

MARYLAND STATE TREASURER
Acting on behalf of the
STATE OF MARYLAND
For the use of
MARYLAND STATE LOTTERY AGENCY,
Acting as the Purchaser

and

[TRUSTEE BANK]
acting as Seller and Trustee

CONDITIONAL PURCHASE AGREEMENT

Dated as of January 1, 2011

\$41,500,000

STATE OF MARYLAND
TAXABLE CERTIFICATES OF PARTICIPATION
Series 2011 A

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CONDITIONAL PURCHASE AGREEMENT

THIS CONDITIONAL PURCHASE AGREEMENT dated as of January 1, 2011 (the “Conditional Purchase Agreement”), and entered into between [TRUSTEE BANK], as trustee under the Trust Agreement (defined below) acting as seller hereunder (the “Seller”), and the MARYLAND STATE TREASURER (the “Treasurer”) acting on behalf of the STATE OF MARYLAND (the “State”), for the use of the MARYLAND STATE LOTTERY AGENCY (the “Lottery Agency”), acting as purchaser hereunder (referred to herein as the “Purchaser”).

RECITALS

The Purchaser desires to acquire the beneficial interests of the Seller in and to the Equipment, as hereinafter defined, from the Seller to finance the purchase of video lottery terminals (the “Equipment”) at two video lottery facility locations, in Perryville in Cecil County and Ocean Downs in Worcester County, subject to the terms and conditions of and for the purposes set forth in this Conditional Purchase Agreement.

NOW, THEREFORE, for and in consideration of the premises hereinafter contained and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties hereby agree as follows:

ARTICLE I

COVENANTS OF PURCHASER AND SELLER

Section 1.01. Covenants of the Purchaser. The Purchaser represents, covenants and warrants for the benefit of the Seller and its assignees as follows:

(a) The Purchaser is authorized under the provisions of the Constitution and the laws of the State of Maryland and has all necessary power, right and authority to enter into the transactions contemplated by this Conditional Purchase Agreement and to carry out its obligations hereunder.

(b) This Conditional Purchase Agreement and the Certificate of Participation Trust Agreement dated as of January 1, 2011 (the “Trust Agreement”) between the Treasurer, acting on behalf of the State for the benefit of the Lottery Agency, and [TRUSTEE BANK], acting as trustee (the “Trustee”) constitute legal, valid and binding obligations of the Purchaser enforceable against the Purchaser in accordance with their terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors’ rights, by applicable laws which may limit the availability of remedies hereunder, and by equitable principles.

(c) The Purchaser shall cause to be executed and delivered to the Seller an opinion of its counsel in substantially the form and containing the substantive conclusions attached hereto as Exhibit B-1 concurrently with the execution and delivery of the Certificates under the Trust Agreement.

(d) The Purchaser has been duly authorized to execute and deliver this Conditional Purchase Agreement and further represents and covenants that all requirements have been met, actions have been taken and procedures have been followed in order to ensure the validity and enforceability of this Conditional Purchase Agreement.

(e) The Purchaser has complied with applicable laws and regulations with respect to this Conditional Purchase Agreement and the acquisition of the Equipment hereunder.

(f) During the term of this Conditional Purchase Agreement, the Equipment will be used by the Purchaser only for the purpose of performing one or more governmental or proprietary purposes of the Purchaser consistent with the permissible scope of the Purchaser's authority.

(g) The execution, delivery and performance of this Conditional Purchase Agreement and the transactions contemplated herein will not, to the best of its knowledge, violate any judgment, order, law or regulation applicable to the Purchaser or result in any breach of, or constitute a default under any indenture, mortgage, deed of trust, bond, loan or credit agreement or other instrument to which the Purchaser is a party or by which it is bound.

(h) There are no actions, suits or proceedings pending or, to the knowledge of the Purchaser, threatened against, or affecting, the Purchaser in any court or before any governmental commission, board or authority which, if adversely determined, will have a material adverse effect on the authority or ability of the Purchaser to perform its obligations hereunder, or which question the legality, validity or enforceability hereof.

(i) Neither the execution and delivery of this Conditional Purchase Agreement nor the consummation of the transactions contemplated hereby nor the fulfillment of or compliance with the terms of this Conditional Purchase Agreement, to the best of its knowledge, conflicts in any material respect with or results in a material breach of any of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Purchaser is now a party or by which it is bound, or constitutes a default thereunder, or results in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Purchaser under the terms of any of the foregoing.

(j) The Purchaser shall pay to the Trustee, from time to time, compensation for services rendered by the Trustee under the Trust Agreement, such compensation to be paid in accordance with the terms of the separate contract for Trustee, Registrar and Paying Agent Services dated as of January 1, 2011 between the Trustee and the Purchaser, to which terms the Purchaser hereby agrees.

(k) There is no Event of Default or event which, with the giving of notice or passage of time, would constitute an Event of Default under the Trust Agreement.

(l) The Purchaser will apply the proceeds as provided in the Trust Agreement.

(m) The Purchaser has not failed to obtain approval, consent or withholding of objections as required from any governmental authority with respect to this Conditional Purchase Agreement, which failure would have a materially adverse effect upon the Purchaser, the Equipment or the operation thereof.

(n) In the event of nonappropriation of funds as described in Section 6.06 hereof, Purchaser shall surrender to the Seller title and possession of such Equipment as may be directed by the Seller, and shall cooperate fully with Seller in the valuation and sale of such Equipment and the application of proceeds of such sale to the Purchase Installments due and payable for the immediately ensuing Fiscal Year.

(o) In the event of failure of the Purchaser to pay any Purchase Installment at the time specified herein, as described in Section 13.01 hereof, the Purchaser shall surrender to the Seller title and possession of such Equipment as may be directed by the Seller, and shall cooperate fully with Seller in the valuation and sale of such Equipment and the application of proceeds of such sale to the Purchase Installments then due and payable

Section 1.02. Covenants of the Seller. The Seller represents, covenants and warrants for the benefit of the Purchaser as follows:

(a) The Seller is a duly organized and validly existing [_____ banking corporation][national banking association], in good standing under the laws of the [State of _____][United States], and with full corporate power and authority to enter into this Conditional Purchase Agreement and to perform its obligations as the Seller hereunder.

(b) This Conditional Purchase Agreement and the Trust Agreement constitute legal, valid and binding obligations of the Seller enforceable in accordance with their terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights, by applicable laws which may limit the availability of remedies hereunder or thereunder and by equitable principles.

(c) The Seller shall cause to be executed and delivered to the Purchaser an opinion of its counsel in substantially the form attached hereto as Exhibit B-2 concurrently with the authentication and delivery of the Certificates under the Trust Agreement.

(d) During the term of this Conditional Purchase Agreement, the Seller will preserve and keep in full force and effect its existence as a [_____ banking corporation][national banking association], or shall do all things necessary to have all of its obligations hereunder assumed by its successors and permitted assigns, which shall preserve and keep in full force and effect their existence and their qualification to do business in the State of Maryland to the extent such qualification is necessary for the performance of the Seller's obligations hereunder.

(e) The Seller is authorized under its charter and by-laws and appropriate corporate resolutions to enter into this Conditional Purchase Agreement and the transactions contemplated hereby.

(f) There are no actions, suits or proceedings pending against the Seller or, to the knowledge of the Seller, threatened against the Seller before or by any court, governmental body or agency or other tribunal or authority which would, if adversely determined, have a materially adverse effect on the authority or the ability of the Seller to perform its obligations under this Conditional Purchase Agreement or which question the legality, validity or enforceability hereof.

(g) The execution, delivery and performance of this Conditional Purchase Agreement and the transactions contemplated herein will not violate any judgment, order, law or regulation applicable to the Seller or result in any breach of, or constitute a default under, any indenture, mortgage, deed of trust, bond, loan or credit agreement or other instrument to which the Seller is a party or by which it is bound.

ARTICLE II

DEFINITIONS

Section 2.01. Definitions. Certain terms used herein are defined in Appendix A. Terms used in this Conditional Purchase Agreement shall have the meanings set forth in Appendix A, unless a different meaning clearly appears from the context.

Section 2.02. Rules of Construction. Unless the context clearly indicated to the contrary, the following rules apply to the construction of this Conditional Purchase Agreement:

(a) Words importing the singular number include the plural number and words importing the plural number include the singular number.

(b) Words of the masculine gender include correlative words of the feminine and neuter genders.

(c) The table of contents and the headings or captions used in this Conditional Purchase Agreement are for convenience of reference and do not constitute a part of this Conditional Purchase Agreement, nor affect its meaning, construction or effect.

(d) Words importing persons include any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or agency or political subdivision thereof.

(e) Any reference to a particular percentage or proportion of the Certificate Holders shall be at the particular time of the specified percentage or proportion in aggregate principal amount of all Certificates then Outstanding under the Trust Agreement.

(f) Any reference to the Acquisition Fund, Certificate Fund, Insurance and Condemnation Fund, Principal Account, Interest Account and Redemption Account shall be to the fund or account so designated that is created under Article IV of the Trust Agreement.

(g) Any reference in this Conditional Purchase Agreement to a particular “Article,” “Section” or other subdivision shall be to such Article, section or subdivision of this Conditional Purchase Agreement unless the context shall otherwise require.

(h) Each reference in this Conditional Purchase Agreement to an agreement or contract shall include all amendments, modifications and supplements to such agreement or contract unless the context shall otherwise require.

ARTICLE III

PURCHASE OF THE EQUIPMENT

Section 3.01. Purchase. The Seller hereby agrees to grant and reconvey to the Purchaser its interests in the Equipment in accordance with the provisions of this Conditional Purchase Agreement and, subject to payment of Purchase Installments, permit the Purchaser the right to have and to hold the Equipment for the Term as set forth in Section 4.01 below.

Section 3.02. Possession. The Purchaser shall be entitled to possession and use of and title to the Equipment upon execution and delivery of this Conditional Purchase Agreement in accordance with the terms hereof.

Section 3.03. Transfer of Equipment. The Purchaser hereby transfers, conveys and assigns to the Seller all right and interest of the Purchaser in and to the Equipment (but none of its obligations with respect thereto) for the purpose of this financing subject to the provisions of this Conditional Purchase Agreement.

As security for the obligation of the Purchaser to make timely payment of all amounts due under this Conditional Purchase Agreement, the Purchaser hereby pledges, assigns, conveys and grants to the Seller a lien and claim on and a security interest in all of the Revenues, subject to no liens or encumbrances. Without limiting the generality of the foregoing, this pledge, assignment, lien, claim and security interest shall continuously apply for the entire Term of this Conditional Purchase Agreement to all rights to receive Revenues.

In order further to secure the punctual payment of amounts due hereunder and the performance of the obligations of the Purchaser hereunder and without in any way limiting any other provision hereof, the Purchaser agrees that upon the request of the Trustee following the occurrence of any Event of Default or Failure to Appropriate hereunder, any Revenues available to pay debt service on the Certificates as provided under Section 13.02(b) that are then on hand, that have been received by the Purchaser and not expended as of the date of such occurrence and any Revenues available to meet the obligations of the Purchaser under Section 13.02(b) of this Conditional Purchase Agreement thereafter received by the Purchaser shall immediately upon

their receipt, be transferred to the Seller as provided herein. Nothing contained in this Section shall be construed to preclude the Purchaser from applying the Revenues to its own uses so long as no Event of Default or a Failure to Appropriate shall have occurred and be continuing.

ARTICLE IV

TERM

Section 4.01. Term of Agreement. This Conditional Purchase Agreement shall be in effect beginning on the date hereof and shall remain in effect until the Purchaser has paid the Purchase Price to the Seller. This Conditional Purchase Agreement is subject to earlier termination as set forth in Section 4.02 below, and, if such termination occurs prior to the full payment of the Purchase Price of the Equipment, the Purchaser shall have no right to receive any refund of any Purchase Installments made by the Purchaser.

Section 4.02. Termination of Term. The Term will terminate upon the earliest of any of the following events:

- (a) the termination of this Conditional Purchase Agreement in the event of nonappropriation of funds pursuant to Section 6.06;
- (b) a default by the Purchaser and the Seller's election to terminate this Conditional Purchase Agreement under Article XIII; or
- (c) the payment by the Purchaser of all Purchase Installments required to be paid by the Purchaser hereunder and any other sums required to be paid hereunder and the delivery of a release of lien on the Revenues from the Seller to the Purchaser.

ARTICLE V

ENJOYMENT OF THE EQUIPMENT

Section 5.01. Quiet Enjoyment. The Seller hereby covenants to provide the Purchaser throughout the Term with quiet use and enjoyment of the Equipment, and the Purchaser shall peaceably and quietly have and hold and enjoy the Equipment, without suit, trouble or hindrance from the Seller, except as expressly set forth in this Conditional Purchase Agreement and so long as the Purchaser is not in default hereunder. During the Term, all costs associated with the Equipment shall be borne by the Purchaser.

ARTICLE VI

PURCHASE INSTALLMENTS

Section 6.01. Payment of Purchase Installments. (a) The Purchaser shall make Purchase Installments in accordance with this Conditional Purchase Agreement.

(b) The Purchaser shall pay all Purchase Installments from appropriated funds. All Purchase Installments shall be payable in lawful money of the United States of America to the Seller at the address listed in Section 14.01 or, in the event of assignment by the Seller, to its assignee at the location specified in the assignment, in the amounts and at the times as set forth on Exhibit D attached hereto.

Section 6.02. Interest Component. A portion of each Purchase Installment is paid as, and represents payment of, interest and Exhibit D attached hereto sets forth the interest component of each Purchase Installment during the Term.

Section 6.03. Purchase Installments to be Unconditional. The obligation of the Purchaser to make payment of the Purchase Installments required under this Article VI and other sections hereof and to perform and observe the other covenants and agreements contained herein shall be absolute and unconditional in all events except as expressly provided in this Conditional Purchase Agreement. Notwithstanding any dispute between the Purchaser and the Seller or any other person, or any loss, casualties, defects, breakdowns or malfunctions in any portion of the Equipment, the Purchaser shall make all payments of Purchase Installments when due and shall not withhold any part of any Purchase Installments pending final resolution of such dispute or repair or replacement of the Equipment or any portion thereof nor shall the Purchaser assert any right of set-off, cross-claim, recoupment, or counterclaim against its obligation to make such payments required under this Conditional Purchase Agreement. The Purchaser's obligation to make Purchase Installments during the Term shall not be abated through accident or unforeseen circumstances.

Section 6.04. Continuation of Term by the Purchaser. The Purchaser agrees, subject to the provisions of Section 6.06, to pay the Purchase Installments due hereunder. The Purchaser reasonably believes that funds of an amount sufficient to make all Purchase Installments during the Term will be available. The Purchaser agrees to use its best efforts and to do all things lawfully within its power annually to recommend the inclusion of such funds in the budget of the Governor of the State to be submitted to the Maryland General Assembly (the "General Assembly") in its next Fiscal Year budget from which the Purchase Installments may be made.

Promptly upon approval by the General Assembly in subsequent years of such appropriations pertaining to the Equipment, but in any event not later than sixty (60) days prior to the final day of the Fiscal Year, the Purchaser shall furnish a fully executed certificate to the Trustee (with a copy to the Seller) in the form of Appendix B attached hereto which shall certify that the General Assembly has authorized appropriations sufficient to enable the Purchaser to make the payments required under this Conditional Purchase Agreement for the immediately succeeding Fiscal Year. The Purchaser agrees to apply funds that are appropriated for the Equipment to the payment of its obligations hereunder.

Section 6.05. Nontermination. The Purchaser agrees, to the extent permitted by law and subject to applicable public policy, not to terminate this Conditional Purchase Agreement under Section 6.06 in any fiscal year for which sufficient funds are appropriated for

the payment of Purchase Installments due in that fiscal year for the acquisition, retention and/or operation of any portion of the Equipment. It is the intention of the parties to the Conditional Purchase Agreement that any official or agency of the State, for the use of the Lottery Agency, that may be required to take any action in order to carry out the provisions of the Conditional Purchase Agreement (including, without limitation, the Lottery Agency and its officials) shall take such actions. The Purchaser agrees to apply funds that are appropriated for the Equipment to the payment of its obligations hereunder.

Section 6.06. Nonappropriation. (a) In the event sufficient funds shall not be appropriated for the payment of the Purchase Installments required to be paid under Exhibit D attached hereto to continue the acquisition of the Seller's interest in the Equipment, the Purchaser may terminate this Conditional Purchase Agreement at the end of the last Fiscal Year or earlier date for which an appropriation is available and the Purchaser shall not be obligated to make payment of the Purchase Installments provided for in this Conditional Purchase Agreement beyond the last date for which an appropriation is available. The Purchaser shall deliver written notice to the Seller of such termination no later than seven (7) days after the Purchaser has knowledge that an appropriation will not be available. The failure to give such notice shall neither extend the Term beyond such Fiscal Year nor affect the termination of this Conditional Purchase Agreement pursuant to this Section 6.06. Upon termination of this Conditional Purchase Agreement for nonappropriation, the obligations of the Purchaser requiring the expenditure of money will cease so long as all payments previously approved or appropriated have been made.

(b) Commencing with the immediately succeeding Fiscal Year, all interest of the Purchaser in the Revenues available, if any, to pay the debt service on the Certificates will be collected by the Purchaser and conveyed to the Seller until the date the Purchase Price is paid. No assurance is given that such Revenues will be sufficient to pay the Purchase Installments when due or the Purchase Price. THE OCCURRENCE OF A FAILURE TO APPROPRIATE SHALL NOT CONSTITUTE AN EVENT OF DEFAULT.

(c) In the event of nonappropriation, Seller shall automatically be entitled to acquire title and possession of the Equipment as provided herein, without any court order or other process of law. Purchaser shall, within thirty (30) days of the notification of nonappropriation in Section 6.06(a) above, advise Seller of the market value of the current inventory of Equipment, whereupon Seller shall direct Purchaser to sell such numbers and amount of Equipment as may be necessary to provide funds equal to the Purchase Installments due and payable for the immediately succeeding Fiscal Year, and to pay such funds to the Seller as such Purchase Installments as provided in this Conditional Purchase Agreement.

Section 6.07. Essential Use. The Purchaser represents that the Equipment will be essential for the operations of the Purchaser and in order to meet the needs of the State and that the Purchaser is in immediate need of the Equipment in order to meet such needs.

Section 6.08. Purchase Installments to Constitute a Current Expense of the Purchaser. The Seller and the Purchaser understand and intend that the obligation of the Purchaser to pay Purchase Installments hereunder shall constitute a current expense of the

Purchaser and shall not in any way be construed to be a debt of the Purchaser in contravention of any applicable constitutional or statutory limitation or requirements concerning the creation of indebtedness by the Purchaser, nor shall anything contained herein constitute a pledge of the full faith and credit or of the general tax revenues, funds or moneys of the Purchaser. The Seller further acknowledges that all monetary obligations of the Purchaser contained herein are subject to duly authorized appropriation by the General Assembly.

ARTICLE VII

OWNERSHIP OF THE EQUIPMENT; SECURITY INTEREST

Section 7.01. Ownership of the Equipment. Ownership of the Equipment and any and all additions, accretions, repairs, replacements or modifications will vest in the Purchaser, subject to the terms of this Conditional Purchase Agreement. In the event of default as set forth in Section 13.01 or nonappropriation as set forth in Section 6.06, the Purchaser shall cause all of the Revenues available, if any, to pay the debt service on the Certificates to be transferred to the Seller or its assignee in the manner set forth in Section 6.06.

The Purchaser's rights of possession in the Equipment shall not limit, waive or prejudice any right of the Seller to receive all of the Revenues as necessary to pay debt service on the Certificates as provided under Section 13.02(b) if an Event of Default shall have occurred and be continuing or if a non-appropriation shall have occurred pursuant to this Conditional Purchase Agreement.

Section 7.02. Financing Statements. The Purchaser agrees to execute any documents, including financing statements, affidavits, notices and similar instruments, in form satisfactory to the Seller, which the Seller deems necessary or appropriate to give notice of the Seller's and the Trustee's interest in the Revenues and to permit the Seller to exercise its rights and obligations under this Conditional Purchase Agreement.

Section 7.03. Liens. The Purchaser shall not directly or indirectly create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, security interest, encumbrance or claim on or with respect to the Revenues or any interest therein, except the lien created pursuant to this Conditional Purchase Agreement in favor of the Seller. The Purchaser shall promptly, at its own expense, take such action as may be necessary to duly discharge any such pledge, lien, security interest, charge, encumbrance or claim if the same shall arise at any time and shall notify the Seller and the Trustee in writing of such pledge, lien, charge, security interest, encumbrance or claim and the discharge thereof, except any lien created pursuant to this Conditional Purchase Agreement in favor of the Seller.

ARTICLE VIII

OPERATION AND MAINTENANCE; TAXES; INSURANCE; MODIFICATION

Section 8.01. Operation and Maintenance of Equipment by the Purchaser. The Purchaser shall cause proceeds of the Certificates, to the extent available, to be applied, pursuant to the provisions of the Trust Agreement, to the financing of the purchase of the Equipment. The Purchaser agrees that during the Term, the Purchaser, at the Purchaser's own cost and expense, will provide for or cause the Equipment and every part and parcel thereof to be operated and maintained in good repair, working order and condition and that the Purchaser, from time to time, will make or cause to be made all necessary and proper repairs, replacements and renewals necessary for the same. The Seller shall have no responsibility under this Conditional Purchase Agreement in any of these matters or for the making of improvements or additions to the Equipment.

Section 8.02. Taxes, Other Governmental Charges and Utility Charges. The parties to this Conditional Purchase Agreement contemplate that the Equipment will be used for a governmental or proprietary purpose of the Purchaser and, therefore, that the Equipment will be exempt from all taxes presently assessed and levied with respect to real or personal property. In the event that the use, possession or acquisition of the Equipment is found to be subject to taxation in any form, the Purchaser will pay or cause to be paid during the Term, as the same respectively become due, subject to reasonable rights to defer and contest the applicability of any such charge (and as to which the Seller agrees, upon reasonable notice from the Purchaser, to join and assist, at no expense or liability to the Seller), all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Equipment and any land, improvements, personal property or other property acquired by the Purchaser in substitution for, as a renewal or replacement of, or a modification, improvement, accretion, accessory or addition to the Equipment, or with respect to the Purchaser's possession or use of the Equipment, together with any interest or penalty thereon, as well as all utility and other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Equipment; provided that, with respect to any governmental charges that may lawfully be paid in installments over a period of years, the Purchaser shall be obligated to pay such installments as are accrued during such time as this Conditional Purchase Agreement is in effect.

Section 8.03. Insurance. The Purchaser shall, during the Term, cause property insurance or self-insurance (by means of a self-insurance fund set aside and maintained for that purpose) to be carried and maintained with respect to the Equipment in the amounts customarily maintained for real and personal property of the nature of those comprising the Equipment.

During the Term, with respect to insurance coverage for public liability regarding the Equipment, the Purchaser shall maintain or cause to be carried and maintained in effect such insurance or self-insurance as the State generally maintains for similar liabilities and occurrences.

Section 8.04. Modifications. The Purchaser may make any alterations, modifications or additions to the Equipment or any portion thereof as the Purchaser deems appropriate.

Section 8.05. Final Acceptance. When the acquisition of the Equipment has been completed, an authorized representative of the Purchaser shall deliver promptly to the Seller and to the Trustee an Acceptance Certificate to that effect in substantially the form attached hereto as Exhibit C. Such certificate shall state that the Purchaser has fully inspected the Equipment, that the Equipment is in good condition and repair and that the Purchaser is satisfied with and has accepted the Equipment. After receipt by the Trustee of such certificate, the Trustee shall apply promptly all proceeds of the Certificates remaining in the Acquisition Fund created by the Trust Agreement not required to complete the acquisition of the Equipment in accordance with Section 4.02 of the Trust Agreement.

ARTICLE IX

DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF NET PROCEEDS

Section 9.01. Damage, Destruction and Condemnation. If prior to the termination of the Term (a) the Equipment or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty, or (b) title to, or the temporary use of, the Equipment or any part thereof or the estate of the Purchaser or the Seller in the Equipment or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Purchaser shall give notice of its intention to file an insurance claim and the Purchaser may, but shall not be required to, cause the Net Proceeds of any insurance claim or condemnation award to be deposited in the Insurance and Condemnation Fund under the Trust Agreement. The Net Proceeds of any insurance, including the proceeds of any self-insurance fund but not including the proceeds of any public liability insurance, and of any condemnation award received on account of any damage, destruction or taking of the Equipment shall be made available to the Purchaser upon its request: (i) to replace, repair, rebuild, restore or modify the Equipment pursuant to the requisition procedures set forth in Section 4.05 of the Trust Agreement, and (ii) provided the Purchaser is not in default hereunder, for any other purpose as directed by the Purchaser. Pending such application, such proceeds may be invested by the Trustee at the direction of the Purchaser in Qualified Investments (as defined in the Trust Agreement) that mature or are redeemable at the option of the holder, not later than such times as shall be necessary to provide moneys when needed, as directed by the Purchaser.

ARTICLE X

DISCLAIMER OF WARRANTIES; NO CLAIMS AGAINST ASSIGNEE; USE OF THE EQUIPMENT

Section 10.01. Disclaimer of Warranties. (a) THE SELLER MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OR FITNESS FOR USE OF THE EQUIPMENT OR ANY PORTION THEREOF, OR ANY OTHER WARRANTY WITH RESPECT THERETO AND, AS TO THE SELLER, THE PURCHASER PURCHASES THE EQUIPMENT AS IS. In no event shall the Seller be liable for any loss or damage, including incidental, indirect, special or consequential damage in connection with or arising out of this Conditional Purchase Agreement or the existence, furnishing, functioning or the Purchaser's use of the Equipment. The foregoing disclaimer is solely for the benefit of the Seller in its status as the Seller under this Conditional Purchase Agreement and its successors and assigns in this regard. This disclaimer shall not limit any warranties, express or implied, otherwise provided with respect to the Equipment by any manufacturers thereof or other entities.

(b) Execution of the Acceptance Certificate in substantially the form attached hereto as Exhibit C shall constitute acknowledgment by (and as to (i), a representation of) the Purchaser that: (i) the Purchaser is satisfied that the Equipment is suitable for its purposes; and (ii) the Seller has disclaimed any representation or warranty or covenant as set forth in Section 10.01(a) above.

Section 10.02. Acceptance of Trust. The parties hereto contemplate that the Seller as the Trustee under the Trust Agreement will hold all of the assets and property received by it hereunder and under the Trust Agreement (except compensation, indemnification or other amounts due directly to the Trustee hereunder or thereunder) upon the terms of the Trust Agreement as Trustee and fiduciary for and on behalf of the Certificate Holders.

Section 10.03. Use of the Equipment. The Purchaser will not use, operate or maintain the Equipment improperly, carelessly, in violation of any applicable law, the failure to comply with which would have a material adverse effect on the Purchaser, the Equipment or the operation thereof, or in a manner contrary to that contemplated by this Conditional Purchase Agreement or contrary to any applicable insurance policy. The Purchaser shall provide and obtain or cause to be provided and obtained all permits and licenses, if any, necessary in the operation of the Equipment to the extent required by law. In addition, the Purchaser agrees to comply or cause compliance in all respects (including, without limitation, with respect to the use, maintenance and operation of the Equipment) with all applicable laws and all orders, ordinances or regulations of any legislative, executive, administrative or judicial body exercising any power or jurisdiction over the Equipment; provided, however, that the Purchaser may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of Bond Counsel, adversely affect the interests or rights of the Seller under this Conditional Purchase Agreement.

ARTICLE XI

CONSUMMATION OF PURCHASE

Section 11.01. Consummation of Purchase. This Conditional Purchase Agreement and the Seller's interest in the Revenues shall terminate at the end of the Term, upon payment in full of all Purchase Installments due hereunder and all other sums required to be paid hereunder.

Upon such termination, the Seller shall deliver to the Purchaser written releases of its rights in the Revenues and other documents and instruments as the Purchaser shall reasonably require to evidence the transfer of all right and interest of the Seller in the Revenues free and clear of all liens and encumbrances created by or arising, directly or indirectly, through the Seller, together with such terms, stipulations and further assurances as the Purchaser may reasonably request.

Section 11.02. No Prepayment. The Purchaser shall not prepay the Certificates.

ARTICLE XII

ACKNOWLEDGEMENT OF TRUST, ASSIGNMENT, SUBLEASING AND INDEMNIFICATION

Section 12.01. Acknowledgement of Trust. (a) The Seller acknowledges that its interest in the Revenues and its rights hereunder, including but not limited to the right of the Seller to receive payments hereunder, are held in trust for and on behalf of the Certificate Holders pursuant to the Trust Agreement (except as expressly provided herein or therein).

(b) The Purchaser agrees to execute all documents, including but not limited to, security agreements and financing agreements which may be reasonably requested by the Seller to protect its interest in the Revenues and under this Conditional Purchase Agreement.

Section 12.02. Assignment and Leasing by the Purchaser. This Conditional Purchase Agreement and the interest of the Purchaser in the Equipment may not be sold, leased, pledged, assigned or otherwise encumbered by the Purchaser without the prior written approval of the Seller. The Purchaser shall use or cause the Equipment to be used in furtherance of its governmental or proprietary purposes, but such restriction shall not preclude the Purchaser from permitting the use of the Equipment by others in furtherance of any governmental or proprietary purposes of the Purchaser.

Section 12.04. Release and Indemnification. Except to the extent caused by the negligence or willful misconduct of the Seller, the Purchaser shall, to the extent permitted by applicable law and subject to available appropriations, indemnify, protect, save and hold harmless the Seller from and against any and all liability, obligations, losses, claims and

damages whatsoever resulting or allegedly resulting in damage to property or injury or death to any person regardless of the cause thereof, and expenses in connection therewith, including, without limitation, expenses, penalties and interest arising out of or as the result of the Purchaser's use and possession of the Equipment, the acquisition of the Equipment, or any accident in connection with the operation, use, condition or possession of the Equipment, and any costs incurred in connection with the exercise of remedies hereunder. The indemnification arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all obligations under this Conditional Purchase Agreement or the termination of the Term for any reason, but only as to matters arising prior to the date of such termination.

ARTICLE XIII

EVENTS OF DEFAULT AND REMEDIES

Section 13.01. Events of Default Defined. The following shall be "Events of Default" under this Conditional Purchase Agreement and the terms "Event of Default" and "Default" shall mean, whenever they are used in this Conditional Purchase Agreement, any one or more of the following events:

(a) Failure by the Purchaser (i) to pay any Purchase Installment at the time specified herein; or (ii) to pay any other payment required to be paid hereunder (other than any Purchase Installments and those payments to the Trustee provided for in Section 1.01(j)), at the time specified herein and expiration of a grace period of fifteen (15) days; or

(b) Failure by the Purchaser to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in Section 13.01(a), for a period of 30 days after written notice to the Purchaser by the Seller, specifying such failure and requesting that it be remedied, unless the Seller shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated on the notice cannot be corrected within the applicable period, the Seller will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Purchaser within the applicable period and diligently pursued until the default is corrected.

The foregoing provisions of this Section 13.01 are subject to the provisions of Section 6.06 of this Conditional Purchase Agreement. The provisions of paragraph (b) above are further subject to the limitation that, if by reason of acts of God, strikes, lockouts or other industrial disturbances, acts of public enemies, orders or restraints of any kind of the government of the United States of America or any of its departments, agencies or officials, or any civil or military authority, insurrections, riots, landslides, earthquakes, fires, storms, droughts, floods, explosions, breakage or accident to machinery, transmission pipes or canals, or any other cause or event not reasonably within the control of the Purchaser and arising without its fault or negligence, the Purchaser is unable in whole or in part to carry out its agreements referred to in paragraph (b) above, the Purchaser shall not be deemed to be in default hereunder during the continuance of such inability.

Section 13.02. Remedies on Default. Whenever any Event of Default referred to in Section 13.01 shall have happened and be continuing, Seller shall have the right, at its sole option, without any further demand or notice, to take any one or any combination of the following remedial steps:

(a) in the Event of Default under Section 13.01(a)(i) above (failure by the Purchaser to pay any Purchase Installment at the time specified herein), Seller shall automatically be entitled to acquire title and possession of the Equipment as provided herein, without any court order or other process of law. Purchaser shall, within thirty (30) days of the failure to pay a Purchase Installment, advise Seller of the market value of the current inventory of Equipment, whereupon Seller shall direct Purchaser to sell such numbers and amount of Equipment as may be necessary to provide funds equal to the Purchase Installment then due and payable, plus costs and accrued interest, and to pay such funds to the Seller for such Purchase Installment, as provided in this Conditional Purchase Agreement.

(b) terminate this Conditional Purchase Agreement and direct Purchaser to transfer the Revenues available to pay the debt service on the Certificates to the Trustee, without any court order or other process of law until the date of payment of the Purchase Price.

(c) institute appropriate legal proceedings to require Purchaser to cure any such Event of Default by observing, complying with or performing its obligations hereunder.

Revenues necessary to pay the debt service on the Certificates transferred to the Seller following any non-appropriation or Event of Default as provided in Sections 6.06 and 13.01 respectively shall be applied in the following manner:

FIRST, to the payment to the persons entitled thereto of the unpaid principal of and interest on any Outstanding Certificate that shall have become due and payable, in the order of their due dates and, if the amount available shall not be sufficient to pay in full the principal of and interest on such Certificates due and payable on any particular date, together with such interest, then first to the payment of such interest, ratably, according to the amount of interest due on such date, and then to the payment of such principal, ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or preference, except as to any difference in the respective rates of interest specified in such Certificates;

SECOND, to the payment of the interest on and the principal of the Outstanding Certificates becoming due and payable; and

THIRD, any balance remaining after the foregoing payments shall be paid to the Purchaser.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee may determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in

Suite 1000
Washington, DC 20036
Facsimile: (202) 828-2488

(b) if to the Seller
or Trustee:

[TRUSTEE BANK]

Facsimile:

and

To any assignee, notice of whom
has been provided as provided
in Section 12.02

Section 14.02. Binding Effect. This Conditional Purchase Agreement shall inure to the benefit of and shall be binding upon the Seller and the Purchaser and their respective successors and assigns.

Section 14.03. Severability. In the event any provision of this Conditional Purchase Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holdings shall not invalidate or render unenforceable any other provision hereof.

Section 14.04. Amendments, Changes and Modifications. This Conditional Purchase Agreement may only be amended by written agreement of the Seller and the Purchaser.

Section 14.05. Execution in Counterparts. This Conditional Purchase Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 14.06. Applicable Law and Forum. This Conditional Purchase Agreement shall be governed by and construed in accordance with the laws of the State of Maryland. All judicial actions, claims, suits or proceedings brought by any party to enforce any rights hereunder shall be initiated and maintained only in the courts of Anne Arundel County in the State of Maryland and not in the courts of any other jurisdiction.

Section 14.07. Captions. The captions or headings in this Conditional Purchase Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Conditional Purchase Agreement.

Section 14.08. Estoppel Certificates. The Purchaser will, from time to time, upon 20 days' prior request by the Seller, execute, acknowledge and deliver to the Seller a certificate executed by a duly authorized official, stating that (a) this Conditional Purchase Agreement is unmodified (or if modified, reciting the modifications) and in full effect, (b) the dates to which Purchase Installments have been paid, and (c) to the knowledge of the signer of the certificate, no default exists under this Conditional Purchase Agreement (or stating each default of which the signer has knowledge). Any such certificate may be relied upon by an assignee of the Seller.

Section 14.09. Waiver. No covenant or condition of this Conditional Purchase Agreement can be waived except by the written consent of the party in whose favor such covenant or condition runs. Any failure of such party to require strict performance by the other or any waiver by the party benefited of any terms, covenants or agreements herein shall not be construed as a waiver of any other breach of the same or any other term, covenant or agreement herein.

Section 14.10. Entire Agreement. This Conditional Purchase Agreement, together with the exhibits and schedules attached hereto and other agreements referred to herein, constitutes the entire agreement between the parties.

Section 14.11. Time. Time is of the essence of this Conditional Purchase Agreement and each and all of its exhibits, schedules and provisions.

[Remainder of page left blank intentionally]

DRAFT

IN WITNESS WHEREOF, the Seller and the Purchaser, by their duly authorized officials, have executed and delivered this Conditional Purchase Agreement under seal as of the date and year first above written.

[SEAL]

SELLER:

[TRUSTEE BANK],
acting as the Seller in its capacity as Trustee
under the Trust Agreement

By: _____

Name:

Title:

DRAFT

[Signature page to Conditional Purchase Agreement]

PURCHASER:

STATE OF MARYLAND

By: _____
Nancy K. Kopp
Treasurer

[Signature page to Conditional Purchase Agreement]

Execution of the above Conditional Purchase Agreement is hereby acknowledged by the Maryland State Lottery Agency as of the 1st day of January, 2011.

MARYLAND STATE LOTTERY AGENCY

By: _____

Stephen Martino
Director

This Conditional Purchase Agreement is hereby approved for Form and Legal Sufficiency by _____, Assistant Attorney General, as of the 1st day of January, 2011.

Assistant Attorney General

[Signature page to Conditional Purchase Agreement]

DEFINITIONS

DRAFT

ANNUAL CERTIFICATE REGARDING APPROPRIATION

[TRUSTEE BANK]

RE: \$41,500,000 State of Maryland Taxable Certificates of Participation, Series 2011 A

The Maryland State Treasurer's Office hereby certifies that the General Assembly has authorized appropriations sufficient to enable the State of Maryland (the "State") to make the payments required under the Conditional Purchase Agreement dated as of January 1, 2011 between the Maryland State Treasurer, acting on behalf of the State for use of the Maryland Lottery Agency, collectively acting as Purchaser, and [TRUSTEE BANK], acting as Seller and Trustee, for the immediately succeeding Fiscal Year.

Maryland State Treasurer's Office

By: _____

Date:

DESCRIPTION OF THE EQUIPMENT

The Equipment consists of 1,233 Video Lottery Terminals (“VLTs”) for use at the video lottery facility in Perryville, Cecil County and 592 VLTs for use at the video lottery facility in Ocean Downs, Worcester County.



PURCHASER'S COUNSEL OPINION

(Letterhead of Counsel for the Purchaser)

January ____, 2011

[TRUSTEE BANK]

Ladies and Gentlemen:

In connection with the issuance of \$41,500,000 State of Maryland Taxable Certificates of Participation, Series 2011 A, dated as of January 1, 2011 (the "Certificates"), we have examined:

- (i) a Conditional Purchase Agreement dated as of January 1, 2011 (the "Purchase Agreement"), by and between the Maryland State Treasurer (the "Treasurer") acting on behalf of the State of Maryland (the "State") for the use of the Maryland State Lottery Agency (the "Lottery Agency"), acting as Purchaser, and [TRUSTEE BANK], acting as Seller and Trustee;
- (ii) a Certificate of Participation Trust Agreement dated as of January 1, 2011 (the "Trust Agreement"), by and between the Purchaser and [TRUSTEE BANK], as Trustee (the "Trustee"), authorizing the issuance of the Certificates;
- (iii) the form of Certificate;
- (iv) relevant provisions of the Constitution and laws of the State of Maryland; and
- (v) other proofs and opinions submitted to us relative to the issuance of the Certificates.

Based upon the foregoing, it is our opinion that:

- (a) No further action, approval or consent is required for the execution and delivery of the Conditional Purchase Agreement and the Trust Agreement. The Conditional Purchase Agreement and the Trust Agreement have been duly authorized, executed and delivered by the Purchaser and constitute the valid and binding obligations of the Purchaser.

(b) The Conditional Purchase Agreement and the Trust Agreement delivered among the parties thereto constitute legal, valid and binding obligations of the Purchaser enforceable in accordance with their terms.

(c) To our knowledge, neither the making and performance of the obligations under the Conditional Purchase Agreement and the Trust Agreement nor the transactions contemplated therein will violate any provisions of the law or regulation, or any decree, writ, order or injunction or any bond indenture, loan agreement or other agreement binding on the Purchaser.

(d) The Purchaser has not pledged its faith and credit or its taxing power for payment of the Purchase Installments stated in the Conditional Purchase Agreement. Payment of any monetary obligations required under the Conditional Purchase Agreement is enforceable only if and to the extent appropriations for such purpose are made by the General Assembly of Maryland.

(e) To our knowledge, there is no litigation of any nature pending or threatened restraining or enjoining the execution and delivery of the Conditional Purchase Agreement or the Trust Agreement or affecting the Purchaser which calls into question the validity of the Conditional Purchase Agreement or the Trust Agreement, the proceedings and authority under which the transaction described therein was authorized or the authority of the Purchaser to make or perform its obligations thereunder which, if adversely decided, would materially affect the Purchaser's ability to perform its obligations under the Conditional Purchase Agreement or the Trust Agreement.

(f) Enforceability of the Conditional Purchase Agreement and the Trust Agreement may be limited by (i) bankruptcy, insolvency, moratorium, reorganization and other State and federal laws affecting the enforcement of creditors' rights, and (ii) to the extent that certain remedies under such instruments require or may require enforcement by a court of equity, such principles of equity as the court having jurisdiction may impose.

This opinion may be relied upon by Kutak Rock LLP, Washington, D.C., in rendering its opinion of even date regarding the above-described transaction.

Very truly yours,

Douglas F. Gansler
Attorney General of Maryland

[NAME]
Assistant Attorney General and
Counsel to the Treasurer

ACCEPTANCE CERTIFICATE

The undersigned, as the Purchaser under the Conditional Purchase Agreement dated as of January 1, 2011, hereby accepts the Equipment described with particularity in the Conditional Purchase Agreement this ___ day of _____, 201__.

The Purchaser hereby certifies as follows with regard to the Equipment:

- (A) The Purchaser has inspected the Equipment;
- (B) Except as noted below, the Equipment is in good condition and repair.

Exceptions to Item B:

STATE OF MARYLAND,
as the Purchaser

By: _____

Approved:

By: _____

[]
[]

Acknowledged:

Name:

By: _____

Purchaser shall be reduced by amounts held by the Trustee and made available pursuant to the Trust Agreement for corresponding payments to be made on the Certificates.

(c) Defeasance. (i) If sufficient money for the payment of the principal or redemption price of and interest on all Certificates Outstanding (as defined in the Trust Agreement) shall be held by Trustee (through deposit by the Purchaser of moneys for such payment or otherwise, regardless of the source of such moneys), whether at or prior to the maturity or the redemption dates of such Certificates, or (ii) if the maturity or redemption dates of such Certificates shall not then have arrived, and provision shall have been made for the payment of the interest on Certificates on the due dates for such payments, by deposit with Trustee (or other method satisfactory to Trustee) of Government Obligations (as defined in the Trust Agreement) the principal of and the interest on which when due will provide sufficient moneys for such payments, then the obligations of the Purchaser to pay the principal and interest portions of the Purchase Installments due under the Conditional Purchase Agreement shall be discharged and satisfied.