

OFFICIAL STATEMENT DATED MARCH 8, 2005

NEW ISSUE - BOOK ENTRY ONLY

In the opinion of Bond Counsel, assuming continuous compliance with certain covenants in the Tax Certificate and Compliance Agreement to be executed and delivered by the County on the date of delivery of the Bonds, and subject to the conditions stated herein under "Tax Exemptions," under existing law, (a) the interest on the Bonds is excludable from gross income for Federal income tax purposes, and (b) the interest on the Bonds is not an enumerated preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States. As described herein under "Tax Exemptions," other Federal income tax consequences may arise from ownership of the Bonds. It is also the opinion of Bond Counsel that, 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.

**St. Mary's County, Maryland
\$16,260,000 County Commissioners of St. Mary's County
Consolidated Public Improvement Bonds of 2005**

Dated: March 1, 2005

Due: March 1, as shown inside

Bond Ratings	Fitch Ratings: AA Moody's Investors Service: Aa3 Standard & Poor's: AA-
Redemption	Bonds maturing on or after March 1, 2016 are redeemable in whole or in part, on or after March 1, 2015 – Page 3
Security	Unlimited tax general obligations of County Commissioners of St. Mary's County, Maryland
Purpose	The proceeds of the Bonds are being used to finance capital projects the County – Page 2
Interest Payment Dates	March 1 and September 1, beginning September 1, 2005
Closing/Settlement	On or about March 24, 2005
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	St. Mary's County Chief Financial Officer: (301) 475-4200, ext. 1200

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES* AND PRICES OR YIELDS*

<u>Maturing March 1</u>	<u>Principal Amount</u>	<u>Interest Rate*</u>	<u>Price or Yield*</u>	<u>CUSIP</u>	<u>Maturing March 1</u>	<u>Principal Amount</u>	<u>Interest Rate*</u>	<u>Price or Yield*</u>	<u>CUSIP</u>
2006.....	\$600,000	3.75%	2.35%	792554UV7	2016	\$800,000	3.75%	3.75%	792554VF1
2007.....	610,000	3.50	2.55	792554UW5	2017	825,000	3.75	3.82	792554VG9
2008.....	625,000	3.50	2.68	792554UX3	2018	860,000	3.80	3.90	792554VH7
2009.....	645,000	3.35	2.83	792554UY1	2019	890,000	3.90	3.98	792554VJ3
2010.....	660,000	3.40	3.00	792554UZ8	2020	925,000	4.00	4.06	792554VK0
2011.....	680,000	3.25	3.16	792554VA2	2021	960,000	4.00	4.11	792554VL8
2012.....	700,000	4.00	3.30	792554VB0	2022	1,000,000	4.00	4.17	792554VM6
2013.....	720,000	3.625	3.43	792554VC8	2023	1,040,000	4.125	4.23	792554VN4
2014.....	745,000	3.75	3.53	792554VD6	2024	1,080,000	4.25	4.29	792554VP9
2015.....	770,000	4.00	3.63	792554VE4	2025	1,125,000	4.25	4.34	792554VQ7

* The rates shown above are the interest rates payable by the County resulting from the successful bid for the Bonds by Legg Mason Wood Walker, Inc. at public sale on March 8, 2005. The yields or prices shown above were furnished by the successful bidders. Any additional information concerning the reoffering of the Bonds should be obtained from the successful bidders and not from the County.

The Bonds are offered for delivery when, as and if issued, subject to the approving opinions of Venable LLP, Baltimore, Maryland, Bond Counsel. The Bonds will be available for delivery to the Depository Trust Company in New York, New York on or about March 24, 2005.

COUNTY COMMISSIONERS OF ST. MARY'S COUNTY, MARYLAND

Certain Elected Officials

Board of County Commissioners

Thomas F. McKay - President
Kenneth R. Dement - Commissioner, District 1
Lawrence D. Jarboe - Commissioner, District 3
Thomas A. Mattingly, Sr. – Commissioner, District 2
Daniel H. Raley – Commissioner, District 4

Jannette P. Norris – County Treasurer

Certain Appointed County Officials

George G. Forrest - County Administrator
Elaine M. Kramer – Chief Financial Officer
John B. Norris, III – County Attorney
George A. Erichsen, P.E. – Director of Public Works and Transportation
John W. Savich – Director of Economic and Community Development

BOND COUNSEL
Venable LLP
Baltimore, Maryland

AUDITOR
Murphy & Murphy, CPA, LLC
Clinton, Maryland

FINANCIAL ADVISOR
Davenport & Company LLC
Towson, Maryland

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

No dealer, broker, sales representative or other person has been authorized by County Commissioners of St. Mary's County (the "County"), 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.

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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 opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the 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 herein.

SUMMARY OF OFFERING

Issuer

County Commissioners of St. Mary's County (the "County").

Bonds

County Commissioners of St. Mary's County Consolidated Public Improvement Bonds of 2005, dated March 1, 2005 in the aggregate principal amount of \$16,260,000.

Interest Payment Dates

September 1, 2005 and semiannually thereafter on March 1 and September 1.

Redemption

Bonds that mature on or before March 1, 2015 are not subject to redemption prior to their stated maturities. Beginning March 1, 2015, Bonds maturing on or after March 1, 2016 are subject to redemption as a whole at any time or in part on any interest payment date at the option of the County at certain redemption prices plus accrued interest.

Security and Source of Payment of the Bonds

Unlimited tax general obligations of the County.

Payment Record

The County has never defaulted on the payment of the principal of or interest on any of its bonds or notes.

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St. Mary's County



OFFICIAL STATEMENT

**St. Mary's County, Maryland
General Obligation Bonds**

\$16,260,000

**County Commissioners of St. Mary's County
Consolidated Public Improvement Bonds of 2005**

INTRODUCTION

General

The purpose of this Official Statement (excluding prices or yields) and appendices, is to provide information for prospective purchasers and others regarding the County Commissioners of St. Mary's County (the "County") and the \$16,260,000 County Commissioners of St. Mary's County Consolidated Public Improvement Bonds of 2005 (the "Bonds").

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.

Description of the County

St. Mary's County was established in 1637 and was the first Maryland county. The County is a body politic and corporate and a political subdivision of the State of Maryland which performs all local governmental functions in St. Mary's County excepting those performed by the County's one incorporated municipality and those performed by the St. Mary's County Metropolitan Commission.

The County is located in the southern part of Maryland and consists of a long, triangular shaped peninsula bordered on the northwest by Charles County, on the northeast and east by the Patuxent River and the Chesapeake Bay, and on the southwest by the Potomac River. The County is 367 square miles in area with 400 miles of waterways. It is situated in the Atlantic Coastal Plain, and its elevation varies from sea level to 170 feet above sea level.

According to the 1990 Census, the population of the County was 75,974. The 2000 Census shows the population to be 86,211, which reflects a 13.5% increase in population from 1990 to 2000. The County seat of government is located in Leonardtown, which is the only incorporated municipality in the County. Leonardtown had a population of 1,896 in the 2000 Census.

The County is undergoing dynamic economic growth and development and, in particular, is attracting an increasing number of high technology industries, brought to the County both by the quality of life available and the Patuxent River Naval Air Station. The Air Station, among other things, is one of the United States Navy's principal testing facilities for new aircraft and other sophisticated equipment. (See "CERTAIN ECONOMIC AND DEMOGRAPHIC FACTORS – Economic Growth and Development.") The largest center of population in the County is Lexington Park, which is adjacent to the Air Station. The Air Station has been located in the County since World War II and remains the principal center of employment in the County. Less than 2% of the County's work force is engaged in agricultural production or water-related activities as a principal occupation.

The County is governed by an elected five-member Board of County Commissioners (the "Board"). (See "COUNTY GOVERNMENT AND ADMINISTRATION.") The Board may exercise only such powers as are conferred upon it by the General Assembly of Maryland, including authorizations to issue debt to finance its capital projects. (See "CERTAIN DEBT INFORMATION.")

The executive offices of the County are located at the Governmental Center, Leonardtown, Maryland 20650. The County’s central telephone number is (301) 475-4200. The County’s Internet address is www.saintmaryscountymd.com. The information set forth on the County’s website is *not* incorporated herein by reference.

APPLICATION OF PROCEEDS

The Bonds are being issued to (i) pay a portion of the costs of financing certain capital project of the County, and (ii) to pay costs of issuance.

The capital projects to be financed with the proceeds of the Bonds generally include:

<u>Projects</u>	<u>Cost</u>
Schools.....	\$10,894,700
County Facilities	3,424,800
Roads.....	627,100
Parks.....	982,700
Solid Waste	214,000
Bond Issuance Costs	116,700

THE BONDS

General

The Bonds will be dated March 1, 2005. The Bonds will mature on March 1, in twenty annual serial installments, beginning in the year 2006 and ending with the year 2025 in the aggregate principal amount and principal amounts per maturity and at the interest rates set forth on the cover page of this Official Statement. Interest on the Bonds is payable on September 1, 2005 and semiannually thereafter on each March 1 and September 1 to maturity. The Bonds will be general obligations of the County to the payment of which the full faith and credit of the County will be pledged. (See “THE BONDS – Sources of Payment.”)

Authorization

The Bonds will be issued pursuant to Chapter 489 of the Laws of Maryland of 2001, as amended, Chapter 145 of the Laws of Maryland of 2003, as amended, and Section 2C of Article 31 of the Annotated Code of Maryland, as amended. The Bonds are authorized to be issued, sold, and delivered by a resolution of the County, adopted by the Board on February 8, 2005 (the “Resolution”).

Redemption

The Bonds that mature on or before March 1, 2015 are not subject to redemption prior to their maturities. Bonds that mature on or after March 1, 2016 are subject to redemption beginning March 1, 2015 as a whole at any time or in part on any interest payment date, in any order of maturities, at the option of the County, at a price equal to 100% of the principal amount of Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption.

If less than all of the Bonds of any one maturity are called for redemption, the Bonds to be redeemed from such maturity shall be selected by lot by the Bond Registrar for the Bonds (the “Bond Registrar”), in such manner as the Bond Registrar in its sole discretion may determine.

When less than all of a Bond in a denomination in excess of \$5,000 is so redeemed, then, upon the surrender thereof, there shall be issued without charge to the registered owner thereof Bonds in any of the authorized denominations as specified by the registered owner. The amount of Bonds issued shall be equal to the unredeemed balance of the principal amount of the Bond surrendered, and the Bonds issued shall bear the same interest rate and shall mature on the same date as the Bonds surrendered.

If the County elects to redeem all or a portion of its series of the Bonds outstanding, it shall give a redemption notice to the registered owners of the Bonds to be redeemed by letter mailed first class, postage prepaid, at least thirty (30) days prior to the date fixed for redemption to the addresses of such registered owners appearing on the registration books kept by the Bond Registrar (the “Bond Register”); provided, however, that the failure to mail the redemption notice to any registered owner or any defect in the notice so mailed or in the mailing thereof shall not affect the validity of the redemption proceedings. For so

long as the Bonds are maintained in book-entry only form, such notice will be mailed to DTC as described below under “BOOK-ENTRY ONLY SYSTEM – The Depository Trust Company.”

From and after the date fixed for redemption, if funds sufficient for the payment of the redemption price and accrued interest are available on such date, the Bonds designated for redemption shall cease to bear interest. Upon presentation for redemption in compliance with the redemption notice, the Bonds to be redeemed shall be paid by the Bond Registrar at the redemption price. If they are not paid upon presentation, the Bonds designated for redemption shall continue to bear interest at the rates stated therein until paid.

Form and Denomination

The Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof. The Bonds will initially be maintained under a book-entry system; Beneficial Owners shall have no right to receive physical possession of the Bonds, and payment of the principal or redemption price of and interest on the Bonds will be made as described below under “BOOK-ENTRY ONLY SYSTEM – The Depository Trust Company.” Manufacturers and Traders Trust Company, Baltimore, Maryland, will act as bond registrar and paying agent for the Bonds (the “Bond Registrar and Paying Agent”).

The interest on each Bond will be paid September 1, 2005 and semiannually thereafter on the first days of March and September of each year that any of said Bonds are outstanding by check mailed to the person in whose name such Bond is registered on the Bond Register as of the close of business on the fifteenth day of the month next preceding an interest payment date (the “Regular Record Date”) at the address shown on the Bond Register. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered owner on such Regular Record Date, and may be paid to the person in whose name such Bond is registered as of the close of business on a date to be fixed by the Bond Registrar and Paying Agent for the payment of such defaulted interest (the “Special Record Date”), notice whereof being given by letter mailed first class, postage prepaid, to said person not less than thirty (30) days prior to such Special Record Date, at the address of such person appearing on the Bond Register, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Bonds may be listed and upon such notice as may be required by such exchange. The principal of and premium, if any, on the Bonds will be payable at the principal corporate trust office in Baltimore, Maryland of the Bond Registrar and Paying Agent.

All payment of the principal and redemption price of and interest on the Bonds shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts subject to the provision for payment of interest by check set forth above.

The Bonds may be transferred or exchanged only upon the Bond Register kept at the principal corporate trust office in Baltimore, Maryland of the Bond Registrar and Paying Agent, by the registered owner in person, or by his or her attorney duly authorized in writing, upon surrender together with a written instrument of transfer satisfactory to the Bond Registrar and Paying Agent duly executed by the registered owner or duly authorized attorney, and thereupon, within a reasonable time, the County shall execute and the Bond Registrar and Paying Agent shall authenticate and deliver a new registered Bond or Bonds of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Bond transferred or exchanged and maturing on the same date and bearing interest at the same rate. The Bond Registrar and Paying Agent may require payment by the owner of the Bond requesting exchange or transfer of any tax, fee or other governmental charge, shipping charges and insurance that may be required to be paid with respect to such exchange or transfer, but otherwise no charge shall be made to such owner for such exchange or transfer. Said new Bond or Bonds shall be delivered to the transferee only after due authentication thereof by an authorized officer of the Bond Registrar and Paying Agent. The Bond Registrar and Paying Agent shall not be required to transfer or exchange any Bond after the mailing of notice calling such Bond or portion thereof for redemption as hereinabove 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.

The identity of the Bond Registrar and Paying Agent, the place of payment of the Bonds at maturity or redemption and the place of transfer or exchange of the Bonds may be changed by the County upon thirty (30) days written notice to the Bondholders at their addresses specified in the bond registration books maintained by the Bond Registrar and Paying Agent.

Source of Payment

The Bonds shall 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 due and payable. The legislation authorizing the Bonds further provides, 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 the County in rate and amount sufficient to provide for or assure the payment, when due, of the principal of and interest on all of the Bonds maturing in each such fiscal year and in the event the proceeds from the taxes so levied in any such fiscal year shall prove inadequate for such payment, additional taxes shall be levied in the succeeding fiscal year to make up any such deficiency.

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the securities. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co., DTC’s partnership nominee. One fully-registered certificate of the Bonds will be issued for each maturity of the Bonds in principal amount equal to the aggregate principal amount of the Bonds of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (the “Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations (“Direct Participants”). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the “Indirect Participants”). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

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 Participant’s records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of 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 Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. 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 will remain responsible for keeping account of their holdings on behalf of their customers.

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

Redemption notices shall be sent to Cede & Co. if less than all of the Bonds are being redeemed. DTC’s practice is to determine by lot the amount of the interest on each Direct Participant in such Bonds to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the City 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).

Principal and interest payments on the Bonds will be made to DTC. DTC’s practice is to credit Direct Participants’ accounts on payable date in accordance with their respective holdings shown on DTC’s records unless DTC has reason to

believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name” and will be the responsibility of such Participant and not of DTC, the Registrar and Paying Agent or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the County or the Registrar and Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds, at any time by giving reasonable notice to the County or the Registrar and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

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

Book-Entry Only System – Miscellaneous

The information in the section “BOOK-ENTRY ONLY SYSTEM – The Depository Trust Company” has been obtained by the County from DTC. The County takes no responsibility for the accuracy or completeness thereof. Neither the County, the Bond Registrar nor the Paying Agent will have any responsibility or obligations to DTC Participants or the persons for whom they act as nominees with respect to the payments to or in the providing of notice to the DTC Participants, or the Indirect Participants, or Beneficial Owners. The County cannot and does not give any assurance that DTC Participants or others will distribute principal and interest payments paid to DTC or its nominees, as the registered owner, or any redemption or other notices to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

Termination of Book-Entry Only System

In the event that the Book-Entry Only System is discontinued, the Bonds will be delivered by DTC to the Bond Registrar and such Bonds will be exchanged for Bonds registered in the names of the DTC Participants or the Beneficial Owners identified to the Bond Registrar. In such event, certain provisions of the Bonds pertaining to ownership of the Bonds will be applicable to the registered owners of the Bonds as described below. The County may designate another entity as Bond Registrar and Paying Agent upon 20 days prior written notice to the registered owners of the Bonds.

The Bonds in full certificated form will be fully registered Bonds without coupons in the denominations of \$5,000 each or any integral multiple thereof. Bonds will be transferable only upon the registration books kept at the principal corporate trust office of the Bond Registrar, by the registered owner thereof in person, or by an attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer in the form attached thereto and satisfactory to the Bond Registrar and duly executed by the registered owner or a 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.

The Bonds may be transferred or exchanged at the principal corporate trust office of the Bond Registrar. Upon any such transfer or exchange, the County shall execute and the Bond Registrar shall authenticate and deliver a new registered Bond or Bonds without coupons of any of the authorized denominations 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 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 they may be required to be paid with respect to such exchange or transfer, but otherwise no charge shall be made to the holder of Bonds for such exchange or transfer. The Bond Registrar shall not be required to transfer or exchange any Bond after the mailing or notice calling such Bond or portion thereof for redemption as hereinabove 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.

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 registered owner 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 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 registered owners of the 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 registered owners of the Bonds 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 Chapter IX of the 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, A Division of The McGraw-Hill Companies, Inc., 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 from the rating agency furnishing them. The County furnished the rating agencies information contained in a preliminary form of this Official Statement and other materials and information. Generally, the rating agencies base their ratings on such material and information, and on their own investigations, studies and assumptions. It should be noted that such ratings may be changed at any time and that no assurance can be given that they will not be revised downward or withdrawn by either or all of the rating agencies if, in the judgment of either or all, circumstances should warrant such actions. Such circumstances may include, with limitation, changes in or unavailability of information relating to the County. Any such downward revision or withdrawal of either or all of such ratings could have an adverse effect on the market price of the Bonds.

LEGAL MATTERS

Venable LLP, Baltimore, Maryland, is acting as Bond Counsel in connection with the issuance of the Bonds. Delivery of the Bonds is conditioned upon delivery by Bond Counsel of the opinion substantially in the form set forth in Appendix B of this Official Statement.

TAX EXEMPTIONS

In the opinion of Bond Counsel, under existing law, the interest on the Bonds (a) is excludable from gross income for Federal income tax purposes, and (b) is not an enumerated preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

Under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), there are certain requirements that must be met subsequent to the issuance of the Bonds in order for the interest on the Bonds to remain excludable from gross income for Federal income tax purposes, including restrictions that must be complied with throughout the term of the Bonds. Such restrictions include, among other things, limitations on the yield of investments acquired with gross proceeds of the Bonds and the periodic payment to the United States of specified portions of arbitrage profit derived from such investments.

In order to comply with the requirements of the Code, the County will execute and deliver a Tax Certificate and Compliance Agreement ("Tax Agreement") on the date of delivery of the Bonds. The covenants and agreements in the Tax Agreement are designed to satisfy the requirements of Section 103 and Sections 141 through 150, inclusive, of the Code, and the income tax regulations issued thereunder. In the opinion of Bond Counsel, the covenants and agreements in the Tax Agreement 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 in the Tax Agreement. 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.

Under the Code, in calculating corporate alternative minimum tax, a corporation is required to increase its alternative minimum taxable income by 75 percent of the amount by which its “adjusted current earnings” exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For this purpose, “adjusted current earnings” would include, among other items, interest on the Bonds. In addition, the Code imposes a branch-level tax on certain earnings and profits of foreign corporations operating branches in the United States, and such earnings and profits would include interest on the Bonds.

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.

The initial public offering price of some of the Bonds may be less than the amount payable on those Bonds at maturity. The excess, if any, of the amount payable at maturity of a Bond over the initial public offering price (plus accrued interest from March 1, 2005, to the date of initial delivery of the Bond) at which a substantial amount of the same maturity of the Bonds was sold constitutes original issue discount for Federal income tax purposes (“OID”). The full amount of OID will accrue over the term of a Bond in accordance with a constant yield method (using semi-annual compounding) which allocates smaller portions of OID to earlier semi-annual compounding periods and larger portions of OID to later semi-annual compounding periods. In the case of an original or a subsequent holder of a Bond, the amount of OID which is treated as having accrued with respect to such Bond during the period that the holder has held it (a) is not included in the gross income of the holder for Federal income tax purposes, and (b) is included in the cost basis of the holder in determining, for Federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). Holders of Bonds should consult their tax advisors with respect to the determination, for Federal income tax purposes, of OID accrued upon the sale, redemption or payment at maturity of such Bonds.

A Bond will be considered to have been issued at a premium if, and to the extent that, the holder’s tax basis in the 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 the Bond for purposes of determining gain or loss upon disposition of the Bond by the amount of amortizable bond premium that accrues (determined on a constant yield method) during the period of ownership. No deduction (or other tax benefit) is allowable in respect of any amount of amortizable bond premium on the Bonds.

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

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.

In the opinion of Bond Counsel, under existing law of the State of Maryland, the interest on the Bonds and the 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.

COUNTY GOVERNMENT AND ADMINISTRATION

General

The Board of County Commissioners is comprised of five Commissioners elected for four-year terms. All Commissioners are elected by the entire County voters. The four Commissioners must live in the District they are representing; the President may live anywhere in the County.

The Board of County Commissioners appoints a County Administrator who is responsible for the general administration and daily operation of County government. County government departments report directly to the County Administrator. The financial administration of the County is centralized with the Chief Financial Officer who is responsible for the accounting and general ledger functions, overseeing the financial planning and annual budget process, and investment of County funds. The County Treasurer is responsible for billing and collection of property taxes.

County Commissioners

THOMAS F. MCKAY, President, is serving his first term as Commissioner President of the Board of County Commissioners, St. Mary's County. He was born in Leonardtown, Maryland. Mr. McKay was raised on the family farm. Mr. McKay attended Ryken High School and the University of Maryland, receiving a Bachelors Degree in Business Administration. In 1982, he was elected to the Board of Directors for the Mid Atlantic Food Dealers. In 1985, he was named General Manager of McKay's Food and Drug Company, a family owned business. In 1991, he became Chairman of the Mid Atlantic Food Dealers, which serves more than 2,500 businesses throughout the mid-Atlantic. In 1992, Mr. McKay became President of Woodburn's Gourmet Market and was named Chief Operating Officer for the McKay's Food and Drug Company in 1999. Mr. McKay was an elected delegate to the Republican National Convention and serves on the Governor's Critical Areas Commission for the Chesapeake and Atlantic Coastal Bays, the Maryland Association of Counties Legislative Committee, the Food Advisory Council, the Legislative Advisory Council to the Maryland Retailers Association, and is a graduate and representative of the College of Southern Maryland Executive Leadership Program. He is a member of the St. John's Council of the Knights of Columbus, a charter member of the Hollywood Optimist Club, and a member of the SMC Chapter of Benevolent and Protective Order of the Elks Lodge. Mr. McKay is the father of two children. Mr. McKay's term as Commissioner President will end in November 2006.

KENNETH R. DEMENT, Commissioner, is serving his first term as a member of the St. Mary's County Board of Commissioners. He is a graduate of Great Mills High School and is a lifetime resident of St. Mary's County. Mr. Dement retired from the St. Mary's County Public School system in 1997 after 20 years of service as a school bus driver and bus driver trainer. He continues to enjoy driving special education students to school for a private bus contractor. Mr. Dement has been involved in various local civic activities over the years. A lifelong sportsman, Mr. Dement has received numerous awards over the years for his contributions to St. Mary's County baseball and softball leagues. A founder of the SMC Slow Pitch Softball League, Mr. Dement served as League President for 33 years and is still actively involved. In addition, he is the founder and former President of the SMC Softball Hall of Fame and is currently a member. Mr. Dement's service to the community also includes membership in the Knights of Columbus Council 2065 and previous membership on the SMC Recreation and Parks Board of Directors and a political central committee. Mr. Dement brings a history of leadership and fundraising abilities to the Board. His term as Commissioner expires November 2006.

LAWRENCE D. JARBOE, Commissioner, has been a St. Mary's County resident for more than forty-three years. He and his wife, Carlene, have raised two children who are both currently serving in the U.S. Marine Corps. Mr. Jarboe is President of Charlotte Hall Lumber Company, Inc., and has been a 100 ton USCG licensed captain for more than twenty years. Mr. Jarboe brings many years of community service and political involvement to the Board. He is currently serving the Southern Maryland Izaak Walton League as Vice President and is a member of the St. Mary's County Republican Club. Previous service includes: President of the Mechanicsville JayCees, Chairman of the Southern Maryland Resources Conservation and Development Board, and Chairman of BEMANCO of Golden Beach. Mr. Jarboe previously served as St. Mary's County Commissioner from 1994-1998. His current term as Commissioner expires November 2006.

THOMAS A. MATTINGLY, SR., Commissioner, is serving his second term on the Board. He and his family reside in Leonardtown, Maryland. Mr. Mattingly retired from Verizon Communications in December 2001 after nearly 31 years of employment with Verizon in the Southern Maryland area. A graduate of Ryken High School in Leonardtown, Maryland, he also attended St. Mary's College of Maryland. In 1964, he was elected as a member of the Leonardtown Volunteer Fire Department, and is currently an active lifetime member with 41 years of service to the community. In addition, he has held the positions of President of the Maryland State Firemen's Association and Chairman of its Executive Committee for eight years.

His leadership with the Association led to the establishment of a permanent medvac site in St. Mary's County, Maryland. Mr. Mattingly is currently serving on the MALPF Task Force, Board of Directors for the St. Mary's Nursing Center and as Alternative to the Md. Association of Counties. Mr. Mattingly previously served as President of the Advisory Board for the Community College at St. Mary's; as a member of the Community College Building Committee; as a member of the Southern Maryland Committee of the Tri-County Council and Chairman of the Tri-County Council of Southern Maryland. In 1987, the local management of the C&P Telephone Company nominated Mr. Mattingly for the "President's Award for Volunteerism." He also received the "Community Service Award" from the St. Mary's County Chamber of Commerce in the same year. In 1991, Mr. Mattingly was honored as one of ten Bell Atlantic employees to receive the first "Spirit of Excellence" Award for his many outstanding accomplishments in serving in the community. His term as Commissioner expires on November 30, 2006.

DANIEL H. RALEY, Commissioner, is serving his second four-year term as a member of the St. Mary's County Board of Commissioners. He and his wife, have two children. Mr. Raley is a co-owner of Raley's Town and Country Market, Inc., a 65-year-old family grocery business located in Ridge, Maryland. The family also operates a commercial center in Ridge, which presently contains a 15,000 square foot full service grocery store, a retail gas-and-go operation, and two store front rental units, one of which is currently leased by the United States Postal Service. Mr. Raley graduated from Loyola College, Baltimore, Maryland in 1971. As a result of his ROTC college commitment, he served in the United States Army as a military police officer and received the Army Commendation Medal in addition to other awards. Mr. Raley is a past Chair and member of the St. Mary's County Board of Zoning Appeals, and has also held memberships with the St. Mary's County Solid Waste Committee; the St. Mary's County Efficiency Task Force; and the St. Mary's County Youth Commission, where he served as Executive Secretary. His community involvement includes the Knights of Columbus, Third Degree; the Elks Lodge; the Lexington Park Lions Club; and the American Legion Post 255 in Ridge, Maryland. His current term as Commissioner expires November 2006.

Treasurer

JANNETTE P. NORRIS, County Treasurer, age 57, is serving her third term as St. Mary's County Treasurer. Prior to being elected Treasurer, Mrs. Norris served in the Treasurer's Office for 15 years. Before employment with St. Mary's County, Mrs. Norris was the chief accountant for a local Certified Public Accountant. She is a member of the Maryland Government Finance Officers Association and most recently served on the County's Senior Tax Credit Task Force.

Certain Appointed Officials

GEORGE G. FORREST, County Administrator, age 66, consults nationally in areas of leadership development, team building, conflict resolution, school-to-career partnerships, at-risk teens, gang awareness, African American male issues and insights on the Vietnam War. In this role as County Administrator, he plans, directs, and assesses the work of County departments to facilitate the achievement of County goals and objectives; provides supervision of department actions, budgetary and fiscal procedures, administration actions and personnel actions in accordance with the policies and directives of the County. Before assuming this position, he was technical director for retention and recruiting for MANTECH System Engineering Corporation, a consultant organization with the Naval Air Warfare Center/Aviation Division (NAWCAD) as one of its major customers. In this position, he developed a retention/recruiting plan that put Mantech on the cutting edge in human resources management. He retired from the United States Army after 21 years of active duty. During his military service, he served as commander of the Tomb of the Unknown Soldiers, Arlington National Cemetery, combat company commander of an infantry rifle company in Vietnam, professor of Military Science, St. Norbert College, strategic planner for North American Treaty Organization (NATO) and author/instructor at the Army Command and General Staff College, Ft. Leavenworth, Kansas. His military decorations include the Silver Star for heroism, Legion of Merit, Bronze Star for valor (awarded twice), Republic of Vietnam Cross For Gallantry (3 awards), Combat Infantry Badge and Parachute Badge. After retiring, he worked as a program planner and training advisor for the Saudi Arabian Government. From 1982-1990, he was assistant head coach and defensive coordinator for men's varsity football at Morgan State University. He was Dean of Students at St. Mary's Ryken High School where he also served as head varsity basketball coach for three years. From 1993 to 1997, he was Principal/Supervisor of Career and Technology Education Programs for St. Mary's County Public Schools. His educational, corporate, international and defense clients include: European Union, US Departments of Education and Labor, Illinois Public Schools, New York Department of Veteran Affairs, Departments of the Army, Navy and National Guard of Maryland. Also on this list are Booz, Allen Hamilton, ABC News "Day One", "Good Morning America", The History Channel (History vs. Hollywood) and CNN "Cold War" series. His story and other members of the The First Cavalry Division in the Battle of the Ia Drang was the subject of Mel Gibson's movie, "We Were Soldiers". He has been a guest lecturer at Yale University, Virginia Commonwealth University, Morgan State University, United States Military Academy (West Point), United States Naval Academy, and Navy War College. He works with local school, church, government and community programs for at risk students and teen parents. He is a graduate of Morgan State College, the Command and General Staff College, NATO

Defense/leadership College, Maryland Teacher Education Program. George has served on the board of directors for St. Mary's Hospital, Tomorrow's Child, Sotterly Historical Foundation, and the Governor's Southern Maryland Higher Education Center. He is a member of Congressman Hoyer's Military Service Academy Selection committee, College of Southern Maryland Foundation Board and is former chairman of the Business, Education Community Alliance (BECA). He holds membership in Rotary International (Leonardtown chapter), the NAACP, Omega Psi Phi Fraternity, Associations of the Tomb of the Unknown Soldiers, First Cavalry and First Infantry Divisions Associations, and the IA Drang Valley Survivors (Band Of Brothers). He was inducted into the Morgan State University ROTC Hall of Fame in 1992 and was Rotarian and LINKS Man of the year in 1994. He represented Maryland as a TORCHBEARER for the 1996 Olympic Games. He was honored in 2002 by the Senate of Maryland for his heroic service to the State and the Nation. George continues to help young people work on skills to help them make a successful transition from where they are to a rewarding life through preparation, hard work, and love of self and community.

ELAINE M. KRAMER, Chief Financial Officer, age 51, practiced for 17 years with the firm of Coopers & Lybrand (now PriceWaterhouseCoopers) in Washington, D.C. In July 1987, she was admitted to the partnership as an audit partner. Her clients included higher education institutions, real estate firms and partnerships, health care entities, and other non-profit organizations. In addition, she served on a variety of that firm's technical committees, conducted education in technical areas affecting the audit practice, and conducted a number of quality control engagements of other offices. In March 1982, she joined the St. Mary's County Board of Education as the Director of Budget and Finance, overseeing an operating budget of more than \$100 million. During her eight years with the school system, the system implemented a comprehensive financial system under her direction, implemented financial reporting and projection activities related to their annual budget and began utilizing exempt financing to support the implementation of a system-wide administrative and instructional technology initiative. She represented the school system in a number of collaborative activities with County government, including procurement and the successful consolidation of the County and school system's contract for health insurance, trimming significant costs. She joined the County as Chief Financial Officer in August 2000 and since that time has initiated and/or participated in several significant budget and financial management initiatives, including the full implementation of GASB34. During her tenure, the County has focused on the improvement of a variety of fiscal practices, including procurement, budget development and management for both operating and capital project funds, periodic evaluation and monitoring of capital project expenditures and the related debt capacity. As a member of the County Administrator's Executive Committee, Elaine has contributed to efforts associated with the update of the County's personnel manual as well as the review and revision of several significant contractual relationships. In addition to her role as financial officer, Elaine is the County's Procurement Officer and chairs the County's Procurement Policy Review Committee, working with seven community representatives and the procurement supervisor in the overhaul of procurement policies and the related procurement and financial practices. As the financial officer, she serves as a trustee of the Sheriff's Office Retirement Plan and the Building Authority.

JOHN B. NORRIS, III, County Attorney, age 34, was Deputy County Attorney from May 2000 to December 2001. Mr. Norris received his Bachelor of Science Degree in Civil Engineering and Technology, in 1993, from Old Dominion University. He received his Juris Doctorate in 1996 from Ohio Northern University. He was admitted to the Maryland Bar in June 1997. He began his practice as an Attorney at Law in 1997 as an Associate with the firm of Rich and Henderson, P.C. in Annapolis, Maryland. Mr. Norris' experience includes regulatory compliance counseling; mergers and acquisitions; insurance defense; contract negotiations; representation of management in all types of labor matters; administrative, trial and appellate litigation; land use and real estate practice; and the general practice of law.

GEORGE A. ERICHSEN, P.E., Director of Public Works and Transportation, age 42, received a B.S. degree from the Virginia Polytechnic Institute and State University with a minor in Engineering Science and Mechanics, and completed a Master of Arts in Management from the College of Notre Dame of Maryland, with concentrations in Public Relations, Communications and Marketing. Mr. Erichsen was appointed the Director of Public Works in December 1997, Director of Public Works & Transportation in April 2000, and was recently assigned management of the Facilities Management Department comprised of Building Services and Capital Projects. Prior to that time, he served as Supervisor for Engineering Services for St. Mary's County, as well as several engineering positions in public and private organizations in Virginia. Mr. Erichsen has served as the County's Airport Manager since July 2001 and holds the Airport Operating License. He is a member of the International Order of Engineers, Association for Facilities Engineering, National Design Build Institute, County Engineers Association of Maryland, Association of Airport Executives, and is registered as a Professional Engineer in both Virginia and Maryland.

JOHN W. SAVICH, Director of Economic and Community Development, age 52, joined St. Mary's County in this capacity in May 2001. Mr. Savich was previously employed by the Washington State Department of Community, Trade and Economic Development in Olympia, Washington, since November 11, 1991. He served as Director of Economic Development and in several other senior management positions within that department, with responsibilities spanning program management and policy development for economic and community development issues including business recruitment and retention, small

business assistance, downtown development, rural development, tourism, technology development, development finance, and the state film office. From 1981 to 1991, Mr. Savich was employed by the Michigan Department of Commerce as Director of the Michigan Travel Bureau, Director of the Office of Strategy and Forecasting, and Deputy Director of the Office of Community Development. He was also employed by the U.S. Department of Commerce, Economic Development Administration, in Washington, D.C. Mr. Savich graduated, with high honors, from Michigan Technological University in 1977 with a B.S. degree in Forestry. During his career, Mr. Savich has served on numerous professional and volunteer boards and commissions including the Southern Maryland Navy Alliance; the St. Mary's County Chamber of Commerce; MIDAS, the Maryland economic development association; Southern Maryland Works; Southern Maryland Economic Development Association; Washington State Community Economic Revitalization Board; the International Business Advisory Committee at the University of Washington School of Business Administration; the Washington Technology Center at the University of Washington; the Japan-America Society of Washington State; the King County International Trade Board; and the Thurston County (WA) Fire District Commission.

Remuneration of Certain Officials

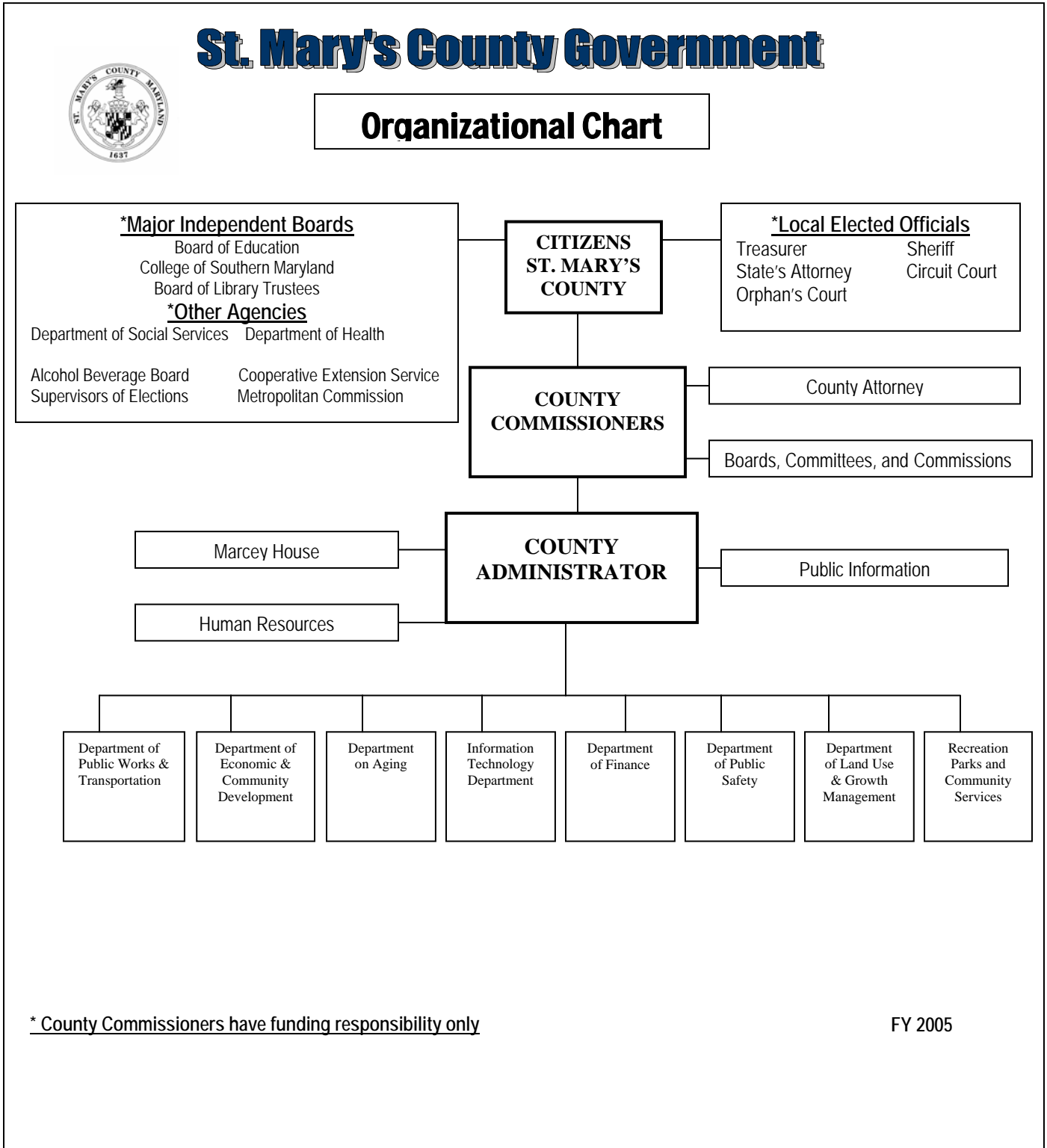
The following chart sets forth the current annual remuneration for calendar year 2005 to be paid certain County officials whose salary is either set by law or determined under contractual arrangement:

<u>Official Title</u>	<u>Salary By Law</u>	<u>Salary by Contract</u>
President, Board of County Commissioners	\$32,000	
County Commissioner.....	27,000	
County Treasurer	42,000	
County Administrator		\$131,969
Director of Finance		123,523
Director of Public Works and Transportation		100,972
Director of Economic and Community Development.....		97,375
County Attorney.....		96,000

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St. Mary's County Government Organization

The organization of the County government is shown in the following chart.



Retirement and Pension Programs

Prior to January 1, 1980, all County employees were required to be members of the Employees' Retirement System of the State of Maryland (the "Retirement System"). During the 1979 legislative session, the Maryland General Assembly created, effective January 1, 1980, the Pension System for Employees of the State of Maryland (the "Pension System"). All County employees who were members of the Retirement System may remain in that system or may elect to join the Pension System. All employees hired after December 31, 1979 must join the Pension System.

The Retirement System provides annual pensions for members who retire after the age of 60, or after 30 years service, equal to 1/55th of the average compensation for the 3 highest paid years before retirement, multiplied by total months and years of membership service. A member having 25 years of service may retire prior to age 60 at a reduced benefit. Benefits are adjusted each year to reflect increases in the cost of living as evidenced by changes in the Consumer Price Index.

Members of the Pension System are eligible to retire after 30 years of service regardless of age, and at age 65 with 2 years of service, at age 64 with 3 years service, at age 63 with 4 years of service, or at age 62 with 5 years of service. Benefits payable under the Pension System are less than those payable under the Retirement System; however, the Pension System was converted to a Contributory Pension System on July 1, 1998 which will considerably improve the Pension benefit. The pension payable to a member of the Contributory Pension System who retires after 30 years of service or at age 62 will be computed at 1.2% of that part of the member's highest average annual compensation for 3 consecutive years multiplied by the number of years of credited service prior to July 1, 1998. Years of credited service after June 30, 1998 will be computed at 1.4% multiplied by average annual compensation.

Both the Retirement System and the Pension System are jointly contributory. Under the Retirement System an employee contributes 5% or 7% of his total base salary; under the Pension System an employee contributes 2% of base salary. The benefits payable under each system which are not funded by employee contributions are funded entirely by the County. Effective July 1, 2003, the County's contribution rate (expressed as a percentage of payroll) for the Retirement System is 10.01% and 5.01% for the Pension System.

All benefits of the Retirement and Pension Systems are required by law to be funded on a full actuarial reserve basis in accordance with the accrued benefit actuarial cost method.

At its 1984 session, the General Assembly enacted legislation modifying the benefits of those who do not elect to join the Pension System by January 1, 1985. After that date, employees remaining in the Retirement System will be subject, at their option, to either a limitation of 5% (compounded) on the annual cost-of-living adjustment ("COLA") or an increase in the rate of contribution from 5% to 7% of compensation, to continue an unlimited COLA.

During the 1984 General Assembly, an Act was passed to authorize the County to adopt a separate pension plan or the supplementation of existing plans for personnel of the Sheriff's Department to enable such personnel to retire with benefits at an earlier age.

On July 1, 1986, the police and correctional officers participating in the two previously described plans were given the option of transferring to the St. Mary's County Sheriff's Department Retirement Plan with membership mandatory after July 1, 1986. The Sheriff's Department Plan has a member contribution rate of 6%, with the County contributing, effective July 1, 2004, 24% of annual compensation. The retirement date is the earlier of the employee's 62nd birthday or completion of 25 years of service with the pension payable at 2% of member's highest average annual compensation for three consecutive years multiplied by the number of years of creditable service. A member having 20 years of service may retire prior to age 62 at a reduced benefit. Cost of living adjustments are limited at 4% annually.

The amount of the unfunded accrued liability attributable to the County as of July 1, 2004 for the Sheriff's Department Retirement Plan was \$13,846,013. The unfunded past service cost is being amortized over a 25-year period. The amount by which the actuarially computed values of vested benefits exceeded the total Pension Fund is not available.

The following table sets forth the County’s contributions for the Retirement System, the Pension System and the Sheriff’s Department Retirement Plan for the five most recent fiscal years ended June 30:

<u>Fiscal Year</u>	<u>Retirement System</u>	<u>Pension System</u>	<u>Sheriff’s Department Retirement System</u>	<u>Total</u>
2004	\$61,362	\$784,645	\$1,652,971	\$2,498,978
2003	71,443	675,190	1,204,825	1,951,458
2002	56,576	693,249	932,745	1,682,570
2001	94,304	651,973	786,339	1,532,616
2000	107,182	701,985	683,423	1,492,590

Source: St. Mary’s County Department of Finance.

Effective July 1, 1985, the funding of retirement costs for members of the municipal corporations was separated from the funding of retirement costs for members of the State of Maryland with municipal corporations paying at a common normal cost and accrued liability percentage rate pay rolled on a pooled basis.

The County annually funds a length of service program for volunteer fire rescue and advanced life support organization members. To be eligible, a member must be 55 years of age and have a minimum of 20 years of service. The minimum monthly benefits payable to any member certified to receive such compensation is \$125. The cost to the County to meet these retirement benefits in fiscal year 2004 was \$389,385.

St. Mary’s County Government retirees, retirees’ family members and the family members of deceased employees under age 65 are eligible for health, prescription drug and vision care insurance benefits. Those over age 65 are eligible for a Medicare supplement including health, prescription drug, and vision.

The County’s cost for the post employment benefits are currently being paid on a pay-as-you-go basis. As of June 30, 2004, there were 120 people participating in post employment health benefits at a fiscal year 2004 cost of \$987,272.

All employees of the County, including general, elected and appointed, participate in the Federal Insurance Compensation Act (“FICA”).

Labor Relations

As of January 1, 2005, the County employed approximately 675 full- and permanent part-time (merit and non-merit) employees. The County has not entered into any collective bargaining agreements. While some County employees are members of the Maryland Classified Employees Association, membership is not mandatory and does not bind the County to any collective bargaining agreement. In addition, the County has not experienced a work stoppage due to labor problems and considers its relationships with employees to be satisfactory.

Leases and Other Contracts

In addition to contracts for goods and services arising in the ordinary course of business of the County, the County is a party to numerous other contracts, primarily with engineers, architects and contractors, relating to capital projects. Funds necessary to meet the County’s obligations for these contracts have been appropriated and are a part of the Capital Improvement Fund of the County. (See “BUDGET AND ACCOUNTING.”)

The County will acquire needed equipment through equipment lease/purchase agreements in future fiscal years as long as it proves to be an economical manner of handling such expenditures.

BUDGET AND ACCOUNTING

The formulation of the County's budget is the responsibility of the Chief Financial Officer who is subject to the supervision of the County Administrator.

The County Budget is comprised of the Current Expense Budget, the Capital Budget and Capital Program, and the Budget Message.

Current Expense Budget

The Current Expense Budget, which by law must be balanced, is prepared and submitted for approval to the Board of County Commissioners based upon estimated revenues and expenditures of operations for the ensuing fiscal year submitted to the Chief Financial Officer by the head of each office, court, department, institution, board, commission, corporation, or other agency of the County government. The proposed Current Expense Budget is required to contain not less than the following information: (1) a statement of all revenue estimated to be received by the County during the ensuing fiscal year, classified to show the receipts by funds and sources of income; (2) a statement of the debt service requirement for the ensuing fiscal year; (3) a statement of the estimated cash surplus, if any, available for expenditure during the ensuing fiscal year; (4) a statement of the bonded and other indebtedness of the County and its agencies, including self-liquidating and special taxing district debts; (5) a comparative statement of the receipts and expenditures for the last two completed fiscal years, the estimated receipts and expenditures of the current ending fiscal year and the expenditures recommended by the Board of County Commissioners for the ensuing fiscal year for each function, activity, and sub activity; and (6) any other material which the Board of County Commissioners may deem advisable.

Capital Budget and Capital Program

The Capital Budget of the County is its plan to receive and expend funds for capital projects during the ensuing fiscal year. The Capital Program of the County is its plan to receive and expend funds for capital projects during the fiscal year covered by the Capital Budget and the next succeeding five fiscal years thereafter. The Board of County Commissioners may direct that each office, court, department, institution, board, commission, corporation, or other agency of the County government submit to the Director of Finance for transmission to the Planning Commission an itemized list of the capital projects which each agency proposes to undertake in the ensuing fiscal year and the next succeeding five fiscal years thereafter. After consideration by the Planning Commission, the Director of Land Use and Growth Management is required to transmit to the Chief Financial Officer the list of projects recommended by the Commission together with his recommendation of the projects to be undertaken, in the periods aforesaid and estimates of the costs thereof. The County Commissioners, with the assistance of the Chief Financial Officer, shall consider such recommendations with the other budget proposals and shall recommend to the general public together with the Current Expense Budget, a complete Capital Budget and Capital Program. The proposed Capital Budget and Capital Program is required to be arranged so as to set forth clearly the plan of proposed capital projects to be undertaken in the ensuing fiscal year and in each of the next succeeding five fiscal years, and also the proposed means of financing them. The Capital Budget shall include a statement of the receipts anticipated during the ensuing fiscal year from all borrowing and from other sources for capital projects.

Budget Message

The Budget Message is required to contain supporting summary tables and to explain the proposed Current Expense Budget, Capital Budget and Capital Program, both in fiscal terms, and in terms of work to be done. It is required to outline the proposed financial policies of the County for the ensuing fiscal year and describe the important features of the Current Expense Budget. It must also indicate any major changes in financial policies and in expenditures, appropriations, and revenues as compared with the fiscal year currently ending and set forth the reasons for such changes. The Budget Message also must include such other material as the Board of County Commissioners may deem desirable.

Adoption of Budget

Before April 1 of each year, the Recommended County Budget must be prepared and signed by a majority of the Board of County Commissioners. Upon approval of the proposed County Budget, notice of the places and times of public hearings on the proposed budget must be published in at least one or more newspapers of general circulation published in the County. The hearings are to be held not less than 20, nor more than 40 days after the date of filing the proposed budget. After the public hearings, the Board of County Commissioners may revise the proposed budget and any part of it by increasing, decreasing, eliminating, or adding items. Items may not be consolidated in such a manner as to reduce the detailed statements of the appropriations. The Board is further authorized to revise the schedule of anticipated receipts and estimated rates for general and special taxes. The Annual Budget and Appropriation Act is required to be adopted by June 1. The adoption of the Budget must be by the affirmative vote of not less than three members of the Board of County Commissioners.

Basis of Accounting

Basis of accounting refers to the time at which revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Both the General Fund and the Capital Improvement Fund of the County are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Taxpayer-assessed income, gross receipts taxes, and sales taxes are considered measurable when in the hands of intermediary collecting governments and are recognized as revenue at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unpaid vacation, sick pay, and other employee amounts which are not accrued; and (2) principal and interest on general long-term debt which is recognized when due.

Accounting Policies

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

COUNTY EXPENDITURES

The following table summarizes the actual expenditures of the County by major functional purpose for the County’s five most recent fiscal years ended June 30 for which audited data are available.

**General Fund
Summary of Expenditures and Transfers**

	Fiscal Year				
	2004	2003	2002	2001	2000
General Government	\$ 14,531,233	15,024,752	\$ 14,960,815	\$ 11,495,313	\$ 10,596,193
Public Safety	23,203,635	20,272,319	19,475,254	19,245,320	18,870,736
Public Works.....	7,462,084	7,275,021	6,907,682	8,222,176	6,441,883
Health.....	1,106,421	1,075,503	3,460,568	1,115,920	1,024,234
Social Services	3,223,880	3,235,399	1,466,067	3,266,296	3,778,662
Education	59,930,537	58,050,726	56,217,270	52,710,979	49,374,273
Recreation and Parks.....	2,349,164	2,320,817	2,378,735	2,177,556	1,922,786
Libraries	1,634,103	1,547,532	1,473,840	1,393,027	1,276,616
Conservation of Natural Resources.....	289,431	285,621	244,630	164,540	168,820
Economic Development and Opportunity	2,397,125	2,510,259	947,138	793,627	1,026,086
Debt Service.....	10,646,013	11,355,777	10,091,617	10,239,733	8,532,228
Intergovernmental.....	48,129	45,487	44,558	42,887	41,409
Miscellaneous	930,267	782,123	554,947	1,018,033	1,063,811
Total Expenditures.....	<u>\$127,752,022</u>	<u>\$123,781,336</u>	<u>\$118,223,121</u>	<u>\$111,885,407</u>	<u>\$104,117,737</u>
Other Financing Uses – Capital Projects.....	<u>0</u>	<u>-679,583</u>	<u>2,270,000</u>	<u>0</u>	<u>1,522,798</u>
Total	<u>\$127,752,022</u>	<u>\$123,101,753</u>	<u>\$120,493,121</u>	<u>\$111,885,407</u>	<u>\$105,640,535</u>

Source: St. Mary’s County Department of Finance.

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COUNTY SERVICES

Through its various departments and offices (see "COUNTY GOVERNMENT AND ADMINISTRATION"), the County supplies a typical array of governmental services. The following is a description of certain services provided by the County.

Education

The County Board of Education, consisting of five members elected for four-year terms, is responsible for the overall operation and policy decisions of the County's public school system. During the 2003-2004 school year, the Board of Education exercises responsibility for 24 elementary and secondary schools, including a Career and Technology Center, as well as an evening high school, an alternative learning center, and a pre-kindergarten program. The system accommodated 16,076 students in school year 2003-2004. The 2003-2004 level of professional teachers allowed average class sizes of 19.0 at the kindergarten level, 20.0 at grades 1 and 2, 23.0 for grades 3 to 5, 24.0 for middle schools, and 25.0 for high schools. In June 2003, 893 students graduated from County public high schools. The County spent \$52,781,215 for the Board of Education in 2002 and \$54,511,215 in 2003 and appropriated \$56,101,439 for the operating budget and \$8,964,000 for capital in 2004. The approved fiscal year 2005 budget for the Board of Education is currently approved at \$58,900,000 for operating, and \$11,815,779 for capital projects.

In addition, there are 12 private and parochial schools in St. Mary's County which accommodate approximately 2,000 students. The County's financial responsibility with respect to such students is limited to the provision of transportation to and from school. The cost of providing such transportation is estimated at \$1,639,393 in fiscal year 2005.

Police and Fire

The St. Mary's County Sheriff's Office is a full service law enforcement agency as well as being responsible for the effective administration and management of the St. Mary's County Adult Detention Center. The Sheriff has a staffing authority of one hundred and nine (109) sworn deputies, sixty nine (69) correctional officers and forty two (42) civilian support personnel.

The Sheriff's Office provides numerous law enforcement services to the citizens of St. Mary's County including, general patrol functions, i.e. criminal investigations, civil disturbances, accident investigation, traffic enforcement, service of arrest warrants and protective orders, and assisting other county agencies. The patrol officers are supported by six (6) K-9 officers who receive specialized training in apprehensions, bomb detection, and drug detection and intervention.

The Sheriff's Office and the Maryland State Police have implemented a combined Bureau of Criminal Investigations in which detectives from both agencies work together and share resources in the investigation of the more serious crimes committed in the county. The Bureau is housed at the Sheriff's Office Headquarters and has an established Board of Directors who are the Sheriff, State's Attorney and the Leonardtown Barrack Commander of the Maryland State Police.

The Special Operations Division of the Sheriff's Office provides such services as, service of civil process, Circuit Court security, traffic safety and accident reconstruction, community policing, crime prevention, high school resource officers, Criminal Justice Program, Emergency Services Team (EST), Alcohol Enforcement Coordinator, Domestic Violence Coordinator, Collaborative Supervision and Focused Enforcement (CSAFE) Initiative, Southern Maryland Criminal Justice Academy and participation in many programs and boards.

The St. Mary's County Detention Center houses sentenced and pre-trial inmates. The facility has an operating capacity of two hundred and sixty two (262) inmates and a total capacity of two hundred and ninety four (294) inmates. The Correctional Officers provide for the safe, secure and humane incarceration of inmates. Activities for inmates include board games, television, daily chores and recreation, educational opportunities (GED), substance abuse programs, faith based program, work incentive and work release programs as authorized by the courts.

The Sheriff's Administrative Division includes civilian support personnel who maintain all records such as criminal investigative reports, civil process, accident investigations, traffic citations and warnings, and any other report generated by Sheriff's Office personnel. The division also includes the Sheriff's fiscal staff who oversees all budget issues and related matters

(See "COUNTY GOVERNMENT AND ADMINISTRATION – Retirement and Pension Programs" for information on the Sheriff's Department pension plan.)

There are seven volunteer fire departments, operating from nine stations with 513 active members operating 75 pieces of equipment ranging from a 100-foot aerial ladder trucks, 1500 GPM pumpers to small four wheel drive vehicles for woods and brush fire suppression work and Chiefs Command Vehicles. The departments are financed from State, county, dedicated fire property tax and private fundraising sources.

There are also seven volunteer rescue squads, operating from nine stations with 437 active members operating 29 ambulances and eight Command and Utility vehicles. With the exception of one Combined Volunteer Fire Department and Rescue Squad, Rescue squads are independent organizations not associated with the volunteer fire departments. A County-funded Advanced Life Support Unit is also operational and provides services with three vehicles.

Emergency Communications operates as a Division under the Department of Public Safety which was formed by the merging of the Emergency Management Agency and the Department of Emergency Communications in 2004. The Department of Public Safety is responsible for county-wide centralized emergency communications response and preparedness activities. Complete emergency communications coverage for the protection of St. Mary's County's citizens along with Sheriff, Maryland State Police, volunteer fire departments and rescue squads is provided in one centralized location using a 800-MHZ 10-channel radio system and tower infrastructure. A newly constructed center houses the operations and allows a coordinated response to any emergency situation. The previous emergency operations center is used as an alternate or backup center.

(See "CERTAIN DEBT INFORMATION" for information on the County's authority to create a revolving loan fund for capital projects of the volunteer fire departments and rescue squads.)

Health

The County provides various public health services to the citizens of St. Mary's County through the St. Mary's County Health Department. The Health Department, individually or in conjunction with the Maryland State Department of Health & Mental Hygiene and the Maryland State Department of the Environment, is responsible for the enforcement of all State and local health sanitation laws through its Office of Environmental Health.

The Health Department also provides medical clinic services to citizens and offers services in the areas of outreach, health education, cancer prevention, cardiovascular risk reduction, women's wellness, nursing, school health, developmental disabilities, communicable disease, geriatrics, health planning, vital records and medical assistance transportation. The Health department serves a public health leadership role in local emergency preparedness and response. In recent years, the Health department has developed public/private partnerships for the delivery of some services and has assumed the role of ombudsman for the County's medical assistance population under the Maryland Medicaid Managed Care Program. Health Department programs and services are funded by the state and local governments, grants, user fees and third party collections for medical services.

Recreation, Parks and Community Services

The Department of Recreation, Parks and Community Services (RP&CS) operates in collaboration with seven boards and committees which are appointed by the Board of County Commissioners. Collectively, these citizen boards provide oversight for a comprehensive program of public recreation, parks, museums, and community services. The advisory boards make recommendations to the County Commissioners on issues of policy. The day-to-day operations of the Department are carried out by a Director, five Division Managers, and a staff of 43 full-time and approximately 620 part-time and seasonal employees.

The RP&CS Department operates and manages 20 County parks, 15 public waterfront landings, various athletic facility sites, the Wicomico Shores Golf Course, the St. Clement's Island-Potomac River Museum and the Piney Point Museum and Park. The Department also manages a historic shipwreck preserve, the African-American Schoolhouse in Drayden, the Leonard Hall Recreation Center, Margaret Brent Recreation Center, Carver Recreation Center, a Gymnastics Center, Chancellor's Run Teen Center, Skate Park, Sprayground, Hollywood Recreation Center and Great Mills Swimming Pool.

Hundreds of youth and adult programs and services are offered each year and encompass a broad range of community service, education, leisure and sports activities. The Department operates "Before and After School" programs, "KEEP" (Kindergarten Extended Enrichment Care), After School Learning Centers, Summer Day Camps, Sports Camps at public schools and sponsors special events and trips and tours. Community service outreach programs including highway safety initiatives, alcohol and drug abuse prevention, the VISTA and Teen Court programs and various prevention and awareness special events.

Department of Land Use and Growth Management

The planning, zoning, development review, permitting and code compliance functions are centralized in the Department of Land Use and Growth Management and are accomplished through a diversified system of commissions, boards and intergovernmental staff organizations.

The Comprehensive Planning Division of the Department performs the planning, zoning and land use management and staff functions. It tracks compliance with the comprehensive plan, identifying strengths and weaknesses and recommending revisions.

The Development Services Division reviews all development-related proposals for compliance with zoning and subdivision regulations and the Comprehensive Plan. Processes plans for new development and coordinates the reviews of other applicable agencies.

The Zoning Administration Division is responsible for daily administration of the Zoning Ordinance. This includes issuance of zoning authorizations, conditional uses, variances, home occupations, mining operations, commercial/industrial change of uses, day care centers, roadside stands, commercial stables and sign permits. This division is the staff support to the (Zoning) Board of Appeals.

The Inspections and Compliance Division provides customer assistance and inspection services to verify compliance with zoning, building, electric, plumbing, fuel gas, floodplain regulations, Minimum Livability and Maryland Accessibility Codes and Ordinances. Zoning inspection and compliance functions range from investigating citizen inquiries and violations to site inspections for new storm water management facilities, parking and landscaping to compliance with conditional use approvals. This section also supports the activities of the Plumbing Board and Board of Electrical Examiners as well as to the Board of Building Code Appeals, on an "as needed" basis.

The Permits Division is responsible for the processing, review, issuance and code compliance of all building permits as well as environmental permits, residential entrances, home occupations, daycare, change of business occupants, certificates of use and occupancy and sign permits. This division is the first point of contact for citizens and builders seeking permits.

The Director and Administration Division of the Department of Land Use and Growth Management provides internal support services for the divisions of the Department through a series of data processing, inventory, financial, secretarial, and other record management processes. Serves as the principal advisor and administrator to the Planning Commission, the Board of (Zoning) Appeals, and the Historic Preservation Commission.

The Board of County Commissioners adopted a new Comprehensive Plan in 2002. Revised zoning, subdivision, storm water management and road construction regulations were also adopted in 2002 to conform to the latest Comprehensive Plan.

The Planning Commission of St. Mary's County consists of seven members appointed for five-year terms by the Board of County Commissioners. The Planning Commission is the approving authority for the subdivision of land and site plans, and it evaluates and makes recommendations to the Board of County Commissioners on planned unit developments, rezoning, areas of critical concern, and land use management and planning policies. The Planning Commission and staff also review capital improvement programs and budgets. The Planning Commission's approval of development applications requires adequate public facilities in accordance with the zoning ordinance to ensure that the demand for public facilities and services does not overly burden the County's fiscal resources.

The Board of (Zoning) Appeals, consisting of five members and two alternates, has the authority to grant conditional uses and variances to the Zoning Ordinance; it also accepts and decides appeals of the administrative decisions of the Zoning Administrator.

The Historic Preservation Commission performs functions related to the historic preservation provisions of the Zoning Ordinance and Comprehensive Plan.

The Technical Evaluation Committee (TEC) functions as the technical agency to accomplish comprehensive evaluations and reviews of all planning and zoning and land use applications.

Roads and Highways

St. Mary's County is served by Maryland Route 5 running northwest from the southern most tip of the County at Point Lookout through Leonardtown, the County seat, and eventually through Charlotte Hall in the northern most part of the County. Route 5 runs through Charles and Prince George's counties and into the Washington, D.C. area. Route 235 is another major State highway which runs from the southern portion of the County through Lexington Park and is the main route to the Patuxent River Naval Air Station. Route 235 meets Route 5 in the northern part of the County. State Route 234 intersects with Route 5 outside of Leonardtown and runs northwesterly into southern Charles County where it meets U.S. Route 301 just north of the Potomac River. Maryland Route 4 which runs through Calvert County crosses the Patuxent River at the Governor Thomas Johnson Bridge and intersects with Maryland Route 235 in St. Mary's County. A Countywide Transportation Plan was funded and is expected to be completed and adopted in 2005.

There are 1,374 County maintained roadways encompassing approximately 1,195 lane miles. The County's fiscal year 2005 operating budget for the County Highways Division in the Department of Public Works and Transportation is \$2,780,570. The approved capital budget for various highway projects includes appropriations of \$3,373,558. The State shares various vehicle taxes and fees with the counties to use for road construction, maintenance, and debt service and State aid to the County for fiscal year 2005 is estimated to be \$5,850,912.

Solid Waste

The County has completed the two phased closing of all five solid waste / rubble cells of the prior operating Area B of the St. Andrews Landfill. Financing was secured through a low interest loan from the Maryland Water Quality Administration. Trash collection is still provided by private collectors and citizens can also dispose of trash and recyclables at six residential convenience centers located throughout the County. Rubble and oversized loads from residents continues to be collected at the At St. Andrews landfill site and transported to Calvert County Appeal Transfer Station and wood / yard waste is ground into mulch and returned to the citizens. Recycling operations continue to offer both revenues and tipping fee cost avoidance opportunities.

The entire site is 270 acres and a new 55-acre Subtitle D disposal Area C has been approved and is permitted by the State for future expansion and Area D is under evaluation for additional contingency planning. The County continues to operate under an Environmental Monitoring Plan which was approved by the Maryland Department of the Environment ("MDE") on July 3, 2000. Current plans are to continue exporting approximately 20,000 tons per year of municipal solid waste collected at the County-operated convenience centers and 8-10,000 tons from the St. Andrews Landfill site to the Calvert County Appeal Transfer Station at a tipping fee rate of \$52 per ton. This long-term arrangement with Calvert County was formalized through a Memorandum of Understanding between the respective Boards of County Commissioners in February 2002. To provide back-up disposal capacity in the event of an interruption to the Appeal facility, in February 2001, the County executed a Memorandum of Understanding with Charles County.

The County's Comprehensive Solid Waste Management and Recycling Plan was formally approved by the Maryland Department of the Environment on April 8, 2002. The Plan establishes the direction, system and implementation schedule for solid waste management and contingency planning activities over the next ten years through established short, medium and long term goals. An update to the Plan is currently scheduled for 2005. The approved calendar year 2003 Maryland Recycling Rate ("MRA") for the County is 24%, which includes a 1% source reduction credit, 9% above the State mandated goal of 15%.

COUNTY REVENUES

General

The County's principal source of revenue is taxes, 41.3% of which were derived from ad valorem property taxes in fiscal year 2004.

The County's second most important source of revenue is income taxes. As a percentage of total general fund revenue, income tax was 37.8% of total revenue for fiscal year 2004.

The following table shows the various sources of revenue for the five most recent fiscal years ended June 30:

**General Fund
Summary of Revenues**

	Fiscal Year				
	2004	2003	2002	2001	2000
Taxes – Local Property	\$56,179,452	\$53,661,892	\$ 51,252,193	\$ 48,461,562	\$ 42,853,814
– Local Other	62,249,608	53,735,384	50,464,032	45,150,135	41,096,998
– State Shared	4,705,465	5,738,308	5,991,085	5,746,468	5,981,428
Licenses and Permits	1,604,784	1,250,115	605,878	503,719	561,994
Intergovernmental Revenue	5,285,845	4,549,684	4,922,735	2,888,032	2,782,055
Charges for Services	5,109,259	4,241,118	3,578,131	3,997,890	4,504,973
Fines and Forfeits	235,997	190,366	155,514	116,916	132,509
Miscellaneous	523,504	441,271	1,020,613	2,076,926	3,873,186
Total Revenues	<u>\$135,893,914</u>	<u>\$123,798,138</u>	<u>\$117,990,181</u>	<u>\$108,941,648</u>	<u>\$101,786,957</u>

Source: St. Mary’s County Department of Finance.

Property Taxes and Assessments

The assessment of all real and tangible personal property for purposes of property taxation by the County is the sole responsibility of the State Department of Assessments and Taxation, an independent State agency.

For State and County real property tax purposes, real property is valued at market value and assessed at 100% of market value. In order to make real property tax bills simpler and easier to understand, the General Assembly, under Chapter 80 of the Acts of 2000, has required that property tax rates on real property be based on a full cash value assessment. As a result, on October 1, 2000, real property tax rates were reduced to 40% of the rate effective July 1, 2000. Beginning in fiscal year 1992, a Homestead Tax Credit is applied to some owner-occupied residential property which limits the amount of assessment increase that can be taxed. The increase is limited to a range from 0% to 10%, which is set by the St. Mary’s County Commissioners annually. The current rate for St. Mary’s County is 5%, which has been unchanged since July 1, 1999. All property is physically inspected once every three years and any increase in full cash value arising from a new property valuation phased in over the ensuing three taxable years in equal annual installments.

Tangible business personal property is assessed at cost in the year of acquisition. A 10% depreciation rate per annum is applied and property will not be depreciated below 25% of original cost. Commercial and manufacturing inventory of business is assessed at cost and is determined from annual reports filed with the State Department of Assessments and Taxation. The County provides a 100% exemption for five categories of personal property (commercial inventory, manufacturing inventory, manufacturing machinery, farm implements and livestock).

Assessable taxable property growth in the County was 5.72% between fiscal year 2003 and fiscal year 2004 and is 6.39% between fiscal year 2004 and fiscal year 2005.

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 property tax liability for various income levels. The amount the County will provide in tax credits to homeowners in any given fiscal year will be offset by a 100% reimbursement from the State. Additionally, the County enacted a “Senior Tax Credit”. This credit which is funded from County property tax revenues is provided for citizens who are age 70 and above and who receive the State’s credit.

Assessed Values and Tax Rates

The following table sets forth the assessed value of all taxable property in the County for each of its five most recent fiscal years and the County and State tax rates applicable in each of those years. Assessed value of tax-exempt properties owned by Federal, State, and County governments, churches, schools, fraternal organizations, cemeteries, disabled veterans and the blind, aggregating approximately \$1.9 billion for the fiscal year ended 2003, are not included in the table. Under applicable law, there are no limits on the property tax rates as set forth in the table.

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Assessable Value					
Real Property	\$5,565,309,467	\$5,244,762,388	\$4,962,966,325	\$4,704,292,405	\$4,491,340,348
Personal Property Locally Assessed	11,040,000	11,190,000	10,232,000	10,666,700	9,386,749
Public Utilities	115,825,000	121,595,000	124,563,000	143,498,000	142,024,710
Business Corporation.....	<u>99,360,000</u>	<u>100,710,000</u>	<u>92,088,000</u>	<u>86,303,300</u>	<u>84,480,741</u>
Total Base	<u>\$5,791,534,467</u>	<u>\$5,478,257,388</u>	<u>\$5,189,849,325</u>	<u>\$4,944,760,405</u>	<u>\$4,727,232,548</u>
County Tax Rate (Per \$100 of Assessed Value)908	.908	.908	.908	.832
State Tax Rate (Per \$100 of Assessed Value) ..	.132	.084	.084	.084	.084

Source: St. Mary's County Department of Finance.

The assessable base projection for fiscal year 2005 is \$6,047,015,666. The property tax rate is .878 for Real Property and \$2.195 for Non-Real Property.

Tax Levies and Collections

County taxes are due and payable as of July 1 of each year and the County records property tax revenues as the taxes are billed. A 100% allowance for uncollectible is established for prior year taxes receivable. Beginning October 1, interest (at the rate of 1% per month) is charged for each month or fraction thereof that real property taxes remain unpaid for the current year plus a 3% one-time penalty for all unpaid County real property taxes due in that levy year. For personal property, the percentages are 1% per month and a 3% one-time penalty. Such taxes become delinquent on October 1 in the fiscal year of billing. Delinquent taxes are satisfied, after prior notice of delinquency, at tax sales conducted by the County Treasurer in the year following delinquency. Maryland Department of Assessments and Taxation has approved a service charge of 1.375% of the amount of tax due at the second installment to cover lost interest income and administrative expenses associated with the semiannual payment schedule pursuant to Section 10-204.3 of the Tax-Property Article of the Annotated Code of Maryland.

The following table sets forth certain information with respect to the County's tax levies and tax collections for each of the five most recent fiscal years ended June 30.

Fiscal Year	Total Tax Levv	Current Year's Taxes Collected in Year of Levv		Total Taxes Collected (Current and Delinquent)		Accumulated Delinquent Taxes	Accumulated Delinquent Taxes As A % of Current Year's Tax Levv
		Amount	%	Amount	%		
2004	\$56,179,452	\$54,625,773	97.2%	\$54,631,514	97.2%	\$2,256,627	4.0%
2003	53,661,892	52,366,046	97.6	52,288,252	97.4	1,993,053	6.5
2002	50,652,098	49,150,930	97.0	50,902,632	100.5	2,276,170	4.5
2001	48,125,635	46,538,179	96.7	48,109,492	100.0	2,783,984	5.8
2000	42,583,500	41,136,508	96.6	42,867,133	100.7	2,767,841	6.5

Source: St. Mary's County Department of Finance

County's Largest Taxpayers

The following table sets forth a list of the County's ten largest taxpayers in respect of ad valorem property taxes for fiscal year 2004.

St. Mary's County Ten Largest Taxpayers (Real and Personal Property Tax)

<u>Name of Taxpayer</u>	<u>Assessed Value</u>
1. Southern Maryland Electric Cooperative	\$70,843,364
2. Verizon	52,589,565
3. Support Terminals	22,136,069
4. J.L. Millison	19,097,587
5. Great Mills V LLC	17,892,594
6. United Dominion Realty Trust	15,426,800
7. San Souci SC LLC.....	12,862,920
8. Fairland Market, Inc.	12,829,126
9. SJS Wildewood	11,488,800
10. Lowes Home Centers	10,686,849

Source: State Department of Assessments and Taxation, St. Mary's County Office.

Income Tax

The State imposes an income tax on the adjusted income of individuals as determined for federal income tax purposes, subject to certain adjustments. The rate of tax is 2% on the first \$1,000 of taxable income, 3% on the second \$1,000, 4% on the third \$1,000 and 4.75% on taxable income in excess of \$3,000 for a taxable year beginning after December 31, 2001. Pursuant to State laws, each county and Baltimore City may levy a local income tax at the rate of at least 1% but not more than the percentage of an individual's Maryland taxable income of 3.10% for a taxable year beginning after December 31, 2000 but before January 1, 2002; and 3.20% for taxable year beginning after December 31, 2001. The County levied a local income tax on County residents at the rate of 3.05% of an individual's Maryland taxable income domiciled in the County effective January 1, 2005.

STATE AND FEDERAL ASSISTANCE

During fiscal year 2004, the County received intergovernmental State and Federal grants for operating purposes in the amount of \$5,285,845. Included in that amount are \$760,879 for State aid for police protection, a \$335,847 State prisoner housing subsidy grant, \$1,050,464 for transportation services, and various other grants for social services, public safety, recreation, and economic development.

The State also shares motor vehicle related revenues with the counties (motor fuel taxes, vehicle titling taxes, registration fees) and the funds are distributed based on road mileage and vehicle registrations. This State-shared tax distribution amounted to \$4,705,465 for St. Mary's County in fiscal year 2004.

State aid for public education in St. Mary's County for fiscal year 2004 amounted to \$55,368,811 and Federal impact aid amounted to \$2,681,083. Fiscal year 2005 State aid was estimated to be \$60,728,928 and general Federal revenues were projected to be \$1,700,000. State and Federal revenues for education are accounted for in the County budget process but are received directly by the Board of Education and are not recorded in the County government financial records.

CERTAIN DEBT INFORMATION

General

The County has no power to issue general obligation bonds except that conferred by legislation approved by the Maryland General Assembly. The General Assembly enacted legislation authorizing and empowering the County, from time to time, to borrow in the amounts listed below in order to finance the construction, improvement or development of public facilities in the County in the following year and amounts:

1993.....	20,000,000
1996.....	10,000,000
1997.....	10,000,000
1998.....	20,000,000
1999.....	25,000,000
2000.....	10,000,000
2001.....	20,000,000
2003.....	25,000,000

Pursuant to these authorities, the County issued serial maturity bonds in the amount and years listed as follows:

1993.....	8,375,000
1995.....	11,990,000
1996.....	7,040,000
1997.....	26,555,000
1999.....	29,575,000
2001.....	25,000,000
2002 Refunding.....	20,755,000
2003 GOB & Refunding.....	33,985,000

In its 1985 session, the General Assembly enacted legislation authorizing the County to issue general obligation bonds or to engage in alternative financing arrangements in an aggregate amount not to exceed \$2,000,000 in order to establish a revolving fund for the purchase of fire fighting and rescue equipment and facilities for volunteer fire and rescue squad organizations. (See "COUNTY SERVICES – Police and Fire"). This fund was established by the Board of County Commissioners in 1998 and is providing low-interest loans to fire and rescue organizations. In its 2001 session, the General Assembly increased the amount of the revolving fund not to exceed \$3,000,000 effective October 1, 2001.

Legal Debt Limitation

Unless and until otherwise provided by the Board of County Commissioners within the limitations provided by public general law, the aggregate amount of bonds and other evidences of indebtedness outstanding at any one time may not exceed 2% upon the assessable basis of the County. However, (1) tax anticipation notes or other evidences of indebtedness having a maturity not in excess of 12 months, (2) bonds or other evidences of indebtedness issued or guaranteed by the County payable primarily or exclusively from taxes levied in or on, or other revenues of, special taxing areas or districts heretofore or hereafter established by law and (3) bonds or other evidences of indebtedness issued for self-liquidating and other projects payable primarily or exclusively from the proceeds of assessments or charges for special benefits or services are not subject to, or be included as bonds or evidences of indebtedness, in computing or applying the percent limitation described above.

All bonds or other evidences of indebtedness issued under the authority of the Metropolitan Commission Enabling Act are exempt from the 2% debt limitation described in the preceding paragraph, but are subject to the debt limitation as from time to time provided in the Metropolitan Commission Enabling Act. Presently, the total principal amount of bonds issued pursuant to the Metropolitan Commission Enabling Act for any sanitary district may not exceed 25% of the assessed valuation within that sanitary district.

The following chart shows the County’s present legal debt margin.

**Schedule of Legal Debt
Margin of the County Under Existing Law**

Estimated assessed value as of July 1, 2004.....	\$6,161,608,000
Debt limit	2.0%
Borrowing limitation under the law	\$ 123,232,160
Outstanding debt issued as of July 1, 2004	\$ 111,572,541
Debt margin as of July 1, 2004.....	\$ 11,659,619
Ratio of debt to assessed value.....	1.87%

*Includes only debt which is subject to the legal debt limitation. The estimated assessed value represents the Final Assessment from State Department of Assessments from the Website as of 11/30/2004. As of March 1, 2005, the date of this issue, \$7,622,883 of principal will be paid to increase the Debt Margin to \$19,282,502.

Other County Debt

On December 30, 1986, the County issued \$15,835,000 aggregate principal amount of its 1986 Hospital Refunding Bonds in order to refund a portion of the County’s St. Mary’s Hospital, St. Mary’s County Refunding Bonds of 1983 (the “1983 Hospital Bonds”). The 1986 Hospital Refunding Bonds were general obligations of the County. The 1986 Hospital Refunding Bonds were payable in the first instance from payments made by the Hospital to the County under a loan agreement. On March 5, 1996, the County issued \$18,975,000 of Public Facilities and Hospital Refunding Bonds of 1996. \$11,935,000 of this issue represented Hospital Current Refunding Bonds of 1996 and refunded the Hospital Refunding Bonds of 1986. \$3,020,000 of the 1996 Refunding Bonds remained outstanding as of June 30, 2004. The 1996 Hospital Refunding Bonds are general obligations of the County and are also payable in the first instance from payments made by the Hospital. The County expects that such payments will be adequate to cover debt service on the 1996 Hospital Refunding Bonds. Pursuant to the bond enabling act, the 1996 Hospital Refunding Bonds are excluded from any calculation of County debt limitation.

On September 1, 1993, the County issued \$6,000,000 of general obligation bonds as the Hospital Bonds of 1993. The 1993 Hospital Bonds are general obligations of the County and are payable in the first instance from payments made by the Hospital to the County under a loan agreement. The County expects that such payments will be adequate to cover debt service on the 1993 Hospital Bonds. Pursuant to the Code of St. Mary’s County, all bonds issued by the County Commissioners for the benefit of St. Mary’s Hospital are excluded in computing or applying the County debt limitation. \$2,545,000 of the 1993 of the general obligation bonds remained outstanding of June 30, 2004.

On January 15, 2002, the County issued \$20,000,000 of general obligation bonds as the Hospital Bonds of 2002. The Hospital will apply the proceeds of such loan to fund capital improvements to its facility in Leonardtown, MD, including the construction of approximately 67,000 square feet of new space, the renovation of approximately 40,000 square feet of existing space, and site and infrastructure improvements. The 2002 Hospital Bonds are general obligations of the County and are payable in the first instance from payments made by the Hospital to the County under a loan agreement. The County expects that such payments will be adequate to cover debt service on the 2002 Hospital Bonds. Pursuant to the Code of St. Mary’s County, all bonds issued by the County Commissioners for the benefit of St. Mary’s Hospital are excluded in computing or applying the County debt limitation.

The County is contingently liable as guarantor of bonds issued by the St. Mary’s County Metropolitan Commission under the Metropolitan Commission Enabling Act. Commission bonds are payable in the first instance from the benefit assessments and connection and service charges. The County expects these funds to be adequate to cover debt service on the Commission’s bonds. All bonds or other evidences of indebtedness issued by the Commission are exempt from the County debt limitation. (See “COUNTY SERVICES – Water Supply and Sewerage”.)

On September 29, 2000, the Board of County Commissioners entered into a Loan Agreement with the Maryland Water Quality Financing Administration to finance the capping of cells 1, 2 and 4 of Landfill Area B. This loan, in the principal amount of \$3,225,318, is payable in equal annual installments over a 15-year period, with interest at 2.4%.

On May 26, 2004 , the Board of County Commissioners entered into a Loan Agreement with the Maryland Water Quality Financing Administration to finance the capping of St. Andrews Landfill Closure, cells 3 & 5 . This loan, in the principal amount of \$4,332,759, is payable in equal annual installments over a 15-year period, with interest of 1.10%.

Schedule of Debt Service Requirements

The following tables set forth the schedule of debt service requirements for certain of the County debt outstanding as of June 30, 2004.

	General Obligation Bonds, Notes and Loans (1)		Total Debt Service(2)
	Principal	Interest	
2005	\$7,623,178	\$4,519,829	\$12,143,007
2006	7,596,277	4,207,588	11,803,865
2007	7,664,708	3,918,262	11,582,970
2008	7,948,305	3,633,863	11,582,168
2009	7,637,069	3,337,539	10,974,608
2010	7,114,271	3,044,306	10,158,577
2011	7,264,305	2,755,134	10,019,439
2012	6,373,222	2,469,860	8,843,083
2013	6,647,310	2,184,119	8,831,429
2014	4,736,572	1,944,599	6,681,170
2015	4,926,012	1,752,293	6,678,304
2016	5,011,336	1,549,227	6,560,563
2017	5,061,558	1,322,531	6,384,089
2018	5,280,131	1,097,952	6,378,083
2019	5,500,600	857,025	6,357,625
2020	5,413,632	588,611	6,002,243
2021	3,198,632	384,065	3,582,697
2022	3,353,632	230,628	3,584,260
2023	1,568,632	114,831	1,683,463
2024	1,638,632	38,831	1,677,463
2028	<u>14,528</u>	<u>-</u>	<u>14,528</u>
	<u>\$111,572,541</u>	<u>\$39,951,094</u>	<u>\$151,523,635</u>

(1) Does not include the 1996 Hospital Refunding Bonds, the 1993 Hospital Bonds, the 2002 Hospital Bonds, certain interest-free State loans payable out of special assessments, bonds issued by the Metropolitan Commission, or the St. Mary's County Building Authority Commission \$8,910,000 Nursing Home Project and Refunding Bonds of 1992, or the \$8,760,000 Certificates of Participation for the St. Mary's County State Multi-Service Center.

Source: St. Mary's County Department of Finance.

**Schedule of Debt Service Requirements
As Adjusted to Reflect the Issuance of the Bonds**

<u>Fiscal Years</u>	<u>Debt Service(2)</u>	<u>Public Facilities Bonds of 2005</u>		<u>Adjusted Total Debt Service(2)</u>
		<u>Principal</u>	<u>Interest(1)</u>	
2005	\$ 12,143,007	\$ 0.00	\$ 0.00	\$ 12,143,007
2006	11,803,865	600,000	625,050	13,028,915
2007	11,582,970	610,000	602,550	12,795,520
2008	11,582,168	625,000	581,200	12,788,368
2009	10,974,608	645,000	559,325	12,178,933
2010	10,158,577	660,000	537,717	11,356,294
2011	10,019,439	680,000	515,277	11,214,716
2012	8,843,083	700,000	493,177	10,036,260
2013	8,831,429	720,000	465,177	10,016,606
2014	6,681,170	745,000	439,077	7,865,247
2015	6,678,304	770,000	411,140	7,859,444
2016	6,560,563	800,000	380,340	7,740,903
2017	6,384,089	825,000	350,340	7,559,429
2018	6,378,083	860,000	319,402	7,557,485
2019	6,357,625	890,000	286,722	7,534,347
2020	6,002,243	925,000	252,012	7,179,255
2021	3,582,697	960,000	215,012	4,757,709
2022	3,584,260	1,000,000	176,612	4,760,872
2023	1,683,463	1,040,000	136,612	2,860,075
2024	1,677,463	1,080,000	93,712	2,851,175
2025	3,632	1,125,000	47,812	1,172,812
2026	3,632	0	0	3,632
2027	3,632	0	0	3,632
2028	3,632	0	0	3,632
	<u>\$ 151,523,635</u>	<u>\$ 16,260,000</u>	<u>\$7,488,272</u>	<u>\$ 175,271,906</u>

(1) Interest rates range from 3.25% to 4.25%.

(2) Totals may not add due to rounding.

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

<u>Fiscal Year</u>	<u>County Debt</u>	<u>Estimated Population</u>	<u>Estimated Market Value</u>	<u>Net Debt Per Capita</u>	<u>Debt to Estimated Value</u>
2004	\$90,172,946	90,307	\$5,791,534,467	\$999	1.56%
2003	97,112,823	89,283	5,478,257,388	1,088	1.77
2002	97,090,558	88,259	5,189,849,325	1,100	1.87
2001	76,312,403	87,235	4,944,760,405	874	1.54
2000	78,673,085	86,211	4,727,232,548	912	1.66

Source: St. Mary's County Office of Finance.

The following table sets forth the County's debt service expenditures, exclusive of debt service in respect of Metropolitan Commission bonds and bonds issued for the benefit of the Hospital (including the Hospital Refunding Bonds), and the Building Authority Commission Bonds of 1992 and Certificates of Participation of 1988 as a percentage of General Fund revenues for the five most recent fiscal years ended June 30:

<u>Fiscal Year</u>	<u>General Fund Revenues</u>	<u>Debt Service Expenditures</u>	<u>Percentage</u>
2004	\$135,893,920	\$10,646,013	7.8%
2003	123,798,138	11,355,777	9.17
2002	117,990,181	10,091,617	8.55
2001	108,941,647	10,239,733	9.40
2000	101,786,957	8,532,228	8.38

Source: St. Mary's County Department of Finance.

The County has an above average rate of debt retirement as shown in the following table:

Rapidity of Debt Amortization*
Fiscal Years 2005-2028

<u>Number of Years</u>	<u>Principal Retired</u>	<u>Percent of Debt Retired</u>
5	\$38,469,537	35%
10	32,135,680	63
15	25,779,637	86
20	15,187,687	100

*Does not include the Bonds offered herein.

Capital Financing

The Board of County Commissioners has carefully developed the County’s capital budget and program to meet the demands of growth and an aging infrastructure. The fiscal year 2005 budget reflects the need for additions and renovations to public school facilities, highway maintenance and streetscape projects, park expansion and development projects, and various other public improvements. Almost 35% of the budget is to be financed from bond proceeds while the balance of the financing comes from other local revenue sources and State and Federal funds.

The adopted five-year capital program for fiscal year 2006 through 2010 amounts to \$123.6 million. Approximately 43% of the program is targeted for public school projects and almost 15% is planned for various highway improvement projects. The program also includes an additional phase for the community college campus, addition/renovation to governmental center, various park projects, and agricultural land preservation projects. The County’s financial planning for the capital budget and program attempts to provide a balanced approach which utilizes current revenues (pay-as-you-go general funds, transfer taxes, impact fees) as well as bonded indebtedness. The financial plan for fiscal years 2006 through 2010 is structured to provide overall project financing as follows: 30% from general obligation bonds, 30% from current revenues (transfer taxes, impact fees, general fund), and 40% from State, Federal and other sources. The following table presents the capital budget and five-year capital program as adopted by the Board of County Commissioners:

Fiscal Year 2005 Capital Improvements Budget and Program

<u>Capital Project</u>	<u>Total Project Cost</u>	<u>Approved Budget FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>
Capital Project Summary:							
Public Facilities	\$ 35,004,920	\$ 3,151,606	\$ 9,944,850	\$ 9,519,064	\$ 3,137,300	\$2,332,100	\$ 6,920,000
Land Conservation	15,868,000	1,493,000	3,071,000	3,081,000	273,000	2,741,000	2,751,000
Marine	2,259,100	560,300	1,421,300	262,500			15,000
Highways.....	21,468,266	3,373,558	2,063,455	2,402,391	2,782,362	5,503,250	5,343,250
Solid Waste	624,000		319,000	205,000		100,000	
Parks Acquisition & Development	5,899,525	1,914,525	2,925,000	310,000	250,000	250,000	250,000
Public Landings Acq. & Development	1,241,090	641,090	380,000	130,000	30,000	30,000	30,000
Public Schools	<u>70,133,779</u>	<u>17,698,779</u>	<u>9,741,000</u>	<u>12,609,000</u>	<u>8,765,000</u>	<u>2,148,000</u>	<u>19,172,000</u>
Total Capital Projects	<u>\$152,498,680</u>	<u>\$28,832,858</u>	<u>\$29,865,605</u>	<u>\$28,518,955</u>	<u>\$17,695,662</u>	<u>\$13,104,350</u>	<u>\$34,481,250</u>
Capital Project Financing:							
County Bonds.....	\$ 45,765,312	\$ 9,295,109	\$ 9,315,841	\$5,210,091	\$4,755,421	\$3,929,350	\$13,259,500
County Bonds-Taxing							
Districts.....	587,014	587,014	-	-	-	-	-
Transfer Tax	23,300,000	5,300,000	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
Impact Fees	17,140,000	3,200,000	2,640,000	4520,000	2,260,000	2,260,000	2,260,000
General Fund Transfer	500,000	500,000					
State/Federal Funds.....	59,146,354	9,215,735	10,864,764	14,733,864	6,615,241	2,840,000	14,876,750
Other Sources	<u>6,060,000</u>	<u>735,000</u>	<u>3,445,000</u>	<u>455,000</u>	<u>465,000</u>	<u>475,000</u>	<u>485,000</u>
Total Project Financing	<u>\$152,498,680</u>	<u>\$28,832,858</u>	<u>\$29,865,605</u>	<u>\$28,518,955</u>	<u>\$17,695,662</u>	<u>\$13,104,350</u>	<u>\$34,481,250</u>

Source: St. Mary’s County Department of Finance.

Future Plans to Issue County Debt

The County plans to issue approximately \$15 million in general obligation bonds in calendar year 2007 for its purposes.

CERTAIN ECONOMIC AND DEMOGRAPHIC FACTORS

Economic Growth and Development

Since 1982, the Board of County Commissioners has maintained a philosophy of assisting businesses and developing tourism in the County. Integral to the efficient execution of that philosophy was the creation of the Department of Economic and Community Development. The Department's objectives include defense and high technology industry growth and diversification; entrepreneurial development and new business incubation; expansion of the tourism and agriculture industries; labor force development; and community facilities and infrastructure improvements. Activities include marketing and public relations; policy development; information collection and dissemination; market expansion for existing businesses; liaison to private and public resources; and direct financial and technical assistance. Since 1998, the Department has coordinated public-private partnerships to provide business and community development assistance with partners that include the St. Mary's Chamber of Commerce, the Community Development Corporation, the Patuxent Partnership, and the Lexington Park Revitalization office.

U.S. Naval Facilities

The Naval Air Station Patuxent River complex ("Pax River") is headquarters for the Naval Air Warfare Center Aircraft Division, the Naval Air Systems Command, and more than 50 tenant activities. The Air Station has been located in the County since 1941. Consolidation and expansion in the 1990s made Pax River the Navy's full spectrum research, development, test and evaluation, engineering and fleet support center for air platforms. Today, approximately 20,100 workers directly support the Navy in St. Mary's County. Specialized labs and expertise support technologies including aerial vehicles, propulsion, man-machine interface, crew survivability, training, test and evaluation, simulation, modeling, communications, materials and chemistry, sensors, computer science and logistics. The activities conducted at the naval complex have encouraged the growth and development of high technology in the County. The number of technology workers has quintupled in the last ten years and St. Mary's County leads the State in its proportion of technology workers.

Population

During the period between 1950 and 1990, the population of the County increased approximately 161% as reflected in the following table. The 2000 Census shows that the County has experienced a 13.5% growth in population in the past ten years.

<u>Year</u>	<u>Population</u>	<u>% Growth</u>
1950	29,111	--
1960	38,915	33.7%
1970	47,388	21.8
1980	59,895	26.4
1990	75,974	26.8
2000	86,211	13.5
2006 (est.)	95,500	10.8

Source: United States Department of Commerce, U.S. Census Bureau. Maryland Department of Planning.

Income

Median household effective buying income in the County was \$47,642 for 2004. The median household effective buying income for the other counties in the Southern Maryland area and the State of Maryland are as follows:

**Median Household Effective
Buying Income**

Calvert County.....	\$55,570
Charles County.....	52,385
St. Mary’s County.....	47,642
State of Maryland.....	45,879

Source: *Sales and Marketing Management 2004 Survey of Buying Power and Media Markets*, September 2004. (A VNU Publication) Copyrighted.

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

Net Effective Buying Power, 2004

	<u>Percent of Households</u>		
	<u>St. Mary’s County</u>	<u>State of Maryland</u>	<u>U.S.</u>
\$ 0–19,999	13.0%	16.7%	22.3%
20,000–34,999	19.9	19.8	23.3
35,000–49,999	20.6	18.8	19.0
50,000 and over	46.5	44.7	35.4

Source: *Sales and Marketing Management, 2004 Survey of Buying Power and Media Markets*, September 2004. (A VNU Publication) Copyrighted.

A comparison of St. Mary’s County and the State of Maryland personal income is presented in the following table:

<u>Calendar Year</u>	<u>Personal Income (\$000’s)</u>		<u>Percent Change from Previous Year</u>	
	<u>St. Mary’s County</u>	<u>State of Maryland</u>	<u>St. Mary’s County</u>	<u>State of Maryland</u>
2002	\$2,763,672	\$197,868,681	6.4%	4.0%
2001	2,597,419	190,331,297	3.4	4.6
2000	2,511,098	181,957,207	8.1	8.9
1999	2,323,856	167,074,691	3.2	5.9
1998	2,252,243	157,783,778	10.5	6.7

Source: Data extracts prepared by Maryland Department of Planning, Planning Data Services, from U.S. Bureau of Economic Analyses, May 2004.

A comparison of St. Mary’s County and the State of Maryland per capita personal income is presented in the following table:

<u>Calendar Year</u>	<u>Per Capita Personal Income</u>		<u>Percent Change from Previous Year</u>	
	<u>St. Mary’s County</u>	<u>State of Maryland</u>	<u>St. Mary’s County</u>	<u>State of Maryland</u>
2002	\$30,658	\$36,303	3.4%	2.7%
2001	29,653	35,355	2.2	3.2
2000	29,026	34,257	7.0	7.79
1999	27,139	31,796	2.4	4.9
1998	26,507	30,317	8.1	5.6

Source: Data extracts prepared by Maryland Department of Planning, Planning Data Services, from U.S. Bureau of Economic Analyses, May 2004

Retail Sales

Retail sales as measured by the growth in retail sales tax collections has increased as follows over the past five years for the counties in Southern Maryland and the State of Maryland.

Retail Sales Tax Collections (000's)

	<u>Fiscal Year 2004</u>	<u>Fiscal Year 1999</u>	<u>Percentage Increase</u>
Calvert County	\$ 22,484	\$ 17,980	25.0%
Charles County	72,569	52,625	37.9
St. Mary's County	36,159	24,396	48.1
State of Maryland	2,969,441	2,315,798	28.2

Source: Comptroller of the Treasury, Consolidated Revenue Reports, Fiscal Year 2004 and Fiscal Year 1999.

The following table sets forth 2004 retail sales (\$000's) by selected store groups for the Southern Maryland counties and the State of Maryland:

	<u>Calvert County</u>		<u>Charles County</u>		<u>St. Mary's County</u>		<u>State of Maryland</u>	
	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>
Food & Beverage Stores	236,897	32.4	259,397	12.2	205,086	20.2	13,341,447	17.5
Food Serv. & Drinking Estab.	94,254	12.9	202,207	9.5	98,383	9.7	7,308,060	9.6
General Merchandise	60,459	8.3	366,420	17.2	154,077	15.2	8,517,916	11.2
Furnit. & Home Furnish. and Electron. & Appliances.....	24,688	3.4	155,786	7.3	28,327	2.8	4,417,869	5.8
Motor Veh. & Parts Dealers	116,108	15.9	396,259	18.6	131,314	12.9	17,301,292	22.7
Miscellaneous.....	<u>198,553</u>	<u>27.2</u>	<u>748,570</u>	<u>35.2</u>	<u>399,379</u>	<u>39.3</u>	<u>25,493,708</u>	<u>33.4</u>
Total	<u>730,959</u>	<u>100.0</u>	<u>2,128,639</u>	<u>100.0</u>	<u>1,016,566</u>	<u>100.0</u>	<u>76,380,292</u>	<u>100.0</u>

*Columns may not add due to rounding.

Source: *Sales and Marketing Management, 2004 Survey of Buying Power and Media Markets*, September 2004. (A VNU Publication) Copyrighted.

Education

The following table sets forth the years of school completed by persons 25 years and older as a percentage of the population described in the 2000 Census for St. Mary's County and the other counties in Southern Maryland.

	<u>Calvert</u>	<u>Charles</u>	<u>St. Mary's</u>
Elementary (grades K-8)	3.1%	4.0%	4.4%
9 th to 12 th grade (no diploma)	9.9	10.1	10.3
High school graduate (includes equivalency)	34.4	33.4	35.0
College			
No degree	24.3	25.9	22.8
Associate degree	5.8	6.5	5.1
Bachelor's degree	14.2	13.2	14.3
Graduate/Professional degree	8.3	6.8	8.2

Source: DP-2. Profile of Selected Social Characteristics: 2000; Census 2000 Summary File 3 (SF-3) Sample Data. U.S. Census Bureau.

Dropout rates represent the percentage of students in grades 9-12 who withdrew from school before graduation or before completing a Maryland-approved educational program during the July to June academic year. A rate of 3.0% or less is considered satisfactory by State standards.

Dropout Rates, Grades 9-12, 2002-03

Calvert County	2.71%
Charles County	2.94
St. Mary’s County	2.30
State of Maryland	3.41

Source: Dropout Rates of Maryland Public High Schools Grades 9-12: July 2002–June 2003. Summary of Attendance Maryland Public Schools 2002 -2003. Maryland State Department of Education.

Technology in Education

The State of Maryland regularly assesses the availability and utilization of computers in the K-12 classroom. Following is information relevant to technology in the St. Mary’s County Public School System.

Student: Computer Ratio

St. Mary’s County	4:1
Calvert County	5:1
Charles County	5:1
State of Maryland	5:1
National	5:1

Source: Maryland State Department of Education. “Where Do We Stand in 2002. A Progress Report on Technology Resources in Maryland Schools.” February Source: Maryland State Department of Education. “Where Do We Stand in 2002. A Progress Report on Technology Resources in Maryland Schools.” February 2002.

Teacher knowledge and skills are also surveyed with respect to several factors. Following is the percentage of teachers who assess themselves at the intermediate level or above in the integration of technology in the classroom.

St. Mary’s County	80%
Calvert County	73
Charles County	77
State of Maryland	70

Source: Maryland State Department of Education. “Where Do We Stand in 2002. A Progress Report on Technology Resources in Maryland Schools.” February 2002.

Higher Education

St. Mary’s County hosts a variety of outstanding higher education institutions offering graduate, undergraduate, noncredit, continuing education and enrichment programs.

Established in 1994 as the State of Maryland’s provider of graduate degree programs for Southern Maryland citizens, the Southern Maryland Higher Education Center (“SMHEC”) recruits and selects graduate degree programs and universities that meet the professional development needs of the Southern Maryland community. With nine university partners serving students at SMHEC, including the College of Notre Dame of Maryland, Towson University, the University of Maryland University College and the University of Maryland College Park, Catholic University of America, Old Dominion University, Capital College, Washington College, and the Johns Hopkins University. SMHEC presents 60 academic programs in the areas of engineering, applied sciences, management, nursing and education. bachelor’s degrees, graduate certification programs, graduate certificate programs, and doctoral degrees are presented at the SMHEC.

The SMHEC is a premier facility for training programs, including those for U.S. Navy military and civilian personnel and the defense support industry. Utilizing two classroom buildings in the enhancement of higher education opportunities, the Center now encompasses 58,410 square feet and a total of 37 classrooms, with plans for a third building underway. The second building, featuring state-of-the art instruction and training equipment and communications, was opened in 2003.

St. Mary’s College of Maryland, located in St. Mary’s City, is a public liberal arts honors college offering Bachelor of Arts degrees and continuing education programs. The College’s enrollment is approximately 1,900 full-time students and 200 part-time students. Majors include art, dramatic arts, music, language and literature, human development, psychology, philosophy, history, political science, anthropology, sociology, public policy, economics, mathematics, biology, chemistry, physics, and natural science.

Florida Institute of Technology is an accredited, coeducational, independently controlled and supported university. Florida Tech offers 12 masters degrees in the following areas: professional master of business administration; master of public administration; master of science in acquisition and contract management; aerospace engineering; computer information systems; computer science; electrical engineering; engineering management; human resources management; management; mechanical engineering; and systems management. At the Patuxent River Graduate Center, there are approximately 100 graduates each year and approximately 350 students enrolled in about 30 classes each semester.

Embry-Riddle Aeronautical University specializes in aviation and aeronautical education. The Patuxent River Center offers an Associate of Science degree in Professional Aeronautics, a Bachelor of Science degree in Professional Aeronautics and Management of Technical Operations and a Master of Aeronautical Science degree. Approximately 150 students are enrolled each term and approximately 35 students graduate yearly.

The College of Southern Maryland (“CSM”) is a regionally accredited public two-year institution with an emphasis on workforce development. The St. Mary’s County campus is currently comprised of 3 buildings on 62 acres. The campus offers an array of associate’s degree programs, industry certifications, career training, and wellness and fitness activities. CSM is known as a progressive, innovative and technologically-advanced institution. CSM also serves as a catalyst for business, industry and government to identify the resources needed to grow and maintain a healthy economy and community.

CSM prepares its students for transfer to bachelor’s degree programs and provides the tools and resources needed to immediately succeed in a competitive marketplace. Approximately 1,100 students are enrolled each term at the St. Mary’s campus. CSM offers over 600 credit and continuing education courses, providing students of all ages with a wide variety of convenient and affordable educational options, including traditional classroom settings as well as alternative learning formats such as Weekend College, Web-based courses, and telecourses.

Housing

The number of building permits issued by the County for the last five years are listed below:

<u>Year</u>	<u>Permits</u>
2002.....	801
2001.....	518
2000.....	1,095
1999.....	662
1998.....	1,045

Note: Includes homes, mobile homes, townhouses and apartment units.
 Source: St. Mary’s County Department of Building Permit Services.

The age of the County’s housing stock was determined by the 2000 Census survey to be relatively low. A comparison of housing units in the Southern Maryland counties is set forth below:

	<u>Calvert</u>	<u>Charles</u>	<u>St. Mary’s</u>
1990-2000	37.4%	27.9%	27.5%
1980-1989	23.1	25.8	21.3
Older than 1980	39.4	46.5	51.1

Source: DP-4. Profile of Selected Housing Characteristics: 2000; Census 2000 Summary File 3 (SF 3)-Sample Data. U.S. Census Bureau.

Business and Industrial Composition

In the following table, statistics are provided relating to the distribution of employment by employer classification. These figures exclude railroad, domestic service, self-employed, agricultural and unpaid family workers.

Classification	Number of Reporting		Quarterly Average	
	Units	%*	Employment	%*
Natural Resources and Mining.....	8	0.4	17	.5
Construction.....	313	16.8	1,744	4.8
Manufacturing.....	34	1.9	482	1.3
Trade, Transportation and Utilities	435	23.4	6,331	17.1
Information	22	1.2	239	.7
Financial Activities	139	7.5	1,019	2.8
Professional and Business Services.....	357	19.2	8,383	22.6
Education and Health Services.....	162	8.7	3,892	10.5
Leisure and Hospitality	159	8.5	3,048	8.2
Other Services and Unclassified	148	8.0	823	2.2
Local Government.....	41	2.3	3,295	8.9
State Government.....	9	0.5	759	2.0
Federal Government.....	31	1.7	6,999	18.9
Total.....	<u>1,861</u>	<u>100.0</u>	<u>37,038</u>	<u>100.0</u>

*Columns may not add due to rounding.

Source: Maryland Department of Labor, Licensing and Regulation. Office of Labor Market Analysis and Information, "Employment and Payrolls First Quarter 2004."

Employment Classification

The 2000 Census survey determined the worker classification for employed persons 16 and over. Comparative figures for the Southern Maryland counties are presented below:

	Calvert	Charles	St. Mary's
Private wage and salary workers	67.1%	66.2%	64.8%
Government workers	26.5	29.2	28.8
Self-employed workers (not incorporated business)	6.1	4.3	6.0
Unpaid family workers	0.3	0.3	0.3

Source: DP-3. Profile of Selected Economic Characteristics: 2000; Census 2000 Summary File 3 (SF 3)-Sample Data. U.S. Census Bureau.

Employment

Representative employment figures for some of the larger employers in the County follow:

<u>Employer</u>	<u>June 2005 Employment</u>
Public:	
Federal*: Civil Service.....	7,800
Military.....	3,200
State:	
State Government.....	835
St. Mary's College of Maryland.....	400
County:	
Public Schools.....	1,950
County Government.....	720
Charlotte Hall Veteran's Home.....	275
St. Mary's Nursing Center.....	225
Private/Defense Contractors:	
DynCorp, a CSC Company.....	1,395
BAE Systems.....	865
Advanced Information Engineering Services (formerly Veridian Systems).....	730
Eagan, McAllister Associates, Inc.....	550
Northrup Grumman (PRB).....	306
Mantech.....	370
Booz Allen Hamilton.....	305
Sabre Systems.....	300
Titan Systems.....	500
Eagle Systems.....	250
J F Taylor.....	225
DCS Corporation.....	175
CACI Systems, Inc.....	176
National Technologies Assoc.....	250
Bell Boeing.....	37
Private/Non Defense:	
St. Mary's Hospital.....	813
Walmart.....	270
Burch Oil Company, Inc.....	286
McKay's Foodland.....	243
Merkle Mailing.....	150
Harry Lundeburg (Paul Hall) School of Seamanship.....	200
Lowe's Home Improvement.....	100
Target Corporation.....	250

Source: St. Mary's County Department of Economic and Community Development.

* Source: Management Analysis Division, Patuxent River Naval Air Station.

The following table sets forth St. Mary's County's unemployment rate as compared with other counties of Southern Maryland, the State of Maryland and the United States for the years 1999 -2004

Average Annual Unemployment Rate

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Calvert County	2.8 %	3.0%	2.7%	2.5%	2.6%	2.6%
Charles County	2.6	3.1	2.9	2.5	2.6	2.5
St. Mary's County	2.3	2.8	3.0	2.7	3.1	3.1
State of Maryland	4.0	4.5	4.4	4.0	3.8	3.5
United States	5.4	6.0	5.8	4.6	4.0	4.2

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

The number of persons living in the St. Mary’s County who were available for work and composed the County’s labor force numbered 60,651 in December 2004, while total employment was 59,227 resulting in an unemployment rate of 2.3% for this period. Comparative unemployment rates are given below for December 2004.

Calvert County	2.8%
Charles County.....	2.6
St. Mary’s County	2.3
State of Maryland.....	4.0
United States	5.4

Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information, “Civilian Labor Force, Employment, and Unemployment by Place of Residence, September 2004”.

Commuting Patterns

The 2000 Census survey determined the work commuting patterns for the labor forces of each of Maryland’s counties and the City of Baltimore. Of the counties located in Southern Maryland, St. Mary’s County has the largest percentage of its labor force (those 16 and over) who work within their resident county. Comparative figures for the Southern Maryland counties are presented below:

Calvert County	42.7%
Charles County.....	42.1
St. Mary’s County	74.2

Source: Census 2000 Summary File 3 (SF 3) – Sample Data, U.S. Census Bureau.

LITIGATION

The County is party to numerous legal proceedings, many of which normally recur in governmental operations. The legal proceedings to which the County is a party are not, in the opinion of the County Attorney, likely to have a material adverse impact on the County’s financial position.

EXPERTS

The audited financial statements included in Appendix A have been examined by Murphy and Murphy, P.A., independent certified public accountants for the County to the extent stated in the reports of such firms appearing herein. The audited financial statements have been included in reliance upon the reports of such firm, which reports are given upon their authority as experts in auditing and accounting.

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 or buy reverse repurchase agreements. 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.

CONTINUING DISCLOSURE

The County will execute a Continuing Disclosure Agreement (the “Disclosure Agreement”) prior to or simultaneously with the issuance of the Bonds. In the Disclosure Agreement, the County will covenant for the benefit of the Beneficial Owners from time to time of the Bonds to provide certain financial information and operating data relating to the County (the “Annual Report”) by not later than March 31 each year, commencing March 31, 2006, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the County with each Nationally Recognized

Municipal Securities Information Repository and the State Information Repository (if any). The notices of material events, if any, will be filed by the County with the Municipal Securities Rulemaking Board and the State Information Depository (if any). The County has made these covenants in order to assist the Underwriters in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

The County has never failed to provide or notice of any material event as required by any undertaking pursuant to the Rule. On one occasion, the County failed to provide financial information as required by the Rule, by not timely filing a report. Such report was subsequently filed.

The form of the Disclosure Agreement is set forth in Appendix C.

SALE AT COMPETITIVE BIDDING

The Bonds were offered by the County at a competitive bidding on March 8 2005, in accordance with the Official Notice of Sale (the form of which is attached as Appendix D). The interest rates shown on the cover page of this Official Statement are the interest rates to the County resulting from the award of the Bonds at the competitive bidding. The yields or prices shown on the cover page of this Official Statement were furnished by the successful bidders for the Bonds. All other information concerning the nature and terms of any reoffering should be obtained from the successful bidders for the Bonds and not from the County.

FINANCIAL ADVISOR

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

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representation is made that any 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.

The execution of this Official Statement and its delivery has been approved by County Commissioners of St. Mary's County.

COUNTY COMMISSIONERS OF ST. MARY'S COUNTY

By /s/ THOMAS F. MCKAY

Thomas F. McKay
President
Board of County Commissioners

Form of Opinion of Bond Counsel

[Closing Date]

County Commissioners of St. Mary's County
Governmental Center
Leonardtown, Maryland

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the County Commissioners of St. Mary's County (the "County"), a body politic and corporate and a political subdivision of the State of Maryland, of its \$16,260,000 County Commissioners of St. Mary's County Consolidated Public Improvement Bonds of 2005 (the "Bonds") dated March 1, 2005.

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

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any change in law that may hereafter occur.

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 certifications by public officials.

We do not express any opinion herein regarding any law other than the law of the State of Maryland and the federal law of the United States of America.

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

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).

Based on the foregoing, it is our opinion that, under existing law:

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 389 of the Laws of Maryland of 2001, as amended, Chapter 145 of the Laws of Maryland of 2003, as amended, and Section 2C of Article 31 of the Annotated Code of Maryland, as amended (collectively, the "Acts"), and Resolution No. 2005-6 of the County adopted on February 8, 2005 (the "Resolution"), and the issuance thereof is within every debt and other 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 St. Mary's 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. Under existing law, the interest on the Bonds (i) is excludable from gross income for Federal income tax purposes, and (ii) is not an enumerated preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

In rendering the opinion expressed above in this paragraph 6, we have assumed continuing compliance with the covenants and agreements set forth in the Tax Certificate and Compliance Agreement of even date herewith executed and delivered by the County (the "Tax Agreement"), which covenants and agreements are designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the income tax regulations issued thereunder (the "Regulations") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal tax purposes. In our opinion, the covenants and agreements in the Tax Agreement are sufficient to meet such requirements (to the extent applicable to the Bonds) of the Code and Regulations. However, we assume no responsibility for, and will not monitor, compliance with the covenants and agreements in the Tax Agreement. 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 includible in gross income for Federal income tax purposes, retroactive to the date of issuance of the Bonds.

7. 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.

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.

Very truly yours,

[to be signed "Venable LLP"]

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated as of March __, 2005 (the “Disclosure Agreement”), is executed and delivered by County Commissioners of St. Mary’s County (the “County”) in connection with the issuance of \$16,260,000 County Commissioners of St. Mary’s County Consolidated Public Improvement Bonds of 2005. The County hereby covenant and agree as follows:

SECTION 1. *Purpose of the Disclosure Agreement.* This Disclosure Agreement is being executed and delivered by the County for the benefit of the holders from time to time of the Bonds and the beneficial owners from time to time of the Bonds and in order to assist the Underwriter (defined below) in complying with the Rule (defined below).

SECTION 2. *Definitions.* In addition to the definitions set forth above, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the County pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

“Disclosure Representative” shall mean the Chief Financial Officer of the County or her designee, or such other person as the County shall designate from time to time.

“Dissemination Agent” shall mean the County or any Dissemination Agent designated in writing by the County.

“Listed Events” shall mean any of the events listed in Section 6(a) of this Disclosure Agreement.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository recognized by the Securities and Exchange Commission for purposes of the Rule. Currently, the following are National Repositories:

BLOOMBERG MUNICIPAL REPOSITORY

Attn: Municipal Dept.
100 Business Park Drive
Skillman, NJ 08558
(609) 279-3225 (phone)
(609) 279-5962 (fax)
E-mail: munis@bloomberg.com

DPC DATA, INC.

One Executive Drive
Fort Lee, NJ 07024
(201) 346-0701 (phone)
(201) 947-0107 (fax)
E-mail: nrmsir@dpdata.com

FT INTERACTIVE DATA

Attn: NRMSIR
100 Williams Street
New York, NY 10038
(212) 771-6999 (phone)
(212) 771-7390 (fax)
E-mail: NRMSIR@FTID.com

STANDARD & POOR’S J.J. KENNY REPOSITORY

55 Water Street, 45th Floor
New York, NY 10041
(212) 438-4595 (phone)
(212) 438-3975 (fax)
E-mail: nrmsir_repository@sandp.com

“Repository” shall mean each National Repository and each State Repository. The listing of repositories herein shall be automatically amended from time to time if the Securities and Exchange Commission (“SEC”) designates additional or other entities as “Nationally Recognized Municipal Securities Information Repositories” (“NRMSIRs”) under the Rule, or if the SEC at any time revokes the designation of an entity as a NRMSIR under the Rule.

“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 Disclosure Agreement, there is no State Repository.

“Underwriter” shall mean the original underwriter(s) of the Bonds required to comply with the Rule in connection with the offering or sale of the Bonds.

SECTION 3. *Scope of Agreement.*

(a) The disclosure obligations under this Disclosure Agreement relate solely to the Bonds. Such disclosure obligations are not applicable to any other securities issued or to be issued by the County.

(b) The County is the only “obligated persons” with respect to the Bonds within the meaning of the Rule.

SECTION 4. *Provision of Annual Reports.* The County shall, not later than March 31 after the end of the Fiscal Year, commencing with the Fiscal Year ending June 30, 2005, provide to each Repository an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Agreement; provided that the audited financial statements of the County may be submitted separately from the balance of the Annual Report.

SECTION 5. *Content of Annual Reports.* The County’s Annual Report shall contain or incorporate by reference the following:

- Comprehensive audited financial statements for the immediately preceding fiscal year, prepared in accordance with generally accepted accounting principles; and
- the information provided in the Official Statement prepared and delivered by the County with respect to the Bonds, under the headings “County Expenditures,” “County Revenues,” “State and Federal Assistance,” “Summary of Revenues and Expenditures,” “Fiscal Year 2004 Budget,” and “Certain Debt Information,” utilizing the same accounting standards as were used in preparing such information for the Official Statement and updated as of a date no earlier than the last day of the immediately-preceding fiscal year.

SECTION 6. *Reporting of Significant Events.*

(a) In a timely manner, the County will provide to each Repository and to the Municipal Securities Rulemaking Board, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- Principal and interest payment delinquencies;
- Non-payment related defaults;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers or their failure to perform;
- Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- Modifications to rights of Bondholders;
- Bond calls;
- Defeasances;
- Release, substitution, or sale of property securing repayment of the Bonds; or
- Ratings changes.

The County hereby acknowledges that certain of the above-enumerated events do not, and are not ever expected to, apply to the Bonds. Nevertheless, the County intends to provide the Underwriter with complete assistance in complying with the Rule. Therefore, the County covenants to provide notice of all of the above-enumerated events should they occur.

(b) In a timely manner, the County will give to each Repository, or to the Municipal Securities Rulemaking Board and the State Repository (if any), notice of any failure to comply with the covenants set forth herein.

SECTION 7. *Termination of Reporting Obligation.* The County’s obligations under this Disclosure Agreement shall terminate when there are no longer any Bonds outstanding.

SECTION 8. *Dissemination Agent.* The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out their obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 9. *Amendment; Waiver.* Notwithstanding any other provision of this Disclosure Agreement, the County may

amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) said amendment or waiver may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County, or type of business conducted by the County;

(b) said provision, as amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the initial offering of the Bonds after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) said amendment or waiver does not materially impair the interests of holders of the Bonds, as determined either by nationally recognized bond counsel or by an approving vote of the holders of a majority of the outstanding aggregate principal amount of the Bonds.

SECTION 10. *Additional Information.* Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any Annual Report or notice of occurrences of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. *Default.* Failure to comply with this Disclosure Agreement shall not be deemed to be a default or an event of default with respect to the Bonds.

SECTION 12. *Beneficiaries.* This Disclosure Agreement shall inure solely to the benefit of the County, the Dissemination Agent (if any), the Underwriter, and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

COUNTY COMMISSIONERS OF ST. MARY'S COUNTY

By: _____

Elaine M. Kramer
Chief Financial Officer

NOTICE OF SALE

ST. MARY’S COUNTY, MARYLAND

**\$16,260,000 COUNTY COMMISSIONERS OF ST. MARY’S COUNTY
CONSOLIDATED PUBLIC IMPROVEMENT BONDS OF 2005**

Electronic bids and sealed, written proposals will be received at the office of the Chief Financial Officer of St. Mary’s County, Maryland located at 23115 Leonard Hall Drive, Leonardtown, Maryland 20650, until 11:00 a.m., local Baltimore, Maryland time, on March 8, 2005, for County Commissioners of St. Mary’s County Consolidated Public Improvement Bonds of 2005 (the “Bonds”). The Bonds are being issued by the County Commissioners of St. Mary’s County (the “County”), a body politic and corporate and a political subdivision of the State of Maryland.

The County reserves the right to postpone, from time to time, the date established for the receipt of bids. Any such postponement will be announced by TM3 News Service (“TM3”) by notice given not later than 1:00 PM, prevailing Eastern 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 sealed or electronic 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 via TM3 at the time the sale date and time are announced.

Details of the Bonds

All Bonds shall be fully registered in form in the denomination of \$5,000 each or any integral multiple thereof, shall be dated March 1, 2005, and shall bear interest payable semiannually on the first days of March and September, commencing September 1, 2005 (6 months), until maturity.

The Bonds will mature annually, subject to prior redemption, on March 1 in the following years and in the following aggregate amounts:

<u>Year</u>	<u>Amounts</u>	<u>Year</u>	<u>Amounts</u>
2006	\$600,000	2016	\$800,000
2007	610,000	2017	825,000
2008	625,000	2018	860,000
2009	645,000	2019	890,000
2010	660,000	2020	925,000
2011	680,000	2021	960,000
2012	700,000	2022	1,000,000
2013	720,000	2023	1,040,000
2014	745,000	2024	1,080,000
2015	770,000	2025	1,125,000

One bond representing each maturity of each series of the Bonds 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 be issued pursuant to Chapter 489 of the Laws of Maryland of 2001, as amended, Chapter 145 of the Laws of Maryland of 2003, as amended, and Section 2C of Article 31 of the Annotated Code of Maryland, as amended, for the purpose of financing certain public improvements of the County. The Bonds are authorized to be issued, sold, guaranteed and delivered by resolutions of County, adopted by the County on February 8, 2005 (the “Resolution”).

The Bonds will constitute an irrevocable pledge of the full faith and credit and unlimited taxing power of County Commissioners of St. Mary’s County, Maryland.

Optional Redemption

The Bonds that mature on or before March 1, 2015 are not subject to redemption prior to their maturities. Bonds that mature on or after March 1, 2016 are subject to redemption beginning March 1, 2015 as a whole at any time or in part on any interest payment date, in any order of maturities, at the option of the County, at a redemption price equal to 100% of the principal amount of Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption.

Submission of Bids

The County will not accept and will reject any bid for less than all of the Bonds. The right is reserved to reject any and all bids and to waive irregularities in any bid.

Electronic Bids

Electronic bids will be received via **PARITY**, in the manner described below, until 11:00 a.m., local Baltimore, Maryland time, on March 8, 2005.

Bids may be submitted electronically via **PARITY** pursuant to this Notice until 11:00 a.m., local Baltimore, 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 submit its bid via **PARITY** as described above. Each prospective electronic bidder shall be solely responsible to make necessary arrangements to access **PARITY** for the purpose of submitting its bid in a timely manner and in compliance with the requirements of 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 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 Parameters" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their submission of bids via **PARITY** are the sole responsibility of the bidders; and the 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, such bidder should telephone **PARITY** at Dalcomp (212) 849-5021 and notify the County's Financial Advisor, 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 Baltimore, Maryland time, on Tuesday, March 8, 2005. 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 Proposals

Bids will also be accepted in written form on the form of Proposal for Bonds attached to this Notice. Written bids must be submitted on the prescribed form provided for that purpose by the County and must be enclosed in a sealed envelope marked "Proposal for Bonds" and addressed to the Chief Financial Officer, St. Mary's County, 23511 Leonard Hall Drive, Leonardtown, Maryland 20650.

Good Faith Deposit

Each bid must be accompanied by a good faith deposit in the form of a Financial Surety Bond or a certified or bank cashier's check, in the amount of Three Hundred Thousand Dollars (\$300,000.00). If a check is used, it must be in the form of a

certified check upon, or a cashier's, treasurer's or official check of, a responsible banking institution payable to the order of "County Commissioners of St. Mary's County," and it must accompany each bid. If a Financial Surety Bond is used, it must be from an insurance company acceptable to the County and licensed to issue such a bond in the State of Maryland, and such Financial Surety Bond must be submitted to the County prior to the opening of the bids and must be in form and substance acceptable to the County. The Financial Surety Bond must identify the bidder whose good-faith deposit is guaranteed by such Financial Surety Bond. If the Bonds are awarded to a bidder utilizing a Financial Surety Bond, then such successful bidder is required to submit its good-faith deposit to the County in the form of a wire transfer not later than 12:00 p.m. Baltimore time on the next business day following the award. If such deposit is not received by that time, the Financial Surety Bond may be drawn on by the County to satisfy the deposit requirement. If the Bonds are awarded to a bidder utilizing a check, such check will be cashed. The good-faith deposit of the successful bidder will be collected and the proceeds thereof retained by the County to be applied in part payment for the Bonds and no interest will be allowed or paid upon the amount thereof, but in the event the successful bidder shall fail to comply with the terms of its bid, the proceeds thereof will be retained as and for full liquidated damages. The checks of the unsuccessful bidders will be returned promptly.

Bid Parameters

Each bidder shall submit one bid on the required form of Proposal for Bonds on an all-or-none basis for the Bonds. Each proposal must specify the amount bid for the Bonds, which shall be not less than 100% of par plus accrued interest from March 1, 2005 to the date of delivery of the Bonds. Each proposal must specify in multiples of one-eighth (1/8) or one-twentieth (1/20) of one percent (1%) the rate or rates of interest per annum which the Bonds are to bear but shall not specify (a) more than one interest rate for any Bonds having the same maturity, (b) a zero rate of interest, (c) any interest rate for any Bonds which exceeds the interest rate stated in such proposal for any other Bonds by more than 3%, or (d) for maturities from 2017 through 2025, an interest rate that is lower than the interest rate for the immediately preceding maturity (i.e., interest rates must ascend from a base year of 2016).

Award

The award, if made, will be made as promptly as possible after the bids are opened to the bidder offering the lowest interest rate. All proposals shall remain firm until the time of award. The lowest interest rate shall be determined in accordance with the true interest cost ("TIC") method by doubling the semi-annual interest rate (compounded semi-annually) necessary to discount the debt service payments from the payment dates to the date of the Bonds and to the price bid, excluding interest accrued to the date of delivery. In the event two or more bidders offer to purchase the Bonds at the same lowest interest rate to the County, then the Bonds may be apportioned between such bidders; provided, that if apportionment is not acceptable to such bidders, the County shall have the right to award the Bonds to one of such bidders. There will be no auction.

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 successful bidder 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 the successful 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 shall be responsible to the County and its officials for the Reoffering Information, and for all decisions made by the successful 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 400 copies of the Official Statement (and any amendment or supplement thereto).

The County have made certain covenants for the benefit of the holders from time to time of the Bonds to provide certain continuing disclosure, in order to assist bidders for the bonds in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission. Such covenants are described in the Preliminary Official Statement dated February 25, 2005.

Delivery of the Bonds

The Bonds will be delivered as soon as practicable, upon due notice and at the expense of the successful bidder, through the facilities of DTC in New York, New York, upon payment of the amount of the successful bid, plus accrued interest to the date of delivery, less the deposit theretofore made. Such payment shall be made in Federal funds. The Bonds will be

accompanied by the customary closing documents, including a no-litigation certificate, effective as of the date of delivery, stating that there is no litigation pending, affecting the validity of any of the Bonds included in these issues. It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that, simultaneously with or before delivery and payment for the Bonds, said bidder shall be furnished a certificate or certificates of appropriate public officials to the effect that, to the best of their knowledge and belief, the Official Statement (and any amendment or supplement thereto) (except for the Reoffering Information, as to which no view will be expressed) as if 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).

Simultaneously with or before delivery of the Bonds, the successful bidder 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.

THE SUCCESSFUL BIDDER SHALL MAKE A BONA FIDE PUBLIC OFFERING OF THE BONDS AT THE INITIAL REOFFERING PRICES.

Miscellaneous

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print any such number on any bond nor any error with respect thereto shall constitute cause for a 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.

The issuance of the Bonds will be subject to legal approval by Venable LLP, Baltimore, Maryland, Bond Counsel, and copies of their opinion will be delivered upon request, without charge, to the successful bidder for the Bonds. Such opinion shall be substantially in the form included in Appendix B to the Preliminary Official Statement.

The Preliminary Official Statement of the County, with respect to the Bonds, and the required form of Proposal For Bonds will be supplied to prospective bidders upon request made to the Chief Financial Officer of St. Mary's County, Governmental Center, Leonardtown, Maryland 20650, or from Davenport & Company LLC, financial advisor to the County, at 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
ST. MARY'S COUNTY**

PROPOSAL FOR BONDS

March 8, 2005

Chief Financial Officer
 St. Mary's County, Maryland
 23115 Leonard Hall Drive
 Leonardtown, Maryland 20650

Dear Madam:

Subject to the provisions and in accordance with the terms of the annexed Notice of Sale which is incorporated by reference herein and made a part of this Proposal for Bonds, we offer to purchase the obligations of County Commissioners of St. Mary's County described in such Notice of Sale, being the County Commissioners of St. Mary's County Consolidated Public Improvement Bonds of 2005, such bonds to be dated March 1, 2005, maturing on March 1 in the years and aggregate principal amounts, respectively, as set forth in such Notice of Sale, and to bear interest as follows:

<u>Annual Amount</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>	<u>Annual Amount</u> <u>Maturing</u>	<u>Interest</u> <u>Rate</u>
2006	___%	2016	___%
2007	___%	2017	___%
2008	___%	2018	___%
2009	___%	2019	___%
2010	___%	2020	___%
2011	___%	2021	___%
2012	___%	2022	___%
2013	___%	2023	___%
2014	___%	2024	___%
2015	___%	2025	___%

We will pay an amount equal to the par value of the Bonds **\$16,260,000**
 plus a premium in the amount of + \$ _____
 making a total of \$ _____
 and also accrued interest from March 1, 2005 to the date of delivery of the Bonds.

Please indicate (x) the appropriate choice regarding the good faith deposit:

_____ We have posted a surety bond in the amount of \$300,000 in accordance with the annexed Notice of Sale.

_____ We enclose herewith a certified check upon, or a cashier's, treasurer's or official check of, a responsible banking institution, payable to the order of County Commissioners of St. Mary's County, in the amount of \$300,000 which check is to be applied in accordance with the annexed Notice of Sale.

We understand that (a) the annual maturing principal amounts will be divided for each series of bonds being issued pursuant to the Notice of Sale 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)

(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.)

The above good faith check has been returned and receipt thereof is fully acknowledged.

Bidder

By: _____

Title: _____