

RESOLUTION NO. 13- 5

COUNTY COMMISSIONERS OF WORCESTER COUNTY, MARYLAND
CONSOLIDATED PUBLIC IMPROVEMENT
REFUNDING BONDS, 2013 SERIES (TAX-EXEMPT)

SUPPLEMENTAL RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF WORCESTER COUNTY (THE "BOARD") SUPPLEMENTING RESOLUTION NO. 13-3, ADOPTED BY THE BOARD ON JANUARY 2, 2013 (THE "BOND RESOLUTION") PROVIDING FOR THE ACCEPTANCE BY COUNTY COMMISSIONERS OF WORCESTER COUNTY, MARYLAND (THE "COUNTY") OF BIDS RECEIVED FOR ITS "COUNTY COMMISSIONERS OF WORCESTER COUNTY, MARYLAND CONSOLIDATED PUBLIC IMPROVEMENT REFUNDING BONDS, 2013 SERIES (TAX-EXEMPT)" AND AWARDING SUCH BONDS TO THE SUCCESSFUL BIDDER THEREFOR; PROVIDING THAT THE COUNTY'S OUTSTANDING CONSOLIDATED PUBLIC IMPROVEMENT BONDS, 1998 SERIES, WILL NOT BE REFUNDED WITH PROCEEDS OF SUCH BONDS AND WILL REMAIN OUTSTANDING AND RATIFYING AND CONFIRMING THE CHANGE IN MAXIMUM PERMITTED INTEREST RATE FOR BIDDERS FROM 5.50% TO 4.00%; DETERMINING THE AGGREGATE PRINCIPAL AMOUNT OF SUCH BONDS AND THE PORTION OF SUCH AGGREGATE PRINCIPAL AMOUNT ATTRIBUTABLE TO THE VARIOUS PURPOSES FOR WHICH SUCH BONDS ARE TO BE ISSUED; FIXING THE INTEREST RATE OR RATES PAYABLE ON SUCH BONDS AND THE SCHEDULE OF PRINCIPAL INSTALLMENTS FOR SUCH BONDS; RATIFYING THE PRELIMINARY OFFICIAL STATEMENT OF THE COUNTY PREPARED AND DISTRIBUTED IN CONNECTION WITH THE ISSUANCE AND SALE OF SUCH BONDS; PROVIDING FOR THE APPLICATION OF THE PROCEEDS OF SUCH BONDS; PRESCRIBING THE FORM OF AN ESCROW DEPOSIT AGREEMENT FOR SUCH BONDS; APPROVING THE OFFICIAL STATEMENT OF THE COUNTY PREPARED IN CONNECTION WITH THE ISSUANCE AND SALE OF SUCH BONDS AND DECLARING SUCH OFFICIAL STATEMENT TO BE "DEEMED FINAL" PURSUANT TO SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12; AUTHORIZING THE COMPLETION, EXECUTION, ISSUANCE AND DISTRIBUTION OF SUCH OFFICIAL STATEMENT; AND RELATED MATTERS.

Recitals

Pursuant to a published Notice of Sale (the "Notice of Sale"), the Finance Officer (the "Finance Officer") of the County Commissioners of Worcester County, Maryland (the "County"), has received electronic bids via **PARITY** at his office for its "County Commissioners of Worcester County, Maryland Consolidated Public Improvement Refunding Bonds, 2013 Series (Tax-Exempt)" (the "Bonds"). The bids for the Bonds were received prior to 11:00 o'clock a.m. (E.S.T.) on Tuesday, January 15, 2013. A list of the bidders for the Bonds and the true interest cost of each of their respective bids is attached hereto as Exhibit A.

The Preliminary Official Statement of the County dated January 3, 2013, issued in connection with the issuance and sale of the Bonds (the "Preliminary Official Statement"), has been previously distributed to potential bidders for the Bonds, and copies of the Preliminary Official Statement have been delivered to the members of the Board of County Commissioners of Worcester County (the "Board") prior to this meeting. In connection with the issuance and sale of the Bonds, it is necessary that the County issue an Official Statement describing, inter alia, the Bonds and the County.

Pursuant to Resolution No. 13-3 adopted by the Board on January 2, 2013 (the "Bond Resolution"), the Board is authorized to adopt a resolution supplemental to the Bond Resolution, immediately after the sale of the Bonds, pursuant to which the Board will (a) determine and fix the aggregate principal amount of the Bonds, the principal amount of each maturity of the Bonds, and the portion of such aggregate principal amount and maturities attributable to (i) the General County Portion, (ii) the Ocean Pines Water/Wastewater Portion, (iii) the Ocean Pines Water Portion, (iv) the Newark Portion, (v) the South Point Village Portion and (vi) the Sunset Village Portion (all as defined in the Bond Resolution), (b) fix the interest rate or rates payable on the Bonds, (c) approve the form of the Escrow Deposit Agreement (as defined in the Bond Resolution), and (d) provide for and approve various other matters in connection with the issuance, sale and delivery of the Bonds.

The County has also determined not to refund the County's outstanding Consolidated Public Improvement Bonds, 1998 Series (the "Outstanding 1998 Bonds") with proceeds of the Bonds.

NOW, THEREFORE, pursuant to and in accordance with Sections 13E and 14 through 21, inclusive, of Article 25B of the Annotated Code of Maryland, Section 24 of Article 31 of the Annotated Code of Maryland, as amended, and Sections 9-601 to 9-699 of the Environment Article of the Annotated Code of Maryland, as amended, and the Code of Public Local Laws of Worcester County, Maryland, Section PW5, and pursuant to the Bond Resolution:

Section 1. BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF WORCESTER COUNTY, That all terms used herein which are defined in the Recitals hereof, in the Exhibits hereto or in the Bond Resolution, shall have the meanings given such terms therein.

Section 2. AND BE IT FURTHER RESOLVED, That the Outstanding 1998 Bonds will not be refunded and will not be part of the Outstanding Bonds or the Refunded Bonds (both as defined in the Bond Resolution). In addition, the Ocean Pines Water/Wastewater Portion will not be part of the aggregate principal amount of or any maturity of the Bonds.

Section 3. AND BE IT FURTHER RESOLVED, That the change of the maximum permitted interest rate for proposals for the Bonds (as set forth in the notice published on TM3 News Service on January 14, 2013) from 5.50% to 4.00% is ratified and confirmed.

Section 4. AND BE IT FURTHER RESOLVED, That the final aggregate principal amount of the Bonds is hereby determined to be \$8,510,000.

Section 5. AND BE IT FURTHER RESOLVED, That the bid of Morgan Stanley & Co. LLC (the "Successful Bidder") for the Bonds at a purchase price of \$9,527,252.57, as submitted to the County through *PARITY* and opened by the Finance Officer at his office on January 15, 2013, is the lowest bid conforming with the terms of the Notice of Sale and shall be and the same is hereby accepted.

Section 6. AND BE IT FURTHER RESOLVED, (a) That the final principal amount of each maturity of the Bonds and the interest rates named in the bid of the Successful Bidder, all as set forth in Exhibit B hereto, are hereby adopted as the principal amount of each maturity of the Bonds and the interest rates payable on the Bonds.

(b) In addition, the aggregate principal amounts and maturity schedules for (i) the General County Portion, (ii) the Ocean Pines Water Portion, (iii) the Newark Portion, (iv) the South Point Village Portion and (v) the Sunset Village Portion are set forth in Exhibit C hereto. Such amounts are hereby adopted as the respective portions of the principal amounts of each maturity payable on the Bonds.

Section 7. AND BE IT FURTHER RESOLVED, That the interest payment dates and all other provisions of the Bond Resolution are ratified and confirmed, except that Section 5 of the Bond Resolution is modified to reflect the provisions of Section 9 of this Resolution.

Section 8. AND BE IT FURTHER RESOLVED, That the Preliminary Official Statement, together with the distribution thereof, is hereby ratified and approved.

Section 9. AND BE IT FURTHER RESOLVED, That the Official Statement of the County to be prepared and delivered in connection with the issuance and sale of the Bonds (the "Official Statement") shall be substantially in the form of the Preliminary Official Statement, but shall also include the final aggregate principal amount of the Bonds, the final principal amount of each maturity of the Bonds and the interest rates for the Bonds adopted in this Resolution, such pricing and other information relating to the offering of the Bonds, if any, as may have been specified and furnished in writing by the Successful Bidder for the Bonds prior to the adoption of this Resolution and such other changes, corrections and additions as the President of the Board shall approve on behalf of the County; and in such form, the Official Statement of the County is hereby approved and hereby "deemed final" for purposes of Securities and Exchange Commission Rule 15c2-12.

Section 10. AND BE IT FURTHER RESOLVED, That the President of the Board is hereby authorized and directed to execute, issue and distribute the Official Statement in connection with the sale of the Bonds.

Section 11. AND BE IT FURTHER RESOLVED, That (a) \$2,726,552.66 of the proceeds of the Bonds will be retained by the County and held to pay the principal, interest and redemption premium on the Refunded 2002 Bonds on March 9, 2013; (b) \$6,669,075.33 of the proceeds of the Bonds shall be deposited by the County with Manufacturers and Traders Trust Company, as Escrow Deposit Agent (the "Escrow Deposit Agent"), pursuant to an Escrow Deposit Agreement to be executed by and between the Escrow Deposit Agent and the County substantially in the form attached hereto as Exhibit D and made a part hereof (the "Escrow Deposit Agreement"), such amount to be applied to pay the principal of and redemption premium on the Refunded 2004 Bonds on March 1, 2014, and to pay the interest accrued and to accrue on the Refunded 2004 Bonds to such redemption date; and (c) the balance of the proceeds of the Bonds shall be paid to the County and applied to pay costs, fees and expenses incurred in connection with

the issuance and sale of the Bonds shall be paid from proceeds of the Bonds as described in Section 5(b)(i) of the Bond Resolution to the extent such costs, fees and expenses have not been paid from other sources; provided that costs, fees and expenses incurred in connection with the issuance and sale of the Bonds shall be paid from proceeds of the Bonds as determined by the Board.

Section 12. AND BE IT FURTHER RESOLVED, That this Resolution is and shall be deemed a supplemental resolution authorized and referred to in the Bond Resolution.


Section 13. AND BE IT FURTHER RESOLVED, That this Resolution shall take effect immediately.

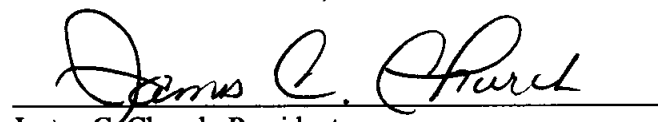
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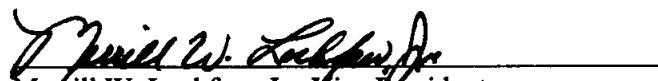
Passed and Approved this 15th day of January, 2013.

ATTEST:

COUNTY COMMISSIONERS OF
WORCESTER COUNTY, MARYLAND


Gerald T. Mason
Chief Administrative Officer



James C. Church, President


Merrill W. Lockfaw, Jr., Vice President


Judith O. Boggs, Commissioner


Madison J. Bunting, Jr., Commissioner


Louise L. Gulyas, Commissioner


James L. Purnell, Jr., Commissioner


Virgil L. Shockley, Commissioner

EXHIBIT A**COUNTY COMMISSIONERS OF WORCESTER COUNTY, MARYLAND
CONSOLIDATED PUBLIC IMPROVEMENT REFUNDING BONDS,
2013 SERIES (TAX-EXEMPT)****BIDS FOR THE BONDS**

Bidder Name	TIC
Morgan Stanley & Co, LLC	0.777593
Robert W. Baird & Co., Inc.	0.827194
Janney Montgomery Scott LLC	0.829680
PNC Capital Markets	0.862493
J.P. Morgan Securities LLC	0.864322
Fidelity Capital Markets	0.865848
Fifth Third Securities, Inc.	0.873915
Citigroup Global Markets Inc.	0.878126
M&T Securities Inc.	0.885831
Piper Jaffray	0.898023
Bank of America Merrill Lynch	0.909189
UBS Financial Services Inc.	0.926362
BMO Capital Markets	0.926468
Southwest Securities, Inc.	0.965591
FTN Financial Capital Markets	1.049386
US Bancorp Investments, Inc.	1.079629

**SCHEDULE OF PRINCIPAL AMOUNTS OF
AND INTEREST RATES FOR THE BONDS**

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
8/01/2013	\$ 400,000	3.000%
8/01/2014	1,085,000	4.000%
8/01/2015	1,515,000	4.000%
8/01/2016	1,580,000	4.000%
8/01/2017	1,645,000	4.000%
8/01/2018	1,120,000	4.000%
8/01/2019	1,165,000	4.000%

EXHIBIT C

**SCHEDULE OF PRINCIPAL AMOUNTS
FOR THE BONDS
AND
EACH PORTION OF THE BONDS**

Maturity Date	Bonds	General County Portion	Ocean Pines Water Portion	Newark Portion	South Point Village Portion	Sunset Village Portion
8/1/2013	\$ 400,000	\$ 270,588	\$ 103,648	\$ 7,996	\$ 4,856	\$ 12,912
8/1/2014	1,085,000	923,235	129,560	9,995	6,071	16,140
8/1/2015	1,515,000	1,345,147	136,038	10,495	6,374	16,947
8/1/2016	1,580,000	1,402,059	142,516	10,994	6,678	17,754
8/1/2017	1,645,000	1,460,588	147,698	11,394	6,920	18,399
8/1/2018	1,120,000	1,120,000				
8/1/2019	1,165,000	1,165,000				
Total	\$8,510,000					

FORM OF ESCROW DEPOSIT AGREEMENT

THIS ESCROW DEPOSIT AGREEMENT, is made as of January 31, 2013, by and between COUNTY COMMISSIONERS OF WORCESTER COUNTY, MARYLAND, a body politic and corporate and a political subdivision of the State of Maryland (the "County"), and MANUFACTURERS AND TRADERS TRUST COMPANY, a New York banking corporation, as Escrow Deposit Agent (the "Escrow Deposit Agent"), under this Escrow Deposit Agreement.

RECITALS

The County, pursuant to Article 25B of the Annotated Code of Maryland, as amended ("Article 25 B"), and the Code of Public Local Laws of Worcester County, Maryland, has heretofore issued its general obligation bonds described in Exhibit A hereto (the "Outstanding Bonds"), which exhibit is incorporated herein by reference and made a part thereof. The original aggregate principal amount and the outstanding aggregate principal amount of the Outstanding Bonds is listed in Exhibit A hereto. All terms defined in Exhibit A hereto shall have the meanings given such terms herein.

The County has issued its Consolidated Public Improvement Refunding Bonds, 2013 Series, dated January 31, 2013, in the original aggregate principal amount of \$_____ (the "Bonds"). A portion of the Bonds in the aggregate principal amount of \$_____ (the "Refunding Portion") is being issued in order to effect the refunding of a portion of the Outstanding Bonds set forth in the table attached hereto as Exhibit B and made a part hereof (the "Refunded Bonds") and paying the redemption premium and the interest accrued and to accrue to March 1, 2014 (the "Redemption Date"), which shall be the date of redemption of the Refunded Bonds.

The County has determined to provide for the refunding of the Refunded Bonds by depositing with the Escrow Deposit Agent immediately available funds sufficient to purchase direct non-callable obligations of the United States of America, the principal of and interest on which, together with any cash balance, will be sufficient (1) to redeem the Refunded Bonds on the Redemption Date, at the redemption prices specified in Exhibit B hereto and made a part hereof, and (2) to pay all interest accrued and to accrue on all of the Refunded Bonds from their most recent interest payment dates to the Redemption Date.

NOW, THEREFORE, the County and the Escrow Deposit Agent, intending to be legally bound hereby and in consideration of the mutual covenants hereinafter contained, do hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01. Definitions. All terms used in the Recitals hereof and in Exhibit A shall have the meanings given such terms therein. In addition, the following terms used in this Escrow Deposit Agreement shall have the meanings hereinafter provided for such terms, unless a different meaning clearly appears from the context:

"Board" means the Board of County Commissioners of Worcester County, Maryland the governing body of the County.

"Bonds" means the County Commissioners of Worcester County, Maryland Consolidated Public Improvement Refunding Bonds, 2013 Series, dated January 31, 2013, in the original aggregate principal amount of \$_____.

"Bond Counsel" means Miles & Stockbridge P.C., and its successors and assigns.

"Bond Resolution" has the meaning given to such term in Exhibit A.

"Closing Date" means January 31, 2013, the date of delivery of the Bonds.

"County" means the County Commissioners of Worcester County, Maryland, a body politic and corporate and a political subdivision of the State of Maryland.

"Escrow Deposit Agent" means Manufacturers and Traders Trust Company, or any successor Escrow Deposit Agent appointed under the provisions of this Escrow Deposit Agreement.

"Escrow Deposit Agreement" or "Agreement" means this Escrow Deposit Agreement.

"Escrow Deposit Fund" means the fund so designated which is created and established by this Escrow Deposit Agreement.

"Escrowed Government Obligations" means the Government Obligations on deposit from time to time to the credit of the Escrow Deposit Fund.

"Government Obligations" means direct non-callable obligations of the United States of America. The term "Government Obligations" does not include mutual funds or unit investment trusts that invest in such obligations.

"Outstanding Bonds" means the bonds of the County listed in Exhibit A hereto.

"Rating Agency" means each rating agency which maintains a rating on the Bonds or any of the Outstanding Bonds.

"Refunded Bonds" means the County's bonds listed in Exhibit B hereto.

"Redemption Date" means March 1, 2014.

"Supplements" means all modifications, amendments, supplements and substitutions.

"Verification Report" means the Verification Report of The Arbitrage Group, Inc., dated January 31, 2013, relating to the refunding of the Refunded Bonds.

Section 1.02. Certain terms used in this Escrow Deposit Agreement are defined in Exhibits A and B hereto and shall have the meanings given such terms therein.

ARTICLE II ESCROW FOR REFUNDED BONDS

Section 2.01. Possession of Bond Resolutions and Specimen Bonds The Escrow Deposit Agent hereby acknowledges it is the Bond Registrar and Paying Agent for the Outstanding Bonds and has in its

possession a copy of (a) the Bond Resolution for the Outstanding Bonds (b) a specimen Outstanding Bond and (c) a copy of the Verification Report.

Section 2.02. Establishment of Escrow Deposit Fund. There is hereby created and established with the Escrow Deposit Agent a special and irrevocable Escrow Deposit Fund designated as the "2013 County Commissioners of Worcester County, Maryland Consolidated Public Improvement Refunding Bonds Escrow Deposit Fund", to be held in trust by the Escrow Deposit Agent separate and apart from other funds of the County and of the Escrow Deposit Agent.

Section 2.03. Deposit of Funds. (a) The County herewith deposits with the Escrow Deposit Agent immediately available funds aggregating \$_____ to be deposited in the Escrow Deposit Fund and applied solely as provided in this Escrow Deposit Agreement.

(b) The County represents that \$_____ of such funds are derived from the proceeds of the Bonds and \$_____ of such funds are from the County's own funds.

Section 2.04. Sufficiency of Funds. The County represents that the funds on deposit in the Escrow Deposit Fund will be sufficient to purchase Government Obligations which will (a) mature in such principal amount at such times and bear interest at a rate or rates so that sufficient moneys will be available from such maturing principal and interest and the initial cash balances in the Escrow Deposit Fund, without reinvestment, to (i) redeem the Refunded Bonds on the Redemption Date and at the redemption price specified in Exhibit B hereto and (ii) to pay all interest accrued and to accrue on the Refunded Bonds from September 1, 2012 to the Redemption Date and (b) bear interest at a rate so that sufficient moneys will be available from such maturing principal and interest and the cash balance in the Escrow Deposit Fund (A) to redeem the Refunded Bonds on the Redemption Date and at the redemption price specified in Exhibit B hereto, and (B) to pay all interest accrued and to accrue on the Refunded Bonds from September 1, 2012 (i.e., the most recent interest payment date for the Refunded Bonds) to the Redemption Date.

However, the County acknowledges that it remains obligated to pay the redemption price of and interest on the Refunded Bonds to the extent described in the preceding sentence in the event that the proceeds of such Government Obligations received by the Escrow Deposit Agent are insufficient to make any such payments as and when due and payable.

Section 2.05. Deposit Irrevocable. The deposit of funds in the Escrow Deposit Fund shall constitute an irrevocable deposit of such funds for the equal and ratable benefit of the owners of the Refunded Bonds. The principal of the Escrowed Government Obligations held in the Escrow Deposit Fund and interest earned thereon, together with the cash balance, shall be held in escrow and shall be applied, as hereinafter set forth, solely to the payment of the redemption price of and interest accrued and to accrue on the Refunded Bonds as set forth herein and in Exhibit B attached hereto.

Section 2.06. Investments. (a) The Escrow Deposit Agent hereby acknowledges the creation and establishment of the Escrow Deposit Fund and acknowledges receipt of the sum described in Section 2.03 of this Escrow Deposit Agreement on the Closing Date. The Escrow Deposit Agent shall apply such funds to the purchase of the Government Obligations described in Exhibit C attached hereto, and any balance remaining after such purchase shall be held in cash and shall not be invested.

(b) The Escrow Deposit Agent shall have no power or duty to invest any moneys held hereunder or to make substitutions of Escrowed Government Obligations held hereunder.

(c) The Escrow Deposit Agent shall deposit, as received, all maturing principal of and interest on the Escrowed Government Obligations to the credit of the Escrow Deposit Fund.

(d) If the funds on deposit in the Escrow Deposit Fund are insufficient to make the payments described in Section 2.07 hereof, the Escrow Deposit Agent is under no obligation to make any payment out of its own funds for such amounts necessary to make such payments.

(e) The County hereby covenants that no part of the money or funds held at any time in the Escrow Deposit Fund shall be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause the Bonds or the Refunded Bonds to be "arbitrage bonds" within the meaning of the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

(f) Any moneys remaining in the Escrow Deposit Fund on the first business day following the Redemption Date, after providing for the payment in full of the interest on, principal of and applicable redemption premium (if any) with respect to the Refunded Bonds, shall, at the written direction of the County, be paid first to the Escrow Deposit Agent as payment of the fees and expenses described in Section 2.11, and second, to the County.

Section 2.07. Use of Funds and Payment of Obligations. (a) The Escrow Deposit Agent shall deposit, as received, all maturing principal of and interest on Escrowed Government Obligations held in the Escrow Deposit Fund to the credit of the Escrow Deposit Fund.

(b) The Escrow Deposit Agent shall transfer to itself, as paying agent for the Outstanding Bonds from cash on hand in the Escrow Deposit Fund, in immediately available funds, on the Redemption date, a sum sufficient to pay the principal and redemption premium of, and accrued and unpaid interest on, the Refunded Bonds.

(c) In any case where any date of payment described hereinabove shall be a Saturday, Sunday or legal holiday observed by the County or the Escrow Deposit Agent, then payment of such funds need not be made on such date but may be made on the next succeeding day which is not a Saturday, Sunday or legal holiday observed by the County or the Escrow Deposit Agent, with the same force and effect as if made on the date described hereinabove.

Section 2.08. Pledge and Lien. The County hereby assigns and pledges to the Escrow Deposit Agent for the benefit of the owners of the Refunded Bonds, and grants to the Escrow Deposit Agent for the benefit of such owners, a security interest in (a) all funds on deposit in or credited to the Escrow Deposit Fund, and (b) the Escrowed Government Obligations held in the Escrow Deposit Fund and the interest income thereon. The Escrow Deposit Agent shall have an express first lien on, pledge of and security interest in all funds, Escrowed Government Obligations and income earned thereon on deposit in or credited to the Escrow Deposit Fund, until such funds, Escrowed Government Obligations and income are used and applied in accordance with this Escrow Deposit Agreement, all for the benefit of the owners of the Refunded Bonds.

Section 2.09. Irrevocable Election to Redeem; Redemption. The County represents that it has irrevocably elected to redeem all of the Refunded Bonds on the Redemption Date and at the redemption price specified in Exhibit B hereto. The County hereby directs the Escrow Deposit Agent to publish, mail and otherwise deliver a notice of redemption of the Refunded Bonds in accordance with the applicable Bond Resolution.

Section 2.10. Fees and Expenses of Escrow Deposit Agent. Upon the execution and delivery of this Escrow Deposit Agreement, the County shall pay the Escrow Deposit Agent (a) on the Closing Date, a fee in the amount of \$_____, (b) a charge of \$_____ for each purchase, sale, maturity or substitution of investments and for each wire transfer, which fees and charges shall be paid annually by the County upon receipt of a bill therefor from the Escrow Deposit Agent, and (c) normal and customary expenses as incurred, including, without limitation, the cost of the publications, mailings and deliveries described in Section 2.09 hereof relating to the redemption and refunding of the Refunded Bonds, which expenses will be paid by the County upon receipt of a bill therefor from the Escrow Deposit Agent. No other fees and expenses of the Escrow Deposit Agent are anticipated; however, if the Escrow Deposit Agent incurs any unusual or extraordinary expenses, or undertakes any unusual or extraordinary services, not anticipated at the time of the execution and delivery of this Escrow Deposit Agreement, the Escrow Deposit Agent may request payment of its reasonable fees and expenses in connection therewith from the County. The County agrees to pay such reasonable fees and expenses, but it may, without creating a default hereunder, contest in good faith the reasonableness of any of such fees and expenses. The Escrow Deposit Agent shall have no lien whatsoever upon any of the moneys in the Escrow Deposit Fund for the payment of its fees and expenses, except to the extent of its rights to excess moneys in the Escrow Deposit Fund as set forth in Section 2.06(f). The provisions of this Section 2.10 shall survive the termination and expiration of this Escrow Deposit Agreement.

Section 2.11. Liability and Duties of Escrow Deposit Agent.

(a) The Escrow Deposit Agent and its respective successors, assigns, agents and servants, absent negligence or willful misconduct, shall not be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the execution and delivery of this Escrow Deposit Agreement, the establishment of the Escrow Deposit Fund, the acceptance of the moneys deposited therein, the purchase of Escrowed Government Obligations, the retention of the Escrowed Government Obligations or the proceeds thereof, or any payment, transfer or other application of moneys or securities by the Escrow Deposit Agent in accordance with the provisions of this Escrow Deposit Agreement.

(b) This Escrow Deposit Agreement sets forth exclusively the duties of the Escrow Deposit Agent with respect to any and all matters pertinent hereto and no implied duties or obligations shall be read into this Escrow Deposit Agreement against the Escrow Deposit Agent. The Escrow Deposit Agent may act in reliance upon any instrument or signature believed by it to be genuine and may assume that any person purporting to give any writing, notice, advice or direction for or on behalf of the County in connection with the provisions hereof has been duly authorized to do so.

Section 2.12. Term of Escrow Deposit Agreement. This Escrow Deposit Agreement shall become effective upon its execution and delivery and shall terminate when all the Refunded Bonds to be redeemed and interest and redemption premiums due thereon have been paid and discharged.

ARTICLE III
MISCELLANEOUS

Section 3.01. Entire Agreement. This Escrow Deposit Agreement constitutes the entire agreement, and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof and may be executed simultaneously in several counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Section 3.02. Section and Paragraph Headings. The County and the Escrow Deposit Agent agree that the section and paragraph headings herein have been prepared for convenience only and are not part of this Escrow Deposit Agreement and shall not be taken as an interpretation of any provision of this Escrow Deposit Agreement.

Section 3.03. Severability. If any clause, provision or Section of this Escrow Deposit Agreement is held illegal or invalid by any court, the invalidity of such clause, provision or Section shall not affect any of the remaining clauses, provisions or Sections hereof, and this Escrow Deposit Agreement shall be construed and enforced as if such illegal or invalid clause, provision or Section had not been contained herein. In case any agreement or obligation contained in this Escrow Deposit Agreement is held to be in violation of law, then such agreement or obligation shall be determined to be the agreement or obligation of the County or the Escrow Deposit Agent, as the case may be, only to the full extent permitted by law.

Section 3.04. Maryland Law. This Escrow Deposit Agreement is executed and delivered with the intent that the laws of the State of Maryland shall govern.

Section 3.05. Removal or Resignation of Escrow Deposit Agent.

(a) The Escrow Deposit Agent may resign at any time upon not less than 60 days prior written notice to the County, and the Escrow Deposit Agent shall thereby become discharged from its trusts, duties and obligations hereunder. The Escrow Deposit Agent shall publish, not less than 45 days before such resignation is to take effect, at its own cost and expense, a notice of such resignation once in a newspaper of general circulation in the County and once in The Bond Buyer or a financial journal or daily newspaper of general circulation in the City and State of New York. Such resignation, however, shall take effect only upon the appointment and qualification of a successor Escrow Deposit Agent in accordance with the terms hereof.

(b) The Escrow Deposit Agent may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of this Escrow Deposit Agreement with respect to the duties and obligations of the Escrow Deposit Agent by any court of competent jurisdiction upon the application of the County or the holders of not less than 10% in aggregate principal amount of each issue of the then-outstanding Refunded Bonds.

(c) If at any time hereafter the Escrow Deposit Agent shall resign, be removed or dissolved or otherwise become incapable of performing all of its duties hereunder, the County shall immediately appoint a successor Escrow Deposit Agent to fill such vacancy as soon as practicable, and in the event such successor is appointed for reasons other than the resignation of the Escrow Deposit Agent, the County at its own cost and expense shall publish a notice of any such appointment made by it once in a daily newspaper of general circulation in the County and in The Bond Buyer or a financial journal or daily newspaper of general circulation in the City and State of New York and shall give a notice of such appointment to each Rating Agency.

(d) Any successor Escrow Deposit Agent hereafter appointed shall be a commercial bank or trust company or national banking association (i) having a capital and surplus aggregating at least \$50,000,000 or a subsidiary bank, trust company or national banking association whose capital and surplus, together with that of its parent bank, trust company or bank holding company, as the case may be, is at least \$50,000,000, if there be such a commercial bank, 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 Escrow Deposit Agent required by this Escrow Deposit Agreement.

(e) Any successor Escrow Deposit Agent appointed under the provisions of this Section shall execute, acknowledge and deliver to its predecessor and the County an instrument in writing accepting such appointment, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, immunities, powers, duties, obligations and trusts of its predecessor hereunder, with like effect as if originally appointed as Escrow Deposit Agent. However, the Escrow Deposit Agent then ceasing to act shall nevertheless, on request of the County or of such successor, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor all the rights, immunities, powers and trusts of such Escrow Deposit Agent and all the right, title and interest of such Escrow Deposit Agent in and to the Escrow Deposit Fund and any other property held by it hereunder, and shall pay over, assign and deliver to such successor all moneys and Escrowed Government Obligations on deposit in the Escrow Deposit Fund and any other properties subject to the trusts and conditions herein set forth.

(f) Any company into which the Escrow Deposit Agent may be merged or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Deposit Agent may sell or transfer all or substantially all of its corporate trust business shall be the successor to such Escrow Deposit Agent hereunder, without any further act, deed or conveyance, provided that such company shall be a commercial bank or trust company or national banking association qualified to be a successor to such Escrow Deposit Agent under the provisions of this Section.

Section 3.06. Security Agreement. The County executes this Escrow Deposit Agreement as a debtor under the Maryland Uniform Commercial Code and the Escrow Deposit Agent executes this Escrow Deposit Agreement as a secured party under the Maryland Uniform Commercial Code, it being intended by the parties hereto that this Escrow Deposit Agreement shall constitute and be a security agreement under the laws of the State of Maryland.

Section 3.07. Representations of County. The County hereby represents that it (a) was duly created by and is in existence under the laws of the State of Maryland, and possesses the authority to enter into the transactions contemplated by this Escrow Deposit Agreement, (b) is not in default under any of the provisions of the laws of the State of Maryland which would affect its existence or its power referred to in the preceding clause (a), and (c) has taken due and proper action to authorize the execution and delivery of this Escrow Deposit Agreement.

Section 3.08. Representations of Escrow Deposit Agent. The Escrow Deposit Agent hereby represents that it (a) has been duly organized, is validly existing, and is in good standing under the laws of the State of New York and is qualified to do business in the State of Maryland, (b) has the power and authority to act as Escrow Deposit Agent under this Escrow Deposit Agreement, and (c) may validly and legally perform the duties and obligations of the Escrow Deposit Agent under this Escrow Deposit Agreement.

Section 3.09. No Amendment.

(a) This Escrow Deposit Agreement may be amended for any purpose or revoked with the unanimous consent of the County, the Escrow Deposit Agent and the holders of 100% of the then-outstanding Refunded Bonds; provided, however, that, without the consent of the holders of such

Refunded Bonds, this Escrow Deposit Agreement may be amended (i) for clarification purposes but only upon delivery to the Escrow Deposit Agent and the County of an opinion of Bond Counsel to the effect that such amendment will not have a material adverse effect on the interests of the holders of the Refunded Bonds affected thereby or the Bonds and (ii) for the purpose of obtaining or maintaining ratings on the Refunded Bonds from one or more of the Rating Agencies which are distinguishable from the ratings on the County's general obligation debt because of this Escrow Deposit Agreement and identifying the Refunded Bonds as "refunded"; provided that, if any Rating Agency shall have theretofore assigned such a rating to the Refunded Bonds that is then in effect, no such amendment shall become effective until such Rating Agency shall have provided to the Escrow Deposit Agent written confirmation that such amendment will not adversely affect such rating.

(b) In the case of any revocation or amendment permitted by this Section, the Escrow Deposit Agent shall, prior to the effectiveness thereof, provide written notice and a copy of such proposed amendment or revocation to (i) Moody's Investors Service, Public Finance Rating Desk/Refunded Bonds, 99 Church Street, New York, New York, 10007, (ii) Fitch Ratings, One State Street Plaza, New York, New York, 10004, and (iii) Standard & Poor's Ratings Services, 55 Water Street, 38th Floor, New York, New York, 10041.

IN WITNESS WHEREOF, the parties hereto have caused this Escrow Deposit Agreement to be duly executed, sealed and delivered as of the day and year first written above.

COUNTY COMMISSIONERS OF
WORCESTER COUNTY, MARYLAND

(SEAL)

ATTEST:

Gerald T. Mason,
Chief Administrative Officer

By: _____
James C. Church,
President of the Board of County
Commissioners of Worcester County, Maryland

MANUFACTURERS AND TRADERS
TRUST COMPANY, as Escrow Deposit Agent

(SEAL)

ATTEST:

By: _____
Name:
Title:

Name:
Title:

OUTSTANDING BONDS

Name of Issue: County Commissioners of Worcester County, Maryland Consolidated Public Improvement Project and Refunding Bonds, 2004 Series (the "Outstanding Bonds")

Date of Issue: December 2, 2004

Original Aggregate Principal Amount: \$30,115,000

Outstanding Aggregate Principal Amount: \$14,860,000

Bond Resolution: Resolution No. 04-48 of the Board of County Commissioners of Worcester County, Maryland adopted on November 3, 2004, as supplemented by a Supplemental Resolution No. 04-49 of the Board of County Commissioners of Worcester County, Maryland adopted on November 16, 2004

EXHIBIT B

REFUNDED BONDS

Consolidated Public Improvement Project and Refunding Bonds, 2004 Series ("Refunded Bonds")

<u>Maturity Date</u>	<u>Principal Amount</u>
03/1/2015	\$ 935,000
03/1/2016	980,000
03/1/2017	1,020,000
03/1/2018	1,060,000
03/1/2019	1,100,000
03/1/2020	<u>1,145,000</u>
	\$6,240,000

Optional Redemption Date: March 1, 2014
Redemption Price: 101%

ESCROWED GOVERNMENT OBLIGATIONS