determine this particular guarantee. According to the settlement between the Company and the Authority, the two parties agreed that the Company missed the electrical guarantee in 2002 by approximately 4 kWe/ton. We have reviewed this matter with both the Authority and the Company and our review indicates that in FY 2002, the Company failed to provide any notice for excluded days. The result of this administrative oversight was that low production days were included in the calculation of the electrical production guarantee. Accordingly, the Company failed to meet the net electrical generation guarantee by less than one percent and the Authority deducted approximately \$184,000 from the FY 2002 Service Fee for this occurrence. However, specific historical data and the data for the first six months of the current fiscal year (FY 2003) demonstrate the ability of the Company to meet the electrical production guarantee. The administrative oversight experienced in 2002 has been corrected by the Company.

Table 6 presents data regarding the overall availability and utilization of each boiler. Utilization is based on actual boiler operating hours while availability includes operating hours and stand-by hours. Utilization is an hourly metric, and based on the HHV of the waste, it would overstate the capacity factor of the boilers by between three percent and six percent depending upon the year of operation. In FY 2002, the boilers operated at 97.8 percent of design and at an 83.1 percent capacity factor, while processing all the waste that was available. The RRF design is based on an 85 percent capacity factor. Stand-by hours occur when the boiler could have been operated if sufficient waste was available. In general, we would expect some forced outages to occur if the units had operated during the stand-by time.

Table 6
Boiler Availability and Utilization

Year ⁽¹⁾	Boiler No. 1		Boiler No. 2		Boiler No. 3		All Boilers	
	Available	Utilized	Available	Utilized	Available	Utilized	Available	Utilized
	%	%	%	%	%	%	%	%
1996 ⁽²⁾	96.3	58.6	95.7	67.5	99.0	65.7	97.0	63.9
1997	95.1	72.8	94.0	58.0	95.7	72.3	94.9	67.7
1998	96.0	81.3	96.6	72.4	93.1	47.7	95.2	67.1
1999	93.8	65.0	96.4	75.7	96.4	80.0	95.5	73.6
2000	96.5	82.0	94.1	73.9	97.3	71.6	96.0	75.8
2001	94.9	79.1	96.6	73.4	93.6	71.2	95.0	74.6
2002	91.4	84.7	89.2	85.9	96.8	91.4	92.5	87.3
2003 ⁽³⁾	90.0	90.0	94.5	93.5	94.7	94.7	93.0	92.7

(1) Year ending June 30.

(2) 11 months.

(3) 6 months

The total number of in-service hours for the three boilers during this time period is 49,450 hours, 48,157 hours and 47,519 hours with corresponding stand-by hours of 12,193 hours, 13,831 hours and 14,814 hours for Boiler Nos. 1, 2 and 3 respectively. The high level of stand-by hours was the result of waste deliveries that were below the RRF's capacity level prior to FY 2002. In addition, the level of standby hours has resulted in less wear on the units than originally designed for and should have a positive effect on the useful life of the RRF. Thus far in FY 2003, boilers one and three had no stand-by hours while Boiler No. 2 had approximately 45 stand-by hours. The capacity factor for the first half of FY 2003 is approximately 90 percent.

Until FY 2002, there had been a substantial amount of stand-by boiler time due to a lack of waste. This has allowed the Company to stretch out the time between scheduled outages and may have extended the useful life of the RRF. The level of forced outages at approximately 1.4 percent of in-service hours indicates a properly maintained system. The original system throughput guarantees of 558,450 TPY (processable waste) were based upon an average availability of 85 percent. The historical data regarding availability indicate that the RRF can accept and exceed this processing level.

We note that in FY 2002 and FY 2003, two phenomena occurred which has increased the utilization of the boilers and reduced the amount of stand-by hours. First, the amount of available waste has increased to a level which would require an increase in the utilization as reported for prior years. Secondly, the Company has attempted to take advantage of higher power rates during peak hours by scaling back processing during off-peak hours (evenings and weekends) in order to maximize power generation during the higher value periods.

Our review of data regarding the availability of the turbine indicates that on an annual basis the availability ranged from 95.1 percent in 2002 when the major overhaul was undertaken, to 99.9 percent in 2001. Since the commencement of commercial generation, the turbine has average 98.6 percent which meets expected industry performance. In FY 2002, the steam turbine underwent its six year major overhaul. The Company reported that based on the condition of the turbine, it will conduct the next major overhaul in seven years. A summary of historical data regarding turbine availability is set forth in Table 7.

Table 7
Turbine Availability

<u>Year</u> ⁽¹⁾	<u>In Service</u> <u>Hours</u>	<u>Stand-by</u> <u>Hours</u>	<u>Outage</u> <u>Hours</u>	<u>Available</u> <u>%</u>
1996 ⁽²⁾	7,862	0	178	97.8
1997	8,676	7.6	76.9	99.1
1998	8,622	0	138.1	98.4
1999	8,741	0	19	99.8
2000	8,737	0	47	99.5
2001	8,769	0	1	99.9
2002 ⁽³⁾	8,319	0	441	95.1
2003 ⁽⁴⁾	4,416	0	0	100.0

(1) Year ending June 30.

(2) 11 months.

(3) Major turbine overhaul.

(4) 6 months.

Environmental Performance

The environmental performance is discussed in “Environmental Regulatory Considerations” later herein. We note that the County reports the continuous emissions monitoring data from each boiler at the RRF on its website www.mcrcycles.org.

REVIEW OF THE CURRENT CONDITION OF THE PROJECT

Transfer Station and Transportation System

We have made visual observation of the equipment and structures at the Transfer Station and at the two railyards. We have also reviewed the Company’s maintenance procedures and monthly operations and maintenance reports.

In general, the equipment and structures appeared to be in satisfactory condition. Both the exterior and interior of the buildings were maintained in a clean condition. We did not note, nor are we aware of, an equipment condition which would significantly affect the ability of either the Transfer Station or the Transportation System to continue to meet the guaranteed throughput of 558,450 tons per year of processible waste.

A set of operation and maintenance manuals exists and were conveniently located for use by the Transfer Station personnel. The Transfer Station staffing, as reported by the Company, includes a total of 48 persons, including eight persons working as part of the Transportation System at the RRF. The Company reports that employee turnover is relatively low with the highest turnover being in the entry-level positions. There is currently one unfilled position, a plant worker, at the Transfer Station.

The majority of the maintenance in the Transfer Station and the Transportation System consists of container inspection and repair, compactor maintenance and hydraulic hose repair, concrete and pavement repairs and maintenance of rolling equipment. The three compactors were recently inspected by the manufacturer, Harris Waste Management Group (“Harris”) in January 2003. This report concludes that “the general condition of the compactors has improved since the last inspection.” Several items needing repair were discussed for compactors No. 1 and 2, as well as a list of major rework to be done on compactor No. 3 which was completed in March 2003. The previous inspection report of June 2001 prepared by Harris, while noting required repairs and suggested improvements to operating practices, concluded that, as compared to equipment of other customers with comparable usages, the compactors are being maintained and operated in “a very acceptable manner.” Compactor Nos. 1, 2 and 3 are scheduled to be inspected by Harris approximately annually and repaired as required. A spare hydraulic cylinder that pushes the compactor’s ram is in stock. The compactors are scheduled to be refurbished on a five-year cycle.

The containers originally transported processible waste from the Transfer Station to the RRF and residue ash back to the Transfer Station. The residue ash was then transported by truck from the Transfer Station to the County Designated Landfill. In 1997, the County entered into a contract with a third party to rail haul the ash directly from the RRF to an out-of-County landfill. Prior to this change, the containers that handled ash showed extensive deterioration due to the corrosive and erosive nature of the ash and the containers required continuing repair. The containers that exclusively handled processible waste did not show the same level of wear. The Company has recently purchased an additional 45 containers (to add to the 183-container fleet) which will provide additional Surge Capacity, for peak waste delivery days. As of FY 2003, the containers are on a ten year replacement schedule (each container is replaced after ten years of service), with the entire container fleet being refurbished/replaced over the first five years of the cycle. The purchase of the 45 containers in FY 2003 initiated the five-year cycle. The next five-year cycle is scheduled to begin in FY 2013.

RRF

We have made a visual observation of the equipment and structures at the RRF. We have also reviewed the Company's maintenance procedures, and monthly operations and maintenance reports.

In general, the equipment and structures at the RRF appeared to be in satisfactory condition. Both the exterior and interior of buildings were maintained in a clean condition. We did not note, nor are we aware of, an equipment condition which would significantly impair the ability of the RRF to continue to generate the guaranteed quantity of electricity and to meet the guaranteed throughput of 558,450 tons per year of processible waste.

A set of operation and maintenance manuals exists and were conveniently located for use by the RRF personnel. RRF staffing, as reported by the Company, includes a total of 53 persons. This does not include the eight persons who are assigned to the Transportation System. The Company reports that employee turnover is very low.

The operating procedures and maintenance practices at the RRF are generally in conformance with industry practice and encompass those areas which we would expect in a state-of-the-art, mass-burn waste-to-energy facility. The RRF utilizes a software maintenance management program that is also utilized at other Covanta Energy waste-to-energy facilities and provides preventative maintenance scheduling, work order tracking, spare parts management, certain cost data information, and other services.

The Company reports that a scheduled outage is held for each unit twice a year, at approximately six-month intervals. During the outage period, outstanding work orders and certain scheduled outage tasks are completed. Stoker maintenance, cleaning/testing of boiler tubes is a large part of these outage activities. The Company reports that it monitors tube metal thickness in the furnace area, leading evaporator, superheater and economizer tubes, areas near sootblowers, areas around curved openings, and other areas of the boilers during the major outages. The Company has had a program of monitoring the tube thickness since Project acceptance in 1995. This monitoring and repair of potential problem areas is part of a Company effort to minimize the number of forced outages caused by tube leaks. The repair efforts undertaken by the Company, based on the thickness monitoring surveys, include inconel cladding of tubes, tube shields, and refractory repair. We note that these types of activities have been successful in reducing forced outages caused by tube leaks in other waste-to-energy facilities with which we are familiar.

A major turbine outage was held for the steam turbine-generator during the fall of 2001. This was a major scheduled maintenance outage that is performed at approximately seven-year intervals, in accordance with normal industry practice. In a report prepared by the Company, there were no indications that any significant problems were encountered in the condition of the steam turbine and associated equipment. The next major turbine outage is scheduled to occur in the year 2008.

REVIEW OF TECHNOLOGY

In addition to reviewing the data presented in Tables 3 to 7 herein, we have also reviewed how the technology employed at the RRF, the Transfer Station and the Transportation System is working.

Transfer Station and Transportation System

Based on our review, we are of the opinion that the compactor technology used at the Transfer Station and rail technology utilized within the Transportation System have proven to be a technically successful means of compacting and moving waste from the Transfer Station to the RRF, and that the Company has operated the Transfer Station and Transportation System in accordance with generally accepted industry standards.

RRF

Based on our review, we are of the opinion that the technology utilized by the RRF is a sound and proven method of solid waste disposal and energy recovery. The RRF has demonstrated its ability to operate as originally proposed and to meet the performance guarantees set forth in the Service Agreement. Furthermore, we are of the opinion that the Company has operated the RRF in accordance with generally accepted industry standards.

ESTIMATED USEFUL LIFE OF THE PROJECT

Transfer Station and Transportation System

We have reviewed the characteristics and components of the rail yards which were constructed, the Company's method of operating and maintaining the Transportation System, and the Company's schedule of renewals and replacements for the Transportation System. On the basis of that review and assuming the Transportation System continues to be properly operated and maintained and that all renewals and replacements are made on a timely basis, we are of the opinion that the Transportation System should have a useful life extending beyond the final maturity of the Authority 2003 Bonds.

RRF

We have reviewed the quality of equipment installed in the RRF, the current method of operating and maintaining the RRF, including the level of loading of solid waste in the boilers, the amount of operation during the past seven years, and the schedule of renewals and replacements. On the basis of this review and assuming the RRF continues to be properly operated and maintained as proposed by the Company, and as required by the Service Agreement, and that all required renewals and replacements are made on a timely basis, we are of the opinion that the RRF should have a useful life extending beyond the maturity of the Series 2003 Bonds.

REVIEW OF OPERATORS

As part of the preparation of this Report, we have reviewed information provided to us by the Company and Covanta regarding: (1) the experience of the senior operating personnel employed by the Company who are currently working at the Project; and (2) the number of personnel, and their relevant experience, employed by Covanta Energy at its corporate headquarters who provide technical, engineering, environmental and operating support to the 26 waste-to-energy facilities operated by subsidiaries of Covanta, including the Project.

Our review indicates that the Company is currently employing experienced personnel for the key operating positions at the Project. In fact, many of the key operating positions at the Project are staffed by individuals who have been employed by the Company since the RRF went into commercial operation in 1995. Based on our review, we are of the opinion that the Company currently has the technical capabilities necessary for the operation of the Project in accordance with the Project's operating permits and the technical operating provisions of the Service Agreement.

The home office staff of Covanta, located in Fairfield, New Jersey, provides technical and business support functions to the 26 waste-to-energy facilities operated by subsidiaries of Covanta. Covanta reports that it has 175 employees at its headquarters, 45 of which are engineers, technical specialists, or environmental specialists who provide support to the operation of the waste-to-energy facilities.

Covanta is set up along functional lines and the technical services it provides include the following: (1) Environmental (compliance, testing, permitting); (2) Engineering; (3) Performance Monitoring; (4) Technical

Support; (5) Specialized Maintenance; and (6) Administrative (management information systems, human resources, legal and accounting).

Covanta has developed proprietary technical standards for the waste-to-energy facilities it operates and Covanta audits the actual performance of the facilities against its' standards. Covanta also monitors operating trends at specific facilities.

We have had discussions with a senior representative of Covanta regarding Covanta's current capabilities to provide home office support to waste-to-energy facilities, who reported that he had not experienced any lack of available support services at the national level during the past year. In addition, he reported that he has not experienced any increase in the level of concerns regarding the level of home office support raised by the owners/customers of the waste-to-energy facilities operated by subsidiaries of Covanta. Further, the representative reported that Covanta had experienced relatively little turn-over among its senior support personnel and most of the current employees have worked for Covanta for a significant number of years.

Based on our review of the data and information provided by Covanta, our visual observation of the RRF, and our observation of certain other waste-to-energy facilities operated by Covanta, we are of the opinion that Covanta currently has the employees at its corporate headquarters who have the necessary background and experience to assist the Company with technical, operating, environmental and permitting issues which may arise related to the operation of the RRF. Based on our review of the information provided by Covanta, we are of the opinion that Covanta currently employs experienced support personnel who have the technical backgrounds and capabilities necessary to allow Covanta to continue to provide adequate home office support to the Project.

In the event the Service Agreement should be terminated in the future, there are other operators of waste-to-energy facilities who have demonstrated the technical capabilities necessary for the operation of waste-to-energy facilities and should have the necessary experience to serve as a replacement operator of the RRF. Based on the demonstrated previous experience of such other operators, we are of the opinion that it is reasonable to assume that such operators should be capable of operating the RRF in accordance with the technical terms of the Service Agreement and the operating requirements of the RRF permits. It should be noted that not all of the potential replacement operators have had experience operating a rail transportation system. In such an event, the Authority could elect to separate the operation of the Transportation System from the RRF. There are other experienced operators of similar transportation systems.

REVIEW OF SERVICE FEE

Pursuant to the terms of the Service Agreement, the Authority pays the Company a Service Fee which includes provision for the annual Operating Charge, plus Approved Pass Through Costs, plus the Revenue Credit, plus any Service Fee Adjustments. In 2002, the total Service Fee was calculated as shown in Table 8. The Operating Charge was for the receipt and processing of 558,450 tons of processible waste. One of the approved pass through costs was a deduction (credit to the Authority) based on the Company not having to transport the ash from the RRF.

Table 8
Service Fee for FY2002 ⁽¹⁾

<u>Cost Component</u>	<u>\$(000)</u>
Operating Charge	\$ 19,372 ⁽³⁾
Approved Pass Through Costs	5,386
Revenue Credit ⁽²⁾	904
Service Fee Adjustment	<u>(1,102) ⁽⁴⁾</u>
Total Service Fee	\$24,384

(1) Based on Covanta invoice.

(2) Includes increased revenue sharing for processing above the guaranteed level.

(3) Includes a reduction of \$500,000 from the base amount in the Service Agreement that may be available to a different operator.

(4) Includes the O&M Reserve Fund deposit (\$1,011,300) and other items that may be available to a different operator.

The cost per ton to operate the Project was approximately \$34.61 per ton for the base tonnage (558,450 tons) without: (1) ash hauling; (2) the \$500,000 reduction; (3) other passthroughs; and (4) the Service Fee Adjustments. In addition, the Company was paid approximately \$1.23 per ton as a revenue credit (up to the 558,450 tons). In order to be able to compare the cost of operating the RRF with the cost of operating other waste-to-energy facilities, it is necessary to deduct from the Total Service Fee the costs associated with operating the Transfer Station and the Transportation System that are part of the Operating Charge.

For the purpose of this Report, we have developed an estimate of the cost of operating the Transfer Station/Transportation System that is included in part of the Operating Charge. Such estimate is based on our experience in reviewing the operating expenses of other reasonably similar transfer stations which utilize compactors. Based on this review, we estimate that the cost of operating the Transfer Station, including handling the containers on the train and handling non-processible waste, would be approximately \$5 per ton. This cost does not include any capital charges. Other transportation costs are passthroughs.

Subtracting the estimated cost of operating the Transfer Station of \$5 per ton from the cost of operating the Project (without passthroughs) results in an estimated net cost to operate the RRF of approximately \$29.61 per ton. In addition, the Company was paid another \$1.23 per ton as a revenue share. Further, the Company is also paid \$13.83 per ton for handling the Non-Processible Waste that would typically be counted in the Transfer Station cost. In 2002, this payment for Non-Processible Waste was equivalent to \$0.72 per ton of processible waste processed pursuant to the Service Agreement. After making the various adjustments to the Operating Charge, we calculate that the Company's total payment for operating the RRF is approximately \$31.56 per ton ($29.61 + 1.23 + 0.72$).

We have compared the net payments discussed above with the reported costs of operating and maintaining other waste-to-energy facilities with which we are familiar, and have adjusted those reported costs for similar passthrough items. The cost per ton of waste processed at large, mass-fired waste-to-energy facilities, relatively similar to the RRF, is reported to average approximately \$30.50 per ton, net of the cost of ash disposal. Based on this comparison of the payment the replacement operator of the RRF would receive pursuant to the Service Agreement with the reported cost of operating and maintaining waste-to-energy facilities, we are of the opinion that it is reasonable to assume that a replacement operator of the RRF should be capable of operating the RRF for the Service Fee specified in the Service Agreement over the term of the Authority 2003 Bonds.

ENVIRONMENTAL REGULATORY CONSIDERATIONS

Environmental Regulatory Requirements

Discussion of Certain Municipal Waste Combustor Standards

Maximum Available Control Technology. On December 20, 1989, the USEPA proposed revised emission guidelines and standards for municipal solid waste combustors ("MWCs") under the authority delineated in the CAA. Revised NSPS were promulgated on February 11, 1991 for new MWCs and new Emissions Guidelines were issued for existing MWCs. The 1991 Emission Guidelines were the first comprehensive attempt at the federal level to regulate emissions from existing facilities. The 1995 Emission Guidelines applied to existing sources and were intended to assure that existing MWC facilities utilize MACT emissions standards. The USEPA placed responsibility for the implementation of MACT at state level; therefore, the Maryland Department of the Environment ("MDE") is responsible for establishing MACT standards for the RRF. The RRF and its MWCs are subject to the revised air emissions standards under MACT standards. The MDE essentially adopted the federal requirements for all major parameters with the exception of more stringent values for particulates, sulfur dioxide and mercury emissions.

Fine Particulates. The USEPA is in the process of collecting data throughout the country to designate geographic areas as attainment or non-attainment for fine particulates (i.e., $PM_{2.5}$). After the USEPA assigns these designations, it will require that the individual states develop a plan to comply with $PM_{2.5}$ ambient standards. Each state will modify its state implementation plan ("SIP") to include new control measures, comparable to what was done for the ozone non-attainment areas. It will likely be several years before the impact of these regulations from the individual states will be seen. There also have been some court challenges to the with $PM_{2.5}$ standards. It is important to note that plants that already have baghouses, such as the RRF, will likely be less impacted by the $PM_{2.5}$ standards, if impacted at all, than plants without baghouses. In essence however, it is unknown at this time what, if any, impact the $PM_{2.5}$ standards will have on the RRF.

Status of Permits and Approvals

The Project must be operated in accordance with applicable federal, state, and local regulations, codes, standards, guidelines, policies, and laws. The principal regulatory agencies charged with overseeing these provisions include the USEPA and the MDE. The Project is principally subject to the jurisdiction and operating review of the MDE. The Project's operations are guided by a number of key environmental operating permits and regulatory approvals issued by the MDE, which has been delegated the authority to administer the federal programs of air and water management. The Company is responsible for obtaining and maintaining the permits, licenses, and approvals necessary to meet its obligations under the Service Agreement. Table 9 lists the current status of key permits and approvals required for the continued operation of the Project.

The Company has identified the key permits and approvals required for operation of the Project, the status of which are listed in Table 9 and discussed below.

Table 9
Montgomery County Resource Recovery Facility and Transfer Station
Status of Key Permits and Approvals

Permit/ Approval	Responsible Agency	Current Status	Comments
RRF			
Title V Air Operating Permit	USEPA/ MDE	Issued: 11/30/01 Expires: 10/31/06	Required for an air emission source. Sets forth state- and federally-enforceable air emission limits, monitoring, and reporting requirements for the air emission sources from power and steam generating equipment, as well as, additional requirements for fugitive dust and other emissions due to operations.
Refuse Disposal Permit	MDE	Issued: 4/23/98 Expires: 4/22/03	Required for the disposal of solid waste and applicable to any refuse disposal system, including: municipal landfills; land clearing debris landfills; industrial landfills; rubble landfills; municipal and special medical wastes incinerators; waste transfer stations; and waste processing facilities. The Authority and the County filed a timely renewal application for this permit on March 4, 2003.
National Pollutant Discharge Elimination System (Process Wastewater/Stormwater) Discharge Permit for Operations	USEPA/ MDE	Issued: 10/1/96 Expired: 9/30/01	Required for the discharge of industrial wastewater and stormwater during operations; establishes effluent limitations, monitoring, and reporting requirements. The Authority and the County submitted a timely renewal application, and in accordance with a permit shield, continues to operate under the expired permit.
Water Appropriation Permit	MDE	Issued: 12/29/94 Expires: 12/1/03	Required for any activity that withdraws water from surface and underground waters unless exempted.
Well Water Appropriation Permit	MDE	Issued: 12/1/94 Expires: 12/1/06	Required for any activity that withdraws water from surface and underground waters unless exempted.
Sewage Sludge Utilization Permit	MDE	Issued: 2/8/01 Expires: 2/7/06	Required for any collection, incineration, storage, treatment, application to land, transportation, or disposal of sewage sludge, septage, or any final products of the treatment of sewage at a sewage/wastewater treatment plant.

Table 9
Montgomery County Resource Recovery Facility and Transfer Station
Status of Key Permits and Approvals

Permit/ Approval	Responsible Agency	Current Status	Comments
Transfer Station			
National Pollutant Discharge Elimination System Stormwater Discharge General Permit for Operations	USEPA/ MDE	Issued: 11/26/02 Expires: 11/30/07	Required for the discharge of general stormwaters during operations; establishes effluent limitations, monitoring, and reporting requirements.
Refuse Disposal Permit Transfer Station	MDE	Issued: 6/9/01 Expires: 6/10/06	Required for the disposal of solid waste and applicable to any refuse disposal system, including: municipal landfills; land clearing debris landfills; industrial landfills; rubble landfills; municipal and special medical wastes incinerators; waste transfer stations; and waste processing facilities.

RRF Refuse Disposal Permit

The refuse disposal permit for the resource recovery facility is due to expire on April 22, 2003. The Authority and the County filed a renewal application with the MDE on March 4, 2003. MDE staff indicated that if a renewal application were filed in a timely manner, which did occur on March 4, 2003, could continue to operate under the provisions of the current permit until such time that a renewed permit is issued by the MDE.

RRF NPDES Permit

The National Pollutant Discharge Elimination System ("NPDES") Permit for the RRF expired on September 30, 2001. The Authority and the County submitted a timely renewal application to the MDE prior to the NPDES Permit's expiration. Accordingly, the Company continues to operate the RRF under an applicable permit shield for the expired NPDES Permit. The MDE indicates that this permit shield is in effect and it will issue a renewed NPDES Permit at a later date. Furthermore, the MDE indicates that it is in the process of revamping the NPDES Permit Program, including bringing uniformity to all issued NPDES Permits in the state, but at this time, staff constraints prevent it from expediting this process. We note that a permit shield, described in language in the applicable Federal and State codes, is a process which provides protection from enforcement actions where the permittee has complied with all conditions of its permit, which in this case, includes submitting of a timely renewal application.

Air Operating Permit

The MDE has issued the Title V Operating Permit for the Project (the "Air Permit"). The Air Permit incorporates the MACT standards and provides for three MWCs and associated equipment. The Air Permit includes emissions limits (short-term and annual) for the MWCs and additional sources, and also sets forth testing requirements, monitoring, recording and record keeping requirements.

Solid Waste Operating Permits

The MDE has issued two refuse disposal permits for the Project, one for the Transfer Station and one for the RRF. The RRF refuse disposal permit provides for three MWCs and associated equipment.

Other Permits and Approvals

There are other miscellaneous permits and approvals required for the Project, which are not listed above. Continued renewals of these permits and approvals are considered routine if the renewals are pursued in a timely manner.

Hazardous Waste Management

The Company indicates that it maintains a protocol for turning away hazardous waste materials that may inadvertently be delivered to the Project. With regard to other hazardous wastes generated at the Project, the Company indicates that it maintains contracts with licensed waste contractors for removal of solvents from its parts washing system and for removal of used oils.

Operating Compliance

The Facilities must continually demonstrate operating compliance with applicable federal, state, and local regulations, codes, standards, guidelines, permits, and approvals. We have undertaken a review of the status of operating compliance of the Project, as well as identification of any Notices of Violations (“NOVs”), Notices of Non-Compliance (“NONs”) or Administrative Consent Orders (“ACOs”) related to the Project’s operations under their respective permits and approvals. We note that the County and the Authority have closely monitored the environmental compliance of the Project, and have encouraged the Company to meet their obligations in the Service Agreement, which go beyond the permit requirements.

Air Emissions Compliance

We have reviewed the operations and emissions reports, submitted by the Company for 2001 and 2002. In addition, we have reviewed the Emissions Certification Report and Air Toxics Emissions Certifications Reports for 1995 through 2001. Also, we have reviewed historical stack tests from 1995 through 2001 and the most recent stack tests performed during October 2002. These reports indicate that on an annual basis, the Project has been in material compliance with its air operating permits. The Company reports, and the County confirms, that the RRF has only experienced two reportable emissions deviations: one for sulfur dioxide from one unit and one for carbon monoxide from one unit as discussed below. We note that there have been a small number of other exceedances that have not been reportable due to the standard exclusions in the regulations which include start-ups, shut downs and equipment malfunctions. From an environmental compliance perspective, the RRF is being operated within industry standards.

On April 26, 2002, Unit 2 experienced a reportable three-hour SO₂ emissions deviation. The corresponding concentration and removal efficiency results were 31 ppmvd and 84 percent compared to the Title V criteria of 30 ppmvd and 85 percent, respectively. According to MDE’s Air and Radiation Management Administration (“ARMA”) Technical Memorandum 90-01 Continuous Emission Monitoring System (“CEMs”) Policies and Procedures referenced in the monitoring requirements of Section IV of the Title V Permit, the Project is permitted one deviation per quarter of a gaseous emission standard when monitored by a CEMs. The MDE, in a letter dated May 21, 2002, acknowledged the event as an emissions deviation and that there was no violation of any emissions standard with this one deviation.

On October 8, 2002, the RRF experienced elevated CO levels in one unit, that exceed the Air Permit limits of the one hour (430 ppm versus 200 ppm) and four hour (117 ppm versus 100 ppm) block average but not on the 24 hour block average, due to a plugged feed chute. The Company claims that this exceedance falls under the equipment malfunction exclusion in the regulations. During our discussions with MDE staff, after this CO incident, MDE compliance staff indicated to us that they consider the RRF to be operating in material compliance with the air permit and other applicable regulations.

Notice of Violations

We are not aware of any and the County confirms that there are no Notices of Violations, Notices of Non-Compliance or Administrative Consent Orders issued by MDE.

Residue Ash Testing

The County has the residue ash from the RRF tested on a periodic basis in order to determine whether or not the residue ash exhibits characteristics which would cause it to be classified by the USEPA as a hazardous waste. The tests on the ash were conducted by an outside laboratory with a copy of the test results forwarded to the Company, the County and the Authority. We have reviewed the results of the ash tests for 1995 through 1999 and March and December 2002 as part of the preparation of this Report. The results of the ash tests conducted to date indicate that the ash from the RRF has not exhibited characteristics that would cause it to be classified as hazardous waste.

Discussion with MDE Staff

Beck had discussions with key MDE staff in the compliance and permitting section for the Air, Solid Waste, and Wastewater Divisions of the MDE. In unanimous response, all MDE staff indicated the Project is operating in compliance, that all permits are valid or have been reviewed in a timely manner, and that there are no pending regulatory changes known that would affect the Project's ability to continue to operate in compliance with the requirements of the permits. We note that the MDE's response with respect to pending regulatory changes is consistent with previous discussions herein regarding PM_{2.5}, in that the PM_{2.5} issue is in an immature state.

Compliance Summary

Our review indicates that the Company has maintained and is maintaining the key permits and approvals, including the renewal of such permits and approvals, required for the continued operation of the Project. In addition, the Project is being operated in material compliance with the requirements of its permits, including the MACT standards.

Future Changes in Environmental Regulations

We have contacted several individuals at the MDE regarding potential regulatory and legislative changes and actions at the state level that would affect the Project and its MWCs. The MDE indicated that it knew of no planned changes to air quality regulations, solid waste, wastewater or MACT that would affect the Project and its MWCs. The MDE also indicated that it knew of no proposed regulations or legislation that would apply to the Project and its MWCs.

PRINCIPAL CONSIDERATIONS AND ASSUMPTIONS

In the preparation of this Report and the opinions that follow, we have made certain assumptions with respect to conditions which may exist or events which may occur in the future. While we believe these assumptions to be reasonable for the purpose of this Report, they are dependent upon future events, and actual conditions may differ from those assumed. In addition we have used and relied upon, certain information provided to us by sources which we believe to be reliable. We believe the use of such information and assumptions is reasonable for the purposes of our Report. However, some assumptions may vary significantly due to unanticipated events and circumstances. To the extent that actual future conditions differ from those assumed herein or provided to us by others, the actual results will vary from those discussed in the Report. This Report summarizes our work up to the date of the Report. Thus, changed conditions occurring or becoming known after such date could affect the material presented to the extent of such changes.

The principal considerations and assumptions made by us, in preparing the Report and the principal information provided to us by others include the following:

1. As Independent Engineer, we have made no determination as to the validity and enforceability of any contract, agreement, rule, or regulation applicable to the System and its operations. However, for purposes of this Report, we have assumed that all such contracts, agreements, rules, and regulations will be fully enforceable in accordance with their terms.

2. Any changes in required licenses, permits, and approvals will not require changes in design or operation of the Project resulting in significant increases in the costs of operating the Project.

3. The Company will operate the Project in accordance with the terms of the Service Agreement.

4. The Company will maintain the Project in accordance with generally accepted maintenance practices, make all required renewals and replacements in a timely manner, and will not operate the equipment to cause it to exceed the equipment manufacturers' recommended maximum ratings.

5. The Company will employ qualified and competent personnel who will properly operate and maintain the equipment in accordance with the manufacturers' recommendations and with generally accepted operating practices and will generally operate the Project in a sound and businesslike manner.

CONCLUSIONS

On the basis of our review and analyses of the Project and the assumptions set forth in the Report, we are of the opinion that:

1. The Company has operated and maintained the Project in accordance with generally accepted industry practices.

2. The Transportation System has demonstrated the ability to transport Processible Waste between the Transfer Station and the RRF and meet the guarantees as set forth in the Service Agreements.

3. The mass-burn Martin technology used in the RRF is a sound and proven method of solid waste disposal and energy recovery. In addition, the RRF has demonstrated the ability to meet the performance guarantees set forth in the Service Agreement.

4. The Company has processed all of the processible waste delivered to the Transfer Station by the County, and has demonstrated the ability to operate the Transfer Station at levels which meet or exceed the guarantees set forth in the Service Agreement.

5. The Authority constructed the Project to account for future growth in the County's waste generation. Prior to FY 2002, the quantities of Processible Waste which were delivered to the Transfer Station were not sufficient for the electrical guarantee to be effective. Due to an administrative oversight in 2002 regarding the failure to provide notice for excluded days in the calculation of this guarantee, the Company failed to meet the net electrical generation guarantee by less than one percent and the Authority deducted approximately \$184,000 from the FY 2002 Service Fee for this occurrence. However, specific historical data and the data for the first six months of the current fiscal year (FY 2003) demonstrate the ability of the Company to meet the electrical production guarantee. We believe that the administrative oversight experienced in 2002 has been corrected by the Company.

6. Past and most recent stack test results and residue ash tests indicate that the Company is meeting the environmental guarantees set forth in the Service Agreement. In addition, the County's routine testing of the residue ash from the RRF on a periodic basis has demonstrated that the ash has not exhibited characteristics that would cause the ash to be classified as hazardous waste.

7. The Company has maintained and is maintaining the key permits and approvals, including the renewal of such permits and approvals, required for the continued operation of the Project, and the Project is being operated in material compliance with the requirements of its permits including the MACT standards.

8. The Company currently has employees with the technical capabilities necessary for the proper operation of the Project in accordance with the Project's operating permits and the technical operating provisions of the Service Agreement.

9. Covanta currently has employees at its corporate headquarters who have the technical backgrounds and capabilities necessary to continue to provide adequate home office support to the Project.

10. In addition to the Company, other replacement operators of waste-to-energy facilities have demonstrated the technical capabilities necessary for the operation of waste-to-energy facilities and it is reasonable to assume that such operators should be capable of operating the RRF in accordance with the technical requirements of the Service Agreement and the operating requirements of the Project permits.

11. We are not aware of any technical reason to believe that the Company, or another replacement operator, cannot continue to operate the Project at similar technical performance levels set forth in the Service Agreement for the Service Fee specified in the Service Agreement, during the term of the Authority 2003 Bonds.

12. Assuming the operator of the Project properly operates the Project pursuant to the terms of the Service Agreement, performs routine maintenance in accordance with industry standards and the needs of the Project and undertakes all required renewals and replacements on a timely basis, it is reasonable to expect that the useful life of the RRF should extend beyond the term of the Authority 2003 Bonds.

Respectfully submitted,

/s/ R. W. BECK, INC.

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APPENDIX C

FINANCIAL INFORMATION CONCERNING THE COUNTY DISPOSAL SYSTEM

Set forth in Tables 1 and 2 below are the audited financial results for the Solid Waste Disposal Fund for the last five Fiscal Years. The audited financial results include the provision for leaf vacuuming collection charges and the related expenses, which were included as part of the Solid Waste Disposal Fund for this period. Beginning in Fiscal Year 2004, the County will account for leaf vacuuming revenues and expenses in a separate fund.

Table 1
Solid Waste Disposal Fund
Statement Of Revenues, Expenses, And Changes In Fund Equity
For The Year Ended June 30, 2002
With Comparative Totals For June 30, 2001, 2000, 1999 And 1998

	June 30				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Operating Revenues:					
Charges for services	\$79,043,055	\$82,768,469	\$87,437,818	\$86,578,578	\$77,924,839
Licenses & Permits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,660</u>
Total Operating Revenues	<u>79,043,055</u>	<u>82,768,469</u>	<u>87,437,818</u>	<u>86,578,578</u>	<u>77,932,499</u>
Operating Expenses:					
Personnel costs	5,917,665	5,875,457	6,306,163	6,554,481	7,474,625
Supplies and materials	301,260	293,569	422,935	292,243	175,365
Contractual services	65,358,826	66,898,365	65,153,519	67,834,438	68,753,183
Communications	61,746	85,323	101,573	101,908	262,481
Transportation	1,021,373	1,102,810	720,702	239,970	171,969
Public utility service	55,475	69,980	80,572	101,458	87,895
Rentals	4,340	21,243	17,181	15,289	16,845
Maintenance	58,381	19,320	10,277	56,115	353,942
Depreciation & amortization	2,580,179	2,335,095	2,372,395	2,630,301	2,856,032
Landfill closure costs	1,376,702	-	1,232,000	-	1,029,541
Bad debt expense	17,833	26,129	-	2,231	-
Other	<u>258,060</u>	<u>526,518</u>	<u>1,315,076</u>	<u>1,399,175</u>	<u>422,384</u>
Total Operating Expenses	<u>77,011,840</u>	<u>77,253,809</u>	<u>77,732,393</u>	<u>79,227,609</u>	<u>81,604,262</u>
Operating Income (Loss)	<u>2,031,215</u>	<u>5,514,660</u>	<u>9,705,425</u>	<u>7,350,969</u>	<u>(3,671,763)</u>
Nonoperating Revenues (Expenses):					
Intergovernmental	1,076,157	3,198,869	901,482	-	-
Gain (loss) on sale of fixed assets	63,179	8,870	34,975	4,294	46,080
Investment income	5,397,250	5,207,687	4,800,322	6,087,073	2,693,124
Interest expense	(2,672,179)	(2,540,616)	(2,411,818)	(2,299,849)	(2,150,065)
Other revenue	<u>42,885</u>	<u>4,990,000</u>	<u>24,256</u>	<u>-</u>	<u>305,334</u>
Total Nonoperating Revenues (Expenses)	<u>3,907,292</u>	<u>10,864,810</u>	<u>3,349,217</u>	<u>3,791,518</u>	<u>894,473</u>
Income (Loss) before Operating Transfers	<u>5,938,507</u>	<u>16,379,470</u>	<u>13,054,642</u>	<u>11,142,487</u>	<u>(2,777,290)</u>

	June 30				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Operating Transfers:					
Operating transfers in	1,164,829	1,261,984	1,400,949	1,157,550	-
Operating transfers (out)	<u>(888,710)</u>	<u>(868,364)</u>	<u>(1,076,353)</u>	<u>(1,101,803)</u>	<u>(1,436,490)</u>
Total Operating Transfers In (Out)	<u>276,119</u>	<u>393,620</u>	<u>324,596</u>	<u>55,747</u>	<u>(1,436,490)</u>
Net Income (Loss) / Change in Retained Earnings	<u>6,214,626</u>	<u>16,773,090</u>	<u>13,379,238</u>	<u>11,198,234</u>	<u>(4,213,780)</u>
Retained Earnings (Deficit) – Beginning of Year	<u>15,665,641</u>	<u>21,880,267</u>	<u>38,653,357</u>	<u>52,032,595</u>	<u>63,230,829</u>
Retained Earnings (Deficit) - End of Year	<u>\$21,880,267</u>	<u>\$38,653,357</u>	<u>\$52,032,595</u>	<u>\$63,230,829</u>	<u>\$59,017,049</u>

Table 2
Solid Waste Disposal Fund
Balance Sheet
For The Year Ended June 30, 2002
With Comparative Totals For June 30, 2001, 2000, 1999 and 1998

	June 30				
ASSETS	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Current Assets:					
Equity in pooled cash & investments	\$45,152,606	\$45,392,900	\$51,424,319	\$40,533,275	\$41,760,959
Cash	1,200	1,200	1,200	1,200	1,000
Accounts receivable	4,026,583	6,838,519	7,737,540	8,959,049	2,947,257
Due from component units	73,285	69,637	73,977	67,391	62,679
Due from other governments	523,518	2,714,810	804,183	2,336,184	109,905
Due from other funds	-	-	-	-	-
Prepays	<u>987</u>	<u>988</u>	<u>5,576</u>	<u>4,302</u>	<u>5,302</u>
Total Current Assets	<u>49,778,179</u>	<u>55,018,054</u>	<u>60,046,795</u>	<u>51,901,401</u>	<u>44,887,102</u>
Unamortized Bond Costs	<u>1,290,785</u>	<u>1,204,252</u>	<u>1,117,719</u>	<u>1,031,186</u>	<u>944,653</u>
Restricted Assets:					
Equity in pooled cash & investments	22,523,193	24,154,686	26,285,136	38,132,716	38,669,556
Investments	<u>4,325,060</u>	<u>4,325,060</u>	<u>4,325,060</u>	<u>4,325,060</u>	<u>4,325,060</u>
Total Restricted Assets	<u>26,848,253</u>	<u>28,479,746</u>	<u>30,610,196</u>	<u>42,457,776</u>	<u>42,994,616</u>
Fixed Assets at Cost:					
Land, improved and unimproved	17,834,755	17,834,755	17,834,755	17,834,755	17,834,755
Buildings	22,675,320	22,675,320	23,407,304	23,407,304	23,407,304
Furniture, fixtures, equipment and machinery	5,240,374	6,341,297	6,661,587	7,755,334	7,328,115
Other fixed assets	<u>68,066,169</u>	<u>68,932,079</u>	<u>69,870,967</u>	<u>71,450,981</u>	<u>72,481,204</u>
Subtotal	113,816,618	115,783,451	117,774,613	120,448,374	121,051,378
Less: Accumulated depreciation & amortization	<u>77,240,029</u>	<u>79,148,696</u>	<u>81,315,328</u>	<u>83,757,264</u>	<u>84,723,767</u>
Net Fixed Assets	<u>36,576,589</u>	<u>36,634,755</u>	<u>36,459,285</u>	<u>36,691,110</u>	<u>36,327,611</u>
TOTAL ASSETS	<u>114,493,806</u>	<u>121,336,807</u>	<u>128,233,995</u>	<u>132,081,473</u>	<u>125,153,982</u>

(continued)

Solid Waste Disposal Fund
Balance Sheet
For The Year Ended June 30, 2002
With Comparative Totals For June 30, 2001, 2000, 1999 and 1998

	June 30				
<u>LIABILITIES</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Current Liabilities:					
Accounts / vouchers payable	3,890,490	5,167,239	4,163,760	4,995,835	4,380,685
Interest payable	239,206	228,964	217,488	212,221	180,156
Retainage payable	446,994	426,301	595,185	482,146	56,334
Accrued liabilities	1,435,207	1,434,068	1,383,277	1,448,989	580,704
Current portion of long-term obligations payable:					
General obligation bonds payable	482,064	369,235	89,849	89,849	89,851
Revenue bonds payable	1,877,917	1,972,917	2,072,916	2,182,917	2,297,917
Equipment notes payable	-	3,981	-	-	-
Landfill closure costs	5,694,000	8,000,000	3,825,800	1,285,000	1,452,000
Due to other funds	57,073	54,074	30,838	30,100	33,419
Due to component units	-	2,450	2,150	56,740	-
Due to other governments	645,845	1,119,811	3,075,112	633,328	1,141,953
Total Current Liabilities	<u>14,768,796</u>	<u>18,779,040</u>	<u>15,456,375</u>	<u>11,417,125</u>	<u>10,213,019</u>
Long-Term Obligations:					
General obligation bonds payable	831,166	461,931	372,082	282,233	192,382
Revenue bonds payable	40,132,677	38,159,761	36,086,843	33,903,927	31,606,010
Equipment notes payable	-	16,818	-	-	-
Landfill closure costs	36,880,900	25,265,900	24,286,100	23,247,359	23,235,900
Compensated Absences	-	-	-	-	89,622
Notes Payable - Webb Liability	-	-	-	-	800,000
Total Long-Term Liabilities	<u>77,844,743</u>	<u>63,904,410</u>	<u>60,745,025</u>	<u>57,433,519</u>	<u>55,923,914</u>
TOTAL LIABILITIES	<u>92,613,539</u>	<u>82,683,450</u>	<u>76,201,400</u>	<u>68,850,644</u>	<u>66,136,933</u>
<u>EQUITIES</u>					
Retained earnings:¹					
Reserved for purchase/construction commitments	18,808,040	25,525,048	2,699,599	-	n/a
Investment in capital, net of related debt	n/a	n/a	n/a	n/a	2,141,451
Restricted Assets	n/a	n/a	n/a	n/a	42,994,616
Non-restricted Assets	n/a	n/a	n/a	n/a	13,880,982
Unreserved (deficit)	<u>3,072,227</u>	<u>13,128,309</u>	<u>49,332,996</u>	<u>63,230,829</u>	<u>n/a</u>
TOTAL EQUITIES	<u>21,880,267</u>	<u>38,653,357</u>	<u>52,032,595</u>	<u>63,230,829</u>	<u>59,017,049</u>
TOTAL LIABILITIES AND EQUITIES	<u>\$114,493,806</u>	<u>\$121,336,807</u>	<u>\$128,233,995</u>	<u>\$132,081,473</u>	<u>\$125,153,982</u>

¹ Financial Reporting changed due to GASB 34

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APPENDIX D

FINANCIAL INFORMATION CONCERNING THE AUTHORITY

Set forth in Tables 1 and 2 below are the audited financial results for the Authority's Montgomery County Project for the last five Fiscal Years.

Table 1
Authority's Montgomery County Project
Statement Of Revenues, Expenses, And Changes In Fund Equity
For the Year Ended June 30, 2002
With Comparative Totals For June 30, 2001, 2000, 1999 and 1998

	<u>June 30</u>				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Revenues:					
Cogeneration revenues	\$ 5,924,115	\$7,426,783	\$ 8,599,844	\$ 9,424,814	\$12,830,690
Montgomery County revenues	46,286,800	43,446,425	47,303,525	45,681,400	42,703,224
Interest and other	<u>2,850,196</u>	<u>2,811,757</u>	<u>2,731,326</u>	<u>2,661,705</u>	<u>2,228,295</u>
Total Revenues	<u>55,061,111</u>	<u>53,684,965</u>	<u>58,634,695</u>	<u>57,767,919</u>	<u>57,762,209</u>
Expenses:					
Contractual and other direct project costs	23,311,376	21,540,444	26,346,359	25,885,232	25,681,700
Depreciation	8,323,485	8,193,750	8,216,734	8,232,390	8,234,721
Bond issuance amortization	357,524	332,269	299,041	297,396	300,780
Interest	21,595,453	20,943,410	20,210,279	19,533,281	18,849,484
Other expenses	<u>15,799</u>	<u>67,165</u>	<u>100</u>	<u>90</u>	<u>100</u>
Total Expenses	<u>53,603,637</u>	<u>51,077,038</u>	<u>55,072,513</u>	<u>3,948,389</u>	<u>53,066,785</u>
Excess (deficiency) of revenues over expenses	<u>1,457,474</u>	<u>2,607,927</u>	<u>3,562,182</u>	<u>3,819,530</u>	<u>4,695,424</u>
Other Financing Sources (Uses):					
Transfers to Montgomery County	-	(2,977,089)	(904,526)	-	-
Transfer to Authority	-	(109,905)	(109,987)	(208,998)	(298,502)
Interfund transfers	<u>(85,295)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>(85,295)</u>	<u>(3,086,994)</u>	<u>(1,014,513)</u>	<u>(208,998)</u>	<u>(298,502)</u>
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	<u>\$ 1,372,179</u>	<u>\$ (479,067)</u>	<u>\$ 2,547,669</u>	<u>\$ 3,610,532</u>	<u>\$ 4,396,922</u>
Fund equity, beginning of year	(5,641,471)	(9,194,005) ¹	(9,673,072)	(7,125,403)	(3,514,871)
Fund equity, end of year	(4,269,292)	(9,673,072)	(7,125,403)	(3,514,871)	882,051

¹ Fund balance restated on Authority's 1999 financial statements.

Table 2
Authority's Montgomery County Project
Balance Sheet
For The Year Ended June 30, 2002
With Comparative Totals For June 30, 2001, 2000, 1999 and 1998

	June 30				
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
ASSETS					
Investments, at amortized cost	\$ 60,200,847	\$ 59,460,812	\$ 56,506,195	\$ 56,572,531	\$ 56,689,941
Interest receivable	164,364	164,365	202,659	200,382	183,868
Receivables:					
Cogeneration receivables	704,550	1,019,857	844,324	2,063,118	2,766,081
Montgomery County Fees Receivable	642,716	108,017	2,774,455		
Due from other funds	2,040,706	1,956,994	4,685,188	5,311,384	2,794,574
Plan and equipment (net of accumulated depreciation)	92,460,030	279,620,493	271,864,426	3,632,036	255,406,678
Bond issuance costs (net of accumulated amortization)	<u>5,689,332</u>	<u>5,222,457</u>	<u>4,792,313</u>	<u>4,362,921</u>	<u>3,928,642</u>
TOTAL ASSETS	<u>\$361,902,545</u>	<u>\$347,552,995</u>	<u>\$341,669,560</u>	<u>\$332,142,372</u>	<u>\$321,769,784</u>

(continued)

**Authority's Montgomery County Project
Balance Sheet
For The Year Ended June 30, 2002
With Comparative Totals For June 30, 2001, 2000, 1999 and 1998**

	June 30				
LIABILITIES AND FUND EQUITY	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Liabilities:					
Project cost liability	\$ 2,538,971	\$ 1,936,036	\$ 4,665,120	\$ 2,146,969	\$ 3,530,833
Due to other funds	2,063,463	1,978,073	4,705,256	5,325,373	2,853,907
Due to Montgomery County	-	1,580,151	-	879,258	-
Interest payable	10,729,403	10,404,403	10,039,587	9,700,643	9,357,993
Escrow Payable	-	887,404	-	-	-
Bonds payable	<u>50,840,000</u>	<u>340,440,000</u>	<u>329,385,000</u>	<u>317,605,000</u>	<u>305,145,000</u>
Total Liabilities	<u>6,171,837</u>	<u>57,227,067</u>	<u>348,794,963</u>	<u>335,657,243</u>	<u>320,887,733</u>
Fund Equity					
Unreserved:					
Undesignated	31,185	-	-	-	-
Reserved for:					
Fixed Assets	296,754,187	-	-	-	-
Bond Insurance Costs and original discount amortization	<u>5,689,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total unreserved and reserved	<u>302,474,704</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Montgomery County Project					
Operations	-	(54,425,855)	(52,529,466)	(49,499,833)	(45,669,992)
Debt service	12,232,299	12,889,078	13,540,358	14,121,257	14,688,338
Debt service contingencies	31,863,705	31,863,705	31,863,705	31,863,705	31,863,705
Debt principal	<u>(350,840,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Montgomery County Project	<u>(4,269,292)</u>	<u>(9,673,072)</u>	<u>(7,125,403)</u>	<u>(3,514,871)</u>	<u>882,051</u>
Total fund equity (deficit)	<u>(4,269,292)</u>	<u>(9,673,072)</u>	<u>(7,125,403)</u>	<u>(3,514,871)</u>	<u>882,051</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 361,902,545</u>	<u>\$ 347,552,995</u>	<u>\$341,669,560</u>	<u>\$332,142,372</u>	<u>\$321,769,784</u>

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APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following summarizes certain provisions of the Indenture. This summary does not purport to set forth all of the provisions of the Indenture and is qualified by reference to the Indenture in its entirety for the complete and actual terms thereof. Any capitalized term used in this summary and not defined below is defined in Appendix A, Summary of Certain Definitions.

Summary of Certain Definitions

Agency Obligations means direct obligations (including bonds, debentures, notes, participation certificates or similar obligations) 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: Federal National Mortgage Association, Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Tennessee Valley Authority, United States Postal Service, Export-Import Bank of the United States, Farmers Home Administration, General Services Administration, United States Maritime Administration, Small Business Administration and United States Department of housing and Urban Development Federal Housing Administration.

Company Damage Payment means the payment due from the Company in the event that the Service Agreement is terminated due to Company default.

Construction Commitments means any one or more of the following sources of funds: (a) cash or Investment Obligations either (i) on deposit in any of the funds or accounts established under the Indenture and available in, or for transfer to, the Construction Fund or the Insurance and Condemnation Award Fund (as the case may be) for the purpose for which such funds are required or (ii) held by the Trustee pursuant to an escrow agreement or other arrangement satisfactory to the Trustee and available for transfer to the Construction Fund or the Insurance and Condemnation Award Fund (as the case may be) in each case together with estimated investment earnings thereon, assuming a yield satisfactory to the Trustee; (b) the proceeds of Additional Bonds; (c) the obligations of the Company under the Service Agreement; (d) any Eligible Credit Facility; (e) guarantees from the guarantor or guarantees from any other entity having a rating in the category of "A" or better by Moody's or Standard and Poor's; or (f) other evidence reasonably satisfactory to the Trustee that funds will be available for the purpose for which such funds are required.

County Payments means Revenues paid to the Authority by the County pursuant to the Waste Disposal Agreement.

Designated Bonds means certain Non-Refunded Series 1993A Bonds that are subject to prepayment from available funds, if any, following the termination of the Service Agreement for Company default.

Eligible Credit Facility means any Credit Facility satisfying the following conditions: (i) on the date of delivery thereof to the Trustee and throughout the period during which such Credit Facility is credited to any fund or account maintained under the Indenture, the unsecured long-term indebtedness or the claims-paying ability of the issuer thereof or its parent holding company or other controlling entity is rated by each Rating Agency in a Rating Category not lower than the higher of (A) the Rating Category in which Bonds of the Series for which such fund or account is maintained are then rated, or (B) a rating Category of "A" and (ii) such Credit Facility imposes an unconditional obligation on the issuer thereof to pay to the Trustee amounts payable thereunder at such times as the Trustee is required to transfer any amount (other than any surplus) from such fund or account in accordance with the Indenture.

Event of Default means any of the events described below under "Events of Default."

Income Available for Debt Service means, for any period, an amount determined to be excess of (i) the sum of all Operating Revenues over (ii) all Operating Expenses for such period.

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, 1992.

Insurance and Condemnation Proceeds means the gross proceeds of all property insurance policies and title insurance with respect to the Authority's or the Trustee's interest in the Project, the Project Sites or any Authority Facilities and the gross proceeds with respect to all or any part of the Authority's or the Trustee's interest in the Project Sites, the Project or any Authority Facilities that is taken in the exercise of the power of eminent domain, 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 Authority and any such public authority, in each case, less expenses reasonably incurred in the collection of such gross proceeds.

Interest Payment Date means, with respect to the Series 2003 Bonds, each October 1 and April 1, commencing October 1, 2003.

Investment Securities means

- (a) Government Obligations;
- (b) Agency Obligations;
- (c) interest bearing time deposits, bankers acceptances, certificates of deposit or similar arrangements satisfactory to the Trustee of any bank or trust company (including, without limitation, the Trustee) with a combined capital and surplus of at least \$100,000,000, the outstanding unsecured long-term indebtedness of which is rated by any Rating Agency that has an outstanding rating on the Series 2003 Bonds in one of such Rating Agency's two highest Rating Categories;
- (d) negotiable or nonnegotiable certificates of deposit issued by commercial banks and trust companies (including, without limitation, the Trustee) which is rated by any rating Agency that has an outstanding rating on the Series 2003 Bonds in one of such rating Agency's two highest Rating Categories to the extent fully insured by the Federal Deposit Insurance Corporation;
- (e) repurchase agreements for Government Obligations or Agency Obligations with any dealer in government primary dealer by the Federal Reserve Bank of New York, acting as principal or agent, provided that (i) such Government Obligations or Agency Obligations shall be (A) if issued in certificated form, delivered to the Trustee or its agent or supported by a safekeeping receipt issued by a depository satisfactory to the Trustee or (B) if issued in book-entry form, supported by a receipt or other confirmatory documentation satisfactory to the Trustee, (ii) the Trustee Obligations or Agency Obligations, (iii) such Government Obligations or Agency Obligations shall be free and clear of any other liens or encumbrances, (iv) with respect to repurchase agreements for Government Obligations, such repurchase agreements shall provide that the value of the underlying Government Obligations shall be continuously maintained at a current market value of not less than 102% of the repurchase price (the value of such Government Obligations to be determined by the Trustee or its agent or designee at least once in each seven-day period) and (v) with respect to repurchase agreements for Agency Obligations, such repurchase agreements shall provide that the value of the underlying Agency Obligations shall be continuously maintained at a current market value of not less than 103% of the repurchase price (the value of such Agency Obligations to be determined by the Trustee or its agent or designee at least once in each seven-day period);
- (f) commercial paper or finance company paper which is rated by any Rating Agency that has an outstanding rating on the Series 2003 Bonds in such Rating Agency's highest Rating Category;
- (g) obligations issued by or on behalf of any state of the United States or any political subdivision thereof for the payment of the principal or redemption price of and interest on which there shall have been irrevocably deposited government Obligations maturing as to principal and interest at times and in amounts sufficient to provide such payment;

(h) any other obligations issued by or on behalf of any state of the United States or any political subdivision thereof if such obligations or other obligations of the issuer thereof of comparable maturities that are secured equally and ratably with such obligations are rated by a Rating Agency that has an outstanding rating on the Series 2003 Bonds in one of such Rating Agency's two highest Rating Categories;

(i) investment agreements continuously secured by the obligations listed in paragraphs (a), (b), (c), (e), (g) or (h) above, with any bank (including, without limitation, the Trustee), trust company or broker or dealer (as defined by the Securities Exchange Act of 1934, as amended) which is a dealer in government bonds, which reports to, trades with and is recognized as a primary dealer by, a Federal Reserve Bank, and is a member of the Securities Investors Protection Corporation and whose outstanding unsecured long-term indebtedness is rated by a Rating Agency that has an outstanding rating on the Series 2003 Bonds in one of such Rating Agency's two highest Rating Categories if (1) such obligations are delivered to the Trustee or are (A) if issued in certificated form, delivered to the Trustee or supported by a safekeeping receipt issued by a depository satisfactory to the Trustee or (B) if issued in book-entry form, supported by a receipt or other confirmatory documentation satisfactory to the Trustee, or (2) the Trustee has a perfected security interest in such obligations, (3) such obligations are free and clear of any other liens or encumbrances, and (4) such investment agreements provide that the value of the underlying obligations shall be continuously maintained at a current market value, calculated no less frequently than monthly, of not less than the amount deposited thereunder;

(j) shares in investment companies rated by a Rating Agency that has an outstanding rating on the Series 2003 Bonds in one of such Rating Agency's two highest Rating Categories;

(k) domestic money market mutual funds which are rated by a Rating Agency that has an outstanding rating on the Series 2003 Bonds in one of such Rating Agency's two highest Rating Categories or which invest in (a) U.S. Government or federal agency securities and repurchase agreements, or (b) other investment instruments specifically include in this definition of Investment Securities; and

(l) with respect to investments held in any fund or account created by the Indenture solely for Bonds of a Series secured by a Credit Facility, such other investments shall be approved in writing by the Credit Facility Provider with respect to such Series of Bonds.

O&M Reserve Requirement has the meaning as "O&M Reserve Fund Deposit Requirement," which is defined in Appendix A, Summary of Certain Definitions.

Operating Revenues means all operating and non-operating revenues of the Authority generated from the operation of the Authority Facilities and performance by the Authority of its obligations under the Project Agreements; provided, however, that Operating Revenues shall not at any time include any amounts that do not constitute Revenues or any extraordinary gain on the sale or disposition of any asset or extinguishment of debt.

Revenues has the same meaning as "Project Revenues," which is defined in Appendix A, Summary of Certain Definitions.

Revenue Test means that there is delivered to the Authority and the Trustee prior to the date on which such action is to be taken a certificate of the County and an opinion of Independent Counsel having a favorable reputation in the field of municipal law whose legal opinions are generally accepted by purchasers of municipal bonds to the effect that (A) such action is not prohibited by the Waste Disposal Agreement and the Master Authorization and (B) after such action is taken, the Waste Disposal Fee will include all additional or increased amounts payable by or on behalf of the Authority as a result of such action.

Series 1993A Bonds has the same meaning as "Non-Refunded Series 1993A Bonds," which is defined in Appendix A, Summary of Certain Definitions.

Subordinate Obligations means any Indebtedness secured by a pledge of all or a portion of the Trust Estate junior and subordinate to the pledge of the Trust Estate securing the Bonds and issued by the Authority in accordance with Section 5.13 of the Indenture.

Tax Compliance Agreement means collectively (i) the Tax Compliance Agreements executed by (among others) the Authority in connection with the Series 1993A Bonds and the Series 2003 Bonds, and (ii) any compliance agreements executed by the Authority (among others) in connection with the issuance of Additional Bonds.

Tax-Exempt Bonds means the Series 1993A Bonds, the Series 2003 Bonds and any other Bonds with respect to which there shall have been delivered to the Authority an opinion of Bond Counsel to the effect that the interest on such Bonds is excludable from gross income for federal income tax purposes other than with respect to the alternative minimum tax imposed under Part VI of the Code.

Transfer Date means on or before the last Business Day of each month and on any other date specified in Transfer Directions or as otherwise described below under “Deposit and Application of Revenues and Certain Proceeds.”

Transfer Directions means a written direction executed by an Authorized Officer of the Authority and delivered to the Trustee from time to time with respect to the transfer in accordance with the Indenture of monies on deposit in one fund or account established under the Indenture to another fund or account established under the Indenture.

Summary of Certain Provisions

Refunding Bonds (Section 2.06).

In accordance with the Act, the Authority may issue refunding bonds to refund any Outstanding Bonds. Refunding bonds shall be issued pursuant to and in accordance with the Indenture or any other bond resolution or indenture or Project Agreement entered into by the Authority authorizing such refunding bonds, which may provide (without limitation) for the refunding of Outstanding Bonds in advance of the earliest redemption date for such Outstanding Bonds.

Authorization of Additional Bonds; Conditions Precedent to Delivery of Additional Bonds (Section 2.07).

In addition to the Series 2003 Bonds and the Series 1993 Bonds, the Authority may issue, from time to time, Additional Bonds under and secured by the Indenture and any Supplemental Indenture, subject to the conditions provided in the Indenture and any Supplemental Indenture. Additional Bonds may be issued for the acquisition, completion or improvement of Authority Facilities or for any other purpose permitted or required by the Service Agreement, the Waste Disposal Agreement or the Act, including (without limitation) 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. The issuance of Additional Bonds shall be authorized by a Supplemental Indenture.

Prior to the termination of the Service Agreement, the Authority shall obtain the consent of the Company (which shall not be unreasonably withheld) under certain circumstances prior to the issuance of any Additional Bonds if the Company is or will be obligated to pay debt service on such Additional Bonds as part of its damage payments under the Service Agreement; provided, however, that no such consent shall be required in connection with the issuance of Additional Bonds if the proceeds thereof (other than an insubstantial portion) are intended to pay the costs of any change or restoration required as a result of an Uncontrollable Circumstance. The failure by the Authority to obtain the consent of the Company as described in this paragraph shall not affect the validity of any Additional Bonds issued in contravention of such requirement.

Each Series of Additional Bonds shall be on a parity with, and shall be entitled to the same benefit and security of the Indenture as the Series 2003 Bonds and the Series 1993 Bonds and any other Series of Additional Bonds that may be issued from time to time as provided in the Indenture subject only (i) to the provisions of the Indenture permitting the application of the Trust Estate as described in the Indenture, (ii) to the provisions of the Indenture permitting the application of monies in the Debt Service Reserve Funds for the benefit of some, but not necessarily all, of the Bonds, and (iii) to the provisions of the Indenture relating to Designated Bonds

The Indenture specifies the conditions precedent to the execution and delivery of Additional Bonds. Some, but not all, of the conditions are as follows:

(1) 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 Authority and constitutes the valid and binding limited obligation of the Authority; (ii) the Authority is duly authorized and entitled to issue such Additional Bonds, and Additional Bonds executed, authenticated and delivered as provided in the Indenture and such Supplemental Indenture have been duly and validly issued and constitute valid and binding limited obligations of the Authority; 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;

(2) a certificate of the Authority to the effect that upon the authentication and delivery of such Additional Bonds, no Event of Default shall exist under the Indenture; and

(3) except with respect to Additional Bonds issued pursuant to Section 6.4 of the Waste Disposal Agreement, a certificate of the County to the effect that (A) the issuance of such Additional Bonds is permitted under the Waste Disposal Agreement and the Master Authorization and all conditions precedent to the issuance of such Additional Bonds under the Waste Disposal Agreement and the Master Authorization, if any, have been satisfied.

Registration and Exchange of Bonds (Section 2.09).

The Series 2003 Bonds and, unless otherwise provided in a Supplemental Indenture or the terms of Additional Bonds, all other Bonds shall be negotiable instruments for all purposes and shall be transferable in accordance with the provisions for registration and registration of transfer endorsed on the Bonds.

The Authority shall cause books for registration and the registration of transfer of Bonds to be prepared. The registration books shall be kept by the Registrar.

If any Bond is surrendered to the Registrar at its principal corporate trust office for transfer or exchange in accordance with the provisions of such Bond, the Authority shall execute and the Registrar shall authenticate and deliver in exchange for such Bond a new Bond or Bonds of the same Series, in any Authorized Denomination, bearing interest at the same rate and having the same stated maturity date, in aggregate principal amount equal to the principal amount of the Bond so surrendered, upon reimbursement, if required, to the Authority or the Registrar of an amount equal to any tax or other governmental charge required to be paid with respect to such exchange.

Neither the Authority nor the Registrar shall be required to register the transfer of any Bond or make any such exchange of any Bond after such Bond or any portion thereof has been selected for redemption.

Selection of Bonds to Be Redeemed (Section 3.02).

If fewer than all of the Bonds shall be called for redemption, the Authority shall select the Series of Bonds and the maturities within each such Series to be redeemed, except as otherwise provided in a Supplemental Indenture authorizing the issuance of any Additional Bonds with respect to such Additional Bonds. The Authority shall select the Series of Bonds to be redeemed and the maturities of such Bonds in accordance with any instructions or requirements relating thereto set forth in the Tax Compliance Agreement and instructions of Bond Counsel related thereto.

If fewer than all of the Bonds of a Series of any one maturity shall be called for redemption, the Trustee shall cause the Registrar to select the particular Bonds or portions of 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 except as otherwise provided in a Supplemental Indenture authorizing the issuance of any Additional Bonds with respect to such Additional Bonds (i) the portion of any Bond to be redeemed shall be in a principal amount equal to an Authorized Denomination for such Bond and (ii) in selecting Bonds for redemption, the Registrar shall treat each

Bond as representing that number of Bonds that is obtained by dividing the principal amount of such Bond by the minimum Authorized Denomination for such Bond.

Redemption of Portion of Bond (Section 3.04).

In case part, but not all, of a Bond shall be selected for redemption, upon the presentation and surrender of such Bond to the Paying Agent for payment of the principal amount thereof so called for redemption in accordance with such Bond, the Authority shall execute and the Registrar 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 and maturity, bearing interest at the same rate and of any Authorized Denomination in aggregate principal amount equal to the unredeemed portion of such Bond.

Creation of Funds and Accounts (Section 4.01).

The following funds and accounts are created by the Indenture for the benefit of the holders of all Outstanding Bonds and, to the extent provided in the Indenture, the Credit Facility Providers, if any: County Credits Fund; Revenue Fund; Operating Fund; Insurance and Condemnation Award Fund (Net Proceeds Account; Business Interruption Insurance Proceeds Account); O&M Reserve Fund; and Project Fund. The following funds and accounts are created by the Indenture for each Series of Outstanding Bonds and, to the extent provided in the Indenture, the Credit Facility Provider with respect to such Bonds, if any: Construction Fund; Debt Service Fund (Interest Account, Principal Account, Sinking Fund Account, Redemption Account); and Debt Service Reserve Fund. A separate fund for the benefit of holders of Designated Bonds, if any, is created by the Indenture. A separate Rebate Fund for each Series of Tax-Exempt Bonds is created by the Indenture.

Construction Funds (Section 4.03).

Monies in the Construction Fund established for the Series 2003 Bonds shall be applied only in accordance with the Indenture. Monies deposited in a construction fund established for any other Series of Bonds shall be applied in accordance with the provision of the Indenture and the Supplemental Indenture authorizing the issuance of such Bonds.

Amounts on deposit in the Costs of Issuance Account of the Construction Fund established for the Series 2003 Bonds shall be used only to pay the costs of issuance of the Series 2003 Bonds.

Payments from the Construction Fund established for the Series 2003 Bonds shall be made in accordance with the terms of the Indenture upon receipt of requisitions stating (i) that the amounts set forth therein are being requisitioned for the payment of costs of issuance, (ii) that obligations in the stated amounts have been incurred and are presently due and payable or have been paid, and (iii) that each item thereof is a proper charge against the Construction Fund established for the Series 2003 Bonds.

Upon receipt of Transfer Directions, the Trustee shall transfer (i) amounts on deposit in the Construction Account established for the Series 2003 Bonds to one or more of the funds or accounts created under the Indenture; provided, however, that with respect to any such transfer such Transfer Directions shall include an opinion of Bond Counsel to the effect that such transfer will not adversely affect the tax-exempt status of any Outstanding Tax-Exempt Bonds.

Deposit and Application of Revenues and Certain Proceeds (Section 4.04).

All County Payments shall be deposited in the Revenue Fund upon receipt (except County Payments with respect to redemption of Bonds, which are deposited as described below). Except with respect to Company Damage Payments and County Payments with respect to redemption of Bonds or as otherwise expressly provided in the Indenture, all other Revenues received by the Authority or the Trustee shall be deposited in the Revenue Fund upon receipt. Upon the deposit of amounts with the Trustee by the Authority, or upon the request of the Trustee with respect to amounts deposited with it hereunder by Persons other than the Authority, the Authority shall provide to

the Trustee a certificate identifying such payments; provided, however, that in absence of identifying instructions from the Authority, all payments received by the Trustee from the Company shall be deemed to be Company Damage Payments.

On or before the last Business Day of each month, and on any other date specified in Transfer Directions delivered to the Trustee (each, a "Transfer Date"), after making the transfer to the Revenue Fund from the County Credits Fund as required by the Indenture, the Trustee shall transfer amounts from the Revenue Fund as follows and, in the case of transfers to be made on the same date, in the following order of priority:

(i) to the Operating Fund, the amount specified in a certificate of the Authority delivered to the Trustee, which certificate shall identify the amount necessary to make the amount on deposit in the Operating Fund equal to the sum of all Operating Expenses (except any amount required to be transferred to the O&M Reserve Fund as described in clause (ii) below) that are then payable or are expected to become payable during the immediately succeeding month, which were or are not otherwise paid or provided for, including (without limitation) (A) all amounts payable to the Company pursuant to the Service Agreement for such month and (B) all amounts payable to the Authority for such month in respect of the Facility Fee, Alternate Disposal Costs, Authority Administrative Costs and Operating Costs as such fees and costs are defined in the Waste Disposal Agreement and (C) amounts payable to the County in respect of (1) Company Damage Payments under Section 11.7(b)(iv) of the Service Agreement in an amount up to the amount described in Section 11.7(b)(v) of the Service Agreement, or (2) Company Damage Payments under Section 11.7(c)(iii) of the Service Agreement in an amount up to \$5,000,000 adjusted by an inflation adjustor.

(ii) to the O&M Reserve Fund an amount equal to the O&M Reserve Requirement for the immediately succeeding month;

(iii) to the Debt Service Fund established for each Series of Bonds, the monthly portion of the sum necessary to provide for the payment of debt service on such Bonds;

(iv) to the Debt Service Reserve Fund established for any Series of Bonds, the amount of any payment specified in the notice from the Trustee with respect to certain deficiencies in such Debt Service Reserve Fund; and

(v) any balance remaining in the Revenue Fund after all transfers required under clauses (i) through (iv) of this paragraph to the Project Fund.

All Insurance and Condemnation Proceeds received by the Authority or the Trustee shall be deposited in the Net Proceeds Account of the Insurance and Condemnation Award Fund by the Trustee immediately upon receipt thereof. Payments of proceeds of business interruption insurance shall be deposited in the Business Interruption Insurance Proceeds Account of the Insurance and Condemnation Award Fund by the Trustee immediately upon receipt thereof.

All Revenues that are also Authority Component Revenues other than County Payments, Insurance and Condemnation Proceeds, Company Damage Payments and County Redemption Payments shall be deposited by the Trustee upon receipt in the County Credits Fund. All County Redemption Payments received by the Authority or the Trustee shall be deposited in accordance with instructions of the Authority in the Redemption Accounts of the Debt Service Funds by the Trustee immediately upon receipt thereof

All Company Damage Payments in respect of termination damages described in the Service Agreement and allocable to the payment of Designated Bonds that are received by the Authority or the Trustee shall be part of a special trust estate and shall be deposited in a fund securing the Designated Bonds, if any, upon receipt thereof and thereafter applied as provided in the Indenture. All other such Company Damage Payments shall be deposited in the Revenue Fund upon receipt thereof by the Trustee or the Authority and shall be transferred to such other fund or account designated by the Authority in Transfer Directions.

All other Company Damage Payments shall be deposited in the Revenue Fund upon receipt thereof by the Trustee or the Authority.

Operating Fund (Section 4.05).

Amounts on deposit in the Operating Fund shall be applied to the payment of Operating Expenses from time to time as the same become due and payable, including (without limitation) amounts payable to the Company under the Service Agreement and any Operating Expenses of the Authority, in accordance with requisitions that are received by the Trustee.

Debt Service Funds (Section 4.06).

The Trustee shall make available to the Paying Agent from the Interest Account established for each Series of Bonds on each Interest Payment Date, applicable to any Outstanding Bonds of a Series, on the redemption date of any Outstanding Bonds of such Series, on any date on which Bonds of such Series are purchased in accordance with the Indenture, and on each date on which the principal of any Outstanding Bonds of such Series becomes due, the amount required to pay the interest due on such Bonds on such date, which amount shall be applied by the Paying Agent to the payment of the interest due on such Bonds in accordance with the terms of such Bonds. The Trustee shall make the transfer described in this paragraph only if and to the extent, there are sufficient monies on deposit in such Interest Account and available to make such transfers.

The Trustee shall make available to the Paying Agent on each date on which principal on any Outstanding Serial Bonds of a Series becomes due from the Principal Account established for such Series of Bonds the amount required to pay the principal of such Bonds due on such date, which amount shall be applied by the Paying Agent to the payment of the principal due on such Bonds in accordance with the terms of such Bonds. The Trustee shall make the transfer described in this paragraph only if, and to the extent, there are sufficient monies on deposit in such Principal Account and available to make such transfers.

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.

Debt Service Reserve Funds (Section 4.07).

Monies in the Debt Service Reserve Fund established for the Series 1993 Bonds shall be used only to pay debt service on the Series 1993 Bonds and monies in the Debt Service Reserve Fund established for the Series 2003 Bonds shall be used only to pay debt service on the Series 2003 Bonds. Monies deposited in a Debt Service Reserve Fund established for any other Series of Bonds shall be applied in accordance with the provisions of the Indenture and the Supplemental Indenture authorizing the issuance of such Bonds.

If on any date on which a payment is required to be made from the Interest Account, Principal Account, Sinking Fund Account or Redemption Account established for a Series of Bonds, the amount on deposit in such Interest Account, Principal Account, Sinking Fund Account or Redemption Account, respectively, shall be less than the amount of such payment, after any transfer from the Redemption Account required by the Indenture and after any transfer to the Debt Service Fund established for such Series of Bonds made in accordance with the Indenture, the Trustee shall transfer monies from the Debt Service Reserve Fund (if any) for such Series of Bonds, first, to such Interest Account and then to such Principal Account, Sinking Fund Account or Redemption Account (as the case may be), to the extent necessary to make good any deficiency. However, no such transfer shall be made in order to cure a deficiency to pay the principal or Redemption Price of, or interest on, Bonds that are not secured by such Debt Service Reserve Fund pursuant to the Indenture and any Supplemental Indenture authorizing the issuance of any Additional Bonds and prior to the transfer of any monies in a Debt Service Reserve Fund that constitute proceeds of a Series of Tax-Exempt Bonds to any Debt Service Funds or accounts thereunder established for Bonds other than such Series of Tax-Exempt Bonds, the Trustee shall obtain an opinion of Bond Counsel to the effect that the application of such monies will not adversely affect the excludability from gross income, for federal income tax purposes, of the interest paid on any Tax-Exempt Bonds. The Trustee shall make the transfers described in this paragraph only if, and to the extent, there are sufficient monies on deposit in the Debt Service Reserve Fund that are available to make such transfers. If necessary to comply with the requirements of the Indenture, the Trustee shall draw on any Eligible Credit Facility or other credit facility or security held to the credit of a Debt Service Reserve Fund in sufficient time so that the proceeds thereof are available to make the transfers described under this heading.

The Trustee shall determine the value of the assets of a Debt Service Reserve Fund in the manner provided in the Indenture as of the close of business (i) on December 1 and June 1 in each Fiscal Year during the period between the date of delivery of any Series of Additional Bonds and the completion date of any Additional Facilities financed with the proceeds of such Additional Bonds, (ii) on June 1 in each Fiscal Year during any other period, (iii) on the date of any withdrawal from such Debt Service Reserve Fund, (iv) on any date on which the Trustee obtains knowledge that any Credit Facility held to the credit of such Debt Service Reserve Fund is no longer entitled to be credited against Debt Service Reserve Fund Requirement for such Debt Service Reserve Fund, (v) on such other dates as shall be directed by the Authority and (vi) if any such determination discloses a deficiency, on the last Business Day of each month thereafter until such determination discloses that a deficiency no longer exists in such Debt Service Reserve Fund.

If any Eligible Credit Facility held to the credit of a Debt Service Reserve Fund ceases to meet the requirements of the Indenture as a result of a reduction or withdrawal of the rating of the unsecured long-term indebtedness or the claims-paying ability of the issuer thereof or its parent holding company or other controlling entity by a Rating Agency, the Authority shall have a period of 60 days from the date of reduction or withdrawal of such rating to obtain a substitute Eligible Credit Facility meeting the requirements of the Indenture, after which a deficiency shall be deemed to exist in the Debt Service Reserve Fund secured thereby and the deposits to such Debt Service Reserve Fund required by the Indenture shall commence.

As promptly as practicable after each determination of the value of the assets of a Debt Service Reserve Fund, the Trustee shall notify the Authority of the result of such determination and of the amount of any deficiency or surplus determined to exist in such Debt Service Reserve Fund. The Trustee shall transfer the amount of any surplus that exists in a Debt Service Reserve Fund from time to time upon receipt of Transfer Directions. Transfers shall be made first, to the Construction Accounts established for the Series of Bonds secured by such Debt Service Reserve Fund during the period between the date of delivery of any Additional Bonds and the completion date of any Additional Facilities financed in whole or in part with the proceeds of such Additional Bonds, and second, to the Redemption Accounts established for the Series of Bonds secured by such Debt Service Reserve Fund, or upon the receipt of Transfer Directions, to the Revenue Fund or to any other fund or account, provided that, in the case of any transfer of amounts on deposit in a Debt Service Reserve Fund that constitute proceeds of any Tax-Exempt Bonds or the investment earnings on such proceeds, such Transfer Directions shall be accompanied by an opinion of Bond Counsel to the effect that the application of such amounts in accordance with such Transfer Directions will not adversely affect the excludability from gross income, for federal income tax purposes, of interest paid on any Tax-Exempt Bonds.

Any Supplemental Indenture authorizing Additional Bonds may provide that such Series of Additional Bonds shall not be secured by a Debt Service Reserve Fund. If Additional Bonds are not secured by a Debt Service Reserve Fund then (i) the Debt Service Reserve Fund Requirement shall be zero. Any Supplemental Indenture authorizing Additional Bonds may also provide that such Series of Additional Bonds shall be secured by a Debt Service Reserve Fund, that the value of the assets of such Debt Service Reserve Fund shall be valued on dates and pursuant to valuation methods set forth in such Supplemental Indenture and that the amount required to be deposited to such Debt Service Reserve Fund may be deposited on the date of issuance of such Additional Bonds or otherwise in accordance with a schedule set forth in the Supplemental Indenture authorizing such Additional Bonds, which schedule shall not exceed 24 months following the date of initial issuance of such Series of Additional Bonds.

Insurance and Condemnation Award Fund (Section 4.08).

Insurance and Condemnation Proceeds deposited in the Net Proceeds Account shall be applied to the repair or replacement of the lost, damaged, destroyed or taken property or to the redemption of Outstanding Bonds in accordance with the provisions of the Indenture.

(a) The Authority may elect to apply all or a portion of any Insurance and Condemnation Proceeds to the repair or replacement of the lost, damaged, destroyed or taken property upon delivery to the Trustee each of the following:

- (i) a certificate of the Authority describing the property to be repaired or replaced;

(ii) a written opinion of an Independent Engineer setting forth an estimate of the cost of such repair or replacement and the time required therefor and including a statement to the effect that the amount of such Insurance and Condemnation Proceeds, together with such other monies as are to be made available from Construction Commitments, will be sufficient to pay the costs of such repair or replacement; and

(iii) either (A) a certificate of the Authority to the effect that the property lost, damaged, destroyed or taken is to be restored (1) to substantially the condition in which it existed immediately prior to the loss, damage, destruction or taking, or (2) prior to the termination of the Service Agreement, to the condition required by the Service Agreement, together with a certificate of an Independent Engineer to the effect that in its opinion the Revenues available during the period of restoration are expected to be sufficient to pay the principal or Redemption Price of and interest on all Outstanding Bonds and all Operating Expenses becoming due during such period, or (B) each of the items required to satisfy the Revenue Test for each Fiscal Year through the second full Fiscal Year after the date on which such Insurance and Condemnation Proceeds are expected to be fully applied, taking into account proceeds of insurance (including, without limitation, business interruption insurance) that will be available to the Authority during such period.

Notwithstanding the foregoing provisions of this paragraph, if the amount of any Insurance and Condemnation Proceeds received in connection with any single casualty, or taking is less than \$3,000,000 times the Inflation Factor, the items required by clauses (ii) and (iii) above need not be provided to the Trustee.

(b) The Authority may elect to apply a portion of Insurance and Condemnation 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 Authority shall satisfy the requirements of paragraph (a) above with respect to monies being used for repair or replacement.

(c) The Authority may elect to apply Insurance and Condemnation Proceeds to the redemption of Outstanding Bonds if there is delivered to the Trustee each of the following

(i) either (A) an amount that, together with the amount of such Insurance and Condemnation Proceeds and any other amounts on deposit in the funds and accounts created by the Indenture, will be sufficient to redeem all Outstanding Bonds, together with redemption instructions with respect to such Bonds; or (B) redemption instructions specifying a portion of the Outstanding Bonds to be redeemed from such Insurance and Condemnation Proceeds, together with each of the items required to satisfy the Revenue Test for each Fiscal Year through the second full Fiscal Year after the date on which such Insurance and Condemnation Proceeds are applied to the redemption of such Bonds or irrevocably set aside for the payment or redemption of such Bonds in accordance with the provisions of the Indenture regarding defeasance; and

(ii) a certificate of the Authority and, prior to the termination of the Service Agreement, of the Company to the effect that (x) with respect to insurance proceeds related to loss, damage or destruction of all or a portion of the Project, the Project cannot be restored within a period of 12 months to the condition thereof immediately preceding such loss, damage or destruction or, alternatively, that the Authority 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, and (y) with respect to insurance proceeds or condemnation awards related to the taking or condemnation of the title to, or the temporary use of, all or substantially all of the Project or the Project Sites by a competent authority or loss of use or possession of all or substantially all of the Project or the Project Sites, the taking, condemnation or loss results, or is likely to result, in the Authority'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.

(d) If the Authority does not elect or is not entitled to apply any Insurance and Condemnation Proceeds in accordance with paragraphs (a), (b) or (c) above within 12 months of the deposit of such Insurance and Condemnation Proceeds in the Net Proceeds Account of the Insurance and Condemnation Award Fund, the Authority shall obtain a written report of an Independent Engineer making recommendations as to the use of such proceeds permitted by the terms of the Bonds that is expected to result in the maximum feasible Income Available

for Debt Service after such Insurance and Condemnation Proceeds have been fully applied. Such Insurance and Condemnation Proceeds shall thereafter be applied in accordance with the recommendations of such Independent Engineer. The Authority shall provide, or cause to be provided, to the Trustee one copy of the Independent Engineer's recommendations described in this paragraph.

(e) As used in Section 4.08 of the Indenture, the terms "repair" and "replace" include (without limitation) the construction or acquisition of replacement or substitute property, structures, machinery, equipment or other improvements, which need not have the same function as the property lost, damaged, destroyed or taken.

(f) The election of the Authority to apply any Insurance and Condemnation Proceeds in accordance with the terms of the Indenture shall be made by a certificate of the Authority and shall be made in compliance with the obligations of the Authority under the Project Agreements regarding the application of Insurance and Condemnation Proceeds. If the Authority elects to apply any Insurance and Condemnation Proceeds to the repair or replacement of any lost, damaged, destroyed or taken property, such certificate shall include a statement to the effect that the Authority has entered into substantial, binding commitments for such repair or replacement, which may include (without limitation) agreements between the Authority and the Company regarding the repair and replacement of the Project. If the Authority elects to apply any Insurance and Condemnation Proceeds to the redemption of Outstanding Bonds, such certificate shall be accompanied by Transfer Directions.

(g) If monies on deposit in the Insurance and Condemnation Award Fund are to be used to pay the costs of repair or replacement of any property, such monies shall be disbursed by the Trustee from time to time in accordance with requisitions filed with the Trustee. After making the repairs or replacements described in paragraphs (a) or (b) above or upon the Authority's election to redeem bonds as described in paragraph (c) above, and upon receipt of Transfer Directions, the Trustee shall transfer monies on deposit in the Insurance and Condemnation Award Fund that are to be applied to the redemption of Bonds in accordance with the Indenture to the Redemption Accounts established for the Series of Bonds specified therein.

(h) Upon receipt of Transfer Directions, the Trustee shall transfer monies in the Business Interruption Insurance Proceeds Account of the Insurance and Condemnation Award Fund to the Revenue Fund.

O&M Reserve Fund (Section 4.09).

Prior to the termination of the Service Agreement amounts on deposit in the O&M Reserve Fund shall be applied from time to time to the payment of the costs of maintenance, repairs and replacements of the Project in accordance with the Service Agreement or to such other purposes as shall be provided in the Service Agreement upon submission of Requisitions received by the Trustee. After the termination of the Service Agreement, unless Schedule 4 to the Service Agreement provides that such deposits shall be paid to the Company or transferred to a fund securing the Designated Bonds, amounts on deposit in the O&M Reserve Fund, if any, shall be applied from time to time to the payment of the costs of maintenance, repairs and replacements of the Project or for such other purposes as may be determined by the Authority and the County upon submission of requisitions received by the Trustee.

County Credits Fund (Section 4.10).

Upon receipt of Transfer Directions, or on each Transfer Date, prior to any transfer from the Revenue Fund, the Trustee shall transfer from the County Credits Fund to the Revenue Fund an amount equal to the aggregate amount credited against the Waste Disposal Fee payable by the County under the Waste Disposal Agreement for such month, as reflected in the Authority billing statement for such month delivered to the County pursuant to the Waste Disposal Agreement and in respect of which monies have not been previously disbursed from the County Credits Fund, together with the amount of any deficiency in the amount so transferred in any prior month.

After giving effect to the transfer described above, if there are not sufficient amounts on deposit in the Revenue Fund or otherwise to make all of the required deposits to the Construction Funds, the Operating Fund, the Debt Service Funds, the Debt Service Reserve Funds, and the Rebate Fund, then upon receipt of Transfer Directions,

the Trustee shall transfer from the County Credits Fund to the Reserve Fund the amount necessary to make up such deficiency. At the discretion of the Authority, and upon receipt of Transfer Directions, the Trustee shall transfer from the County Credits Fund to the Project Fund or the Rebate Fund the amount described in the Transfer Directions.

Project Fund (Section 4.11).

Amounts on deposit from time to time in the Project Fund shall be (i) applied by the Trustee to pay the principal or Redemption Price of, and interest on, Subordinate Obligations upon receipt of a Requisition for such amount, or (ii) shall be transferred by the Trustee to the Construction Funds, the Revenue Fund, the Debt Service Fund, the Rebate Fund or the County Credits Fund from time to time in accordance with Transfer Directions received by the Trustee.

Special Transfers to the Debt Service Funds (Section 4.12).

If on any date on which a payment is required to be made from the Interest Account, the Principal Account or the Sinking Fund Account established for a Series of Bonds, the amount on deposit in such account shall be less than the amount of such payment, after all other transfers of Revenues required by the Indenture on such date and prior to the transfer of any available amount on deposit in the Debt Service Reserve Fund securing such Series of Bonds, the Trustee shall transfer the amount of the deficiency to the Debt Service Fund from the following funds and accounts in the following order: (a) from amounts on deposit in the Redemption Account established for such Series of Bonds (other than any monies set aside to pay the Redemption Price of Bonds or the purchase price of Bonds theretofore contracted to be purchased and as to which an unconditional notice of redemption has been given); (b) from amounts on deposit in the Project Fund; and (c) from amounts on deposit in the County Credits Fund. Notwithstanding the foregoing provisions of this paragraph, no amount on deposit in the Redemption Account established for any Outstanding Tax-Exempt Bonds that constitutes proceeds of Tax-Exempt Bonds or investment earnings on such proceeds shall be transferred to the Debt Service Funds unless there shall have been delivered to the Trustee an opinion of Bond Counsel to the effect that the application of such monies to the payment of interest on such Bonds will not adversely affect the excludability from gross income, for federal income tax purposes, of the interest paid on such Bonds.

If the amount transferred to each Debt Service Fund on any date shall be insufficient to provide for all of the payments required to be made from such fund on such date, then the amount so transferred shall, to the extent such deposit is not inconsistent with the opinion of Bond Counsel described above, be deposited first, to the Interest Account of such Debt Service Fund and then to the Principal Account or Sinking Fund Account of such Debt Service Fund (as the case may be), in each case to the extent necessary to make good the deficiency.

Investments (Section 4.13).

Subject to the arbitrage and rebate requirements set forth in the Indenture, monies in any of the funds and accounts established by the Indenture shall be invested by the Trustee in accordance with investment directions received by the Trustee from the Authority, but only in Investment Securities maturing in such amounts and on such dates as may be necessary to provide monies to meet the payments required to be made from such funds and accounts.

Subject to (i) the arbitrage and rebate requirements set forth in the Indenture and (ii) the limitations set forth below, interest earned, profits realized and losses suffered by reason of any investment of the funds and accounts created by the Indenture shall be credited or charged, as the case may be, to the fund or account for which such investment shall have been made. Upon receipt by the Trustee of Transfer Directions, the amount of any net earnings on the investment of amounts on deposit in a Debt Service Reserve Fund shall be paid (i) to the Capitalized Interest Account established for Outstanding Bonds secured by such Debt Service Reserve Fund prior to the completion of the Project or any Additional Facilities financed with the proceeds of such Bonds and (ii) to the County Credits Fund. Any Supplemental Indenture authorizing the issuance of any Additional Bonds may provide for an investment earnings account to which investment earnings on the funds and accounts established for such Bonds shall be transferred or otherwise provide for the application of such investment earnings.

Notwithstanding the foregoing provisions, any earnings on the investment of a Debt Service Reserve Fund shall be retained in such Debt Service Reserve Fund to the extent that there exists a deficiency therein until withdrawn and/or applied pursuant to the provisions thereof.

The Trustee shall sell or redeem any obligations in which monies shall have been invested and may take such steps as shall be necessary to realize funds under any credit or liquidity facility held to the credit of any fund or account, in each case to the extent necessary to provide cash in the respective funds or accounts to make any payments required to be made therefrom or to facilitate the transfers of monies between various funds and accounts as may be required or permitted from time to time pursuant to the provisions of the Indenture. The proceeds from the sale of any investment or the realization of any funds under any credit or liquidity facility shall be paid into the fund or account for which the sale was made or to the credit of which the credit or liquidity facility was held (as the case may be).

In determining the value of the assets of the funds and accounts created by this Indenture (i) investments and accrued interest thereon shall be deemed a part thereof, (ii) investments shall be valued at amortized cost or current market value, whichever is the lower, or at the redemption price thereof, if then redeemable at the option of the holder (in any case net of the cost of liquidating such investments) and (iii) any Eligible Credit Facility shall be valued in accordance with the provisions of the Indenture.

Neither the Authority nor the Trustee shall be liable for any depreciation in the value of any obligations in which monies of the funds or accounts created by the Indenture shall be invested in accordance with the Indenture, or for any loss arising from any investment permitted therein.

Application of Monies in Certain Funds for Retirement of Bonds (Section 4.14).

If at any time the Authority shall determine to provide for the payment of some, but not all, of the Outstanding Bonds, amounts on deposit in the Debt Service Fund for the payment of the principal or Redemption Price of, or interest on, such Bonds shall be applied to the payment or redemption of such Bonds in accordance with Article IX of the Indenture upon receipt by the Trustee of Transfer Directions. If at any time the Authority shall determine to provide for the payment of all Outstanding Bonds, upon receipt of Transfer Directions, the Trustee shall apply any monies on deposit in the funds and accounts maintained for such Bonds in accordance with the Indenture available for the payment of the principal or Redemption Price of, and interest on, such Bonds to the payment or redemption of such Bonds in the manner provided by the Indenture.

Bonds Not to Be Arbitrage Bonds; Rebate Funds (Section 4.15).

The Chairman or other authorized member of the Authority and the Executive Director of the Authority shall be officials of the Authority responsible for issuing the Bonds (the "Section 148 Certifying Officials"). The Section 148 Certifying Officials shall execute and deliver (on the date of each issuance of Tax-Exempt Bonds) a certificate of the Authority (each such certificate as it may be amended and supplemented from time to time in accordance with the Indenture, being referred to herein as a "Section 148 Certificate") that complies with the requirements of Section 148 of the Code or any successor to such Section in effect on the date of issuance of such Tax-Exempt Bonds ("Section 148").

The Authority shall set forth in each Section 148 Certificate its reasonable expectations as to relevant facts, estimates and circumstances relating to the use of the proceeds of such Tax Exempt Bonds, or of any monies, securities or other obligations that may be deemed to be proceeds of such Tax-Exempt Bonds within the meaning of Section 148 (collectively, "Bond Proceeds"). The Authority covenants that (i) the facts, estimates and circumstances set forth in each Section 148 Certificate will be based on the Authority's reasonable expectations on the date of delivery of such Certificate and will be, to the best of the Section 148 Certifying Officials' knowledge, true, correct and complete as of that date, and (ii) the Section 148 Certifying Officials will make reasonable inquiries to ensure such truth, correctness and completeness.

The Authority further covenants that it will not make, or (to the extent it exercises control or direction) permit the County or the Company to make, any use of Bond Proceeds that would cause any Tax-Exempt Bonds to be “arbitrage bonds” within the meaning of Section 148.

The Authority further covenants that it will comply with those provisions of Section 148 that are applicable to any Tax-Exempt Bonds on the date of issuance of such bonds and with those provisions of Section 148 that may subsequently be lawfully made applicable to such Bonds. To the extent that provisions of Section 148 apply only to a portion of the Tax-Exempt Bonds, it is intended that the covenants of the Authority described above be construed so as to require the Authority to comply with Section 148 only to the extent of such applicability.

The Authority shall make or cause to be made, but only from the Revenues or from other monies, if any, on deposit in the funds and accounts created by the Indenture, timely payment of any rebate amount or payment in lieu of rebate (or installment of either) 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 any 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.

The Authority and the Trustee shall hold and invest Bond Proceeds within their control (if such proceeds are invested) in accordance with the expectations of the Authority set forth in the Section 148 Certificate. Upon receipt of Transfer Directions of the Authority directing the transfer of amounts on deposit in any fund or account created by the Indenture to the Rebate Fund established with respect to a Series of Bonds, the Trustee shall make the transfer referred to therein, any other provision of the Indenture to the contrary notwithstanding. Upon receipt of Transfer Directions of the Authority directing the transfer of amounts on deposit in the Rebate Fund to any other fund or account, the Trustee shall make the transfer referred to therein; provided, however, that the amount transferred shall not exceed the excess of the amount on deposit in the Rebate Fund over the reasonably estimated rebate or penalty liability with respect to the Bonds under Section 148 as of the date of calculation, less amounts theretofore paid to the United States as rebate with respect to the Bonds.

Amounts on deposit in the Rebate Fund from time to time required to be paid to the United States of America pursuant to Section 148 shall be applied by the Trustee to the payment of such rebates or payments in lieu of rebate in accordance with the Section 148 Certificate.

No Disposition of Trust Estate (Section 5.03).

Except as permitted by the Indenture, the Authority shall not sell, lease, pledge, assign or otherwise dispose of its interest in the Trust Estate or the Special Trust Estate; provided, however, that the Authority may, without the consent of the Trustee or Bondholders, transfer any real property interests it may have in the Trust Estate or the Special Trust Estate to the County if the County amends the Project Site Lease to include in the leasehold estate described therein, the real property, improvements and other real property interests transferred to the County. The Authority shall not create and shall not suffer to remain any lien, encumbrance or charge upon its interest in the Trust Estate (or, with respect to the Designated Bonds, if any, the special trust estate securing the Designated Bonds) except (i) any Permitted Encumbrance, and (ii) as otherwise permitted herein. The Authority will cause to be discharged, or will make adequate provisions to satisfy and discharge, to the extent that any Revenues are available in the Operating Fund to provide for such discharge, within 60 days after the same shall accrue, all lawful claims and demands that, if unpaid, might by law become a lien (other than a permitted lien as described in the preceding sentence) upon its interest in the Trust Estate or such special trust estate; provided, however, that nothing contained in this paragraph shall require the Authority 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. Notwithstanding the foregoing, the Authority may, without the consent of the Trustee, the Bondholders, or any other Person hereunder, transfer or convey to the County any or all of the Authority’s right, title and interest in all, or any part, of the Project Sites; excepting only the Authority’s rights to use and occupy the Project Sites under the Project Site Lease and the Waste Disposal Agreement.

Project Agreements; Amendment of Primary Project Agreements (Sections 5.05 and 5.06).

The Authority shall perform its obligations under, and enforce the performance of the obligations of the other parties to, each of the Primary Project Agreements to which the Authority is a party; provided, however, that the Authority shall not be required to take any action under this paragraph if the Authority in good faith determines that such action (i) will materially adversely affect the Authority's ability to, perform its obligations under any other Project Agreement or (ii) is not reasonably justified by the nature of the potential remedy or recovery or the likelihood of the recovery and the expense or adverse effects of such action. The Authority shall be entitled to exercise all of the rights of the holder of a Long Term Obligation.

(a) The Authority and the Trustee may, without the consent of or notice to the holders of any Bonds, make any amendment, change or modification to any Primary Project Agreement:

(i) that is required for the purpose of curing any ambiguity (or formal defect in any Primary Project Agreement;

(ii) if the additional amount expected by the Authority to be payable by the Authority under an amendment, change or modification to an existing Project Agreement (assuming amounts in respect of indemnification provisions, change provisions, force majeure and unexpected event provisions, damage provisions and termination for convenience provisions, will not be required to be paid by the Authority thereunder) is an amount equal to or less than \$3,000,000 (multiplied by the Inflation Factor) per Fiscal Year;

(iii) if (A) the County consents to the proposed amendment, change or modification, (B) the Independent Engineer delivers an opinion to the Trustee to the effect that the ability of the Authority to satisfy the Revenue Test should not be materially and adversely affected by such amendment, change or modification, and (C) there is delivered to the Trustee a Certificate of Authority certifying that in its opinion the proposed amendment, change, or modification should not adversely affect the ability of the Authority to perform its obligations under the Bond Documents or the Primary Project Agreements before the latest maturity date of any Bonds Outstanding as of the effective date thereof;

(iv) if the Authority and the Trustee have received a written opinion of an Independent Engineer to the effect that such amendment, change or modification reasonably necessary or appropriate to enable the Authority or any other party to the Bond Documents or the Project Agreements to utilize Alternate Disposal Facilities or to comply with any of the Bond Documents or the Project Agreements (excluding only the Authority's obligations to comply with certain rights of approval held by the County under the Waste Disposal Agreement), or Applicable Law; or

(v) if as of its effective date, the proposed amendment, change or modification does not, in the opinion of Bond Counsel, materially and adversely prejudice the legal rights of the holders of any Outstanding Bonds.

(b) The Authority and the Trustee may, without the consent of or notice to the holders of any Bonds, consent to any amendment, change or modification of the Guaranty Agreement:

(i) to cure any ambiguity or formal defect therein;

(ii) if the Trustee has received an opinion of Independent Counsel reasonably satisfactory to the Trustee to the effect that such amendment, change or modification (A) does not (1) reduce the amount required to be paid by the Guarantor under the Guaranty Agreement, (2) reduce or limit the events that give rise to the obligations of the Guarantor under the Guaranty Agreement, or (3) restrict or otherwise impair the ability of the beneficiaries of the Guaranty Agreement to enforce their rights and benefits thereunder, and (B) is not otherwise materially to the prejudice of the holders of any Outstanding Bonds or outstanding Designated Bonds as of its effective date; or

(iii) if the proposed amendment, change or modification does not, in the opinion of Bond Counsel, materially and adversely prejudice the legal rights of the holders of any Outstanding Bonds or outstanding Designated Bonds as of the effective date of the proposed amendment, change or modification.

(c) Except as provided in paragraphs (a) and (b) above, neither the Authority nor the Trustee shall consent to any amendment, change or modification of any Primary Project Agreement or the Guaranty Agreement without the prior written consent of the holders of not less than a majority of the Outstanding Bonds and with respect to amendments of the Guaranty Agreement only, a majority of the outstanding Designated Bonds (if any) as of the effective date of such amendment, change or modification.

(d) The Authority may enter into any amendment, change or modification to any Project Agreement which is not a Primary Project Agreement or execute any new Project Agreement or Primary Project Agreement without the consent of the Trustee or the Bondholders.

Changes to Authority Facilities (Section 5.07).

The Authority shall not make or permit to be made any material change in the cost, scope, nature, function or projected completion date of any of the Authority Facilities as originally designed and planned unless:

(a) the Authority delivers to the Trustee a written opinion, of an Independent Engineer to the effect that monies available to pay the costs of such change, together with any amounts to be made available pursuant to Construction Commitments, are sufficient to pay the estimated costs of such change and the remaining estimated costs of construction of the Project; and

(b) one of the following conditions is satisfied:

(i) if (A) the County consents to the change, and (B) there is delivered to the Trustee either
(1) the written opinion of an Independent Engineer to the effect that the change is not expected to increase the total Operating Expenses or decrease the total Operating Revenues in any future Fiscal Year prior to the latest maturity date of any Bonds Outstanding as of the effective date thereof by more than five percent or
(2) each of the items that would be required under the Master Authorization if the net effect of such increase or decrease on the Waste Disposal Fee were deemed to be indebtedness issued pursuant to a long Term Obligation and a certificate of the Authority certifying that in its opinion the proposed change should not adversely affect the ability of the Authority to perform its obligations under the Bond Documents or the Project Agreements before the latest maturity date of any Bonds Outstanding as of the effective date thereof;

(ii) if the Trustee has received a written opinion of an Independent Engineer or Bond Counsel to the effect that such change is necessary or appropriate to enable the Authority or any other party to a Bond Document or a Project Agreement to comply with any of the Bond Documents, the Project Agreements (excluding only the Authority's obligations under Section 6.3 of the Waste Disposal Agreement), or Applicable Law;

(iii) if the Trustee has received a written opinion of an Independent Engineer to the effect that the proposed change should not materially and adversely affect the ability of the Authority to satisfy the Revenue Test for each of the first three complete Fiscal Years following the completion of the change; or

(iv) the proposed change does not, in the judgment of the Trustee, materially adversely affect the holders of any Bonds Outstanding as of its effective date, provided, however, that the Trustee may rely on a certificate of the Independent Engineer or an opinion of Bond Counsel with respect to the judgment of the Trustee described in this clause.

For the purposes of the provision described in the first paragraph above, the term "material" means an event or change having an annual capital cost equal to or in excess of an amount equal to \$3,000,000 (multiplied by an inflation factor) per Fiscal Year.

Insurance (Section 5.10).

The Authority shall obtain and maintain insurance covering Authority Facilities in which the Authority has an insurable interest against loss caused by damage to, destruction of, or business interruption of all or any part of such Authority Facilities, and liability insurance for bodily injury and damage resulting from damage to or destruction of all or any part of the Authority Facilities, in each case (i) in such amounts, against such risks and subject to such limitations and exclusions as are customarily maintained by Persons in similar circumstances having facilities of a comparable type and size and offering comparable services, and (ii) to the extent that such insurance is available on commercially reasonable terms and conditions. The Authority shall be deemed to have satisfied the requirements of this paragraph if (A) it maintained or causes to be maintained the insurance specified in the Waste Disposal Agreement, (B) it maintains or causes to be maintained the insurance required by the Service Agreement, and (C) thereafter, if it maintains or causes to be maintained the insurance reasonably recommended by an independent insurance consultant or firm of insurance consultants with a favorable national reputation that is designated by the Authority and approved by the County representative.

Additional Indebtedness of the Authority (Section 5.13).

The Authority shall not create or incur any Indebtedness in whole or in part payable from or secured by the Trust Estate, except for the following Indebtedness and subject to the following provisions: (a) any Additional Bonds issued within the limitations of the Indenture; (b) any increase in amounts payable to the Company under the Service Agreement in respect of Changes necessitated by Uncontrollable Circumstances thereof (c) any Subordinate Obligations; and (d) any unsecured Indebtedness ("Unsecured Obligations").

All Subordinate Obligations shall be issued pursuant to a Supplemental Indenture, which shall specify the interest rate or rates, maturity, redemption provisions, form, registration provisions and all other details of such Subordinate Obligations and prior to the issuance thereof, there shall be delivered to the Trustee each of the items required by the Indenture as if such Subordinate Obligations were an issue of Bonds. Prior to the issuance or incurrence of Unsecured Obligations, there shall be delivered to the Trustee each of the items required by the Indenture as if such Unsecured Obligations were Bonds.

Payments with respect to the principal of or interest on any Subordinate Obligation or any Unsecured Obligation shall be made only from the Project Fund and no such payment shall be made during any period in which (i) any Event of Default under the Indenture shall have occurred and be continuing, or (ii) the amount on deposit in the Debt Service Reserve Fund, if any, maintained for any Series of Bonds is less than the Debt Service Reserve Fund Requirement for such Bonds. During any other period, the Authority may pay or prepay, or authorize the payment or prepayment of, the principal of and interest on any Subordinate Obligation or any Unsecured Obligation and no recourse shall be had by the holder of any Bond against the Person to whom any such payment shall have been made unless such Person shall have had, at the time of receipt of such payment, actual knowledge of the occurrence of an Event of Default or an event that, with notice or the passage of time or both, would become such an Event of Default. Holders of Subordinate Obligations shall have no right to any of the monies on deposit in any of the funds or accounts created by the Indenture. In addition, while Bonds are Outstanding, in no event shall any default by the Authority with respect to Subordinate Indebtedness constitute or cause an acceleration or an Event of Default under the Indenture. The Authority may, at any time or from time to time, transfer any or all amounts on deposit in the Project Fund to any other fund or account created under the Indenture and in such case these monies shall no longer be available to pay amounts due with respect to Subordinate Obligations unless such monies are subsequently transferred to the Project Fund. So long as there are Outstanding Bonds under the Indenture, in no event shall a default in the payment of any amount in respect of any Subordinate Obligation constitute a default under the Indenture.

Construction, Operation and Maintenance of Authority Facilities (Section 5.14).

The Authority shall construct, operate, maintain and repair (or cause to be constructed, operated, maintained and repaired) the Authority Facilities in a sound and workmanlike manner consistent with good engineering practice and safety standards and in accordance in all material respects with Applicable Law.

The Authority shall promptly replace or cause to be replaced any portion of the Authority Facilities which from time to time becomes worn out or is lost, stolen, destroyed, damaged beyond repair or permanently rendered unfit for use for any reason whatsoever; provided, however, that nothing in the Indenture requires the Authority to operate, maintain, preserve, repair, replace, renew or reconstruct any part of the Authority Facilities if the failure to operate, maintain, preserve, repair, replace, renew or reconstruct such part (i) is permitted under the Service Agreement or would not adversely affect the Company's ability to perform its obligations under the Service Agreement, (ii) is, in the opinion of the Independent Engineer, economically justified, or (iii) will not, in the opinion of the Independent Engineer, materially impair the ability of the Authority to perform its obligations under the Project Agreements or the Bond Documents.

The Authority may demolish or remove from any Authority Facility, and may sell or otherwise dispose of, in whole or in part, any property, structure, machinery, equipment or other improvement constituting a part of an Authority Facility (i) that is worn out, destroyed, damaged beyond repair or permanently rendered unfit for use for any reason whatsoever, if replaced to the extent required pursuant to the Indenture, (ii) for the purpose of repair in accordance with the Indenture or (iii) in connection with any change to any Authority Facilities to the extent permitted pursuant to the Waste Disposal Agreement, in each case without obtaining the approval of the Trustee and free of any obligation to make replacement thereof or substitution therefor.

While the Service Agreement is in effect, the Authority shall be in compliance with the requirements of the Indenture regarding the construction, operation and maintenance of the Project so long as it is enforcing the Company's obligation to comply with the requirements of the Service Agreement regarding the construction, operation and maintenance of the Project.

Liens (Section 5.15).

The Authority shall not contract, create, incur, assume or suffer to exist any liens or encumbrances upon or with respect to, or grant any security interest in, the Project or any Additional Facilities, whether now owned or hereafter acquired, except for Permitted Encumbrances.

Exercise of Certain Rights (Section 5.17).

The Authority shall not terminate the Service Agreement for convenience at any time unless prior to or concurrently with the termination of the Service Agreement:

- (a) the Authority has received written notice from the County pursuant to the Waste Disposal Agreement directing the Authority to terminate the Service Agreement for convenience;
- (b) the Authority delivers to the Trustee a certificate of the Authority to the effect that the Authority has satisfied or caused to be satisfied the requirements of the Service Agreement relating to termination of the Service Agreement; and
- (c) either (i) the County assumes all of the obligations of the Authority under the Bond Documents and the Project Agreements, or (ii) the County stipulates in a written notice to the Authority and the Trustee that it will continue operations at the Project, and that the Waste Disposal Agreement and the Landfill Agreement are amended or otherwise provide that they shall remain in effect and that the full amount of the principal or Redemption Price of, and interest on, all Outstanding Bonds is included, under all circumstances, in the amount payable to the Authority as part of the Waste Disposal Fee under the Waste Disposal Agreement, and (iii) the Authority and the Trustee have received the following:
 - (A) a binding contract with a Qualified Substitute Operator with a term ending on or after the latest maturity date of any then Outstanding Bonds and providing for the performance by the Qualified Substitute Operator of substantially all of the obligations of the Authority under the Waste Disposal Agreement (including, without limitation, the obligation of the Authority pursuant to Section 3.2(D) thereof); and

(B) a written opinion of an Independent Engineer to the effect that the replacement operator selected by the Authority is a Qualified Substitute Operator and the Revenue Test is satisfied; and

(C) a certificate of the County consenting to the Qualified Substitute Operator and stating that the Waste Disposal Fee will include all amounts payable by the Authority pursuant to its contract with the Qualified Substitute Operator.

If the County assumes all of the obligations of the Authority under the Bond Documents and the Project Agreements in accordance with the Indenture, from and after the effective date of such assumption, all references to the Authority in the Indenture shall be deemed to be references to the County and the Authority shall have no further liability thereunder.

Right to Terminate the Service Agreement for a Company Event of Default (Section 5.18).

The Authority shall not terminate the Service Agreement for an event of default of the Company and continue operation of the Project as described in the Service Agreement unless prior to or concurrently with the date of such termination (i) all dispute resolution proceedings under the Service Agreement regarding such termination and the amount of damages payable by the Company in respect thereof have been finally concluded in favor of the Authority; (ii) the County executes and delivers to the Authority a valid and binding amendment to the Waste Disposal Agreement and the Landfill Agreement to provide that the terms thereof shall continue until the earlier of (A) the maturity date of all Outstanding Bonds or (B) the date on which all Outstanding Bonds shall have been defeased as provided herein; (iii) the County shall have delivered to the Authority an opinion of an Independent Counsel (who may be the County Attorney) to the effect that such amendment to the Waste Disposal Agreement is a valid and binding agreement of the County enforceable in accordance with its terms; (iv) the Authority shall have executed a valid and binding long-term agreement with a Qualified Substitute Operator for the operation and maintenance of the Project, and (v) the County shall have executed a valid and binding amendment to the Waste Disposal Agreement or the Trustee shall have received a certificate of the County Representative, in either case to the effect that after termination of the Service Agreement with the Company, the full amount of debt service on the Outstanding Bonds (including the principal or Redemption Price and interest on all Outstanding Bonds but excluding any amounts payable by the Company or the Guarantor in respect of debt service on Designated Bonds) shall, under all circumstances, be included in the Waste Disposal Fee payable by the County to the Authority under the Waste Disposal Agreement.

The Authority shall not terminate the Service Agreement for an Event of Default of the Company and abandon operation of the Project, unless prior to, or concurrently with, such termination:

(i) all dispute resolution proceedings under the Service Agreement regarding such termination have been finally concluded in favor of the Authority; and

(ii) (A) the results of certain performance tests required to be performed by the Company (or in certain circumstances, the Consulting Engineer or other engineer) under the Service Agreement demonstrate that certain minimum performance standards (including a guaranteed capacity standard) have not been achieved and the Authority has received a written notice from the County pursuant to the Waste Disposal Agreement directing the Authority to terminate the Service Agreement and abandon operations in accordance with the requirements of the Service Agreement, or (B) after exercising reasonable good faith efforts (which efforts shall include, without limitation, the preparation and evaluation of a competitive procurement and good faith negotiations with qualified respondents), the Authority and the County have been unable to secure a Qualified Substitute Operator to perform the obligations of the Company under the Service Agreement pursuant to an agreement with terms and conditions relating to the amount of the service fee, damage payments and performance guarantees that are substantially similar to (or more favorable to the Authority) than the corresponding terms and conditions of the Service Agreement then in effect.

No Right to Terminate the Waste Disposal Agreement for a County Event of Default (Section 5.19).

The Authority shall not terminate the Waste Disposal Agreement for any Event of Default under the Waste Disposal Agreement.

Authority Tax Covenants (Section 5.20).

The Authority shall comply with the Tax Compliance Agreement and the representations, warranties and agreements contained in such Tax Compliance Agreement shall have the same effect as if set forth herein; provided, however, that such Tax Compliance Agreement may be amended or supplemented (i) upon receipt by the parties thereto of an opinion of Bond Counsel that such amendment or supplement will not adversely affect the excludability from gross income, for federal income tax purposes, of interest paid on any Tax-Exempt Bonds, or (ii) as provided therein, in each case notwithstanding any provision of this Indenture to the contrary. Notwithstanding any other provision in the Indenture to the contrary, the Authority's obligations under this heading shall survive termination of the Indenture.

Trustee Entitled to Indemnity (Section 6.02).

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 hereby created or by 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 Authority 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 Authority shall fail to make such reimbursement within 60 days after receipt by the Authority of written notice thereof, the Trustee may reimburse itself from any monies in its possession under the provisions of the Indenture and shall be entitled to a preference therefor over any Bonds Outstanding under the Indenture.

Compensation (Section 6.06).

(a) Unless otherwise provided by contract with the Trustee, the Authority shall pay to the Trustee from the Revenues, from time to time, reasonable compensation for all services rendered by it under the Indenture, including its services as Registrar and Paying Agent, together with all its reasonable expenses, charges and other disbursements and those of its counsel, agents and employees, incurred in and about the administration and execution of the trusts thereby created and the exercise of its powers and the performance of its duties thereunder, and the Trustee shall have a lien therefor on any and all Funds at any time held by it thereunder prior to any Bonds Outstanding. The Authority from the Revenues shall indemnify and save the Trustee harmless against any expenses and liabilities that the Trustee may incur in the exercise and performance of its powers and duties thereunder that are not due to its negligence or default. If the Authority shall fail to make any payment required by this Section, the Trustee may make such payment from any monies in its possession under the provisions of the Indenture and shall be entitled to a preference therefor over any Bonds Outstanding under the Indenture.

(b) No provision of the Indenture shall require the Trustee to expend or risk its own funds or incur financial liability in the performance of any of its duties thereunder, or, in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Resignation of the Trustee (Section 6.08).

The Trustee may at any time resign and be discharged of its duties and obligations hereunder by giving not fewer than 30 days written notice, specifying the date when such resignation shall take effect, to, among others, the Authority and each Holder of any Outstanding Bonds. Such resignation shall take effect upon the appointment of a

successor Trustee and the acceptance of such appointment by such successor. The resignation of the Trustee will not relieve the Trustee of liability for (i) any action or omission to act in breach of its fiduciary duties hereunder that occurred prior to the date of removal, or (ii) acting or proceeding in violation of, or failing to act or proceeding in accordance with, any provision of the Indenture with respect to the duties and obligations of the Trustee that occurred prior to the date of resignation.

Removal of Trustee (Section 6.09).

(a) During any period in which no Event of Default shall have occurred or be continuing, the Trustee may be removed for any reason, with or without cause (1) by the Authority, by written instrument delivered to the Trustee, or (2) by the holders of at least 25% of the Outstanding Bonds, by written instrument or concurrent instruments in writing signed and acknowledged by such holders or by their attorneys-in-fact and delivered to the Authority and the Trustee.

(b) During any period in which any Event of Default shall have occurred or be continuing, the Trustee may be removed (1) by the Authority, with cause, by written instrument delivered to the Trustee, or (2) by the holders of at least 25% of the Outstanding Bonds, with cause, by written instrument or concurrent written instruments signed and acknowledged by such holders or by their attorneys-in-fact and delivered to the Authority and the Trustee. Notwithstanding the foregoing, holders of at least 25% of the Outstanding Bonds may cancel or overturn any removal of the Trustee undertaken by the Authority pursuant to this paragraph (b) by written instrument or concurrent written instruments signed and acknowledged by such holders, or their attorneys-in-fact and delivered to the Authority and the Trustee prior to the date of removal of the Trustee. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, for failing to act or proceed in accordance with, any provision of this Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Authority or of the holders of not less than ten percent of the Outstanding Bonds and outstanding Designated Bonds (if any).

(c) The removal of the Trustee will not relieve the Trustee of liability for (i) any action or omission to act in breach of its fiduciary duties hereunder that occurred prior to the date of removal, or (ii) acting or proceeding in violation of, or failing to act or proceeding in accordance with, any provision of the Indenture with respect to the duties and obligations of the Trustee that occurred prior to the date of removal.

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 shall thereupon become vacant.

If the Trustee shall resign or be removed or the position of Trustee shall for any other reason become vacant, so long as no Event of Default shall have occurred and be continuing, the Authority shall forthwith appoint a Trustee to act under the Indenture. Copies of any instrument of the Authority providing for any such appointment shall be delivered by the Authority to the County, the Trustee so appointed and the predecessor Trustee. The Authority shall mail notice of any such appointment to each Holder of any Outstanding Bonds within 30 days after such appointment.

If the Trustee shall resign or be removed or the position of Trustee shall for any reason become vacant during any period in which an Event of Default shall have occurred and be continuing, a successor Trustee may be appointed within one year after any such vacancy shall have occurred by the holders of a majority of the Outstanding Bonds and outstanding Designated Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such holders or their attorneys-in-fact, duly authorized and delivered to such successor Trustee, with notification thereof being given to the predecessor Trustee and the Authority.

If in a proper case no appointment of a successor Trustee shall be made within 30 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, Designated 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 claim proper, appoint such successor.

Any successor Trustee appointed under the Indenture shall be a commercial bank or trust company or national banking association (i) having a capital and surplus, together with the capital and surplus of any bank, trust company, or bank holding company of which it is a direct subsidiary or affiliate, to the extent such capital and surplus is available to pay claims against such successor Trustee, aggregating at least \$100,000,000, if there be such a commercial bank or trust company or national banking association willing and able to accept the appointment on reasonable and customary terms, and (ii) authorized by law to perform all the duties of the Trustee required by the Indenture.

The appointment of a successor Trustee will not relieve the Trustee of liability for (i) any action or omission to act in breach of its fiduciary duties hereunder, or (ii) acting or proceeding in violation of, or failing to act or proceed in accordance with, any provision of the Indenture with respect to the duties and obligations of the Trustee to the date of the appointment of any successor Trustee hereunder.

Events of Default (Section 7.01).

Events of Default under the Indenture include:

- (a) payment of the principal or the Redemption Price of any Outstanding Bond shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise;
- (b) payment of interest on any Outstanding Bond shall not be made when the same shall become due and payable;
- (c) payment of the purchase price of any Outstanding Additional Bond that is required by its terms to be purchased from its holder by or on behalf of the Authority shall not be made when the same shall become due and payable;
- (d) an order or decree shall be entered with the consent or acquiescence of the Authority appointing a receiver of the Revenues, or such order or decree, having been entered without the consent or acquiescence of the Authority, shall not have been vacated or discharged or stayed on appeal within 60 days after the entry thereof;
- (e) any proceeding shall be instituted with the consent or acquiescence of the Authority for the purpose of effecting an arrangement between the Authority and its creditors, or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from the Trust Estate; or
- (f) the Authority shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in any Outstanding Bond or in the Indenture on the part of the Authority to be performed (other than as described in clauses (a), (b) or (c) above), which default shall continue for 90 days after written notice specifying such default and requiring the same to be remedied shall have been given by the Trustee to (i) the Authority and, (ii) prior to the Company Termination Date, the Company and, (iii) the County; provided, however, that if the Authority, the County or the Company, shall proceed to take any action determined to be curative by the Trustee which, if begun and prosecuted with due diligence, cannot be completed within a period of 90 days, then such period shall be increased to such extent as shall be necessary to enable the Authority, the County or the Company (as the case may be) to complete such curative action through the exercise of due diligence. The curative action described in this paragraph may include, without limitation, the issuance of Additional Bonds in accordance with the provisions of the Indenture.

The failure to make a payment of the principal or the Redemption Price of, or interest on, any Designated Bond shall not constitute an Event of Default under the Indenture.

Acceleration of Maturity of Outstanding Bonds (Section 7.02).

The Trustee shall not declare the principal of all of the Outstanding Bonds to be due and payable for any reason, including the happening and continuance of any Event of Default under the Indenture unless (i) an Event of Default thereunder has occurred and is continuing, and (ii) at least 25% of the holders of Outstanding Bonds direct, by written notice delivered to the Trustee and the Authority, that the Authority declare the principal of all of the Outstanding Bonds to be due and payable. In addition, the Trustee may not declare the principal of any Outstanding Series of Bonds other than the Outstanding Series 1993 Bonds and Series 2003 Bonds to be due and payable without the prior written consent of any Person whose consent shall be required for such declaration under the terms of the Supplemental Indenture authorizing the issuance of such Series of Bonds.

Upon the giving of notice of such declaration, such principal shall become and be immediately due and payable, anything in the Outstanding Bonds or in the Indenture to the contrary notwithstanding. At any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under the Indenture, the Trustee may, and upon receipt of the written consent of the holders of at least 25% of the Outstanding Bonds shall, by written notice to the Authority, annul such declaration and its consequences if: (i) monies shall have accumulated in the Debt Service Funds sufficient to pay all arrears of interest, if any, upon all of the Outstanding Bonds (except the interest accrued on such Bonds since the last Interest Payment Date) and the principal of all matured Outstanding Bonds (except the principal of any such Bonds due only as a result of such declaration), (ii) sufficient monies shall have accumulated and be available to pay the charges, compensation, expenses, disbursements, advances and liabilities of the Trustee and (iii) every other default in the observance or performance of any covenant, condition or agreement contained in the Outstanding Bonds and the Indenture of which the Trustee has actual knowledge shall have been remitted to the satisfaction of the Trustee. No such annulment shall extend to or affect any, subsequent default or impair any right consequent thereon.

Enforcement and Priority of Payments Following Default (Sections 7.13 and 7.04).

Upon the happening and continuance of any Event of Default under the Indenture, then and in every such case the Trustee may proceed, and upon the written request of the holders of at least 25% of the Outstanding Bonds shall proceed, to protect and enforce its rights and the rights of the holders of Outstanding Bonds under the laws of the State and under the Indenture, any Credit Facility and any Eligible Credit Facility by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained therein, or in aid or execution of any power therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

If at any time there shall have occurred and be continuing an Event of Default as described in subparagraphs (a) through (e) under the heading "Events of Default," after payment of all amounts owing to the Trustee under the Indenture and the payment of Operating Expenses (as described in Section 4.04(b)(i) of the Indenture (including, without limitation, payments to the County pursuant to Section 4.04(b)(i)(C) of the Indenture), amounts held by the Trustee hereunder, except amounts held on deposit in or to the credit of the Designated Bonds Fund, together with any monies thereafter becoming available for such purpose, whether through exercise of the remedies provided in the Indenture or otherwise, shall, if sufficient to provide such payment, be applied as follows:

(i) unless the principal of any Outstanding Bonds shall have become or shall have been declared due and payable by a declaration of acceleration pursuant to the Indenture, all such monies shall be applied in accordance with Section 4.04 of the Indenture; and

(ii) if the principal of any Outstanding Bonds shall have become due by their terms or by a declaration of acceleration pursuant to the Indenture, the Trustee shall take the following actions and shall apply all such monies in the following order of priority:

(A) the Trustee shall provide for the payment of all rebates or payments in lieu 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 Tax-Exempt Bonds by setting aside first, from

the amounts on deposit in the Rebate Fund and then, from any other monies held by the Trustee under the Indenture an amount sufficient to make such payment; and

(B) the Trustee shall allocate any other amounts held by the Trustee, except amounts held in respect of Designated Bonds (if any), among the Outstanding Bonds, proportionately on the basis of the total amount of principal and accrued interest due, on the Outstanding Bonds as of the date of allocation; and

(C) any balance held by the Trustee, except amounts held in respect of Designated Bonds (if any), shall be deposited in accordance with Section 4.04 of the Indenture or, if all of the Outstanding Bonds have been paid in accordance with Article IX of the Indenture, shall be applied in accordance with Article IX of the Indenture.

Notwithstanding the foregoing, prior to the allocation or application of any monies that constitute proceeds of any Tax-Exempt Bonds or the investment earnings on such proceeds, the Trustee shall obtain an opinion of Bond Counsel to the effect that the allocation and application of such monies as herein provided will not adversely affect the excludability from gross income, for federal income tax purposes, of the interest paid on any Tax-Exempt Bonds.

If on any date on which the principal or Redemption Price of, or interest on, any Outstanding Bond becomes due and payable in accordance with the Indenture, amounts held in the funds and accounts established with respect to the Outstanding Bonds or allocated to such payment in accordance with the Indenture shall be insufficient to provide such payment, all such amounts shall be applied as follows:

(i) The Trustee shall provide for the payment of Operating Expenses as described in Section 4.04(b)(i) of the Indenture (including, without limitation, payments to the County pursuant to Section 4.04(b)(i)(C) of the Indenture);

(ii) unless the principal of all Outstanding Bonds shall have become or shall have been declared due and payable, all such monies shall be applied:

FIRST: to the payment to the Persons entitled thereto of all installments of interest then due on the Outstanding Bonds, 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; and

SECOND: to the payment to the Persons entitled thereto of the unpaid principal or the Redemption Price 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 or the Redemption Price 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 or the Redemption Price of such Bonds due and payable on any particular date, together with such interest, then first to the payment of such interest, ratably, according to the amount of interest due on such date, and then to the payment of such principal or Redemption Price, ratably, according to the amount of principal due on such date, to the Persons entitled thereto, without any discrimination or preference, except as to any difference in the respective rates of interest specified in such Bonds; and

(iii) if the principal of all Outstanding Bonds shall have become due by their terms or shall have become due and payable by a declaration of acceleration, all such monies 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 Outstanding Bond over any other such Bond, ratably, according to the amounts due respectively for principal and interests 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.

Notwithstanding the foregoing, prior to the allocation or application of any monies that constitute proceeds of any Tax-Exempt Bonds or the investment earnings on such proceeds, the Trustee shall obtain an opinion of Bond Counsel to the effect that the allocation and application of such monies as herein provided will not adversely affect the excludability from gross income, for federal income tax purposes, of the interest paid on any Tax-Exempt Bonds.

Whenever monies are to be applied by the Trustee pursuant to the provisions of Section 8.04 of the Indenture, such monies shall be applied by the Trustee at such times, and from time to time, as the Trustee may determine, having due regard to the amount of such monies available for application and the likelihood of additional monies becoming available for such application in the future. The setting aside of such monies in trust for the benefit of holders of Outstanding Bonds in accordance with the Indenture shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Authority, to any holder of any Bond or Subordinate Obligation or to any other Person for any delay in applying any such monies, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such monies, it shall fix the date (which shall be an Interest Payment Date for the Outstanding Bonds unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal of the Outstanding Bonds to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date; provided, however, that the provisions of this paragraph shall be subject in all respects to the provisions of the Outstanding Bonds with respect to the payment of defaulted interest on such Bonds. The Trustee shall not be required to make payment to the holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement.

Restrictions Upon Action by Individual Holders (Section 7.07).

No holder of any Outstanding Bond shall have any right to institute any suit, action or proceeding in equity or at law on any such Bond for the execution of any Trust under the Indenture or for any other remedy thereunder unless (i) such holder previously shall have given to the Trustee written notice of the Event of Default or other default on account of which such suit, action or proceeding is to be instituted, (ii) the holders of at least 25% 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 (iii) there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions; precedent to the execution of the powers and trusts of the Indenture or to any other remedy thereunder; provided, however, that notwithstanding the foregoing provisions of this paragraph and without complying therewith, the holders of at least 25% of the Outstanding Bonds may institute any such suit, action or proceeding in their own names for the benefit of all holders of Outstanding Bonds.

Notice of Default (Section 7.11).

The Trustee shall mail to all holders of Outstanding Bonds and Subordinate Obligations written notice of the occurrence of any Event of Default of which the Trustee shall have knowledge within 30 days after such Event of Default shall have occurred and be known to it. The Trustee shall not be subject to any liability to any Bondholder or holder of Subordinate Obligations by reason of its failure to mail such notice.

Except upon the happening of an Event of Default described in paragraphs (a) through (e) under the heading "Events of Default" or with respect to the happening of any other Event of Default about which the Trustee has actual knowledge, the Trustee shall not be deemed to have notice of any defaults thereunder, unless specifically notified in writing of such default in a report furnished to the Trustee pursuant to the Indenture or in a written notice by a Holder of any Outstanding Bond.

Modification or Amendment of Indenture Without Consent (Section 8.01).

Without notice to or the consent of the holders of the Bonds, the Authority and the Trustee may amend the Indenture or enter into a Supplemental Indenture supplementing, modifying or amending the Indenture or any Supplemental Indenture at any time or from time to time for one or more of the following purposes: (a) to grant to or confer upon the Trustee for the benefit of the holders of the Bonds any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Trustee for the benefit of such holders; (b) to add to the covenants and agreements of the Authority 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 Authority Facilities the Authority's obligations under the Project Agreements or the application, custody, use or disposition of the Revenues or the proceeds of Bonds or Subordinate Obligations; (c) to surrender to the Trustee any right, power or privilege reserved to or conferred upon the Authority by the Indenture; (d) to confirm, as further assurance, any pledge under, and the subjection to any lien on, or claim or pledge of (whether created or to be created by the Indenture), the Trust Estate; (e) to cure any ambiguity or to cure or correct any defect or inconsistent provisions contained in the Indenture; (f) to provide for the terms of Additional Bonds; (g) to permit the qualification of the Indenture or any Supplemental Indenture under any federal statute or under any state blue sky law; (h) to obtain or to maintain any ratings on the Bonds of any Series from any Rating Agency; (i) to provide for the issuance of any Bonds in coupon form or in book-entry form; (j) to preserve the excludability from gross income, for federal income tax purposes, of the interest paid on any Tax-Exempt Bonds theretofore issued, (k) to make any change in the Indenture which does not, in the opinion of the Trustee, materially and adversely prejudice the rights of the holders of the Bonds as of the date as of which such change shall become effective; (l) to make any change in the Indenture if there shall have been delivered to the Trustee an opinion of Bond Counsel to the effect that such change does not materially and adversely prejudice the legal rights of the holders of the Bonds at the date as of which such change shall become effective; (m) to add to, amend or delete any of the provisions of Appendix C or Appendix D to the Indenture, which pertain to requisitions for certain Costs and to County approval of the Authority's exercise of certain rights under the Indenture; or (n) to make any change in the Indenture relating solely to and solely affecting Bonds to be secured by a Credit Facility to accommodate the securing of such Bonds by a Credit Facility Provider.

Supplemental Indentures Requiring Consent of Holders of Bonds (Section 8.02).

In addition to Supplemental Indentures permitted by the Indenture, with the prior written consent of the holders of a majority of the Outstanding Bonds, the Authority and the Trustee may enter into at any time and from time to time amendments to the Indenture or Supplemental Indentures amending or supplementing the Indenture, any Supplemental Indenture or any Bond to modify any of the provisions thereof or to release the Authority from any of the obligations, covenants, agreements, limitations, conditions or restrictions therein contained; provided, however, that nothing contained in the Indenture shall permit (i) a change in any terms of redemption or purchase of any Outstanding Bond, a change in the due date for the payment of the principal of or interest on, any Outstanding Bond, or any reduction in the principal, Redemption Price or purchase price of, or interest rate on, any Outstanding Bond, without the consent of the Holder of such Bond, or (ii) except as expressly permitted by the Indenture, the creation of a claim or lien upon, or a pledge of, the Trust Estate ranking prior to or on a parity with the claim, lien and pledge created by the Indenture, a preference or priority of any Outstanding Bond over any other Outstanding Bond or a reduction in the percentage of Outstanding Bonds the consent of the Holders of which is required for any modification of the Indenture, without the unanimous consent of the holders of all Outstanding Bonds.

Defeasance (Section 9.01).

(a) If the Authority 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 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 thereby to the Trustee for the benefit of the Bondholders or the holders of Subordinate Obligations shall be discharged and satisfied. In such event, upon the request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay or deliver to the Authority, or to such officer, board or body as may then be entitled by law to receive the same, all property held by it pursuant to the Indenture (other than any

monies and securities required for the payment or redemption of Bonds or Subordinate Obligations not theretofore surrendered for such payment or redemption).

(b) A Series 2003 Bond shall be deemed to have been paid within the meaning of and with the effect expressed in paragraph (a) above if (i) money for the payment or redemption of such Bond shall be held by the Trustee (through deposit by the Authority of monies for such payment or redemption or otherwise, regardless of the source of such monies), 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, (A) provision shall have been made by the Authority for the payment of the principal or Redemption Price of, and interest on, such Bond on the due dates for such payments by deposit with the Trustee (or other method satisfactory to the Trustee) of non-callable Government Obligations, the principal of and interest on which when due will provide for such payment, and (B) if such Bond is to be redeemed prior to the maturity thereof, the Authority shall have taken all action necessary to redeem such Bond and notice of such redemption shall have been duly and irrevocably given or provisions satisfactory to the Trustee shall have been made for the giving of such notice.

(c) An Additional Bond or Subordinate Obligation shall be deemed to have been paid within the meaning of and with the effect expressed in Section 9.01 of the Indenture if it is deemed to be paid in accordance with the provisions of the Supplemental Indenture authorizing the issuance thereof.

(d) Anything in the Indenture to the contrary notwithstanding, if the Authority shall determine to provide for the payment of all of the Outstanding Bonds of a Series in accordance with Section 9.01 of the Indenture, upon the direction of the Authority, the Trustee shall set aside any amounts on deposit in the funds and accounts maintained solely for the Bonds of such Series (other than amounts theretofore set aside for the payment of particular Bonds in accordance with the Indenture) for the payment of the principal or Redemption Price of, and interest on, and the purchase price of, such Bonds on the due dates for such payments in accordance with Section 9.01 of the Indenture. If all of the Outstanding Bonds of a Series shall have been paid in accordance with the Indenture, amounts on deposit in the funds and accounts maintained solely for such Bonds (other than amounts set aside for the payment of particular Bonds of such Series in accordance with the Indenture) shall be transferred to the Revenue Fund upon receipt by the Trustee of Transfer Directions. The provisions of this paragraph shall be subject in all respects to the provisions of any Supplemental Indenture authorizing any Additional Bonds with respect to the funds and accounts maintained for such Bonds.

(e) In connection with the defeasance of any Bonds, the Authority shall deliver or cause to be delivered to the Trustee a report of an independent public accountant or a financial advisor, which in either case shall be selected by the Authority and approved by the Trustee (which approval shall not be unreasonably withheld) verifying that the amount of the money and the principal of, and interest on, the Government Obligations deposited in accordance with paragraph (b) above is sufficient to pay the principal or Redemption Price of, and interest on, such Bonds on and prior to the redemption date or maturity date thereof. If the Bonds to be defeased are not by their terms subject to redemption or payable upon their maturity within the next 60 days after the deposit of Government Obligations as described in paragraph (b) above, the Authority shall give the Trustee, in form reasonably satisfactory to the Trustee, irrevocable instructions to give, in the same manner as a notice of redemption is given pursuant to Section 3.02 of the Indenture, a notice to the holders of such Bonds stating that the deposit required by this Section has been made, that such Bonds are deemed to have been paid in accordance with Article IX of the Indenture, and that monies are to be available for the payment of interest prior to, and principal or Redemption Price of, and interest on, such redemption date or date of maturity as is described in such notice.

(f) Anything in the Indenture to the contrary notwithstanding, any monies held by the Trustee in trust for the payment of any of the Bonds or Subordinate Obligations that remain unclaimed for five years after the later of the date at which such Bonds or Subordinate Obligations became due and payable and the date of deposit of such monies shall be paid by the Trustee to the County, or to such officer, board or body as may then be entitled by law to receive such monies, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto.

Governing Law (Section 11.13).

The Indenture shall be governed by and construed in accordance with the laws of the State.

Concerning the Bond Insurer

As long as the Bond Insurance Policy remains in full force and effect with respect to the Series 2003 Bonds and the Bond Insurer has not failed to honor a demand for payment thereunder in accordance with its terms, the Authority, the Trustee and the Paying Agent agree to comply with, among others, the following provisions:

1. Any provision of the 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 thereunder without the prior written consent of the Bond Insurer.
2. Unless otherwise provided in the Indenture, the Bond Insurer's consent shall be required in addition to Holder consent, when required, for the following purposes: (i) execution and delivery of any Supplemental Indenture (ii) removal of the Trustee or Paying Agent and selection and appointment of any successor trustee or paying agent; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Holder consent.
3. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default under the Indenture, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders or the Trustee for the benefit of the Holders under the Indenture, including without limitation: (i) the right to accelerate the principal of the Series 2003 Bonds as described in the Indenture, and (ii) the right to annul any declaration of acceleration, and the Bond Insurer shall also be entitled to approve all waivers of Events of Default.
4. The Trustee (or Paying Agent) may be removed at any time, at the request of the Bond Insurer, for any breach of the Trust set forth in the Indenture.
5. Notwithstanding any other provision of the Indenture, no removal, resignation or termination of the Trustee (or Paying Agent) shall take effect until a successor, acceptable to the Bond Insurer, shall be appointed.
6. To the extent that the Indenture confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of the Indenture, the Bond Insurer is explicitly recognized as being a third-party beneficiary thereunder and may enforce any such right remedy or claim conferred, given or granted hereunder.
7. Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on the Series 2003 Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Series 2003 Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, and the assignment and pledge of the Authority and all covenants, agreements and other obligations of the Authority 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.
8. Notwithstanding any other provision of the Indenture, in determining whether the rights of the Series 2003 Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of the Indenture, the Trustee or Paying Agent shall consider the effect on the Series 2003 Bondholders as if there were no Bond Insurance Policy.
9. Any reorganization or liquidation plan with respect to the Authority 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 the Holders of Series 2003 Bonds absent a default by the Bond Insurer under the Bond Insurance Policy.

In addition, for purposes of any waiver, action, consent, request or direction of or by the Holders of the Series 2003 Bonds required or permitted under Article VII of the Indenture with respect to defaults and remedies, the Bond Insurer shall be deemed to be the Bondholder for purposes of providing such waiver, action, consent, request or direction to the extent the Bond Insurer is not then in default under the Bond Insurance Policy.

APPENDIX F
SUMMARIES OF CERTAIN SYSTEM DOCUMENTS

SUMMARY OF CERTAIN PROVISIONS OF THE WASTE DISPOSAL AGREEMENT

The following summarizes certain provisions of the Waste Disposal Agreement between the County and the Authority. This summary does not purport to set forth all of the provisions of the Agreement and is qualified by reference to the Waste Disposal Agreement in its entirety for the complete and actual terms thereof. Any capitalized term used in this summary and not defined below is defined in Appendix A, Summary of Certain Definitions.

Summary of Certain Definitions

Acceptable Waste means:

- (a) household garbage, trash, rubbish, offal and refuse of the kinds normally generated by residential housing units and non-industrial commercial establishments located in the County; and
- (b) the types of commercial and light industrial waste that are normally generated by governmental, commercial and light industrial and manufacturing establishments located in the County.

Alternate Disposal Facility means a sanitary landfill (including any Designated Landfill) within or without the County boundaries, solid waste acceptance, transportation and disposal facilities at which Disposable Refuse is accepted, stored or disposed of by the Authority other than the normal sites to be used for such activities pursuant to the Waste Disposal Agreement.

Additional Capital Investment is defined below under “Changes Necessitated by Uncontrollable Circumstances.”

Administrative Costs is defined below under “Waste Disposal Fee.”

Administrative Fee is defined below under “Waste Disposal Fee.”

Alternate Disposal Methods means any method of acceptance, transportation, storage and/or disposal of Acceptable Waste, other than operation of the normal acceptance through the Transfer Station and processing through the Facility under the Service Agreement or any Substitute Operator Agreement, by which the Authority or any Person acting for or on behalf of the Authority accepts, transports, stores or disposes of, or causes to be accepted, transported, stored or disposed of, Acceptable Waste, either through the use of the Authority Component, the Authority Component Sites, the Designated Landfill, the Alternate Disposal Facilities or otherwise.

Authority Component means the Disposal System Components that are to be undertaken by the Authority pursuant to the Waste Disposal Agreement, including, collectively, the Transfer Station, Transfer Station Easements and the rights or interest of the Authority in the Transfer Station pursuant to the Facility Site Lease, the Facility, any changes to the Transfer Station and the Facility made in accordance with the Waste Disposal Agreement, and any Alternate Disposal Facility or Alternate Disposal Methods.

Authority Component Revenues is defined below under “Waste Disposal Fee.”

Authority Component Agreements means all Energy Sales Agreements, the Facility Site Agreement, the Rail Transportation Agreement, the Landfill Agreement, any Agreement regarding an Alternate Disposal Facility, the Service Agreement, any Substitute Operator Agreement, any other Project Agreements and the Waste Disposal Agreement, together with any and all other agreements to which the Authority is a party necessary for the Authority to fulfill its obligations under the Waste Disposal

Agreement that are approved by the County representative or entered into in order to avoid default, as described below under "Authority Right to Take Certain Actions to Avoid Default," as such agreements may be amended or modified from time to time.

Authority Component Sites means the Authority's interest in the Transfer Station Site pursuant to the Facility Site Agreement and the Facility Site, and any Alternate Disposal Facility.

Bypassed Waste means Processible Waste that is accepted by the Company or any Substitute Operator but is not Processed at the Facility.

Capacity Maintenance Change means any Changes to the Authority Component required as a result of an Uncontrollable Circumstance to repair or replace any damaged or destroyed portion of the Authority Component or to restore operating levels of the Authority Component to those set forth in the performance standards under the Service Agreement, or to enable the Authority to perform its obligations under the Waste Disposal Agreement, the Bond Documents and the other Authority Component Agreements without resort to Alternate Disposal Methods or Alternate Disposal Facilities.

Capital Costs means any item of cost of a capital nature incurred by the Authority which would constitute a "Capital Cost" pursuant to the Master Authorization if incurred by the County or which cost constitutes a "cost of the project" under the Authority's enabling legislation.

Change means any restoration, modification, addition or alteration to the Authority Component.

County Ten Year Plan has the same meaning as "Solid Waste Management Plan," which is defined in Appendix A, Summary of Certain Definitions.

Debt Service is defined below under "Waste Disposal Fee."

Designated Hauler means any person who delivers waste to the Authority pursuant to the Waste Disposal Agreement on behalf of the County. With respect to the Transfer Station and any other facility to which access is controlled by the County, Designated Hauler includes any person permitted to deliver waste by the County or by the person operating the weighing scales at the Transfer Station.

Discretionary Right means certain rights described in the Service Agreement under the Primary Project Agreements (as such term is used in the Service Agreement) the exercise of which has been reserved to the Authority and the following rights under the Service Agreement:

1. Right to require Changes to the Facility pursuant to Article VIII of the Service Agreement.
2. Right to terminate for Company failure to perform or for convenience.
3. Right to waive any defaults.

In addition, the County may designate any other rights under any Authority Component Agreements as "Discretionary Rights" by written notice to the Authority.

Diverted Waste means waste that the Authority delivers or tenders for delivery to the Company under the Service Agreement (or to any Substitute Operator under any Substitute Operator Agreement) but which is not accepted by the Company (or the applicable Substitute Operator, as the case may be).

Facility Site Agreement means, collectively, (1) the Facility Site Agreement, (2) the deed by which the Authority transferred title to the Facility Site to the County, and (3) any agreement between the Authority and the County concerning use of the Facility Site, or any part thereof, by the Authority.

Hazardous Waste means:

(a) any material or substance the treatment, storage or disposal of which, because of the composition or characteristics of the material or substance, is unlawful to treat, store or dispose of at the Project and is considered hazardous material under Applicable Law, including, without limitation, materials that are:

(i) regulated as a toxic or hazardous waste as defined under either Subtitle C of the Solid Waste Disposal Act, 42 U.S.C. §§6921 -6939a, or Section 6(e) of the Toxic Substances Control Act, 15 U.S.C. §2605(e), as replaced, amended, expanded or supplemented, and any rules or regulations promulgated thereunder, or under the Environment Article of the Annotated Code of Maryland, Title 7, Section 7-101 et seq., as replaced, amended, expanded or supplemented, and any rules or regulations promulgated thereunder, or

(ii) low-level nuclear materials, special nuclear materials or nuclear by-product materials, all within the meaning of the Atomic Energy Act of 1954 as replaced, amended, expanded or supplemented, and any rules, regulations or policies promulgated thereunder; 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 Project because of the harmful, toxic or dangerous composition or characteristics of the material or substance.

Insurance Consultant means an independent consultant or firm of consultants with a favorable national reputation that is designated by the Authority and approved by the County representative.

Nonprocessable Waste means materials that:

(a) are Acceptable Waste; and

(b) (i) in the reasonable judgment of the Company,

(A) would pose a substantial threat to public health or safety if Processed at the Facility; or

(B) would result in Residue being a material or substance described in clause (a) or (b) of the definition of “Hazardous Waste” if Processed at the Facility; or

(C) are so large or bulky as to present a risk of blocking the waste feed chutes or the rail compaction equipment; or

(D) under Applicable Law or the Rail Transportation Agreement may not be transported by rail from the Transfer Station to the Facility or disposed of at the Facility; or

(ii) are present in concentrations or quantities exceeding those normally found in solid waste generated in residences or non-industrial commercial establishments and, in the reasonable judgment of the Company, would either

(A) pose a reasonable possibility of adversely affecting the operation of the Facility if Processed; or

(B) cause applicable air quality or water effluent standards to be violated by the Processing thereof during normal operation of the Facility; and

(c) are listed in the definition of Nonprocessable Waste in the Service Agreement (generally, construction debris and white goods) or included in a written notice provided by the Company to the Authority stating that the material constitutes Nonprocessable Waste.

Operating Costs is defined below under “Waste Disposal Fee.”

Process, Processed and Processing mean to burn waste utilizing the Facility’s furnaces in accordance with Applicable Law.

Processible Waste means all Acceptable Waste other than Nonprocessable Waste.

Processing Capacity Reduction means a condition affecting the Project, the Service Agreement, any Substitute Operator Agreement, the Company or any Substitute Operator that prevents the Company or any Substitute Operator from accepting and Processing all Processible Waste and disposing of all Nonprocessable Waste in accordance with the requirements of the Service Agreement or any Substitute Operator Agreement that is required to be accepted at the Transfer Station from time to time under the Service Agreement or any Substitute Operator Agreement.

Recovered Materials means any salvageable items recovered from the material that remains after the waste has been Processed.

Service Agreement Termination Date means the date specified by the Authority in its notice of termination delivered by the Authority on which the Service Agreement will terminate unless the Authority rescinds such notice.

Service Covenant means the covenant described below under “Provision of Disposal Service by Authority.”

Solid Waste Act has the same meaning as “Chapter 48,” which is defined in Appendix A, Summary of Certain Definitions.

Substitute Operator means, following a termination of the Service Agreement, if any, a Person procured by the Authority to operate all or any portion of the Project or otherwise perform some or all of the Company’s obligations under the Service Agreement.

Substitute Operator Agreement means an agreement with a Substitute Operator.

Transfer Station Shutdown means a condition affecting the Project that prevents the Company or any Substitute Operator from accepting and disposing of, by means other than Processing, all Acceptable Waste that the Company or any Substitute Operator is required to accept from time to time under the Service Agreement or any Substitute Operating Agreement.

Unacceptable Waste, as used in the Waste Disposal Agreement, means any material not included in the definition of Hazardous Waste which is not permitted by Applicable Law to be delivered to or disposed of at the Transfer Station and materials that:

(a) (i) in the reasonable judgment of the Company (or, with respect to the County Designated Landfill, the County) (A) would pose a substantial threat to public health or safety if accepted at the Transfer Station or (B) are so large or bulky as to present a risk of blocking the Transfer Station waste feed chutes, or (ii) are present in the concentrations or quantities exceeding those normally found in solid waste generated in residences or non-industrial commercial establishments and, in the reasonable judgment of the Company (or, with respect to the County

Designated Landfill, the County), would either pose a reasonable possibility of adversely affecting the operation of the Transfer Station in any material respect, or cause applicable air quality or water effluent standards to be violated by the disposal of such materials at the Designated Landfill; and

(b) are listed in the definition of Unacceptable Waste in the Service Agreement (or, with respect to the County Designated Landfill, the Landfill Agreement) (generally, explosives, liquid wastes, tires, motor vehicles and motor vehicle parts, construction materials, and certain other items) or included in a written notice provided by the Company (or with respect to the County Designated Landfill, the County) stating the material constitutes Unacceptable Waste.

Uncontrollable Circumstances means any event or condition affecting the Project, the Authority, the County, the Company or any Substitute Operator, that has, or may reasonably be expected to have, a material adverse effect on any of the Authority Component Agreements or Bond Documents or on the Project or the Project Sites or the operation, ownership or possession of the Project, or delivery of waste to the Project, if such event or condition is beyond the reasonable control, and not the result of willful or negligent action or a lack of due diligence, of the nonperforming party relying thereon as justification for not performing any obligation or complying with any condition required of such party under the Waste Disposal Agreement or for delaying such performance or compliance or for an adjustment to the Waste Disposal Fee.

Summary of Certain Provisions

Operation and Maintenance of Facility and Transfer Station (Section. 2.3).

The Authority must operate and maintain the Project in accordance with Applicable Law and sound solid waste management practice. The Authority agrees that it shall cause the Company and any Substitute Operator in accordance with the Service Agreement and any Substitute Operator Agreement, respectively, to meet its obligations with respect to the cleanliness of the Project, compliance with environmental and other Applicable Law and, should any such nuisance condition or violation of Applicable Law occur, to expeditiously remedy the condition or violation. In addition, the Authority must cause the Company and any Substitute Operator in accordance with the Service Agreement to repair, maintain and replace the Facility's pollution control equipment in accordance with sound engineering practice so that the equipment meets the performance levels required by the Service Agreement and any Substitute Operator Agreement, respectively.

Insurance (Section 2.4).

The Authority must obtain and maintain, or cause to be obtained and maintained from qualified insurers, insurance, in forms approved by the County representative, covering the Authority Component that are available on commercially reasonable terms and conditions and afford adequate protection against loss caused by damage to, destruction of, or business interruption of all or any part of the Authority Component, and liability insurance for bodily injury and damage resulting from damage to or destruction of all or any part of the Authority Component owned by the Authority. The Authority will satisfy the preceding sentence if (i) before the termination of the Service Agreement it maintains, or causes to be maintained, the insurance specified in Schedule 12 to the Service Agreement, or (ii) after the Service Agreement Termination Date it maintains, or causes to be maintained, insurance reasonably recommended by the Insurance Consultant, which recommendation shall be made in a written report to the Authority and the County not less often than once every five years. Subject to certain restrictions the Authority must procure and maintain, or cause to be procured and maintained, any additional insurance coverage related to the Authority Component requested by the County representative or required by Applicable Law that is available on commercially reasonable terms. In addition, the Authority has certain obligations relating to required insurance on the part of its consultants and subcontractors. The Authority may satisfy its own obligation to provide insurance coverage through its participation in the State self-insurance program.

The Company or Substitute Operator as the Authority's Provider of Waste Disposal Services Under the Waste Disposal Agreement (Section 2.5).

The County has acknowledged and agreed that:

(1) the Authority has entered into the Service Agreement with the Company to obtain the services of the Company to fulfill substantially all of the Authority's obligations to the County under the Waste Disposal Agreement other than the obligations of the Authority thereunder to administer and enforce the Service Agreement and any other obligation thereunder which is not dependent or expressly conditioned upon performance by the Company under the Service Agreement. Prior to the termination of the Service Agreement, the Company's performance of its obligations under the Service Agreement constitutes performance of all of the Authority's obligations under the Waste Disposal Agreement other than the obligations of the Authority thereunder to administer and enforce the Service Agreement and any other obligation thereunder which is not dependent or expressly conditioned upon performance by the Company under the Service Agreement;

(2) before the termination of the Service Agreement and pursuant to the Service Agreement, the Company has agreed, in the name, on behalf and in the place and stead of the Authority, to perform certain obligations of the Authority under the Waste Disposal Agreement, the Rail Transportation Agreement, the Facility Site Agreement, the Electricity Sales Agreement and certain other Authority Component Agreements;

(3) the Authority may, with the prior written approval of the County, except as provided in Section 6.4 of the Waste Disposal Agreement, procure one or more Substitute Operators and enter into Substitute Operator Agreements as may be necessary or appropriate to the continued operation of the Project or performance otherwise of the Company's obligations under the Service Agreement, provided that such agreements are consistent with Applicable Law, the Bond Documents and the performance of the Authority's obligations under the Waste Disposal Agreement;

(4) any Substitute Operator's performance of its obligations under any Substitute Operator Agreement constitutes performance of the Authority's obligations under the Waste Disposal Agreement other than the obligations of the Authority thereunder to administer and enforce Authority Component Agreements and any other obligation thereunder which is not dependent or expressly conditioned upon performance by any Substitute Operator under any Substitute Operator Agreement; and

(5) the performance by the Company or the Substitute Operator, as the case may be, on behalf of the Authority of the Authority's obligations under the Waste Disposal Agreement constitutes performance of such obligations by the Authority for all purposes thereof. The Authority will not be in default of any obligation under the Waste Disposal Agreement to cause (a) the Company to take any action despite the failure of the Company to take such action if the Authority is diligently enforcing the provisions of the Service Agreement in accordance with the Waste Disposal Agreement and (b) the Substitute Operator to take any action despite the failure of the Substitute Operator to take such action if the Authority is diligently enforcing the provisions of the Substitute Operator Agreement in accordance with the Waste Disposal Agreement.

Limitation of Authority Payment Obligations to Bond Proceeds and Project Revenues (Section 2.6).

The liability of the Authority for any monetary payments with respect to, or as a result of, the Waste Disposal Agreement are not payable from the general funds of the Authority or any amounts received by the Authority in respect of the Administrative Fee or Authority Administrative Costs and the incurrence or nonperformance of such obligations or payments will 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 Authority or of its income, receipts or revenues, except Project Revenues and Bond proceeds available to pay such amounts under Applicable Law and the Bond Documents.

Authority Component Constitutes a Part of the System; No Responsibility of County With Respect to Facility (Section 2.7).

(A) The County acknowledges the Authority Component is necessary and desirable for the efficient operation of the Disposal System and for the provision of Disposal Services pursuant to the Master Authorization.

(B) The Waste Disposal Agreement constitutes a “Long Term Obligation” pursuant to the Master Authorization and is in compliance with the County Ten Year Plan.

(C) The County is not responsible, by reason of the execution and delivery of the Waste Disposal Agreement or any other reason whatsoever, and has not undertaken any responsibility, for the design, construction, installation, equipping, start-up, testing or operation of the Project or the ownership, operation or maintenance of the Facility, or for the acquisition, construction, operation or maintenance of any Alternate Disposal Facility (other than County owned or operated Alternate Disposal Facilities) and the County may not in any way be deemed to have incurred any liability to the Authority, the Company, the Trustee, any holder of Bonds or any other person whatsoever, with respect to any matters referred to above relating thereto; except that the County’s responsibilities with respect to the Designated Landfill will be set forth and governed by the Landfill Agreement and its obligations with respect to the Project Sites will be set forth and governed by the Facility Site Agreement. The parties acknowledge that the primary interest of the County in the Transfer Station or the Facility and in any Alternate Disposal Facility is in assuring the ability of the Authority to render the service to the County of providing the capacity for the acceptance, processing and disposal of all Acceptable Waste delivered to the Transfer Station for rail haul to the Facility in accordance with the Service Agreement or any Substitute Operator Agreement and, in the event and to the extent the Facility is not available to accept, process or dispose of such waste, providing for the acceptance and disposal of such waste at an Alternate Disposal Facility. The provisions of Section 2.7 of the Waste Disposal Agreement in no way limit the obligations of the County to pay the Waste Disposal Fee and all other amounts due under the Waste Disposal Agreement or any other Project Agreement to which the County is a party to the extent required under Article IV of the Waste Disposal Agreement and otherwise meet its obligations under the Waste Disposal Agreement.

Delivery of Waste (Section 3.1).

(A) *Designation of Authority Component.* In accordance with Section 5.11 of the Master Authorization and the County Ten Year Plan, the County designates and confirms the Authority Component as the central County solid waste acceptance facility for the disposal of non-recycled Acceptable Waste generated in the County (up to the amounts which the Authority is required to accept pursuant to the Waste Disposal Agreement). Nothing in the Waste Disposal Agreement requires the County to deliver to the Authority for disposal under the Waste Disposal Agreement any solid waste that the County recycles under any County program or to require any person to deliver recyclable materials to any place other than a County or County-approved recycling facility under such program.

(B) *Delivery Schedules and Procedures.* The County representative and the Authority representative agree to cooperate in the development of any annual operating plan pursuant to the Service Agreement and any Substitute Operator Agreement. Deliveries of Acceptable Waste to the Authority Component under the Waste Disposal Agreement must be consistent with the Service Agreement and any Substitute Operator Agreement and substantially in accordance with written procedures established by mutual consent of the parties.

(C) *County Activities at Transfer Station Site.* The County must conduct or cause to be conducted all public interface activities at the public drop-off facility located at the Transfer Station.

The County must operate and maintain road vehicle scales at the Transfer Station. The County must weigh all road vehicles (1) delivering waste to the Transfer Station (whether or not the Authority accepts the waste so delivered), or (2) removing waste, Residue or Recovered Materials from the Transfer Station, and complete a weight record with regard thereto.

If the permanent road vehicle scales at the Transfer Station are not working properly or are being tested, a “scale outage” will occur, and the County representative, the Authority representative and the Company Representative (or any authorized representative of any Substitute Operator appointed in accordance with any applicable Substitute Operator Agreement; the “Substitute Operator Representative”) must reasonably estimate the quantity of waste delivered on the basis of truck volumes and historical information about the Authority, the County, the Company and the Designated Haulers.

The County must maintain daily records of the total tonnage of waste delivered to the Transfer Station for acceptance by the Authority, the tonnages of waste accepted by or on behalf of the Authority, the tonnages of Acceptable Waste disposed of by or on behalf of the Authority, the tonnages of Recovered Materials, Residue, Diverted Waste, Bypassed Waste and Nonprocessable Waste that is removed from the Transfer Station Site.

In accordance with Section 5.13 of the Master Authorization, the County must collect tipping and disposal fees from all Persons delivering waste to the Transfer Station by or on behalf of the County pursuant to the Waste Disposal Agreement. The County must operate and maintain facilities at the scale house for the collection of such amounts at the Transfer Station.

Provision of Disposal Service by Authority (Section 3.2).

(A) *Service Covenant.* Subject to the Authority’s rejection rights under the Waste Disposal Agreement, the Authority must provide or cause the provision of the service of disposing of all non-recycled Acceptable Waste delivered by or on behalf of the County pursuant to the Waste Disposal Agreement to the Transfer Station or an Alternate Disposal Facility, including the disposal of Residue from the processing of Acceptable Waste at the Facility. The Authority must do and perform all acts and things which may be necessary or desirable in connection with its obligation under this subsection, including without limitation all planning, development, administration, implementation, construction, operation, maintenance, management and contract work related thereto or undertaken in connection therewith. Notwithstanding the foregoing, the Authority is not obligated to accept more than 558,500 tons of Acceptable Waste in any Fiscal Year and, (1) before the Service Agreement Termination Date, any additional amount that the Company must accept pursuant to the Service Agreement and (2) after the Service Agreement Termination Date, any additional amount that a Substitute Operator must accept pursuant to a Substitute Operator Agreement. The foregoing obligations of the Authority constitute its Service Covenant.

(B) *Alternate Disposal Methods.* The Authority may carry out its Service Covenant through the Service Agreement or through the use of any other agreements with such persons (including, but not limited to, the County or any Substitute Operator) or the use of any such facilities, using such technologies and upon such terms and conditions as are consistent with Applicable Law and with prudent solid waste management practices. To the extent the Facility is not available at any time or for any reason (including failure by the Company to perform its obligations pursuant to the Service Agreement or any Substitute Operator to perform its obligations pursuant to any Substitute Operator Agreement) for the receipt and processing of Acceptable Waste that the Authority is required to accept under the Waste Disposal Agreement, the Authority must cause the Company and any Substitute Operator to provide for alternate disposal (if the Company or any Substitute Operator is obligated to provide such alternate disposal pursuant to the Service Agreement or any Substitute Operator Agreement, respectively) or the Authority must use Alternate Disposal Methods available for the disposal of such Acceptable Waste. The Authority must designate and may change from time to time the Alternate Disposal Facility, and must deliver written notice to the County representative of such designation or change. The Authority must exercise its best efforts to minimize the costs incurred in complying with the Service Covenant consistent with its responsibilities under the Waste Disposal Agreement and under the Service Agreement (including the enforcement thereof), other Authority Component Agreements and the Bond Documents, Applicable Law, and prudent solid waste management practice and environmental considerations.

(C) *County Disapproval of Alternate Disposal Methods.* Subject to the provisions of Section 6.4 of the Waste Disposal Agreement, the Authority must comply with any direction of the County representative with respect to the Alternate Disposal Method, including the use of an Alternate Disposal Method or Alternate Disposal Facility other than that proposed by the Authority, if the direction is in accordance with the Authority Component Agreements, the Bond Documents and Applicable Law.

(D) *Special Service.* In the event the County representative notifies in writing with reference to Section 3.2(D) of the Waste Disposal Agreement the Authority representative that an identified amount of Acceptable Waste generated in the County but outside the Collection and Disposal District is not being, or may not be, delivered to the Disposal System pursuant to Section 48-19 of the Montgomery County Code or otherwise despite the best efforts of the County pursuant to Section 5.11 of the Master Authorization to cause such Disposable Refuse to be so delivered, the Authority must cause the Company under the Service Agreement to use its best efforts to deliver or cause the delivery of Acceptable Waste generated in the County to the Authority Component on such terms and conditions and at such rates and charges as may best accomplish the mitigating result of reducing the rates and charges that the County would otherwise be required to impose pursuant to its Rate Covenant under Section 5.13 of the Master Authorization. Such notification by the County representative shall be deemed the acknowledgement by the County that the Waste Disposal Services offered by the County pursuant to its Service Covenant under Section 5.3 of the Master Authorization are no longer required with respect to that amount of Acceptable Waste so identified in such written notice and, in addition, such notification may specify any limits on the terms and conditions under which such waste is to be accepted.

Non-County Acceptable Waste (Section 3.5).

No Non-County Acceptable Waste may be accepted by the Authority at the Project or any other County owned facility, notwithstanding the periodic capacity of the Authority to accept such waste due to seasonal fluctuations in the delivery of Acceptable Waste.

Waste Delivered to the Facility (Section 3.6).

The County must not knowingly deliver, and must use all legal means reasonably available to prevent the delivery of, Unacceptable Waste to the Authority Component by any person.

The Authority must, in accordance with the Service Agreement or any Substitute Operator Agreement, as the case may be, remove and dispose of, or cause the removal and disposal of, all Unacceptable Waste and Hazardous Waste delivered to, and inadvertently accepted at, the Authority Component. All costs incurred by the Authority as a result of the delivery of Hazardous Waste are deemed to be costs and expenses incurred in providing Waste Disposal Services under the Waste Disposal Agreement, and constitute Operating Costs.

County Covenant For Benefit of Authority (Section 3.7).

The County agrees and covenants that so long as the Waste Disposal Agreement is in effect, the Authority is entitled to operate the Authority Component without undue interference or interruption and accordingly agrees not to take any action (or fail to take any action) which could adversely affect the Authority's ability to enjoy the rights and benefits conferred upon the Authority, or to undertake its obligations in connection with the Authority Component, or any construction or operation activities thereon, and to cooperate with the Authority with respect to all matters affecting such enjoyment; provided, however, that this Section shall not be construed to (1) exempt the Authority from any provision of the Waste Disposal Agreement requiring compliance with Applicable Law or (2) preclude the County from enforcing Applicable Law. The passage by the County of any ordinance, local law or similar enactment having the force of law or enforcement of any existing law, ordinance or enactment which is (1) discriminatory in nature and adverse to the construction or operation of the Authority Component by the Authority or to the performance by the Authority of its obligations under the Waste Disposal Agreement or any Authority Component Agreement, (2) not a necessary or appropriate exercise of the police power sufficient to override and impair such County agreement and covenant for the benefit of the Authority and (3) not in respect and furtherance of the proviso of the sentence immediately preceding, will be deemed to be a breach of this provision.

County Pledge (Section 3.8).

In consideration of and as an inducement to the sale of the Bonds by the Authority at favorable interest rates, the County, to the extent permitted by law, pledges to and agrees with the holders of the Bonds that the County will not (a) limit or impair the rights hereby vested in the Authority to purchase, construct, maintain, operate, repair, improve, reconstruct, renovate, rehabilitate or dispose of the Authority Components, or any part or

parts thereof, for which Bonds of the Authority have been issued, to fulfill the terms of any agreements made with the holders of the Bonds or with any public corporation or Person with reference to the Authority Component or part thereof, or in any way impair the rights and remedies of the Bondholders, until the Bonds, together with interest thereon, with interest on any unpaid installments of interest and all costs and expenses in connection with any action or proceeding by or on behalf of the Bondholders, are fully met and discharged, and authorizes the Authority to include such pledge and agreement in the contract with the holders of the Bonds or (b) except to the extent provided in the Project Site Lease, the Waste Disposal Agreement, the Master Authorization and the Bond Documents, sell, mortgage, pledge, encumber or otherwise dispose of any part of the Disposal System.

Waste Disposal Fee (Section 4.1).

(A) *Payment of Waste Disposal Fee.* In consideration for the Authority's obligations under the Service Covenant and all other services being rendered and obligations assumed by or on behalf of the Authority to the County under the Waste Disposal Agreement, throughout the term of the Waste Disposal Agreement the County must pay to the Authority the Waste Disposal Fee. If the County disputes any portion of the Waste Disposal Fee billed by the Authority it must nonetheless pay the entire amount of the Waste Disposal Fee so billed when due and subsequently resolve such dispute in accordance with Section 8.6 of the Waste Disposal Agreement.

(B) *Calculation of Waste Disposal Fee.* The Waste Disposal Fee is determined in accordance with the following formula:

$$DF = DS + FF + DC + AC + OC - PR$$

Where

DF = Waste Disposal Fee

DS = Debt Service

FF = Facility Fee

DC = Alternate Disposal Costs

AC = Authority Administrative Costs

OC = Operating Costs

PR = Authority Component Revenues

Each component of the Waste Disposal Fee must be computed in accordance with Section 4.1 of the Waste Disposal Agreement and may be adjusted from time to time as provided in the Waste Disposal Agreement. Although calculated by components, the Waste Disposal Fee is and must be considered to be a single annual fee.

(C) *Debt Service.* Debt Service ("Debt Service") is an amount equal to (i) the amount of any principal of and premium, if any, and interest on the Bonds plus (ii) any amount required to be deposited into reserves, debt service funds or other funds established under the Indenture or other Bond Documents, or (iii) fees and expenses (including expenses of counsel) of the Authority, the Trustee, and any remarketing agent, letter of credit bank or other credit facility provider, and tender agent, if any, for the Bonds and administrative fees and expenses of the Authority under any Bond Documents; provided, however, that notwithstanding anything herein to the contrary, the County shall not be required to pay any amount with respect to any Designated Bond, as defined in Appendix E, Summary of Certain Provisions of the Indenture.

(D) *Facility Fee.* The Facility Fee ("Facility Fee") is an amount equal to (1) any amounts required to be paid by the Authority to the Company under the Service Agreement, including, but not limited to, the Service

Fee, any termination damages and other amounts payable thereunder and (2) any amounts required to be paid by the Authority to any Substitute Operator under any Substitute Operator Agreement.

(E) *Alternate Disposal Costs.* Alternate Disposal Costs (“Alternate Disposal Costs”) is an amount equal to all costs and expenses incurred by the Authority (other than such costs which are payable through the Facility Fee component) in connection with the handling, transportation, storage, treatment and disposal by Alternate Disposal Methods of Acceptable Waste.

(F) *Authority Administrative Costs.* Authority Administrative Costs (“Authority Administrative Costs”) is an amount equal to all reasonable administrative costs of the Authority attributable to the administration and enforcement by the Authority of its obligations under the Waste Disposal Agreement, including, but not limited to, the following: accounting, legal, engineering and other professional fees, including the fees of the Consulting Engineer required to be retained by the Authority pursuant to the Service Agreement or the Waste Disposal Agreement, the Independent Accountant, the Insurance Consultant; any fees, expenses or liabilities required to be paid by the Authority to any trustee, paying agent or fiduciary for the Bonds; and expenses related to the issuance of the Bonds. In the alternative, the Authority may charge an Administrative Fee, calculated by a method agreed to by the County representative and the Authority representative, which may be based on the performance of the Facility relative to certain quantitative goals, for which the County will not otherwise be charged for the following: (i) salaries of Authority employees and staff, including benefits; (ii) lease payments and overhaul for Authority equipment and office space at the principal office of the Authority and (iii) general accounting, legal, engineering and other professional fees of general consultants to the Authority for professional services rendered to all or substantially all members of the Authority. In addition to the foregoing, after the termination of the Service Agreement or the exercise by the County of the Authority Conduit Option, Authority Administrative Costs shall include an amount equal to the Company Contribution under the Service Agreement, unless the County has made arrangements satisfactory to the Authority for payment of such amount to the Authority by the Company or a Substitute Operator. Such Company Contribution shall be calculated in the manner provided in the Service Agreement notwithstanding the termination of the Service Agreement.

(G) *Authority Operating Costs.* Operating Costs (“Operating Costs”) is an amount equal to all amounts payable by the Authority pursuant to any Authority Component Agreement and any other costs of the Authority reasonably required and incurred in connection with the provision by the Authority of the operation and performance of the services required under the Waste Disposal Agreement including insurance premiums, taxes on the Authority Component or its activities hereunder, Project Site Lease payments, utilities (except to the extent such amounts are included in any other component of the Waste Disposal Fee).

(H) *Authority Component Revenues* means an amount equal to all revenues and other amounts received by the Authority from any source other than the County, derived from the Authority Component including without limitation material or energy sale revenues, investment income, fines and penalties, grants, indemnification and surety payments, insurance and condemnation proceeds otherwise unencumbered under the Bond Documents and any amounts paid to the Authority pursuant to any Authority Component Agreement (including damages paid thereunder); *provided, however*, that Authority Component Revenues must not include the Company Contribution paid to the Authority under the Service Agreement (or any similar payment required under any Substitute Operator Agreement, the Waste Disposal Fee or any other amount payable by the County under the Waste Disposal Agreement or any Authority Component Agreement, Bond proceeds or amounts required to be rebated by the Authority pursuant to the Code.

(I) *Adjustments to Components of Waste Disposal Fee.* During any Processing Capacity Reduction or Transfer Station Shutdown the components of the Waste Disposal Fee must be increased or decreased, as applicable, to reflect (1) the Authority’s reduced expenses of operation and maintenance, and (2) the amount of any increased or additional expenses of operation and maintenance of the Authority Component and providing the services rendered under the Waste Disposal Agreement caused by such Processing Capacity Reduction. During a Processing Capacity Reduction or Transfer Station Shutdown, the Authority must use reasonable efforts to minimize the expenses of operating and maintaining the Authority Component and providing the services rendered under the Waste Disposal Agreement.

County's Payment Obligations (Section 4.4).

(A) *Payment Irrespective of Waste Deliveries.* The County must pay the Authority the Waste Disposal Fee as provided under the Waste Disposal Agreement during the term of the Waste Disposal Agreement, whether or not the County delivers or causes to be delivered any waste to the Authority for disposal either at the Facility or by Alternate Disposal Methods.

(B) *County's Obligation to Pay the Waste Disposal Fee.* Subject to Section 4.4(C) of the Waste Disposal Agreement, the obligation of the County to pay the Waste Disposal Fee pursuant to Section 4.1 (A) of the Waste Disposal Agreement is absolute and unconditional and is not to be subject to delay or diminution by reason of setoff, abatement, counterclaim, existence of a dispute or otherwise and the County must take all such action as may be necessary to provide for the timely payment of the Waste Disposal Fee and all other amounts due under the Waste Disposal Agreement.

(C) *Limitation on County Payment Obligations to Amounts Available Under Master Authorization.* With respect to any provision of the Waste Disposal Agreement, the liability and obligations of the County for all monetary payments under the Waste Disposal Agreement are limited obligations of the County payable solely from amounts available for such purpose pursuant to the Master Authorization. The liability of the County for any such monetary payments with respect to the Waste Disposal Agreement must not obligate payment from the general fund of the County and the incurrence or nonperformance of such obligations, must 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 County or of its income, receipts or revenues, except amounts available pursuant to the Master Authorization.

(D) *Disputes.* If the County disputes any amount billed by the Authority in any billing statement, the County must nonetheless pay the billed amount and must provide the Authority with written objection within 30 days of the receipt of such billing statement (if the basis for the objection can be known within 30 days, otherwise within 30 days after actual knowledge of the basis for the objection) indicating the amount that is being disputed and providing all reasons then known to the County for its objection to or disagreement with such amount. If the County and the Authority are not able to resolve such dispute within 30 days after the County's objection, either party may pursue dispute resolution pursuant to Section 8.6 of the Waste Disposal Agreement.

Processing Capacity Reductions and Transfer Station Shutdowns; Notice (Section 5.1).

The Authority must immediately advise the County representative by telephone, as soon as possible after becoming aware of such condition, of any Processing Capacity Reduction or Transfer Station Shutdown, its effect on the Authority's ability to perform its obligations under the Waste Disposal Agreement and under any Energy Sales Agreement and the other Authority Component Agreements, and the Authority's best estimate of its probable duration and impact on the Waste Disposal Fee. The Authority must confirm such advice in writing within 24 hours. The Authority must use the Designated Landfill or Alternate Disposal Methods and Alternate Disposal Facilities to the extent necessary to perform its obligation to accept and dispose of Acceptable Waste under the Waste Disposal Agreement and must use best efforts to resume normal operation of the Authority Component as soon as possible. Following any Processing Capacity Reduction or Transfer Station Shutdown, the Authority must, upon the request of the County representative, provide the Consulting Engineer with such information as is necessary for the Consulting Engineer to determine the cause of the Processing Capacity Reduction or Transfer Station Shutdown and to make its estimate of when the Processing Capacity Reduction or the Transfer Station Shutdown will end.

Authority Operations During a Processing Capacity Reduction or Transfer Station Shutdown (Section 5.2).

During a Processing Capacity Reduction the Authority must continue to accept and dispose of waste delivered under the Waste Disposal Agreement and must Process as much of the Processible Waste delivered as possible. Subject to the Authority's rejection rights in Sections 3.2(A) and 3.6 of the Waste Disposal Agreement, during a Transfer Station Shutdown the Authority must continue to accept as much of the Acceptable Waste delivered as possible at the Transfer Station and waste that the Authority cannot accept at the Transfer Station must be delivered by or on behalf of the Authority at the Designated Landfill or an Alternate Disposal Facility. The components of the Waste Disposal Fee must be adjusted pursuant to Section 4.1(B) of the Waste Disposal

Agreement as applicable to account for the impact of any Transfer Station Shutdown or Processing Capacity Reduction. During a Processing Capacity Reduction or Transfer Station Shutdown the Authority must use reasonable efforts to minimize the expenses of operating and maintaining the Authority Component and providing the services rendered under the Waste Disposal Agreement.

Changes Necessitated by Uncontrollable Circumstances (Section 5.3).

(A) *General.* Each party hereto shall be excused for its failure to perform in accordance with the Waste Disposal Agreement any obligation required to be performed by it hereunder to the extent that such failure results from an Uncontrollable Circumstance, provided, that in no event shall any Uncontrollable Circumstance excuse any party from performing any obligation to make any payment hereunder in accordance with the terms thereof. Any date by which an obligation under the Waste Disposal Agreement must be performed shall be extended to a date reasonably necessary to allow for the delay in performance caused by the Uncontrollable Circumstance. Each party shall seek diligently and in good faith to overcome or remove such Uncontrollable Circumstance.

(B) *Capacity Maintenance Change.* The Authority must make or cause to be made all Capacity Maintenance Changes.

(C) *Notice.* As soon as possible after becoming aware of an Uncontrollable Circumstance, the Authority or the County, as the case may be, must give to the other party's representative and the Consulting Engineer a statement describing the Uncontrollable Circumstance and its cause (to the extent known by the Authority), and, with respect to the Authority, a description of the conditions (1) requiring the use of Alternate Disposal Methods or Alternate Disposal Facilities or (2) delaying the performance of the Authority's obligations, an estimate of the costs of any Capacity Maintenance Change ("Additional Capital Investment") or other additional costs required to enable the Authority to perform its obligations under the Waste Disposal Agreement, and the estimate of the increase in the Waste Disposal Fee resulting from such costs. The amount of such Additional Capital Investment for any Capacity Maintenance Change due to an Uncontrollable Circumstance or required to enable the Authority to perform its obligations under the Waste Disposal Agreement, the Bond Documents and the other Authority Component Agreements, without resort to Alternate Disposal Methods or Alternate Disposal Facilities, must equal the reasonable Capital Costs and expenses for repair, restoration, modification or maintenance incurred by the Authority for the repair, replacement or restoration of, or addition to, any portion of the Authority Component necessitated by such Uncontrollable Circumstance that have not been paid from insurance proceeds or by the County or third parties.

(D) *Consultation with County.* The Authority must consult with and answer any inquiries of the County representative and the Consulting Engineer regarding the conditions caused by the Uncontrollable Circumstance or the performance standards for the Project, or to enable the Authority to perform its obligations under the Waste Disposal Agreement, the Bond Documents and the other Authority Component Agreements without resort to Alternate Disposal Methods or Alternate Disposal Facilities.

Authority Refusal Rights (Section 5.4).

The Authority may reject deliveries of (1) Hazardous Waste, (2) Unacceptable Waste, (3) waste that is delivered in violation of reasonable rules and regulations of the Authority adopted in accordance with the Waste Disposal Agreement, (4) waste of types not accepted by the County at the Transfer Station as of June 1, 1990, (5) waste delivered outside of receiving hours and (6) any waste in excess of 2,750 tons during any 24-hour period, in excess of 15,750 tons in any seven consecutive days, in excess of 47,880 tons in any 28-day period and (7) waste in excess of 558,500 tons per year.

Authority Component Agreements (Section 6.1).

Except as provided in Section 6.4 of the Waste Disposal Agreement, the Authority must not execute or amend any Authority Component Agreements without the prior written approval of the County representative. The Authority must use reasonable efforts to include a provision in such Authority Component Agreement which states

that the County is a third party beneficiary of such Authority Component Agreement and, in connection with consulting agreements, to include indemnification provisions in favor of the County. The Authority must diligently and in a timely manner perform all of its obligations under all of the Authority Component Agreements and the Authority must diligently enforce and manage the Authority Component Agreements.

Changes in Design, Construction or Operation (Section 6.2).

(A) *Changes Required to be Undertaken by Authority.* Subject to Section 6.2(C), the Authority must make any Change necessary to enable the Authority to (i) comply with Applicable Law, (ii) meet its obligations under the Waste Disposal Agreement or any Authority Component Agreements or Bond Documents; or (iii) avoid a default by the Authority under any Authority Component Agreement or Bond Document.

(B) *Changes at County Request.* At the County representative's request, the Authority must make any reasonable Change to the Authority Component or the Authority's operations with regard to the Authority Component that are conducted or are to be conducted on the Authority Component Sites or public roads that are permitted by the Bond Documents

(C) *Conditions.* The Authority will not be required to make any change pursuant to Sections 6.2(A), 6.2(B) or 5.3(B) unless (1) sufficient funds are available pursuant to the provisions of Section 7.4 of the Waste Disposal Agreement to provide for the payment of Capital Costs and related costs of the Change, (2) the County consents to the amendment of the Waste Disposal Agreement or any other Authority Component Agreement or Bond Document to waive or modify any obligations of the Authority that the Authority cannot perform because of the change or modification of the Authority's operations, (3) the Waste Disposal Fee is adjusted by any reasonable increases or decreases in the operating costs incurred by the Authority because of the Change or modification of the Authority's operations, (4) the County pays all penalties, rebates, increased or accelerated charges and any other costs payable by the Authority under the Authority Component Agreements and the Bond Documents because of the effect of the Change or modification of the Authority's operations, (5) the County provides any information in the County's control concerning the proposed Change or modification of the Authority's operations that the Authority reasonably requests and (6) such Change is permitted under the Master Authorization and the Bond Documents, and pursuant to Applicable Law. Notwithstanding the foregoing sentence, prior to the Service Agreement Termination Date, the Authority is not required to make any Changes to the Project which the Company is not obligated to make pursuant to the Service Agreement, and, after the Service Agreement Termination Date, the Authority is not required to make any Changes to the Project which any Substitute Operator is not obligated to make pursuant to any Substitute Operator Agreement.

County Approval Rights over Authority Activities and Expenses (Section 6.3).

(A) The County generally has the right to direct the Authority's actions relating to disputes under Authority Component Agreements.

(B) The Authority must not exercise any Discretionary Right without the prior consent of the County.

(C) The Authority must exercise any rights which it has under the Authority Component Agreements at the direction of the County provided that the exercise of such rights is consistent with the Authority Component Agreements, the Bond Documents and Applicable Law.

Authority Right to Take Certain Actions to Avoid Default (Section 6.4).

Notwithstanding the provisions of Article VI of the Waste Disposal Agreement, or 3.2(C) or 7.7 of the Waste Disposal Agreement, the Authority may, without the prior written consent of the County, take any action (or refrain from taking any County directed action) which is necessary to continue to perform its obligations under the Service Covenant or otherwise to avoid any default (or to remedy any condition, which with the passage of time or giving of notice would constitute a default) under the Authority Component Agreement or the Bond Documents, including the exercise of Discretionary Rights. To the extent practicable in light of the time period available prior to the occurrence of the default which the Authority seeks to avoid by taking the action, the Authority must consult

with the County prior to taking such action. The Authority must consider any alternatives proposed by the County to avoid such default. Prior to taking any such action pursuant to the Waste Disposal Agreement, the Authority must deliver to the County representative a certificate of the Consulting Engineer stating that, in its opinion (1) failure to take such action will materially adversely affect the ability of the Authority to meet its obligations under the Waste Disposal Agreement, (2) the alternatives proposed by the County, if any, are not viable for the purpose of avoiding the material adverse effect which will result from the failure to take the proposed action, and (3) the proposed action is consistent with sound solid waste management practices, the Authority Component Agreement, Bond Documents and Applicable Law. If the Authority delivers the certificate, its proposed action does not require County consent.

Termination for Convenience of Service Agreement (Section 6.5).

(A) *County Right to Require Authority to Terminate Service Agreement and any Substitute Operator Agreement for Convenience.* The County may direct the Authority to exercise its rights under (1) the Service Agreement to terminate the Service Agreement (a) for convenience pursuant to Section 11.4(c), 11.6 or 11.7 of the Service Agreement or (b) pursuant to Section 7.3(h) of the Service Agreement, or (2) any Substitute Operator Agreement to terminate such Substitute Operator Agreement for convenience pursuant to the applicable provisions of such Substitute Operator Agreement, in either case by providing the Authority with notice thereof and providing any funds required in connection with such termination pursuant to the Service Agreement or such Substitute Operator Agreement, as the case may be. Upon such termination of the Service Agreement or any Substitute Operator Agreement, the County shall advise the Authority as to whether the County intends to continue operations at the Facility or discontinue operations at the Facility. The Authority and the County shall have the respective rights and obligations set forth in paragraphs (B) and (C) of this Section in connection with any such termination.

(B) *Continuance of Operations at Facility.* In the event the County requires the Authority to terminate the Service Agreement for convenience pursuant to Section 11.4(c) or 11.6 thereof, or pursuant to Section 7.3(h) thereof, or any Substitute Operator Agreement for convenience pursuant to the applicable provisions thereof and intends to continue operations at the Facility the County must either (1) require the Authority to enter into a Substitute Operator Agreement, or (2) exercise the Authority Conduit Option. The Authority may require the County to purchase the Authority Component pursuant to Section 9.3 in connection with the exercise by the County of the Authority Conduit Option.

(C) *Abandonment of Project.* In the event the County requires the Authority to terminate the Service Agreement for convenience pursuant to Section 11.4(c) or 11.6 thereof, or pursuant to Section 7.3(h) thereof, or any Substitute Operator Agreement for convenience pursuant to the applicable provisions thereof and intends to discontinue operations at the Facility, the County will be deemed to be exercising its rights to terminate the Waste Disposal Agreement for convenience, and the provisions of Section 8.4 will apply. The Authority may require the County to purchase the Authority Component pursuant to Section 9.3.

Other Termination of Service Agreement (Section 6.6).

The County may direct the Authority to terminate the Service Agreement pursuant to Section 11.4(a), 11.5 or 11.7(d) thereof or any Substitute Operator Agreement pursuant to the applicable provisions thereof by providing the Authority with notice thereof and providing any funds required in connection with such termination under the Service Agreement or such Substitute Operator Agreement, as the case may be. If the Authority terminates the Service Agreement by exercise of a Discretionary Right pursuant to Section 6.3(B) with the consent of the County, such termination will be treated as a termination for convenience by the County. Upon any such termination of the Service Agreement or any Substitute Operator Agreement, the County shall advise the Authority as to whether the County intends to continue operations at the Facility or discontinue operations at the Facility. In the event the County intends to continue operations at the Facility, the County must either (A) require the Authority to enter into a Substitute Operator Agreement, or (B) exercise the Authority Conduit Option. In the event the County intends to discontinue operations at the Facility, the County will be deemed to be exercising its rights to terminate the Waste Disposal Agreement for convenience, and the provisions of Section 8.4 will apply. In either of such events, the Authority may require the County to purchase the Authority Component pursuant to Section 9.3 in connection with the exercise by the County of the Authority Conduit Option.

Company and Bondholder Benefit Provisions (Section 7.2).

(A) *Company.* The County acknowledges that the performance by the Authority of its obligations under the Service Agreement and any Substitute Operator Agreement depends upon the performance by the County of its obligations under the Waste Disposal Agreement and agrees that the Company and any Substitute Operator (if so provided in the applicable Substitute Operator Agreement) is a third party beneficiary of the Waste Disposal Agreement including the Master Authorization. The Authority and the County further acknowledge and agree that (i) the Waste Disposal Agreement and (ii) to the fullest extent permitted by law, the County Ten Year Plan, Section 48-44 of the Solid Waste Act and the provisions of the Solid Waste Act that enable the County to establish and maintain the Collection and Disposal District and establish and collect disposal charges or other fees for the provision of waste disposal services, may not be amended or modified in any manner which materially and adversely affects the Company's interests under the Service Agreement or any Substitute Operator's interest under any Substitute Operator Agreement without the prior written consent of the Company or the Substitute Operator, respectively. Notwithstanding any other provision of the Waste Disposal Agreement, in the event of termination by the County of the Waste Disposal Agreement pursuant to the provisions of the Waste Disposal Agreement, County must assume the obligations of the Authority under the Service Agreement so long as no Event of Default thereunder by the Company has occurred and is continuing or under any Substitute Operator Agreement so long as no default thereunder by the Substitute Operator has occurred and is continuing. In such event the Authority must assign the Service Agreement to the County.

(B) *Bondholder.* The County and the Authority acknowledge that the holders of any Bonds issued by the Authority pursuant to the Waste Disposal Agreement are third party beneficiaries of the Waste Disposal Agreement including the Master Authorization; provided, however, any consent by the Authority to an amendment or modification of the Waste Disposal Agreement shall be deemed consent of the holders of any such Bonds. Notwithstanding any other provisions of the Waste Disposal Agreement, in the event of termination by the County of the Waste Disposal Agreement pursuant to the provisions of the Waste Disposal Agreement, the County must pay the termination costs and take the other actions described in Section 8.4(C), unless the County exercises the Authority Conduit Option as provided in Section 8.4(B).

Financing and Offering Materials (Section 7.3).

(A) *Consent of County Generally Required for Financing.* The Authority must not finance or refinance any Capital Costs by the issuance of Bonds or otherwise without notifying the County and giving it reasonable opportunity to review and comment on any official statement, prospectus or other disclosure documents distributed in connection with the offering of debt or equity to finance or refinance such costs. Except as provided under Section 7.4 of the Waste Disposal Agreement, the Authority must not create any obligation that increases Debt Service without the prior written consent of the County.

(B) *Refinancing at Direction of County.* Upon the direction of the County and to the extent permitted by Applicable Law and the Bond Documents, the Authority must use reasonable efforts to refinance any outstanding Bonds that are taken into account in the determination of Debt Service using the method of refinancing suggested in writing by the County, if (1) the related financing agreements do not impose operating restrictions or financial or other covenants or restrictions on the Authority that are more burdensome than those contained in the Bond Documents, (2) the refinancing does not violate the provisions of the Bond Documents, the Authority Component Agreements or Applicable Law, and (3) the County reimburses the Authority for its expenses incurred in connection with the refinancing that are not paid from the proceeds of the refinancing.

Additional Financing (Section 7.4).

(A) Unless the Authority representative and the County representative otherwise agree, any Additional Capital Investment in connection with any Capacity Maintenance Change to the Authority Component undertaken pursuant to Section 5.3(A) of the Waste Disposal Agreement and any Capital Costs necessary for the Authority to undertake its obligations under the Waste Disposal Agreement must be paid for as follows:

First, to the extent permitted by Applicable Law and the Bond Documents, from the proceeds of any available insurance, payments by third parties and any condemnation proceeds of awards available therefor;

Second, to the extent permitted by Applicable Law and the Bond Documents, from any applicable reserves for contingencies established pursuant to the Bond Documents or other available funds under the Bond Documents;

Third, from the proceeds of Authority Additional Bonds pursuant to subsection 7.4(B) of the Waste Disposal Agreement; and

Fourth, from moneys or capital made available by the County pursuant to the Master Authorization; provided, however, the County may direct the Authority to cause the Company to provide financing in accordance with Section 9.5(d) of the Service Agreement.

(B) If additional financing for any Capital Cost of the Authority is required by the Waste Disposal Agreement, the Bond Documents, the Authority Component Agreements or the County, the Authority must use best efforts, to the extent permitted by Applicable Law and the Bond Documents, to cause to be issued and sold Authority Additional Bonds in an amount sufficient to pay the amount of such Capital Cost, together with any other costs associated with the issuance of such Bonds, less any moneys made available by the County, if any, with respect to such cost upon and subject to terms and conditions contained in the Bond Documents. The term of such Authority Additional Bonds must not be greater than the shorter of (i) the useful life of the assets acquired with the proceeds of such Bonds or (ii) the then remaining useful life of the Authority Component, as improved, or (iii) the remaining term of the Waste Disposal Agreement. In no event will the Authority's inability to issue, or cause such Authority Additional Bonds to be issued, constitute a default or Event of Default under the Waste Disposal Agreement. Notwithstanding the foregoing, the Authority may not issue any Authority Additional Bonds for any reason without the prior written consent of the County.

(C) If the Authority is unable to issue or cause to be issued Authority Additional Bonds to finance any Capital Cost, or the County does not consent to the issuance of Authority Additional Bonds, the County must provide or cause to be provided moneys, letters of credit or other assurances satisfactory to the Authority sufficient to pay or provide for the payment of the full amount of such Capital Costs. If the County fails to provide such moneys, letters of credit or other assurances satisfactory to the Authority, the County will be deemed to consent to the issuance of Authority Additional Bonds pursuant to subsection 7.4(B) of the Waste Disposal Agreement.

(D) After the financing for any Capital Cost described in Section 7.4(A) or 7.4(B) of the Waste Disposal Agreement, the Debt Service component of the Waste Disposal Fee will increase to include the debt service to be paid during each Fiscal Year with respect to any Authority Additional Bonds issued by the Authority to finance such Capital Costs and related costs.

Breach (Section 8.1).

(A) The parties agree that in the event either party breaches any obligation under the Waste Disposal Agreement or any representation made by either party thereunder is untrue in any material respect, the other party shall have the right to take any action at law or in equity (including actions for injunctive relief, mandamus and specific performance) it may have to enforce the payment of any amounts due or the performance of any obligations to be performed thereunder. Neither party shall have the right to terminate the Waste Disposal Agreement except as provided in Section 8.2 of the Waste Disposal Agreement and with respect to the County, Section 8.4 of the Waste Disposal Agreement.

(B) In no event, whether based upon contract, tort or otherwise arising out of the performance or nonperformance by the Authority or the County of any obligation of the Authority or the County under the Waste Disposal Agreement, will the Authority or the County be liable or obligated in any manner to pay special, consequential or indirect damages, or any other amount, except as specifically provided in the Waste Disposal Agreement.

Termination for Default (Section 8.2).

(A) *By Authority.* The Authority has no right to terminate the Waste Disposal Agreement for any reason whatsoever, except if one or more of the following default events happens:

1. if default is made in the payment of all or any portion of the Waste Disposal Fee when due and such default shall continue for a period of 30 days;

2. if default is made by the County in the performance or observance of any covenant, agreement or condition on its part provided in the Waste Disposal Agreement (other than a default described in clause (1) above), and such default continues for a period of 90 days after written notice thereof has been given to the County by the Authority, provided that if such default cannot be remedied within such 90-day period it will not constitute a basis for termination under the Waste Disposal Agreement if corrective action is instituted by the County within such period and diligently pursued until the default is remedied; or

3. if the County files a petition or otherwise seeks relief under any federal or state bankruptcy or similar law with respect to the County or the Solid Waste Collection and Disposal Fund;

4. if an Event of Default under the Master Authorization occurs.

(B) *Accounting and Examination of Records After Default.* The County covenants that if a default event has happened and has not have been remedied, the books of records and accounts of the County and all other records relating to the Solid Waste Management Contracts, the Solid Waste Collection and Disposal Fund and the Disposal System will at all times be subject to the inspection and use of the Authority and of its agents and attorneys, including the Consulting Engineer. The County covenants that if a default event happens and has not been remedied, the County, upon demand of the Authority, will account as if it were the trustee of an express trust, for all County Disposal System Revenues and other moneys, securities and funds pledged or held under the Waste Disposal Agreement for such period as shall be stated in such demand.

(C) *Proceedings Brought by Authority.*

1. If a default event happens and has not been remedied, then and in every such case, the Authority may proceed to protect and enforce its rights under the Waste Disposal Agreement by a suit or suits in equity or at law, whether for the specific performance of any covenant therein contained, or in aid of the execution of any power therein granted, or for an accounting against the County as if the County were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Authority, being advised by counsel, may deem most effectual to enforce any of its rights, or to perform any of its duties under the Waste Disposal Agreement.

2. Upon the occurrence of a default event, by suit, action or proceedings in any court of competent jurisdiction, the Authority will be entitled to terminate the Waste Disposal Agreement and to be appointed the, or to obtain the appointment of a, receiver of the moneys, securities and funds then held by the County in the Solid Waste Collection and Disposal Fund pledged under the Master Authorization in respect of payments to the Authority under the Waste Disposal Agreement or subject to its rights thereunder and of the Revenues payable to such Fund, with all such powers as the court making such appointment shall confer. Subject to compliance with the County Ten Year Plan and so long as such receiver shall provide, or cause to be provided, disposal service to the Collection and Disposal District (subject to payment therefor for such service) such receiver (i) may operate and maintain the Project, (ii) charge, collect and receive such Revenues, and (iii) use such other components of the Disposal System as necessary or appropriate to permit the Facility to operate at its capacity, including the right to use the County Landfill upon payment of Landfill Fees under the Landfill Agreement and payment of such charges, if any, for use of any other component; provided, however, in no event will the County Landfill be used for the purpose of disposing of nonprocessed waste emanating from sources outside the County except as provided in the Landfill Agreement. Such receiver will be entitled to charge the Collection and Disposal District a per-ton fee at the higher of a per-ton rate calculated to recover all components of the Waste Disposal Fee and the short term spot market prices that the receiver can charge at the time.

3. For the purpose of Section 8.2(C) of the Waste Disposal Agreement, the Authority expressly acknowledges that payment for Waste Disposal Service through the Disposal System of waste generated by County owned facilities shall be subject to annual appropriation and accordingly the Authority will not be obligated to provide such service if such appropriations shall not have been made. Further, and notwithstanding any other provision of the Waste Disposal Agreement to the extent contradictory or inconsistent therewith, the

County expressly acknowledges that such contract is executed, approved and authorized as a multi-year contract with the Authority in full compliance with and in reliance upon Section 48-44 of the Solid Waste Act and accordingly, with respect to its payment obligations pursuant to Section 4.4 thereof, for services rendered by the Authority with respect to the Collection and Disposal District and payable from the Revenues for Disposal Services, the provisions of said Section 48-44 requiring annual appropriations do not apply.

(D) *Remedies Not Exclusive.* No remedy by the terms of the Waste Disposal Agreement conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative and will be in addition to every other remedy given under the Waste Disposal Agreement or provided at law or in equity or by statute.

(E) *By County.* The County has no right to terminate the Waste Disposal Agreement for cause except if one or more of the following events happens:

1. the repeated failure or refusal by the Authority substantially to perform any material obligation under the Waste Disposal Agreement (including complying with its Service Covenant); except that no such failure or refusal will give the County the right to terminate the Waste Disposal Agreement for cause unless:

(a) The County has given prior written notice to the Authority stating that a specified failure or refusal to perform exists which will, unless corrected, constitute a material breach of the Waste Disposal Agreement on the part of the Authority and which will, in its opinion, give the County the right to terminate the Waste Disposal Agreement for cause under this subsection unless such breach is corrected within a reasonable period of time, and

(b) The Authority has neither challenged in an appropriate forum the County's conclusion that such failure or refusal to perform has occurred or constitutes a material breach of the Waste Disposal Agreement nor corrected or diligently taken steps to correct such breach within a reasonable period of time but not more than 90 days from the date of the notice given pursuant to clause (a) of this subsection (but if the Authority has diligently taken steps to correct such breach within a reasonable period of time, the same shall not constitute a breach giving rise to the right of termination for as long as the Authority is continuing to take such steps to correct such breach).

2. The Authority files a petition or otherwise seeks relief under any federal or state bankruptcy or other similar law with respect to its obligations under the Waste Disposal Agreement, any Authority Component Agreements or the Bond Documents.

(F) *Accounting and Examination of Records After Default.* The Authority covenants that if a default event has happened and has not been remedied, the books of records and accounts of the Authority and all other records relating to the Authority Component, the Authority Component Agreements and the Authority Component Revenues will at all times be subject to the inspection and use of the County and of its agents and attorneys, including the Consulting Engineer. The Authority covenants that if a default event has happened and has not been remedied, the Authority, upon demand of the County, will account as if it were the trustee of an express trust, for all moneys, securities and funds pledged or held under any Authority Component Agreement for such period as is stated in such demand, subject in all cases to the Bond Documents, the Service Agreement and Section 7.2 of the Waste Disposal Agreement.

(G) *Proceedings Brought by County.*

1. If a default event happens and has not been remedied, then and in every such case, the County may proceed to protect and enforce its rights under the Waste Disposal Agreement by a suit or suits in equity or at law, whether for the specific performance of any covenant therein contained, or in aid of the execution of any power therein granted, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the County, being advised by counsel, may deem most effectual to enforce any of its rights or to perform any of its duties under the Waste Disposal Agreement.

2. Upon the occurrence of a default event, by suit, action or proceedings in any court of competent jurisdiction, the County shall be entitled to terminate the Waste Disposal Agreement. Any such termination will be deemed to be a termination for convenience and the provisions of Section 8.4 of the Waste Disposal Agreement shall apply.

(H) *Remedies Not Exclusive.* No remedy under the terms of the Waste Disposal Agreement conferred upon or reserved to the County is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative and will be in addition to every other remedy given under the Waste Disposal Agreement or provided at law or in equity or by statute.

Termination for Convenience or at End of Term (Section 8.4).

(A) Notwithstanding any other provision of the Waste Disposal Agreement to the contrary, the County may terminate its obligations to the Authority under the Waste Disposal Agreement for convenience at any time after the date hereof by (i) giving the Authority 180 days' notice of such termination, (ii) providing all funds necessary to defease the Bonds in accordance with Article IX of the Trust Indenture, other than certain Non-Refunded Series 1993A Bonds that are subject to pre-payment from available funds, if any, following the termination of the Service Agreement for Company default, and (iii) paying the Termination Costs described in Section 8.4(C) and complying with Section 7.2(A); provided, however, that the County may at any time exercise the Authority Conduit Option.

(B) 1. In any circumstance in which the County may terminate the Waste Disposal Agreement (a) on the same terms and conditions as a termination for convenience pursuant to Section 8.2(G) or (b) for convenience pursuant to Section 8.4, the County may, at its option, not terminate the Waste Disposal Agreement, assume the Authority's rights and obligations under the Authority Component Agreements (other than the Bond Documents), have the Bonds remain Outstanding (as defined in the Trust Indenture), and continue through payment by the County of the Waste Disposal Fee to provide for the payment of the principal of and premium, if any, and interest on the Bonds, as provided in this paragraph (the "Authority Conduit Option").

2. The County may exercise the Authority Conduit Option by including a statement to such effect in the notice required to be given to the Authority pursuant to Section 8.4(A) at least 180 days' prior to termination.

3. It is a condition precedent to the exercise by the County of the Authority Conduit Option that each of the following events occurs:

- (a) The County and the Authority enter into valid and binding agreements, reasonably satisfactory to the County and the Authority, whereby the County irrevocably assumes all of the rights and obligations of the Authority, or all liabilities and obligations of the Authority are terminated without cost, liability or expense to the Authority, under the Authority Component Agreements (other than the Bond Documents) and any other contracts relating to the Authority Component.
- (b) In addition to any amendments to the Waste Disposal Agreement required pursuant to clause (a) above, the County and the Authority enter into valid and binding amendments to, or releases of obligations of the Authority under, the Waste Disposal Agreement, reasonably satisfactory to the County and the Authority, whereby, among other things, the Facility Fee, Alternate Disposal Costs, Authority Operating Costs and Authority Component Revenues components of the Waste Disposal Fee are eliminated from the Waste Disposal Fee or are modified, as applicable, to reflect the assumption of the obligations of the Authority by the County under the Authority Component Agreements, it being recognized that the Authority and the County may determine to continue to utilize the Authority and the Trustee for the purpose of collecting and disbursing payments from the County relating to such components.

- (c) Receipt by the Authority and the County of evidence reasonably satisfactory to each of them that the manner in which the Authority Conduit Option is implemented is not inconsistent with the terms of the Trust Indenture and will not adversely affect the rating at such time assigned by any Rating Agency (as defined in the Trust Indenture) to any Bonds.
- (d) Receipt by the County and the Authority of evidence reasonably satisfactory to each of them that all approvals required to implement the Authority Conduit Option have been given.
- (e) Receipt by the County and the Authority of an opinion of counsel to the County, reasonably satisfactory to the Authority, to the effect that all agreements entered into by the County in connection with the Authority Conduit Option have been duly authorized, executed and delivered by the County and constitute valid and binding obligations of the County, and as to such other matters the County or the Authority may reasonably request.
- (f) Receipt by the County and the Authority of an opinion of Bond Counsel (as defined in the Trust Indenture) to the effect that the exercise by the County of the Authority Conduit Option will not adversely affect the excludability from gross income, for federal income tax purposes, of interest paid on any Tax-Exempt Bonds (as defined in the Trust Indenture) theretofore issued, and as to such other matters the County or the Authority may reasonably request.
- (g) Receipt by the Authority of an amount equal to the sum of (i) items 1, 2, 3 and 4 of Section 8.4(C), provided the County has not previously paid, or made arrangements satisfactory to the Authority for the payment of such items by the assumption of the obligations of the Authority under the Authority Component Agreements (other than the Bond Documents) or otherwise, and (ii) any other costs or expenses reasonably incurred or to be incurred by the Authority as a result of or in connection with the exercise by the County of the Authority Conduit Option.

4. The Waste Disposal Agreement will remain in effect without any change in the event that on the date which is 180 days following the notice provided in clause 2. of this paragraph, any of the conditions precedent to the exercise by the County of the Authority Conduit Option has not been satisfied, and the County and the Authority must continue to perform their respective obligations and exercise their respective rights under the Waste Disposal Agreement as if the notice of the County to the Authority exercising the Authority Conduit Option had not been given.

5. The County may exercise the purchase option with respect to the Authority Component set forth in Section 9.3 in connection with its exercise of the Authority Conduit Option.

(C) Termination Costs. Subject to Section 8.4(B), upon the termination of the Waste Disposal Agreement for convenience pursuant to this Section or at the expiration of the Waste Disposal Agreement in accordance with its terms, (i) the County must take any and all steps within its control that are necessary to assist the Authority in terminating the Authority's obligations, if any, under the Authority Component Agreements and the Bond Documents and (ii) the County and the Authority must agree upon and the County must pay to the Authority an amount equal to the sum of the following, provided the County has not previously paid, or made arrangements satisfactory to the Authority for the payment of, such costs:

- 1. All reasonable and necessary costs and liabilities incurred by the Authority and associated with settling and paying termination claims under the Authority Component Agreements and other agreements entered into by the Authority with respect to the Authority Component and its performance by the Authority of its obligations under the Waste Disposal Agreement.

2. All reasonable and necessary storage, transportation, and other costs incurred by the Authority for the preservation, protection, or disposition of Authority Component equipment, materials and facilities.
3. All reasonable and necessary costs incurred by the Authority for any accounting, clerical or other expenses reasonably necessary for the preparation of termination settlement documents and supporting data.
4. All reasonable and necessary costs incurred by the Authority in terminating the operation of the Authority Component, including any severance pay and other reasonable and necessary costs incurred in terminating employees.
5. Any payments or other charges due and payable by the Authority under the Service Agreement and any Substitute Operator Agreement, the Facility Site Agreement, the Energy Sales Agreement or any other Authority Component Agreements that are incurred or payable as a result of the termination of the Waste Disposal Agreement.
6. Any other costs or expenses incurred or to be incurred by the Authority as a result of the termination of the Waste Disposal Agreement. Such costs include, without limitation, any costs or expenses necessary to decommission and raze the Facility in accordance with Applicable Law and the Authority Component Agreements and any costs or expenses reasonably necessary to avoid a default by the Authority under any Authority Component Agreement, Bond Document or other agreement relating to the Authority Component that remains in effect, in whole or in part, after the date of the notice of termination.

(D) In arriving at the amount due to the Authority under Section 8.4 of the Waste Disposal Agreement, there will be deducted all unliquidated advance or other payments on account theretofore made to the Authority by the County that are applicable to the terminated portion of the Waste Disposal Agreement.

Term (Section 9.1).

The Waste Disposal Agreement is in effect from its date and, unless sooner terminated in accordance with its terms, must continue in effect until the earlier of (i) the final maturity date of the Bonds and (ii) the date on which all of the Bonds are defeased in accordance with the terms thereof.

Renewal (Section 9.2).

Unless at least 180 days before the end of the initial term of the Waste Disposal Agreement and, if applicable, the end of the first renewal period, (1) the County gives the Authority written notice stating it does not want the term of the Waste Disposal Agreement to extend or (2) the Authority gives the County written notice stating it does not want the term of the Waste Disposal Agreement to extend, the Waste Disposal Agreement must automatically extend for two additional terms of 5 years at a Waste Disposal Fee calculated and paid as provided in Article IV of the Waste Disposal Agreement.

Sale of Authority Component (Section 9.3).

(A) *County Purchase Right.* Upon the expiration of the Waste Disposal Agreement in accordance with its terms, or upon any termination of the Waste Disposal Agreement in accordance with the terms of the Waste Disposal Agreement (but not in the event of a termination of the Waste Disposal Agreement pursuant to Section 8.2(A) thereof due to a default by the County), the County may purchase the Authority Component for the sum of \$1.00. In addition, the Authority may require the County to purchase the Authority Component for \$1.00 pursuant to Section 6.5(B) or (C) or Section 6.6.

(B) *No Other Transfers Permitted.* The Authority must not sell, lease, sublease or otherwise transfer the Authority Component or any portion of the Authority Component to any Person without the prior written

consent of the County; provided, however, that the Authority may sell, lease, sublease or transfer any portion of the Authority Component if the Authority provides a written certification of the Consulting Engineer that such portion is no longer necessary or desirable for the Authority to meet its obligations under the Waste Disposal Agreement and that the proceeds received therefrom represent fair market value thereof. Such proceeds shall constitute Authority Component Revenues.

(C) *Requirements for County Exercise of Purchase Option.* In the event that the County elects to purchase the Authority Component pursuant to subsection (A) above, the County must enter into valid and binding agreements, in form reasonably satisfactory to the Authority, whereby simultaneously with such purchase, (1) the Bond Documents and all liabilities of the Authority thereunder are terminated and (2) the County irrevocably assumes all of the rights, duties and obligations of the Authority, or all liabilities and obligations of the Authority are terminated without cost, liability or expense to the Authority, under (a) the Authority Component Agreements and (b) any other contracts relating to the Authority Component; provided, however, that in the event of a purchase by the County of the Authority Component in connection with the County's exercise of the Authority Conduit Option, clause (1) of this paragraph shall not apply and the Bond Documents shall be excluded from the Authority Component Agreements for purposes of clause (2) of this paragraph. The Authority must provide the County representative with copies of any contract described in this subsection before the sale of the Authority Component.

Amendment or Waiver (Section 11.8).

(A) Except as provided in (B) below, neither the Waste Disposal Agreement nor any provision of the Waste Disposal Agreement 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.

(B) The County representative, with the prior written consent of the Authority representative, is authorized to make such immaterial changes, substitutions, deletions, additions or amendments to the Waste Disposal Agreement as the County representative determines to be necessary or appropriate and in accordance with the intent of the parties to the Waste Disposal Agreement and consistent with the terms of the Master Authorization and the Trust Indenture.

SUMMARY OF CERTAIN PROVISIONS OF THE MASTER AUTHORIZATION

The following summarizes certain provisions of the Master Authorization. This summary does not purport to set forth all of the provisions of the Master Authorization and is qualified by reference to the Master Authorization in its entirety for the complete and actual terms thereof. Any capitalized term used in this summary and not defined below is defined in Appendix A, Summary of Certain Definitions.

Summary of Certain Definitions

Accountant means any independent certified public accountant of recognized standing designated by the County from time to time to perform the duties of the Accountant thereunder.

Act Requirement has the meaning given to it in Appendix D under Master Authorization.

Annual Budget means the Solid Waste Collection and Disposal Fund budget or amended budget for a Fiscal Year, as adopted by the County in accordance with the Master Authorization.

Authorized County Officer means the County Executive or the Director of Finance and, when used with reference to an act or document, also means any other person who, pursuant to the Montgomery County Code or regulations promulgated with respect thereto, or by executive order, is authorized to perform such act or execute such document.

Beneficiary means, any party and any express third-party beneficiary to a Long Term Obligation.

Bond Counsel means an attorney or firm of attorneys with experience and nationally recognized in the area of municipal finance as may be designated by the County from time to time.

Bond Resolution means the resolution of the County Council adopted in connection with the issuance of County Bonds pursuant to the County Revenue Bond Act, Section 20-47 through 20-54 of the Montgomery County Code, as amended, and includes any order of the County Executive issued in connection therewith for the purpose of effectuating such Bond Resolution.

Calculation Date means the first Business Day of each month.

Capital Costs means, whether incurred prior to or after the date of the Master Authorization, all costs incurred by the County relating to the financing, construction, acquisition, improvement, completion, testing and placing in service of all or any portion of the County Disposal System, including, but not limited to, the following: (a) costs and expenses of the County which are incurred for labor and materials and payments to any contractors, builders and materialmen, (b) any payments due under any contracts with any person, public corporation or state agency for services rendered by, or costs incurred by, such parties, (c) the cost of any surety or similar bond or letters of credit in lieu of or in addition to such surety bond and the cost of insurance of any kind that may be required or that may be necessary during the course of construction of the County Disposal System which is now paid by any contractor or contractors or otherwise provided for, (d) the costs and expenses of the County for test borings, surveys, estimates, plan and specifications and preliminary investigations therefor, and for supervising construction, as well as for the performance of all other duties which are required by or which are consequent to the proper construction of the County Disposal System, (e) compensation, fees and expenses of any fiduciary, any financial advisor, engineering, legal, accounting, financial and printing expenses and any fees and all other expenses incurred in connection with the (i) issuance of any bonds in connection with the County Disposal System whether issued pursuant to the County Revenue Act or in accordance with any Solid Waste Management Contract and (ii) obtaining and maintaining any credit facility issued to secure the funding requirement for the debt service reserve account of the Solid Waste Disposal Fund, (f) all other costs which the County is required to pay for the development, financing, acquisition, construction, improvement, completion, installation, testing or placing in service of all or any part of the County Disposal System, (g) any sums which are required to reimburse the County for advances made for any of the above items, or for any other costs which are properly incurred and for work done, which are properly chargeable as capital costs to the County Disposal System, (h) deposits into accounts established pursuant to any Bond Resolution for the payment of principal and redemption price of and interest on any County Bonds or subordinated indebtedness, including, but not limited to, deposits into any reserve fund or account established pursuant to a bond resolution, including, but not limited to, any account established for the purpose of providing funds for the payment of interest during construction and a six-month period thereafter, (i) the payment of the principal of, redemption price, if any, and interest on any indebtedness issued to temporarily finance the payment of any of the foregoing items of cost of the County Disposal System, (j) deposits into the Renewal and Replacement Account of the Solid Waste Disposal Fund, (k) the administrative expenses of the County incurred in connection with the foregoing, (l) acquisition of certain disposal rights in landfills located outside of the geographic boundaries of the County, (m) any cost related to the closure of any component of the County Disposal System to the extent such cost is not paid as an Operating Expense, (n) any other proper item of cost which is provided for under the definition of "cost" in section 2-48 of the Montgomery County Code and is incurred in connection with the acquisition, construction, improvement, completion or installation of the County Disposal System, and (o) such other expenses which are not specified herein as may be necessary or incidental to the construction, acquisition, improvement, completion or installation of all or any part of the County Disposal System, the financing thereof and the placing of the same in use and operation.

Collection Account means the account of that name established pursuant to the Master Authorization.

Collection Charges means the fees and charges imposed by the County for providing solid waste County Collection Service.

Collection Contracts means any contracts entered into by the County for the purpose of providing Collection Service within the Collection and Disposal District.

Collection Expenses means the costs and expenses of the County in providing Collection Services.

Collection Revenues means any amounts collected by the County for providing Collection Service within the Collection and Disposal District.

Collection Services means the portion of the County System involving collection of Disposable Refuse (other than Recyclable Materials) provided by the County to certain residences within the Collection and Disposal District. "Collection Service" does not include (1) the services performed as part of the County Disposal System or (2) the collection of Recyclable Materials.

Completion Indebtedness means any indebtedness issued or increase in obligations of the County incurred in accordance with the terms of any Long Term Obligation (including County Bonds), which is issued or incurred to (1) pay the costs of completing any Disposal System Component for which indebtedness has previously been issued pursuant to the terms of such Long Term Obligation, but only to the extent such completion indebtedness exceeds the amount of indebtedness originally expected to be issued to complete such Disposal System Component, as described in the Long Term Obligation pursuant to which the previous indebtedness was issued or (2) pay the costs of meeting, maintaining or restoring any reduction in, capacity in any Disposal System Component which was due to an unforeseen or uncontrollable circumstance or a change in law.

Construction Account means the account of that name established in the Solid Waste Disposal Fund.

County Bond Debt Service Reserve Account means the account of that name established pursuant to the Master Authorization.

County Bond Debt Service Reserve Requirement means, as of the date of any computation, an amount which is equal to the greatest amount of Debt Service becoming due with respect to County Bonds in the Fiscal Year in which such computation is made or in any succeeding Fiscal Year or such other amount as may be allowed within the limitation of the Code. The requirement may be met by a Credit Facility or other similar banking facility or guaranty facility with a minimum rating of "A" from Moody's and Standard & Poors. If the County issues County Bonds which are secured in addition to Revenues by a general obligation of the County for which its full faith and credit is pledged, such pledge may be deemed to satisfy the County Bond Debt Service Reserve Requirement.

County Bonds means any of the bonds, notes or other obligations for borrowed money of the County issued in connection with the County Disposal System pursuant to a Bond Resolution which bonds are secured, in whole or in part, by County Disposal System Revenues.

County Ten Year Plan has the same meaning as "Solid Waste Management Plan," which is defined in Appendix A, Summary of Certain Definitions.

Credit Facility means any letter of credit, surety bond, loan agreement or other credit agreement, facility, insurance or guarantee agreement issued by a financial institution, insurance company or association which secures, through a reimbursement agreement or otherwise, County Bonds or any other bonds issued in accordance with a Long Term Obligation and, for purposes only of the a debt service reserve account for County Bonds, secure the requirement thereof.

Debt Service means, for any period, the sum of the interest and principal accruing during such period with respect to County Bonds and Prior County Bonds, and premium, if any, including any amounts required to be paid to a sinking fund established in connection with any County Bonds and Prior County Bonds or such other sums as will reflect the amount of interest and principal becoming due and payable, as estimated or fixed with respect to variable rate financing optional tender bonds, capital appreciation bonds, balloon debt or the like as set forth in the Bond Resolution.

Default Trustee means the trustee appointed by the County pursuant to the terms of Article VI of the Master Authorization.

Disposable Refuse means all waste materials and debris, including but not limited to, garbage, sludge, debris from building construction, ashes, junk, industrial waste, dead animals, salvable waste, dead or felled trees, uprooted tree stumps, slash, tree limbs, bushes, plants, leaves, grass, garden trimmings, street refuse, abandoned vehicles, machinery, bottles, cans, waste paper, cardboard, sawdust and slash from sawmill operations, and all other waste materials and any other materials designated by the County Executive as suitable for disposal through the

County Disposal System. Disposable Refuse also includes Recyclable Materials that the County recycles through the County Disposal System and Residue.

Disposal System Component has the same meaning as “County Disposal System Component,” which is defined in Appendix A, Summary of Certain Definitions.

Disposal System Reserve Requirement means, with respect to any Fiscal Year, the amount which is determined by the Consulting Engineer pursuant to the Master Authorization as the amount which is reasonably necessary as a reserve for expenses with respect to the County Disposal System for (a) scheduled major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals pursuant to a maintenance and repair program, (b) for repairs, renewals and replacements resulting from the occurrence of uncontrollable circumstances which are not covered by the proceeds of an insurance policy, and (c) any amounts which must be deposited in the Renewal and Replacement Account pursuant to the Master Authorization.

Event of Default means any of the events described below under “Events of Default (Section 7.1)”

Fiduciary means the Default Trustee, the Paying Agent, any registrar, any tender agent or remarketing agent for any County Bonds or any indebtedness issued pursuant to any Long Term Obligation, or any or all of them, as the case may be.

Flow Control Covenant means the covenant described below under “Flow Control Covenant (Section 5.11).”

General Account means the account of that name established by the Master Authorization.

Investment Obligations means any obligations that constitute legal investments for the County and which are rated at an investment grade of not less than "Aa" by Moody's Investors Service, Inc. and not less than "AA" by Standard & Poor's Corporation.

Long Term Obligation Account means the account of that name established by the Master Authorization.

Long Term Obligation Requirement means, unless otherwise provided in a Master Authorization Supplement, (a) as of any date of calculation, an amount of money which is equal to the amount necessary to provide for the payment of Long Term Expenses (other than debt service on County Bonds) for a period beginning on such date of calculation and ending on the first Calculation Date subsequent thereto and (b) with respect to County Bonds, as of any date of calculation, an amount of money which is equal to the amount necessary to provide for the payment of Debt Service on County Bonds for a period beginning on such date of calculation and ending on the next Calculation Date.

Master Authorization Supplement means any amendment, modification or supplement to the Master Authorization that is duly adopted and executed in accordance with the provisions of the Master Authorization.

Operating Account means the account of that name established by the Master Authorization.

Operating Account Requirement means (unless a greater amount is expressly provided in a Master Authorization Supplement), as of any date of calculation, an amount of money which is equal to the amount necessary to provide for the payment of Operating Expenses (in accordance with the provisions of the Annual Budget which is in effect as of such date) for a period beginning on such date of calculation and ending on the first Calculation Date subsequent thereto. In the event that the exact amount of any Operating Expenses cannot be determined as of any date of calculation, an Authorized County Officer may estimate such Operating Expenses for purposes of determining the Operating Account Requirement.

Outstanding, when used with respect to (1) County Bonds and as of any particular date, means all County Bonds previously authenticated and delivered except (a) any County Bond which has been canceled by the County or by the registrar for such County Bonds on or prior to such date, (b) any County Bond which is no longer

outstanding pursuant to the terms of the Bond Resolution authorizing such County Bond, (c) any County Bond in lieu of or in substitution for which another County Bond has been authenticated and delivered pursuant to the provisions of the Master Authorization, and (d) any County Bond which is deemed to have been purchased by the tender agent pursuant to the terms of the Bond Resolution authorizing such County Bond; and (2) any Long Term Obligation other than County Bonds and as of any particular date, means any Long Term Obligations previously executed by the County except if (a) such Long Term Obligation has been terminated, discharged or has expired pursuant to the terms thereof and (b) the County has paid (or placed in a segregated trust account) all amounts required to be paid by the County pursuant to the terms of such Long Term Obligation, including any amounts required to be paid by the County in connection with any optional termination by the County of such Long Term Obligation.

Paying Agent means any bank or trust company, as designated from time to time by the County, authorized to pay the principal or purchase price of, premium, if any, and interest on any County Bonds.

Rate Stabilization Account means the account of that name established by the Master Authorization.

Rate Stabilization Requirement means (unless a greater amount is expressly provided in any Master Authorization Supplement), as of any date of calculation, an amount determined by the County in its discretion as appropriate for the purpose of the Rate Stabilization Account of the Solid Waste Disposal Fund, as evidenced by a certificate of an Authorized County Officer.

Rebate Account means the account of that name in the Solid Waste Disposal Fund.

Recyclable Materials means those materials, or any materials that may be recovered either prior to or after processing, which are separated from solid waste pursuant to a requirement imposed by the County, either at the source of such solid waste or mechanically at any Disposal System Component, and which are capable of being returned to the economic mainstream.

Refunding Obligations means any indebtedness issued or increase in obligations of the County incurred in accordance with the terms of any Long Term Obligation (including County Bonds), which is used to refund any previously issued indebtedness or previously incurred obligation.

Reimbursement Agreement means any agreement between the County and any issuer of a Credit Facility which secures in whole or in part County Bonds or any other bonds issued in connection with a Long Term Obligation and, if appropriate in context, will be deemed to include a policy of municipal bond insurance on County Bonds.

Renewal and Replacement Account means the account of that name established by the Master Authorization.

Revenues has the same meaning as "County Disposal System Revenues," which is defined in Appendix A, Summary of Certain Definitions.

Service Covenant means the covenant described below under "Service Covenant."

Solid Waste Act has the same meaning as "Chapter 48," which is defined in Appendix A, Summary of Certain Definitions, as in effect when the Master Authorization was adopted.

Solid Waste Collection and Disposal Fund means the fund of that name established by the Solid Waste Act.

Solid Waste Management Contracts means all contracts, leases and agreements with any person to which the County is a party which bear upon or affect the Rate Covenant, the Service Covenant, or the Waste Delivery Covenant or any other obligation or responsibility of the County under the Master Authorization, including without limitation (a) any Long Term Obligation and (b) any other contract, lease or agreement providing for the design,

construction, maintenance or operation, disposal service, property acquisition, sale or use, of energy or material sales.

Subordinated Indebtedness means any indebtedness of the County described in Section 5.21 of the Master Authorization incurred in connection with the County Disposal System which is secured by a pledge of Revenues under the Master Authorization but which is, by the express terms of such indebtedness, subordinate to the pledge of Revenues securing Long Term Obligations.

Tax-Exempt Obligation means any County Bonds the interest on which is intended to be excludable from gross income pursuant to the Code (notwithstanding the application of the provisions of the Code relating to alternative minimum taxation).

Summary of Certain Provisions

The following summarizes certain provisions of the Master Authorization. This summary is qualified in its entirety by reference to the document itself (Section references below are to Sections of the document; summaries of certain subsections may not be presented below but subsection designations are retained as they appear in the document itself).

Master Authorization to Constitute Contract (Section 2.2).

The provisions of the Master Authorization constitute a contract between the County and any Beneficiary, and the covenants and agreements set forth therein are for the equal and ratable benefit of each Beneficiary. The pledge which is made in the Master Authorization is for the equal benefit, protection and security of any person which enters into a Long Term Obligation with the County, subject only to the provisions of the Master Authorization permitting the application of any pledged amounts for or to the purposes and on the terms and conditions set forth in the Master Authorization. The Master Authorization must be attached to, and constitute a part of, each and every Long Term Obligation.

Limited Obligation of County (Section 2.3).

Long Term Obligations are limited obligations of the County and any payments required thereunder are payable by the County solely from the moneys and accounts which are pledged, as and to the extent provided in Section 4.1 of the Master Authorization. Any person which enters into a Long Term Obligation with the County is entitled to the benefit of the continuing pledge and lien created by the Master Authorization to secure the full and final payment of any amounts required to be paid by the County pursuant to such Long Term Obligations, subject only to the provisions of the Master Authorization permitting the application of any pledged amounts for or to the purposes and on the terms and conditions set forth in the Master Authorization.

Master Authorization Supplements Adopted for Certain Purposes Effective Without Consent of Persons With Which the County Has Entered Into Long Term Obligations (Section 2.6).

The Master Authorization may be amended, modified or supplemented without the consent of any Beneficiary, if such amendment, modification or supplement is adopted for any of the following purposes and the amendment, modification or supplement, in the opinion of Bond Counsel, is not inconsistent with the provisions of the Master Authorization: (1) to close the Master Authorization against, or provide limitations and restrictions (in addition to the limitations and restrictions contained in the Master Authorization) on, the execution of other Long Term Obligations; (2) to add additional covenants or agreements to be observed by the County; (3) to add additional limitations or restrictions to be observed by the County; (4) to surrender any right, power or privilege which is reserved to or conferred upon the County by the terms of the Master Authorization; provided, however, that such amendments described in clauses (1) through (4) may not impair the ability of the County to meet its obligations to any Beneficiary under the Master Authorization or any Long Term Obligation; (5) to confirm, as further assurance, any pledge which is created under, and the subjection to any lien or pledge created or to be created by, the terms of the Master Authorization, of the Revenues or of any other moneys, securities or funds; provided that such confirmation may not affect the priority of interests of any Beneficiary; (6) to specify, determine or authorize any and all matters and things relative to the issuance of County Bonds; (7) to cure any ambiguity, supply any omission,

or cure or correct any defect or inconsistent provision in the Master Authorization; (8) to clarify matters or questions arising under the terms of the Master Authorization which are not contrary to or inconsistent with the terms of the Master Authorization as theretofore in effect; and (9) to effectuate the issuance by the County of Subordinated Indebtedness to the extent consistent with the terms of the Master Authorization as theretofore in effect.

Master Authorization Supplements Effective With Consent of Persons With Which the County Has Entered Into Long Term Obligations (Section 2.7).

Except as provided in Sections 2.6 and 2.8 thereof, the Master Authorization may only be amended, modified or supplemented with the consent of (i) a majority of the Beneficiaries (as determined pursuant to Section 7.4(B) of the Master Authorization), (ii) each Beneficiary that is the provider of a Credit Facility, and (iii) any Beneficiary whose interest under a Long Term Obligation would be materially adversely affected thereby.

Whether or not consent to Master Authorization Supplements is given will be determined by the Default Trustee in the following manner:

(1) With respect to Long Term Obligations described in clause (1) of the definition thereof, all series of County Bonds will be deemed to be a single Long Term Obligation for the purpose of determining consent, and the Bond Resolutions adopted in connection with the issuance of such series of County Bonds will control the determination of whether or not consent is given.

(2) With respect to Long Term Obligations described in clause (2) of the definition thereof, each contract described in such clause will be deemed a separate Long Term Obligation for the purposes of determining consent and each Beneficiary may determine whether or not its consent is given in its discretion.

(3) With respect to Reimbursement Agreements described in clause (3) of the definition of Long Term Obligation, the provisions of the particular Long Term Obligation which is secured by the Credit Facility issued pursuant to such Reimbursement Agreement will control the rights of the person which enters into such Reimbursement Agreement to determine whether or not the consent of the Long Term Obligation is given.

Prohibited Modification of Duties and Obligations of Fiduciary or Issuer of Credit Facility (Section 2.8).

Notwithstanding the provisions of the Master Authorization, no modification or supplement of the Master Authorization may (i) change the amount of any payment due under any Long Term Obligation or the due date for such payment without the consent of the Beneficiary of such Long Term Obligation, (ii) except as expressly permitted thereby, permit the creation of 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 Master Authorization, a preference or priority of any Long Term Obligation over any other Long Term Obligation or a reduction in the percentage of Long Term Obligation, the consent of the Beneficiaries of which is required for any modification of the Master Authorization without the unanimous consent of the Beneficiaries of the Outstanding Long Term Obligations, or (iii) change or modify any of the duties or obligations of any Fiduciary or the issuer of any Credit Facility without its prior written consent thereto.

Conditions Precedent to the Execution of Long Term Obligations (Section 3.2).

(A) The County must not execute any Long Term Obligations or permit the issuance of indebtedness pursuant to Long Term Obligations pursuant to the terms of the Master Authorization unless theretofore or simultaneously therewith there has been delivered to the Director of Finance, the following:

(1) A copy of the Master Authorization and a copy of each Master Authorization Supplement, if any, which has been duly adopted prior to the execution of the Long Term Obligation and which remains in full force and effect, each certified by an Authorized County Officer as a true and accurate copy;

(2) An opinion of Bond Counsel as to the due authorization and delivery of the Long Term Obligations and certain other matters;

(3) If such Long Term Obligations are County Bonds, (a) a copy of the Bond Resolution authorizing the issuance of such County Bonds, (b) any instruments which are required to be delivered to the Director of Finance pursuant to such Bond Resolution and (c) any amounts which are required to be paid into the Solid Waste Collection and Disposal Fund pursuant to the terms of such Bond Resolution;

(4) A certificate of an Authorized County Officer setting forth any payments that are required to be paid by the County pursuant to the Long Term Obligation. The amount set forth therein shall assume the estimated maximum cost as set forth in the Bond Resolution or as estimated in the certificate as required to complete the Disposal System Component regardless of whether or not the actual amount is then being issued. The balance of the amount required to be issued up to such maximum cost shall be deemed Completion Indebtedness (assuming the plan of financing therefor is to finance some by County Bonds or Long Term Obligations) and shall not be subject to the provisions of subsections (6) and (7) below;

(5) Such other documents as may be required by the terms of a Master Authorization Supplement duly adopted prior to the execution of the Long Term Obligation;

(6) A certificate duly executed by an Accountant stating that, at the rates and charges which are in effect on the date of such certificate, the Rate Covenant was satisfied during a twelve-month period which must be either (i) the Fiscal Year most recently ended prior to the date of execution of such Long Term Obligation, or (ii) any other twelve-month period ending on a date which is not more than 180 days prior to the date of execution of such Long Term Obligation; such certificate shall not be required if the expressed purpose of the execution of the Long Term Obligation or issuance of such indebtedness is to cure a Rate Covenant default or other Waste Disposal Agreement default;

(7) A certificate of the Consulting Engineer setting forth (a) its estimate of the Long Term Expenses, Operating Expenses and Revenues for each of the three Fiscal Years immediately succeeding the later of (i) the completion of the improvements to be financed with proceeds of such Long Term Obligation and (ii) the execution of the Long Term Obligation, calculated on the assumption that Revenues will be charged and collected at the rates in effect on the date of such certificates or such higher rate as the County has covenanted to charge for such Fiscal Year (provided that the Long Term Expenses consisting of debt service must be amortized on a level payment basis if the payment schedule defers principal payments to a greater extent), (b) if such Long Term Obligation is County Bonds the County Bond Debt Service Reserve Requirement for each such Fiscal Year, and (c) his opinion that Revenues for each Fiscal Year set forth in such certificate can be expected to be generated in amounts sufficient for the County to meet the Rate Covenant; and

(8) A certificate of the Director of Finance stating that (a) no default exists in the payment of any Long Term Expenses or otherwise pursuant to any Long Term Obligation, and (b) the County is not in default in the performance of any of its covenants and agreements under the Master Authorization.

(B) If any Long Term Obligation is County Bonds issued for the payment or refunding of any County Bonds, the County must apply the proceeds which are derived from the sale thereof as follows: (1) an amount which is sufficient to pay the costs incurred in connection with the authorization, issuance and sale of such County Bonds must be deposited in the Construction Account, and (2) the remaining amount of such proceeds must be applied to the payment or refunding of such County Bonds in accordance with the terms of the Bond Resolution authorizing the issuance of such County Bonds.

(C) Notwithstanding the foregoing, the certifications described in (A)(6) and (A)(7) above are not required for (1) the issuance of Completion Indebtedness, including with respect to (2) of the definition of Completion Indebtedness upon the filing of a certificate of Consulting Engineer that the Capital Cost to be financed by the County Bonds or execution of Long Term Obligation is necessary to meet, maintain or restore any reduction in, capacity in the Disposal System Component which was due to an unforeseen or uncontrollable circumstance or a

change in law and (2) the issuance of Refunding Obligations which results in a decrease in the debt service component of the amount payable by the County pursuant to the Long Term Obligation which is refunded in every Fiscal Year after such Refunding Obligations are issued.

(D) In addition, even though the County is not executing any Long Term Obligation or issuing indebtedness under (A) above, in the event the County is providing, accepting or otherwise adding substantial capacity to the Disposal System by a new Disposal System Component for which Operating Expenses are to be paid from Revenues deposited or credited into the Operating Account, the provisions relating to the execution or issuance of a Long Term Obligation with respect to the authorization of such addition shall be complied with, particularly paragraphs (6) and (7).

Pledge Securing Payment of Amounts Required to be Paid by the County Pursuant to Long Term Obligations (Section 4.1).

(A) To secure the payment of any amounts required to be paid by the County pursuant to any Long Term Obligations in accordance with their terms and the provisions of the Master Authorization and the punctual performance by the County of all its obligations thereunder and for the benefit of the Long Term Obligations and subject only to the provisions of the Master Authorization permitting the application thereof for or to the purposes and on the terms and conditions set forth in the Master Authorization, the County pledges all right, title, and interest of the County in and to (1) the Revenues (except such Revenues or other moneys which are on deposit in the Rebate Account and which are required to be rebated to the United States government pursuant to the provisions of the Code), (2) all moneys, securities and funds which are held in the Solid Waste Collection and Disposal Fund (other than Collection Revenues), (3) all moneys, securities and funds set aside or which are to be held or set aside pursuant to the terms of the Master Authorization or which are held in any account which are established and created under the terms of the Master Authorization (other than amounts which are deposited in the Rebate Account and which are required to be rebated to the United States government pursuant to the provisions of the Code), including without limitation (a) proceeds derived from the sale of any County Bonds, subject in this case to applicable law and any limitation on the use of such proceeds in the Bond Resolution authorizing such County Bonds, (b) the proceeds of any business interruption, use and occupancy or casualty insurance (or the proceeds of any insurance policy maintained for the repair or replacement of any Disposal System Component) and any condemnation award made with respect to any Disposal System Component, and (c) payments made with respect to any County Bonds by the issuer of any Credit Facility, (4) as and to the extent provided in clause (C) below, the County's interest in any Solid Waste Management Contracts, and (5) to the extent permitted by and in accordance with the procedures permitted under any applicable law, any rights of the County under any permits, licenses and approvals relating to the Disposal System.

(B) In the event that any Credit Facility is provided with respect to any County Bonds, any moneys which are made available under the terms of such Credit Facility are pledged to secure the payment of the principal of and interest on the County Bonds with respect to which the Credit Facility was issued.

(C) All rights of the County to receive payment under the provisions of any Solid Waste Management Contracts are pledged and assigned for the benefit and security of any person with whom the County enters into a Long Term Obligation in order to secure the punctual payment of any amounts required to be paid by the County pursuant to any Long Term Obligations and the punctual performance by the County of its obligations under the Master Authorization, subject, however, to the right of the County, except as provided in Article VII of the Master Authorization upon the happening of an Event of Default, to carry out its obligations and duties, and to receive certain payments and apply the same in each case as provided in the Master Authorization and, further subject to the terms and conditions set forth in the Master Authorization to enforce or realize upon its rights and interests in such Solid Waste Management Contracts.

Establishment of Accounts (Section 4.2).

(A) The County has established and created the following special accounts:

(1) Construction Account;

- (2) Revenue Account;
- (3) Long Term Obligation Account;
- (4) Operating Account;
- (5) County Bond Debt Service Reserve Account;
- (6) Renewal and Replacement Account;
- (7) Rate Stabilization Account;
- (8) General Account;
- (9) Rebate Account; and
- (10) Collection Account.

(B) Each of said accounts must be held by the County or any Fiduciary designated by the County.

Deposits Into Construction Account (Section 4.3).

Any moneys which are received by the County from any source (but excluding bonds or other evidences of indebtedness issued by a Beneficiary pursuant to a Long Term Obligation that is a Solid Waste Management Contract) for payment of costs related to the construction, acquisition, restoration, improvement or completion of any Disposal System Component, including the proceeds (or any portion thereof) derived from the issuance of any County Bonds, the proceeds of any insurance or any condemnation award and any grants for the payment of any Capital Costs must be deposited in the Construction Account.

Payments from Construction Account (Section 4.5).

Before any payment can be made from the Construction Account, an Authorized County Officer must file certain requisitions and certificates with the Director of Finance relating to the use of the moneys requested and other related matters.

Investment Income Credited to the Construction Account (Section 4.6).

Notwithstanding Section 4.21 of the Master Authorization, investment income must be credited to the Construction Account or to the appropriate sub-account therein and applied in accordance with the terms of the Master Authorization.

Disposition of Balance in Construction Account (Section 4.7)

Upon receipt of a specified certificate relating to outstanding obligations to be paid from the Construction Account, the County must apply the excess balance in the Construction Account to either (1) payment of any Capital Cost (other than the portion referred to in such certificate), (2) payment of any Debt Service on County Bonds, or (3) prepayment or redemption of County Bonds.

Deposit of Revenues and Other Payments (Section 4.8).

(A) All Revenues must be collected by or on behalf of the County and must be deposited daily, as far as practicable, in the Revenue Account (other than amounts which are deposited in the Construction Account pursuant to the Master Authorization). Unless otherwise permitted by the Master Authorization, any other moneys which are received by the County from any other source for operating, maintaining and repairing the Disposal System must also be deposited in the Revenue Account.

(B) Notwithstanding anything contained in the Master Authorization to the contrary, amounts received by the County as prepayments or collateral pursuant to the provisions of the Solid Waste Act must not constitute "Revenues" until (and to the extent that) (1) the person making such prepayment has delivered Disposal Refuse to the Disposal System for disposal or (2) the County is permitted to retain such collateral pursuant to the provision of the Solid Waste Act.

(C) Notwithstanding anything contained in the Master Authorization to the contrary, any amounts received by the County as interest income from the investment of moneys shall not constitute "Revenues" to the extent such amounts are required to be paid to the United States of America in accordance with the provisions of Section 4.17 of the Master Authorization.

(D) All Collection Revenues must be deposited in the Collection Account upon receipt thereof and segregation by the County.

Periodic Withdrawals From Revenue Account (Section 4.9).

The County must transfer any moneys which are on deposit in the Revenue Account into the following several accounts, but as to each such account only within the limitation indicated in this Section with respect to each account and only after maximum payment within such limitation into every such account previously mentioned in the tabulation below. Such transfers must be made (1) at any time there is a deficiency in the amounts on deposit in any other account and (2) on each Calculation Date; provided, however, that with respect to transfers to be made into the County Bond Debt Service Reserve Account, the Renewal and Replacement Account and the Rate Stabilization Account, the County may limit its transfers in any single month to one-twelfth of any deficiency in the requirement relating to such account.

First: Into the Operating Account, to the extent, if any, needed to increase the amount which is on deposit in the Operating Account, until the amount on deposit equals the Operating Account Requirement;

Second: Into the Long Term Obligation Account, to the extent, if any, needed to increase the amount which is on deposit in the Long Term Obligation Account until the amount on deposit equals the Long Term Obligation Requirement;

Third: Into the County Bond Debt Service Reserve Account, to the extent, if any, needed to increase the amount which is on deposit in the County Bond Debt Service Reserve Account until the amount on deposit equals the County Bond Debt Service Reserve Requirement;

Fourth: Into the Renewal and Replacement Account, to the extent, if any, needed to increase the amount which is on deposit in the Renewal and Replacement Account until the amount on deposit equals the Disposal System Reserve Requirement;

Fifth: Into the Rate Stabilization Account, to the extent, if any, needed to increase the amount which is on deposit in the Rate Stabilization Account until the amount on deposit equals the Rate Stabilization Requirement; and

Sixth: Into the General Account, the balance, if any, remaining after having made the foregoing transfers or deposits.

Operating Account (Section 4.10).

The County must make payments from time to time out of the Operating Account of all amounts required for Operating Expenses. Payments by the County from the Revenue Account into the Operating Account must be consistent with the requirements of the Annual Budget.

Application, Investment and Restoration of Long Term Obligation Account (Section 4.11).

The County must pay in a timely manner Long Term Expenses from the Long Term Obligation Account. If at any time there is not a sufficient amount available in the Long Term Obligation Account to provide for any required payment therefrom, the County must, on or prior to the date on which such payment is required to be made, transfer an amount which is sufficient to make up such deficiency in the following priority: first, from amounts on deposit in the Revenue Account, second, from amounts on deposit in the General Account, third, from amounts on deposit in the Rate Stabilization Account, fourth, to the extent required, from amounts, if any, on deposit in the Renewal and Replacement Account, and, if a deficiency remains (but only with respect to Debt Service on County Bonds), then from the County Bond Debt Service Reserve Account. Any such amounts must be transferred to or deposited into the Long Term Obligation Account.

Application of Renewal and Replacement Account (Section 4.12).

(A) The County must withdraw from the Renewal and Replacement Account any reasonable and necessary expenses of the County with respect to the Disposal System Components or major repairs, renewals, replacements or maintenance items of a type not recurring annually or at shorter intervals. The County must apply such amounts to the payment of such expenses upon the same terms and in the same manner as provided in Section 4.5 of the Master Authorization. However, before any disbursement is made, an Authorized County Officer must file with the Director of Finance a requisition therefor and, in certain circumstances, a certificate of the Consulting Engineer.

(B) If on any date all withdrawals or payments which are required to be made from the Renewal and Replacement Account by any other provision of the Master Authorization have been made or provided for and the amount on deposit in the County Bond Debt Service Reserve Account equals the County Bond Debt Service Reserve Requirement, and the amount in the Renewal and Replacement Account exceeds the Disposal System Reserve Requirement, the County, upon the filing of a certificate of an Authorized County Officer with the Director of Finance requesting such withdrawal, may withdraw the amount of such excess from the Renewal and Replacement Account and may pay the moneys so withdrawn into any account established under the Master Authorization (other than the Collection Account).

Application of Rate Stabilization Account (Section 4.13).

Any amounts which are on deposit in the Rate Stabilization Account may be used by the County in any Fiscal Year to offset any increases in the rates and charges imposed by the County pursuant to the Rate Covenant to reflect any unusual or extraordinary costs incurred by the County subsequent to the adoption of the Annual Budget for such Fiscal Year. Any such use of such amount in the Rate Stabilization Account shall be specified, if applicable, in any amended Annual Budget adopted during such Fiscal Year pursuant to Section 5.14(B) of the Master Authorization. Upon the inclusion of such amounts in the amended Annual Budget for the Fiscal Year, such amount shall be considered along with revenues in determining compliance with the Rate Covenant.

General Account (Section 4.14).

(A) The County may withdraw from the General Account any amounts on deposit therein for the following reasons: (1) payment of principal of and interest on any Subordinated Indebtedness; or (2) deposits into any account established under the Master Authorization.

(B) Notwithstanding the foregoing, if there is at any time a deficiency in the Operating Account, the County must withdraw amounts from the General Account (to the extent of such deficiency and to the extent that such moneys are on deposit therein) and must transfer such amount to the Operating Account.

Deposits Into, Application and Investment of Rebate Account (Section 4.15).

The County must deposit into the Rebate Account any investment earnings on any accounts to the extent required pursuant to the Arbitrage and Tax Regulatory Certificate executed by the County in connection with the

authentication and delivery of County Bonds. The County must determine the amounts which are subject to rebate to the United States government pursuant to the provisions of the Code in accordance with the terms of the Arbitrage and Tax Regulatory Certificate executed by the County in connection with the authentication and delivery of any County Bonds. The amounts which are required to be rebated to the United States government must be withdrawn from the Rebate Account at such times and paid to the United States government. If there is not a sufficient amount in the Rebate Account for any required payment to the United States government, the County must promptly pay, from moneys which are on deposit in the Rate Stabilization Account or such other amounts in the Solid Waste Collection and Disposal Fund (other than Collection Revenues) which are available for such purpose, the amount which is necessary to make up such deficiency. If on any date the amount which is on deposit in the Rebate Account exceeds the amount which the County is obligated (as of the date of such determination) to rebate to the United States government or to create a reserve therefore, the County must withdraw such excess from the Rebate Account and deposit such amount into the Revenue Account.

Application of Amounts in Collection Account (Section 4.16).

The County may pay Collection Expenses from amounts on deposit in the Collection Account. Collection Expenses may not be paid from any revenues pursuant to the Master Authorization other than the revenues of the Collection Account.

Limitation on Optional Redemption of County Bonds or Optional Termination of Other Long Term Obligations (Section 4.19).

The County may not effectuate the optional redemption of County Bonds or the optional termination of any other Long Term Obligations unless the Director of Finance has received prior to such termination or redemption a certificate of the Consulting Engineer stating that, in its opinion, such optional redemption or termination will not adversely affect the ability of the County to meet its obligations under the Master Authorization.

Disposition of Excess Moneys in Accounts (Section 4.20).

If on any Calculation Date, the moneys on deposit in any account established under the Master Authorization exceed the requirement applicable to such account, the amount in excess must be credited to the next succeeding account in the priority described in Section 4.9 of the Master Authorization.

Investments (Section 4.21).

Moneys on hand in each of the accounts may be invested in Investment Obligations which mature in such amounts and at such times as will permit funds to be available when needed by the County. The County is not required to maintain separate bank accounts for the accounts created thereunder. Any moneys in such accounts may be invested in conjunction with other funds of the County; provided, however, that each account (other than the Rebate Account) must be held in trust by the County for the benefit of persons with whom the County has entered into Long Term Obligations. Investment Obligations in all accounts must be valued by the Director of Finance at least annually. Valuation must be determined at the lower of amortized cost or market value. Except as otherwise provided in Section 4.6 of the Master Authorization, any investment income must be credited to the Revenue Account.

Effect of Covenants (Section 5.1).

Under the Master Authorization, the County particularly covenants and agrees with any person with which the County enters into a Long Term Obligation, and makes provisions which must be a part of its contract with such parties to the effect and with the purpose set forth in Article V of the Master Authorization.

Service Covenant (Section 5.3).

The County must provide or cause the provision of the service of providing capacity for the disposal or recycling of all Disposable Refuse generated within the geographic boundaries of the County, including the disposal

of ash residue from the processing of Disposable Refuse at any resource recovery facility and the disposal of Disposable Refuse in excess of the processing capacity of any such resource recovery facility. The County must carry out the Service Covenant in a manner which will not impair the ability of the County to comply with the Rate Covenant, the Service Covenant and the Flow Control Covenant.

Powers as to Disposal System, Disposal Services and Collection of Revenues (Section 5.4).

The County has, and will have, as long as any Long Term Obligations remain Outstanding, the legal right and lawful authority to construct the Disposal System and to maintain, operate, improve and reconstruct the Disposal System and to provide or cause the provision of the Disposal Services. The County has the power and covenants to prescribe and from time to time charge and collect rates to be charged for use of the Disposal System and the Disposal Services and to demand and to collect all Revenues which are due or which are becoming due to it for the use of the Disposal System and the Disposal Services, all in accordance with the Rate Covenant, the Service Covenant and the Flow Control Covenant.

Maintenance of Disposal System (Section 5.5).

The County must diligently construct, maintain and manage the Disposal System in accordance with the County Ten Year Plan.

Compliance with Solid Waste Management Contracts and Enforcement of Revenues (Section 5.6).

(A) The County must (1) take all reasonable measures which are permitted by the Solid Waste Act or otherwise by law to enforce prompt payment to it of all Revenues to be derived by the County under the terms of any Solid Waste Management Contracts and (2) at all times, to the extent permitted by the Solid Waste Act or otherwise by law, defend, enforce, preserve and protect the rights, benefits and privileges of the County under or with respect to the Solid Waste Management Contracts consistent with the County's reasonable business judgment and, in any event, to the extent necessary to enable the County to comply with the Rate Covenant, the Service Covenant and the Flow Control Covenant.

(B) The County may make any amendment of any Solid Waste Management Contracts that will not materially adversely affect the amount of Revenues which are expected to be available for payment of Long Term Expenses, Operating Expenses or amounts which are required to be deposited into the County Bond Debt Service Reserve Account or the Renewal and Replacement Account, or will not materially and adversely affect the security for the payment of Long Term Expenses or the rights of any Beneficiary under the provisions of the Master Authorization. The County must not exercise its right to terminate any Solid Waste Management Contracts for convenience or without cause in a manner which requires the County to make a payment upon such termination unless, at the time of termination, the amount of such payment is on deposit (and available for such purpose) in the Solid Waste Collection and Disposal Fund or has otherwise been provided for by the County.

(C) Any other amendment of any Solid Waste Management Contract may be made only upon the filing of a certificate of a Consulting Engineer stating that in the Fiscal Year of the amendment and in the succeeding Fiscal Year the Revenues expected to be received assuming imposition of rates by the County pursuant to its Rate Covenant, at the rates to be charged, can be expected to be sufficient for the County to meet the requirements of its Rate Covenant.

Insurance; Condemnation (Section 5.7).

(A) The County must continuously maintain (or cause to be maintained), with qualified and experienced insurers having a reputation for insuring facilities of like character as those which constitute the Disposal System Components and which insurers are authorized to do business in the State of Maryland or in such other manner as may be required or permitted by law, all insurance as is customarily maintained with respect to facilities of like character as the facilities which constitute the Disposal System Components. The County must continuously maintain, to the extent commercially available at reasonable rates, the types of insurance, and in the amounts which are recommended by an independent insurance consultant retained by the County, as necessary or

desirable to enable the County to comply with the terms and conditions of the Master Authorization. Such insurance must include the following: (1) Multi-risk insurance for or with respect to the facilities which constitute the Disposal System Components; (2) Insurance covering losses related to actions taken by or on behalf of the County or its employees or agents; and (3) Public liability insurance covering injuries to persons and property relating to or arising out of the construction, maintenance, reconstruction or operation of the Disposal System.

To the extent permitted by law, the County may comply with these requirements by maintaining self-insurance in accordance with the provisions of the County Code.

(B) If any useful portion of the Disposal System is damaged or destroyed, the County must, as expeditiously as practicable, continuously and diligently pursue the repair, reconstruction or replacement thereof. However, subject to the Waste Disposal Agreement, no such repair, reconstruction or replacement must be undertaken if the County, in accordance with the provisions of (C) below, determines not to so repair, reconstruct or replace such damaged property. Any proceeds received by the County from any casualty insurance (except casualty insurance with respect to the Authority Component), including the proceeds of self-insurance, or proceeds received as a result of any condemnation of all or any portion of the Disposal System (other than the Authority Component), must be deposited in a special account in the Construction Account and must be applied to the necessary Capital Costs involved in the repair and replacement of the Disposal System. Any such proceeds of casualty insurance, including the proceeds of self-insurance and any such proceeds of a condemnation award, which are not applied or committed to the repair, reconstruction or replacement of the Disposal System within reasonable time thereafter or six months after receipt thereof must be deposited by the County in the Long Term Obligation Account and applied to the payment of any Long Term Expenses; provided, however, that, to the extent that the County certifies that such proceeds are required for the repair, reconstruction or replacement of the Disposal System, and that such proceeds will be expended for such purpose within a reasonable additional period of time, such proceeds may then remain on deposit in the Construction Account. In the event that the Capital Costs of such repair and replacement of the damaged or condemned property exceed the proceeds of such insurance or condemnation award which are available for payment of the same, any moneys which are on deposit in the General Account and the Construction Account may be used, to the extent necessary, for such purpose as directed by the County as evidenced by a certificate duly executed by an Authorized County Officer. If funds which are on deposit in the General Account and in the Construction Account are insufficient for such purpose, any funds which are available in the Renewal and Replacement Account must be used, to the extent necessary, for such purpose. In addition, the County may apply any other moneys of the County which are not pledged for another purpose, to the extent necessary, for such purposes, subject to the provisions of Section 4.9 of the Master Authorization.

(C) Subject to the Waste Disposal Agreement, if any portion of the Disposal System has been damaged or destroyed, and the County has determined that the operation of the Disposal System has not been materially adversely affected, and as such the County has determined not to repair, reconstruct or replace the damaged or destroyed property and the County has received a certification of the Consulting Engineer to such effect, the proceeds of insurance which are received by the County, if any, must be deposited into the Long Term Obligation Account and applied to the payment of Long Term Expenses in accordance with the provisions of Article IV of the Master Authorization.

(D) The proceeds of any insurance coverage constituting Revenues (other than the proceeds of liability insurance) must be deposited in the Revenue Account.

Operation and Maintenance of Disposal System (Section 5.8).

The County must, at all times (1) operate the Disposal System (or cause the same to be operated) properly and in a sound and economical manner, and (2) maintain, preserve and keep the same properly (or cause the same to be so maintained, preserved and kept), including all appurtenances thereto and every part and parcel thereof, in good repair, working order and condition. Further, the County must make (or cause to be made) from time to time, all necessary and proper repairs, replacements and renewals so that the operation of the Disposal System may be properly and advantageously conducted at all times. The County agrees, to the fullest extent permitted by applicable law, that it may not reduce or diminish geographic boundaries of, or the type of residences served within, the Collection and Disposal District; provided, however, that the County may reduce or diminish the geographic boundaries of, or the type of residences served within the Collection and Disposal District if the legislation that

establishes County-wide solid waste Systems Benefit Charges is in full force and effect. The County covenants not to take any action that will impair its ability to impose or collect such solid waste Systems Benefit Charges.

Rules, Regulations and Other Details (Section 5.9).

(A) The County must establish and enforce reasonable rules and regulations governing the operation, use and services of the Disposal System and the Disposal Services, including the establishment of designated hauler licensing, registration or permit systems to enable the County to comply with its Flow Control Covenant and the other terms and conditions of the Master Authorization. The County must diligently proceed to obtain (or cause to be obtained), and thereafter to observe (or cause to be observed) the conditions of, all required or necessary permits, licenses, approvals or consents for the acquisition and operation of the Disposal System or the provision of Disposal Services, and must observe, perform and comply with all applicable Federal, State and County laws, ordinances, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body to the extent that the same are applicable to the Disposal System, to the Disposal Services or to the County.

(B) The County must use its best efforts to cause others to obtain or observe and comply with the conditions and provisions of any permits relating to the Disposal System or the provisions of any laws relating to the Disposal System.

(C) The County must cause each licensed hauler to maintain collateral for the payment of any fees and charges that may become payable by such hauler to the extent permitted under the Solid Waste Act; provided, however, that the County is not required to cause any hauler to maintain collateral if such haulers pay the County for any Disposal Services prior to, or concurrent with, the rendering of such services.

Payment of Lawful Charges and Compliance With Law (Section 5.10).

The County must pay (or cause to be paid) all taxes and assessments or other municipal or governmental charges, if any, which are lawfully levied or assessed upon it for or with respect to the Disposal System, or upon any part thereof or upon any Revenues derived therefrom, when the same become due. The County must duly observe and comply with, and must use its reasonable efforts to cause all of its contractors, subcontractors, employees and agents to observe and comply with, all valid Federal, State, County and local laws, regulations, rules and orders relating or applicable to the County, the Disposal System and the Disposal Services, and the County must not create or suffer to be created any lien or charge upon the Disposal System or upon any part thereof, except as permitted by the Master Authorization, and the County must not create or suffer to be created any lien or charge upon the Revenues, except as expressly provided by the terms of the Master Authorization. The County must pay and discharge (or cause to be paid and discharged) or must make adequate provision to satisfy and discharge within 60 days after the same must accrue, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the Disposal System or upon any part thereof or upon the Revenues; provided, however, that nothing contained in this Section requires the County to pay and discharge (or cause to be paid and discharged) any such lien or charge as long as the validity thereof is contested in good faith and by appropriate legal proceedings.

Flow Control Covenant (Section 5.11).

The County must deliver or cause the delivery to the County System of all Disposable Refuse generated (a) from residences served within Collection and Disposal District and (b) from County facilities. It also obligates the County to use its best efforts (other than by legislation) to deliver or cause the delivery to the County System of substantially all other Disposable Refuse generated within the County. This obligation is subject to the provisions of the County Ten Year Plan that provide for the development of source reduction programs and commercial recycling programs which may be implemented through private facilities.

Competitive Facilities and Services; Private Solid Waste Acceptance Facilities (Section 5.12).

The County agrees, to the extent permitted by law, that it will not (i) construct, acquire or operate or permit or consent to the construction, acquisition or operation of any plants, structures, facilities or properties, or (ii)

provide or permit to be provided any waste disposal services, that, in the case of (i) or (ii) may compete or tend to compete within the County with the Disposal System or Disposal Services and will not enter into a Long Term Obligation with respect to facilities outside the County which may tend to compete outside the County with the Disposal System or with the Disposal Services.

Rates and Charges; Rate Covenant (Section 5.13).

(A) With respect to the Disposal Services, the County must make, impose and charge rates, fees and other charges in accordance with the terms of the Solid Waste Act requiring the Solid Waste Collection and Disposal Fund to be maintained and managed so that revenues equal expenses; ("Act Requirement"), other applicable laws of the County and the State, and as provided for in the Master Authorization. In addition, the County must impose fees for Collection Services within the Collection and Disposal District sufficient to pay any Collection Expenses.

(B) The County must fix, charge and collect rates, fees and charges for the Disposal Services, and must revise such rates, fees and charges as may be necessary or appropriate, to produce in each Fiscal Year revenues which, when combined with balances in the General Account, the Rate Stabilization Account and, to the degree permissible, the Renewal and Replacement Account available for transfer to the Revenue Account, will in each Fiscal Year at least equal the sum of (1) 100% of the Operating Expenses for such Fiscal Year, plus (2) 110% of the Long Term Expenses respecting debt service plus 100% of the sum of the balances of amounts payable on Long Term Expenses for such Fiscal Year, plus (3) 100% of the sum of the amounts, if any, required to be deposited in the County Bond Debt Service Reserve Account, the Renewal and Replacement Account and the Rate Stabilization Account for such Fiscal Year.

(C) For purposes of (B) above, available balances in the General Account, the Rate Stabilization Account and the Renewal and Replacement Account may not exceed more than 25% of the rates, fees and charges which would have to be imposed in order to meet the requirements of (B) if such available balances were not considered or included in the computation.

(D) Other than (1) as provided in the Solid Waste Act relating to disposal by residents of up to 500 pounds of Disposable Refuse at an identified component of the Disposal System, and only to the extent required and permitted by the Act Requirement referred to above or (2) as required by any exigencies due to an emergency condition within the County, the County will neither furnish nor supply (nor cause to be furnished or supplied) any use of or service by the Disposal System free of charge to any person (including the County), and the County must, consistent with prudent solid waste management practices, enforce the payment of any and all accounts when due and owing, including the charges which are imposed pursuant to paragraph (B) above, to the County by reason of its ownership, operation or interest in the Disposal System or the provision of Disposal Services by all lawful means including filing suit therefor (in such cases as the County determines that an action for collection of such charges is consistent with prudent solid waste management practices) in accordance with the Solid Waste Act. Notwithstanding the foregoing, as long as the County is in compliance with the requirements of (A) and (B) above, the County will be permitted to provide Disposal Services with respect to specified types of Disposable Refuse at reduced rates or for free so as to provide incentives for the use of particular Disposal System Components.

Annual Budget; Long Term Operating Plan (Section 5.14).

(A) The County must prepare, file and adopt an Annual Budget for each Fiscal Year in accordance with the provisions of the Solid Waste Act and the Master Authorization.

(B) The Annual Budget must be structured so as to permit compliance by the County with the Rate Covenant and with the Waste Disposal Agreement. The Annual Budget must set forth in reasonable detail the estimated Revenues, Operating Expenses, Long Term Expenses and other cash requirements of the Disposal System and such Annual Budget must include estimates of the amounts to be deposited during such Fiscal Year in the Accounts established under the Master Authorization, and, only if required by Applicable Law, appropriations for the amounts which are estimated to be expended from each Account established under the Master Authorization, with reasonable provision for contingency receipts and payments. In addition, such Annual Budget may in estimating such Revenues provide for a reserve for such portion of such Revenues which have not been or may not

be collected by the County and may contemplate the use of amounts in the General Account which the County intends to use to reduce or offset the rates and charges imposed by the County pursuant to Section 5.13 of the Master Authorization. Nothing contained in the Annual Budget must supersede the provisions of the Master Authorization as to the application of Revenues or other amounts. The Annual Budget must also set forth such detail with respect to the Revenues, Operating Expenses, Long Term Expenses and other expenditures and such deposits, as required by law, and may set forth such additional information as the County may determine. In preparing the Annual Budget, the County must take into account any grants from any persons relating to the Disposal System and any moneys deposited by the County in its discretion in the Solid Waste Collection and Disposal Fund which are required by the terms thereof to be applied to a specific Capital Cost or Operating Expense and the County must apply such amounts to the purpose for which they were granted. Following the end of each quarter of each Fiscal Year, the County must review its estimates set forth in the Annual Budget for such Fiscal Year, and in the event that such estimates do not substantially correspond with actual Revenues, Operating Expenses, Long Term Expenses or other requirements of the County, the County Executive must adopt and file with the Director of Finance an amended Annual Budget or take such other actions as may be necessary, desirable or appropriate for the County to comply with its obligations under the Master Authorization for the remainder of the Fiscal Year. In addition, if, at any time during any Fiscal Year, the County makes or becomes obligated to make payments which are not included in the then effective Annual Budget or are for unusual or extraordinary costs, the County must adopt and file with the Director of Finance an amended Annual Budget for the remainder of the Fiscal Year or take such other actions as may be necessary, desirable or appropriate for the County to comply with its obligations under the Master Authorization. Such amended Annual Budget may provide for the use of available moneys in the Rate Stabilization Account to avoid or reduce any increase in the rates and charges imposed by the County for the use of the Disposal System due to such unusual or extraordinary costs.

(C) A copy of the Annual Budget and any amendment thereto must be filed with the Director of Finance on or prior to the last day of each Fiscal Year and must be mailed by the County to any person with which the County has entered into a Long Term Obligation upon written request therefor.

(D) At least 60 days prior to the end of each Fiscal Year, the Consulting Engineer must provide a certificate to the County setting forth the Disposal System Reserve Requirement for the subsequent Fiscal Year. In calculating the Disposal System Reserve Requirement, the Consulting Engineer shall take into account any funds held for similar purposes for the Disposal System under Long Term Obligations. The County shall include such Disposal System Reserve Requirement in the Annual Budget required pursuant to this Section.

Limitations on Operating Expenses (Section 5.15).

The County must not incur Operating Expenses or any other costs which are payable from the Operating Account in any Fiscal Year in excess of the reasonable and necessary amount (in the discretion of the County) thereof; provided, that amounts payable under Long Term Obligations will be deemed reasonable and necessary. Nothing which is contained in Section 5.15 of the Master Authorization limits the amount that the County may expend for Operating Expenses in any Fiscal Year.

Other County Activities (Section 5.17).

Except as and to the extent expressly provided in the Master Authorization, the County must not apply the Revenues, or use any Disposal System Component or any other County asset which is actually used or expressly dedicated to the provision of Disposal Services or which is required to enable the County to satisfy its Service Covenant, Flow Control Covenant or Rate Covenant for any other purpose than those described in the Master Authorization.

Accounts and Audit (Section 5.18).

The County must keep proper books of account in which complete and correct entries must be made of its transactions relating to the Disposal System or any part thereof and the Disposal Services and must cause its books and accounts to be audited annually as of the end of each Fiscal Year.

Ownership of Disposal System (Section 5.19).

The County must not enter into any contract which provides for payment to be made for labor or to contractors, builders or materialmen on account of the construction or reconstruction of any part of the Disposal System (excluding the Authority Component) which is owned by the County, unless such part is located on lands to which the title or over which perpetual easement, in either case sufficient for the purposes of the County, is owned by the County or leased by the County for a term in excess of the expected useful life of the component of the Disposal System which is owned by the County, or unless such part is a part of the Disposal System which is located on land in which a right or interest less than a fee simple or a perpetual easement has been acquired from the United States of America, the State or from a political subdivision thereof or from a public utility and such lesser right or interest has been approved by an opinion of Bond Counsel as being sufficient for the purposes of the County.

Creation of Liens; Subordinated Indebtedness (Section 5.20).

Except as provided in this Section, the County must not issue any bonds, notes, or other evidences of indebtedness or enter into any obligations, other than Long Term Obligations, which are secured by a pledge of or other lien or charge on the Revenues and must not create or cause to be created any lien or charge on such Revenues under the terms of the Master Authorization; provided, however, that neither this Section nor any other provision of the Master Authorization prevents the County from issuing bonds or notes or other obligations for the purposes of the County which are payable out of or which are secured by a pledge of Revenues which are to be derived on and after such date as there are no longer any Long Term Obligations outstanding. In addition, the County is not prevented from issuing bonds or notes or other obligations for the purposes of the County which are payable out of or which are secured by a subordinate pledge of the Revenues, or by a pledge of amounts which may be withdrawn from the General Account pursuant to the terms of Section 4.15 of the Master Authorization, and (1) that are issued for a purpose, the completion of which, in the opinion of an Authorized County Officer, will not cause a reduction in Revenues to be thereafter derived by or for the account of the County, (2) which must recite on their face that (a) such pledge of said amounts is and must be in all respects subordinate to the provisions of the Master Authorization and the lien and pledge created by the Master Authorization and (b) no payment of the principal or redemption price of or interest on such obligations shall be made in any year, nor shall any Revenues or other assets of the Disposal System be applied to the purchase or other acquisition or retirement of such obligation unless (i) all Long Term Expenses and all deposits to the Operating Account, the County Bond Debt Service Reserve Account, the Renewal and Replacement Account and the Rate Stabilization Account for such year have been made and (ii) no Event of Default has occurred and is continuing or would occur immediately after giving effect to such payment or application and (3) there is delivered to the Director of Finance a certificate of a Consulting Engineer meeting the requirements of Section 3.2(A)(7) of the Master Authorization as if such Subordinated Indebtedness were a Long Term Obligation.

Sale or Encumbrance (Section 5.21).

(A) Except to the extent provided in the Project Site Lease, the Waste Disposal Agreement, and the Bond Documents, no part of the Disposal System may be sold, mortgaged, pledged, encumbered or otherwise disposed of by the County, except for dispositions in the ordinary course of business and except as provided below.

(1) The County may sell or exchange or otherwise dispose of, at any time and from time to time, any property, equipment or facilities constituting part of the Disposal System only if (a) the County determines that such property, equipment or facilities are not useful in the ownership or operation of the Disposal System or (b) if the proceeds of such sale are \$5,000,000 or less, the County files with the Director of Finance a certificate of the Consulting Engineer stating, in the opinion of the signer, that the fair value of the property, equipment or facilities sold or exchanged is \$5,000,000 or less, or (c) if such proceeds or fair value exceeds \$5,000,000, the County files with the Director of Finance a certificate of the Consulting Engineer stating, in the opinion of the signer, that the sale or exchange of such property, equipment or facilities will not impair the ability of the County to comply during the current or any future year with the Service Covenant or the Rate Covenant. The proceeds of any such sale or exchange not used to acquire other property necessary or desirable for the safe or efficient operation of the Disposal System must be deposited in the Long Term Obligation Account and applied to the payment of Long Term Expenses.

(2) The County may lease or make contracts or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights with respect to, any part of the Disposal System, only if it determines that such part of the Disposal System is not useful in the operation of the Disposal System and provided that any such lease, contract, license, arrangement, easement or right (a) does not impede such operation by the County of the Disposal System and (b) does not in any manner materially impair or adversely affect the rights of the County or the rights or security of persons with which the County has entered into Long Term Obligations; and provided, further, that if the fair value of the property to be covered by any such lease, contract, license, arrangement, easement or other right exceeds \$5,000,000, the Consulting Engineer must first certify that the action of the County with respect thereto does not result in a breach of the conditions under this paragraph. Any payments received by the County under or in connection with any such lease, contract, license, arrangement, easement or right in respect of the Disposal System will constitute Revenues. Any payments received under or in connection with any such lease, contract, license, arrangement, easement or right in respect of the Disposal System, or any part thereof, must constitute Revenues and must be paid directly into the Revenue Account.

(B) In addition to the requirements of (A) above, no part of the Disposal System may be sold, exchanged, leased, mortgaged or otherwise disposed of unless the County receives an opinion from Bond Counsel to the effect that such sale, exchange, lease, mortgage or other disposition will not adversely affect the exclusion of the interest payable on the bonds from gross income for Federal income tax purposes to the extent that such portion of the Disposal System was financed through the issuance of Tax-Exempt Obligations.

Consulting Engineer (Section 5.23).

(A) The County must designate a Consulting Engineer from time to time to provide the services and certifications required under the Master Authorization.

(B) At least 30 days prior to the preparation of the Annual Budget by the County in each Fiscal Year, the Consulting Engineer must file with the County a report on the then current state of the Disposal System containing specified information including (1) the level of progress made with respect to the construction or repair of any Disposal System Component (if applicable), (2) the sufficiency of the County's program of maintenance and repair of the Disposal System and (3) any other relevant aspect of the Disposal System or the County's performance of its obligations under the Master Authorization. Such report must also set forth in tabular form, as to the succeeding Fiscal Year, the Consulting Engineer's estimate of the following: (1) estimated Operating Expenses, (2) Long Term Expenses, (3) the sum of all amounts estimated to be paid into and credited to the Revenue Account pursuant to Section 4.9 or Section 5.13 of the Master Authorization, (4) the estimated volume and classification of Disposable Refuse (expressed in tons or otherwise) expected to be disposed of by operation of the Disposal System and the provision of Disposal Services and setting forth the minimum rates and charges for such Fiscal Year necessary and required to be in effect for the whole of such Fiscal Year so as to comply with the provisions of Section 5.13 of the Master Authorization, and (5) the amount which is payable during such Fiscal Year so as to amortize any future closure costs which will be payable in connection with the termination or closure of any Disposal System Component.

Long Term Disposal System Report (Section 5.24).

(A) Within four years of the execution of the first Long Term Obligation pursuant to the Master Authorization, the County must prepare a Long Term Capital Improvement Report (the "Capital Improvement Report"). Such report must describe any major capital improvements in connection with the Disposal System contemplated by the County in connection with the Disposal System to be constructed within a six-year period subsequent to the preparation of the report (or any update thereof). The County must update the Capital Improvement Report at least once every two years following its initial preparation.

(B) The Capital Improvement Report must also outline the County's intended method of financing the closure of any Disposal System Components to the extent applicable. The Capital Improvement Report must specify whether the County intends to finance such costs (1) by paying them on a current basis as they are incurred, (2) through the issuance of County Bonds at the time of closure, or (3) through the use of moneys in the Renewal and Replacement Account. To the extent the County intends to use moneys in the Renewal and Replacement Account for such purpose, the Disposal System Reserve Requirement must include in each Fiscal Year prior to the

contemplated closure an amount which, together with all deposits for such purpose in the Fiscal Years prior to such closure, will be sufficient to pay the estimated costs of the closure.

Appointment of Default Trustee (Section 6.1).

Allfirst Trust Company National Association (formerly known as First National Bank of Maryland), a national banking association having trust powers, has been appointed under the Master Authorization to serve as Default Trustee.

Deposit of Funds (Section 6.5).

To the extent permitted by law, all moneys (not including securities) which are held by any Fiduciary pursuant to the terms of the Master Authorization, may be deposited by it, in demand or time deposits, in its banking department or with such other banks, trust companies, national banking associations or other banking institutions, each having its principal office in the State, as may be designated by the County. Interest with respect to moneys or securities which are on deposit in any fund or account must be credited in each case to the fund or account in which such moneys or securities are held.

Compensation (Section 6.7).

Unless otherwise provided by the terms of a contract with the Fiduciary, the County must pay reasonable compensation from time to time to each Fiduciary for all services rendered by it under the Master Authorization, and the County must also reimburse any Fiduciary for all of its reasonable expenses, charges, counsel fees and other disbursements and those of its attorneys, agents, and employees which are incurred in the performance of its powers and duties under the Master Authorization.

Resignation of Fiduciary (Section 6.9).

A Fiduciary, or any successor thereof, may at any time resign and be discharged of its duties and obligations created by the Master Authorization or Bond Resolution by following specific procedures described in the Master Authorization.

Removal (Section 6.10).

Any Fiduciary, or any successor thereof, may be removed at any time by the County by written instrument, except during the pendency of any Event of Default, upon the appointment and assumption of office of a successor.

Appointment of Successor Fiduciary (Section 6.11).

In case any Fiduciary, or any successor thereof, resigns or is removed or becomes incapable of acting, or is adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of such Fiduciary or of its property is appointed, or if any public officer must take charge or control of such Fiduciary or of its property or affairs, a successor may be appointed by the County. Any successor Fiduciary appointed under the provisions of this Section must be a bank, trust company, national banking association or other banking institution doing business and having its principal office located in the State or (in the case of a Paying Agent, in the State or in the Borough of Manhattan, City and State of New York) having the qualifications which are prescribed by the Master Authorization.

Events of Default (Section 7. 1).

The occurrence of any of the following events is defined as and is declared to be and to constitute an "Event of Default" under the Master Authorization:

- (1) Default in the due and punctual payment of any amount owed under Long Term Obligations;

(2) Subject to the provisions of Section 7.9 of the Master Authorization (relating to the opportunity of the County to cure defaults), failure by the County to observe and to perform any covenant, condition or agreement on the part of the County which is provided by the Master Authorization and the continuance of such failure for a period of thirty (30) days after written notice, or such longer period as must be provided under Section 7.9 of the Master Authorization, specifying such failure and requesting that it be remedied, has been given to the County; or

(3) The filing by the County or the Solid Waste Collection and Disposal Fund of a petition seeking relief under any federal or state bankruptcy or similar laws.

Notwithstanding the foregoing provisions, no breach by the County pursuant to Section 8.1 of the Waste Disposal Agreement shall constitute an "Event of Default" under the Master Authorization unless the Authority in writing to the Default Trustee instructs the Default Trustee to undertake its responsibilities under the Master Authorization.

Remedies (Section 7.2).

(A) Upon the occurrence of an Event of Default, the Default Trustee may pursue any remedy which is available to it at law or in equity or by statute, including the appointment of a judicially approved receiver of the Revenues and assets of the County pledged and assigned under the Master Authorization to the extent allowed by law. However, the appointment of a trustee or receiver does not limit the obligation of the County to continue to perform its obligations under the terms of the Master Authorization.

(B) In addition to any other remedies, the Default Trustee has, upon the occurrence of an Event of Default, the right to have delivered to it all the funds in any account established under Article IV of the Master Authorization and the right to receive all Revenues from whatever source. The County must thereafter cause any and all Revenues to be paid directly to the Default Trustee and must remit immediately to the Default Trustee any Revenues it receives.

Rights of Persons With Which the County Has Entered Into Long Term Obligations (Section 7.3).

If an Event of Default has occurred and is continuing and if requested to do so by a Person which enters into a Long Term Obligation with the County and if indemnified as provided in the Master Authorization, the Default Trustee is obligated to exercise one or more of the rights and the remedies conferred by the Master Authorization as the Default Trustee deems to be in the interests of any Person which enters into a Long Term Obligation with the County and which are not contrary to law. Except as specifically provided in the Waste Disposal Agreement, no Person which enters into a Long Term Obligation with the County has any right to institute any suit, action or proceeding in equity or at law for the enforcement of the provisions of the Master Authorization, for the execution of any trust thereof or for the appointment of a receiver or to enforce any other remedy thereunder, unless (1) a default has occurred of which an authorized officer of the Default Trustee has been notified as provided in the Master Authorization; (2) such default has become an Event of Default and the Default Trustee has been offered reasonable opportunity either to proceed to exercise the powers which were thereinbefore granted or to institute such action, suit or proceeding in its own name; (3) such person with which the County has entered into a Long Term Obligation has provided the Default Trustee with the indemnification which is provided in the Master Authorization; and (4) the Default Trustee has thereafter failed or refused to exercise the powers thereinbefore granted or to institute such action, suit or proceedings in its, his, her, or their own name or names.

Rights of Persons With Which the County Has Entered Into Long Term Obligations to Direct Proceedings (Section 7.4).

(A) Anything in the Master Authorization to the contrary notwithstanding, a majority of the persons with whom the County has entered into Long Term Obligations have the right, at any time by a written instrument or instruments which is duly executed and delivered to the Default Trustee, to direct the method and the place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Master Authorization or for the appointment of a receiver or any other proceeding hereunder; provided, however, that such

direction must not be otherwise than in accordance with the provisions of law and the provisions of the Master Authorization.

(B) The Default Trustee must determine whether or not there exists a majority of persons with which the County has entered into Long Term Obligations for purposes of (A) above on the basis of the outstanding amount of indebtedness issued in accordance with Long Term Obligations in the manner described in this clause (B). The Default Trustee must determine the sum ("Total Indebtedness") of (1) the aggregate amount of Outstanding County Bonds and (2) the aggregate amount of Outstanding indebtedness issued in accordance with the provisions of Long Term Obligations described in clause (2) of the definition thereof. The Default Trustee must then assign a number of votes to the holders of Outstanding County Bonds equal to the product of (a) a fraction the numerator of which is the aggregate amount of Outstanding County Bonds and the denominator of which is the Total Indebtedness, times (b) 100. The Default Trustee must then assign to each person with which the County has entered into a Long Term Obligation described in clause (2) of the definition thereof a number of votes equal to the product of (a) a fraction the numerator of which is the amount of indebtedness issued in accordance with such Long Term Obligation then Outstanding and the denominator of which is the Total Indebtedness, times (b) 100.

Application of Moneys (Section 7.5).

(A) All moneys which are received by the Default Trustee pursuant to any right which is given or any action which is taken under the provisions of Article VII of the Master Authorization must be deposited into the Long Term Obligation Account (after payment of the costs and the expenses of the proceedings resulting in the collection of such moneys and after payment of the fees, expenses, liabilities and advances which have been incurred or made by the Default Trustee, including legal fees), and all moneys which are on deposit in the various accounts established under the terms of the Master Authorization (except the Rebate Account) must be applied as follows:

First: To the payment of all Operating Expenses and, as certified to the Default Trustee by the Consulting Engineer, for the reasonable and necessary renewals, repairs and replacements of any Disposal System Component so as to prevent any decrease in the amount of Revenues charged and collected; and

Second: To the payment of Long Term Expenses which are then due on Long Term Obligations and, if the amount which is available is not sufficient to pay in full all such amounts, then to the payment ratably, according to the respective amounts then due on such Long Term Obligations as calculated in accordance with Section 7.4(B) of the Master Authorization, to the persons who are entitled thereto, without any discrimination or privilege; and

Third: To the payment of certain general obligations bonds issued prior to the effectiveness of the Master Authorization ("Prior County Bonds").

(B) Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys must be applied at such times, and from time to time, as the Default Trustee determines, having due regard to the amount of moneys which are available for application and the likelihood of additional moneys becoming available for application in the future. Whenever the Default Trustee applies such funds, it must fix the date upon which application is to be made. The Default Trustee must give notice as it may deem appropriate of the deposit with it of any moneys and of the fixing of any such date.

(C) Whenever all amounts which are required to be paid by the County pursuant to the provisions of all Long Term Obligations and Prior County Bonds have been paid under the provisions of this Section and all fees, expenses, including legal fees, and charges of the Default Trustee have been paid, any balance which is remaining in the Long Term Obligation Account must be paid to the County.

Waivers of Defaults (Section 7.8).

The Default Trustee may in its discretion waive any Event of Default, and the consequences specified in Section 7.2 of the Master Authorization, and rescind any declaration of maturity of principal and must do so upon the written request of a majority of the persons with whom the County has entered into Long Term Obligations.

Upon such waiver or rescission or in case any proceedings taken by the Default Trustee on account of any such Event of Default have been discontinued or abandoned or determined adversely, then and in every such case the County, the Default Trustee and the persons with whom the County entered into Long Term Obligations will be restored to their former positions and rights under the Master Authorization, respectively, but no such waiver or rescission will extend to any subsequent or other Event of Default or impair any right consequent thereon.

Notice of Events of Default; Opportunity of the County to Cure Defaults (Section 7.9).

No Event of Default which is specified in clause (2) under the caption "Events of Default" herein will constitute an Event of Default thereunder until notice of such Event of Default has been given by the Default Trustee or by persons with whom the County has entered into a Long Term Obligation to the County, by registered or certified mail, and the County has had thirty (30) days after receipt of such notice to correct such Event of Default or cause such Event of Default to be corrected and has not corrected such Event of Default or caused such Event of Default to be corrected within the applicable period; provided, however, that if such Event of Default is such that it cannot be corrected within the applicable period, it will not constitute an Event of Default if corrective action which is designed to remedy such Event of Default is instituted by the County within the applicable period and diligently pursued until such Event of Default is corrected.

SUMMARY OF CERTAIN PROVISIONS OF THE PEPSCO INTERCONNECTION AGREEMENT

The following summarizes certain provisions of the PEPSCO Interconnection Agreement between the Authority and PEPSCO. This summary does not purport to set forth all of the provisions of the Agreement and is qualified by reference to the PEPSCO Interconnection Agreement in its entirety for the complete and actual terms thereof.

Interconnection Service

Pursuant to the terms of the PEPSCO Interconnection Agreement, PEPSCO permits the Authority to interconnect the Resource Recovery Facility as long as the Authority operates the Resource Recovery Facility pursuant to the requirements of PJM and good utility practice. Interconnection service includes distribution service for the delivery of energy, capacity or ancillary services from the Resource Recovery Facility to the PJM power grid.

Term

The PEPSCO Interconnection Agreement will remain in full force and effect until the earlier to occur of (i) permanent cessation by the Authority of the power generation functions at the Resource Recovery Facility, (ii) permanent cessation of the interconnection functions of the PEPSCO transmission system or (iii) subject to regulatory approval, 30 days after the Authority gives notice of its election to terminate.

Events of Default

Each of the following is an Authority event of default: (i) failure to pay an amount then due within 20 days of receipt of written notice of non-payment, (ii) breach of a material term or condition under the PEPSCO Interconnection Agreement, (iii) appointment of a receiver, liquidator or trustee for either party, (iv) entry of a decree adjudicating a party as bankrupt and (v) the filing of a petition of bankruptcy.

Termination

Upon the occurrence of an event of default, either party may terminate the PEPSCO Interconnection Agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE PJM INTERCONNECTION SERVICES AGREEMENT

The following summarizes certain provisions of the PJM Interconnection Services Agreement between the Authority and PJM. This summary does not purport to set forth all of the provisions of the Agreement and is qualified by reference to the PJM Interconnection Services Agreement in its entirety for the complete and actual terms thereof.

Interconnection Service

PJM agrees to provide for the interconnection of the Resource Recovery Facility to the transmission system in the PJM control area.

Term

The Interconnection Service Agreement will remain in full force and effect until it is terminated.

PJM Open Access Transmission Tariff and Operating Agreement

The PJM Interconnection Services Agreement incorporates the PJM Open Access Transmission Tariff and Operating Agreement, as approved by the Federal Energy Regulatory Commission and as amended from time to time.

Breach, Cure and Default

Each of the following is an Authority breach of the Authority's obligations under PJM Interconnection Service Agreement or the PJM Open Access Transmission Tariff: (i) a failure to pay an amount due, (ii) failure to abide by the rules and procedures pertaining to generation in the PJM control area and (iii) a material breach of its representations and warranties under the PJM Interconnection Service Agreement. If the Authority commits a breach of the PJM Interconnection Services Agreement or the PJM Open Access Tariff and does not in good faith take all steps necessary to cure such breach within 30 days of receipt of written notice of such breach, it will be a default.

Termination

PJM may terminate interconnection service upon the Authority's default under the PJM Interconnection Service Agreement or the PJM Open Access Transmission Tariff, provided that PJM may not terminate such interconnection service for a failure to make payment unless such failure could reasonably be expected to have a material adverse effect on the interconnected transmission owner, in this case, PEPCO.

SUMMARY OF CERTAIN PROVISIONS OF THE LANDFILL AGREEMENT

The following summarizes certain provisions of the Landfill Agreement. This summary does not purport to set forth all of the provisions of the Landfill Agreement and is qualified by reference to the Landfill Agreement in its entirety for the complete and terms thereof. As used in this summary, "Landfill Waste" means Residue and Acceptable Waste. Other capitalized terms are defined in Appendix A, Summary of Certain Definitions.

Delivery and Acceptance of Landfill Waste from the Processing of Waste Generated

Subject to the County's rights to refuse certain waste, the County must accept at the County Designated Landfill (to the extent the County has sufficient capacity at the County Designated Landfill) all Landfill Waste that is delivered to the County Designated Landfill by or on behalf of the Authority.

The County may refuse delivery of: (1) Hazardous Waste; (2) Landfill Waste delivered at hours other than the Landfill Receiving Hours or at certain other hours as provided in the Landfill Agreement; (3) Unacceptable

Waste and (4) Acceptable Waste delivered by a Designated Hauler in excess of a limitation imposed by the Authority on the amount of waste that may be delivered by such Designated Hauler.

If the County has disposal capacity available and refuses to accept material delivered by or on behalf of the Authority for disposal at the County Designated Landfill for any reason other than as provided in the preceding paragraph, the County must pay the Authority an amount equal to the direct costs and expenses incurred by the Authority in transporting and disposing of such material unless such amounts were paid to the Authority pursuant to the Waste Disposal Agreement.

Authority Payments

For each ton of Landfill Waste delivered to the County Designated Landfill by or on behalf of the Authority, the Authority must pay a fee to the County as may be established from time to time by an order of the County Executive or resolution of the County Council.

Effect of Force Majeure

Neither party will be in default or liable to the other party for its failure to perform its obligations under the Landfill Agreement, if such failure results from an event of force majeure. Each party must seek diligently to overcome or remove a force majeure that affects its ability to perform its obligations as soon as possible.

Operations during a Landfill Shutdown

During a shutdown of the County Designated Landfill, the County must (1) accept Landfill Waste at the County Designated Landfill to the extent the County Designated Landfill is capable of accepting the Landfill Waste, and (2) if the County Designated Landfill is not capable of accepting all Landfill Waste that the Authority is entitled to deliver, promptly use reasonable efforts to provide or make available to the Authority an alternate facility or site for the acceptance of Landfill Waste that the County cannot accept at the County Designated Landfill. If the County fails to do so, the Authority must use reasonable efforts to locate a landfill or other facility for the disposal of Landfill Waste. To the extent permitted by law, the Authority and the County must cooperate in the locating, licensing or acquisition of such alternative site.

Events of Default

The following constitute events of default under the Landfill Agreement:

- the failure by either party to pay any amount that is required to be paid to the other party under the Landfill Agreement within 30 days after receipt of written demand therefor accompanied by notice stating that unless such amount is paid within 30 days after such demand, the failure will constitute an event of default; or
- the persistent or repeated failure or refusal by either party to fulfill any of its material obligations in accordance with the Landfill Agreement, unless such failure or refusal is excused or justified pursuant to the provisions of the Landfill Agreement, provided that no such failure or refusal constitutes an event of default unless and until the party entitled to performance has given written notice to the other party stating that, in its opinion, a particular default or defaults (described in reasonable detail in such notice) exists that will, unless corrected, constitute a material breach of the Landfill Agreement and will, in its opinion, give the party entitled to performance a right to terminate its obligations under the Landfill Agreement for cause unless such default is cured within a reasonable period of time; or
- the nonperforming party has neither corrected the default nor initiated reasonable steps to correct it within a reasonable period of time (which will in any event be not less than 10 days from the date of the notice of the default), provided that if the nonperforming party has commenced to take reasonable steps to correct the default within such reasonable period of time, the default will not

constitute an event of default for as long as the nonperforming party is continuing to take reasonable steps to correct it.

Remedies for Nonperformance

If the Authority or any person acting for or on behalf of the Authority fails to perform any of its obligations, the right to recover damages or to be reimbursed will constitute an adequate remedy and the County does not have a right to terminate the Landfill Agreement for any breach thereunder.

A breach by the County of its obligations may cause irreparable harm to the Authority and, without limiting any other rights or remedies which the Authority may have with respect to such breach, the Authority will be entitled to injunctive or mandamus relief to enforce the County's obligations under the Landfill Agreement.

The provisions of the Landfill Agreement relating to the County's right to refuse waste that require the payment by the County of liquidated damages for certain events of default under the Landfill Agreement do not preclude, prohibit or otherwise limit the Authority from pursuing other remedies at law or in equity to enforce the rights of the Authority under the Landfill Agreement, or cause the performance by the County of its obligations under the Landfill Agreement.

Term

The Landfill Agreement will remain in effect until the latest of (i) the date on which the Waste Disposal Agreement terminates, (ii) the earlier of the Maturity Date or the date on which the County assumes all of the Authority's obligations under the Bond Documents, and (iii) the earlier of the date on which the Service Agreement terminates or the date on which the County assumes all of the Authority's obligations under the Service Agreement.

The Company as the Authority's Provider of Landfill Waste Under the Landfill Agreement

The performance by the Company of the Authority's obligations under the Landfill Agreement constitutes performance of such obligations by the Authority for all purposes of the Landfill Agreement. The performance by the County of the County's obligations under the Landfill Agreement to the satisfaction of the Company constitutes performance of the County's obligations to the Authority under the Landfill Agreement for all purposes.

SUMMARY OF CERTAIN PROVISIONS OF THE BRUNSWICK AGREEMENT

The following summarizes certain provisions of the Brunswick Agreement. This summary does not purport to set forth all of the provisions of the Brunswick Agreement and is qualified by reference to the Brunswick in its entirety for the complete terms thereof. As used in this summary, "Landfill Waste" means Non-Processible Waste, bypassed waste and Residue.

Delivery and Acceptance of Waste

Brunswick is obligated, subject to certain rejection rights, to accept at the Transfer Station, the Resource Recovery Facility or other County-designated facility all Non-Processible Waste, Bypassed Waste and Residue that is delivered to Brunswick by or on behalf of the County. Brunswick must supervise the loading of such waste into containers and onto its trucks and must transport it to the Brunswick Landfill in Brunswick County, Virginia. Brunswick must also load Residue at the Resource Recovery Facility into railcars and cause CSX to move the railcars to the Brunswick Landfill. Brunswick must maintain an isolated, dedicated cell for the County's waste at the Brunswick Landfill. If an uncontrollable circumstance renders the Brunswick Landfill unavailable, the County may direct Brunswick to transport the Landfill Waste to a landfill owned and operated by an affiliate of Brunswick in Georgia or to a facility designated by the County. So long as no Landfill Waste has been disposed of at the Georgia landfill, Brunswick may designate a different landfill as the alternate landfill under the Brunswick Agreement. The provisions in the Brunswick Agreement relating to the operation and management of the Brunswick Landfill apply equally to the alternate landfill.

Brunswick's obligations under the Brunswick Agreement are guaranteed by its parent company, Allied Waste Industries of North America, Inc. under a Guarantor Agreement dated as of June 19, 1997.

Charges

The County pays to Brunswick a per-ton fixed fee, as well as certain passthrough costs. While the County is obligated, subject to certain exceptions, to deliver or cause to be delivered to Brunswick all Residue and non-processible and bypassed waste, the County is not obligated to deliver a minimum quantity of Landfill to Brunswick.

Term and Termination

The term of the Brunswick Agreement runs through June 30, 2012, and the County has an option to renew the term for an additional five year period. Prior to this date, the County may terminate the Brunswick Agreement for Brunswick's default and, in such instance, Brunswick must pay excess costs incurred by the County in procuring substitute performance plus liquidated damages over the remaining term of the Brunswick Agreement. The County also possesses certain rights to terminate the Brunswick Agreement for convenience and may also terminate the Brunswick Agreement in the event that the Brunswick Landfill is closed for 10 or more days as a result of uncontrollable circumstances and the alternate landfill is not available. If the County fails within 60 days of a default notice to pay an amount due to Brunswick under the terms of the Brunswick Agreement in excess of \$600,000, Brunswick may terminate the Brunswick Agreement.

APPENDIX G
PROPOSED FORM OF OPINION OF BOND COUNSEL

[CLOSING DATE]

Northeast Maryland Waste
Disposal Authority
Baltimore, Maryland

Ladies and Gentlemen:

We have acted as bond counsel to the Northeast Maryland Waste Disposal Authority (the "Authority") in connection with the issuance by the Authority of \$ _____ Solid Waste Refunding Revenue Bonds (Montgomery County Solid Waste Disposal System) Series 2003, dated April 3, 2003 (the "Series 2003 Bonds"), as limited obligations of the Authority. In that capacity, we have examined:

(i) Chapter 871 of the Laws of Maryland of 1980, as amended, codified as sections 3-901 through 3-929 of the Natural Resources Article of the Annotated Code of Maryland (2000 Replacement Volume and 2002 Supplement) (the "Act");

(ii) an Indenture of Trust dated as of March 1, 1993, between the Authority and The Bank of New York (the "Trustee") providing, among other things, for the issuance of the Authority's Solid Waste Revenue Bonds (Montgomery County Resource Recovery Project), Series 1993A (the "Series 1993A Bonds") for the purpose of financing a portion of the cost of a solid waste disposal project (the "Project") owned by the Authority and located in Montgomery County, Maryland, as supplemented by a First Supplemental Indenture of Trust dated as of April _____, 2003 between the Authority and the Trustee providing, among other things, for the issuance of the Series 2003 Bonds for the purpose of refunding a portion of the Series 1993A Bonds (collectively, the "Indenture");

(iii) an Amended and Restated Waste Disposal Agreement dated April _____, 2003 (the "Waste Disposal Agreement"), between the Authority and Montgomery County, Maryland (the "County"), pursuant to which the Authority agrees to provide for the disposal of solid waste generated in the County, and the County agrees to make payments for the disposal of such waste;

(iv) an executed and authenticated Series 2003 Bond;

(v) relevant provisions of the Constitution and laws of the State of Maryland;

(vi) relevant provisions of the Internal Revenue Code of 1986, as amended (the "Code"); and

(vii) other proofs submitted to us relative to the issuance and sale of the Series 2003 Bonds.

The terms of the Series 2003 Bonds are contained in the Indenture and the Series 2003 Bonds.

Emmet, Marvin & Martin, LLP, counsel to the Trustee, has rendered an opinion dated this date regarding, among other things, the obligations of the Trustee under the Indenture. We have assumed, without independent investigation, the correctness of all matters set forth therein.

Venable, Baetjer & Howard, LLP, special counsel to the County, has rendered an opinion dated this date regarding, among other things, the obligations of the County under the Waste Disposal Agreement. We have assumed, without independent investigation, the correctness of all matters set forth therein.

Insofar as this opinion relates to engineering facts or conclusions concerning the status of the financed facilities as solid waste disposal facilities, and insofar as this opinion relates to facts or conclusions concerning the costs and uses thereof, we have relied, without independent investigation, upon certifications made on behalf of the Authority and the County, and upon the assumption that all information furnished to us with respect thereto was complete and accurate.

Based upon the foregoing, it is our opinion that:

(a) The Authority is a validly created and existing body politic and corporate and public instrumentality of the State of Maryland.

(b) The Indenture has been duly and lawfully authorized, executed and delivered by the Authority and, assuming the due authorization, execution and delivery thereof by the Trustee, is in full force and effect and constitutes a valid and binding obligation of the Authority enforceable in accordance with its terms. As provided by the Act, the Indenture creates the valid pledge of and the valid lien upon the Revenues (as defined in the Indenture) and all moneys, securities and funds held or set aside under the Indenture that it purports to create subject only to the provisions of the Indenture permitting the withdrawal, payment, setting apart or appropriation thereof for or to the purposes and on the terms and conditions set forth in the Indenture.

(c) The Waste Disposal Agreement has been duly authorized, executed and delivered by the Authority and, assuming the due authorization, execution and delivery thereof by the County, constitutes a valid and binding obligation of the Authority, enforceable in accordance with its terms.

(d) The Authority is duly authorized and entitled to issue the Series 2003 Bonds. Series 2003 Bonds executed and authenticated as provided in the Indenture have been duly and validly issued and constitute valid and binding limited obligations of the Authority, payable solely from Revenues and other amounts pledged to such payment under the Indenture.

(e) The rights of the owners of the Series 2003 Bonds and the enforceability of the Indenture, the Waste Disposal Agreement, and the Series 2003 Bonds are limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, whether considered at law or in equity.

(f) By the terms of the Act and the Indenture, the Series 2003 Bonds do not constitute a debt or liability of the State of Maryland or of any political subdivision thereof, including the Authority. Neither the State of Maryland nor any political subdivision thereof nor the Authority shall be obligated to pay the Series 2003 Bonds or the interest thereon except from the Revenues and to the extent provided in the Indenture, the moneys held in the funds and accounts established under the Indenture. Neither the faith and credit nor the taxing power of the State of Maryland or of any political subdivision thereof or of the Authority is pledged to the payment of the principal of or the interest on the Series 2003 Bonds. The issuance of the Series 2003 Bonds is 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 Authority to levy or pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Authority has no taxing power and has no claim on any revenues or receipts of the State of Maryland or any agency or, except to the extent provided in the Waste Disposal Agreement, any political subdivision thereof.

(g) Assuming compliance with the covenants described below, interest on the Series 2003 Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions, except, with respect to any Series 2003 Bond, during the period that such Series 2003 Bond is owned by a "substantial user" of the financed facilities or a "related person" (as such terms are used in Section 147(a) of the Code). It is noted that under the provisions of the Code, there are certain restrictions that must be met subsequent to

the issuance of the Series 2003 Bonds in order for interest on the Series 2003 Bonds to remain excludable from gross income for federal income tax purposes, including restrictions that must be complied with throughout the term of the Series 2003 Bonds. These include a requirement that certain investment earnings received from the investment of the proceeds of the Series 2003 Bonds be rebated to the United States of America under certain circumstances, and other requirements applicable to the investment of the proceeds of the Series 2003 Bonds and the facilities financed with the proceeds of the Series 2003 Bonds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Series 2003 Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The Authority and the County have made certain covenants regarding the investment of the proceeds of the Series 2003 Bonds and with respect to the taking of actions required to maintain the excludability of interest on the Series 2003 Bonds from gross income for federal income tax purposes. We have assumed compliance with such covenants in rendering these opinions.

(h) Interest on the Series 2003 Bonds will be includable in the alternative minimum taxable income of individuals, corporations and other taxpayers for federal income tax purposes. In addition, interest income on the Series 2003 Bonds will be includable in the applicable taxable base for the purposes of determining the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States.

(i) By the terms of the Act, the Series 2003 Bonds, their transfer, the interest payable thereon and any income derived therefrom, including any profit realized in the sale or exchange thereof, shall at all times 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 agencies of any kind.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Series 2003 Bonds, or, except as provided in paragraph (b) hereof, regarding the perfection or priority of the lien on Revenues or other funds created by the Indenture. Further, we express no opinion regarding tax consequences arising with respect to the Series 2003 Bonds other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Very truly yours,

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APPENDIX H
SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

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Ambac

Financial Guaranty Insurance Policy

Ambac Assurance Corporation
One State Street Plaza, 15th Floor
New York, New York 10004
Telephone: (212) 668-0340

Obligor:

Policy Number:

Obligations:

Premium:

Ambac Assurance Corporation (Ambac), a Wisconsin stock insurance corporation, in consideration of the payment of the premium and subject to the terms of this Policy, hereby agrees to pay to The Bank of New York, as trustee, or its successor (the "Insurance Trustee"), for the benefit of the Holders, that portion of the principal of and interest on the above-described obligations (the "Obligations") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Obligor.

Ambac will make such payments to the Insurance Trustee within one (1) business day following written notification to Ambac of Nonpayment. Upon a Holder's presentation and surrender to the Insurance Trustee of such unpaid Obligations or related coupons, uncanceled and in bearer form and free of any adverse claim, the Insurance Trustee will disburse to the Holder the amount of principal and interest which is then Due for Payment but is unpaid. Upon such disbursement, Ambac shall become the owner of the surrendered Obligations and/or coupons and shall be fully subrogated to all of the Holder's rights to payment thereon.

In cases where the Obligations are issued in registered form, the Insurance Trustee shall disburse principal to a Holder only upon presentation and surrender to the Insurance Trustee of the unpaid Obligation, uncanceled and free of any adverse claim, together with an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee duly executed by the Holder or such Holder's duly authorized representative, so as to permit ownership of such Obligation to be registered in the name of Ambac or its nominee. The Insurance Trustee shall disburse interest to a Holder of a registered Obligation only upon presentation to the Insurance Trustee of proof that the claimant is the person entitled to the payment of interest on the Obligation and delivery to the Insurance Trustee of an instrument of assignment, in form satisfactory to Ambac and the Insurance Trustee, duly executed by the Holder or such Holder's duly authorized representative, transferring to Ambac all rights under such Obligation to receive the interest in respect of which the insurance disbursement was made. Ambac shall be subrogated to all of the Holders' rights to payment on registered Obligations to the extent of any insurance disbursements so made.

In the event that a trustee or paying agent for the Obligations has notice that any payment of principal of or interest on an Obligation which has become Due for Payment and which is made to a Holder by or on behalf of the Obligor has been deemed a preferential transfer and theretofore recovered from the Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court of competent jurisdiction, such Holder will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available.

As used herein, the term "Holder" means any person other than (i) the Obligor or (ii) any person whose obligations constitute the underlying security or source of payment for the Obligations who, at the time of Nonpayment, is the owner of an Obligation or of a coupon relating to an Obligation. As used herein, "Due for Payment", when referring to the principal of Obligations, is when the scheduled maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by application of required sinking fund installments), acceleration or other advancement of maturity; and, when referring to interest on the Obligations, is when the scheduled date for payment of interest has been reached. As used herein, "Nonpayment" means the failure of the Obligor to have provided sufficient funds to the trustee or paying agent for payment in full of all principal of and interest on the Obligations which are Due for Payment.

This Policy is noncancelable. The premium on this Policy is not refundable for any reason, including payment of the Obligations prior to maturity. This Policy does not insure against loss of any prepayment or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Ambac, nor against any risk other than Nonpayment.

In witness whereof, Ambac has caused this Policy to be affixed with a facsimile of its corporate seal and to be signed by its duly authorized officers in facsimile to become effective as its original seal and signatures and binding upon Ambac by virtue of the countersignature of its duly authorized representative.



President



Secretary

Effective Date:

Authorized Representative

THE BANK OF NEW YORK acknowledges that it has agreed to perform the duties of Insurance Trustee under this Policy.

Form No.: 2B-0012 (1/01)



Authorized Officer of Insurance Trustee

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APPENDIX I
THE REFUNDED SERIES 1993A BONDS

	<u>CUSIP NUMBER</u>
\$40,375,000 in original principal amount of 6.20% Term Bonds due July 1, 2010.	664257AP(7)
\$155,210,000 in original principal amount of 6.30% Term Bonds due July 1, 2016.	664257AQ(5)