

NEW ISSUE-DTC BOOK-ENTRY ONLY

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants described herein, under existing law the interest on the Bonds (a) is excluded from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and is not taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. It is also the opinion of Bond Counsel that, under existing law, the Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit made in their sale, shall be exempt from State of Maryland, county, municipal, or other taxation of every kind and nature whatsoever within the State, provided however that no opinion will be expressed concerning estate or inheritance taxes, or any other taxes not levied or assessed directly on the Bonds or the income therefrom. See the information contained herein under the caption "TAX MATTERS".

\$79,365,000

**FREDERICK COUNTY, MARYLAND
GENERAL OBLIGATION
REFUNDING BONDS OF 2010, SERIES C**

Dated: Date of Delivery

Due: December 1

Bond Ratings

Fitch Ratings: AA+
Moody's: Aa2
Standard & Poor's: AA+

Redemption

The Bonds are not subject to redemption prior to their respective maturities

Security

General obligations of County Commissioners of Frederick County

Purpose

To advance refund certain County bonds

Interest Payment Dates

June 1 and December 1, beginning December 1, 2010

Closing/Settlement

On or about April 27, 2010

Denominations

\$5,000

Book-Entry Only Form

The Depository Trust Company, New York, NY

Registrar/Paying Agent

Manufacturers and Traders Trust Company, Baltimore, MD

Bond Counsel

Venable LLP, Baltimore, MD

Financial Advisor

Davenport & Company LLC, Towson, MD

Issuer Contact

Frederick County Director of Finance: (301) 600-1753

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Venable LLP, Baltimore, Maryland, Bond Counsel. The date of this Official Statement is April 13, 2010 and the information contained herein speaks only as of that date.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision.

MATURITIES, AMOUNTS, INTEREST RATES, PRICES OR YIELDS* AND CUSIPS**\$79,365,000 General Obligation Refunding Bonds of 2010, Series C**

| Maturing December 1, | Principal Amount | Interest Rate* | Price or Yield* | CUSIP** |
|---------------------------------|-----------------------------|---------------------------|----------------------------|----------------|
| 2010 | \$ 4,565,000 | 2.00 % | 0.35 % | 355694S50 |
| 2011 | 6,580,000 | 3.00 | 0.68 | 355694S68 |
| 2012 | 6,675,000 | 3.00 | 1.00 | 355694S76 |
| 2013 | 6,840,000 | 4.00 | 1.24 | 355694S84 |
| 2014 | 7,055,000 | 4.00 | 1.60 | 355694S92 |
| 2015 | 7,250,000 | 4.00 | 1.93 | 355694T26 |
| 2016 | 7,490,000 | 5.00 | 2.38 | 355694T34 |
| 2017 | 7,775,000 | 5.00 | 2.65 | 355694T42 |
| 2018 | 8,085,000 | 5.00 | 2.83 | 355694T59 |
| 2019 | 8,365,000 | 3.00 | 3.00 | 355694T67 |
| 2020 | 8,685,000 | 5.00 | 3.15 | 355694T75 |

* The interest rates and yields shown above are the interest rates payable by the County resulting from the sale of the Bonds on April 13, 2010. The prices or yields shown above were furnished by Citigroup Global Markets, Inc. Any other information concerning the terms of the reoffering of the Bonds, if any, should be obtained from Citigroup Global Markets, Inc. and not from the County. (See "SALE AT COMPETITIVE BIDDING" herein.)

** CUSIP numbers provided herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and the County does not take responsibility for the accuracy thereof. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau.

COUNTY COMMISSIONERS OF FREDERICK COUNTY

CERTAIN ELECTED OFFICIALS

Jan H. Gardner
President, Board of County Commissioners

David P. Gray
Vice President, Board of County Commissioners

Kai J. Hagen
Commissioner

John L. Thompson, Jr.
Commissioner

Blaine R. Young
Commissioner

CERTAIN APPOINTED OFFICIALS

Ronald A. Hart
County Manager

Barry L. Stanton
Assistant County Manager

John R. Kroll
Director, Finance Division

John S. Mathias
County Attorney

Laurie M. Boyer
Director, Economic Development Division

Michael G. Marschner
Director, Utilities and Solid Waste Management Division

Alan J. Hudak, PE
Director, Public Works Division

Eric. E. Soter
Director, Planning Division

BOND COUNSEL
Venable LLP
Baltimore, Maryland

FINANCIAL ADVISOR
Davenport & Company LLC
Towson, Maryland

COUNTY AUDITOR
Linton Shafer Warfield & Garrett, P.A.
Frederick, Maryland

PAYING AGENT AND BOND REGISTRAR
Manufacturers and Traders Trust Company
Baltimore, Maryland

VERIFICATION AGENT
The Arbitrage Group, Inc.
Tuscaloosa, Alabama

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No dealer, broker, salesman, or other person has been authorized by County Commissioners of Frederick County (the "County"), or the successful bidders to give any information or to make any representations 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. 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 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale. The information set forth herein has been obtained from the County and other sources which are deemed to be reliable but it is not to be construed as a representation by the County as to information from sources other than the County.

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

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

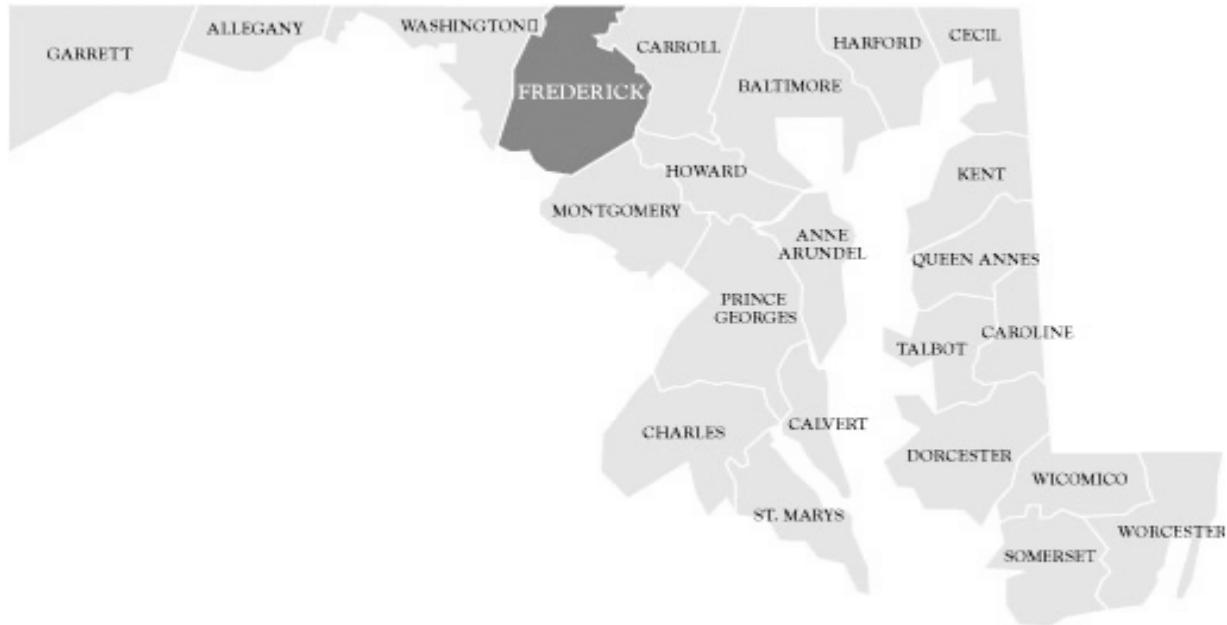
Figures used in this Official Statement relating to tax collections, assessed value of property and the financial position of the County have been taken from official records of the County.

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LOCATION

Frederick County is located in the north central part of the State of Maryland, 245 miles from New York City, 150 miles from Philadelphia, 45 miles from Baltimore, and 45 miles from Washington, D.C.



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OFFICIAL STATEMENT
Relating to

\$79,365,000
FREDERICK COUNTY, MARYLAND
General Obligation
Refunding Bonds of 2010, Series C

INTRODUCTION

The purpose of this Official Statement, including the cover page, inside front cover and appendices, is to provide information for prospective purchasers and others regarding Frederick County, Maryland (“Frederick County”), County Commissioners of Frederick County (the “County”), and the \$79,365,000 Frederick County, Maryland, General Obligation Refunding Bonds of 2010, Series C (the “Bonds”), to be issued by the County.

All estimates and assumptions herein have been based upon information believed to be reliable and correct; however, statements made involving estimates and assumptions, whether or not expressly so stated, are intended merely as such and not as representations of facts. Figures herein relating to tax collections, assessed value of property, and the financial position of the County have been taken from official records of the County.

The material and information contained in this Official Statement have been provided by the County and the execution and distribution of this Official Statement have been authorized and approved by the County.

Frederick County, founded in 1748, originally included the present Maryland counties of Garrett, Allegany, Washington, Carroll and Montgomery. It is located in the north central part of Maryland and is 664 square miles in area. Frederick County is bordered on the north by Pennsylvania, on the west by Washington County, on the east by Howard and Carroll Counties, and on the south by Montgomery County and Virginia. The estimated population of Frederick County as of June 30, 2009 is 234,400.

There are 12 incorporated towns within Frederick County. The County seat and largest city is the City of Frederick, which has an estimated population of 62,200 as of June 30, 2009. The City of Frederick is located approximately 45 miles northwest of Washington, D.C. and 45 miles west of Baltimore, Maryland.

Frederick County is governed by an elected five-member Board of County Commissioners (the “Board”) which serves for four years (see “COUNTY GOVERNMENT AND ADMINISTRATION”). The Board may exercise only such powers as are conferred on it by the General Assembly of Maryland, including the power to issue debt to finance its capital projects. See “CERTAIN DEBT INFORMATION”.

The executive offices of the County are located at Winchester Hall, 12 East Church Street, Frederick, Maryland. The County’s central telephone number is (301) 600-1100.

Any questions regarding this Official Statement or the Bonds should be directed to the Director of Finance, Frederick County, Maryland, Winchester Hall, 12 East Church Street, Frederick, Maryland 21701, telephone number (301) 600-1753. The County’s Internet address is www.FrederickCountyMD.gov.

THE BONDS

General

The Bonds will be dated April 27, 2010 will be issued in an aggregate principal amount of \$79,365,000 and will mature each December 1, in annual installments beginning with the year 2010 and ending with the year 2020 in the principal amounts and at the interest rates set forth on the inside front cover page of this Official Statement.

Interest on the Bonds, calculated on the basis of a 30-day month/360-day year factor, will be payable on December 1, 2010 and semiannually thereafter on the first days of June 1 and December 1 until the principal amount is paid. Interest on the Bonds

shall be payable to the person in whose name such Bond is registered on the registration books for the Bonds as of the close of business on the 15th calendar day of the month immediately preceding each interest payment date.

The Bonds will be issued in fully-registered form without coupons and will be issued in denominations of \$5,000 and integral multiples thereof. The Bonds initially will be issued in book-entry form without any physical distribution of certificates made to the public. The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Bonds and the Bonds will be registered in the name of DTC’s partnership nominee, Cede & Co. (See “DTC and Book-Entry Only System”).

So long as the Bonds are maintained in book-entry form, payments of principal of, premium and interest on the Bonds will be made as described below under “DTC and Book-Entry Only System.” At any other time, the principal amount of and premium, if any, on the Bonds will be payable at the principal corporate trust office of Manufacturers and Traders Trust Company, Baltimore, Maryland (the “Paying Agent” and “Bond Registrar”). Interest on the Bonds will be payable by check of the Paying Agent mailed to the registered owners thereof. The principal of, premium, if any, and interest on the Bonds will be paid in lawful money of the United States of America in the manner and at the places hereinabove described.

DTC and Book-Entry Only System

Initially, DTC will act as securities depository for the Bonds and one fully-registered Bond will be issued for each maturity of the Bonds and registered in the name of Cede & Co., as DTC’s partnership nominee, or such other name as may be requested by an authorized representative of DTC, and will be deposited with DTC. DTC, the world’s largest depository, is a limited-purpose trust company organized under the laws of the State of New York (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, as amended. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (the “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, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation (all of which are 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 U.S. and non-U.S. securities brokers and dealers, banks and trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”, and collectively with Direct Participants, the “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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (the “Beneficial Owner”) is in turn to be recorded on the records of the Direct and Indirect Participants. 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 Owners purchased the Bonds. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of the Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other names as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownerships. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants remain responsible for keeping account of their holdings on behalf of their customers.

So long as the Bonds are held by DTC under a book-entry only system, redemption proceeds, payments of the principal of, redemption premium, if any, and interest on the 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 County or the Paying Agent on payable dates 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 Participants, and not of DTC, or the Bond Registrar and Paying Agent or the County, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest on the Bonds to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC is the responsibility of the Issuer or Paying Agent; disbursement of such payments to Direct Participants shall be in the responsibility of DTC; and disbursement of such payments to the Beneficial Owners shall be the responsibility of the Direct and Indirect Participants. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

So long as the Bonds are held by DTC under a book-entry only system, the Bond Registrar and Paying Agent will send any notice with respect to the Bonds only to DTC. Conveyances 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 agreements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

DTC may discontinue providing its services as depository for the Bonds at any time by giving reasonable notice to the County or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered. The County may determine to select a different securities depository or the County may determine to discontinue the book-entry only system at any time by giving notice to DTC (or its successor). In the event the County determines to discontinue a book-entry only system of registration of the Bonds, bond certificates will be delivered and payments of interest, principal and redemption or purchase premium, if any, will be made as described above under "THE BONDS - General".

The current "Rules" applicable to DTC and its Participants are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC. The information under this heading concerning DTC and DTC's book-entry only system has been obtained from sources that the County believes to be reliable. No representation is made by the Bond Registrar and Paying Agent or the County as to, and the Bond Registrar and Paying Agent and the County take no responsibility for, the completeness or the accuracy of such information or the absence of material adverse changes in such information subsequent to the date of this Official Statement.

So long as Cede & Co., or any successor thereto, is the registered owner of the Bonds, as DTC's partnership nominee, references herein to the Bond holders or registered owners of the Bonds shall mean DTC and shall not mean the Beneficial Owners of the Bonds. During such period, the Bond Registrar and Paying Agent and the County will recognize DTC or its partnership nominee as the owner of all of the Bonds for all purposes, including the payment of the principal of, redemption premium, if any, and interest on the Bonds, as well as the giving of notices and voting.

NEITHER THE COUNTY NOR THE BOND REGISTRAR AND PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OF THE BONDS WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT OF ANY AMOUNT DUE TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (4) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BONDS TO BE GIVEN TO BOND OWNERS; (5) THE SELECTION OF BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

DTC may charge the Participants a sum sufficient to cover any tax, fee or other governmental charge that may be imposed for every transfer and exchange of a beneficial interest in the Bonds, and the Participants may seek reimbursement therefor from the Beneficial Owners.

The Bonds will be valid and legally binding general obligations of the County, to which the full faith and credit and unlimited taxing power of the County will be pledged. They are not guaranteed by the State of Maryland or any other entity. Security for the Bonds is more fully described herein under “THE BONDS - Security for the Bonds”.

Application of Proceeds:

The proceeds of the Bonds will be used to advance refund all of the outstanding maturities of the County’s General Obligation Public Facilities Bonds of 2005 (the “Refunded Bonds”), and to pay costs of issuance.

In addition, the County will cash fund an amount equal to the June 1, 2010 interest payment related to the Refunded Bonds as an integral part of this refunding. This payment will be paid to the paying agent for the Refunded Bonds at closing and will be characterized as debt service in the County’s FY2010 Comprehensive Annual Financial Report.

Refunding Program

The County anticipates that the Bonds will be issued and delivered on April 27, 2010 and the proceeds of the Bonds will be escrowed and invested until applied on December 1, 2015, to redeem the Refunded Bonds. The County is issuing the Bonds to refund the Refunded Bonds in order to realize savings on debt service costs. As a result of the refunding, net present value savings will be obtained by the County.

The refunding method being used is frequently termed a “net defeasance” in that provision is made to set aside immediately, from the proceeds of a refunding bond issue and other funds then available for debt service on the refunded bonds, monies for investment which, together with the interest to be received thereon, shall be sufficient to satisfy all payments of principal of and premium, if any, and interest on the Refunded Bonds to and including the dates on which such bonds mature or are redeemed.

The proceeds of the Bonds will be applied to the purchase of non-callable direct obligations of the United States of America (“Government Obligations”) and used to pay certain expenses of the County related to the issuance and disposition of the proceeds of the Bonds. Any proceeds remaining after purchase of the Government Obligations will be held in cash. The Government Obligations will be held in trust by Manufacturers and Traders Trust Company (the “Escrow Agent”) pursuant to an escrow agreement to be dated as of the date of issuance of the Bonds, between the Escrow Agent and the County. The Government Obligations will mature at such times and in such amounts, and will bear interest payable at such times and in such amounts so that sufficient money will be available to pay (i) interest on the Refunded Bonds accruing to and including their redemption date and (ii) the redemption price of the Refunded Bonds. An examination of yields and escrow sufficiency prepared by The Arbitrage Group, Inc. has been made showing that the cash and securities deposited to defease the Refunded Bonds will be sufficient for such purposes. The Escrow Agent will be irrevocably instructed to redeem the Refunded Bonds on their redemption date. See Appendix E for a list of the Refunded Bonds. The Government Obligations will be pledged only to the payment of the Refunded Bonds and will not be available for the payment of principal, premium, if any, or interest on the Bonds.

Refunding Requirements and Sources of Funds

Refunding Requirements

| | |
|---------------------------------|-------------------------------|
| Deposit to Escrow | \$88,855,184.32 |
| Costs of Issuance (1) | <u>440,721.96</u> |
| TOTAL REQUIREMENTS | <u>\$89,295,906.28</u> |

Sources of Funds

| | |
|-----------------------------------|-------------------------------|
| Par Amount of Bonds..... | \$79,365,000.00 |
| Premium..... | 8,035,465.65 |
| Other Available County Funds..... | <u>1,895,440.63</u> |
| TOTAL SOURCES | <u>\$89,295,906.28</u> |

(1) Includes underwriter’s discount, legal, financial advisory, accounting, Paying Agent, Escrow Agent, printing and miscellaneous expenses.

Authorization

The proposed bonds are issued pursuant to the authority of Chapter 37 of the Laws of Maryland of 2003 (the “2003 Act”), Chapter 2-13 of the Code of Public Local Laws of Frederick County (1979), as amended (the “Water and Sewer Act”), Section 5-601 through 5-604 of the Education Volume of the Annotated Code of Maryland, as amended (the “Education Act”) and Section 24 of Article 31 of the Annotated Code of Maryland, as amended (the “Refunding Act” and, together with the 2003 Act, the Water and Sewer Act and the Education Act, the “Acts”) and in accordance with Resolution No. 9-38 adopted by the Board on December 8, 2009, as supplemented on April 13, 2010 (as supplemented, the “Resolution”).

Redemption

The Bonds are not subject to redemption prior to their stated maturities.

Registration and Transfer

So long as the Bonds are maintained in book-entry form, transfers of ownership interests will be made as described above under “DTC and Book-Entry Only System.” At any other time, the Bonds will be transferable only upon the registration books kept at the principal corporate trust office of Manufacturers and Traders Trust Company in Baltimore, Maryland (the “Bond Registrar”), by the registered owner thereof upon surrender thereof together with a written instrument of transfer in form attached thereto and satisfactory to the Bond Registrar and duly executed by the registered owner or his duly authorized attorney. The County may deem and treat the person in whose name a Bond is registered as the absolute owner thereof for the purpose of receiving payment of or on account of the principal or redemption price thereof and interest due thereon and for all other purposes. Upon any such transfer or exchange, the County shall execute and the Bond Registrar shall authenticate and deliver a new registered Bond or Bonds of any authorized denomination in an aggregate principal amount equal to the principal amount of the Bond exchanged or transferred and maturing on the same date and bearing interest at the same rate. In each case, the County and the Bond Registrar may require payment by any holder of Bonds requesting exchange or transfer of Bonds of any tax, fee or other governmental charge, shipping charges and insurance that may be required to be paid with respect to such exchange or transfer, and the County and the Bond Registrar may charge a sum sufficient to reimburse them for expenses incurred in connection with such exchange or transfer. The Bond Registrar shall not be required to transfer or exchange any Bond within fifteen (15) days preceding any interest payment date or after the mailing of notice calling such Bond or portion thereof for redemption as hereinafter described; provided, however, that the foregoing limitation shall not apply to that portion of a Bond in excess of \$5,000 which is not being called for redemption.

Security for the Bonds

The Acts provide that the Bonds constitute an irrevocable pledge of the full faith and credit and unlimited taxing power of the County to the payment of the maturing principal of and interest on the Bonds as and when they become payable. The maturing principal of and interest on a portion of the Bonds equal to the amount of Bonds issued pursuant to the Water and Sewer Act will be payable in the first instance from connection charges, special assessments and other charges permitted to be levied by the County pursuant to the Water and Sewer Act in connection with specific solid waste, water and sewer projects. The Acts further provide, and the County has covenanted in the Resolution, that in each and every fiscal year that any of the Bonds are outstanding the County shall levy or cause to be levied ad valorem taxes upon all assessable property within the corporate limits of Frederick County in rate and amount sufficient to provide for or assure the payment, when due, of the principal of and interest on all such Bonds maturing in each such fiscal year and, if the proceeds from the taxes so levied in such fiscal year prove inadequate for such payment, additional taxes shall be levied in the succeeding fiscal year to make up any deficiency.

The Acts further provide that the County may apply to the payment of the principal of and interest on any Bonds any funds received by it from the State of Maryland, (the “State”) the United States of America, or any agency or instrumentality of either, or from any other source. If such funds are available for the purpose of assisting the County in financing the construction of the public facilities as defined in the Acts, and, to the extent of any such funds received or receivable in any fiscal year, taxes that might otherwise be required to be levied under the Acts may be reduced or need not be levied.

Indebtedness of the County presently outstanding and the County’s authority to issue future debt are described herein under “CERTAIN DEBT INFORMATION”.

Bondholders' Remedies

It is the opinion of Bond Counsel that the County may be sued in the event that it fails to perform its obligations under the Bonds to the registered owners thereof and that any judgments resulting from such suits would be enforceable against the County. Nevertheless, a holder of a Bond who has obtained any such judgment may be required to seek additional relief to compel the County to assess, levy and collect such taxes as may be necessary to provide the funds from which such judgment may be paid. Although there is no Maryland law with respect to this issue, it is the opinion of Bond Counsel that the appropriate courts of Maryland have jurisdiction to entertain proceedings and power to grant additional relief, such as a mandatory injunction, if necessary, to enforce the levy and collection of such taxes and payment of the proceeds thereof to the holders of general obligation bonds, pari passu, subject to the inherent constitutional limitations referred to below.

It is also the opinion of Bond Counsel that, while remedies would be available to bondholders and while the Bonds are entitled to constitutional protection against the impairment of the obligation of contracts, such constitutional protection and the enforcement of such remedies would not be absolute.

Enforcement of a claim for payment of the principal of or interest on the Bonds could be made subject to the provisions of federal bankruptcy laws or of any statutes that may hereafter be constitutionally enacted by the United States Congress or the Maryland General Assembly extending the time of payment or imposing other constraints upon enforcement.

RATINGS

Fitch Ratings, Moody's Investors Service, Inc., and Standard & Poor's Credit Market Services have given the Bonds the ratings indicated on the cover page of this Official Statement. An explanation of the significance of such ratings may be obtained only from the rating agency furnishing the same. The County furnished to such rating agencies the information contained in a preliminary form of this Official Statement and other information. Generally, rating agencies base their ratings on such materials and information, as well as their own investigations, studies and assumptions. Such ratings may be changed at any time and no assurance can be given that they will not be revised downward or withdrawn entirely by any or all of such rating agencies if, in the judgment of any or all, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price of the Bonds.

LEGAL MATTERS

Approval of Legal Proceedings

The validity of the Bonds will be passed upon by Venable LLP, Baltimore, Maryland, Bond Counsel. The proposed form of Bond Counsel's opinion is set forth in Appendix B to this Official Statement.

TAX MATTERS

Federal Income Taxation

In the opinion of Bond Counsel, (i) under existing law, assuming continuing compliance by the County with its covenants to comply with the provisions of the Internal Revenue Code of 1986, as amended, as more fully described below, interest on the Bonds is excluded from gross income for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and is not taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations, and (ii) under existing law of the State of Maryland, the interest on the Bonds and profit realized from the sale or exchange of the Bonds is exempt from income taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes or any other taxes not levied directly on the Bonds or the interest thereon.

The provisions of the Internal Revenue Code of 1986, as amended (the "Code"), include several restrictions that must be met simultaneously with or subsequent to the delivery or issuance of the Bonds some of which must be complied with throughout the term of the Bonds. The County has adopted resolutions and will execute and deliver a Tax Certificate and Compliance Agreement on the date of delivery of the Bonds, in which it covenants and agrees to comply with these requirements in order to maintain the exemption of interest on the Bonds from federal income taxation. In the opinion of Bond Counsel, the covenants and agreements of the County are sufficient to meet the requirements (to the extent applicable to the Bonds) of Section 103 and Sections 141 through 150 of the Code. However, Bond Counsel assumes no responsibility for, and will not monitor, compliance with the covenants and agreements of the County. In the event of noncompliance with such covenants and agreements, the available enforcement remedies may be limited by applicable provisions of law and, therefore,

may not be adequate to prevent interest on the Bonds from becoming includable in gross income for Federal income tax purposes retroactively to the date of issue.

Interest on the Bonds is not included in corporate or individual alternative minimum taxable income as a separate enumerated item of tax preference or other specific adjustment and is not taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Interest income on the Bonds may also be included with the "dividend equivalent amount" for purposes of determining the branch profits tax imposed by the Code on certain foreign corporations conducting a trade or business in the United States. Other Federal income tax consequences may arise from ownership of the Bonds, and in connection therewith, attention is directed to the following provisions of the Code: (a) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds, (b) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (c) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on obligations such as the Bonds, and (d) for S corporations having subchapter C earnings and profits, the receipt of certain amounts of passive investment income, which includes interest on the Bonds, may result in the imposition of income tax on such passive investment income and, in some cases, loss of S corporation status. The foregoing is only a general summary of certain provisions of the Code and does not purport to be complete; prospective purchasers and holders of the Bonds should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances.

A Bond will be considered to have been issued at a premium if, and to the extent that, the holder's tax basis in such Bond exceeds the amount payable at maturity (or, in the case of a Bond callable prior to maturity, the amount payable on the earlier call date). The holder will be required to reduce his tax basis in such Bond for purposes of determining gain or loss upon disposition of such Bond by the amount of amortizable bond premium that accrues (determined on a constant yield method) during the period of ownership. The amount of the amortizable bond premium offsets and reduces the amount of tax-exempt interest on such Bonds. No deduction (or other tax benefit) is allowable in respect of any amount of amortizable bond premium on such Bonds. Holders of Bonds should consult with their tax advisors with respect to the determination and treatment of premium for Federal income tax purposes.

The initial public offering price of certain maturities of the Bonds may be less than the amount payable on such Bonds at maturity (the Bonds of such maturities are referred to herein as "Discount Bonds"). The difference between the initial public offering price at which a substantial amount of the Discount Bonds of the same maturity was sold and the principal amount of such Discount Bonds payable at maturity constitutes "original issue discount." Original issue discount on the Discount Bonds will be treated as interest on the Bonds for purposes of federal income taxation. In the case of any holder of Discount Bonds, the amount of original issue discount which is treated as having accrued with respect to such Discount Bonds will be added to the cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, redemption or payment at maturity). A holder of a Discount Bond will recognize gain or loss upon the disposition of the Bond (including sale, redemption or payment at maturity) in an amount that is equal to the difference between (i) the amount received upon such disposition and (ii) the sum of (a) the holder's cost basis in the Discount Bond and (b) the amount of original issue discount, which is treated as having accrued during the period the holder held such bond.

Original issue discount on Discount Bonds will be attributed to semiannual compounding periods during the life of each Discount Bond in accordance with a constant rate of interest accrual method. The yield to maturity of the Discount Bonds is determined based on semiannual compounding. Such yield is then used to determine an amount of accrued interest for each semiannual compounding period. For this purpose, interest is treated as compounding semiannually on days which are determined by reference to the maturity date of the Discount Bonds. The amount of original issue discount which is treated as having accrued in respect of a Discount Bond for any particular semiannual compounding period is equal to the excess of (i) the product of (a) one-half of the yield for the Discount Bond (adjusted as necessary for an initial short period) 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. The tax basis of a Discount Bond, if held by an original purchaser, can be determined by adding to the initial public offering price the sum of amounts that have been treated as accrued interest for such purposes during all prior periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, then interest which would have accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Prospective purchasers of the Bonds should consider possible state and local, excise, or franchise tax consequences arising from OID on such Bonds. In addition, prospective corporate purchasers of the Bonds should consider possible Federal income tax consequences arising from OID on such Bonds under the alternative minimum tax and the branch profits tax described above.

The Internal Revenue Service (the “Service”) has a program to audit state and local government obligations to determine whether the interest thereon is includable in gross income for Federal income tax purposes. If the Service does audit the Bonds, under current Service procedures, the Service will treat the County as the taxpayer and the owners of such Bonds will have only limited rights, if any, to participate.

Interest paid on tax exempt obligations after December 1, 2005 is subject to information reporting for federal income tax purposes in a manner similar to taxable obligations. This reporting requirement does not in and of itself affect or alter the excludability of such interest from gross income for federal tax purposes or any other federal tax consequences of purchasing, holding or selling tax-exempt obligations.

Legislative proposals presently before Congress or that are introduced after issuance and delivery of the Bonds, if enacted, could alter or amend one or more of the Federal tax matters referred to above and/or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal may be enacted, and there can be no assurance that any such proposal would not apply to obligations issued prior to the enactment of such proposal. Accordingly, prospective purchasers of the Bonds should consult with their tax advisors as to the status and potential effect of such proposals.

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 Bonds should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances.

Maryland State and Local Income Tax

In the opinion of Bond Counsel, under existing law of the State of Maryland, the Bonds, their transfer, the interest payable on them, and any income derived therefrom, including any profit made in their sale shall be exempt from State of Maryland, county, municipal, or other taxation of every kind and nature whatsoever within the State; provided, however, that no opinion is expressed concerning, estate or inheritance taxes or any other taxes not levied directly on the Bonds or the income thereon.

Interest on the Bonds may be subject to state or local income taxes in jurisdictions other than the State of Maryland under applicable state or local tax laws. Prospective purchasers of the Bonds should consult their tax advisors regarding the taxable status of the Bonds in a particular state or local jurisdiction other than the State of Maryland.

COUNTY GOVERNMENT AND ADMINISTRATION

General

County Commissioners of Frederick County (the “County”) is a body corporate and politic, which performs local governmental functions within Frederick County except for those performed by its 12 incorporated municipalities. Certain independent agencies, which provide services to Frederick County residents, are funded by the County. See “Independent Agencies” under this heading.

The County provides a full range of services, including fire and rescue; law enforcement; sanitation services; construction and maintenance of highways, streets, and infrastructure; recreational activities; and general government activities. The County’s sanitation services, i.e., water, sewer, and solid waste management (including residential recycling), are wholly supported through user fees; the remaining services are primarily tax-supported. Incorporated municipalities within Frederick County provide some or all of the following services within their boundaries which relieves the County from providing these services in those areas: bulk trash collection, highway and street maintenance, parks and recreation, and police protection. There have been no recent significant changes or interruptions in the provision of these services.

Section 3 of Article 25 of the Annotated Code of Maryland of 1957, as amended (the “Maryland Code”) sets out the enumerated powers of the county commissioners of each county in the State of Maryland (the “State”) that is governed by county commissioners. Section 1 of said Article 25 declares the county commissioners of a county to be a corporation. Under Maryland law, the county commissioners combine executive and legislative functions.

The Board consists of five commissioners, all of whom are elected by the voters of Frederick County on a county-wide basis every four years. The Board may exercise only such powers as are expressly conferred on it: (1) by the Maryland General Assembly as codified in the Maryland Code, and (2) by public local laws enacted by the General Assembly of Maryland, which apply only to Frederick County and are codified in Part II (Code of Public Local Laws of Frederick County, 1979) of the Frederick County Code, 2004, as amended (the “County Code”).

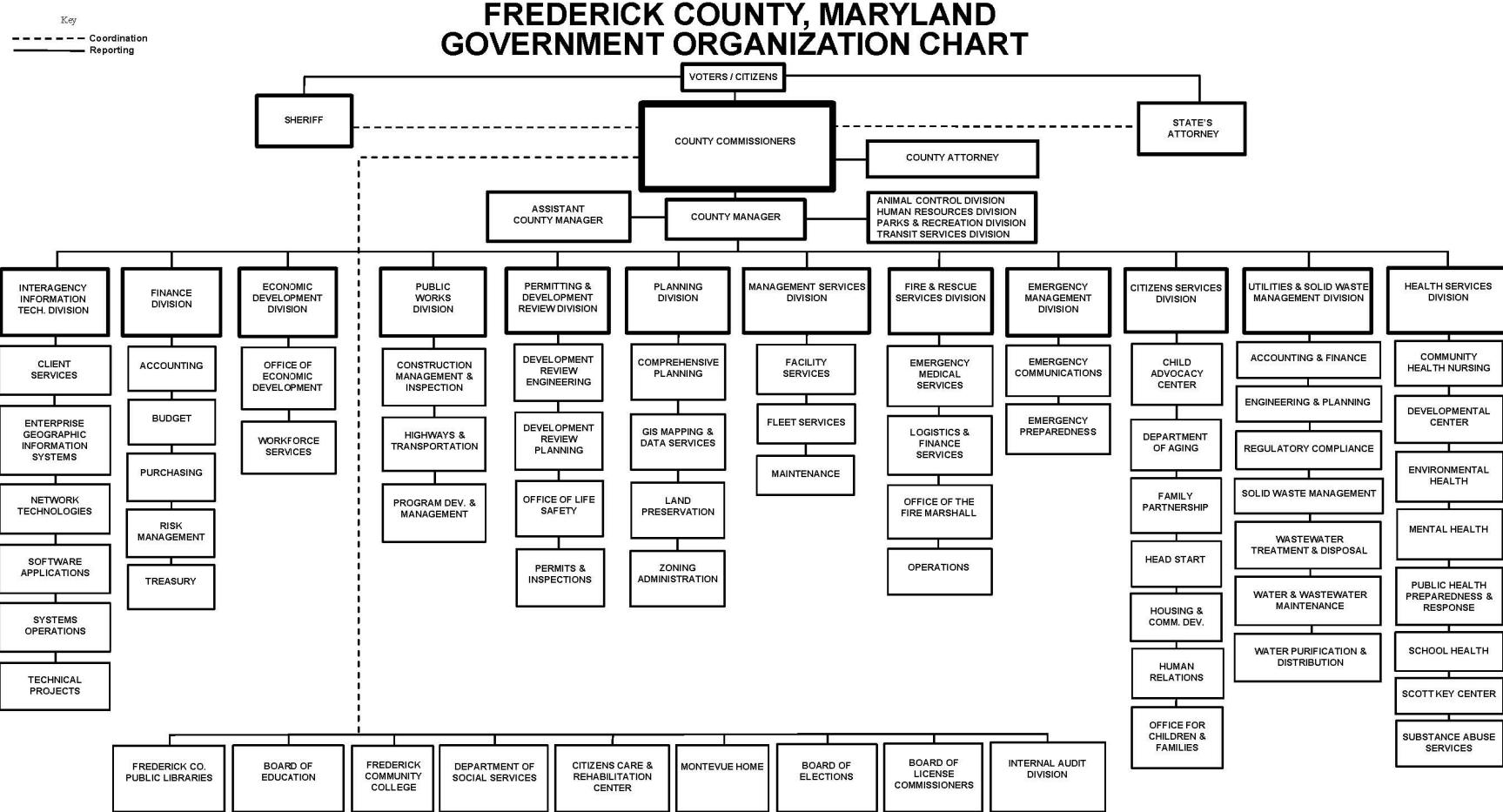
Section 1 of Article 25 of the Maryland Code empowers the Board to appoint a clerk to the Board, and all other officers, agents and employees required for County purposes not otherwise provided by law. The County Code empowers the Board to appoint an attorney to provide it with legal services and a county manager to administer and supervise the daily operations of County staff.

The financial affairs of the County are administered by the Director of Finance. The Director of Finance’s duties include the disbursement of County funds, the keeping and supervision of all accounts, the control of all expenditures on the basis of budgetary appropriations and allotments, the preparation of bond sales, advising on debt management and the preparation of the County’s annual financial report. In addition, the Director of Finance is responsible for the procurement operation, the budget office, the treasurer’s office and the risk management office.

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The Frederick County, Maryland Government Organization Chart is found on the next page.

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Certain Elected and Appointed Officials

Jan H. Gardner, President, has been serving the citizens of Frederick County as a county commissioner for the past ten years. Ms. Gardner is best known for her support of public education, intelligent growth management, agricultural preservation, and fiscal responsibility. She was appointed in 2008 to the Task Force on the Future for Growth and Development in Maryland which addresses critical growth and development issues throughout the state. She is a member of the 2007-2008 Rawlings Leadership Fellows Program and was recently honored for the second time as one of Maryland's Top 100 Women. Ms. Gardner is an active member of the Maryland Association of Counties (MACo) Board of Directors, currently serving as immediate past-president. Ms. Gardner graduated from the University of Notre Dame with a bachelor's degree in business administration majoring in finance and economics and received her master of business administration degree from Xavier University in Cincinnati, Ohio, graduating summa cum laude.

David P. Gray, Vice President, is serving his fourth term as a county commissioner. He served as president of the Board of County Commissioners in his third term from 1998-2002 and is currently serving as vice president. Mr. Gray also served as a member of the Frederick County Planning Commission from 1979 to 1990. In his first of three consecutive terms, from 1990 to 2002, Mr. Gray successfully advocated for a Frederick County Ethics Ordinance and the County's first Adequate Public Facilities Ordinance. Mr. Gray received his bachelor of electrical engineering degree from the University of Delaware in 1963, and pursued his career in engineering until 1989 when he and his wife partnered in business as tax consultants. Mr. Gray continued his studies in business law, accounting, and computer networking, as well as in corporate and individual tax analysis. He is a licensed NASD investment representative and has achieved the IRS status as an enrolled agent.

Kai J. Hagen, Commissioner, is serving his first term as county commissioner. Mr. Hagen attended college in Minnesota and lived for a time in California, where he managed a number of nonprofit organizations before moving to Frederick County to stay in 1995. For three years, he wrote bi-weekly columns for both the *Gazette* and *The Frederick News-Post*. He served as a member of the Frederick County Parks and Recreation Commission, was appointed to the Frederick County Citizens Zoning Review Committee, and also co-chaired the Western Maryland Committee of Reality Check Plus. Comprised of business, civic and elected leaders from Western Maryland, Reality Check Plus is a series of exercises designed to establish a 25-year projection for housing and employment requirements and opportunities across the State. Mr. Hagen was the director of the Frederick Regional Action Network, which effectively "promotes common sense solutions to persistent challenges associated with growth and development." He also directed on-line community development for large corporations and nonprofit organizations. Mr. Hagen has coached youth soccer and basketball in Frederick County for the last ten years.

John L. "Lennie" Thompson, Jr., Commissioner, has been a county commissioner since 1998 and served as the president of the Board of County Commissioners from 2002-2006. Mr. Thompson is a life-long resident of Frederick County. He earned an associate's degree in 1985 from Frederick Community College, an undergraduate degree in management and history in 1987 from Hood College, a master of business administration degree in 1990 from Hood College, and a juris doctor in 1993 from the University of Maryland School of Law. Mr. Thompson worked for 15 years at Farmers & Mechanics National Bank and since 1993, has had his own law practice. He served as a Walkersville town commissioner from 1980 to 1990 and as burgess of Walkersville from 1996 to 1998. He is a member of the Bush Creek Church of the Brethren, a member of the Walkersville Volunteer Fire Company, and a charter member of the Walkersville Volunteer Community Rescue Company.

Blaine R. Young, Commissioner, was appointed by the Maryland Governor to fill a vacancy left on the Board of County Commissioners. A life-long resident of Frederick County, he earned his associate's degree from Frederick Community College and his bachelor's degree in mass communications from Frostburg University. At the age of 26 he was elected to the Board of Aldermen for the City of Frederick. During his term he focused on the expansion and update of the City's various parks and recreation facilities, improving the business atmosphere within the City to encourage business growth, and constituent services. He has been an on-air personality for WFMD for over 13 years, hosting and co-hosting several features and shows. He has utilized this platform to support various local and regional charities and causes. He owns, co-owns and is a partner in several private businesses in Frederick County. Active in the community, he is a member of numerous clubs including the National Rifle Association, Monocacy Pistol Club, Izaak Walton League, Fishing Creek Rod and Gun Club, Sons of the American Legion, Sons of the Amvets, Moose Club, Eagles Club, Redmens Club, the Owls Club, the ARC's Endowment Fund, Frederick Memorial Hospital Good Samaritan Fund, the Chamber of Commerce, Frederick County Builders Association and the Rotary of Southern Frederick County. He is also an honorary member of Junior Fire Company #2.

Ronald A. Hart, County Manager, was first appointed to his position in March 1999 and served until his retirement in June 2002. In September 2007 Mr. Hart was again appointed as county manager. He is a 30-year County employee and prior to serving as county manager, held the positions of director of the Management Services Division for 12 years and director of the Department of Logistics. He earned his associate's degree from Frederick Community College, graduating with honors, and attended both the University of Maryland and Hood College. Mr. Hart is a retired captain from the U.S. Army Reserves after serving for 23 years. He is a licensed real estate agent in Frederick County and a member of the Frederick County Board of Realtors. Mr. Hart is a life-long resident of Frederick County.

Barry L. Stanton, Assistant County Manager, was appointed to his position in January 2007. Mr. Stanton brings over 28 years of professional experience in organizational management, public safety policy development and strategic planning to the position. As the assistant county manager, Mr. Stanton's role includes oversight of the Frederick County Emergency Management Policy Group and responsibility for daily operations of a number of divisions within County government. Prior to returning to Frederick County, he served as director of the Prince George's County Department of Corrections since November 1997. Before his appointment in Prince George's County, he worked his way up through the ranks in the Frederick County Sheriff's Office to become chief of the Bureau of Corrections. Mr. Stanton is a graduate of Frederick High School, Frederick, Maryland. Mr. Stanton received his bachelor's degree in sociology and criminal justice from Cheyney State University, Cheyney, Pennsylvania, and his master's degree in organizational management from the University of Phoenix, Columbia, Maryland.

John S. Mathias, County Attorney, was appointed to his position in September 1988. Mr. Mathias received his bachelor of arts degree in economics from St. John's University, Collegeville, Minnesota in 1976; his law degree from the University of Maryland School of Law, Baltimore, Maryland in 1979; and his master of business administration degree from the University of Minnesota Graduate School of Management, Minneapolis, Minnesota in 1985. Mr. Mathias was an attorney with the law firm of Murnane, Conlin, White, Brandt & Hoffman in St. Paul, Minnesota from January 1980 through April 1983. From May 1983 until February 1987, Mr. Mathias was an attorney with Tenneco Oil Company in Houston, Texas. From February 1987 until September 1988, Mr. Mathias was an assistant attorney general in the Antitrust Division of the Office of the Attorney General of Maryland in Baltimore, Maryland.

John R. Kroll, Director of Finance Division, was appointed to his position in March 2007. Before becoming director of the Finance Division, Mr. Kroll served as acting deputy director of the Finance Division for 17 months and was the budget officer from 2002 to 2005. Prior to his employment with Frederick County, Mr. Kroll was director of finance for Rockingham County, Virginia, and the City of Montpelier, Vermont. In addition he served as Director of Budgets and Grants Administration for the Boulder Valley School District in Boulder, Colorado, and as budget officer and budget analyst for the City of Longmont, Colorado. Mr. Kroll received his master's degree in public administration from the University of Colorado and bachelor of arts degrees from Virginia Polytechnic Institute and State University in philosophy and economics. He is a member of the Government Finance Officers Association and the Maryland Government Finance Officers Association.

Alan J. Hudak, PE, Director of Public Works Division, was appointed to his position in May 2000, and has been employed with Frederick County since June 1980. Prior to his appointment as director, Mr. Hudak held the positions of senior design engineer, division chief of the Department of Transportation Engineering, and bureau chief of the Department of Highways and Transportation. Mr. Hudak received his bachelor of civil engineering degree from Villanova University in 1973. He is a registered professional engineer in both Pennsylvania and Maryland. Prior to joining Frederick County, he worked for the Pennsylvania Public Utility Commission (a state regulatory commission for public utilities) and for a private engineering consulting firm.

Eric E. Soter, Director of Planning Division, was appointed to his position in April 2007. Mr. Soter began his career with Frederick County in March 2002 serving as the director of the Department of Planning and Zoning and recently serving as the deputy director of the division since September 2005. Prior to his employment with Frederick County, Mr. Soter served as urban design director for the City of Gaithersburg, Maryland from 2001-2002, and as senior staff planner from 1999-2001. He also was employed with Carroll County Government from 1997-1999 as a transportation/comprehensive planner, and an associate planner with the Baltimore Metropolitan Council, a regional Metropolitan Planning Organization, from 1994-1997. In 1994, Mr. Soter earned a dual bachelor of science degree in Geography and Economics from Towson University, Towson, Maryland, and also earned a certificate in cartography and graphics. Mr. Soter is a member of the American Planning Association (APA), as well as the Maryland Chapter of the APA.

Laurie M. Boyer, CEcD, Director of Economic Development Division, was appointed to her position in June 2007. She joined the Office of Economic Development (OED) in 2001 as a business development specialist and was named deputy director in 2005. In May 2006, she earned her Economic Development Certification (CecD) from the International Economic Development Council. Ms. Boyer has worked for Frederick County Government since 1996, and prior to joining OED, she served as the public information officer for the Board of County Commissioners. She serves as Secretary of the Maryland Economic Development Association (MEDA), and serves on the MEDA Foundation Board, Downtown Frederick Partnership Board, Small Business Development Center Statewide Advisory Board, Workforce Development Board, Fort Detrick Alliance and the Frederick Innovative Technology Center, Inc. Board. Ms. Boyer has a bachelor's degree in communications and Spanish from Juniata College in Huntingdon, Pennsylvania, and a master's degree in communication studies from West Virginia University in Morgantown, West Virginia.

Michael G. Marschner, Director of Utilities and Solid Waste Management Division, was appointed to his position in February 2000 (the County's water and sewer utility and solid waste operations were previously administered by the Public Works Division), and has been employed with Frederick County since June 1983. Prior to his appointment as director, Mr. Marschner served in several other utility management positions in the County's Public Works Division including division chief of operations from July 1990 to June 1997, and bureau chief of the water and sewer operations from July 1997 to February 2000. Before Mr. Marschner's employment with Frederick County, he was employed as a sanitarian with the Baltimore County Health Department. A veteran of the U.S. Air Force, Mr. Marschner received his environmental technical training at the U.S. Air Force Technical Training School, Sheppard Air Force Base, Texas. Mr. Marschner is an active member of the American Water Works Association and the Solid Waste Association of North America. Mr. Marschner is an appointed and commissioned member of the Northeast Maryland Waste Disposal Authority.

Remuneration of Certain County Officials

The following table presents the annual remuneration for certain County officials as of June 30, 2009:

| <u>Official Title</u> | |
|---|-----------|
| County Manager | \$168,146 |
| County Attorney | 159,271 |
| Director of Utilities and Solid Waste | 150,811 |
| Director of Public Works | 142,921 |
| Assistant County Manager | 133,052 |
| Director of Finance | 135,664 |
| Director of Economic Development | 119,714 |
| Director of Planning | 133,668 |

Source: Frederick County Finance Division.

Investment of County Funds

County funds are invested by the Director of Finance in accordance with the County's investment policy which conforms to State of Maryland law on the investment of public funds. The County does not leverage its investment portfolio, buy reverse repurchase agreements or enter into interest rate swaps or other derivatives. It does no borrowing or lending of securities. The County invests primarily in obligations of the United States government, its agencies or instrumentalities, repurchase agreements, and bankers' acceptances. The repurchase agreements into which the County enters are collateralized by United States government treasury obligations and obligations of agencies and instrumentalities of the United States government, held by an independent third party custodian and marked to market daily.

Retirement and Pension Programs

Frederick County employees participate in a single-employer pension plan, which is administered by the County in a separate trust fund, the Frederick County Employees' Retirement Plan and in two cost-sharing multiple-employer pension plans administered by the State of Maryland, the Employees' Retirement System of the State of Maryland and the Pension System for Employees of the State of Maryland.

Plan Descriptions

Single-Employer Pension Plan

The Frederick County Employees' Retirement Plan (the "County Plan") was established on July 1, 1993, under authority created by State legislation and Section 2-2-2 of the County Code.

Employees of the County hired on or after July 1, 1993, and current employees electing transfer into the County Plan on that date, are members of the County Plan. To be eligible for benefits, an employee must work 700 hours per year. Participation classification is based on the employee's status as either "uniformed" or "non-uniformed."

A uniformed employee may retire at the earlier of age 50 or 20 years of eligible service. Vesting begins after five years of service. Retirement benefits are calculated by formula and provide approximately 50% of average pay after 20 years or 66% after 28 years of service. Early retirement benefits are not available. Employees contribute 8% of their base pay. A non-uniformed employee may retire at the earlier of age 60 or 25 years of eligible service. Vesting begins after five years of service. Retirement benefits are calculated by formula and provide approximately 50% of average pay after 25 years or 60% after 30 years of service. An employee may also take early retirement with reduced benefits at age 55 with 15 years of service. Employees contribute 4% of their base pay.

The benefits payable under the County's Plan which are not funded by employee contributions are funded entirely by the County.

Cost-Sharing Multiple-Employer Pension Plans

The Employees' Retirement System of the State of Maryland (the "Retirement System") covers most employees hired prior to January 1, 1980, who did not elect to transfer into the County Plan. The Pension System for Employees of the State of Maryland (the "Pension System") covers employees hired between December 31, 1979, and June 30, 1993, plus Retirement System participants who have voluntarily joined the Pension System, less employees who elected to transfer into the County Plan. The Retirement System and the Pension System are hereinafter jointly referred to as the "State Systems."

Under the terms of the Retirement System, a member may retire after 30 years of service regardless of age, or at age 60 or over, with at least five years of service. A member is eligible for vesting after five years of service; however, the contribution must be left in the Retirement System in order to qualify for benefits at age 60.

Under the terms of the Pension System, a member may retire after 30 years of service regardless of age, at age 65 with two years of service, at age 64 with 3 years of service, at age 63 with 4 years of service, or at age 62 with at least 5 years of service. An employee may also take early retirement with reduced benefits at age 55 with 15 years of service. A member is eligible for vesting after 5 years of service however, the contribution must be left in the Pension System in order to qualify for benefits at age 62.

Benefits under both plans are established under Titles 22 and 23 of the State Personnel and Pensions Article of the Maryland Code.

Under Titles 22 and 23 of the Maryland Code, both the Retirement System and the Pension System are jointly contributory. Members of the Retirement System contribute 7% of their gross employee compensation. Members of the Pension System contribute 5% of their gross employee compensation. The benefits payable under the State Systems which are not funded by employee contributions are funded entirely by the County.

Funding Status and Progress

Single-Employer Pension Plan

The actuarial accrued liability was determined as part of an actuarial valuation at July 1, 2008 for the County Plan.

At July 1, 2008, the unfunded actuarial liability (i.e., actuarial accrued liability less actuarial value of plan assets for the plan) was as follows:

Actuarial accrued liability:

| | |
|--|-----------------------------|
| Active participants | \$ 192,621,511 |
| Vested terminated participants | 6,308,860 |
| Retired participants, beneficiaries and disabled participants..... | <u>74,452,939</u> |
| Total actuarial accrued liability..... | 273,383,310 |
| Actuarial value of plan assets..... | <u>213,314,439</u> |
| Unfunded actuarial liability..... | <u><u>\$ 60,068,871</u></u> |

Contributions Required and Made

Single-Employer Pension Plan

Funding policy for the County Plan provides for periodic contributions based upon actuarial valuations. The projected unit credit cost method is the actuarial cost method used to determine the County's normal cost and the unfunded actuarial accrued liability. The County Plan's unfunded liability of \$60,068,871 is attributable to two sources, plan changes, cumulative gains/losses and assumption changes. Plan changes are amortized over a closed 30-year period and the cumulative gains/losses and assumption changes are amortized over an open 15-year period. As of July 1, 2008 there are two plan change bases which are currently outstanding – the COLA plan change (19 years remaining) and the July 1, 2000 plan improvements for all employees (21 years remaining). All amortization payments are calculated as a level percent of payroll which is assumed to increase 4% each year.

The County's actual contributions to the plan for fiscal year 2009 of \$20,360,404 were made in accordance with an actuarial valuation made at July 1, 2008.

Cost-Sharing Multiple-Employer Pension Plans

Due to the withdrawal of the County from the State Systems for all hires after June 30, 1993, the State calculated a net unfunded amount due from the County. The liability as of June 30, 2009 will be \$2,994,623. Interest and principal payments remaining due through maturity as of June 30, 2008, are \$3,449,376. The County paid the scheduled annual amount of \$862,344 to amortize and pay interest on the liability on December 30, 2008, thus meeting its required contribution to the State Systems for fiscal year 2009.

Other Post-Employment Benefits

The County and the Board of Education of Frederick County (the "Board of Education") provide their retirees with other post-employment benefits ("OPEB"). Both the County and the Board of Education have historically funded these programs on a pay-as-you-go basis, but are now required to account for OPEB on an actuarial basis (beginning in fiscal year 2008 in accordance with GASB 45). The County's actuary has determined, as of July 1, 2009, that the County's actuarial accrued liability ("AAL") related to active and retired County employees is \$189,613,000. The Board of Education's actuary has determined, as of June 30, 2009, that the Board of Education's AAL related to active and retired Board of Education employees is \$379,231,000. These figures use 6.50% (for the County) and 8.00% (for the Board of Education) discounted rates based on the assumption that the County and Board of Education will create and invest through trust funds dedicated to paying OPEB. The annual other post-employment benefit cost ("AOC") as of July 1, 2009 is \$18,637,000 for the County and as of June 30, 2009 is \$39,191,000 for the Board of Education. The adopted budget for fiscal year 2010 has contributions to trust funds currently set at \$10,032,073 for the County and \$8,859,637 for the Board of Education. The County's calculations assume a five-year phase-in with the cumulative net OPEB obligation amortized over a closed 30-year period.

Labor Relations

As of June 30, 2009, the County employed 2,503 regular employees, which includes regular part-time employees. The County has a merit system including a formal appeal and grievance process. Some County employees are members of the Maryland Classified Employees Association or the American Federation of State, County and Municipal Employees, but do not have the right to collective bargaining. The County has not experienced a work stoppage due to labor disputes and considers its relationships with employees to be satisfactory.

Effective July 1, 2005, State law allowed the County to enact an ordinance allowing voluntary collective bargaining concerning wages and benefits between the County and a duly certified organization representing employees of the County's Fire & Rescue Services Division ("DFRS"). While the County did enact an ordinance in March 2006, no bargaining took place for fiscal year 2008 because the organization representing DFRS employees failed to obtain certification within the allotted time. The County also decided not to participate in bargaining for fiscal year 2009. It is anticipated that collective bargaining will be conducted for fiscal year 2010.

The State law also authorized the certified representatives of certain full time deputy sheriffs and corrections officers in the Frederick County Sheriff's Office to collectively bargain with the Sheriff concerning wages and benefits. The Sheriff has engaged in collective bargaining with both of these groups for fiscal year 2009 and expects to do so for fiscal year 2010. Any additional funding that is required as a result of collective bargaining by the Sheriff is subject to the approval of the Board of County Commissioners.

Strikes on the part of the employees of the DFRS and deputy sheriffs and corrections officers in the Frederick County Sheriff's Office are not permitted.

The Frederick County Teachers Association represents the certificated employees (teachers) employed by the Board of Education. The Frederick County Teachers Association negotiates employment agreements that include rates of compensation with the Board of Education. Such negotiated agreements are not binding on the County. The County approves funding for the Board of Education.

Insurance

The County maintains commercial insurance for general liability, automobile, workers' compensation, law enforcement, public officials' liability, and catastrophic coverage. The County is required to provide unemployment insurance coverage for County employees.

Leases and Other Contracts

The County is financing the purchase of numerous pieces of telecommunications, highway, and fire and rescue equipment through various lease arrangements to be paid off over the next ten years.

The following is a schedule, by fiscal year, of the projected future minimum lease payments as of June 30, 2009, for all lease-purchase agreements:

| <u>Fiscal Year</u> | |
|---|---------------------|
| 2010..... | \$ 2,196,767 |
| 2011..... | 1,978,389 |
| 2012..... | 1,624,141 |
| 2013..... | 1,131,995 |
| 2014..... | 634,632 |
| 2015-2018..... | <u>1,005,031</u> |
| Subtotal..... | 8,570,955 |
| Less amount representing interest | <u>(795,539)</u> |
| Present value-net minimum lease payments..... | <u>\$ 7,775,416</u> |

Frederick County is committed under various leases for building and office space, the majority of which are cancelable. These leases are considered for accounting purposes to be operating leases. Operating lease expenditures for fiscal year 2009 were approximately \$2,783,000.

In addition to contracts for goods and services incurred in the ordinary course of business of the County, the County is party to numerous other contracts, primarily with engineers, architects and contractors relating to capital projects. Funds necessary to meet the County's obligations in respect to such contracts have been appropriated in the Governmental Funds of the County.

Independent Agencies

Eight independent agencies submit yearly requests for funding to the County. These requests are subject to the County's budgetary process and must be approved by the Board. These agencies are the Citizens Care and Rehabilitation Center and Montevue Home Board of Trustees; the Board of Education; Frederick Community College; the Department of Social Services; the Interagency Internal Audit Division; the Board of License Commissioners; the Board of Elections; and Frederick County Public Libraries. Except for the Board of Education and Frederick Community College, whose board members are elected or appointed by the Governor of Maryland, members of the boards of the remaining agencies are either appointed by the Board or are designated members of other County agencies. The Board of Education, Frederick Community College and Frederick County Public Libraries are accounted for as component units. Citizens Care and Rehabilitation Center and Montevue Home are accounted for as separate enterprise funds but have a common board of trustees. All other agencies are funded for in whole or in part by the County's General Fund.

CERTAIN SERVICES AND RESPONSIBILITIES

Through its various departments, offices and related independent agencies (see "COUNTY GOVERNMENT AND ADMINISTRATION"), the County is responsible for supplying the following services:

Education

The Board of Education is responsible for the overall operation and policy decisions of the County's 64 schools. The Board of Education is comprised of seven members who are elected to serve four-year terms with a two-term limit. As of May 2007, the Board of Education, exercised control over 37 elementary, 14 middle schools, 9 high schools, and 4 vocational and special education facilities accommodating 40,155 students, a decrease of 411 from the previous year.

During the 2008-2009 school year, the teacher/student ratio was approximately 1 to 17. In June 2009, 2,996 students received high school diplomas.

The County's largest General Fund appropriation in its adopted fiscal year 2010 budget is \$228,942,398 for operating expenditures for public education. County appropriations for operating expenditures constituted a 0.80% decrease over approved operating expenditures by the County for public education in fiscal year 2009. County funds for educational purposes are requested and appropriated in accordance with categorical classifications delineated by the Education Article of the Maryland Code. County appropriations for capital expenditures for public education are \$35,222,000 in fiscal year 2010. The County expects to receive State aid of \$261,670,229 (including Federal Stimulus funds of \$12,382,265) and \$15,814,834 for operating and capital expenditures, respectively, for public education in Frederick County during fiscal year 2010.

Frederick Community College is a two-year community college offering three separate curricula: a transfer curriculum for those who wish to obtain a bachelor's degree; an occupational curriculum for those who seek entry-level employment; and a continuing education program for those who wish to upgrade basic skills or occupational skills. During the fall of 2009, 6,233 students enrolled in the academic programs of the College. Additionally, 10,450 students enrolled in non-credit continuing education programs during the 2008-2009 academic year. The fiscal year 2010 operating budget for Frederick Community College is \$42,452,563. Of this amount, 34% was appropriated from the County's General Fund. The balance of the College's funding is derived from a combination of State aid, student tuition and other miscellaneous sources. Additionally, the County funds certain capital improvements and renovations annually. New construction funding is usually shared by the County and State. The County's funding of the College's fiscal 2010 capital budget is \$6,185,940.

Hood College and Mount St. Mary's University, private four-year liberal arts colleges, are located within Frederick County, but receive no funding from the County.

Police and Fire

The Frederick County Sheriff's Office is a full-service law enforcement agency, providing law enforcement services, correctional services and judicial support services to the citizens of Frederick County. The Sheriff's Office serves the community by protecting life and property, preventing crime, and preserving peace, order and safety.

The Sheriff's Office is comprised of two bureaus, the Law Enforcement Bureau and the Corrections Bureau. The Law Enforcement Bureau consists of the Administrative Services Division and the Operations Division and is staffed with 253 personnel. The Corrections Bureau consists of Administrative Services, Community Services, Inmate Services and Security Operations and is staffed with 164 personnel. The Sheriff's Office is an accredited agency through the Commission on

Accreditation for Law Enforcement Agencies, the National Commission on Correctional Health Care, Maryland Commission on Correctional Standards, and the American Correctional Association.

In addition to traditional law enforcement services, the Law Enforcement Bureau offers a wide variety of support services to the citizens of Frederick County, including: victim services, domestic violence follow-up, school resource officer program, school crossing guard program, crime prevention programs, youth services programs, child safety programs, senior safety programs and child support enforcement.

The Corrections Bureau operates the Frederick County Adult Detention Center which is a full service correctional facility offering not only traditional incarceration, but all available alternatives to incarceration including: pretrial release (supervised release), home detention (electronic monitoring), alternative sentencing (community service hours) and work release. The Corrections Bureau also staffs a full service central booking facility, which processes all offenders arrested within Frederick County so that police officers can return to their patrol duties faster. At any given time, the Corrections Bureau supervises over 1,000 offenders a day.

Since April, 2008, the Frederick County Sheriff's Office has partnered with the Department of Homeland Security Immigration and Customs Enforcement to participate in the 287(g) Immigration Enforcement Program. This program, written into federal law, allows for deputies and correctional officers trained under the program to perform specific functions to enforce the federal immigration laws of the United States. The Corrections Bureau also participates in a Federal Inter-Governmental Services Agreement with DHS/ICE to provide temporary housing for criminal illegal aliens being detained for deportation when that bed space is available at the Frederick County Adult Detention Center. The contract provides for Frederick County to receive reimbursement for the costs associated with the housing of those detainees.

The Frederick County Fire & Rescue Services Division ("DFRS") provides fire, rescue and emergency medical services in conjunction with 26 volunteer fire/rescue companies operating from 30 stations. DFRS is comprised of 361 uniformed personnel responding with approximately 1,200 volunteers. Emergency response vehicles include 55 pumper, 8 aerials, 12 tankers, 9 squads, 30 brush trucks, 36 ambulances, and 8 medic units.

All volunteer companies receive funding for operating expenses and equipment through the County budget process. Private donations and fundraising remain significant sources of funding for volunteer company vehicles and buildings.

Fire tax districts provide tax revenues for DFRS firefighters and paramedics and for capital expenditures such as vehicles and stations. The first County-funded station opened in 2002 south of the City of Frederick. The second station, located in Spring Ridge, opened in August 2007. The County bills for ambulance service.

In 2001, fire tax districts were consolidated into two districts. The Urban Tax District funds 24/7 career staffing for the majority of Frederick County. The Suburban Tax District funds only weekday 12 hours/per day career staffing.

Emergency Management

The Division of Emergency Management is comprised of an Administrative Office and two operational departments that include Emergency Communications and Emergency Preparedness. The Administrative Office provides supervision for Departmental activities as well as leadership and coordination for strategic projects. The Division Director serves as the County Director of Emergency Management for the responsibilities identified in Title 14, Section 109 of the Annotated Code of Maryland and is supported by an Administrative Assistant.

The Department of Emergency Preparedness coordinates the emergency mitigation, preparedness, response, and recovery efforts of Frederick County Government with appropriate public and private partners, including the management of Federal, State, or private grants to support program activities. The Department coordinates activities across different functional areas of the County government, and vertically between different levels of government. The Department of Emergency Preparedness is comprised of five personnel.

The Department of Emergency Communications operates the public safety answering point for Frederick County which answers all 911 calls in Frederick County. The Department is responsible for the dispatch of County fire, rescue and ambulance services; the Frederick County Sheriff's Office; the Brunswick and Thurmont Police Departments; Frederick County Animal Control, and various other County agencies. Over 100,000 911 calls are received and dispatched annually in addition to over 200,000 non-emergency calls. The Department of Emergency Communications is comprised of 57 personnel.

Planning and Zoning

The County has maintained a comprehensive planning program since 1956. This program has included long and short-range planning, zoning and land use management and preservation functions. The County's planning function is currently administered by a staff of 27 (including 16 professional positions). The planning functions are carried out through a number of citizen boards and commissions.

The Frederick County Planning Commission was created in 1955 with the responsibility of preparing and administering plans and development regulations for the County. The Board appoints seven members of the Planning Commission to five-year terms and one member is a County Commissioner serving in an ex-officio capacity. The Commission holds regular public meetings to review development and planning items. The members represent a diversity of viewpoints including agriculture, business, professional services, civic groups and environmental perspectives. The Planning Commission has final authority over site plans, subdivision plats, PUD plans, modifications to the subdivision regulations and determination of adequate public facilities for new developments. On items such as zoning map amendments, zoning or subdivision text amendments and adoption of countywide and regional plans, the Planning Commission has an advisory role through the provision of a recommendation to the Board, who has the authority to adopt, change or amend plans and regulations.

The planning function is further carried out by the Frederick County Board of Zoning Appeals, which was established in conjunction with the original Zoning Ordinance in 1959. The Board appoints 5 members and 1 alternate member of the Zoning Appeals Board to staggered 3-year terms. The Zoning Appeals Board adopts its own administrative procedures and has the powers to: hear and decide appeals where it is alleged there is an error in any order, requirement, decision or determination made by an administrative official in the enforcement of the Zoning Ordinance; hear and decide special exceptions authorized in the Zoning Ordinance; and authorize, upon appeal in specific cases, a variance from the terms of the Zoning Ordinance.

Other boards and commissions include the Agricultural Preservation Advisory Board, the Agricultural Reconciliation Committee, the Historic Preservation Commission and the Monocacy Scenic River Advisory Board.

The County's Comprehensive Plan (the "Plan") was first adopted in 1959 and has been reviewed periodically, with the latest revision adopted in October 1998. It provides goals and policies for the County's future development as well as recommendations for land use, public services, highways, and utilities including schools, parks, libraries, water and sewer. The Plan is implemented through the County's zoning ordinance, which was last comprehensively updated in 1977 and is currently undergoing a comprehensive review. The County maintains and annually updates a six-year Capital Program of public improvements related to development and service needs; semiannually updates a Master Water and Sewer Plan; and biennially updates a Solid Waste Plan. In December 1991, the County adopted an Adequate Public Facilities Ordinance to coordinate the timing of development with the adequacy of public facilities such as schools, roads, and water/sewer. The APFO is currently being updated with recent comprehensive amendments to the roads and schools sections completed in the summer of this year (2009). In July 1993, an impact fee was adopted to partially offset the capital costs of new school construction. The impact fee was expanded in January 2001 to include capital costs of library facilities and to provide for an annual adjustment to reflect the construction cost index. The County also has established an Agricultural Preservation Program, which provides for farmland preservation through voluntary farm districts as well as easement acquisitions. See "ECONOMIC AND DEMOGRAPHIC FACTORS – Agriculture".

The County has an active program for the review and update of its planning program and development regulations in order to assure their adequacy and timeliness for future growth. The County has adopted a planning process, which calls for the Plan to be reviewed and updated every five years. The Plan update consists of two major tasks: update of the Countywide Plan, known as Volume I; and update of eight Regional Plans, known as Volume II. A comprehensive update of the Volume I Plan was approved by the Board on October 6, 1998. Two regions are scheduled to be updated each year. The Urbana Plan was updated in 2004. The New Market Plan and Walkersville Plan were updated in 2006. The Thurmont Region Plan was recently updated in July 2008 and the New Market Region Plan was revised and updated again in September 2008. The other regions were last adopted as follows: the Middletown and Brunswick Plans in 1997-1998; the Adamstown Plan in 2001; and the Frederick Region Plan in 2002.

In January 2008, the Board launched its Growth Management Initiatives to update the Plan and zoning map, as well as strengthen the Adequate Public Facilities Ordinance. These Plans and ordinances are expected to entail two-years of plan preparation, public outreach and participation, and Planning Commission recommendations prior to Board approval. As noted, two of the three APFO components (roads and schools) have been completed and the County Commissioners are currently reviewing the Planning Commission Recommended Countywide Comprehensive Plan update.

Permitting Services

In July 2003, the Board implemented a new, consolidated Division of Permitting and Development Review. This Division was established to provide for a “one-stop” location for all activities relating to the issuance of building, plumbing, electrical and gaming permits as well as the development plan review function. Staff for this Division was consolidated from the Planning and Zoning, Public Works and Emergency Services Divisions as well as new staff for legal support and administration. The new Division was established as an enterprise operation with revenues to be generated by permitting and plan review fees.

Roads and Highways

Frederick County is served by I-270 of the federal interstate highway system running northwest from Washington, D.C., to the City of Frederick and I-70 running west from Baltimore to and continuing through Frederick County. U.S. 15 runs north and south of the City, U.S. 340 runs south of the City and U.S. 40 runs east and west of the City.

The County-owned and maintained road system of approximately 1,264 miles supplements approximately 39 miles of State-maintained and federally aided interstate highways and approximately 350 miles of additional State-maintained primary and secondary roadways serving Frederick County. The County budget includes capital and operating expenditures of \$7,413,950 and \$14,119,098, respectively, for the County’s road system in fiscal year 2010. State Highway User Revenues to the County for highway maintenance through State-shared taxes is budgeted to be \$491,246 in fiscal year 2010.

Health

The County provides various health services to its citizens through the Health Services Division (“HSD”). HSD, alone or in conjunction with the Maryland Department of Health and Mental Hygiene and Maryland Department of the Environment, is responsible for the enforcement of all State and local health and sanitation laws. The HSD also provides services in the areas of nutrition, nursing, maternal and child health, family planning, dental health for children, school health, communicable disease, emergency response, developmental disabilities, mental health services, substance abuse treatment and prevention, geriatrics, food service facility inspections, and well and septic inspections. Funding for the HSD is shared among County funds, both matching and non-matching, State and Federal funds, and client fee collections.

Nursing Home and Assisted Living Facilities

The County operates a licensed 170-bed intermediate and skilled-care nursing home, Citizens Care & Rehabilitation Center, in the City of Frederick. The average occupancy rate for fiscal year 2008 was 83% and fiscal year 2009 is approximately 82%. The primary third-party reimbursement is through Medicaid. Budgeted expenses for fiscal years 2008 and 2009 were \$15,042,985 and \$15,034,820, respectively. The fiscal year 2009 budget included 174.15 full time equivalent positions, consisting of full-time and part-time personnel.

Located adjacent to the nursing home is the Montevue Home, a 60-bed assisted living facility. Montevue provides minimal care with most patients responsible for self-care with the exception of the administration of medication. Budgeted expenses for fiscal years 2008 and 2009 were \$2,900,700 and \$2,939,454, respectively.

Solid Waste

The Division of Utilities and Solid Waste Management (DUSWM) is responsible for the planning, design and management of the County’s solid waste disposal system and programs. The County’s primary disposal facilities are located at its 529-acre Reich’s Ford Road Landfill property, which includes the 72-acre Site A landfill, the 58-acre Site B landfill, and a 17-acre rubblefill. The Site A landfill ceased operating in August 1997 and its closure was completed in December 1998. Closure construction included the deployment of a synthetic cap, a landfill gas extraction and collection system, and a flaring system. Site A is maintained as an open, grassed space. To the south of Site A is a closed rubblefill. The County operates a yard waste mulching operation on the rubblefill footprint. Since the County’s rubblefill was unlined, it was closed on September, 2001, in accordance with State regulations. The construction contract for the Rubble Fill closure and capping was initiated in September, 2005 final acceptance of this contract occurred in August, 2007 and a bituminous hard surface for the yard waste mulching and composting operation was completed in May 2008. As a post closure end use, the rubblefill site is being used for yard waste mulching and composting. Rubble or Construction and Demolition debris is accepted and co-disposed at Cell 2 in the Site B landfill or transferred to other solid waste facilities along with municipal solid waste. The latter being the principle means of disposal for these wastes.

The State approved the original Site B landfill permit documents in fiscal year 1995. Site B, adjacent to Site A, includes an 18-acre Cell 1, a 28-acre Cell 2 and a 12-acre Cell 3. All of the disposal cells within Site B are constructed with a double composite liner system. Cell 1 construction was completed and operational by January 1997. Cell 1 reached its interim capacity prematurely in August 2000, resulting in the immediate need to temporarily transfer waste to an out of state landfill. This temporary waste transfer operation lasted until the construction of the first half of Cell 2 was completed and operational in August 2001. Construction of the second half of Cell 2 was completed and operational by November 2003. Cell 2 reached approximately 95% of its capacity in December 2005, at which time waste transfer operations were initiated. The construction of the sub title D liner system for third Cell was completed in August 2006 and is in service receiving approximately 50 tons per day (“TPD”) of waste.

Leachate from both Site A and B landfills is processed at an onsite Leachate Treatment Plant located between Site A and Site B. This plant collects and treats leachate and discharges the treated effluent into Bush Creek. The County also operates a comprehensive Groundwater and Gas Monitoring Program for Sites A, B and the rubblefill. DUSWM is presently executing a project that will extend a sewer interceptor along Bush Creek to a point where the Leachate Treatment Plant discharge could be connected, eliminating the Leachate Plant’s direct discharge into Bush Creek. Construction of this line is programmed to start in the Spring 2010.

Construction of Cells 1 and 2 was funded with proceeds from the County’s Public Facilities Bonds of 1995 and 2000, respectively. Funding for the Leachate Treatment Plant, Stormwater Diversion Project and Site A Closure Project was from the Maryland Department of the Environment (“MDE”) Revolving Loan Program. The Cell 3 Construction and Rubblefill Closure Project have been granted approval for funding from the Revolving Loan Program.

Other than through its curbside collection and drop-off-center recycling programs the County does not provide or fund waste collection services. Municipal or private waste haulers (by subscription) collect trash in Frederick County and use the County’s Reich’s Ford Road disposal facilities as their primary disposal facility for municipal solid waste generated in Frederick County.

The County’s residential Recycling Program includes curbside collection for all individual residential properties, 12 satellite drop-off center locations and two yard waste drop-off sites with mulching/composting operations. In 2009 the County’s curbside residential collection program was upgraded to a single stream operation and expanded from 54,000 to 72,000 households.

Solid Waste Initiatives

The County has pursued two specific initiatives to extend the operational life of the Reich’s Ford Road Landfill. These initiatives are focused on two principle objectives. First, conserve air space in Cell 3 by using out of state landfill capacity. Second, secure a major permit modification for the Site B landfill to increase its height by 105 feet.

In March, 2003 the County submitted a Phase 1 application to MDE, seeking a modification of the permit. The modification was to slightly change the slope of the landfill and increase its height. Phase 2 and 3 documents were submitted to MDE in March 2005. MDE conducted a public hearing in December 2005. The requested modification to the permit was tentatively approved in May 2007. However, several residents in the area of the landfill requested an administrative review of MDE’s tentative approval. MDE delayed issuance of the final permit pending resolution of the administrative review.

In November 2007, a hearing was held before an Administrative Law Judge (ALJ) of the Maryland Office of Administrative Hearings. The ALJ entered a proposed decision, upholding the decision of MDE. In April 2008, the office of the Secretary of the Maryland Department of Environment issued a final decision, which concluded that the modification was proper. On May 9, 2008 the MDE issued the County its new Refuse Disposal Permit for the Site B landfill (No. 2003-WMF-0582), which includes the requested vertical expansion of the landfill. The vertical expansion provides an additional 2 million cubic yards of landfill disposal capacity without the need to construct additional lined disposal cells.

The other initiative was the construction of a permanent solid waste transfer and processing facility. The facility construction was delayed due to a legal challenge by a local citizens group. However the County prevailed in both the Circuit Court and Maryland Court of Special Appeals and subsequently bid the construction of the transfer station in 2007. The transfer station was completed and placed in to operation in January 2009.

In April, 2005 the County secured a long-term transportation and disposal contract, through the Northeast Maryland Waste Disposal Authority (the “Authority”), with Waste Management Inc. The contract provides the County with waste transportation services and landfill disposal capacity at several Waste Management Landfills in Virginia and Pennsylvania. The transportation and disposal contract is for an initial 6-year period with 4 optional one-year terms at the Authority’s (County’s) sole discretion. Transportation and disposal rates under this contract are subject to defined CPI and fuel cost adjustments. In January 2009, with opening of the new transfer station, a second transportation and disposal contract was secured to supplement the existing contract. Combined these agreements provide the County firm out-of-state landfill disposal capacity until 2015. To conserve capacity in the Site B landfill, the County initiated a temporary waste transfer operation in December 2005. This outside transfer operation was terminated in January 2009 when the new transfer station opened.

In securing waste transportation and disposal services for the permanent transfer operation, the County also included single stream recycling processing services in the contract with Waste Management. The transfer station also provides for the transfer of single stream recycling materials to the County’s contract Material Recovery Facility (MRF) in Elkridge, Maryland.

In addition to the projects detailed above, the County has pursued other initiatives to address the County’s long-term waste disposal infrastructure needs. In 2003, the County obtained enabling legislation allowing the County to become a member of the Authority. The Authority, created in 1980 by the Maryland General Assembly, is a regional quasi-state agency that assists its member jurisdictions to plan and develop efficient and reliable waste management systems. Also in 2003, the County obtained enabling legislation that allows the County to assess a solid waste disposal fee or system benefit charge (“SBC”) for the developed properties in Frederick County. To assure that the County’s Solid Waste Enterprise continues to operate on a self sufficient basis, the County implemented a countywide solid waste SBC in 2006. The revenue generated by the SBC supplements the revenues collected as tipping fees, allowing the County to set tipping fees at market rates. To ensure adequate funding of the Solid Waste Fund and to allow for recycling program expansions, the BoCC has continually increased the SBC as deemed necessary. The most recent increases were approved on May 21, 2008 when a multi-fiscal year increase was established.

At the same time the Board adopted higher tipping fees for municipal solid waste and construction and demolition debris. The increases in the SBC and tipping fees were needed to address the solid waste enterprise’s increasing program costs, which are primarily attributed to recycling program expansions and increased transportation and disposal contract costs resulting from increases in diesel fuel costs. A brief summary of recent approved tipping fee increases is detailed below.

| Material | FY2008 | FY2009 | FY2010 | FY2011 |
|-----------------------------------|---------------|---------------|---------------|---------------|
| Municipal Solid Waste (MSW) | \$71/ton | \$76/ton | \$76/ton | \$76/ton |
| Construction and Demolition (C&D) | \$80/ton | \$85/ton | \$85/ton | \$85/ton |
| Tires | \$160/ton | \$160/ton | \$160/ton | \$160/ton |

The Board also adopted a monthly tipping fee escalation provision to ensure that the tipping fees are adjusted as cost associated with the Waste Management transportation (fuel) and disposal contract increase.

The Board adopted the SBC fee structure on January 26, 2006, a summary of the SBC increases since fiscal year 2008, is shown below.

| Property Designation | FY2008 | FY2009 | FY2010 | FY2011 |
|------------------------------------|---------------|---------------|---------------|---------------|
| Single Family Residential | \$36/yr | \$80/yr | \$84/yr | \$88/yr |
| Multi Family Residential | \$20/yr | \$44/yr | \$47/yr | \$49/yr |
| (Per 2000 ft²) | | | | |
| Commercial Low | \$ 17 | \$ 38 | \$ 40 | \$ 42 |
| Commercial Medium Low | \$ 51 | \$ 113 | \$ 119 | \$ 125 |
| Commercial Medium | \$ 85 | \$ 188 | \$ 198 | \$ 208 |
| Commercial Medium High | \$ 123 | \$ 272 | \$ 286 | \$ 301 |
| Commercial High | \$ 152 | \$ 336 | \$ 354 | \$ 372 |

The increase in the tipping fees, produced approximately \$14.4 million in fiscal year 2009 and an estimated \$15.3 million in fiscal year 2010 for the Solid Waste Enterprise. The approved increases in the SBC resulted in \$8.7 million in Solid Waste Enterprise Revenues for fiscal year 2009, \$9.4 million for fiscal year 2010, and an estimated \$9.48 million for fiscal year 2011.

In addition to these tipping fee and SBC increases, the BoCC also adopted fees for commercial Single Stream Recycling disposal and processing, which became available with the opening of the new transfer station in January 2009, and they adopted a fee schedule for the sale of mulch and compost products. Revenues from the sale of these commodities were \$109,805 in fiscal year 2009.

In October 2005, R.W. Beck Inc. completed a study of Frederick County's long-term solid waste management options. The Beck Report concluded that the construction of a regional 1500 TPD waste to energy (WTE) facility would provide the County with the lowest cost long-term waste disposal option. The study compared three disposal options including long haul and disposal out of State, composting, and a County only and regional WTE facility. The report also provided several recommendations on how the County can provide low cost improvements to its recycling program, including the conversion to single stream recycling, which was implemented in January 2009. The report also provided alternative strategies for funding solid waste management services some of which require the County to obtain additional enabling legislation from the General Assembly.

In an effort to explore the WTE recommendations contained in the Beck Report, the Board adopted Resolution No. 06-05 Waste to Energy Disposal Facility directing DUSWM and the Authority to pursue full service proposals for the design, construction and operation of a 900 TDP local (County only) WTE and a 1500 TPD regional WTE. An RFP for these services was released through the Authority in October, 2006. In March 2007 County staff accompanied representatives from the Authority and HDR Engineers on a technology tour of WTE facilities in several European countries. Pre-qualified vendors submitted formal proposals on April 20, 2007. Three proposals were received, two were deemed responsive to the RFP. The County, through the Authority, secured the services of HDR Engineers to comprehensively review the proposals. HDR and the Authority constructed a detailed financial model to evaluate the proposals. Based on the proposals, the 1500 TPD regional WTE concept provided the lowest per ton waste disposal cost. After being briefed on the lower cost regional option, in December, 2007 the Board held a public hearing on the construction of a publicly owned regional WTE in Frederick County, Maryland. In February, 2008, the Frederick County and Carroll County Commissioners conducted a joint meeting regarding the regional WTE concept. Subsequently the Frederick and Carroll County Commissioners decided to pursue a joint regional WTE facility which will be located in Frederick County. In February 2009 the Frederick County BoCC conducted a second public hearing regarding the construction of a regional WTE facility on property owned by the County (DUSWM) in the McKinney Industrial Park. On July 28, 2009 the Frederick County BoCC executed a Memorandum of Understanding (MOU) with Carroll County and the Authority for the development of the regional WTE facility and they executed their agreement with the Authority to develop the project in Frederick. Carroll County executed the MOU July 23, 2009 and their agreement with the Authority on July 30, 2009.

Another major revenue producing initiative for the solid waste enterprise was the development of the landfill (Site A and B) gas to electricity project. In January 2009 after completing a second procurement to develop the landfill gas, the BoCC executed an agreement with the Authority to develop the landfill gas through DCO Energy. This project, which is currently under construction, involves the construction and operation of facilities capable of generating up to 2 mega watts of electricity using the landfills' gas, resulting in a projected first year (fiscal year 2010) annual revenue of \$316,057. The agreement also includes the installation of gas wells on the Site B landfill, which has been estimated at a value of greater than \$1 million, the cost of which will be borne by DCO Energy.

Water Supply and Sewage Facilities

DUSWM is also responsible for the planning, design, operation and maintenance of the County's water supply and sewerage disposal systems. The County's water and sewer utilities are typically provided in unincorporated areas of Frederick County, although in some cases the County owns and operates utilities in incorporated towns or municipalities. The development of water and sewer infrastructure within Frederick County is controlled by the County's Comprehensive Plan and its subordinate Water and Sewer Plan.

Because of source water supply problems, the City of Frederick has requested that the County begin providing a significant portion of the City's current and future water supply. Major water transmission projects needed to provide water to the City of Frederick as well as the County's expanding water service areas, have been completed. The first of the two water treatment plant upgrades to supply capacity for the transmission system has been completed. The construction of the second phase expansion to 25million gallons per day ("MGD") is underway and will be completed in fiscal year 2010.

The County owns and/or operates 13 water treatment plants ("WTP"). The County's two largest treatment facilities rely on surface water while the other facilities rely on ground water. With the completion of the Potomac River Water Transmission

project, approximately 88% of the County's water supply now comes from the Potomac River, with the Lake Linganore WTP maintained as a backup supply. The remaining 12% of the County's source comes from deep well sources associated with the County's smaller water systems.

The County's recent completion of the Potomac River water transmission system establishes 32 MGD of water transmission capacity to serve the County's service areas south of the City of Frederick and east of the Monocacy River as well as a portion of the City of Frederick. In March 2006 the City of Frederick executed the County's Potomac River Water Supply Agreement (PRWSA), which among other things, formally establishes the City's participation in the funding of the County's Potomac River transmission system and treatment plant improvements so that the City can receive up to 8 MGD of water supply capacity. The first phase of improvements to the County's Potomac River New Design Water Treatment Plant (WTP) have been completed providing 1.5 MGD of the ultimate 8 MGD supply to the City of Frederick. The second phase of construction is ongoing, which will expand the WTP capacity to 25 MGD. This construction is scheduled to be completed in 2010. The City of Frederick is funding its share of the improvement that will provide them with up to 8.0 MGD. The total project costs of the related water supply infrastructure based on actual design and construction costs are \$128.7 million, with the County funding approximately \$78.3 million and the City of Frederick funding \$50.4 million. These values include the construction of a new 42inch raw water line from the Potomac River to the WTP.

The County owns and operates 14 wastewater treatment plants (WWTP) and a leachate treatment facility; all but one has a design capacity less than 0.5 MGD. These smaller, minor treatment facilities provide sewer service to individual subdivisions and small incorporated and unincorporated municipalities within Frederick County.

The County's largest WWTP is located at the confluence of the Monocacy River and Ballenger Creek. Known as the Ballenger Creek WWTP, this facility has a design capacity of 7.0 MGD. This facility treats wastewater that originates from areas south of the City of Frederick and east of the Monocacy River. This facility also receives wastewater flow from the County's Monocacy sewage collection system, which is a large sewage conveyance system that serves areas within a portion of the City of Frederick as well as areas immediately north of the City of Frederick and the entire Town of Walkersville. Wastewater flow values for the Monocacy system are reported as part of the total flow treated at the Ballenger Creek WWTP. Originally treatment capacity beyond the current 7 MGD available from the Ballenger Creek WWTP was planned to occur through the construction of second (sister) plant next to the Ballenger Creek facility, on property owned by the County known as the McKinney site. In March 2006 the County's engineering consultant team of Whitman Requardt and Associates and CH2MHILL finalized the facility plan for the Ballenger Creek-McKinney WWTP. This facility plan determined that the optimal expansion of the facility should be to 15 MGD instead of the originally programmed 12 MGD. This greater increase in capacity was based in part on 20-year projected capacity needs and available assimilation capacity in the receiving stream (Monocacy River). The facility plan also recommended that the increase in capacity should be through an expansion of the Ballenger Creek WWTP, using a portion of the McKinney site. In this way, the operations of the facility would be simplified and State mandated Enhanced Nutrient Removal (ENR) requirements could be optimized reducing overall project complexity and cost. Following the consultants' recommendations, DUSWM applied to increase to its National Pollutant Discharge Elimination System (NPDES) permit for the Ballenger Creek-McKinney WWTP. The County simultaneously pursued an ENR grant from the Maryland Department of the Environment (MDE), for that portion of the improvements that will provide ENR for the original 6 MGD Ballenger Creek WWTP. On August 25, 2006 the County received a preliminary ENR grant commitment of 26% of completed costs for the Ballenger Creek – McKinney WWTP project. On November 30, 2006 the County received its NPDES permit for the Ballenger Creek-McKinney project, increasing the discharge and pollutant loading to allow for a 15 MGD discharge to the Monocacy River. In the interim, while the 15 MGD project was being planned and designed a 1 MGD increase in the WWTP capacity was completed in April 2009. This interim expansion to 7 MGD and will provide additional allocable wastewater treatment capacity until the 15 MGD project is complete. Final design of the 15 MGD WWTP upgrade was completed in March 2009 and construction bids were received on July 9, 2009 bids ranged from \$99.5 to \$119.1 million. On October 21, 2009 the Maryland Board of Public Works approved (finalized) an ENR grant of \$30.74 million and a \$61 million low interest rate State Revolving Fund loan for this project (Frederick County Maryland Water Quality Bond, Series 2009 (ARRA) – Ballenger Creek – McKinney WWTP ENR Expansion); which is an addition to a previously approved \$6 million low interest rate SRF loan that was based on ARRA funding. In total the County received \$107 million in grant and low interest rate funding for the Ballenger-McKinney WWTP expansion, eliminating the need to issue GO bonds for the construction of this project. On October 22, 2009 the BoCC awarded the WWTP expansion construction contract to Allan A Myers LP in the amount of \$99,471,138, based on a construction completion time frame of 3.25 years.

The expanded (15MGD) Ballenger Creek-McKinney WWTP will also provide additional capacity for the City of Frederick, the amount of which has not yet been identified by the City. The County and the City are currently working on a wastewater capacity agreement that will complement the PRWSA.

As of June 30, 2009, the County owned and operated the following sewerage and water systems:

| System | Total Accounts Served (1) | Millions of Gallons Per Day | |
|---------------------------------------|---------------------------------|--------------------------------|---------------|
| | | Current Flow (2) | Capacity |
| Sewerage | | | |
| Ballenger Creek..... | 21,966 | 4.954 | 7.000 |
| Crestview..... | 116 | 0.039 | 0.036 |
| Fountaindale..... | 631 | 0.121 | 0.200 |
| Jefferson | 778 | 0.167 | 0.300 |
| Kemptown Elementary School | 1 | 0.002 | 0.005 |
| Landfill Leachate(3) | - | - | 0.144 |
| Lewistown Elementary School | 2 | 0.003 | 0.022 |
| Libertytown(4) | - | 0.003 | 0.050 |
| Mill Bottom | 365 | 0.060 | 0.100 |
| Monrovia | 31 | 0.083 | 0.200 |
| New Market | 937 | 0.073 | 0.240 |
| Pleasant Branch | 2 | 0.048 | 0.100 |
| Point of Rocks | 497 | 0.092 | 0.230 |
| Urbana High School (5) | - | - | 0.030 |
| White Rock..... | 98 | 0.010 | 0.050 |
| | 25,424 | | 8.707 |
| Water | | | |
| Bradford Estates | 66 | 0.014 | 0.030 |
| Cambridge Farms | 352 | 0.057 | 0.125 |
| Cloverhill III | 328 | 0.065 | 0.192 |
| Copperfield | 125 | 0.025 | 0.065 |
| Fountaindale | 995 | 0.194 | 0.324 |
| Lake Linganore (6) | - | 0.008 ⁽⁷⁾ | 2.000 |
| Liberty East | 42 | 0.009 | 0.115 |
| Liberty West and Liberty Condos | 37 | 0.004 | 0.037 |
| New Design..... | 15,832 | 3.834 | 8.800 |
| Pleasant Branch | 255 | 0.058 | 0.238 |
| Sam Hill | 370 | 0.079 | 0.168 |
| White Rock | 92 | 0.010 | 0.036 |
| Woodspring | 357 | 0.063 | 0.302 |
| | 18,851 | | 12.432 |

⁽¹⁾ Based on actual number of customer connections.

⁽²⁾ Average daily value based on monthly flow data FY 2009.

⁽³⁾No water/sewer capacity is sold for this facility as it provides wastewater treatment for the leachate from the Landfill.

⁽⁴⁾In October 2008 Libertytown WWTP was decommissioned and its flow is now pumped to the Ballenger Creek WWTP.

⁽⁵⁾ Plant decommissioned in August 2006, flow now goes to Ballenger Creek.

⁽⁶⁾ In May 2007 Lake Linganore started receiving water from New Design WTP.

⁽⁷⁾ The Lake Linganore WTP is used only as a partial back-up supply to the New Design Road WTP

User Rates and Fees

In January 2001, the County commissioned a comprehensive water and sewer cost of service study for the water and sewer enterprise. The study included the development of a computer model to assist DUSWM in monitoring its revenue requirements and determining necessary rate increases. In fiscal year 2008 a comprehensive update to the model was completed which resulted in recommendations to increase water and sewer capacity fees and to change the basis for non-residential Ready To Serve charges. On May 20, 2008 the Board adopted these recommended changes, establishing an annual escalation factor for the water and sewer capacity fees and increasing the Ready to Serve charges for non-residential customers based on the size of their meter. The Ready to Serve fee is a fixed availability fee billed quarterly regardless of consumption. The Ready to Serve fee calculation changes resulted in an approximately \$0.8 million in additional water and sewer revenues in fiscal year 2009.

Parks and Recreation

The Parks and Recreation Division provides for acquisition and development of a County-wide park system including community, district and special use parks. The system includes 1,578 acres of parkland of which 1,030 acres are developed to some degree. The largest site is 247 acres. Additionally, the Division develops and manages community recreational programs and maintains County owned grounds.

The twelve municipalities also provide and maintain park systems, which include neighborhood, community and special use parks.

State and Federal parks within Frederick County are primarily utilized for natural and historical resource protection. There are four State parks in Frederick County: Cunningham Falls State Park, Gambrill State Park, Gathland State Park and Washington Monument State Park. Federal recreation areas include Monocacy National Battlefield, C&O Canal Park and Catoctin Mountain National Park.

ECONOMIC AND DEMOGRAPHIC FACTORS

Frederick County is included as a part of the Washington, D.C. Maryland Virginia Metropolitan Statistical Area (“Washington MSA”). The Maryland portion of the Washington MSA includes the following counties: Calvert, Charles, Frederick, Montgomery and Prince George’s.

Population of Frederick County, Municipalities and the State of Maryland

Between 1950 and 2000, the U.S. Census Bureau tabulated population of Frederick County increased approximately 214%. Frederick County has provided estimates for the years between the U.S. Census Bureau reports. The year 2009 estimate is as of July 1, 2009.

| Year | Population of Frederick County |
|-----------|--------------------------------|
| 2009..... | 234,400 |
| 2000..... | 195,277 |
| 1995..... | 176,044 |
| 1990..... | 150,208 |
| 1985..... | 127,860 |
| 1980..... | 114,792 |
| 1970..... | 84,927 |
| 1960..... | 71,930 |
| 1950..... | 62,287 |

Source: U.S. Department of Commerce, U.S. Census Bureau.
Frederick County Division of Planning.

The following table sets forth Frederick County's 12 incorporated municipalities and their populations for the Census years 1970, 1980, 1990, and 2000.

| Municipalities | 1970 | 1980 | 1990 | 2000 |
|---------------------------------|-------------|-------------|-------------|-------------|
| Brunswick | 3,566 | 4,572 | 5,117 | 4,894 |
| Burkittsville | 221 | 202 | 194 | 171 |
| Emmitsburg | 1,532 | 1,552 | 1,870 | 2,290 |
| Frederick | 23,641 | 28,086 | 40,186 | 52,767 |
| Middletown | 1,262 | 1,748 | 1,834 | 2,668 |
| Mount Airy ⁽¹⁾ | 514 | 540 | 1,497 | 2,967 |
| Myersville | 450 | 432 | 464 | 1,382 |
| New Market | 339 | 306 | 374 | 427 |
| Rosemont | 250 | 305 | 256 | 273 |
| Thurmont | 2,359 | 2,934 | 3,398 | 5,588 |
| Walkersville | 1,269 | 2,212 | 4,145 | 5,192 |
| Woodsboro | 439 | 506 | 513 | 846 |

⁽¹⁾Mount Airy is located partly within Carroll County and partly within Frederick County and the data set forth above include only the Frederick County portion.

Source: U.S. Department of Commerce, U.S. Census Bureau; Frederick County Division of Planning.

Frederick County's growth in the decade from 1990 to 2000 as compared with the State and other Maryland counties is shown below:

Population of the State of Maryland and Subdivisions

| Subdivision | 2000 Population | 1990 Population | Percent Change |
|------------------------|----------------------------|----------------------------|---------------------------|
| Maryland | 5,296,486 | 4,780,753 | 10.8 % |
| Allegany | 74,930 | 74,946 | 0 |
| Anne Arundel..... | 489,656 | 427,239 | 14.6 |
| Baltimore City | 651,154 | 736,014 | -11.5 |
| Baltimore County | 754,292 | 692,134 | 9.0 |
| Calvert | 74,563 | 51,372 | 45.1 |
| Caroline | 29,772 | 27,035 | 10.1 |
| Carroll | 150,897 | 123,372 | 22.3 |
| Cecil | 85,951 | 71,347 | 20.5 |
| Charles | 120,546 | 101,154 | 19.2 |
| Dorchester | 30,674 | 30,236 | 1.4 |
| Frederick | 195,277 | 150,208 | 30.0 |
| Garrett | 29,846 | 28,138 | 6.1 |
| Harford | 218,590 | 182,132 | 20.0 |
| Howard | 247,842 | 187,328 | 32.3 |
| Kent | 19,197 | 17,842 | 7.6 |
| Montgomery | 873,341 | 762,207 | 14.6 |
| Prince George's | 801,515 | 723,373 | 10.8 |
| Queen Anne's | 40,563 | 33,953 | 19.5 |
| St. Mary's | 86,211 | 75,974 | 13.5 |
| Somerset | 24,747 | 23,440 | 5.6 |
| Talbot | 33,812 | 30,549 | 10.7 |
| Washington | 131,923 | 121,393 | 8.7 |
| Wicomico..... | 84,644 | 74,339 | 13.9 |
| Worcester | 46,543 | 35,028 | 32.9 |

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

Income

The experience of personal income growth in Frederick County, the State and the United States is shown in the two following tables:

Frederick County, State of Maryland and United States Average Per Capita Personal Income

| Calendar Year | Frederick County | Percent Change from Previous Year | | State of Maryland | Percent Change from Previous Year | | United States | Percent Change from Previous Year | |
|---------------|------------------|-----------------------------------|---|-------------------|-----------------------------------|---|---------------|-----------------------------------|---|
| | | Year | % | | Year | % | | Year | % |
| 2007 | \$ 44,092 | 7.2 | % | \$ 46,471 | 6.1 | % | \$ 39,430 | 7.4 | % |
| 2006 | 41,125 | 9.3 | % | 43,788 | 7.4 | % | 36,714 | 6.1 | % |
| 2005 | 37,632 | 5.0 | % | 40,760 | 2.8 | % | 34,586 | 4.6 | % |
| 2004 | 35,836 | 1.2 | % | 39,631 | 5.8 | % | 33,050 | 5.0 | % |
| 2003 | 35,423 | 2.7 | % | 37,446 | 3.6 | % | 31,472 | 1.2 | % |

Source: U.S. Bureau of Economic Analysis, April 2009.

Frederick County and State of Maryland Total Personal Income

| Calendar Year | Personal Income (\$000's) | | Percent Change from Previous Year | | | |
|---------------|---------------------------|-------------------|-----------------------------------|-------------------|------|---|
| | Frederick County | State of Maryland | Frederick County | State of Maryland | Year | % |
| 2007 | \$ 9,883,160 | \$ 261,114,676 | 8.3 | 6.4 | 8.3 | % |
| 2006 | 9,127,900 | 245,303,232 | 11.5 | 11.2 | 11.5 | % |
| 2005 | 8,183,343 | 220,402,185 | 2.9 | 4.3 | 2.9 | % |
| 2004 | 7,950,217 | 211,245,872 | 5.0 | 2.3 | 5.0 | % |
| 2003 | 7,567,226 | 206,411,852 | 4.8 | 4.3 | 4.8 | % |

Source: U.S. Bureau of Economic Analysis, April 2009.

Personal income levels for Frederick County residents from 2004 to 2008 show a significant increase as measured by the number of income tax returns with adjusted gross income levels over \$50,000 filed with the Maryland Comptroller of the Treasury. Listed below is a five-year comparison of the experience for the subdivisions constituting the Maryland portion of the Washington MSA and the State.

Adjusted Gross Income in Excess of \$50,000

| | 2008 Number of Returns | 2004 Number of Returns | Percent Increase |
|-------------------------------|---------------------------|---------------------------|---------------------|
| Calvert County..... | 19,329 | 16,768 | 15.3 % |
| Charles County | 30,056 | 24,511 | 22.6 |
| Frederick County | 49,017 | 42,109 | 16.4 |
| Montgomery County | 212,116 | 178,508 | 18.8 |
| Prince George's County | 146,533 | 120,695 | 21.4 |
| State of Maryland..... | 1,063,149 | 883,836 | 20.3 |

Source: Comptroller of the Treasury, Income Tax Summary Report, Tax Years 2004 and 2008.

Education

Survey results of the number of high school students in the Maryland portion of the Washington MSA and the State as a whole who graduated in 2009, as a percentage of their ninth grade enrollment four grades earlier, are presented below:

| | |
|------------------------------|-------------|
| Calvert County | 91.9 % |
| Charles County..... | 88.2 |
| Frederick County..... | 94.0 |
| Montgomery County..... | 87.3 |
| Prince George's County | 84.5 |
| State of Maryland | 85.2 |

Source: Maryland Report Card 2009 Performance Report State and School Systems- Maryland State Department of Education.

The following table sets forth the years of school completed by persons 25 years of age or older as a percentage of the population described in the 2000 Census for Frederick County and the other counties in the Maryland portion of the Washington MSA and the State.

| | Calvert | Charles | Frederick | Montgomery | Prince George's | State |
|--------------------------------|----------------|----------------|------------------|-------------------|------------------------|--------------|
| Elementary (grades K-8) | 3.1% | 4.0% | 4.2% | 4.4% | 4.7% | 5.1% |
| High School | | | | | | |
| 1-3 years | 9.9 | 10.1 | 8.7 | 5.3 | 10.4 | 11.1 |
| 4 years..... | 34.4 | 33.4 | 30.1 | 14.5 | 27.3 | 26.7 |
| College | | | | | | |
| No degree | 24.3 | 25.9 | 20.5 | 16.7 | 25 | 20.3 |
| Associate degree..... | 5.8 | 6.5 | 6.5 | 4.6 | 5.5 | 5.3 |
| Bachelor's degree | 14.2 | 13.2 | 18.9 | 27.1 | 16.9 | 18 |
| Graduate/Professional degree.. | 8.3 | 6.8 | 11.1 | 27.5 | 10.2 | 13.4 |

Source: Table DP-2. Profile of Selected Social Characteristics: 2000. U.S. Bureau of the Census, 2000.

Retail Sales

Retail sales as measured by the growth in retail sales and use tax collections have experienced a steady gain between fiscal years 2008 and 2009. Listed below is the comparison of the experience of the counties in the Maryland portion of the Washington MSA and the State.

Retail Sales and Use Tax Collections (\$000's)

| | Fiscal | Fiscal | Percent |
|------------------------------|----------------|----------------|----------------|
| | Year | Year | |
| | 2009 | 2008* | |
| Calvert County | \$ 32,649 | \$ 32,151 | (1.5)% |
| Charles County | 87,776 | 92,450 | (59.1) |
| Frederick County..... | 124,746 | 127,476 | (2.1) |
| Montgomery County | 512,226 | 490,090 | 4.5 |
| Prince George' County..... | 474,935 | 446,114 | 6.4 |
| State of Maryland | 3,820,069 | 3,769,013 | 1.5 |

*Tax rate increased from 5% to 6% effective January 3, 2008

Source: Retail Sales Tax Division of the Office of the Maryland Comptroller of the Treasury.

Business, Employment and Labor

In the following table, annual average statistics are provided relating to the distribution of employment in Frederick County by employer classification for the third quarter of 2009. These figures exclude railroad, domestic service, self-employed, agricultural and unpaid family workers:

Business and Employment Composition

| Classification | Number of Reporting Units | Percent of Total* | Quarterly Average Employment | Percent of Total* |
|--------------------------------------|---------------------------|-------------------|------------------------------|-------------------|
| Natural Resources and Mining | 50 | 0.9 % | 506 | 0.5 % |
| Construction | 964 | 16.4 | 7,840 | 8.6 |
| Manufacturing | 172 | 2.9 | 4,972 | 5.5 |
| Trade/Transportation/Utilities | 1,080 | 18.4 | 14,993 | 16.5 |
| Information | 89 | 1.5 | 1,384 | 1.5 |
| Financial Activities | 534 | 9.1 | 7,896 | 8.7 |
| Professional and Business Services | 1,255 | 21.3 | 14,262 | 15.7 |
| Education and Health Services | 621 | 10.5 | 11,790 | 13.0 |
| Leisure and Hospitality | 485 | 8.2 | 9,390 | 10.3 |
| Other Services | 478 | 8.1 | 3,165 | 3.4 |
| Total – Private Sector | <u>5,728</u> | <u>97.5</u> | <u>76,199</u> | <u>84.0</u> |
| Local Government | 76 | 1.3 | 10,008 | 11.0 |
| State Government | 7 | 0.1 | 623 | 0.7 |
| Federal Government | 63 | 1.1 | 3,807 | 4.2 |
| Total | <u>5,874</u> | <u>100.00</u> % | <u>90,637</u> | <u>100.00</u> % |

* Totals may not add due to rounding.

Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information, "Employment and Payrolls, third Quarter 2009."

Listed below are the 10 largest employers as of October 2009, exclusive of the local government located in Frederick County:

Ten Largest Employers in Frederick County

| Employer | Principal Products or Activities | October 2009 Employment |
|--|----------------------------------|-------------------------|
| Fort Detrick Campus | Research/Telecommunications | 8,460* |
| Frederick Memorial Healthcare System | Comprehensive health care | 2,281 |
| Bechtel | Telecommunications | 2,203 |
| SAIC - Frederick | Medical research | 1,670 |
| Wells Fargo Home Mortgage | Mortgage servicing | 1,500 |
| Citi Mortgage | Mortgage servicing | 900 |
| Frederick Community College | Two-year college | 899 |
| United Home Health Care | Insurance | 832 |
| State Farm Insurance | Insurance, regional headquarters | 793 |
| Wal-Mart Stores | Retail products | 700 |

* Includes military personnel.

Source: Frederick County Office of Economic Development.

The following table indicates the Frederick County's unemployment rate as compared with the other counties of the Maryland portion of the Washington MSA, the State and the United States for the last five years from 2005 -2009.

Annual Average Unemployment Rate

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|
| Calvert County | 5.9% | 3.6% | 3.1% | 3.2% | 3.4% |
| Charles County..... | 5.9 | 3.7 | 3.2 | 3.2 | 3.3 |
| Frederick County | 6.1 | 3.6 | 3.1 | 3.1 | 3.2 |
| Montgomery County | 5.2 | 3.2 | 2.8 | 2.9 | 3.1 |
| Prince George's County | 7.1 | 4.5 | 4.0 | 4.1 | 4.5 |
| State of Maryland..... | 7.0 | 4.4 | 3.6 | 3.9 | 4.2 |
| United States | 9.3 | 5.8 | 4.6 | 4.6 | 5.1 |

Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information; U.S. Bureau of Labor Statistics.

The number of persons living in Frederick County who were available for work and composed the work force totaled 123,448 in January 2010 and the total employment for this force was 114,377, resulting in an unemployment rate of 7.3% for this period. Certain comparative unemployment rates are given below for January 2010.

| | |
|-------------------------------|------------|
| Calvert County | 6.8% |
| Charles County | 6.9 |
| Frederick County | 7.3 |
| Montgomery County | 6.2 |
| Prince George's County | 7.9 |
| State of Maryland | 8.3 |
| United States | 9.7 |

Source: "State of Maryland. Civilian Labor Force, Employment, and Unemployment by Place of Residence, March 2010." Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information.

Commuting Patterns

The Census Bureau 2008 American Community Survey determined the work commuting patterns for workers 16 years and older for the labor forces of each of Maryland's counties with populations of 50,000 or more and the City of Baltimore. Comparative figures for workers commuting outside the county of residence for the subdivisions in the Maryland portion of the Washington MSA are presented below:

| | |
|-------------------------------|-------------|
| Calvert County | 58.6% |
| Charles County..... | 60.1 |
| Frederick County | 39.6 |
| Montgomery County | 40.2 |
| Prince George's County | 61.4 |

Source: U.S. Census Bureau, 2008 American Community Survey, Table GCT0805.

Agriculture

Agriculture is one of the largest industries in Frederick County, with over 47% of the total land acreage dedicated to farmland. According to the most recent U.S. Census of Agriculture (2007), there are 1,442 farms located in Frederick County with an average size of 140 acres each. Dairy farming is the major type of farming, and Frederick County is the largest producer of dairy products in the State. Frederick County provides one-third of all milk for the State and is the third largest producer of milk in the mid-Atlantic region. Frederick County leads the State in the production of dairy products, hay, turkeys, cattle and calves, horses and ponies, forage and corn for silage.

Dedicated to farmland preservation, the County is a participant in the Maryland Agricultural Land Preservation Program. This program provides for the purchase of development rights easements. As of October 1, 2009, Maryland Agricultural Land Preservation Foundation easements have been purchased on 18,533 acres with an additional 5,425 acres under the temporary district status. In combination with County and State Land Preservation Programs, there are permanent protective easements on 43,160 acres. The County is now in the eighth year of agricultural land preservation Installment Purchase Program which has purchased easements to protect a total of 14,405 acres. Twenty new applications have been received for the fiscal year 2010 Installment Purchase Program.

Economic Development

The County is made up of a diverse business community and supports and cultivates the growth of entrepreneurship. The County boasts a supportive and business friendly climate as well as a strategic location, a highly skilled and well-educated workforce, an award winning educational system and an array of business associations and agencies to assist and foster the growth and success of businesses.

Frederick County had the 6th highest number of new jobs created for the State of Maryland from 2004 – 2008 (4th quarter), adding over 4,400 jobs during that timeframe. The industries that saw the most growth in employment in the private sector were professional and business services, leisure and hospitality, and the education and health industries. The average wage per worker was \$884 per week, up 16% from fourth quarter 2004.

The County's first business incubator, the Frederick Innovative Technology Center, Inc. ("FITCI"), was officially opened in January 2005 in Rosenstock Hall on the Hood College campus near Fort Detrick. It was filled to capacity, with 21 companies, within six months. FITCI opened a second incubator location on Metropolitan Court, south of the City of Frederick in 2007 and it was at capacity within one year. FITCI's tenant companies have created over 180 new jobs in the last 4 years with above average wages valued at a total of over \$1.3 million, and FITCI has generated a 184% return on investment. FITCI leverages it's funding by attracting over \$3.00 for every \$1.00 of local funding.

The County has experienced significant growth in the bioscience and advanced technology industries over the past few years. The growth is due in part to the County's access to the Federal labs and other public and private high tech facilities in the region. The location of Fort Detrick in Frederick is also a major contributor to the growth of the life sciences industry in Frederick County. Fort Detrick is home to the National Cancer Institute and the U.S. Army Medical Research Institute of Infectious Diseases, which is the lead medical research laboratory for the nation's biological defense program, and is home to the new National Interagency Biodefense Campus.

The manufacturing industry represents approximately 7% of private sector employment in Frederick County. The top four manufacturing sectors are printing and publishing, industrial machinery and equipment, electrical and electronic equipment and the primary metal industries. Average annual wage rates for this sector are 25% greater than the annual wage per worker in the private sector.

Transportation

CSX Corporation, Maryland Midland Shortline, and 34 truck lines provide railroad and truck freight service to Frederick County. Regular rail passenger service is provided by Amtrak and commuter rail services are provided by the Maryland Railroad Administration ("MARC") to Washington, D.C. Frederick County has four MARC train stations, a downtown Frederick City location and a suburban location just south of the City of Frederick, as well as MARC service from Brunswick and Point of Rocks. Regular passenger bus schedules are maintained by the Greyhound Corporation. The Frederick Municipal Airport is served by a common carrier as well as by private, industrial, and charter aviation. Three major airports are within a 60-minute drive of Frederick County – Dulles International, Reagan National and Baltimore-Washington International Thurgood Marshall airports.

Utilities

Electric power in Frederick County is provided by the Allegheny Power Company, an operating unit of the Allegheny Power System, and Thurmont Municipal Light Company, which serves the incorporated town of Thurmont. Natural gas service is provided by the Frederick Gas Company, a subsidiary of the Washington Gas Company, and South Penn Gas Company, which services the incorporated town of Emmitsburg.

Health Care

Frederick Memorial Healthcare System (“FMH”) is a not-for-profit healthcare delivery system serving Frederick County and the surrounding area. FMH operates from multiple sites in Frederick County including an acute care hospital licensed for 274 beds with 2,281 staff.

FMH operations include a Regional Cancer Therapy Center, Ambulatory sites at FMH Rose Hill, FMH Crestwood, FMH Urbana, and Mt. Airy, Corporate Occupational Health, the Glade Valley Nursing and Rehabilitation Center, Home Health Services, Hospice of Frederick County, FMH Diabetes Center, Home Medical Equipment, FMH Wellness Center, FMH Surgery Center, and two Immediate Care Centers, which provide walk-in care for non-life threatening cases.

Recreation and Leisure

There are many historical and cultural attractions in Frederick County including: the Weinberg Center for the Arts, the Delaplaine Visual Arts Center, the Maryland Ensemble Theatre, the National Museum of Civil War Medicine, the Barbara Fritchie House, the Children’s Museum of Rose Hill Park, Francis Scott Key’s Monument and Grave, Roger Brooke Taney House/Francis Scott Key Museum, the Camp David Museum, the Historical Society of Frederick County, the Seton Shrine Center, the Grotto of Lourdes, Lily Pons Water Gardens, Brunswick Railroad Museum, three covered bridges and an abundance of antiques shopping.

Frederick County also offers 15 golf courses, the Frederick Keys, a minor league Class A affiliate of the Baltimore Orioles, that plays at the Harry Grove Stadium in the City of Frederick, numerous Civil War sites, and local, state and national park facilities. The Appalachian Trail which runs from Georgia to Maine roughly follows the western boundary of Frederick County and skirts the Gathland State Park which contains the first monument to war correspondents. Frederick County is also home to 6 family-owned wineries, and has created a Frederick Wine Trail that highlights each unique vineyard.

Construction Activity

Construction activity as illustrated by the number of building permits issued and their estimated value is reflected below. This table reflects building activity in Frederick County including the incorporated municipalities:

Building Permits
Year Ending December 31

| | 2008 | | 2007 | | 2006 | | 2005 | | 2004 | |
|-------------|--------|------------------|--------|------------------|--------|------------------|--------|------------------|--------|------------------|
| | Issued | Value (000's) |
| Residential | 562 | \$153,346 | 1,054 | \$264,847 | 1,284 | \$309,135 | 2,251 | \$362,659 | 1,570 | \$295,213 |
| Other | 3,321 | 280,752 | 3,966 | 572,795 | 4,690 | 282,219 | 5,021 | 213,069 | 5,727 | 172,870 |
| Total | 3,883 | \$434,098 | 5,020 | \$837,642 | 5,974 | \$591,354 | 7,272 | \$575,728 | 7,297 | \$468,083 |

Source: Frederick County Division of Planning.

Housing

The number of dwelling units completed in Frederick County, including the incorporated municipalities, for the five most recent available calendar years are listed below:

| Year | Single Family | Towns/Duplex | Mobile Home | Multi-Family | Total |
|------------|---------------|--------------|-------------|--------------|-------|
| 2008 | 354 | 109 | 7 | 92 | 562 |
| 2007 | 583 | 246 | 7 | 218 | 1,054 |
| 2006 | 811 | 271 | 10 | 192 | 1,284 |
| 2005 | 989 | 425 | 9 | 828 | 2,251 |
| 2004 | 903 | 490 | 16 | 161 | 1,570 |

Source: Frederick County Division of Planning

The age of the County's housing stock was determined by the 2000 Census to be relatively low. A comparison of housing units in the Maryland portion of the Washington MSA and the State of Maryland is set forth below:

| | Calvert | Charles | Frederick | Montgomery | Prince George's | State |
|------------------------|---------|---------|-----------|------------|-----------------|-------|
| | % | % | % | % | % | % |
| 10 years old and under | 37.4 | 27.9 | 28.3 | 14.7 | 15.6 | 16.8 |
| 11-20 years old | 23.1 | 25.8 | 21.3 | 23.2 | 14.5 | 17.2 |
| Over 20 years old | 39.4 | 46.5 | 50.4 | 62.2 | 69.9 | 66.1 |

Source: Table DP-4. Profile of Selected Housing Characteristics: 2000. U.S. Bureau of the Census, 2000.

Land Use

Frederick County's land use is predominantly agricultural and woodland, with about 92,862 acres or 21.7% having been developed. The following table shows land use within Frederick County as of March 1, 2007:

| | Acres (1) | Percentage |
|---|----------------|----------------|
| Agriculture | 208,803 | 48.84% |
| Commercial/Industry..... | 15,523 | 3.63 |
| Institutional | 2,207 | 0.52 |
| Municipal | 25,525 | 5.97 |
| Residential | 49,607 | 11.61 |
| Resource Conservation/Water/Parks | 125,833 | 29.43 |
| Total | <u>427,498</u> | <u>100.00%</u> |

Source: Frederick County Division of Planning

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BUDGET AND ACCOUNTING

The County budget is comprised of the Current Expense Budget (“General Fund Budget” or “Operating Budget”), the Capital Budget, and the Capital Program (a six year plan). Budgets are also adopted for Special Revenue, Enterprise and Internal Service Funds. The formulation of the County’s budget is the responsibility of the Director of Finance, a County official appointed by the Board. Public local law requires that a balanced budget be adopted by the Board.

General Fund Budget

The General Fund Budget is prepared and submitted to the Board by the Director of Finance based on estimated revenues and expenditures of operations submitted by the County departments and agencies for the ensuing fiscal year. As submitted to the Board, the General Fund Budget must contain: fund balance in excess of 5 percent of the prior year’s General Fund expenditures and transfers to the Board of Education and the Frederick Community College on a budgetary basis, if any; estimates of taxes and other revenues sufficient to balance said budget; recommended appropriations for current expenditures for each department, agency and non-departmental account and transfers to the Board of Education, Frederick Community College and Frederick County Public Libraries; amounts sufficient to meet all general obligation debt service requirements; and portions of the Capital Program to be financed out of current revenues during said fiscal year.

Operating and Capital Budgets and Capital Program

No department or agency of the County government may, during any fiscal year, expend or contract to expend any money or incur any liability or enter into any contract which by its terms involves the expenditure of money in excess of the amounts appropriated in the budget for such fiscal year. No payment may be made nor any obligation or liability incurred which has not been provided for in the Operating or Capital Budget. Funds resulting from the issuance of bonds, certificates of indebtedness, notes or other obligations of the County may be expended only for authorized purchases of capital assets. Transfer of appropriations among the items set forth therein may be authorized with the approval of the Board.

The Capital Budget is the County’s plan to receive and expend funds for capital projects during the ensuing fiscal year. The Capital Program sets forth the County’s plan of proposed capital projects to be undertaken in the ensuing fiscal year and the next five fiscal years and the proposed means of financing such projects. The Capital Budget and Capital Program are prepared by the Finance Division in cooperation with the Planning Division from submissions by the County departments and agencies and must be approved by the Board. The portion of the cost of the Capital Budget that is to be paid from current funds is included in the Operating Budget as a transfer to the Capital Budget where the expenditures are recorded.

Accounting System

The accounts of the County are organized and operated on the basis of funds, each of which is considered a separate fiscal and accounting entity. The financial position and operations of each fund are accounted for with a self-balancing set of accounts recording revenue, other financing sources, expenditures/expenses, and other financing uses, together with all related assets, liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special, purposes, restrictions, or limitations.

Fund Structure

The County reports its financial activity on Government-wide and Fund Financial Statements in conformity with accounting principles generally accepted in the United States of America.

The Government-wide financial statements, which include the Statement of Net Assets and the Statement of Activities, report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. The Statement of Net Assets displays the financial position of the County as of the fiscal year end. Activities are reported on a consolidated basis and are reported on a full accrual, economic resources basis, which recognizes all long-term assets, including infrastructure, as well as long-term debt and obligations. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers who use, purchase or directly benefit from goods, services or privileges provided by a given function or segment, and grants that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

The Fund Financial Statements are identified in the financial statements of the County included in the County's Comprehensive Annual Financial Report located on the County's website (www.FrederickCountyMD.gov). The fund types are: Governmental Funds, which include the General Fund, the Special Revenue Funds, and the Capital Project Fund; Proprietary Funds, which include the Enterprise Funds and Internal Service Funds; and Fiduciary Funds, which include Agency, Other Post Employment Benefits Trust and Pension Trust Funds. Details of the County's fund structure are set forth in the Notes to the Financial Statements. The revenues and expenditures/expenses of the County are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent.

Basis of Accounting

As noted above, the Government-wide Financial Statements are reported using the economic resources measurement focus and the full accrual basis of accounting.

Relative to the Fund Financial Statements, the financial operations of the Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded at the time liabilities are incurred, except for interest on long-term debt which is considered an expenditure when due and accrued annual leave which is considered an expenditure when paid. In addition, an encumbrance system is employed in the General, Special Revenue, and Capital Project budgetary schedules to account for expenditure commitments resulting from approved purchase orders and contracts.

The financial operations of the Proprietary and Pension Trust Funds are maintained on the accrual basis of accounting, in which all revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The Agency funds also use the full accrual basis of accounting to recognize assets and liabilities.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (the "GFOA") has awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its Comprehensive Annual Financial Report for fiscal year 2008. This was the twenty-seventh year (twenty-second consecutive year) that the County has received this prestigious award. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The County intends to continue to conform its Comprehensive Annual Financial Report to the Certificate of Achievement program requirements and has submitted the report for the fiscal year ended June 30, 2009 to the GFOA.

CERTAIN REVENUES AND EXPENDITURES

General

The County's principal source of General Fund revenue is taxes, which comprise \$416.2 million of the total \$446.1 million budgeted revenues in fiscal year 2009.

In conformity with accounting principles generally accepted in the United States as applied to governmental units and as discussed under "BUDGET AND ACCOUNTING - Fund Structure", the County records its transactions under various funds. The largest of these funds is the General Fund, from which all general expenses of County government are paid and to which taxes and other revenues not specifically directed by law to be deposited in special funds, are deposited. In addition to the General Fund, several special revenue funds receive revenues from particular sources for specific purposes, all as prescribed by law.

The following table indicates the County's General Fund revenues and expenditures for the fiscal years 2005-2009:

Frederick County, Maryland
General Fund
Revenues & Other Financing Sources Over
Expenditures & Other Financing Uses (Change in Fund Balance) – Budgetary Basis

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|------------------------------|------------------------------|------------------------------|-----------------------------|-----------------------------|
| Revenues..... | | | | | |
| Property Taxes | \$236,321,168 | \$216,114,216 | \$195,693,110 | \$181,637,755 | \$167,674,701 |
| Local Taxes | 170,980,518 | 178,576,037 | 180,870,540 | 175,355,670 | 165,322,305 |
| Licenses and Permits | 529,307 | 525,735 | 555,708 | 831,982 | 979,054 |
| Grants from Federal Government | - | - | - | - | 50,405 |
| Grants from State Government | 14,780,400 | 16,880,544 | 17,414,693 | 16,740,216 | 13,763,781 |
| Service Charges | 4,726,334 | 4,722,172 | 5,286,041 | 3,766,588 | 4,224,515 |
| Fines and Forfeitures | 175,756 | 192,116 | 177,255 | 203,011 | 170,158 |
| Investment Earnings | 2,919,562 | 7,737,772 | 9,278,898 | 5,786,537 | 2,699,479 |
| Miscellaneous | <u>5,364,457</u> | <u>2,235,248</u> | <u>2,015,631</u> | <u>2,098,034</u> | <u>1,761,021</u> |
| Total Revenues | <u>435,797,502</u> | <u>426,983,840</u> | <u>411,291,876</u> | <u>386,419,793</u> | <u>356,645,419</u> |
| Other Financing Sources | <u>1,474,000</u> | <u>1,422,150</u> | <u>698,756</u> | <u>16,012,054</u> | <u>68,550,296</u> |
| Total Revenues and Other Financing Sources | <u><u>437,271,502</u></u> | <u><u>428,405,990</u></u> | <u><u>411,990,632</u></u> | <u><u>402,431,847</u></u> | <u><u>425,195,715</u></u> |
| Expenditures: | | | | | |
| Current..... | | | | | |
| General Government | 36,729,288 | 34,537,855 | 30,786,477 | 27,743,651 | 25,382,745 |
| Public Safety | 51,503,730 | 52,151,528 | 46,259,986 | 41,973,763 | 37,513,002 |
| Public Works | 20,016,632 | 17,017,227 | 14,851,097 | 14,921,768 | 15,406,946 |
| Public Health | 6,326,240 | 6,472,225 | 10,908,527 | 7,301,110 | 2,955,926 |
| Public Welfare | 5,963,092 | 5,697,245 | 4,957,584 | 5,027,479 | 5,230,045 |
| Education | 252,074,878 | 241,164,441 | 213,329,178 | 196,563,412 | 185,300,073 |
| Recreation and Culture | 13,984,447 | 14,184,959 | 12,008,393 | 10,515,963 | 8,823,280 |
| Public Service Enterprises | 3,555,877 | 3,668,523 | 3,225,540 | 2,895,213 | 2,938,982 |
| Miscellaneous | (1,172,529) | 9,593,908 | (1,329,267) | (412,578) | (697,031) |
| Intergovernmental | | | | | |
| Tax Equity | 7,393,431 | 6,581,698 | 6,012,915 | 5,405,180 | 4,798,018 |
| Property Tax Grants to Municipalities | 49,273 | 49,273 | 49,273 | 49,273 | 49,273 |
| Debt Service | | | | | |
| Principal | 18,921,361 | 17,355,896 | 15,744,237 | 12,570,489 | 15,511,762 |
| Interest | <u>11,944,935</u> | <u>10,992,249</u> | <u>9,990,583</u> | <u>7,944,726</u> | <u>8,142,544</u> |
| Total Expenditures | <u>427,290,655</u> | <u>419,467,027</u> | <u>366,794,523</u> | <u>332,499,449</u> | <u>311,355,565</u> |
| Other Financing Uses: | | | | | |
| Payment to refunding agent | - | - | - | 13,710,975 | 64,545,625 |
| Transfer to | | | | | |
| Grants Revenue Fund | 7,684,627 | 6,695,738 | 5,712,523 | 6,906,776 | 5,998,324 |
| Agriculture Preservation Fund | 506,964 | 1,011,385 | 1,071,578 | 1,063,784 | 1,062,359 |
| Housing Initiative Appropriation | - | 1,225,000 | 1,225,000 | 458,940 | - |
| Fire Tax Districts | - | - | - | - | 170,274 |
| Economic Development Loans | - | - | - | - | - |
| Capital Projects Fund | 14,457,269 | 24,449,856 | 38,299,420 | 23,291,840 | 16,425,624 |
| Internal Service Fund-Fleet Services | 2,961 | 873,017 | 655,355 | 1,260,819 | 14,804 |
| Internal Service Fund-Voice Services | - | 62,596 | 141,413 | 402,312 | - |
| Enterprise Fund – Citizens Care & Rehabilitation Center | 3,087,136 | 3,249,091 | 1,960,016 | 1,933,970 | 1,818,643 |
| Enterprise Fund – Montevue Home | 2,104,749 | 2,138,475 | 1,767,962 | 1,545,848 | 1,007,892 |
| Enterprise Fund – Permitting & Development Review | 400,450 | 974,381 | 213,280 | 1,011,540 | 867,200 |
| Enterprise Fund – Water/Sewer | - | 332,837 | - | - | - |
| Enterprise Fund – Solid Waste | - | 117,711 | - | 1,650,000 | - |
| Total Other Financing Uses | <u>28,244,156</u> | <u>41,130,087</u> | <u>51,046,547</u> | <u>53,236,804</u> | <u>91,910,745</u> |
| Total Expenditures and Other Financing Uses | <u>455,534,811</u> | <u>460,597,114</u> | <u>417,841,070</u> | <u>385,736,253</u> | <u>403,266,310</u> |
| Change in Fund Balance | <u><u>(\$18,263,309)</u></u> | <u><u>(\$32,191,124)</u></u> | <u><u>\$ (5,850,438)</u></u> | <u><u>\$ 16,695,594</u></u> | <u><u>\$ 21,929,405</u></u> |

Source: Frederick County Finance Division.

Taxes

Ad valorem property taxes remain the County's most important source of revenues, amounting to 54.2% of total General Fund revenues and 58.0% of total local General Fund tax revenues in fiscal year 2009. By comparison, in fiscal year 2005, these percentages were 50.0% and 47.0%, respectively. The increase in property taxes between fiscal years 2005 and 2009 was 40.9% compared to increases in income tax revenues of 15.5% and other local tax revenues of 55.2%.

The following table represents the County's actual principal tax revenues by source for each of the five fiscal years 2005-2009:

| | Total Local Taxes | General Property Taxes (1) | Income Taxes | Other Local Taxes |
|-----------|----------------------------------|---|-------------------------|----------------------------------|
| 2009..... | \$ 407,301,686 | \$ 236,321,168 | \$ 158,356,951 | \$ 12,623,567 |
| 2008..... | 394,690,253 | 216,114,216 | 161,633,784 | 16,942,253 |
| 2007..... | 376,563,651 | 195,693,111 | 154,536,579 | 26,333,961 |
| 2006..... | 356,993,425 | 181,637,755 | 144,199,778 | 31,155,892 |
| 2005..... | 332,997,006 | 167,674,701 | 137,124,133 | 28,198,172 |

(1) Includes payment in lieu of taxes, additions and abatements, interest on taxes and tax credits.

Source: Frederick County Finance Division.

Property Taxes

The assessment of all real and tangible personal property for purposes of property taxation by the County is the sole responsibility of the State Department of Assessments and Taxation, an independent State agency. In February 2008 the County imposed a personal property tax applicable to all fiscal years beginning after June 30, 2008. The tax is applicable only to the one subclass of personal property (machinery and equipment, other than operating personal property of a public utility, that is used to generate (i) electricity or steam for sale, or (ii) hot or chilled water for sale that is used to heat or cool a building). For State and County real property tax purposes, real property is valued at the currently phased-in market value. All property is physically inspected once every three years and any increase in value arising from such inspection is phased in over the ensuing three taxable years in equal annual installments.

Prior to legislation passed by the Maryland General Assembly during its 2000 Session, the Maryland real property assessment law had been a program of fractional property assessments. Beginning in fiscal year 2002, property tax rates are applied to 100% of the value of real property, rather than the 40% for most real property under prior law. On October 1, 2000, real property tax rates were reduced to 40% of their levels as of July 1, 2000. The County and municipal rates applicable to all personal property and operating real property of public utilities will be 2.5 times the property tax rate for real property so as to maintain them at their former levels. The changes made by this legislation are intended to be revenue neutral.

A tax credit is permitted against local real property taxes on certain owner-occupied residential property. The tax credit for tax years 1991-1992 and thereafter was computed by multiplying the prior year's taxable assessment by a percentage of between 100% and 110% (as determined by the State, each county and each municipality), subtracting that amount from the current year's assessment, and multiplying the difference, if it is positive, by the applicable tax rate. The County and most of its municipalities adopted 105% as the tax credit factor for tax year 2008-2009.

The State also provides a tax credit based on the ability of homeowners to pay property taxes. The credit is calculated by use of a scale, which indicates a maximum tax liability for various income levels. This credit can be supplemented at the local level. For fiscal year 2009, the County budgeted \$2,500,000 in tax credits which is entirely reimbursable from the State. In 2006, the County chose to supplement this credit however; subsequently the State expanded its credit eligibility, thereby substantially lessening the effect of the County's action. For 2009, the County's estimate of this supplement was less the \$100,000. Other budgeted tax credits not reimbursed by the State include \$75,000 for historic districts, and \$814,000 for agriculture land and buildings.

Exemptions from State and County property taxation include public property; property owned by religious groups or organizations for public religious worship; property owned by charitable, fraternal, benevolent, educational and literary organizations; property owned by a national organization of veterans; property owned by historical societies and museums; property owned by fire companies and rescue squads; operating property owned by railroad and transportation companies

(exempt from State taxation only); tangible personal property of certain domestic corporations, savings institutions and commercial banks; inventory, manufacturing equipment, manufacturing inventory and certain rolling stock (exempt from local taxation only); vessels, aircraft and motor vehicles; farming implements, certain agricultural products and commodities; all personal property located at a taxpayer's place of residence other than property used in connection with any business, occupation or profession; tools of mechanics or artisans; and non-operating property of public utilities and contract carriers (exempt from State taxation only).

The following table sets forth the assessment of all taxable property in Frederick County for fiscal years 2005-2009 and the County and State tax rates applicable in each of those years. As of July 1, 2009, the assessment of tax exempt property owned by federal, State and county governments, churches, schools, fraternal organizations, cemeteries, disabled and the blind aggregated \$2,471,679,071. Under applicable law, there are no limits on the rates of property taxes.

**Assessments and Tax Rates of All Property by Class
(Fiscal Years Ended June 30)**

| Assessments | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Real Property | \$ 24,649,056,470 | \$ 22,563,010,867 | \$ 20,178,548,271 | \$ 18,245,677,611 | \$ 15,868,640,547 |
| Public Utilities | 297,661,810 | 327,415,720 | 342,190,640 | 340,388,620 | 365,265,099 |
| Total Base | \$ 24,946,718,280 | \$ 22,890,426,587 | \$ 20,520,738,911 | \$ 18,586,066,231 | \$ 16,233,905,646 |
| County Tax Rate..... (Per \$100 of Assessment) | \$0.936* | \$0.936* | \$0.936* | \$0.936* | \$1.00* |
| State Tax Rate..... (Per \$100 of Assessment) | \$0.112 | \$0.112 | \$0.112 | \$0.112 | \$0.132 |

* Excludes Special Revenue Tax Districts.
Source: Frederick County Finance Division.

Tax rates for fiscal year 2010 are based on a budgeted taxable assessment of \$26,309,600,000 and are as follows:

| | 2010 |
|---|-------------|
| County Tax Rate (Per \$100 of Assessment) | \$ 0.936 |
| State Tax Rate (Per \$100 of Assessment) | \$ 0.112 |

Source: Frederick County Treasurer's Office.

The actual assessed value of taxable property for fiscal year 2010 is \$26,282,700,546.

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The following table lists the 20 largest taxpayers in Frederick County and the assessment of their property for fiscal year 2009:

| <u>Name of Taxpayer</u> | <u>Assessment</u> | <u>Percentage of Total County Taxable Assessments</u> |
|---|-------------------|---|
| Potomac Edison Company | \$ 130,151,790 | 0.52 % |
| Verizon-Maryland | 92,337,770 | 0.37 |
| PR Financing Limited Partnership | 70,397,032 | 0.28 |
| State Farm Mutual Auto Insurance | 45,746,800 | 0.18 |
| Writ Frederick Crossing Land LLC | 39,573,666 | 0.16 |
| Washington Gas Light Company | 37,707,750 | 0.15 |
| River X, LLC | 36,535,066 | 0.15 |
| Aldi, Inc. | 36,399,900 | 0.15 |
| Westview Corporate Center, Inc. | 35,856,500 | 0.14 |
| Fannie Mae | 33,725,966 | 0.14 |
| Toys R Us, Inc. | 32,415,232 | 0.13 |
| Frederick Westview Properties LLC | 32,331,532 | 0.13 |
| Frederick Partners, LLC | 31,747,400 | 0.13 |
| SP Joma Corp | 28,460,366 | 0.11 |
| Buckingham's Choice, Inc. | 27,654,200 | 0.11 |
| Westfreit Corp | 26,468,200 | 0.11 |
| Wellington Trace Apartments LLC | 26,338,166 | 0.11 |
| ABP MD (Baltimore) LLC | 26,180,132 | 0.10 |
| Ace, LLC | 23,769,800 | 0.10 |
| ASN Sunset, LLC | 23,597,166 | 0.09 |
| Total | \$ 837,394,434 | 3.36 % |

Source: Frederick County Treasurer's Office.

Tax Levies and Collections

Property taxes are levied as of July 1. Effective July 1, 2000, taxes on owner-occupied residential real property may be paid in two installments: one by September 30, and one by December 31. Discounts for timely payments are allowed through August 31 and taxes due and not paid by September 30 are subject to interest and penalties at a rate of 1% per month for each month or fraction thereof that taxes remain unpaid. Tax liens on real property are sold at public auction the second Monday in May when taxes have remained delinquent during the current fiscal year.

The County bills and collects its own property taxes and those of the State and municipalities. County property tax revenues are recognized when levied to the extent that they result in current receivables. State and municipality property taxes collected are remitted to the State and municipalities.

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The following table sets forth certain information with respect to the County's tax levies and tax collections for each of the five most recent fiscal years:

| Total Tax Levy | Current Year's Taxes Collected in Year of Levy | | Total Taxes Collected (Current and Delinquent) Amount | Taxes Receivable | | Taxes Receivable as a % of Current Year's Tax Levy |
|-------------------|--|----------------|--|---------------------|------------|---|
| | Amount | Percentage | | Receivable | | |
| 2009 | \$ 226,161,319 | \$ 225,751,007 | 99.8% | \$ 225,751,007 | \$ 410,312 | 0.100% |
| 2008 | 205,536,246 | 205,408,797 | 99.9 | 205,483,852 | 52,394 | 0.250 |
| 2007 | 184,128,227 | 183,777,116 | 99.8 | 184,104,283 | 23,944 | 0.013 |
| 2006 | 171,507,323 | 171,182,698 | 99.8 | 171,490,056 | 17,267 | 0.010 |
| 2005 | 166,942,849 | 166,492,845 | 99.7 | 166,941,230 | 1,619 | 0.001 |

Source: Frederick County Treasurer's Office.

Income Tax

The State imposes an income tax on the adjusted gross income of individuals for the federal income tax purposes, subject to certain adjustments. Effective January 1, 2008, the personal State income tax rate is graduated up to 6.25%. Each county and Baltimore City must levy a local income tax at the rate of at least 1% of Maryland taxable income, but not in excess of 3.20%. The County's income tax rate is 2.96%, and has been the same since 2002. The County does not levy a local income tax on corporations. Local income tax was budgeted at \$163,282,000 for fiscal year 2009 and the fiscal year income tax was \$158,356,951.

Other Local Taxes

In addition to property taxes and income taxes, the County levies and collects miscellaneous taxes, the largest of which is the recordation tax on instruments conveying title to property and securing debt. Budgeted revenues from this tax in fiscal year 2009 are \$25,489,281 (including General Fund revenues of \$13,250,000) as compared to actual revenues for fiscal year 2009 of \$20,279,235 (including General Fund revenues of \$10,415,103).

State and Federal Financial Assistance

The County receives grants from the Federal and State governments for use in the General, Special Revenue, and Capital Projects Funds. In addition, the Board of Education, Frederick Community College, and the Frederick County Public Libraries receive grants directly from the Federal and State government.

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Water and Sewer Enterprise Fund

Water and sewer user charges are recorded when earned and expenses are recognized when they are incurred based on the accrual basis of accounting. Unpaid water and sewer user charges are a lien on the real property served and are collectible in the same manner as real property taxes.

With the closure of Eastalco Aluminum, a primary aluminum smelter, the County's largest water system customer is now the City of Frederick. The Eastalco water capacity has been reallocated and resold to other users. The County has already reallocated portions of the Eastalco capacity to a major pharmaceutical manufacturing facility located in the City of Frederick (MedImmune). In April 2008 the DUSWM notified the City of Frederick that 1.5 MGD of water capacity was available through the PRWSA as a result of the first phase completion of the New Design Road WTP. The County has also been working with Fort Detrick on a water supply alternative that could provide the Fort with water from the County's Potomac River water supply system. The County's engineering consultant completed an interconnection study to evaluate options that may be used to directly, or indirectly, supply water to Fort Detrick. The indirect supply option involves using the City of Frederick water distribution; the City is currently evaluating this concept.

Prior to fiscal year 2002, water and sewer connection fees (also referred to as tap fees, capacity charges or capital recovery charges) were recorded when received as contributed capital. Effective with fiscal year 2002 and with implementation of GASB 33, these fees were recorded as capital contributions to the Water Sewer Enterprise Fund and reported on the Statement of Revenues, Expenses and Changes in Fund Net Assets after Net Income (Loss) before contributions and transfers. Also included in capital contributions is the cost of developer funded capital projects. For fiscal year 2009, the Water and Sewer Enterprise Fund reported \$10,135,900 of connection fees and \$22,126,684 in developer contributions for a total capital contribution of \$32,262,584. Overall for fiscal year 2009, net assets increased \$28,098,233 consisting of (\$4,117,927) in net loss, \$32,262,584 in capital contributions and (\$46,424) in transfers.

Per GASB 34 requirements, the Water and Sewer Enterprise Fund reported total Net Assets of \$360,464,013 for fiscal year 2009. Of this amount, \$291,992,927 was invested in capital assets, net of related debt, and \$68,471,086 was unrestricted.

The current schedule of rates and charges for water and sewer service became effective on May 1, 2001, which included a programmed increase in the rates over a period of several years.

The following table summarizes the revenues and expenses of the Water and Sewer Enterprise Fund for the five most recent fiscal years:

Water and Sewer Enterprise Fund Revenues and Expenses

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|-----------------------|---------------------|---------------------|---------------------|---------------------|
| Operating revenues | | | | | |
| Water and sewer charges | \$ 20,233,419 | \$ 19,464,032 | \$ 19,237,028 | \$ 19,859,068 | \$ 18,754,046 |
| Delinquent Fees | 58,564 | 52,398 | 46,523 | 44,165 | 36,916 |
| Other sources | 424,917 | 363,305 | 367,526 | 411,795 | 386,858 |
| Total operating revenues..... | <u>20,716,900</u> | <u>19,879,735</u> | <u>19,651,077</u> | <u>20,315,028</u> | <u>19,177,820</u> |
| Operating expenses | | | | | |
| Personnel services | 8,545,477 | 7,856,334 | 6,580,328 | 6,372,762 | 6,377,460 |
| Operating expenses | 6,482,768 | 6,225,715 | 5,761,763 | 4,860,792 | 4,425,632 |
| Supplies..... | 735,710 | 691,942 | 1,002,178 | 1,141,299 | 430,894 |
| Repairs and maintenance | 1,503,916 | 1,844,752 | 1,643,501 | 1,592,781 | 1,237,206 |
| Depreciation expense | 6,738,461 | 5,941,067 | 5,465,600 | 5,018,547 | 4,769,263 |
| Total operating expenses | <u>24,006,332</u> | <u>22,559,810</u> | <u>20,453,370</u> | <u>18,986,181</u> | <u>17,240,455</u> |
| Operating income (loss) | <u>(3,289,432)</u> | <u>(2,680,075)</u> | <u>(802,293)</u> | <u>1,328,847</u> | <u>1,937,365</u> |
| Nonoperating revenues (expenses) | | | | | |
| Investment income..... | 3,111,060 | 4,918,199 | 5,320,135 | 2,770,005 | 2,120,888 |
| Miscellaneous Income (expense) | (386,348) | 987,750 | 593,451 | 560,608 | 446,317 |
| Interest expense | (3,364,201) | (3,323,929) | (2,706,660) | (2,680,994) | (2,774,828) |
| Gain (Loss) on disposition of capital assets | (189,006) | (270,784) | (14,510) | (296,145) | - |
| Total nonoperating revenues (expenses) | <u>(828,495)</u> | <u>2,311,236</u> | <u>3,192,416</u> | <u>353,474</u> | <u>(207,623)</u> |
| Income (Loss) Before Capital Contributions and Transfers | <u>\$ (4,117,927)</u> | <u>\$ (368,839)</u> | <u>\$ 2,390,123</u> | <u>\$ 1,682,321</u> | <u>\$ 1,729,742</u> |

Source: Frederick County Finance Division.

Solid Waste Management Enterprise Fund

As of July 1, 1989, the Solid Waste Management Enterprise Fund was established to account for the operations of the County landfill and future solid waste activities. Revenues from user fees are the primary source of funds for operations, debt service payments and capital projects.

Landfill user charges (tipping fees) are recorded as revenues when billed. Unpaid tipping fees are assessed interest at the rate of 1% per month and access is denied to landfill users whose accounts are over 60 days past due.

The following table summarizes the revenues and expenses of the Solid Waste Management Enterprise Fund for the five most recent fiscal years:

Solid Waste Management Enterprise Fund Revenues and Expenses

| | 2009 | 2008 | 2007 | 2006 | 2005 |
|--|---------------------|---------------------|-----------------------|-----------------------|---------------------|
| Operating revenues | | | | | |
| Tipping fee charges | \$ 14,371,408 | \$ 15,356,147 | \$ 14,766,820 | \$ 14,992,001 | \$ 11,253,075 |
| System Benefit Charges | 8,699,288 | 3,872,617 | 2,436,312 | - | - |
| Delinquent fees..... | 70,058 | 57,962 | 52,713 | 36,959 | 53,240 |
| Total operating revenues..... | <u>23,140,754</u> | <u>19,286,726</u> | <u>17,255,845</u> | <u>15,028,960</u> | <u>11,306,315</u> |
| Operating expenses | | | | | |
| Personnel services | 2,605,492 | 2,211,367 | 1,681,958 | 1,538,386 | 1,343,042 |
| Operating expenses..... | 4,002,614 | 1,697,023 | 3,561,577 | 5,334,795 | 6,340,226 |
| Supplies..... | 3,083,987 | 55,932 | 33,297 | 52,055 | 58,736 |
| Repairs and maintenance..... | 245,169 | 157,131 | 207,091 | 193,105 | 244,555 |
| Transfer Expense | 10,039,156 | 11,555,116 | 13,947,361 | 7,438,045 | - |
| Depreciation expense | <u>1,324,493</u> | <u>1,563,947</u> | <u>340,184</u> | <u>2,053,365</u> | <u>3,407,975</u> |
| Total operating expenses | <u>21,300,911</u> | <u>17,240,516</u> | <u>19,771,468</u> | <u>16,609,751</u> | <u>11,394,534</u> |
| Operating income (loss) | <u>1,839,843</u> | <u>2,046,210</u> | <u>(2,515,623)</u> | <u>(1,580,791)</u> | <u>(88,219)</u> |
| Nonoperating revenues (expenses) | | | | | |
| Investment earnings | 1,016,119 | 1,582,816 | 1,920,413 | 1,338,113 | 696,820 |
| Miscellaneous income (expense) | - | (2,484,382) | 902 | 2,543 | - |
| Interest expense | (1,328,849) | (1,329,636) | (925,240) | (1,046,353) | (1,003,595) |
| Gain (loss) on disposition of capital assets | <u>33,250</u> | <u>1,820</u> | <u>35,000</u> | <u>53,201</u> | <u>(24,971)</u> |
| Total nonoperating revenues (expenses) | <u>(279,480)</u> | <u>(2,229,382)</u> | <u>1,031,075</u> | <u>347,504</u> | <u>(331,746)</u> |
| Net income (loss) before capital contributions and transfers..... | <u>\$ 1,560,363</u> | <u>\$ (183,172)</u> | <u>\$ (1,484,548)</u> | <u>\$ (1,233,287)</u> | <u>\$ (419,965)</u> |

Source: Frederick County Finance Division.

An increase in the system benefit charge rates in fiscal year 2009 increased revenues by \$4.8 million over fiscal year 2008. The expansion of the curbside recycling program and purchase of 64,000 carts increased supplies and operating expenses in fiscal year 2009.

The implementation of the System Benefit Charge in fiscal year 2007 resulted in increased operating revenues. The fiscal year 2007 increase in total operating expenses is due to 12 months of contracted waste transfer operations. The increased transfer expense is partially offset by decreased depreciation and closure expense realized by not landfilling while awaiting completion of Cell 3.

The fiscal year 2006 increase in operating revenues was the result of the adoption of a revised tip fee schedule on July 1, 2005 to address the increased operating expenses attributed to the contracted waste transfer operations that began December 12, 2005.

The fiscal year 2005 increase in operating expenses is attributed to an increase in the closure cost of Site B.

CERTAIN DEBT INFORMATION

Bonded Indebtedness of the County

The County may not issue general obligation bonds unless specific enabling legislation is passed by the Maryland General Assembly. In addition to the Bonds, the County has been authorized by the General Assembly to, among other things, (i) issue temporary notes during any single year in an amount up to \$100,000 to pay debt service on bonded indebtedness and \$5,000,000 to pay any expenses or obligations of the County, (ii) incur debt for the purpose of providing funds for the construction of water, sewerage, drainage systems and solid waste systems, as long as the amount issued, less any sinking funds or reserves to pay such bonds, does not exceed 6% of the valuation of all legally assessable property within Frederick County subject to unlimited County taxation, (iii) incur debt for the purposes of providing funds for the construction and improvement of public schools per Sections 5.601- 5.604 of the Education Volume of the Annotated Code of Maryland (2004 Replacement Volume, 2005 Supp.) as amended, and (iv) issue bonds in an amount up to \$75,481,022. This represents remaining authority under Chapter 382 of the Laws of Maryland of 2007, which is equal to the authorization remaining prior to the issuance of the Bonds. The County is not subject to any general debt limitations with regard to its issuance of general obligation bonds other than water, sewer, drainage system and solid waste bonds and other specific types of bonds which are authorized to be issued under certain provisions of the Maryland Code, but any debt limitation which would be applicable to a particular issue of bonds would be contained within the enabling legislation enacted by the General Assembly of the State.

Any indebtedness authorized by the General Assembly may not be issued until a resolution authorizing the same has been adopted by the Board.

Except as described in "COUNTY GOVERNMENT AND ADMINISTRATION - Leases and Other Contracts", the County is not a party to any long-term leases, lease-purchase obligations, joint ventures, guaranteed debt, "moral obligation" indebtedness, output or supply contracts, take or pay or similar contracts or any other form of contingency indebtedness that does not appear on its balance sheet.

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The following table sets forth the projected amount of the County's long-term general obligation bonded indebtedness issued and outstanding as of June 30, 2010:

**Schedule of Long-Term Loans and Bonded Indebtedness
Issued and Outstanding
Projected As of June 30, 2010 (Excluding proposed issue)**

| | Date of Debt Issue | Date of Debt Maturity | Amount of Original Issue | Amount Outstanding 6/30/2010 |
|---|-----------------------|-----------------------------|------------------------------|------------------------------------|
| General Government Debt | | | | |
| US Environmental Protection Agency Loan | 4/17/1992 | 11/30/2011 | \$ 1,370,471 | \$ 114,206 |
| MD Retirement Note Payable | 6/30/1993 | 12/31/2013 | 7,388,271 | 2,325,123 |
| MD Industrial Land Act Loan - Dan Jay LLC (2) | 2/11/1994 | 2/11/2021 | 630,000 | 370,773 |
| MD Industrial Land Act Loan - Trading Lane (State Farm) (2) | 6/23/1995 | 6/23/2022 | 181,059 | 112,016 |
| Public Facilities Refunding Bonds of 1998, Series A (1) | 10/15/1998 | 7/1/2015 | 19,346,419 | 12,063,503 |
| Public Facilities GO Bonds of 2000 (6) | 11/15/2000 | 12/1/2010 | 52,815,000 | 2,457,364 |
| Public Facilities Refunding Bonds of 2002, Series A (4) | 4/1/2002 | 7/1/2016 | 13,999,267 | 3,736,856 |
| Public Facility GO Bonds of 2002 (7) | 11/1/2002 | 11/1/2022 | 38,200,000 | 15,255,234 |
| Public Facilities & Refunding Bonds of 2003 (5) | 9/1/2003 | 8/1/2018 | 41,788,860 | 24,131,660 |
| Public Facility Refunding Bonds of 2005 (6) | 5/1/2005 | 8/1/2020 | 91,781,972 | 90,861,972 |
| Public Facilities Bonds of 2005 | 11/15/2005 | 12/1/2020 | 70,350,000 | 54,948,905 |
| Public Facility and Refunding Bonds of 2006 (7) | 2/1/2006 | 11/1/2022 | 12,608,476 | 12,608,476 |
| Public Facilities Bonds of 2007 | 5/15/2007 | 6/1/2027 | 49,856,000 | 44,614,283 |
| Public Facilities Bonds of 2008 | 6/15/2008 | 6/1/2028 | 61,055,000 | 56,613,168 |
| Public Facilities Bonds of 2010A | 1/26/2010 | 2/1/2020 | 47,213,456 | 47,213,456 |
| Public Facilities Bonds of 2010B | 1/26/2010 | 2/1/2020 | 71,261,044 | 71,261,044 |
| Installment Purchase Agreements | VARIOUS | VARIOUS | 47,843,757 | 47,843,757 |
| Total General Government Debt | | | 627,689,052 | 486,531,796 |
| Less: Installment Purchase Agreements | | | 47,843,757 | 47,843,757 |
| Less: Notes Payable | | | 9,569,801 | 2,922,118 |
| Total Serial Bond General Government Debt..... | | | <u>570,275,494</u> | <u>435,765,921</u> |
| Proprietary Fund Debt (3) | | | | |
| MDE Loan - 93A - Ballenger WWTP | VAR | 2/1/2014 | 1,853,072 | 384,747 |
| MDE Loan - 93A - Leachate Plant Stormwater-Site A Closure | VAR | 2/1/2014 | 12,073,180 | 3,081,099 |
| MDE Loan - 94A - New Market WWTP | VAR | 2/1/2016 | 1,559,719 | 617,744 |
| MDE Loan - 99-Reichs Ford Site A Closure #2 | VAR | 2/1/2019 | 3,914,206 | 1,984,810 |
| MDE Loan - 99-Adamstown Pump Station/New Design Force Main | VAR | 2/1/2019 | 1,457,559 | 746,217 |
| MDE Loan - 99-Lake Linganore Intake Structure | VAR | 2/1/2019 | 2,021,568 | 1,066,214 |
| MDE Loan - 99-Braddock Hts / Fountaintdale WTP | VAR | 2/1/2019 | 1,089,757 | 574,759 |
| MDE Loan - 99B - Braddock Hts/Fountaintdale WTP(2nd loan) | VAR | 2/1/2020 | 4,592,849 | 2,262,913 |
| MDE Loan - 99C-East County Water Distribution | VAR | 2/1/2021 | 2,924,539 | 1,918,294 |
| MDE Loan - 02-Buckeyestown Sewage Conveyance System | VAR | 2/1/2019 | 2,829,246 | 1,559,162 |
| MDE Loan - 05-Ballenger WWTP (Refunding of 92A loan) (8) | 8/1/2006 | 2/1/2014 | 5,828,993 | 2,869,860 |
| MDE Loan - 06 SW Rubblefill Cap / Cell 3 Liner | 1/12/2006 | 2/1/2026 | 7,280,505 | 5,937,948 |
| MDE Loan - 09 Ballenger-McKinney WWTP ENR Exp (9)..... | 12/18/2009 | 2/1/2032 | 67,000,000 | |
| Public Facilities Refunding Bonds of 1998, Series A (1) | 10/15/1998 | 7/1/2015 | 9,143,581 | 5,701,499 |
| Public Facilities GO Bonds of 2000 (6) | 11/15/2000 | 12/1/2010 | 19,185,000 | 892,636 |
| Public Facilities Refunding Bonds of 2002, Series A (4) | 4/1/2002 | 7/1/2016 | 8,590,733 | 2,293,144 |
| Public Facility GO Bonds of 2002 (7) | 11/1/2002 | 11/1/2022 | 23,500,000 | 9,384,765 |
| Public Facilities and Refunding Bonds of 2003 (5) | 9/1/2003 | 8/1/2018 | 7,216,140 | 3,258,340 |
| Public Facility Refunding Bonds of 2005 (6) | 5/1/2005 | 8/1/2020 | 15,233,028 | 15,233,028 |
| Public Facilities Bonds of 2005 | 11/15/2005 | 12/1/2020 | 31,970,000 | 24,971,095 |
| Public Facility and Refunding Bonds of 2006 (7) | 2/1/2006 | 11/1/2022 | 7,756,524 | 7,756,524 |
| Public Facilities Bonds of 2007 | 5/15/2007 | 6/1/2027 | 42,024,000 | 37,605,717 |
| Public Facilities Bonds of 2008 | 6/15/2008 | 6/1/2028 | 18,325,000 | 16,991,832 |
| Public Facilities Bonds of 2010A | 1/26/2010 | 2/1/2020 | 12,491,544 | 12,491,544 |
| Public Facilities Bonds of 2010B | 1/26/2010 | 2/1/2020 | 18,853,956 | 18,853,956 |
| Total Proprietary Debt | | | 328,714,699 | 178,437,847 |
| Less: MDE Loans | | | 114,425,193 | 23,003,767 |
| Total Serial Bond Proprietary Debt | | | <u>214,289,506</u> | <u>155,434,080</u> |
| Total Serial Bond Long-Term Indebtedness | | | <u><u>\$ 784,565,000</u></u> | <u><u>\$ 591,200,001</u></u> |

- (1) In fiscal year 1999, the County defeased the Public Facilities Bonds of 1995 by placing the proceeds of the new bonds, Public Facilities Refunding Bonds of 1998, Series A, in an irrevocable trust to provide for debt service payments on the old bonds, due in the year 2006 and later subject to a call provision and call premium of 1%. Accordingly, the trust account assets and liability for the defeased bonds are not included in the County's financial statements.
- (2) The proceeds of the loans in the original amounts of \$630,000 and \$181,058 under the Maryland Industrial Land Act ("MILA"), Article 83A, Section 5-401 *et. seq.* of the Annotated Code of Maryland, were reloaned to a certain private users to assist in the financing of the acquisition of certain industrial land in Frederick County. Although it is expected that said loans will be repaid by payments made by the private user, the loans are backed by the full faith and credit of the County.
- (3) Proprietary Fund debt service is funded by user charges in the appropriate fund (Water and Sewer or Solid Waste Management), although the debt is a general obligation of the County.
- (4) The County issued \$22,590,000 Public Facilities Refunding Bonds of 2002, Series A on 4/01/02 to refund callable maturities of the County's General Obligation Facilities Bonds of 1993.
- (5) The County issued \$49,005,000 Public Facilities Refunding Bonds of 2003 on 9/1/03 to refund callable maturities of the County's Public Facilities Bonds of 1993 (B) and 1993 (C) and provide new money to fund capital projects.
- (6) The County issued \$107,015,000 Public Facilities Refunding Bonds of 2005 on 5/1/05 to refund callable maturities of the County's Public Facilities Bonds of 1999 and 2000 and 1997 Bond Anticipation Notes, 2nd series.
- (7) The County issued \$20,365,000 Public Facilities Bonds of 2006 on 02/01/06 to refund callable maturities of the County's Public Facilities Bonds of 2002.
- (8) The County refinanced the 1992A MDE loan for the Ballenger Wastewater Treatment Plant.
- (9) Amount outstanding at June 30, 2010 excludes December 2009 draw of \$3,179,067 and estimated draws of \$7,000,000 to be made prior to June 30, 2010.

Maryland Department of the Environment Loans

The Department of the Environment of the State of Maryland ("MDE") through the Maryland Water Quality Financing Administration, makes funds available to local governments at below market interest rates for certain water quality and drinking water projects. Proceeds of the loans are dispersed to the County as draws according to construction payments.

The County has been a participant in the MDE's loan program since fiscal year 1992. As of June 30, 2009, the County has authorized and approved borrowings in an aggregate principal amount of \$24,083,096 for nine water and sewer loans. The County has also authorized and approved borrowings in an aggregate principal amount of \$23,083,532 for three solid waste loans. The outstanding principal on these MDE loans as of June 30, 2009 is \$ 25,873,688. These loans have interest rates of 1.00 – 4.56%.

The County closed on a loan in the amount of \$67 million for the Water and Sewer Enterprise fund on December 18, 2009. This loan will fund the construction of the Ballenger McKinney ENR Wastewater Treatment Plant Expansion project.

Maryland Industrial Land Act Loans

The County has an outstanding loan from the Department of Business and Economic Development of the State ("DBED") in the original amount of \$630,000 under the Maryland Industrial Land Act, Article 83A, Section 5-401 *et. seq.* of the Maryland Code. The outstanding balance of this loan as of June 30, 2010 is \$370,773. The proceeds of this loan have been reloaned by the County to a private user to assist in the financing of the acquisition of certain industrial land and shell buildings in Frederick County. It is anticipated that the repayment of this loan by the private user will generate sufficient moneys for the County to repay DBED; however, the loan is a full faith and credit obligation of the County. A loan in the amount of \$181,058 has also been received under the program and granted to a private user to assist in the financing of certain street and site improvements in Frederick County. The loan is a full faith and credit obligation of the County. The outstanding balance of this loan as of June 30, 2010 is \$112,016.

United States Environmental Protection Agency

On April 17, 1992, the County entered into a loan agreement with the United States Environmental Protection Agency. These funds were provided in accordance with the provisions of the Asbestos School Hazard Abatement Reauthorization Act of 1990, 20 U.S.C. 4011 *et. seq.*, for the purpose of removing asbestos from Frederick County public schools. The original amount of this loan was \$1,370,471, and the balance due as of June 30, 2010 is \$114,206. This is a non-interest bearing note. Semi-annual principal payments of \$38,069 are required with a final payment due on November 30, 2011.

Maryland State Pension Plan

See "COUNTY GOVERNMENT AND ADMINISTRATION – Retirement and Pension Programs – Plan Descriptions - Cost Sharing Multiple Employer Pension Plans herein."

Other Loans and Bonds

The County issued taxable 8.16%, \$1,890,094, and 7.20%, \$1,090,000 Tax Increment Financing Bonds due serially through fiscal year to finance part of the infrastructure needed in the Dudrow Industrial Park Lot Two and Center Park Development Districts. The County issued a tax exempt 4.08%, \$300,000 Tax Increment Financing Bond due serially through fiscal year 2010 to finance part of the infrastructure in the Dudrow Industrial Park Lot Three Development District. The debt is a special obligation of the County. The County surrenders its tax revenues on the incremental increase in property taxes within the districts to pay the debt service on the bonds. Cash and the related liability to bondholders are accounted for in an Agency Fund.

The County issued special obligation bonds on November 6, 1998 for the Urbana Community Development Authority in the amount of \$30,000,000 and January 18, 2001 for the Villages of Lake Linganore Community Development Authority in the amount of \$6,730,000. The bonds were for infrastructure costs related to the respective Authorities. Neither the full faith and credit nor the general taxing power of the County is pledged to the payment of these special obligation bonds. The bonds are secured by special taxes levied on the property within the respective Authority. The County has issued a second series of bonds for the Urbana Community Development Authority. Parity bonds in the principal amount of \$26,513,000 and subordinate bonds in the amount of \$6,461,000 were issued on April 1, 2004. On September 20, 2007, the 2001 Villages of Lake Linganore Community Development Authority Bonds were refunded by two series of taxable bonds in the amounts of \$3,114,000 and \$3,232,142 designated Frederick County, Maryland Special Obligation Bonds (“Villages of Lake Linganore Community Development Authority”) Series 2007 and Series 2007B. On October 4, 2006, authorization was granted for an additional \$100,000,000 of bonds to refinance existing Urbana CDA issues and issue new debt. To date no bonds have been issued for this authorization. The County has authorized a Community Development Authority district for the Aspen North area of the County. While taxes have been levied on the Aspen North properties, debt has not yet been issued.

The County is using the Bell Court Apartment project as residential rental units for lower income households. The deed of trust deferred all principal and interest payments to the Department of Housing and Community Development of the State of Maryland (DHCD), which loaned funds for the construction project, in perpetuity, provided contractual responsibilities were followed. Should the County cease to use the project for this purpose or refinance, sell, transfer or convey the project, the County would be obligated to DHCD for the principal and interest amount of the loan and other specified costs. The principal, interest and associated costs would also become immediately due if any encumbrance is placed upon the project without the prior written consent of DHCD or in the event of default as defined in the deed of trust. The principal amount of the loan is \$1,813,056.

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Summary of Debt Service Requirements

The following tables illustrate the County's schedules of projected debt service requirements for outstanding long-term obligations as of June 30, 2010.

Summary of Debt Service Requirements for Outstanding Long-Term Loans and Bonds (1)(3)

| Fiscal Year | General Government Debt(2) | | Proprietary Debt(4) | | Total Long-Term Indebtedness | | Total Indebtedness |
|-------------|----------------------------|----------------|---------------------|---------------|------------------------------|----------------|-----------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | |
| 2011 | \$ 27,453,058 | \$ 22,492,446 | \$ 13,175,153 | \$ 7,754,846 | \$ 40,628,211 | \$ 30,247,292 | \$ 70,875,503 |
| 2012 | 29,034,626 | 21,260,597 | 13,397,958 | 7,229,531 | 42,432,584 | 28,490,128 | 70,922,712 |
| 2013 | 29,581,795 | 20,078,143 | 12,479,577 | 6,749,318 | 42,061,372 | 26,827,461 | 68,888,833 |
| 2014 | 29,242,881 | 18,889,306 | 12,756,550 | 6,288,893 | 41,999,431 | 25,178,199 | 67,177,630 |
| 2015 | 32,674,649 | 17,581,999 | 11,529,799 | 5,674,997 | 44,204,448 | 23,256,996 | 67,461,444 |
| 2016 | 33,475,693 | 16,029,728 | 12,001,414 | 5,157,442 | 45,477,107 | 21,187,170 | 66,664,277 |
| 2017 | 35,163,390 | 14,553,117 | 11,253,864 | 4,638,047 | 46,417,254 | 19,191,164 | 65,608,418 |
| 2018 | 31,521,799 | 12,790,194 | 11,253,738 | 4,164,200 | 42,775,537 | 16,954,394 | 59,729,931 |
| 2019 | 33,412,148 | 11,294,673 | 11,287,297 | 3,639,857 | 44,699,445 | 14,934,530 | 59,633,975 |
| 2020 | 33,442,218 | 9,759,016 | 11,225,256 | 3,093,491 | 44,667,474 | 12,852,507 | 57,519,981 |
| 2021 | 25,576,164 | 8,320,702 | 11,291,842 | 2,603,732 | 36,868,006 | 10,924,434 | 47,792,440 |
| 2022 | 17,046,428 | 7,392,111 | 7,141,001 | 2,189,949 | 24,187,429 | 9,582,060 | 33,769,489 |
| 2023 | 21,732,249 | 6,716,068 | 7,404,949 | 1,877,256 | 29,137,198 | 8,593,324 | 37,730,522 |
| 2024 | 17,450,667 | 5,661,511 | 5,894,824 | 1,592,690 | 23,345,491 | 7,254,201 | 30,599,692 |
| 2025 | 17,807,067 | 4,746,400 | 6,116,315 | 1,321,483 | 23,923,382 | 6,067,883 | 29,991,265 |
| 2026 | 16,058,772 | 3,781,759 | 6,351,307 | 1,036,039 | 22,410,079 | 4,817,798 | 27,227,877 |
| 2027 | 18,237,857 | 3,024,852 | 6,192,713 | 723,159 | 24,430,570 | 3,748,011 | 28,178,581 |
| 2028 | 17,037,482 | 2,115,210 | 3,348,185 | 431,994 | 20,385,667 | 2,547,204 | 22,932,871 |
| 2029 | 12,228,274 | 1,260,366 | 2,125,685 | 254,725 | 14,353,959 | 1,515,091 | 15,869,050 |
| 2030 | 8,354,579 | 488,743 | 2,210,420 | 129,310 | 10,564,999 | 618,053 | 11,183,052 |
| Total | \$ 486,531,796 | \$ 208,236,941 | \$ 178,437,847 | \$ 66,550,959 | \$ 664,969,643 | \$ 274,787,900 | \$ 939,757,543 |

(1) For an explanation of this obligation, see "CERTAIN DEBT INFORMATION".

(2) Includes debt supported by impact fees and fire tax revenues. Also includes installment purchase agreements supported by recordation taxes.

(3) Does not include bonds offered herein.

(4) Excludes the amortization of the estimated \$10,179,067 draws on the \$67,000,000 MDE loan which closed on December 18, 2009. No interest will be paid on the draws in fiscal year 2010.

Source: Frederick County Finance Division.

Schedule of Debt Service Requirements

As Adjusted to Reflect the Issuance of the Bonds As of June 30, 2010

| Fiscal Year | Total Outstanding Debt Service | LESS: | | Series 2010C (Refunding Bonds) | | Total Adjusted Debt Service(2) |
|---------------|--------------------------------------|----------------------------|------------------------|-----------------------------------|----------------------|--------------------------------------|
| | | Refunded Debt Principal | Service Interest | Principal | Interest(1) | |
| 2011 | \$ 70,875,503 | \$ - | \$ (1,895,441) | \$ 4,565,000 | \$ 3,442,837 | \$ 76,987,899 |
| 2012 | 70,922,712 | (6,045,000) | (3,639,756) | 6,580,000 | 2,997,450 | 70,815,406 |
| 2013 | 68,888,833 | (6,245,000) | (3,332,506) | 6,675,000 | 2,798,625 | 68,784,952 |
| 2014 | 67,177,630 | (6,460,000) | (3,014,881) | 6,840,000 | 2,561,700 | 67,104,449 |
| 2015 | 67,461,444 | (6,685,000) | (2,719,681) | 7,055,000 | 2,283,800 | 67,395,563 |
| 2016 | 66,664,277 | (6,930,000) | (2,412,731) | 7,250,000 | 1,997,700 | 66,569,246 |
| 2017 | 65,608,418 | (7,190,000) | (2,059,731) | 7,490,000 | 1,665,450 | 65,514,137 |
| 2018 | 59,729,931 | (7,465,000) | (1,693,356) | 7,775,000 | 1,283,825 | 59,630,400 |
| 2019 | 59,633,975 | (7,750,000) | (1,312,981) | 8,085,000 | 887,325 | 59,543,319 |
| 2020 | 57,519,981 | (8,055,000) | (917,856) | 8,365,000 | 559,725 | 57,471,850 |
| 2021 | 47,792,440 | (8,380,000) | (548,881) | 8,685,000 | 217,125 | 47,765,684 |
| 2022 | 33,769,489 | (8,715,000) | (190,641) | | | 24,863,848 |
| 2023 | 37,730,522 | - | - | | | 37,730,522 |
| 2024 | 30,599,692 | - | - | | | 30,599,692 |
| 2025 | 29,991,265 | - | - | | | 29,991,265 |
| 2026 | 27,227,877 | - | - | | | 27,227,877 |
| 2027 | 28,178,581 | - | - | | | 28,178,581 |
| 2028 | 22,932,871 | - | - | | | 22,932,871 |
| 2029 | 15,869,050 | - | - | | | 15,869,050 |
| 2030 | 11,183,052 | - | - | | | 11,183,052 |
| TOTALS | \$ 939,757,543 | \$(79,920,000) | \$ (23,738,444) | \$ 79,365,000 | \$ 20,695,562 | \$ 936,159,661 |

(1) Interest rates range from 2.00% to 5.00%.

(2) Totals may not add due to rounding.

The following table sets forth the County's general obligation long-term debt (including installment purchase agreements and debt supported primarily by impact fees and fire tax revenues) per capita and ratio of debt to assessment for the five most recent fiscal years:

| Fiscal Year | General Government Debt | | Property Tax Assessment | Debt to Assessment | | Population(1) | Debt Per Capita |
|-------------|-------------------------------|----|----------------------------|-----------------------|---|---------------|-----------------------|
| | | | | | % | | |
| 2009 | \$ 386,149,588 | \$ | 24,946,718,280 | 1.55 | % | 234,400 | \$ 1,647 |
| 2008 | 407,414,731 | | 22,890,426,587 | 1.78 | | 232,700 | 1,751 |
| 2007 | 360,030,133 | | 20,520,738,911 | 1.75 | | 231,100 | 1,558 |
| 2006 | 317,942,554 | | 18,563,200,231 | 1.71 | | 228,900 | 1,389 |
| 2005 | 257,417,883 | | 16,233,905,646 | 1.58 | | 223,000 | 1,154 |

(1) Population estimate as per the Frederick County Division of Planning.
Source: Frederick County Finance Division.

The following table sets forth the County's General Fund debt service as a percentage of General Fund revenues for each of its five most recent fiscal years:

| Fiscal Year | General Fund Revenues | Debt Service Expenditures | Percentage |
|--------------------|------------------------------|----------------------------------|-------------------|
| 2009..... | \$ 435,797,502 | \$ 30,866,297 | 7.08 % |
| 2008..... | 426,983,840 | 28,348,145 | 6.64 |
| 2007..... | 411,291,876 | 25,734,820 | 6.26 |
| 2006..... | 386,419,793 | 20,515,215 | 5.31 |
| 2005..... | 356,645,419 | 23,654,306 | 6.63 |

Source: Frederick County Finance Division.

Rapidity of Debt Amortization (Excluding Proposed Issue)

| Number of Years | Principal Retired | Percent of Debt Retired |
|------------------------|--------------------------|--------------------------------|
| 5 | \$ 211,326,046 | 31.8% |
| 10..... | 435,362,863 | 65.5 |
| 15..... | 572,824,369 | 86.1 |
| 18..... | 664,969,643 | 100.0 |

The following table sets forth the computation of direct and overlapping governmental activities debt of the municipalities within Frederick County as of June 30, 2009:

| Jurisdiction | Debt Outstanding (1) | Estimated Percentage Applicable | Estimated Share of Direct and Overlapping Debt |
|-----------------------------------|-----------------------------|--|---|
| Brunswick | \$ 138,110 | 100% | \$ 138,110 |
| Emmitsburg | 509,729 | 100 | 509,729 |
| Frederick City | 78,578,271 | 100 | 78,578,271 |
| Middletown | 1,307,050 | 100 | 1,307,050 |
| Myersville | 3,731,419 | 100 | 3,731,419 |
| Thurmont | 8,009,276 | 100 | 8,009,276 |
| Frederick County Public Schools . | 19,087,165 | 100 | 19,087,165 |
| Total Overlapping Debt | | | 111,361,020 |
| Frederick County Direct Debt . | | | 393,925,004 |
| Total Direct and Overlapping Debt | | | \$ 505,286,024 |

(1) Debt repaid by general government activities

Source: Frederick County Finance Division.

The following table sets forth the different classes of capital projects and the amounts included in the Capital Budget for fiscal year 2010 and the amounts included in the Capital Program for the next five fiscal years indicated:

Capital Budget, Program Requirements and Sources of Funds
(000s)

| <u>Classification</u> | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------|
| General Government | \$ 7,981.11 | \$ 34,444.44 | \$ 22,151.65 | \$ 15,946.90 | \$ 18,358.96 | \$ 56,916.02 |
| Water & Sewer | 4,673.15 | 4,861.45 | 47,034.52 | - | - | - |
| Solid Waste | 520.40 | - | - | - | - | - |
| Parks and Recreation..... | 13,051.97 | 11,320.66 | 9,134.25 | 8,183.86 | 13,588.73 | 5,447.39 |
| Watershed Restoration..... | 471.50 | 184.41 | 220.50 | 465.25 | 396.75 | 216.50 |
| Roads..... | 423.00 | 7,756.50 | 2,046.45 | 18,478.00 | 9,328.00 | 353.00 |
| Bridges..... | 826.00 | 3,016.00 | 7,693.00 | 1,592.00 | 170.00 | 91.00 |
| Highways | 6,164.95 | 6,442.59 | 11,014.93 | 11,650.05 | 10,864.24 | 10,862.06 |
| Community College..... | 6,185.94 | 1,471.49 | 8,948.95 | 11,264.86 | 1,854.56 | 20,490.54 |
| Board of Education | 35,222.00 | 13,727.00 | 48,494.80 | 37,375.00 | 19,890.00 | 39,753.00 |
| Municipalities | <u>(1,066.01)</u> | <u>547.62</u> | <u>353.22</u> | <u>3,994.50</u> | <u>15.39</u> | <u>35.50</u> |
| Total - Projects | <u>\$ 74,454.01</u> | <u>\$ 83,772.16</u> | <u>\$ 157,092.27</u> | <u>\$ 108,950.42</u> | <u>\$ 74,466.63</u> | <u>\$ 134,165.01</u> |

Sources of Funds

| | | | | | | |
|----------------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------|
| General Fund | \$ 7,814.90 | \$ 13,344.77 | \$ 24,226.72 | \$ 25,457.32 | \$ 27,048.00 | \$ 28,060.30 |
| General Obligation Bonds . | 37,766.85 | 32,645.67 | 45,208.40 | 50,011.48 | 26,385.86 | 65,685.82 |
| Fire Tax District Bonds..... | 816.50 | 11,829.25 | 9,755.11 | 7,410.50 | 815.46 | - |
| Recordation Tax Bonds..... | 1,250.00 | 1,250.00 | 1,250.00 | 1,250.00 | 1,250.00 | 1,250.00 |
| Impact Fee Bonds..... | - | - | - | - | - | - |
| Enterprise Fund bonds | - | 4,041.45 | 39,151.52 | - | - | - |
| Grants | 18,621.01 | 16,386.41 | 23,453.54 | 22,259.26 | 14,419.78 | 37,871.53 |
| Building Excise Taxes | - | 1,500.00 | 500.00 | 2,089.50 | 500.00 | 500.00 |
| Recordation Tax..... | 4,456.50 | 628.11 | 5,098.48 | 167.61 | 2,823.53 | 167.61 |
| Water & Sewer Fees | 2,009.30 | 24.50 | - | - | - | 7.00 |
| Solid Waste Fees | 520.40 | - | - | - | - | - |
| DPDR Fees..... | - | 238.00 | - | - | - | 68.00 |
| Developer Funded | 2,663.85 | - | - | - | - | - |
| City of Frederick | <u>-</u> | <u>820.00</u> | <u>7,883.00</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total - Source of Funds . | <u>\$ 74,454.01</u> | <u>\$ 83,772.16</u> | <u>\$ 157,092.27</u> | <u>\$ 108,950.42</u> | <u>\$ 74,466.63</u> | <u>\$ 134,165.01</u> |

Source: Frederick County Finance Division.

The County has consistently used a plan of “pay-as-you-go” financing. Under the pay-as-you-go approach, the County financed the construction of certain of its capital projects by appropriation of revenues from the current funds of the County. Monies expended under General Fund “pay-as-you-go” are as follows:

| |
|-------------------------------------|
| \$16.4 million for fiscal year 2005 |
| \$23.3 million for fiscal year 2006 |
| \$38.3 million for fiscal year 2007 |
| \$24.4 million for fiscal year 2008 |
| \$14.5 million for fiscal year 2009 |

Through use of pay-as-you-go, the County has sought to reduce the aggregate amount of general obligation indebtedness issued that would otherwise bear interest to finance the construction of capital projects.

Future Plans to Issue Debt

The County’s capital improvement program is an ongoing process, which requires periodic issuance of the County’s general obligation bonds to fund any portion of such program appropriated from general obligation funds. The County anticipates the next general obligation bond in the spring of 2011.

COUNTY LITIGATION

The County is currently involved in a number of legal disputes involving such matters as civil rights violations, construction contracts, land use, personnel matters, automotive vehicle accidents and other negligence claims. Many of these are covered by insurance in whole or in part. Since certain of these disputes involve unspecified damages, it is not possible to provide a total of the damages claimed. In the opinion of the County Attorney, such matters are unlikely to result, singly or collectively, in total liabilities that would have a material effect on the financial condition of the County.

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

The fiscal year 2009 financial statements of the County have been audited by Linton Shafer Warfield & Garrett, P.A., independent certified public accountants. The fiscal year 2009 financial statements can be found on the County’s web site (www.FrederickCountyMD.gov/reports).

FINANCIAL ADVISOR

Davenport & Company LLC, Towson, Maryland, has rendered financial advice to the County in the preparation of this Official Statement.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Arbitrage Group, Inc., a firm of independent arbitrage agents, will deliver to the County its attestation report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of computations prepared by Davenport & Company LLC relating to (a) the sufficiency of the anticipated receipts from the Government Obligations, together with the initial cash deposit, if any, to pay, when due, the principal, interest and redemption premium requirements of the Refunded Bonds and (b) the “yield” on the Government Obligations and on the Bonds.

The report of The Arbitrage Group, Inc. will include the statement that the scope of their engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to them and that they have no obligations to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

CERTIFICATE OF COUNTY OFFICIALS

Simultaneously with or before delivery of and payment for the Bonds, the County will furnish to the purchaser or purchasers a certificate of the President of the Board and the Director of Finance, which shall state that, to the best of their knowledge and belief, this Official Statement (and any amendment or supplement thereto) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, and that between the date of sale and the date of delivery of the Bonds there has been no material adverse change in the financial position or revenues of the County, except as reflected or contemplated in this Official Statement (and any amendment or supplement thereto).

CONTINUING DISCLOSURE UNDERTAKING

In order to enable participating underwriters, as defined in Rule 15c2-12 of the Securities and Exchange Commission (“Rule 15c2-12”) to comply with the requirements of paragraph (b)(5) of Rule 15c2-12, the County will execute and deliver a continuing disclosure agreement (the “Continuing Disclosure Agreement”) on or before the date of issuance and delivery of the Bonds, the form of which is attached to this Official Statement as Appendix D. Potential purchasers of the Bonds should note that the definition of Reportable Events in Appendix D is intended to completely restate the events specified in Rule 15c2-12. It is noted that certain Reportable Events are expected to have no applicability to the Bonds, such as the possibility of unscheduled draws on debt service reserves and matters affecting collateral for the Bonds.

The County has not failed to comply with any prior continuing disclosure undertaking made pursuant to Rule 15c2-12.

SALE AT COMPETITIVE BIDDING

The Bonds were offered by the County at competitive bidding on April 13, 2010 in accordance with the Notice of Sale (the form of which is included herewith as Appendix D). The interest rates shown on the cover page of this Official Statement are interest rates to the County resulting from the award of the Bonds at the competitive bidding therefore. Yields or prices shown on the cover page of this Official Statement are based on information supplied to the County by the successful bidder. Any other information concerning the terms of reoffering of the Bonds, if any, including yields or prices should be obtained from the successful bidders therefore, and not from the County.

MISCELLANEOUS

Financial data presented in this Official Statement which are identified as having been furnished by the County from its records, unless otherwise stated, reflect data prepared from the County’s official records, which are public documents and which are believed to be accurate and reliable. Other data have been prepared by or furnished by sources (identified herein) which the County believes to be accurate and reliable, but the County does not guarantee the accuracy of such data. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement or any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date hereof.

Linton Shafer Warfield & Garrett P.A. audited the County’s financial statements for fiscal year 2009 and will audit fiscal year 2010, as well.

This Official Statement has been prepared by the County. Davenport & Company LLC, Financial Advisor to the County, has assisted the County, with this financing. This Official Statement has been approved, authorized and executed by the appropriate officials of the County for use in connection with the sale of the Bonds, all pursuant to the legislation authorizing the issuance of the Bonds.

So far as any statements are made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of any of the Bonds.

Reference is made to Appendix B for the form of legal opinion on the validity of the Bonds.

The execution of this Official Statement and its delivery have been approved by the County.

**COUNTY COMMISSIONERS OF
FREDERICK COUNTY**

BY: /S/ JAN H. GARDNER
Jan H. Gardner
President
Board of County Commissioners of Frederick County

BY: /S/ JOHN R. KROLL
John R. Kroll
Director of Finance

Appendix A

The County's Fiscal Year 2009 Comprehensive Annual Financial Report can be viewed at www.FrederickCountyMD.gov/reports.

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[PROPOSED FORM OF BOND COUNSEL'S OPINION]

April ___, 2010

County Commissioners of Frederick County
Winchester Hall
12 East Church Street
Frederick, Maryland 21701

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by County Commissioners of Frederick County (the "County"), a body politic and corporate and a political subdivision of the State of Maryland, of its Frederick County, Maryland, General Obligation Refunding Bonds of 2010, Series C, in an aggregate principal amount of \$79,365,000 (the "Bonds") dated April 13, 2010.

In such capacity, we have examined the law and such certified proceedings and other papers as we deem necessary to render the opinions set forth below.

We are qualified to practice law in the State of Maryland, and we do not purport to be experts on, or to express any opinion herein concerning, any law other than the law of the State of Maryland and the federal law of the United States of America.

Based upon the foregoing, we are of the opinion that, under existing Maryland and federal law and as of the date hereof:

1. The County is a validly created and existing body politic and corporate and political subdivision of the State of Maryland (the "State"), possessing authority under the Acts (as hereafter defined) to issue the Bonds.

2. The Bonds are issued for valid public purposes as provided in Chapter 37 of the Laws of Maryland of 2003 (the "2003 Act"), Chapter 2-13 of the Code of Public Local Laws of Frederick County (1979), as amended (the "Water and Sewer Act"), Section 5-601 through 5-604 of the Education Volume of the Annotated Code of Maryland, as amended (the "Education Act") and Section 24 of Article 31 of the Annotated Code of Maryland, as amended (the "Refunding Act" and, together with the 2003 Act, the Water and Sewer Act and the Education Act, the "Acts"), Resolution No. 09-38 of the County adopted on December 8, 2009, as supplemented on April 13, 2010 (as supplemented, the "Resolution"), and the issuance thereof is within every debt and other similar legal limit applicable to the County.

3. The Resolution has been validly adopted.

4. All actions for the authorization, approval, sale, execution and delivery of the Bonds have been taken in full compliance with the Constitution and laws of the State, the laws of the County, the Acts and the Resolution.

5. The Bonds are valid and binding general obligations of the County to the payment of which the County has pledged its full faith and credit and unlimited taxing power, and are payable as to principal, premium, if any, and interest from ad valorem property taxes upon all the legally assessable property within the corporate limits of Frederick County, and the County is required by law to levy and collect such taxes in rate and amount sufficient to provide for such payments when due.

6. By the terms of the Acts, the Bonds, their transfer, the interest payable on them, and any income derived therefrom, including any profit made in their sale shall be exempt from State, county, municipal or other taxation of every kind and nature whatsoever within the State, but no opinion is expressed as to estate or inheritance taxes or to any other taxes not levied or assessed directly on the Bonds or the income therefrom.

7. Interest on the Bonds is excluded from gross income for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and is not taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the County comply with all

requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The County has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. In addition interest on the Bonds may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

Other than as set forth in the preceding paragraphs 6 and 7, we express no opinion regarding the federal or state income tax consequences arising with respect to the Bonds.

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.

We express no opinion herein as the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

As to questions of fact material to our opinion, without undertaking to verify the same by independent investigation, we have relied upon the certified proceedings of the County and other certifications by public officials.

The rights of the holders of the Bonds and the enforceability of the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and to the exercise of judicial discretion in accordance with general principles of equity (whether applied by a court of law or a court of equity).

Very truly yours,

Venable LLP

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by **COUNTY COMMISSIONERS OF FREDERICK COUNTY** (the “Issuer”) in connection with the issuance of Frederick County, Maryland \$79,365,000 General Obligation Refunding Bonds of 2010, Series C. The Bonds are being issued pursuant to Resolution No. 09-38 adopted on December 8, 2009, as supplemented on April 13, 2010 (as supplemented, the “Resolution”). The Issuer covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the holders and the beneficial owners of the Bonds and to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The County’s obligations hereunder shall be limited to those required by written undertaking pursuant to the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Section 3 of this Disclosure Agreement.

“Electronic Municipal Market Access (EMMA)” described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule. The Electronic Municipal Market Access system, or EMMA, is a comprehensive, centralized online source for free access to municipal disclosures, market transparency data and educational materials about the municipal securities market. EMMA houses municipal disclosure documents that provide information for investors about municipal securities. EMMA also provides access to advance refunding documents, which detail arrangements made when new bonds are issued to establish escrows to pay-off existing bonds (usually to refinance their debt at a lower interest rate), and continuing disclosure documents that describe material information throughout the life of a bond and must be provided by municipal bond issuers. Additional disclosures that are voluntarily provided by issuers may be available for some bonds. EMMA is a service of the Municipal Securities Rulemaking Board, or MSRB, the federal regulator of broker-dealers and banks that market, trade and underwrite municipal bonds, notes and other securities issued by state and local governments. The MSRB promotes investor protection through rulemaking and information collection and dissemination designed to promote transparency and public access. The MSRB collaborates with the Securities and Exchange Commission, Financial Industry Regulatory Authority, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, and the United States Department of the Treasury’s Office of the Comptroller of the Currency and Office of Thrift Supervision, all of which enforce compliance by brokers, dealers and banks with MSRB rules.

“Listed Events” shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board, and its successors.

“Official Statement” shall mean the Official Statement dated April 13, 2010 relating to the Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule. As of the date of this Agreement, there is no State Repository.

SECTION 3. Provision of Annual Financial Information, Operating Data, and Audited Information.

(a) The Issuer shall provide to EMMA annual financial information and operating data generally consistent with the information contained under the headings “Certain Revenues and Expenditures” and “Certain Debt Information” in the Official Statement, such information to be made available within 240 days after the end of the Issuer’s fiscal year, commencing with the fiscal year ending June 30, 2010.

(b) The Issuer shall provide to EMMA annual audited combined financial statements for the Issuer, such information to be made available within 240 days after the end of the Issuer’s fiscal year, commencing with the fiscal year ending June 30, 2010, unless the audited financial statements are not available on or before such date, in which event said financial statements will be provided promptly when and if available.

(c) The presentation of the financial information referred to in paragraph (a) and in paragraph (b) shall be made in accordance with the same accounting principles as utilized in connection with the presentation of applicable comparable financial information included in the Official Statement, *provided*, that the Issuer may modify the accounting principles utilized in the presentation of financial information by amending this Disclosure Agreement pursuant to the provisions of Section 8 hereof. Changes in Generally Accepted Accounting Principles, where applicable to financial information to be provided by the Issuer, shall not require the Issuer to amend this Disclosure Agreement.

(d) If the Issuer is unable to provide the annual financial information and operating data within the applicable time periods specified in (a) and (b) above, the Issuer shall send in a timely manner a notice of such failure to EMMA or to the Municipal Securities Rulemaking Board and the State Repository, if any.

The Issuer has not failed to comply with any prior undertakings under the Rule.

SECTION 4. Reporting of Significant Events.

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following events with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) modifications to rights of owners of the Bonds;
- (viii) Bond calls;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds; and
- (xi) rating changes.

(b) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event would constitute material information for owners of Bonds. If the Listed Event constitutes material information for owners of Bonds, the Issuer shall promptly file a notice of such occurrence with each Repository or the Municipal Securities Rulemaking Board and the State Depository, if any.

SECTION 5. *Termination of Reporting Obligation.* The Issuer's obligations under this Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. In addition, the Issuer may terminate its obligations under this Disclosure Agreement if and when the Issuer no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

SECTION 6. *Dissemination Agent.* The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent.

SECTION 7. *Amendment; Waiver.* Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel, expert in federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

SECTION 8. *Additional Information.* Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event. The Issuer has not failed to comply with any prior undertakings pursuant to the Rule.

SECTION 9. *Limitation of Remedies.* The Issuer shall be given written notice at the address set forth below of any claimed failure by the Issuer to perform its obligations under the Disclosure Agreement, and the Issuer shall be given 15 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the Issuer shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the Issuer shall be given to the Director of Finance, Winchester Hall, 12 E. Church Street, Frederick, MD 21701, or at such alternate address as shall be specified by the Issuer with disclosures made pursuant to Section 4(a) or 4(b) hereof or a notice of occurrence of a Listed Event.

SECTION 10. *Relationship to Bonds.* The Disclosure Agreement constitutes an undertaking by the Issuer that is independent of the Issuer's obligations with respect to the Bonds; any breach or default by the Issuer under this Disclosure Agreement shall not constitute or give rise to a breach or default under the Bonds.

SECTION 11. *Law of Maryland.* This Disclosure Agreement, and any claim made with respect to the performance by the Issuer of its obligations hereunder, shall be governed by, subject to, and construed according to the laws of the State of Maryland.

SECTION 12. *Limitation of Forum.* Any suit or other proceeding seeking redress with regard to any claimed failure by the Issuer to perform its obligations under this Disclosure Agreement must be filed in the Circuit Court for Frederick County, Maryland.

SECTION 13. *Beneficiaries.* This Disclosure Agreement shall inure solely to the benefit of the Owners, including beneficial owners, from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: April 27, 2010

ATTEST:

Ronald A. Hart, County Manager

COUNTY COMMISSIONERS OF
FREDERICK COUNTY

By:

Jan H. Gardner, President
Board of County Commissioners
of Frederick County

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Appendix D

NOTICE OF SALE

\$80,690,000*

FREDERICK COUNTY, MARYLAND General Obligation Refunding Bonds of 2010, Series C

**Sealed proposals or electronic bids via *PARITY*
will be received until 11 o'clock A.M., local Frederick, Maryland time, on
Tuesday, April 13, 2010
Winchester Hall, 12 East Church Street, 1st Floor Hearing Room
Frederick, Maryland 21701**

Sealed proposals or electronic bids via **Parity®** will be received at the offices of the County for the purchase of the \$80,690,000* General Obligation Refunding Bonds of 2010, Series C (the “Bonds”). The Bonds will be dated the date of delivery (expected to be April 27, 2010) and bear interest payable semi-annually beginning on December 1, 2010 and thereafter on the first days of June 1 and December 1 until maturity.

The proposed bonds are issued pursuant to the authority of Chapter 37 of the Laws of Maryland of 2003 (the “2003 Act”), Chapter 2-13 of the Code of Public Local Laws of Frederick County (1979), as amended (the “Water and Sewer Act”), Section 5-601 through 5-604 of the Education Volume of the Annotated Code of Maryland, as amended (the “Education Act”) and Section 24 of Article 31 of the Annotated Code of Maryland, as amended (the “Refunding Act” and, together with the 2003 Act, the Water and Sewer Act and the Education Act, the “Acts”) and in accordance with Resolution No. 09-38 adopted by the Board on December 8, 2009, as supplemented on April 13, 2010 (as supplemented, the “Resolution”).

The Bonds will mature on the first days of December in the following years and aggregate amounts:

| Year of Maturity * | Annual Amount Maturing * |
|---------------------------|-------------------------------------|
| 2010 | \$5,540,000 |
| 2011 | 6,945,000 |
| 2012 | 6,980,000 |
| 2013 | 7,050,000 |
| 2014 | 7,130,000 |
| 2015 | 7,180,000 |
| 2016 | 7,345,000 |
| 2017 | 7,625,000 |
| 2018 | 7,925,000 |
| 2019 | 8,285,000 |
| 2020 | 8,685,000 |

* Preliminary, subject to adjustment as described herein

The proceeds of the Bonds will be used to advance refund all of the outstanding maturities of the County’s General Obligation Public Facilities Bonds of 2005, and to pay costs of issuance.

General Provisions for the Bonds

The Bonds shall be issued only in fully registered form without coupons. One Bond representing each maturity will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), as registered owner of the Bonds and each such Bond shall be immobilized in the custody of DTC. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates representing their interest

in the Bonds purchased. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the bond certificates representing each maturity with DTC. The Bonds will bear interest payable semiannually on June 1 and December 1 in each year, commencing December 1, 2010, until maturity or redemption. Interest will be paid to the persons in whose names the Bonds are registered on the registration books maintained by the Bond Registrar on the Regular Record Date, which is the fifteenth day of the month immediately preceding the month in which each such interest payment date occurs, by check mailed to each such person's address as it appears on such bond registration books.

Bonds Not Subject to Redemption

The Bonds are not subject to redemption prior to their respective maturities.

All or None Bids

The Board will not accept and will reject any bid for less than all of the above described Bonds. The right is reserved to reject any and all bids.

Electronic Bids

Electronic bids will be received via **Parity®**, in the manner described below, until 11:00 A.M. local Frederick, Maryland time, on Tuesday, April 13, 2010.

Bids may be submitted electronically via **Parity®** pursuant to this Notice until 11:00 A.M., local Frederick, Maryland time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **Parity®** conflict with this notice, the terms of this Notice shall control. For further information about **Parity®**, potential bidders may contact **Parity®** at Dalcomp (212) 849-5021.

Disclaimer

Each prospective electronic bidder shall be solely responsible to register to bid via **Parity®** as described above. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access **Parity®** for the purposes of submitting its bid in a timely manner and in compliance with the requirements of the Notice of Sale. Neither the County nor **Parity®**, shall have any duty or obligation to provide or assure access to **Parity®** to any prospective bidder, and neither the County nor **Parity®** shall be responsible for a bidder's failure to register to bid or for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, **Parity®**. The County is using **Parity®** as a communication mechanism, and not as the County's agent, to conduct the electronic bidding for the Bonds. The County is not bound by any advice and determination of **Parity®** to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the "Bid Specifications" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via **Parity®** are the sole responsibility of the bidders; and the County is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying or withdrawing a bid for the Bonds, he should telephone **Parity®** at Dalcomp (212) 849-5021 and notify the County's Financial Advisor, A. Samuel Ketterman, at Davenport & Company LLC by facsimile at (410) 296-8517.

Electronic Bidding Procedures

Electronic bids must be submitted for the purchase of the Bonds (all or none) via **Parity®**. Bids will be communicated electronically to the County at 11:00 a.m., local Frederick, Maryland time, on Tuesday, April 13, 2010. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via **Parity®**, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds, or (3) withdraw its proposed bid. Once the bids are communicated electronically via **Parity®**, to the County, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on **Parity®** shall constitute the official time.

Written Sealed Bids

Written bids will also be accepted in written form on the form of Proposal for Bonds attached to this Notice until 11:00 a.m. local Frederick, Maryland time at the place specified above. Written bids must be submitted on the prescribed form provided for that purpose by the Director of Finance and must be enclosed in a sealed envelope marked "Proposal for

Bonds" and addressed to County Commissioners, 1st Floor Hearing Room, Winchester Hall, 12 East Church Street, Frederick, Maryland 21701.

Bid Specifications

Bidders shall state in their proposals the rate or rates of interest to be paid on the Bonds in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%), and each proposal shall be based and submitted on the rate or rates stated therein. Bidders may specify more than one rate of interest to be borne by the Bonds but the difference between the lowest rate and the highest rate may not exceed 3%. The highest rate of interest permitted may not exceed 5.50% in any year. Bidders may not specify more than one rate of interest for the Bonds of any single maturity. A zero rate may not be named for any maturity. The Bonds will be awarded to the bidder naming the lowest true interest cost for all of the Bonds in any legally acceptable proposal and offering to pay not less than 100% of par or more than 110% and accrued interest. The lowest true interest cost will be determined by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments from the payment dates to the date of the Bonds and to the amount bid, not including interest accrued to the date of delivery. Where the proposals of two or more bidders result in the same lowest true interest cost for the Bonds, the Bonds may be apportioned between such bidders, but if this shall not be acceptable, the County shall have the right to award all of the Bonds to one bidder. The right is reserved to the County to reject any or all proposals and to waive any irregularity or informality in any proposal. The County's judgment shall be final and binding upon all bidders with respect to the form and adequacy of any proposal received and as to its conformity to the terms of this Notice of Sale. Any award of the Bonds may be made as late as 4:00 P.M. on the sale date. All bids remain firm until an award is made.

Adjustments of Principal Amounts

The aggregate principal amount and the principal amount of each maturity of the Bonds are subject to adjustment by the County, both before and after the receipt of bids for their purchase. Changes to be made prior to the sale will be published on TM3 News Service not later than 9:30 a.m. prevailing Eastern time on the date of sale and will be used to compare bids and select a winning bidder. Changes to be made after the sale and the maturity amounts for the Bonds will be communicated to the successful bidder by 3:00 p.m. prevailing Eastern time on the date of the sale, will be made only as necessary to effect the refundings, and will not reduce or increase the aggregate principal amount of the Bonds by more than 10% from the amount bid upon. Such changes may result in the elimination of one or more maturities of the Bonds. In addition, the final maturity schedule for the Bonds will be communicated to the successful bidder by 3:00 p.m. prevailing Eastern time on the date of the sale. The dollar amount bid by the successful bidder shall be adjusted to reflect any adjustments in the principal amount of the Bonds to be issued. The adjusted bid price will reflect changes in the dollar amount of the underwriter's discount and the original issue premium or discount, but will not change the per bond underwriter's discount as calculated from the bid and initial offering prices (as herein defined) required to be delivered to the County as stated herein. The coupon rates specified by the successful bidder for all maturities will not change. The successful bidder may not withdraw its bid as a result of any changes made within these limits.

Good Faith Deposit

After receipt of bids is closed and prior to the award, the apparent successful bidder indicated on **Parity®** must submit a good faith deposit of \$800,000 to the County by wire transfer as instructed by the County or its financial advisor. The award to the apparent successful bidder is contingent upon receipt of the good faith deposit, and the Bonds will not be awarded to such bidder until the County has confirmation of receipt of the good faith deposit. No interest will be allowed on any good faith deposit. In the event the successful bidder shall fail to comply with the terms of its bid, the good faith deposit may be retained as and for full liquidated damages.

Preliminary Official Statement; Continuing Disclosure

Not later than seven (7) business days after the award of the Bonds to the successful bidder on the day of sale, the County will authorize an Official Statement, which is expected to be substantially in the form of the Preliminary Official Statement referred to below. If so requested by the purchaser or purchasers at or before the close of business on the date of the sale, the County will include in the Official Statement such pricing and other information with respect to the terms of the reoffering of the Bonds by the successful bidder ("Reoffering Information"), if any, as may be specified and furnished in writing by such bidder. If no Reoffering Information is specified and furnished by the successful bidder, the Official Statement will include the interest rates on the Bonds resulting from the bid of the successful bidder and the other statements with respect to reoffering

contained in the Preliminary Official Statement. The successful bidder for the Bonds shall be responsible to the County and its officials for the Reoffering Information, and for all decisions made by such bidder with respect to the use or omission of the Reoffering Information in any reoffering of the Bonds, including the presentation or exclusion of any Reoffering Information in any documents, including the Official Statement. The successful bidder will also be furnished, without cost, with up to 300 copies of the Official Statement (and any amendments or supplements thereto).

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

Delivery

Delivery of the Bonds, without expense, will be made by the County to the purchaser or purchasers on or about April 27, 2010, or as soon as practicable thereafter, in New York, New York or at such other location as shall be mutually acceptable to the County and the purchasers, and, thereupon, said purchaser or purchasers will be required to accept delivery of the Bonds purchased and pay, in Federal funds, the balance of the purchase price due. The Bonds will be accompanied by the customary closing documents, including a no-litigation certificate, effective as of the date of delivery, stating that there is no litigation pending affecting the validity of any of the Bonds. It shall be a condition to the obligation of said purchaser or purchasers to accept delivery of and pay for the Bonds that, simultaneously with or before delivery and payment for the Bonds, said purchaser or purchasers shall be furnished a certificate or certificates of the President or Vice President of the Board of County Commissioners of Frederick County and the Director of Finance to the effect that, to the best of their knowledge and belief, the Official Statement (and any amendment or supplement thereto) (except for the Reoffering Information provided by the purchaser and information regarding DTC and DTC's book-entry system provided by DTC, as to which no view will be expressed) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and that between the date of sale and the date of delivery of the Bonds there has been no material adverse change in the financial position or revenues of the County, except as reflected or contemplated in the Official Statement (and any amendment or supplement thereto).

All Bonds herein described will constitute an irrevocable pledge of the full faith and credit and unlimited taxing power of the County.

The Bonds will be issued and sold subject to approval as to legality by Venable LLP, Baltimore, Maryland, Bond Counsel, whose approving opinion substantially in the form included in the Preliminary Official Statement referred to below will be delivered, upon request, to the purchaser or purchasers of the Bonds, without charge.

When delivered, the Bonds shall be duly executed and authenticated and registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale.

Reoffering Price Certification

THE SUCCESSFUL BIDDER OF BONDS SHALL MAKE A BONA FIDE PUBLIC OFFERING OF THE BONDS AT THE INITIAL OFFERING PRICES AND SHALL PROVIDE THE RELATED CERTIFICATION DESCRIBED HEREIN.

SIMULTANEOUS WITH OR BEFORE DELIVERY OF THE BONDS, THE SUCCESSFUL BIDDER OF THE BONDS SHALL FURNISH TO THE COUNTY A CERTIFICATE ACCEPTABLE TO BOND COUNSEL TO THE EFFECT THAT (i) THE SUCCESSFUL BIDDER HAS MADE A BONA FIDE PUBLIC OFFERING OF THE BONDS AT THE INITIAL REOFFERING PRICES; AND (ii) A SUBSTANTIAL AMOUNT OF THE BONDS WAS SOLD TO THE PUBLIC (EXCLUDING BOND HOUSES, BROKERS AND OTHER INTERMEDIARIES) AT SUCH INITIAL REOFFERING PRICES.

Bond Counsel advises that (i) such certificate must be made on the best knowledge, information and belief of the successful bidder; (ii) the sale to the public of 10% or more in par amount of the Bonds of each maturity at (or below) the Reoffering Prices would be sufficient to certify as to the sale of a substantial amount of the Bonds; and (iii) reliance on other facts as a basis for such certification would require evaluation by Bond Counsel to assure compliance with the statutory requirement to avoid the establishment of an artificial price for the Bonds.

Miscellaneous

NOTE: The County may revise this Notice of Sale by written notice available to prospective bidders at the place of sale at the time for submission of bids or by publishing notice of any revisions on TM3 at or before the time for submission of bids. Any bid submitted shall be in accordance with, and incorporate by reference, this Notice of Sale including any revisions made pursuant to this paragraph.

The County reserves the right to postpone, from time to time, the date and or time established for the receipt of bids. Any such postponement will be announced by TM3 by notice given not later than 1:00 p.m., local Frederick, Maryland time, on the last business day prior to any announced date for receipt of bids. If any date fixed for the receipt of bids and the sale of the Bonds is postponed, any Alternative Sale Date will be announced via TM3 at least 48 hours prior to such Alternative Sale Date. In addition, the County reserves the right, on the date established for the receipt of bids, to reject all bids and establish a subsequent Alternative Sale Date. If all bids are rejected and an Alternative Sale Date for receipt of bids established, notice of the Alternative Sale Date will be announced via TM3 not less than 48 hours prior to such Alternative Sale Date. On any such Alternative Sale Date, any bidder may submit a bid for the purchase of the Bonds in conformity in all respects with the provisions of this Notice of Sale except for the date of sale and except for the changes announced by TM3 at the time the sale date and time are announced.

The Preliminary Official Statement, together with this Notice of Sale and the required form of proposal, may be obtained from the Director of Finance, Winchester Hall, 12 East Church Street, Frederick, Maryland 21701, or from Davenport & Company LLC, 8600 LaSalle Road, Suite 324, Towson, Maryland 21286, (410) 296-9426. Such Preliminary Official Statement is deemed final by the County as of its date for purposes of SEC Rule 15c2-12 but is subject to revision, amendment and completion in the Official Statement referred to above.

By order of COUNTY COMMISSIONERS OF FREDERICK COUNTY

[Form of Proposal]
BIDDERS MUST SUBMIT PROPOSAL FOR THE BONDS

**PROPOSAL FOR
GENERAL OBLIGATION REFUNDING BONDS OF 2010, SERIES C**

April 13, 2010

County Commissioners of Frederick County
1st Floor, Hearing Room
Winchester Hall
12 East Church Street
Frederick, Maryland 21701

Commissioners:

Subject to the provisions and in accordance with the terms of the annexed Notice of Sale, which is made a part of this Proposal, we offer to purchase the General Obligation Refunding Bonds of 2010, Series C (the "Bonds") of County Commissioners of Frederick County, described in such Notice of Sale, such Bonds to mature in the several years shown in the table below and to bear interest at the rate per annum set opposite such years, respectively.

| Year of Maturity* | Annual Amount Maturing* | Interest Rate |
|--------------------------|------------------------------------|--------------------------|
| 2010 | | ____% |
| 2011 | | ____% |
| 2012 | | ____% |
| 2013 | | ____% |
| 2014 | | ____% |
| 2015 | | ____% |
| 2016 | | ____% |
| 2017 | | ____% |
| 2018 | | ____% |
| 2019 | | ____% |
| 2020 | | ____% |

We will pay an amount equal to the par value of the Bonds \$ _____
plus a dollar premium in the amount of + \$ _____
Total \$ _____

We understand that (a) if we are selected as the winning bidder, we are to provide a good faith deposit in the amount of \$800,000 as a condition to award, as provided in the Notice of Sale, (b) we are to provide a certification regarding the public sale of the bonds as described in the notice of sale on or prior to the closing date and (c) if notified that we are the successful bidder, we will be required to advise the County of the initial reoffering prices (as described in the notice of sale) for each maturity of the bonds at the time of such notification. In this regard, you may contact and rely on the information provided by _____, whose telephone number is _____.

and Associates (See List Attached)

*Preliminary, subject to adjustment.

(Not a part of this proposal. The following information is requested to expedite and facilitate prompt determination of the best bid. The inclusion, omission, accuracy or inaccuracy of these figures will not affect the validity of the proposal. The total amount of interest payable on the bonds referred to above under this proposal is \$_____. The rate of interest determined in the manner set forth in the Notice of Sale is _____% per annum.)

Bidder

By: _____

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Refunded Bonds Outstanding as of March 31, 2010**Public Improvement Bonds of 2005**

To be redeemed on or about December 1, 2015

| <u>Maturing December 1</u> | <u>Principal</u> | <u>Rate of Interest</u> | <u>Call Price</u> | <u>CUSIP*</u> |
|----------------------------|------------------|-------------------------|-------------------|---------------|
| 2010 | \$6,045,000 | 5.00% | | 355694G95 |
| 2011 | 6,245,000 | 5.00 | | 355694H29 |
| 2012 | 6,460,000 | 5.00 | | 355694H37 |
| 2013 | 6,685,000 | 4.00 | | 355694H45 |
| 2014 | 6,930,000 | 5.00 | | 355694H52 |
| 2015 | 7,190,000 | 5.00 | | 355694H60 |
| 2016 | 7,465,000 | 5.00 | 100% | 355694H78 |
| 2017 | 7,750,000 | 5.00 | 100 | 355694H86 |
| 2018 | 8,055,000 | 5.00 | 100 | 355694H94 |
| 2019 | 8,380,000 | 4.00 | 100 | 355694J27 |
| 2020 | 8,715,000 | 4.375 | 100 | 355694J35 |

*CUSIP numbers provided herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and the County does not take responsibility for the accuracy thereof. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau.

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