

*In the opinion of Special Counsel, assuming compliance with certain covenants, the interest portion of the Contract Payments to be made by the County as Purchaser under the Funding Agreement and to be received by the Holders of the Series 2016A Certificates is excludable from gross income for federal income tax purposes and, under existing law, the interest portion of the Contract Payments, with respect to the Series 2016A Certificates, is exempt from income taxation by the State of Maryland. The interest portion of the Contract Payments to be made by the County under the Funding Agreement and to be received by the Holders of the Series 2016B Certificates is not excludable from gross income for Federal income tax purposes and is not exempt from income taxation by the State of Maryland or by any of its political subdivisions. No opinion is expressed as to estate or inheritance taxes, or any other Maryland taxes not levied or assessed directly on the Series 2016 Certificates. The interest portion of the Contract Payments for the Series 2016B Certificates will be includable in gross income for federal income tax purposes. As described herein under "TAX MATTERS," the interest portion on the Contract Payments, for federal income tax purposes, may be included in the calculation of a corporation's alternative minimum taxable income and will be subject to the branch profits tax imposed on foreign corporations. The interest portion of the Contract Payments for the Series 2016A Certificates, for federal income tax purposes, is not includable in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment and is not taken into account in determining "adjusted current earnings" for purposes of computing the alternative minimum tax on corporations; however, interest on the Contract Payments will be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States of America.*

**\$23,050,000**

**MONTGOMERY COUNTY, MARYLAND  
Certificates of Participation  
(Montgomery College Improvements)  
Series 2016A**

**\$1,810,000**

**MONTGOMERY COUNTY, MARYLAND  
Taxable Certificates of Participation  
(Montgomery College Improvements)  
Series 2016B**

**Dated: Date of Initial Delivery****Due: November 1, as shown on inside front cover**

The Montgomery County, Maryland Certificates of Participation (Montgomery College Improvements), Series 2016A (the "Series 2016A Certificates") are being issued to (i) finance a portion of the costs of the acquisition, design, construction and equipping of certain facilities located in the County (the "Improvements") which facilities will be owned by Montgomery College Foundation, Inc. (the "Foundation") and leased to The Board of Community College Trustees for Montgomery County, Maryland (the "College") to be used by the College for central services and administrative services offices, (ii) fund capitalized interest on the Series 2016 Certificates and (iii) pay the costs of issuing the Series 2016A Certificates (collectively, the "Project"). The Montgomery County, Maryland Certificates of Participation (Montgomery College Improvements), Series 2016B (the "Series 2016B Certificates" and together with the Series 2016A Certificates, the "Series 2016 Certificates") are being issued to (i) finance the costs incurred by the College in connection with its terminating certain lease agreements for space that will be replaced with the facilities that comprise the Improvements and (ii) pay the costs of issuing the Series 2016B Certificates.

The Series 2016 Certificates represent proportionate interests in a Funding Agreement between the County and U.S. Bank National Association (the "Bank"), and are payable solely from and secured by (i) periodic payments to be made by the County to the Bank pursuant to the Funding Agreement (the "Contract Payments") and (ii) amounts realized pursuant to the exercise of certain remedies under the Funding Agreement upon the occurrence of nonappropriation or certain defaults by the County thereunder.

The Series 2016 Certificates are issued pursuant to a Trust Agreement between the County and the Bank, as trustee (the "Trustee") and as the Bank (the "Trust Agreement"), pursuant to which the County and the Bank have agreed to assign to the Trustee for the benefit of the holders of the Series 2016 Certificates all of the County's and the Bank's right, title and interest under the Funding Agreement, including the Contract Payments to be made by the County, the right to receive Revenues, and all amounts on deposit from time to time in the funds and accounts established under the Trust Agreement, as provided thereunder.

The 2016 Certificates are issuable only as fully registered certificates without coupons in the denomination of \$5,000 each or any integral multiple thereof. The Series 2016 Certificates initially will be maintained under a book-entry only system under which The Depository Trust Company, New York, New York ("DTC"), will act as securities depository. Purchases of the Series 2016 Certificates will be in book-entry only form. So long as the Series 2016 Certificates shall be maintained under a book-entry system, payments of the principal or redemption price of and interest on the Series 2016 Certificates will be made when due by the Trustee to DTC in accordance with the Trust Agreement, and the Trustee will have no obligation to make any payments to any beneficial owner of any Series 2016 Certificate. See "The Series 2016 Certificates -- Book-Entry Only System" herein.

Interest on the Series 2016 Certificates is payable on November 1, 2016 and semi-annually on each November 1 and May 1 thereafter until maturity or earlier redemption. The Series 2016A Certificates are subject to redemption prior to maturity as described herein under "The Series 2016A Certificates -- Redemption Provisions." The Series 2016B Certificates are not subject to optional redemption prior to maturity.

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**FOR AMOUNTS, MATURITIES, INTEREST RATES, PRICES OR YIELDS  
AND CUSIPS, SEE INSIDE COVER**

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**The Series 2016 Certificates, and the interest thereon, are limited obligations of the County. The principal or redemption price of and the interest on the Series 2016 Certificates shall be payable solely from the Contract Payments and other funds pledged for the payment thereof under the Trust Agreement. All amounts payable by the County under the Funding Agreement, including the Contract Payments, are subject in each year to appropriation by the County Council. The County Council is under no obligation to make any appropriation with respect to the Funding Agreement. The Funding Agreement is not a general obligation of the County and shall never constitute an indebtedness of the County within the meaning of any constitutional or statutory limitation or a charge against the general credit or taxing power of the County. Neither the Foundation nor the College are liable for the payment of the principal of or interest on the Series 2016 Certificates.**

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

*The Series 2016 Certificates are offered when, as and if issued and received, subject to the approval as to their legality by McKennon Shelton & Henn LLP, Baltimore, Maryland, Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the Foundation by Womble Carlyle Sandridge & Rice, LLP, Baltimore, Maryland and for the College by Hogan Lovells US LLP, Baltimore, Maryland. It is anticipated that the Series 2016 Certificates in definitive form will be available for delivery in New York, New York, on or about July 27, 2016.*

**\$23,050,000**  
**MONTGOMERY COUNTY, MARYLAND**  
**Certificates of Participation**  
**(Montgomery College Improvements)**  
**Series 2016A**

**\$1,810,000**  
**MONTGOMERY COUNTY, MARYLAND**  
**Taxable Certificates of Participation**  
**(Montgomery College Improvements)**  
**Series 2016B**

**AMOUNTS, MATURITIES, INTEREST RATES, YIELDS AND CUSIPS**

**\$23,050,000 Certificates of Participation (Montgomery College Improvements) Series 2016A**

<u>Maturing November 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>	<u>Maturing November 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2019	\$ 355,000	5.000%	0.800%	61334EBE7	2028	\$1,555,000	2.000%	2.140%	61334EBP2
2020	380,000	5.000	0.900	61334EBF4	2029	1,590,000	2.125	2.256	61334EBQ0
2021	390,000	5.000	1.100	61334EBG2	2030	1,625,000	2.250	2.354	61334EBR8
2022	1,255,000	5.000	1.200	61334EBH0	2031	1,660,000	2.350	2.429	61334EBS6
2023	1,320,000	5.000	1.350	61334EBJ6	2032	1,700,000	2.400	2.494	61334EBT4
2024	1,390,000	5.000	1.450	61334EBK3	2033	1,745,000	2.500	2.572	61334EBU1
2025**	1,445,000	3.000	1.600**	61334EBL1	2034	1,790,000	2.500	2.604	61334EBW7
2026**	1,490,000	3.000	1.700**	61334EBM9	2035	1,835,000	2.625	2.692	61334EBV9
2027	1,525,000	2.000	2.000	61334EBN7					

**\$1,810,000 Taxable Certificates of Participation (Montgomery College Improvements) Series 2016B**

<u>Maturing November 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP*</u>
2017	\$355,000	1.000%	0.800%	61334EBX5
2018	360,000	1.000	1.000	61334EBY3
2019	360,000	1.200	1.200	61334EBZ0
2020	365,000	1.500	1.500	61334ECA4
2021	370,000	1.700	1.700	61334ECB2

The rates shown above are the interest rates payable by the County resulting from the successful bid for the Series 2016 Certificates at a public sale on July 20, 2016. The yields or prices shown above were furnished by the successful bidder. Any additional information concerning the reoffering of the Series 2016 Certificates should be obtained from the successful bidder and not from the County.

\*CUSIP numbers are copyrighted by the American Bankers Association. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw Hill Companies Inc. The CUSIP data listed above is being provided solely for the convenience of Certificateholders only at the time of issuance of the Series 2016 Certificates and the County makes no representation with respect to such CUSIP data nor undertakes any responsibility for its accuracy now or at any time in the future. The CUSIP numbers are subject to being changed after the issuance of the Series 2016 Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Series 2016 Certificates. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau.

\*\*Yield to November 1, 2024, the first optional call date for the Series 2016A Certificates.

**OFFICIAL STATEMENT DATED JULY 20, 2016**

**\$23,050,000**  
**MONTGOMERY COUNTY, MARYLAND**  
**Certificates of Participation**  
**(Montgomery College Improvements)**  
**Series 2016A**

**\$1,810,000**  
**MONTGOMERY COUNTY, MARYLAND**  
**Taxable Certificates of Participation**  
**(Montgomery College Improvements)**  
**Series 2016B**



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No dealer, broker, salesman or other person has been authorized by the County to give any information or to make any representation other than as contained in this Official Statement, and if given or made, such other information or representation 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 Series 2016 Certificates by any person in any jurisdiction in which it is not lawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the County and other sources which are deemed to be reliable but is not guaranteed as to accuracy or completeness.

No quotations from or summaries or explanations of provisions of laws or documents herein purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or owners of any of the Series 2016 Certificates. 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 cover page hereof, the inside front cover and the appendices attached hereto are part of this Official Statement.

THE SERIES 2016 CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE TRUST AGREEMENT BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE SERIES 2016 CERTIFICATES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES AGENCY NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

*This Official Statement contains statements relating to future events that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect," "project" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.*

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**MONTGOMERY COUNTY, MARYLAND  
OFFICIAL ROSTER OF COUNTY OFFICIALS**

**COUNTY EXECUTIVE**

Isiah Leggett

**COUNTY COUNCIL**

Nancy Floreen	<i>President</i>
Roger Berliner	<i>Vice President</i>
George L. Leventhal	
Sidney Katz	
Marc Elrich	
Tom Hucker	
Craig Rice	
Hans Riemer	
Nancy Navarro	

The terms of the County Executive and all County Council members expire in December 2018.

**APPOINTED OFFICIALS**

Timothy L. Firestine	<i>Chief Administrative Officer</i>
Robert Hagedoorn	<i>Acting Director, Department of Finance</i>
Jennifer A. Hughes	<i>Director, Office of Management and Budget</i>
Marc P. Hansen	<i>County Attorney</i>
Linda M. Lauer	<i>Clerk of the Council</i>

**SPECIAL COUNSEL**

McKennon Shelton & Henn LLP  
Baltimore, Maryland

**FINANCIAL ADVISOR**

Public Financial Management, Inc.  
Philadelphia, Pennsylvania

**INDEPENDENT PUBLIC ACCOUNTANTS**

CliftonLarsonAllen LLP  
Timonium, Maryland

**TRUSTEE**

U.S. Bank National Association  
Richmond, Virginia

**DEBT MANAGEMENT AND DISCLOSURE INFORMATION**

Montgomery County Department of Finance  
101 Monroe Street  
Rockville, Maryland 20850  
240-777-8860  
240-777-8857 (Fax)  
<http://bonds.montgomerycountymd.gov>

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## OFFICIAL STATEMENT

### Relating to

**\$23,050,000**  
**MONTGOMERY COUNTY, MARYLAND**  
**Certificates of Participation**  
**(Montgomery College Improvements)**  
**Series 2016A**

**\$1,810,000**  
**MONTGOMERY COUNTY, MARYLAND**  
**Taxable Certificates of Participation**  
**(Montgomery College Improvements)**  
**Series 2016B**

### INTRODUCTION

The purpose of this Official Statement, which includes the attached Appendices, is to provide certain information concerning the sale and delivery of the Montgomery County, Maryland Certificates of Participation (Montgomery College Improvements), Series 2016A (the “Series 2016A Certificates”) in the aggregate principal amount of \$23,050,000 and the Montgomery County, Maryland Taxable Certificates of Participation (Montgomery College Improvements), Series 2016B (the “Series 2016B Certificates” and together with the Series 2016A Certificates, the “Series 2016 Certificates”) in the aggregate principal amount of \$1,810,000. The Series 2016 Certificates are to be issued pursuant to a Trust Agreement between Montgomery County, Maryland (the “County”) and U.S. Bank, National Association, as trustee (the “Trustee”). The Series 2016A Certificates are being issued to (i) finance a portion of the costs of the acquisition, design, construction and equipping of certain facilities located in the County (the “Improvements”) which facilities are to be owned by Montgomery College Foundation, Inc. (the “Foundation”) and leased to The Board of Community College Trustees for Montgomery County, Maryland (the “College”) to be used by the College for its central services and administrative services offices, (ii) fund capitalized interest on the Series 2016 Certificates and (iii) pay the costs of issuing the Series 2016A Certificates. The Series 2016B Certificates are being issued to (i) finance the costs incurred by the College in connection with its terminating a certain lease agreement for space that it currently occupies that will be replaced with the facilities that comprise the Improvements and (ii) pay the costs of issuing the Series 2016B Certificates. For more information regarding the Improvements see “Description of Improvements.”

The Series 2016 Certificates represent proportionate interests in a Funding Agreement (the “Funding Agreement”) between the County, and U.S. Bank, National Association, as seller thereunder (the “Bank”). The Funding Agreement requires the County to make periodic payments (the “Contract Payments”) in amounts sufficient to pay the scheduled debt service on the Series 2016 Certificates until the County shall pay the principal of and premium, if any, and interest on the Series 2016 Certificates. Payment by the County of amounts owed under the Funding Agreement, including the Contract Payments, is dependent on the appropriation in each year by the County Council of the County (the “County Council”) of funds sufficient for such purpose. The County expects that amounts owed under the Funding Agreement, including the Contract Payments, will be appropriated and paid by the County.

*The Series 2016 Certificates, and the interest on them, are limited obligations of the County. The principal or redemption price of and the interest on the Series 2016 Certificates shall be payable solely from the Contract Payments and all amounts on deposit from time to time in the funds and accounts established under the Trust Agreement, as provided thereunder. All amounts payable by the County under the Funding Agreement, including the Contract Payments, are subject in each year to appropriation by the County Council. The County Council is under no obligation to make any appropriation with respect to the Funding Agreement.*

*The Funding Agreement is not a general obligation of the County and shall never constitute an indebtedness of the County within the meaning of any constitutional or statutory limitation or a charge against the general credit or taxing power of the County. Neither the Foundation nor the College are liable for the payment of the principal of or interest on the Series 2016 Certificates.*

**ESTIMATED SOURCES AND USES OF FUNDS**

The proceeds of the Series 2016 Certificates are expected to be applied as follows:

**SOURCES OF FUNDS:**

Principal amount of Series 2016A Certificates.....	\$23,050,000.00
Original Issue Premium	1,328,778.40
Principal amount of Series 2016B Certificates.....	1,810,000.00
Original Issue Premium	<u>887.50</u>
Total sources of funds .....	<u>\$26,189,675.90</u>

**USES OF FUNDS:**

Project Fund Deposits.....	\$23,789,998.00
Lease Termination Payments .....	1,784,193.00
Capitalized interest <sup>(1)</sup> .....	186,456.51
Costs of issuance <sup>(2)</sup> .....	<u>429,028.39</u>
Total uses of funds .....	<u>\$26,189,675.90</u>

(1) Interest on the Series 2016A Certificates for the period estimated to extend for approximately 3 months from the date of delivery of the Series 2016A Certificates.

(2) Includes the Underwriter’s discount, certain fees and expenses of the financial advisor to the County, Special Counsel to the County, legal counsel to the College and the Foundation and fees of the rating agencies, as well as costs of printing costs, fees and expenses of the Trustee and other miscellaneous expenses.

**SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 CERTIFICATES**

**General**

The Series 2016 Certificates are payable as to principal, redemption price and interest solely from Contract Payments to be paid by the County, as Purchaser pursuant to the Funding Agreement and amounts from time to time on deposit in certain funds and accounts established by the Trust Agreement. Pursuant to the Trust Agreement, the County and the Bank have assigned to the Trustee all of their respective rights under the Funding Agreement, and all amounts on deposit from time to time in such funds and accounts and the right to receive Revenues for the benefit of the Holders of the Series 2016 Certificates. See Appendix B – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” herein.

ALL AMOUNTS PAYABLE BY THE COUNTY UNDER THE FUNDING AGREEMENT, INCLUDING THE CONTRACT PAYMENTS, ARE SUBJECT IN EACH YEAR TO APPROPRIATION BY THE COUNTY COUNCIL. THE COUNTY COUNCIL IS UNDER NO OBLIGATION TO MAKE ANY APPROPRIATIONS WITH RESPECT TO THE FUNDING AGREEMENT. THE AMOUNTS PAYABLE BY THE COUNTY UNDER THE FUNDING AGREEMENT ARE NOT GENERAL OBLIGATIONS OF THE COUNTY AND SHALL NEVER CONSTITUTE AN INDEBTEDNESS OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE COUNTY. THE COUNTY HAS NOT PLEDGED ITS FULL FAITH AND CREDIT OR ITS TAXING POWERS TO THE PAYMENT OF AMOUNTS DUE UNDER THE FUNDING AGREEMENT.

THE FUNDING AGREEMENT MAY BE TERMINATED UPON THE OCCURRENCE OF NONAPPROPRIATION OR AN EVENT OF DEFAULT. IN SUCH EVENT, ALL PAYMENT

OBLIGATIONS UNDER THE FUNDING AGREEMENT WILL TERMINATE, AND THE SERIES 2016 CERTIFICATES AND THE INTEREST THEREON WILL BE PAYABLE ONLY FROM AMOUNTS PAYABLE UNDER THE FUNDING AGREEMENT THAT WERE PREVIOUSLY APPROPRIATED AND FROM UNEXPENDED PROCEEDS OF THE SERIES 2016 CERTIFICATES. THERE IS NO ASSURANCE THAT SUCH MONEYS WILL BE SUFFICIENT FOR THE PAYMENT OF THE SERIES 2016 CERTIFICATES OR THE INTEREST THEREON UPON THE OCCURRENCE OF A NONAPPROPRIATION OR AN EVENT OF DEFAULT UNDER THE FUNDING AGREEMENT.

THE FUNDS FROM WHICH AMOUNTS ARE APPROPRIATED TO PAY CONTRACT PAYMENTS ARE NOT LIMITED TO ANY PARTICULAR SOURCE OF COUNTY REVENUES. THE COUNTY EXPECTS THAT ALL CONTRACT PAYMENTS WILL BE APPROPRIATED AND PAID BY THE COUNTY FROM AMOUNTS HELD IN CERTAIN FUNDS OR ACCOUNTS ESTABLISHED AND MAINTAINED BY THE COUNTY.

NEITHER THE FOUNDATION NOR THE COLLEGE ARE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF OR INTEREST ON THE SERIES 2016 CERTIFICATES.

### **Funding Agreement**

The County and the Trustee, have entered into the Funding Agreement with respect to the Improvements for a term which begins as of July 1, 2016 and shall remain in effect until the County has paid all Contract payments to the Trustee, unless terminated earlier in accordance with the Funding Agreement. The Contract Payments due under the Funding Agreement are sufficient to pay the scheduled debt service on the Series 2016 Certificates and the fees and expenses of the Trustee. The Contract Payments are payable semi-annually on November 1 and May 1 of each year so long as any of the Series 2016 Certificates are outstanding and will be paid directly to the Trustee.

The ability of the County to pay the Contract Payments is subject to the annual appropriation of sufficient funds for such purpose by the County Council. See "The County -- Budgetary Procedure." The County may terminate the Funding Agreement at the end of the last fiscal year or earlier date for which an appropriation is available if sufficient funds are not appropriated for any fiscal year. The County Executive has covenanted in the Funding Agreement, to the extent permitted by law and subject to applicable public policy, to use his best efforts to obtain the authorization and appropriation of such funds, including, without limitation, the recommendation for inclusion of such funds in the budget of the County to be submitted to the County Council and a request for adequate funds to meet its obligations under the Funding Agreement in full in its next fiscal year budget. The County has also covenanted to apply funds that are appropriated for the Improvements to the payment of its obligations under the Funding Agreement.

The County has agreed, to the extent permitted by law and subject to applicable public policy, not to terminate the Funding Agreement if sufficient funds are appropriated to it for a particular fiscal year which are available for the payment of Contract Payments due in that fiscal year. See Appendix B - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS -- Summary of Certain Provisions of the Funding Agreement."

If the County fails to pay any of the Contract Payments, the Trustee has the right to seek certain remedies under the Funding Agreement, including the termination of the Funding Agreement. See Appendix B - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS -- Summary of Certain Provisions of the Funding Agreement."

The County will insure or cause to be insured the Improvements against damage and destruction. Net insurance proceeds, as well as condemnation awards, may be applied to the repair or replacement of the Improvements or to the redemption of all or a portion of the Series 2016 Certificates. See "THE CERTIFICATES -- Redemption Provisions -- Extraordinary Redemption" and Appendix B - "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS-- Summary of Certain Provisions of the Funding Agreement" herein.

## **No Lien on Improvements**

The payment of the Contract Payments by the County is *not* secured by any lien on the Improvements or other assets that may be constructed, acquired or renovated with proceeds of the Series 2016 Certificates. The County has no ownership interest in the Improvements.

## **THE SERIES 2016 CERTIFICATES**

The Series 2016 Certificates will be dated the date of delivery, and will mature (subject to the redemption provisions set forth below) on the dates and in the amounts and bear interest as set forth on the inside front cover hereof.

The Series 2016 Certificates will be executed and delivered in fully registered form, without coupons, in denominations of \$5,000 each or any integral multiple thereof. Interest will be payable on the Series 2016 Certificates on each May 1 and November 1 (each an "Interest Payment Date"), beginning November 1, 2016. Interest paid on November 1, 2016 will accrue from the date of delivery of the Series 2016 Certificates. The principal or redemption price of and interest on the Series 2016 Certificates will be paid as described below under Book-Entry Only System so long as the Book-Entry Only System is maintained. If the Book-Entry Only System is discontinued then the Series 2016 Certificates will be payable at the corporate trust office of the Trustee in Richmond, Virginia and interest will be payable by check mailed by the Trustee to the registered Holders of Series 2016 Certificates as their names and addresses appear in the registration books maintained by the Trustee as of (i) the fifteenth calendar day of the month next preceding each Interest Payment Date or (ii) in the case of the payment of any defaulted interest, the tenth (10<sup>th</sup>) day before such payment. At the request of a Holder of Series 2016 Certificates in the aggregate principal amount of at least \$100,000, any such payments may be made by wire transfer in accordance with written instructions filed by such Holder with the Trustee. Interest on the Series 2016 Certificates shall be calculated on the basis of a year consisting of 360 days divided into twelve 30-day months.

### **Authority for the Certificates**

The Series 2016 Certificates are issued pursuant to the Montgomery County Code, Resolution No. 18-537 of the County Council of the County adopted on June 28, 2016 and effective on June 29, 2016, an Executive Order of the County Executive of the County and Section 16-304 of the Education Article of the Annotated Code of Maryland (2014 Replacement Volume and 2015 Supplement).

### **Book-Entry Only System**

*The information contained in the following paragraphs of this subsection "Book-Entry Only System" has been extracted from a schedule prepared by DTC entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE." The County makes no representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.*

#### *General*

DTC will act as securities depository for the Series 2016 Certificates. The Series 2016 Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2016 Certificate will be issued for each maturity of the Series 2016 Certificates in principal amount equal to the aggregate principal amount of the Series 2016 Certificates of such maturity, and will be deposited with

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Series 2016 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016 Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2016 Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2016 Certificates, except in the event that use of the book-entry system for the Series 2016 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2016 Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2016 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2016 Certificates may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2016 Certificates, such as redemptions and defaults. For example, Beneficial Owners of the Series 2016 Certificate may wish to ascertain that the nominee holding the Series 2016 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2016 Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016 Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2016 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

*So long as a nominee of DTC is the registered owner of the Series 2016 Certificates, references herein to the Bondholders or the holders or owners of the Series 2016 Certificates shall mean DTC and shall not mean the Beneficial Owners of the Series 2016 Certificates. The County and the Trustee will recognize DTC or its nominee as the holder of all of the Series 2016 Certificates for all purposes, including the payment of the principal of and interest on, and the purchase price of, the Series 2016 Certificates, as well as the giving of notices. Neither the County nor the Trustee will have any responsibility or obligation to Direct or Indirect Participants or Beneficial Owners with respect to payments or notices to Direct or Indirect Participants or Beneficial Owners.*

So long as the Series 2016 Certificates are held by DTC under a book-entry system, principal and interest payments and any premium on the Series 2016 Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct and Indirect 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 Direct or Indirect Participant and not of DTC, DTC's nominee, the Trustee or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest or premium to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Trustee, 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.

The information provided above under this caption has been obtained from DTC. The County takes no responsibility for the accuracy or completeness thereof. The County will have no responsibility or obligation to DTC Participants or the persons for whom they act as nominees with respect to the payments to or 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.

#### *Special Considerations*

Because DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants and certain banks, the ability of a Beneficial Owner to pledge Series 2016 Certificates to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such Series 2016 Certificates, may be limited due to the lack of a physical certificate for such Series 2016 Certificates.

Under its current procedures, DTC does not automatically forward redemption and other notices to its Participants who have Series 2016 Certificates credited to their accounts. Rather, a notice that DTC has

received a notice is entered onto an electronic computer network which DTC shares with its Direct Participants, and such Direct Participants may obtain the full text of such notices upon request. Neither the County nor the Trustee have control over whether or how timely redemption and other notices are made available by DTC to its Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners of the Series 2016 Certificates.

*Book-Entry-Only System — Miscellaneous*

The information in the Section “Book-Entry-Only System -- General” has been obtained from DTC. The County takes no responsibility for the accuracy or completeness thereof. The County will have no responsibility or obligations to DTC Participants or the persons for whom they act as nominees with respect to the payments to or 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.

*Discontinuation of Book-Entry-Only System*

DTC may discontinue providing its services as securities depository with respect to the Series 2016 Certificates at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2016 Certificate certificates are required to be printed and delivered. The County may also decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2016 Certificate certificates will be printed and delivered.

In the event that the Book-Entry Only System is discontinued, the Series 2016 Certificates in fully certificated form will be issued as fully registered Series 2016 Certificates without coupons in the denomination of \$5,000 each or any integral multiple thereof. Such Series 2016 Certificates will be transferable only upon the registration books kept at the principal office of the Trustee, 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 Trustee, and duly executed by the registered owner or a duly authorized attorney. Within a reasonable time of such surrender, the County shall cause to be issued in the name of the transferee a new registered Series 2016 Certificate or Series 2016 Certificates of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Series 2016 Certificate surrendered and maturing on the same date and bearing interest at the same rate. The new Series 2016 Certificate or Series 2016 Certificates shall be delivered to the transferee only after due authentication by an authorized officer of the Trustee. The County may deem and treat the person in whose name a Series 2016 Certificate 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.

In the event that the Book-Entry Only System is discontinued, the Series 2016 Certificates may be transferred or exchanged at the principal office of the Trustee. Upon any such transfer or exchange, the County shall execute and the Trustee shall authenticate and deliver a new registered Series 2016 Certificate or Series 2016 Certificates without coupons of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Series 2016 Certificates exchanged or transferred, and maturing on the same date and bearing interest at the same rate. In each case, the Trustee may require payment by any holder of Series 2016 Certificates requesting exchange or transfer of Series 2016 Certificates 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 the holder of Series 2016 Certificates for such exchange or transfer. The Trustee shall not be required to transfer or exchange any Series 2016 Certificate after the mailing of notice calling such Series 2016 Certificate or portion thereof for redemption as previously described; provided, however, that the foregoing limitation shall not apply to that portion of a Series 2016 Certificate in excess of \$5,000 which is not being called for redemption.

Neither the County nor the Trustee will have any responsibility or obligation to Participants, to Indirect Participants or to any Beneficial Owner with respect to 1) the accuracy of any records maintained by DTC, any DTC Participant or any Indirect Participant; 2) the payment by DTC, any DTC Participant or any Indirect Participant of any amount with respect to the principal of or premium, if any, or interest on the Series 2016 Certificates; 3) any notice which is permitted or required to be given to holders; 4) any consent given by DTC or other action taken by DTC as holder; or 5) the selection by DTC, any DTC Participant or any Indirect Participant of any Beneficial Owner to receive payment in the event of partial redemption of Series 2016 Certificates.

THE COUNTY AND TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO ITS PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO BENEFICIAL OWNERS OF THE SERIES 2016 CERTIFICATES (A) PAYMENTS OF THE PRINCIPAL OF, OR INTEREST ON, THE SERIES 2016 CERTIFICATES, (B) CONFIRMATION OF OWNERSHIP INTERESTS IN THE SERIES 2016 CERTIFICATES, OR (C) NOTICES THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH ITS DIRECT OR INDIRECT PARTICIPANTS ARE ON FILE WITH DTC.

## **Redemption Provisions**

### *Optional Redemption*

The Series 2016A Certificates that mature on or before November 1, 2024, are not subject to redemption prior to their respective maturities. The Series 2016A Certificates that mature on or after November 1, 2025, are subject to redemption beginning November 1, 2024, as a whole or in part at any time thereafter, in any order of their maturities, at the option of the County, at a redemption price for each certificate equal to the principal amount of the certificate to be redeemed, together with interest accrued to the date fixed for redemption, without premium.

The Series 2016B Certificates are not subject to optional redemption prior to their respective maturities.

### *Extraordinary Redemption*

The Certificates are subject to extraordinary redemption as soon as practicable after such moneys are available therefor in whole at any time or in part at any time at par plus accrued interest, to the date fixed for

redemption from amounts deposited in the Principal Account of the Certificate Fund from (i) Net Proceeds of insurance not required or requested in accordance with the Funding Agreement to replace, repair, rebuild, restore or modify the Improvements after the damage or destruction of the Improvements deposited pursuant to the Funding Agreement or (ii) Net Proceeds and amounts, if any, deposited by the County with the Trustee. See Appendix B – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS -- Summary of Certain Provisions of the Trust Agreement.”

#### *Selection of Series 2016A Certificates to be Redeemed*

If fewer than all of the outstanding Series 2016A Certificates are called for redemption, the Trustee shall redeem the Series 2016A Certificates of the maturities directed by the County and by lot in such manner as the Trustee shall determine within any maturity; provided however, that the portion of any Series 2016A Certificate to be redeemed shall be in the principal amount of \$5,000 or any integral multiple thereof and, in selecting Series 2016A Certificates for redemption, the Trustee shall treat each Series 2016A Certificate as representing that number of Series 2016A Certificates that is obtained by dividing the principal amount of such Series 2016A Certificate by \$5,000.

#### *Notice of Redemption*

The Trustee will mail notice of redemption, by first class mail, not less than 30 days and not more than 60 days before the date of redemption to the registered Holders of the Series 2016A Certificates of the maturity or maturities to be redeemed at their addresses shown on the registration books maintained by the Trustee. Notice having been given and sufficient moneys having been delivered to the Trustee, interest will cease to accrue on the Series 2016A Certificates to be redeemed on and after the redemption date. Any notice of redemption may indicate that such redemption is conditioned upon the deposit of sufficient moneys to effect such redemption on the redemption date. The failure by the Trustee to mail a notice of redemption, or any defect therein, shall not affect the validity of the proceedings for the redemption of the Series 2016A Certificates.

#### **Additional Certificates**

The County may issue additional parity certificates (the “Additional Certificates”) under the Trust Agreement to provide additional funds to finance or refinance additions to the Improvements and other projects permitted under the Trust Agreement.

The Series 2016 Certificates will be secured equally and ratably on parity with any Additional Certificates and the Contract Payments made pursuant to the Funding Agreement by the County shall be increased in the principal amount equal to such Additional Certificates issued.

### **DESCRIPTION OF THE IMPROVEMENTS, THE FOUNDATION AND THE COLLEGE**

#### **The Improvements**

The proceeds of the Series 2016A Certificates will be loaned by the County to the Foundation to be used by the Foundation to finance and refinance the costs of the acquisition, design, construction and equipping of an approximate 115,000 gross square foot building, with between approximately 365 and 400 parking spaces, to be used by the College for central services and administrative services offices. The Foundation will lease its interest in the Improvements and the site upon which the Improvements is located to the College pursuant to a Lease Agreement dated as of July 1, 2016, between the Foundation and the College (the “Lease”). The Lease requires the College to make rental payments (the “Rental Payments”), which are assigned by the Foundation to the County pursuant to an Assignment of Rents and Leases Agreement dated as of July 1, 2016 between the County and the Foundation (the “Assignment of Leases”). The County will also be secured by a deed of trust from the Foundation for the benefit of the County to secure the obligations

of the Foundation under the Loan Agreement and to be delivered at the time of closing of the Certificates (the “Deed of Trust”). A portion of the Series 2016A Certificates will also be applied to pay the costs of issuing the Series 2016A Certificates. See “Estimated Sources and Uses of Funds.”

The proceeds of the Series 2016B Certificates will be loaned by the County to the Foundation and will be applied to pay the costs incurred by the College in connection with its terminating certain lease agreements for space that it currently occupies that will be replaced with the facilities that comprise the Improvements. A portion of the Series 2016B Certificates will also be applied to pay the costs of issuing the Series 2016B Certificates. See “Estimated Sources and Uses of Funds.”

*Neither the Improvements, nor the Lease, nor the Rental Payments, nor the Assignment of Leases nor the Deed of Trust is pledged to the payment of the principal of or interest on the Series 2016 Certificates and neither the Foundation nor the College are liable for the payment of the principal of or interest on the Series 2016 Certificates.*

### **The Foundation**

The Foundation is a Maryland non-stock, nonprofit corporation and is exempt from federal income tax under Section 501(a) of the Internal Revenue Code of 1986, as amended (the “Code”), as an organization described under Section 501(c)(3) of the Code. It is organized exclusively for charitable and educational purposes and specifically for the purpose of raising funding and otherwise supporting the College. The Foundation works in cooperation with the College to achieve and enrich the College’s vision and strategic plan. Each year, Foundation fundraising events and sustaining fund drives help raise funds for College scholarships and other uses.

### **The College**

The College is the local community college for the County, and was established in 1946 pursuant to Title 16 of the Education Article of the Annotated Code of Maryland. The College has grown from a single campus in Takoma Park established in 1950 to three campuses – the original Takoma Park/Silver Spring Campus, the Rockville Campus, and the Germantown Campus.

With approximately 25,320 undergraduate students, the College has the largest community college credit enrollment in the State of Maryland (the “State”) and one of the largest in the nation, and has the third-largest enrollment of undergraduate students in Maryland (behind the University of Maryland – College Park and the University of Maryland’s University College).

Over 100 academic-credit programs of study are available for students, with an extensive array of student support services as well as a number of special programs to challenge and reward academically talented students. The College’s primary mission is promoting and facilitating student learning, and to that end, class size is kept small – the average class size is 18.8 students. Ninety-eight percent of course sections have fewer than 30 students, and 99.9% of classes have fewer than 40 students.

The College employs 504 full-time faculty. In addition, almost 1,000 adjunct faculty in the credit program are employed each semester to assist in bringing current business and industry expertise to students, especially in the career and technical programs. More than 750 full-time faculty provide instruction in Workforce Development and Continuing Education non-credit programs.

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## ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each November 1: (i) the principal due on the Series 2016A Certificates and the 2016B Certificates; (ii) the interest due on the Series 2016A Certificates and the Series 2016B Certificates; and (iii) the total debt service requirements of the Series 2016 Certificates.

Year	Series 2016A Certificates		Series 2016B Certificates		Total
	Principal	Interest*	Principal	Interest*	
2016	\$	\$180,390*	\$	\$6,067*	\$ 186,457*
2017		690,854	355,000	23,235	1,069,089
2018		690,854	360,000	19,685	1,070,539
2019	355,000	690,854	360,000	16,085	1,421,939
2020	380,000	673,104	365,000	11,765	1,429,869
2021	390,000	654,104	<u>370,000</u>	<u>6,290</u>	1,420,394
2022	1,255,000	634,604			1,889,604
2023	1,320,000	571,854			1,891,854
2024	1,390,000	505,854			1,895,854
2025	1,445,000	436,354			1,881,354
2026	1,490,000	393,004			1,883,004
2027	1,525,000	348,304			1,873,304
2028	1,555,000	317,804			1,872,804
2029	1,590,000	286,704			1,876,704
2030	1,625,000	252,916			1,877,916
2031	1,660,000	216,354			1,876,354
2032	1,700,000	177,344			1,877,344
2033	1,745,000	136,544			1,881,544
2034	1,790,000	92,919			1,882,919
2035	<u>1,835,000</u>	<u>48,169</u>			<u>1,883,169</u>
<b>Total</b>	<b><u>23,050,000</u></b>	<b><u>7,998,884</u></b>	<b><u>1,810,000</u></b>	<b><u>83,127</u></b>	<b><u>32,942,010</u></b>

\* Represents capitalized interest to fund the interest payment due November 1, 2016.

\*\*Numbers included in the Annual Debt Service table rounded to the nearest dollar.

## THE COUNTY

### General

Montgomery County, Maryland is a body politic and corporate and a political subdivision of the State of Maryland. For more information, respecting the County, see the County's Annual Information Statement (the "AIS"), which is hereby incorporated by reference and can be found at:

<http://www.montgomerycountymd.gov/BONDS/Resources/Files/AIS2016.pdf>

Information respecting the County's Comprehensive Annual Financial Report ("CAFR"), is hereby incorporated by reference and can be found at:

[http://www.montgomerycountymd.gov/finance/resources/files/data/financial/cafr/FY2015\\_CAFR.pdf](http://www.montgomerycountymd.gov/finance/resources/files/data/financial/cafr/FY2015_CAFR.pdf)

### Selected Debt and Financial Schedules

The information (including Tables 1 through 7) presented on the following pages has been updated to provide current information on the County's financial position as of June 30, 2015, and as of March 31, 2016, with respect to certain information contained in Table 3 and Table 5. Certain portions of such information have been updated to reflect the effect of the issuance by the County of its Consolidated Public Improvement Bonds of 2015, Series B which were issued on December 1, 2015 to finance and refinance certain capital projects in the County. For more information on the County, and a complete overview of the County's debt and the County's Basic Financial Statements for the year ended June 30, 2015, please see the AIS.

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**Table 1**  
**Statement of Direct and Overlapping Debt**  
**As of June 30, 2015**  
**And Including 2015 General Obligation Bonds**

Direct Debt:		
General Obligation Bonds Outstanding	\$2,544,750,000	
General Obligation Variable Rate Demand Obligations	100,000,000	
Short-Term BANs/Commercial Paper Outstanding*	200,000,000	
2015 General Obligation Bonds	300,000,000	
Revenue Bonds Outstanding	<u>187,775,000</u>	
Total Direct Debt		\$3,332,525,000
Overlapping Debt:		
Washington Suburban Sanitary Commission		
Applicable to Montgomery County	1,560,982,000	
Housing Opportunities Commission	748,333,387	
Montgomery County Revenue Authority	96,930,097	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County	41,330,000	
Kingsview Village Center Development District	1,296,958	
West Germantown Development District	12,025,000	
Towns, Cities and Villages within Montgomery County	<u>144,473,252</u>	
Total Overlapping Debt		<u>\$2,605,370,694</u>
Total Direct and Overlapping Debt		\$5,937,895,694
Less Self-Supporting Debt:		
County Government Revenue Bonds	187,775,000	
Washington Suburban Sanitary Commission		
Applicable to Montgomery County	1,560,982,000	
Housing Opportunities Commission	748,333,387	
Montgomery County Revenue Authority	<u>96,930,097</u>	
Total Self-Supporting Debt		<u>(2,594,020,484)</u>
Net Direct and Overlapping Debt		<u>\$3,343,875,210</u>
Ratio of Debt to June 30, 2015 Assessed Valuation of (100% Assessment):		\$167,311,891,416
Direct Debt		1.99%
Net Direct Debt **		1.88%
Direct and Overlapping Debt		3.55%
Net Direct and Overlapping Debt		2.00%
Ratio of Debt to June 30, 2015 Market Value of:		\$180,772,836,896
Direct Debt		1.84%
Net Direct Debt **		1.74%
Direct and Overlapping Debt		3.28%
Net Direct and Overlapping Debt		1.85%

\* Net of amount to be retired with proceeds of 2015 General Obligation Bonds.

\*\* Net Direct Debt of \$3,144,750,000 is derived by subtracting direct self-supporting debt, which consists only of County Government Revenue Bonds, from Total Direct Debt.

**Table 2**  
**Statement of Legal Debt Margin**  
**As of June 30, 2015**  
**And Including 2015 General Obligation Bonds**

June 30, 2015 Assessed Valuation - Real Property		\$163,656,758,206
Debt Limit (% of Assessed Valuation)		<u>6.00%</u>
Subtotal Limitation - Real Property		<u>\$9,819,405,492</u>
June 30, 2015 Assessed Valuation - Personal Property		\$3,655,133,210
Debt Limit (% of Assessed Valuation)		<u>15.00%</u>
Subtotal Limitation - Personal Property		<u>\$548,269,982</u>
Total Assessed Valuation - Real and Personal Property		\$167,311,891,416
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds		\$10,367,675,474
Less Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds Outstanding	\$2,544,750,000	
General Obligation Variable Rate Demand Obligations	100,000,000	
2015 General Obligation Bonds	300,000,000	
Short-Term BANs/Commercial Paper Outstanding	<u>200,000,000</u>	
Net Direct Debt		<u>3,144,750,000</u>
Legal Debt Margin		<u>\$7,222,925,474</u>
Net Direct Debt as a Percentage of Assessed Valuation		1.88%

*(The remainder of this page has been left blank intentionally.)*

**Table 3**  
**General Obligation Debt of the County**  
**As of June 30, 2015 and March 31, 2016**  
**And Including 2015 General Obligation Bonds**

<u>Issue</u>	<u>Dated Date</u>	<u>Original Issue Size</u>	<u>Coupon Original Rates</u>	<u>TIC <sup>(1)</sup></u>	<u>Maturity</u>	<u>Principal Outstanding June 30, 2015</u>	<u>Principal Outstanding March 31, 2016</u>
GO Refunding Bonds	06/01/05	120,355,000	5.00	3.7817	2011-21	34,605,000	27,465,000
GO Bonds	05/01/06	100,000,000	4.25-5.00	3.8711	2007-16	10,000,000	10,000,000
GO VRDO <sup>(2)</sup>	06/07/06	100,000,000	variable	variable	2017-26	100,000,000	100,000,000
GO Bonds	05/01/07	250,000,000	5.00	4.0821	2008-27	25,000,000	25,000,000
GO Bonds	07/15/08	250,000,000	3.00-5.00	4.1809	2009-29	61,100,000	48,600,000
GO Refunding Bonds	11/03/09	161,755,000	2.00-5.00	2.6487	2011-20	108,325,000	100,515,000
GO Bonds <sup>(3)</sup>	11/03/09	232,000,000	3.75-5.50	3.1774	2015-29	232,000,000	216,535,000
GO Bonds	07/26/10	195,000,000	2.00-5.00	2.2596	2011-22	130,000,000	113,750,000
GO Bonds <sup>(4)</sup>	07/26/10	130,000,000	4.75-5.40	5.0708	2023-30	130,000,000	130,000,000
GO Bonds	08/11/11	320,000,000	2.00-5.00	3.2268	2012-31	176,000,000	160,000,000
GO Refunding Bonds	08/11/11	237,655,000	2.00-5.00	1.9896	2012-22	199,985,000	169,850,000
GO Bonds	10/24/12	295,000,000	2.50-5.00	2.2599	2013-32	265,500,000	250,750,000
GO Refunding Bonds	10/24/12	23,360,000	2.50-5.00	0.3812	2013-16	10,560,000	5,400,000
GO Bonds	11/26/13	295,000,000	3.00-5.00	3.1270	2014-33	280,250,000	265,500,000
GO Refunding Bonds	11/26/13	24,915,000	5.00	2.7745	2023-24	24,915,000	24,915,000
GO Bonds	11/19/14	500,000,000	4.00-5.00	2.7448	2015-35	500,000,000	475,000,000
GO Refunding Bonds	11/19/14	297,990,000	5.00	2.3437	2016-28	297,990,000	297,990,000
GO Refunding Bonds	03/26/15	58,520,000	5.00	1.2264	2018-21	58,520,000	58,520,000
GO Bonds	12/01/15	300,000,000	3.00-5.00	2.8036	2016-35	-	300,000,000
<b>Total</b>						<b><u>2,644,750,000</u></b>	<b><u>2,779,790,000</u></b>

(1) True Interest Cost

(2) Variable Rate Demand Obligations

(3) Federally Taxable – Build America Bonds – Direct Pay

(4) Includes Federally Taxable – Build America Bonds \$106.3 million – Direct Pay

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**Table 4**  
**General Obligation Bonds Authorized – Unissued**  
**As of June 30, 2015**

Purpose	Chapter	Act	Amount	Amount Unissued
General County, Parks, and Consolidated Fire Tax District	54	2010	\$341,600,000	\$187,954,000
	24	2011	65,400,000	65,400,000
	19	2012	13,900,000	13,900,000
	26	2013	331,600,000	331,600,000
	31	2014	<u>167,400,000</u>	<u>167,400,000</u>
			<u>919,900,000</u>	<u>766,254,000</u>
Road & Storm Drainage	54	2010	192,000,000	40,980,000
	19	2012	38,700,000	38,700,000
	26	2013	86,800,000	86,800,000
	31	2014	<u>49,300,000</u>	<u>49,300,000</u>
			<u>366,800,000</u>	<u>215,780,000</u>
Public Schools and Community College	24	2011	214,300,000	32,299,000
	19	2012	187,400,000	187,400,000
	26	2013	15,100,000	15,100,000
	31	2014	<u>162,000,000</u>	<u>162,000,000</u>
			<u>578,800,000</u>	<u>396,799,000</u>
Mass Transit	24	2011	103,200,000	31,270,000
	31	2014	<u>9,400,000</u>	<u>9,400,000</u>
			<u>112,600,000</u>	<u>40,670,000</u>
Public Housing	17	1981	2,650,000	1,890,000
	13	1982	995,000	995,000
	8	1983	230,000	230,000
	20	1985	900,000	900,000
	13	1986	855,000	855,000
	22	2009	1,000,000	1,000,000
	54	2010	<u>46,400,000</u>	<u>46,400,000</u>
			<u>53,030,000</u>	<u>52,270,000</u>
Agricultural Easements Façade Easements	24	2011	2,000,000	2,000,000
	24	2011	1,100,000	1,100,000
	26	2013	<u>2,200,000</u>	<u>2,200,000</u>
			<u>5,300,000</u>	<u>5,300,000</u>
Parking Districts: Silver Spring	9	1983	2,945,000	2,045,000
	6	1984	1,220,000	1,220,000
	19	2012	<u>20,115,000</u>	<u>1,193,000</u>
				<u>24,280,000</u>
Bethesda	19	1981	7,325,000	3,040,000
	14	1982	775,000	775,000
	10	1983	<u>1,050,000</u>	<u>1,050,000</u>
			<u>9,150,000</u>	<u>4,865,000</u>
Total Parking Districts			<u>33,430,000</u>	<u>9,323,000</u>
Total General Obligation Bonds			<u>\$2,069,860,000</u>	<u>\$1,486,396,000</u>

In addition to the above noted authority, the County has authority under the provisions of section 56-13 of the Montgomery County Code, as amended, to issue County bonds, within statutory debt limits to finance approved urban renewal projects.

**Table 5**  
**Bond Anticipation Notes Outstanding**  
**As of March 31, 2016**  
**And After Issuance of 2015 General Obligation Bonds**

<u>Issue</u>	<u>Balance June 30, 2014</u>	<u>BANs Retired</u>	<u>BANs Issued</u>	<u>Total BANs Outstanding as of June 30, 2015</u>	<u>BANs Retired with proceeds Of 2015 GO Bonds</u>	<u>BANs Issued on January 14, 2016</u>	<u>Balance March 31, 2016</u>
BAN 2009-A	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000	\$100,000,000
BAN 2009-B	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000	100,000,000
BAN 2010-A	150,000,000	150,000,000	150,000,000	150,000,000	50,000,000	50,000,000	150,000,000
BAN 2010-B	<u>150,000,000</u>	<u>150,000,000</u>	<u>150,000,000</u>	<u>150,000,000</u>	<u>50,000,000</u>	<u>50,000,000</u>	<u>150,000,000</u>
<b>Total</b>	<b><u>\$500,000,000</u></b>	<b><u>\$500,000,000</u></b>	<b><u>\$500,000,000</u></b>	<b><u>\$500,000,000</u></b>	<b><u>\$300,000,000</u></b>	<b><u>\$300,000,000</u></b>	<b><u>\$500,000,000</u></b>

**Table 6**  
**Montgomery County, Maryland**  
**Schedule of General Fund Revenues, Expenditures, & Transfers In (Out)**  
**(Budgetary, Non-GAAP Basis)**

	Fiscal Year Actual <sup>(1)</sup>				Fiscal Year
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Budget</u> <u>2016</u>
Revenues:					
Taxes:					
Property, including interest & penalty	\$ 1,042,924,958	\$ 1,036,227,629	\$ 1,108,735,671	\$ 1,088,396,848	\$ 1,116,715,944
Transfer tax and recordation tax	127,296,778	142,027,055	144,458,634	147,599,257	153,833,411
County income tax	1,255,089,822	1,317,533,090	1,376,763,653	1,310,821,061	1,433,417,237
Other taxes	<u>293,532,105</u>	<u>292,007,596</u>	<u>284,844,756</u>	<u>278,098,839</u>	<u>280,319,433</u>
Total Taxes	2,718,843,663	2,787,795,370	2,914,802,714	2,824,916,005	2,984,286,025
Licenses and permits	9,877,007	9,703,745	10,585,333	10,315,894	11,902,075
Intergovernmental revenue	41,873,345	51,799,202	65,386,079	62,972,046	59,972,342
Charges for services	8,387,285	10,552,028	8,911,416	27,338,198	9,609,257
Fines and forfeitures	18,742,899	23,160,668	23,993,497	27,538,162	23,893,361
Investment income	12,224	66,215	5,572	105,948	1,083,490
Miscellaneous	<u>16,061,866</u>	<u>14,449,088</u>	<u>14,406,470</u>	<u>13,994,838</u>	<u>9,935,220</u>
Total Revenues	<u>2,813,798,289</u>	<u>2,897,526,316</u>	<u>3,038,091,081</u>	<u>2,967,181,091</u>	<u>3,100,681,770</u>
Expenditures (including encumbrances):					
General County:					
General government	276,824,927	348,045,120	403,689,920	418,808,265	450,122,739
Public safety	342,225,124	367,638,180	386,799,315	395,772,952	368,015,051
Transportation and public works	51,076,683	68,700,317	82,090,135	76,675,794	46,099,835
Health and human services	184,255,411	196,376,879	216,191,464	225,280,973	209,253,900
Culture and recreation	33,615,205	35,568,206	38,749,757	41,713,019	40,707,935
Housing and community development	3,374,938	4,439,750	4,699,773	12,364,542	16,842,118
Environment	<u>2,414,241</u>	<u>2,371,515</u>	<u>2,247,029</u>	<u>1,778,768</u>	<u>2,200,860</u>
Total Expenditures	<u>893,786,529</u>	<u>1,023,139,967</u>	<u>1,134,467,393</u>	<u>1,172,394,313</u>	<u>1,133,242,438</u>
Transfers In (Out) : Transfers In:					
Special Revenue Funds	25,557,670	24,504,717	26,552,919	24,313,710	30,255,644
Enterprise Funds	30,993,350	28,400,910	28,253,518	36,201,147	34,601,000
Internal Service Funds	--	19,034,302	8,682,636	10,745,911	--
Component Units	<u>240,075</u>	<u>232,538</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Operating Transfers In (Out)	<u>56,791,095</u>	<u>72,172,467</u>	<u>63,489,073</u>	<u>71,260,768</u>	<u>64,856,644</u>
Transfers Out:					
Special Revenue Funds	(78,066,365)	(57,842,563)	(49,557,407)	(45,240,340)	(48,708,982)
Debt Service Fund	(235,553,941)	(252,311,377)	(256,222,429)	(281,282,150)	(284,497,255)
Capital Projects Fund	(40,384,588)	(45,695,781)	(42,493,960)	(54,521,679)	(47,134,000)
Enterprise Funds	(3,389,630)	(2,873,089)	(2,608,209)	(25,000)	(1,617,930)
Internal Service Funds	(884,147)	(1,597,958)	(1,143,657)	(576,813)	--
Component Units	<u>(1,484,536,407)</u>	<u>(1,547,788,358)</u>	<u>(1,576,615,732)</u>	<u>(1,615,305,046)</u>	<u>(1,670,075,333)</u>
Total Transfers Out	<u>(1,842,815,078)</u>	<u>(1,908,109,126)</u>	<u>(1,928,641,394)</u>	<u>(1,996,951,028)</u>	<u>(2,052,033,500)</u>
Net Transfers In (Out)	<u>(1,786,023,983)</u>	<u>(1,835,936,659)</u>	<u>(1,865,152,321)</u>	<u>(1,925,690,260)</u>	<u>(1,987,176,856)</u>
Excess of revenues and operating transfers in over/ (under)expenditures, encumbrances and operating transfers out	<u>133,987,777</u>	<u>38,449,690</u>	<u>38,471,367</u>	<u>(130,903,482)</u>	<u>(19,737,524)</u>
Fund Balances, July 1 as previously stated	93,078,794	235,497,305	289,598,811	352,940,120	228,809,810
Adjustment for previous year encumbrances <sup>(2)</sup>	<u>8,430,734</u>	<u>15,651,816</u>	<u>24,869,942</u>	<u>6,773,172</u>	<u>-</u>
Fund Balances, July 1 restated	101,509,528	251,149,121	314,468,753	359,713,292	228,809,810
Equity transfers in (out)	--	--	--	--	--
Budgetary Fund Balance, June 30	<u>\$ 235,497,305</u>	<u>\$ 289,598,811</u>	<u>\$ 352,940,120</u>	<u>\$ 228,809,810</u>	<u>\$ 209,072,286</u>

Notes:

(1) Audited amounts

(2) Prior year encumbrances are net of write-offs.

Note: Actual and budget amounts are for fiscal years ended June 30.

**Table 7**  
**General Fund**  
**Schedule of Budgetary Fund Balance to**  
**GAAP Fund Balance Reconciliation**

	Fiscal Year Actual			
	2012	2013	2014	2015
Budgetary to GAAP Reconciliation: Budgetary Fund Balance as noted above (2)	\$ 235,497,305	\$ 289,598,811	\$ 352,940,120	\$ 228,809,810
Encumbrances outstanding	20,382,922	29,344,177	33,293,736	26,575,194
Cumulative Marriot Conference Center	4,332,672	4,719,357	5,578,374	6,451,379
Unrealized investment gain (loss) (1)	(277,552)	(301,087)	(326,213)	(300,987)
Net differences between beginning fund balances	<u>263,911</u>	<u>274,877</u>	<u>271,653</u>	<u>(449,973)</u>
GAAP Fund Balance as Reported	<u>\$ 260,199,258</u>	<u>\$ 323,636,135</u>	<u>\$ 391,757,670</u>	<u>\$ 261,085,423</u>
Elements of GAAP Fund Balance: Nonspendable				
Restricted	\$ 5,635,580	\$ 5,649,319	\$ 6,159,553	\$ 6,799,926
Committed	--	--	14,500	585,905
Assigned	41,243,696	49,695,245	68,078,344	70,586,279
Unassigned	20,382,922	29,344,177	33,293,736	26,575,194
Total Fund Balance	<u>192,937,060</u>	<u>238,947,394</u>	<u>284,211,537</u>	<u>156,538,119</u>
	<u>\$ 260,199,258</u>	<u>\$ 323,636,135</u>	<u>\$ 391,757,670</u>	<u>\$ 261,085,423</u>

Note: All amounts are audited, and are for fiscal years ended June 30.

- (1) Amount restated to detail impact of unrealized investment gains and losses.
- (2) For additional information, please refer to page 131 of the County's CAFR, a link to which is provided in this Official Statement.

### ***Current Developments***

On January 28, 2013 in a case in which the County is not a party captioned *Maryland State Comptroller of the Treasury v. Brian Wynne, et al.*, 431 Md. 147 (2013), the Maryland Court of Appeals ruled that the failure of the Maryland income tax law to allow a credit against the county tax of a Maryland resident taxpayer with respect to activities in another state and that is taxed in that state violates the dormant Commerce Clause of the United States Constitution. In a decision rendered on May 18, 2015, the Supreme Court of the United States upheld the decision of the Maryland Court of Appeals. This decision may cause each county in the State to realize a reduction in income tax revenue distributions from the State.

Based on preliminary protective claim data from the Comptroller for the State of Maryland (the "Comptroller"), the County estimates that the total amount of income tax refunds for tax years 2007 through 2014, including interest, attributable to the Wynne case could be \$135.7 million for the County. As the Comptroller issues refunds to eligible taxpayers, the refunds will be paid from the Local Reserve Account (the "Reserve Account"), which is maintained by the State, and each county and municipality affected by the Wynne decision will reimburse the Reserve Account for its respective share of related refunds and interest. If an affected local government does not reimburse the Reserve Account in a timely fashion, the Comptroller will withhold the amount owed to the Reserve Account from the quarterly income tax distributions in twenty (20) equal installments starting after February 2019, until the Reserve Account is fully reimbursed. The County anticipates that it will allow the Comptroller to reimburse the Reserve Account by withholding quarterly income tax distributions owed to the County in four equal installments per year, beginning in 2019, and continuing for five years. In addition to refunds for prior

tax years, there is an estimated annual impact of approximately \$16.7 million that started in tax year 2015 which impacts fiscal year 2017 as eligible taxpayers reduce their income tax payments to the County to reflect the deductibility of out-of-state income taxes against the local income tax. This estimated annual impact will be a permanent reduction of County income tax collections going forward.

Under Maryland law, taxpayers are generally eligible for interest on certain tax refunds calculated at an annual rate of interest equal to the greater of (i) three percentage points above the average prime rate of interest or (ii) 13%. In 2014, the Maryland General Assembly adopted legislation that set the annual interest rate for an income tax refund that is a result of the final decision under the *Wynne* case to a percent equal to the average prime rate of interest. This legislation substantially lowers the interest rate on tax refunds due as a result of the *Wynne* decision. Further, the legislation was intended to be effective retroactively. On November 13, 2015, lawyers for Michael J. Holzheid filed a class action complaint, *Michael J. Holzheid v. Comptroller of the Treasury of Maryland, et al*, in the Circuit Court for Baltimore City challenging the State legislation. Other taxpayers may also file claims or appeals challenging the State legislation. If such claims or appeals are successful, the estimated amount of interest on refunds owed by the County would increase.

## **TAX MATTERS**

### **Series 2016A Certificates**

#### ***Maryland Income Taxation***

In the opinion of Special Counsel, assuming compliance with covenants herein, the interest portion on the Contract Payments to be made by the County as Purchaser under the Funding Agreement and to be received by the holders of the Series 2016A Certificates shall be exempt from income taxation by the State of Maryland. No opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Series 2016A Certificates or the interest thereon. Interest on the Contract Payments with respect to the Series 2016A Certificates may be subject to state or local income taxes in jurisdictions other than the State of Maryland under applicable state or local tax laws.

#### ***Federal Income Taxation***

In the opinion of Special Counsel, assuming compliance with certain covenants described herein and under existing statutes, regulations, and decisions, the interest portion of the Contract Payments to be made by the County under the Funding Agreement with respect to the Series 2016A Certificates and to be received by the Holders of the Series 2016A Certificates will be excludable from gross income for federal income tax purposes.

Under the provisions of the Code, there are certain restrictions that must be met subsequent to the delivery of the Series 2016A Certificates, including restrictions that must be complied with throughout the term of the Series 2016A Certificates in order that the interest portion of the Contract Payments be excludable from gross income. These include the following: (i) a requirement that certain earnings received from the investment of the proceeds of the Series 2016A Certificates be rebated to the United States of America under certain circumstances (or that certain payments in lieu of rebate be made); (ii) other requirements applicable to the investment of the proceeds of the Series 2016A Certificates; and (iii) other requirements applicable to the use of the proceeds of the Series 2016A Certificates and the facilities financed or refinanced with such proceeds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Series 2016A Certificates in gross income for federal income tax purposes, effective from the date of their issuance. The County has covenanted to regulate the investment of the proceeds of the Series 2016A Certificates and to take such other actions as

may be required to maintain the excludability from gross income for federal income tax purposes of the interest on the Series 2016A Certificates.

Further, under existing statutes, regulations and decisions, Special Counsel is of the opinion that interest on the Series 2016A Certificates is not includable in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment. However, for purposes of calculating the corporate alternative minimum tax, a corporation subject to such tax will be required to increase its alternative minimum taxable income by 75% 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 such purposes, “adjusted current earnings” will include, among other items, interest income from the Series 2016A Certificates. In addition, interest income on the Series 2016A Certificates will be subject to the branch profits tax imposed by the Code on certain foreign corporations engaged in a trade or business in the United States of America.

In rendering its opinion, Special Counsel will rely, without independent investigation on the representations of certain officials of the County made on behalf of the County in its Tax and Section 148 Certificate and on the representations of certain officers of the Foundation and the College in the Foundation and the College’s Tax and Section 148 Certificate and Agreements, respectively, made on behalf of the of the Foundation and the College with respect to certain material facts within the knowledge of the Foundation and the College and will assume the correctness of the opinions of Counsel for the Foundation with respect to the tax-exempt status of the Institution, in each case without independent investigation.

Special Counsel will express no opinion as to the treatment for federal or State of Maryland income tax purposes of any payment made to the Seller or its assigns from sources other than the Contract Payments to be made by the County that may result upon failure of the County to make an appropriation to provide for the payment of the Contract Payments, including a defeasance of the Series 2016A Certificates.

#### ***Certain Other Federal Tax Considerations***

There are other federal tax consequences of ownership of obligations such as the Series 2016A Certificates under certain circumstances, including the following: (i) deductions are disallowed for certain expenses of taxpayers allocable to interest on tax-exempt obligations, as well as interest on indebtedness incurred or continued to purchase or carry tax-exempt obligations and interest expense of financial institutions allocable to tax-exempt interest, (ii) for property and casualty insurance companies, the amount of the deduction for losses incurred must be reduced by 15% of the sum of tax-exempt interest income and the deductible portion of dividends received by such companies; (iii) interest income that is exempt from tax must be taken into account for the purpose of determining whether, and what amount of, social security or railroad retirement benefits are includable in gross income for federal income tax purposes; (iv) for S corporations having Subchapter C earnings and profits, the receipt of certain levels of passive investment income, which includes interest on tax-exempt obligations such as the Series 2016A Certificates, can result in the imposition of tax on such passive investment income and, in some cases, loss of S corporation status; and (v) net gain realized upon the sale or other disposition of the Series 2016A Certificates generally must be taken into account when computing the 3.8% Medicare tax with respect to net investment income imposed on certain high income individuals and certain trusts and estates.

### ***Tax Accounting Treatment of Discount Certificates***

Certain maturities of the Series 2016A Certificates may be issued at an initial public offering price, which is less than the amount payable on such Certificates at maturity (the “2016A Discount Certificates”). The difference between the initial offering price, at which a substantial amount of the 2016A Discount Certificates of each maturity was first sold, and the principal amount of such 2016A Discount Certificates payable at maturity constitutes original issue discount. The amount of such original issue discount, which is treated as having accrued with respect to such 2016A Discount Certificates is added to the original cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, early redemption or repayment at maturity). For federal income tax purposes (a) any holder of a 2016A Discount Certificate will recognize gain or loss upon the disposition of such 2016A Discount Certificate (including sale, early redemption or payment at maturity) in an amount equal to the difference between (i) the amount received upon such disposition and (ii) the sum of (1) the holder’s original cost basis in such 2016A Discount Certificate, and (2) the amount of original issue discount attributable to the period during which the holder held such 2016A Discount Certificate, and (b) the amount of the basis adjustment described in clause (a)(ii)(2) will not be included in the gross income of the holder.

Original issue discount on 2016A Discount Certificates will be attributed to permissible compounding periods during the life of any 2016A Discount Certificates in accordance with a constant rate of interest accrual method. The yield to maturity of the 2016A Discount Certificates of each maturity is determined using permissible compounding periods. In general, the length of a permissible compounding period cannot exceed the length of the interval between debt service payments on the 2016A Discount Certificates and must begin or end on the date of such payments. Such yield then is used to determine an amount of accrued interest for each permissible compounding period. For this purpose, interest is treated as compounding periodically at the end of each applicable compounding period. The amount of original issue discount which is treated as having accrued in respect of a 2016A Discount Certificate for any particular compounding period is equal to the excess of (a) the product of (i) the yield for such 2016A Discount Certificate (adjusted as necessary for an initial short period) divided by the number of compounding periods in a year multiplied by (ii) the amount that would be the tax basis of such 2016A Discount Certificate at the beginning of such period if held by an original purchaser who purchased at the initial public offering price, over (b) the amount actually payable as interest on such 2016A Discount Certificate during such period. For purposes of the preceding sentence, the tax basis of a 2016A Discount Certificate, if held by an original purchaser, can be determined by adding to the initial public offering price of such 2016A Discount Certificate the original issue discount that is treated as having accrued during all prior compounding periods. If a 2016A Discount Certificate is sold or otherwise disposed of between compounding dates, then interest which would have accrued for that compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Holders of 2016A Discount Certificates should note that, under the tax regulations, the yield and maturity of 2016A Discount Certificates are determined without regard to commercially reasonable sinking fund payments, and any original issue discount remaining unaccrued at the time that a 2016A Discount Certificate is redeemed in advance of stated maturity will be treated as taxable gain. Moreover, tax regulations prescribe special conventions for determining the yield and maturity of certain debt instruments that provide for alternative payment schedules applicable upon the occurrence of certain contingencies.

The yields or prices furnished by the successful bidder for the Series 2016A Certificates as shown on the inside cover of this Official Statement may not reflect the initial issue prices for the purpose of determining the original issue discount for federal income tax purposes.

The foregoing summarizes certain federal income tax consequences of original issue discount with respect to the 2016A Discount Certificates but does not purport to deal with all aspects of federal

income taxation that may be relevant to particular investors or circumstances, including those set out above. Prospective purchasers of 2016A Discount Certificates should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on the 2016A Discount Certificates. In addition, prospective corporate purchasers should consider possible federal tax consequences arising from original issue discount on such 2016A Discount Certificates under the alternative minimum tax or the branch profits tax. The amount of original issue discount considered to have accrued may be reportable in the year of accrual for state and local tax purposes or for purposes of the alternative minimum tax or the branch profits tax without a corresponding receipt of cash with which to pay any tax liability attributable to such discount. Purchasers with questions concerning the detailed tax consequences of transactions in the 2016A Discount Certificates should consult their tax advisors.

### ***Purchase, Sale and Retirement of Series 2016A Certificates***

Except as noted below in the case of market discount, the sale or other disposition of a Series 2016A Certificate will normally result in capital gain or loss to its holder. A holder's initial tax basis in a Series 2016A Certificate will be its cost. Upon the sale or retirement of a Series 2016A Certificate, for federal income tax purposes, a holder will recognize capital gain or loss upon the disposition of such security (including sale, early redemption or payment at maturity) in an amount equal to the difference between (a) the amount received upon such disposition and (b) the tax basis in such Series 2016A Certificate, determined by adding to the original cost basis in such Series 2016A Certificate the amount of original issue discount that is treated as having accrued as described above under "TAX MATTERS -- Tax Accounting Treatment of Discount Series 2016A Certificates." Such gain or loss will be a long-term capital gain or loss if at the time of the sale or retirement the Series 2016A Certificate has been held for more than one year. Present law taxes both long and short-term capital gains of corporations at the rates applicable to ordinary income. For noncorporate taxpayers, however, short-term capital gains are taxed at the rates applicable to ordinary income, while net capital gains are taxed at lower rates. Net capital gains are the excess of net long-term capital gains (gains on capital assets held for more than one year) over net short-term capital losses.

### ***Market Discount***

If a holder acquires a Series 2016A Certificate after its original issuance at a discount below its principal amount (or in the case of a Series 2016A Certificate issued at an original issue discount, at a price that produces a yield to maturity higher than the yield to maturity at which such certificate was first issued), the holder will be deemed to have acquired the Series 2016 Certificate at "market discount," unless the amount of market discount is *de minimis*, as described in the following paragraph. If a holder that acquires a Series 2016A Certificate with market discount subsequently realizes a gain upon the disposition of the Series 2016A Certificate, such gain shall be treated as taxable interest income to the extent such gain does not exceed the accrued market discount attributable to the period during which the holder held such Series 2016A Certificate, and any gain realized in excess of such market discount will be treated as capital gain. Potential purchasers should consult their tax advisors as to the proper method of accruing market discount.

In the case of a Series 2016A Certificate not issued at an original issue discount, market discount will be *de minimis* if the excess of the Series 2016A Certificate's stated redemption price at maturity over the holder's cost of acquiring the Series 2016A Certificate is less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years between the date the holder acquires the Series 2016A Certificate and its stated maturity date. In the case of a Series 2016A Certificate issued with original issue discount, market discount will be *de minimis* if the excess of the Series 2016A Certificate's revised issue price over the holder's cost of acquiring the Series 2016A Certificate is less than 0.25% of the revised issue price multiplied by the number of complete years between the date the holder acquires the Series 2016A Certificate and its stated maturity date. For this purpose, a Series 2016A Certificate's

“revised issue price” is the sum of (i) its original issue price and (ii) the aggregate amount of original issue discount that is treated as having accrued with respect to the Series 2016A Certificate during the period between its original issue date and the date of acquisition by the holder.

### ***Amortizable Premium***

A Series 2016A Certificate will be considered to have been purchased at a premium if, and to the extent that, the holder’s tax basis in the Series 2016A Certificate exceeds the amount payable at maturity (or, in the case of a Series 2016A Certificate callable prior to maturity, the amount payable on the earlier call date). Under tax regulations applicable to the Series 2016A Certificates, the amount of the premium would be determined with reference to the amount payable on that call date (including for this purpose the maturity date), which produces the lowest yield to maturity on the Series 2016A Certificates. The holder will be required to reduce his tax basis in the Series 2016A Certificate for purposes of determining gain or loss upon disposition of the Series 2016A Certificate by the amount of amortizable certificate premium that accrues, determined in the manner prescribed in the regulations. Generally, no deduction (or other tax benefit) is allocable in respect of any amount of amortizable premium on the Series 2016A Certificates.

The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not discuss all aspects of federal income taxation that may be relevant to a particular holder of the Series 2016 Certificates in light of such holder’s particular circumstances and income tax situation. Each holder of the Series 2016 Certificates should consult such holder’s tax advisors as to the specific consequences to such holder of the ownership and disposition of the Series 2016 Certificates, including the application of state, local, foreign and other tax laws. Purchasers of the Series 2016 Certificates should consult their own tax advisors with respect to the taxable status of the Series 2016 Certificates in jurisdictions other than Maryland.

### ***Legislative Developments***

Legislative proposals recently under consideration or proposed after issuance and delivery of the Series 2016A Certificates could adversely affect the market value of the Series 2016A Certificates. Further, if enacted into law, any such proposal could cause the interest on the Series 2016A Certificates to be subject, directly or indirectly, to federal income taxation and could otherwise alter or amend one or more of the provisions of federal tax law described above or their consequences. Prospective purchasers of the Series 2016A Certificates should consult with their tax advisors as to the status and potential effect of proposed legislative proposals, as to which Special Counsel expresses no opinion.

## **Series 2016B Certificates**

### ***General***

The Interest on the 2016B Certificates will be includable in gross income for United States federal income tax purposes.

Many factors may impact the application of federal income tax laws pertaining to the Series 2016B Certificates and the receipt of interest on the Series 2016B Certificates, including the status of the beneficial owner of the Series 2016B Certificates as a United States holder or non-United States holder under applicable rules, whether the Series 2016B Certificates are held as capital assets or in some other context, and whether the status of the beneficial owner and/or the financial context in which it is operating represents a special tax situation, such as S corporations, insurance companies, tax-exempt organizations, financial institutions, regulated investment companies, real estate investment trusts, certain broker-dealers and traders in securities. Persons considering the purchase of the Series 2016B

Certificates should consult their own tax advisors concerning the application of federal income tax laws to their particular situations as well as any consequences arising from the federal alternative minimum tax or the federal estate tax or under the laws of any other taxing jurisdiction.

The following is a summary of certain United States federal income tax consequences of the ownership of the Series 2016B Certificates held as capital assets by United States holders. The discussion below is based upon the provisions of the Code, and regulations, rulings and judicial decisions as of the date of this Official Statement. Those authorities may be changed, in some cases retroactively, so as to result in United States federal income tax consequences different from those discussed below.

As used herein, “United States holder” means a beneficial owner of a Series 2016B Certificate who or that, for United States federal income tax purposes, is (i) a citizen or resident of the United States, (ii) an entity taxable as a corporation created or organized in or under the laws of the United States or any political subdivision of the United States, (iii) an estate the income of which is subject to United States federal income taxation regardless of its source or (iv) a trust if it is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or if it has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

If a partnership, or other entity classified as a partnership for federal income tax purposes, holds Series 2016B Certificates, the tax treatment of a partner will generally depend upon the status of the partner and upon the activities of the partnership. A partner of a partnership holding Series 2016B Certificates should consult its tax advisor.

### ***State of Maryland Taxation***

Under existing law of the State of Maryland, the interest portion of the Contract Payments to be made by the County under the Funding Agreement and to be received by the holders of the Series 2016B Certificates is not exempt from income taxation by the State of Maryland or by any of its political subdivisions.

Interest on the Series 2016B Certificates may be subject to state or local income taxes in jurisdictions other than the State of Maryland under applicable state or local tax laws.

### ***United States Federal Income Taxation***

The interest on the Series 2016B Certificates will be taxable as ordinary income at the times accrued or paid in accordance with United States holder’s method of accounting for federal income tax purposes.

### ***Tax Accounting Treatment of Series 2016B Discount Certificates***

Certain maturities of the Series 2016B Certificates may be issued at an initial public offering price which is less than the stated redemption price at maturity of such Series 2016B Certificates (the “2016B Discount Certificates”). If the stated redemption price at maturity of 2016B Discount Certificates of a particular maturity exceeds the first price at which a substantial amount of such 2016B Discount Certificates was sold for money (excluding sales to bond houses, brokers or similar persons acting as underwriters, placement agents or wholesalers) by more than a *de minimis* amount, the 2016B Discount Certificates will be treated as having original issue discount. A holder of 2016B Discount Certificates (whether a cash or accrual method taxpayer) is required to include in gross income as interest the amount of such original issue discount that is treated as having accrued during a taxable year, with respect to such 2016B Discount Certificates, in advance of the receipt of some or all of the related cash payments.

Accrued original issue discount is added to the original cost basis of the holder in determining, for federal income tax purpose, gain or loss upon disposition (including sale, early redemption or repayment at maturity).

Original issue discount on 2016B Discount Certificates will be attributed to permissible compounding periods during the life of any 2016B Discount Certificates in accordance with a constant rate of interest accrual method. The yield to maturity of the 2016B Discount Certificates of each maturity is determined using permissible compounding periods. In general, the length of a permissible compounding period cannot exceed the length of the interval between debt service payments on the 2016B Discount Certificates and must begin or end on the date of such payments. The amount of original issue discount allocable to any compounding period is equal to the excess, if any, of (a) the 2016B Discount Certificate's adjusted issue price at the beginning of the compounding period multiplied by its yield to maturity, determined on the basis of compounding at the close of each compounding period and properly adjusted for the length of the compounding period, over (b) the aggregate of all qualified stated interest allocable to the compounding period. Original issue discount allocable to a final compounding period is the difference between the amount payable at maturity, other than a payment of qualified stated interest, and the adjusted issue price at the beginning of the final compounding period. Special rules apply for calculating original issue discount for an initial short compounding period. The "adjusted issue price" of a 2016B Discount Certificate at the beginning of any compounding period is equal to its issue price increased by the accrued original issue discount for each prior compounding period (determined without regard to the amortization of any acquisition or Series 2016B Certificate premium, as described below) and reduced by any payments made on the 2016B Discount Certificate (other than qualified stated interest) on or before the first day of the compounding period. Under these rules, a holder of a 2016B Discount Certificate will have to include in income increasingly greater amounts of original issue discount in successive compounding periods. The amount of original issue discount accrued on 2016B Discount Certificates held of record by persons other than corporations and other exempt holders will be reported to the Internal Revenue Service. If a 2016B Discount Certificate is sold or otherwise disposed of between compounding dates, then interest which would have accrued for that compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

The term "qualified stated interest" means stated interest that is unconditionally payable in cash or in property, other than debt instruments of the issuer, if the interest to be paid is payable at least once per year, is payable over the entire term of the 2016B Discount Certificate and is payable at a single fixed rate or, subject to certain conditions, based on one or more interest indices.

Holders of 2016B Discount Certificates should note that, under applicable regulations, the yield and maturity of a 2016B Discount Certificate is determined without regard to commercially reasonable sinking fund payments and any original issue discount remaining unaccrued at the time that a 2016B Discount Certificate is redeemed in advance of stated maturity will be treated as taxable gain. Moreover, tax regulations prescribe special conventions for determining the yield and maturity of certain debt instruments that provide for alternative payment schedules applicable upon the occurrence of certain contingencies.

The yields (and related prices) furnished by the successful bidder for the Series 2016B Certificates, as shown on the inside cover of this Official Statement, may not reflect the initial issue price for the purposes of determining the original issue discount for federal income tax purposes.

The foregoing summarizes certain federal income tax consequences of original issue discount with respect to the 2016B Discount Certificates but does not purport to deal with all aspects of federal income taxation that may be relevant to particular investors or circumstances, including those set out above. Prospective purchasers of 2016B Discount Certificates should consider possible state and local

income, excise or franchise tax consequences arising from original issue discount on 2016B Discount Certificates. In addition, prospective foreign corporate purchasers should consider possible federal tax consequences arising from original issue discount on such 2016B Discount Certificates under the branch profits tax. The amount of original issue discount considered to have accrued may be reportable in the year of accrual for state and local tax purposes or for purposes of the branch profits tax without a corresponding receipt of cash with which to pay any tax liability attributable to such discount. Purchasers with questions concerning the detailed tax consequences of transactions in the 2016B Discount Certificates should consult their tax advisors.

### ***Purchase, Sale and Retirement of Series 2016B Certificates***

Except as noted below in the case of market discount, the sale or other disposition of a Series 2016B Certificate will normally result in capital gain or loss. A United States holder's initial tax basis in a Series 2016B Certificate will be its cost. Upon the sale, redemption or retirement of a Series 2016B Certificate, for federal income tax purposes, a United States holder will recognize capital gain or loss upon the disposition of such security (including sale, early redemption or payment at maturity) in an amount equal to the difference between (a) the amount received upon such disposition (less an amount equal to any accrued qualified stated interest, which will be treated as a payment of interest) and (b) the tax basis in such Series 2016B Certificate, determined by adding to the original cost basis in such Series 2016B Certificate the amount of any original issue discount and any market discount previously included in such holder's income, and by subtracting any amortized premium and any cash payments on the Series 2016B Certificate other than qualified stated interest, as more fully described above under "Tax Accounting Treatment of Series 2016B Discount Certificates". Such gain or loss will be long-term capital gain or loss if at the time of the sale, redemption or retirement the Series 2016B Certificate has been held for more than one year. Under present law, both long and short-term capital gains of corporations are taxed at the rates applicable to ordinary income. For noncorporate taxpayers, however, short-term capital gains are taxed at the rates applicable to ordinary income, while net capital gains are taxed at lower rates. Net capital gains are the excess of net long-term capital gains (gains on capital assets held for more than one year) over net short-term capital losses.

### ***Market Discount***

If a United States holder acquires a Series 2016B Certificate after its original issuance at a cost, which is less than its stated redemption price at maturity (or, in the case of a Series 2016B Certificate having original issue discount, its revised issue price) by more than a certain *de minimis* amount, such holder will be deemed to have acquired the Series 2016B Certificate at "market discount." The amount of market discount treated as having accrued will be determined either on a ratable basis, or, if the holder so elects, on a constant interest method. Upon any subsequent disposition (including a gift, redemption or payment at maturity) of such Series 2016B Certificate (other than in connection with certain nonrecognition transactions), the lesser of any gain on such disposition (or appreciation, in the case of a gift) or the portion of the market discount that accrued while the Series 2016B Certificate was held by such holder will be treated as ordinary income at the time of the disposition. In lieu of including accrued market discount in income at the time of disposition, a holder may elect to include market discount in income currently. Unless a holder so elects, a holder may be required to defer deductions for a portion of such holder's interest expenses with respect to any indebtedness incurred or maintained to purchase or carry such Series 2016B Certificate until the holder disposes of the Series 2016B Certificate. The election to include market discount in income currently, once made, is irrevocable and applies to all market discount obligations acquired on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the Internal Revenue Service.

### ***Acquisition Premium***

A subsequent United States holder of a Series 2016B Certificate is generally subject to rules for accruing original issue discount described above. However, if such holder's purchase price for the Series 2016B Certificate exceeds the adjusted issue price (the sum of the issue price of the Series 2016B Certificate and the aggregate amount of the original issue discount includable in the gross income of all holders for periods before the acquisition of the Series 2016B Certificate by such holder and reduced by any payment previously made on the Series 2016B Certificate other than a payment of qualified stated interest) the excess (referred to as "acquisition premium") is offset ratably against the amount of original issue discount otherwise includable in such holder's taxable income (*i.e.*, such holder may reduce the daily portions of original issue discount by a fraction, the numerator of which is the excess of such holder's purchase price for the Series 2016B Certificate over the adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Series 2016B Certificate after the purchase date other than qualified stated interest over the Series 2016B Certificates' adjusted price).

### ***Amortizable Certificate Premium***

If the United States holder's basis in a Series 2016B Certificate exceeds the sum of all amounts payable on the Series 2016B Certificate after the date on which the holder acquires it other than qualified stated interest, such excess will constitute amortizable premium with respect to the Series 2016B Certificate and, in the case of a 2016B Discount Certificate, such holder will not have to account for original issue discount with respect to such Series 2016B Certificate. The holder of a Series 2016B Certificate having amortizable premium generally may elect to amortize the premium over the remaining term of the Series 2016B Certificate on a constant yield method as an offset to interest when includable in income under its regular accounting method. In the case of instruments that provide for alternative payment schedules, premium is calculated by assuming that (a) the holder will exercise or not exercise options in a manner that maximizes its yield and (b) the issuer will exercise or not exercise options in a manner that minimizes its yield (except that the issuer will be assumed to exercise call options in a manner that maximizes the holder's yield). If the holder does not elect to amortize premium, that premium will decrease the gain or increase the loss that would otherwise be recognized on disposition of the Series 2016B Certificate. An election to amortize premium on a constant yield method will also apply to all debt obligations held or subsequently acquired by the holder on or after the first day of the first taxable year to which the election applies. The holder may not revoke the election without the consent of the Internal Revenue Service. Holders of Series 2016B Certificates having amortizable premium should consult with their own tax advisors before making this election.

### ***Election to Use Original Discount Method with Respect to a Series 2016B Certificate***

The holder of a Series 2016B Certificate may elect to treat all interest on the Series 2016B Certificate as original issue discount and calculate the amount includable in gross income under the constant yield method described above. For the purposes of this election, interest includes stated interest, acquisition discount, original issue discount, *de minimis* original issue discount, market discount, *de minimis* market discount and unstated interest, as adjusted by any amortizable premium or acquisition premium. The holder must make this election for the taxable year in which the Series 2016B Certificate is acquired and may not revoke the election without the consent of the Internal Revenue Service. Holders of Series 2016B Certificates should consult with their own tax advisors about this election.

### ***Consequences of Defeasance of Series 2016B Certificates***

The Series 2016B Certificates may be defeased prior to maturity at the option of the County. Holders of the Series 2016B Certificates should be aware that under applicable Treasury Regulations, any such defeasance may be treated as a sale or retirement and subsequent reissuance of the Series 2016B Certificates for tax purposes with the result that such holders would be required to recognize capital gain

or loss for federal income tax purposes at the time of such defeasance without a corresponding receipt of cash with which to pay any tax liability attributable to any such gain.

### ***Medicare Tax***

Interest income from the Series 2016B Certificates (including accrued original issue discount and market discount) and net gain realized on the sale or other disposition of property such as the Series 2016B Certificates generally must be taken into account when computing the 3.8% Medicare tax with respect to net investment income imposed on certain high income individuals and specified trusts and estates. Holders of the Series 2016B Certificates should consult their tax advisors concerning this additional tax as it may apply to the purchase, holding and disposition of the Series 2016B Certificates.

### ***U.S. Federal Information Reporting and Backup Withholding***

Under current United States federal income tax law, a 28% backup withholding tax requirement may apply to certain payments of interest and original issue discount on, and the proceeds of a sale, exchange or redemption of, the Series 2016B Certificates. In addition, certain persons making such payments are required to submit information returns (*i.e.*, Internal Revenue Service Form 1099) to the Internal Revenue Service with regard to those payments. Backup withholding and information reporting will generally not apply with respect to payments made to certain exempt recipients, such as corporations or certain exempt entities.

### ***Foreign Investors***

Payments with respect to the Series 2016B Certificates to a non-United States holder that has no connection with the United States other than holding its Series 2016B Certificate generally will be made free of withholding tax, as long as that holder has complied with certain tax identification and certification requirements. If, however, the non-U.S. holder conducts a trade or business in the United States and the interest on the Series 2016B Certificates held by the non-U.S. holder is effectively connected with such trade or business, that interest will be subject to United States income tax, but will generally not be subject to United States withholding tax (including backup withholding).

The Foreign Account Tax Compliance Act (“FATCA”) generally imposes a 30% withholding tax on interest payments and proceeds from the sale of interest-bearing obligations for payments made after the relevant effective date to (i) certain foreign financial institutions that fail to certify their FATCA status and (ii) investment funds and non-financial foreign entities if certain disclosure requirements related to direct and indirect United States shareholders and/or United States accountholders are not satisfied.

Under applicable Treasury regulations, the FATCA withholding tax of 30% will generally be imposed, subject to certain exceptions, on payments of (i) interest on Series 2016B Certificates and (ii) gross proceeds from the sale or other disposition of Series 2016B Certificates on or after January 1, 2019, where such payments are made to persons described in the immediately preceding paragraph.

If any amount of, or in respect of, U.S. withholding tax were to be deducted or withheld from payments on the Series 2016B Certificates as a result of a failure by an investor (or by an institution through which an investor holds the Series 2016B Certificates) to comply with FATCA, none of the County, any paying agent or any other person would, pursuant to the terms of the Series 2016B Certificates, be required to pay additional amounts with respect to any Series 2016B Certificate as a result of the deduction or withholding of such tax. *Non-U.S. owners should consult their tax advisers regarding the application of FATCA to the ownership and disposition of Series 2016B Certificates.*

The foregoing discussion does not discuss all aspects of federal income taxation that may be relevant to a particular holder of Series 2016B Certificates in light of his or her particular circumstances and income tax situation. Each holder of Series 2016B Certificates should consult such holder's tax advisor as to the specific tax consequences to such holder of the ownership and disposition of the Series 2016B Certificates, including the application of state, local, foreign and other tax laws.

## **LITIGATION**

The County is currently processing numerous claims for damages and is also a defendant in a number of lawsuits which are expected to be paid, when applicable, through its self-insurance program. In addition to those suits in which claims for liability are adequately covered by insurance, the County is a defendant in various suits involving tort claims, violations of civil rights, breach of contract, inverse condemnation, and other suits and actions arising in the normal course of business. In the opinion of the County Attorney, the possible liability of the County in the resolution of these cases will not materially affect the County's ability to perform its obligations to the holders of the Series 2016 Certificates.

As described herein under "THE COUNTY – Current Developments," the United States Supreme Court upheld the decision of the Maryland Court of Appeals which held that the failure of the Maryland income tax law to allow a credit against the county tax of a Maryland resident taxpayer with respect to activities in another state and that is taxed in that state, violates the dormant Commerce Clause of the United States Constitution. For a discussion regarding the financial impact of the Wynne litigation to the County please see "THE COUNTY – Current Developments."

## **INDEPENDENT PUBLIC ACCOUNTANTS**

The audited basic financial statements of the County are included in Appendix A to the County's AIS, which have been audited by CliftonLarsonAllen LLP ("CliftonLarson"), independent public accountants, as indicated in their report with respect thereto. The audited basic financial statements have been included in reliance upon the qualification of said firm to issue said report. In the report, CliftonLarson states that with respect to certain of the County's component units, its opinion is based on the reports of other independent public accountants. The report of CliftonLarson also contains an explanatory paragraph which states that CliftonLarson did not audit certain identified supplementary information and expressed no opinion thereon.

## **FINANCIAL ADVISOR**

Public Financial Management, Inc., Philadelphia, Pennsylvania, has acted as Financial Advisor to the County for the sale and issuance of the Series 2016 Certificates and on certain other financial matters. The Financial Advisor assisted in the preparation of this Official Statement and in other matters related to the planning, structuring and issuance of the Series 2016 Certificates and provided other advice. The Financial Advisor has not undertaken to make an independent verification of or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement.

## **RATING**

Moody's Investors Service, Inc. has given the Series 2016 Certificates the rating indicated on the cover page of this Official Statement. A rating reflects only the view of the rating organization and explanations of the significance of such rating may be obtained from the rating agency furnishing the same. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Series 2016 Certificates.

## CERTIFICATE OF COUNTY OFFICIALS

The Chief Administrative Officer of the County and the Director of Finance or Acting Director of Finance of the County will furnish a certificate to the successful bidders for the Series 2016 Certificates to the effect that, to the best of their knowledge and belief, this Official Statement, as of the date of sale and the date of delivery of the Series 2016 Certificates, is true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact, required to be stated or necessary to be stated, to make such statements, in the light of the circumstances under which they were made, not misleading.

## CONTINUING DISCLOSURE UNDERTAKING

In order to enable participating underwriters, as defined in Rule 15c2-12 of the Securities Exchange Act of 1934 (“Rule 15c2-12”) to comply with the requirements of paragraph (b)(5) of Rule 15c2-12, the County will execute and deliver a continuing disclosure agreement (the “Continuing Disclosure Agreement”) on or before the date of issuance and delivery of the Series 2016 Certificates, the form of which is attached to this Official Statement as Appendix B. Potential purchasers of the Series 2016 Certificates should note that the definition of Reportable Events in Appendix B is intended to completely restate the events specified in Rule 15c2-12. It is noted that certain Reportable Events are expected to have no applicability to the Series 2016 Certificates, such as the possibility of unscheduled draws on debt service reserves and matters affecting collateral for the Bonds.

With the exception of the following, the County has complied in all material respects with its continuing disclosure undertakings pursuant to Rule 15c2-12 during the last five years. The County has established procedures to ensure that the County will fulfill the requirements of its continuing disclosure obligations in the future.

- When filing information with the continuing disclosure service established by the Municipal Securities Rulemaking Board known as the Electronic Market Access System (“EMMA”), the County inadvertently failed to index properly certain filings made with respect to the Solid Waste Disposal Waste Disposal System Refunding Revenue Bonds (the “2003 Solid Waste Bonds”) issued on behalf of the County by the Northeast Maryland Waste Disposal Authority (the “Authority”) in Fiscal Years 2010 and 2012. To the extent a filing was made without all of the associated CUSIP numbers, the filing was otherwise available in connection with filings made by the County or the Authority. The 2003 Solid Waste Bonds are no longer outstanding.
- In connection with its continuing disclosure obligations with respect to certain bonds issued by the County on behalf of the Department of Liquor Control and various development and parking lot districts, the County failed to timely file or failed to file portions of its operating data during the last five years. The County has subsequently filed the necessary operating data with respect to such bonds on EMMA.
- The County failed to file notice of a rating change in connection with the upgrade of the County’s Revenue Bonds (Department of Liquor Control) issued by Standard & Poor’s Rating Group in July 2013.
- The County failed to file notice of a rating change in connection with the upgrade of the County’s Revenue Bonds (Water Quality Protection Charge), Series 2012 issued by Standard & Poor’s Rating Group in January 2016. The County has subsequently filed notice of such upgrade on EMMA.

## **LEGALITY OF THE SERIES 2016 CERTIFICATES**

The authorization, sale, issuance and delivery of the Series 2016 Certificates will be subject to legal approval by McKennon Shelton & Henn LLP, Special Counsel, and a copy of their unqualified approving legal opinions with respect to the Series 2016 Certificates will be delivered upon request, without charge, to the successful bidder for the Series 2016 Certificates. The opinions are expected to be substantially in the forms of the draft opinions attached to this Official Statement as Appendix A-1 and Appendix A-2.

## **INFORMATION IN OFFICIAL STATEMENT**

All quotations, summaries and explanations in this Official Statement of State and County laws and the Montgomery County Charter do not purport to be complete and reference is made to pertinent provisions of the same for complete statements. Any estimates or opinions herein, whether or not expressly so stated, are intended as such 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 made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date as of which such information is stated or the date hereof. This Official Statement shall not be construed as part of any contract between the County and the purchasers or holders of its Series 2016 Certificates. The County has been advised by McKennon Shelton & Henn LLP, Special Counsel, in connection with legal statements contained in this Official Statement; however, Special Counsel has not passed upon or assumed responsibility for the accuracy of the statistical data, financial statements and economic data contained herein.

Any questions regarding this Official Statement or the Series 2016 Certificates should be directed to Mr. Robert Hagedoorn, Acting Director, Department of Finance, Montgomery County, Maryland, 101 Monroe Street, 15th floor, Rockville, Maryland 20850, Telephone: (240) 777-8860.

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## **AUTHORIZATION OF OFFICIAL STATEMENT**

The execution and delivery of this Official Statement have been duly authorized by the County. This Official Statement is hereby deemed final for the purposes of Rule 15c2-12 of the Securities and Exchange Commission.

### **MONTGOMERY COUNTY, MARYLAND**

By: /s/ Isiah Leggett  
Isiah Leggett  
County Executive

By: /s/ Robert Hagedoorn  
Robert Hagedoorn  
Acting Director of Finance

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**APPENDIX A**

**FORMS OF APPROVING OPINIONS OF SPECIAL COUNSEL**

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PROPOSED FORM OF OPINION OF SPECIAL COUNSEL FOR SERIES 2016A CERTIFICATES

[Closing Date]

County Executive and County Council  
of Montgomery County, Maryland  
Rockville, Maryland

County Executive and Council Members:

We have served as bond counsel to Montgomery County, Maryland (the “County”) in connection with the issuance of its \$23,050,000 Montgomery County, Maryland Certificates of Participation (Montgomery College Improvements) Series 2016A, evidencing a proportionate interest in the Funding Agreement (the “Series 2016A Certificates”).

In connection with the issuance of the Series 2016A Certificates, we have examined:

- (i) Section 16-304 of the Education Article of the Annotated Code of Maryland (2014 Replacement Volume and 2015 Supplement), as amended;
- (ii) Council Resolution No. 18-537 adopted by the County Council of the County (the “County Council”) on June 28, 2016 and approved by the President of the County Council on June 29, 2016;
- (iii) the Charter of the County;
- (iv) Chapter 19 of the Montgomery County Code, as amended;
- (v) Executive Order No. B351-16 of the County Executive of the County issued on July 7, 2016;
- (vi) the form of Series 2016A Certificate;
- (vii) the Certificates of Participation Trust Agreement by and between Montgomery County, Maryland and the U.S. Bank National Association, acting as Trustee (the “Trustee”), dated as of July 1, 2016 (the “Trust Agreement”);
- (viii) the Funding Agreement by and between the County and U.S. Bank National Association, acting as the Bank (the “Bank”), dated as of July 1, 2016, (the “Funding Agreement”);
- (ix) relevant provisions of the Internal Revenue Code of 1986, as amended (the “Code”);
- (x) relevant provisions of the Constitution and laws of the State of Maryland; and

- (xi) other proofs submitted to us relative to the issuance of the Series 2016A Certificates.

The Funding Agreement provides for the payment by the County of contract payments (the “Contract Payments”). Each Contract Payment has a principal portion and an interest portion, in the amounts and on the dates set forth in the Funding Agreement.

In rendering this opinion, (i) we have relied on the Foundation’s and College’s Tax and Section 148 Certificate and Agreement dated this date, made on behalf of the Montgomery College Foundation, Inc. (the “Foundation”) by officers thereof and on behalf of The Board of Community College Trustees for Montgomery County, Maryland (the “College”) by officers thereof with respect to certain material facts within the knowledge of the Foundation and the College, respectively, and (ii) we have assumed the correctness of the opinion of Womble Carlyle Sandridge & Rice, LLP dated this date regarding, among other things, the tax-exempt status of the Foundation, without investigation.

We have made no investigation of, and are rendering no opinion regarding the title to real or personal property or the priority or perfection of any lien or security interest in real or personal property.

Based upon the foregoing, it is our opinion that, under existing statutes, regulations and decisions:

- (a) The County is a validly created and existing body politic and corporate and political subdivision of the State of Maryland.

- (b) The Series 2016A Certificates (i) have been duly authorized and issued pursuant to, and are permitted by the terms of, the Trust Agreement, (ii) constitute valid and binding obligations evidencing direct and proportionate interests of the owners thereof in principal and interest components of Contract Payments and (iii) are equally and ratably secured under the Trust Agreement. Additional Certificates secured equally and ratably with the Series 2016A Certificates may be issued from time to time under the conditions, limitations and restrictions set forth in the Trust Agreement.

- (c) The County’s obligation to make Contract Payments is subject to and dependent upon the County Council making annual appropriations for such purpose. Such obligation does not constitute a debt of the County within the meaning of any constitutional or statutory limitation nor a liability of or a lien or charge upon funds or property of the County beyond any fiscal year for which the County Council has appropriated moneys to make such payments.

- (d) The Funding Agreement and the Trust Agreement have been duly authorized, executed and delivered by the County and, assuming the due authorization, execution and delivery thereof by the other parties thereto, constitute the valid and binding obligation of the County enforceable against the County in accordance with their terms.

- (e) The Funding Agreement, the Trust Agreement and the Series 2016A Certificates are subject to bankruptcy, insolvency, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors’ rights and to general principles of equity.

- (f) The interest portion of Contract Payments on the Series 2016A Certificates is exempt from income taxation by the State of Maryland; no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed on the interest on the Series 2016A Certificates.

(g) Assuming compliance with certain covenants described herein, the interest portion of the Contract Payments is excludable from gross income for federal income tax purposes. It is noted that under the provisions of the Code, there are certain restrictions that must be met subsequent to the delivery of the Series 2016A Certificates in order for interest on the Series 2016A Certificates to remain excludable from gross income for federal income tax purpose, including restrictions that must be complied with throughout the term of the Series 2016A Certificates. These include the following: (i) a requirement that certain earnings received from the investment of the proceeds of the Series 2016A Certificates be rebated to the United States of America under certain circumstances (or that certain payments in lieu of rebate be made); (ii) other requirements applicable to the investment of the proceeds of the Series 2016A Certificates; and (iii) other requirements applicable to the use of the proceeds of the Series 2016A Certificates and the facilities financed or refinanced with proceeds of the Series 2016A Certificates. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Series 2016A Certificates in gross income for federal income tax purposes, effective from the date of their issuance. The County has covenanted to regulate the investment of the proceeds of the Series 2016A Certificates and to take such other actions as may be required to maintain the excludability from gross income for federal income tax purposes of the interest on the Series 2016A Certificates. It is our opinion that, assuming compliance with such covenants, the interest on the Series 2016A Certificates will remain excludable from gross income for federal income tax purposes under the provisions of the Code.

(h) The interest portion of the Contract Payments is not included in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment. For purposes of calculating the corporate alternative minimum tax, however, a corporation subject to such tax will be required to increase its alternative minimum taxable income by 75% of the amount by which its “adjusted current earnings” exceeds its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For such purposes, “adjusted current earnings” would include, among other items, the interest portion of the Contract Payments evidenced by the Series 2016A Certificates. In addition, the interest portion of the Contract Payments evidenced by the Series 2016A Certificates will be subject to the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States of America.

No opinion is expressed as to the treatment for federal or State of Maryland income tax purposes of any payment made to the Bank or its assigns from sources other than the Contract Payments paid by the County that may result upon the failure of the County to make an appropriation to provide for the payment of the Contract Payments.

The opinions expressed above are limited to the matters set forth above, and no other opinions should be inferred beyond the matters expressly stated. We assume no obligation to supplement this opinion if any applicable laws or interpretations thereof change after the date hereof or if we become aware of any facts or circumstances that might change the opinions expressed herein after the date hereof.

Very truly yours,

PROPOSED FORM OF OPINION OF SPECIAL COUNSEL FOR SERIES 2016B CERTIFICATES

[Closing Date]

County Executive and County Council  
of Montgomery County, Maryland  
Rockville, Maryland

County Executive and Council Members:

We have served as bond counsel to Montgomery County, Maryland (the “County”) in connection with the issuance of its \$1,810,000 Montgomery County, Maryland Certificates of Participation (Montgomery College Improvements) Series 2016B, evidencing a proportionate interest in the Funding Agreement (the “Series 2016B Certificates”).

In connection with the issuance of the Series 2016B Certificates, we have examined:

- (i) Section 16-304 of the Education Article of the Annotated Code of Maryland (2014 Replacement Volume and 2015 Supplement), as amended;
- (ii) Council Resolution No. 18-537 adopted by the County Council of the County (the “County Council”) on June 28, 2016 and approved by the President of the County Council on June 29, 2016;
- (iii) the Charter of the County;
- (iv) Chapter 19 of the Montgomery County Code, as amended;
- (v) Executive Order No. B351-16 of the County Executive of the County issued on July 7, 2016;
- (vi) the form of Series 2016B Certificate;
- (vii) the Certificates of Participation Trust Agreement by and between Montgomery County, Maryland and the U.S. Bank National Association, acting as Trustee (the “Trustee”), dated as of July 1, 2016 (the “Trust Agreement”);
- (viii) the Funding Agreement by and between the County and U.S. Bank National Association, acting as the Bank (the “Bank”), dated as of July 1, 2016, (the “Funding Agreement”);
- (ix) relevant provisions of the Internal Revenue Code of 1986, as amended;
- (x) relevant provisions of the Constitution and laws of the State of Maryland; and

- (xi) other proofs submitted to us relative to the issuance of the Series 2016B Certificates.

The Funding Agreement provides for the payment by the County of contract payments (the “Contract Payments”). Each Contract Payment has a principal portion and an interest portion, in the amounts and on the dates set forth in the Funding Agreement.

We have made no investigation of, and are rendering no opinion regarding the title to real or personal property or the priority or perfection of any lien or security interest in real or personal property.

Based upon the foregoing, it is our opinion that, under existing statutes, regulations and decisions:

- (a) The County is a validly created and existing body politic and corporate and political subdivision of the State of Maryland.

- (b) The Series 2016B Certificates (i) have been duly authorized and issued pursuant to, and are permitted by the terms of, the Trust Agreement, (ii) constitute valid and binding obligations evidencing direct and proportionate interests of the owners thereof in principal and interest components of Contract Payments and (iii) are equally and ratably secured under the Trust Agreement. Additional Certificates secured equally and ratably with the Series 2016B Certificates may be issued from time to time under the conditions, limitations and restrictions set forth in the Trust Agreement.

- (c) The County’s obligation to make Contract Payments is subject to and dependent upon the County Council making annual appropriations for such purpose. Such obligation does not constitute a debt of the County within the meaning of any constitutional or statutory limitation nor a liability of or a lien or charge upon funds or property of the County beyond any fiscal year for which the County Council has appropriated moneys to make such payments.

- (d) The Funding Agreement and the Trust Agreement have been duly authorized, executed and delivered by the County and, assuming the due authorization, execution and delivery thereof by the other parties thereto, constitute the valid and binding obligation of the County enforceable against the County in accordance with their terms.

- (e) The Funding Agreement, the Trust Agreement and the Series 2016B Certificates are subject to bankruptcy, insolvency, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors’ rights and to general principles of equity.

- (f) The interest portion of the Contract Payments on the Series 2016B Certificates is not exempt from income taxation by the State of Maryland or by any of its political subdivisions.

- (g) The interest portion on the Contract Payments on the Series 2016B Certificates will be includable in gross income for federal income tax purposes.

The opinions expressed above are limited to the matters set forth above, and no other opinions should be inferred beyond the matters expressly stated. We assume no obligation to supplement this opinion if any applicable laws or interpretations thereof change after the date hereof or if we become aware of any facts or circumstances that might change the opinions expressed herein after the date hereof.

Very truly yours

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**APPENDIX B**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of July 27, 2016 (this “Disclosure Agreement”) is executed and delivered by MONTGOMERY COUNTY, MARYLAND (the “County”) in connection with the issuance of its Certificates of Participation (Montgomery College Improvements) Series 2016A (the “Series 2016A Certificates”) and its Taxable Certificates of Participation (Montgomery College Improvements) Series 2016B (the “Series 2016B Certificates” and together with the Series 2016A Certificates, the “Series 2016 Certificates”). The County, intending to be legally bound hereby and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does 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 owners of the Series 2016 Certificates, including beneficial owners, and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The County’s obligations hereunder shall be limited to those required by written undertaking pursuant to the Rule.

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

“EMMA” shall mean Electronic Municipal Market Access System maintained by the MSRB. For more information on EMMA, see [www.emma.msrb.org](http://www.emma.msrb.org).

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

“MSRB” shall mean the Municipal Securities Rulemaking Board, established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

“Official Statement” shall mean the Official Statement dated July 20, 2016, relating to the Series 2016 Certificates.

“Participating Underwriter” shall mean any of the original underwriters of the Series 2016 Certificates required to comply with the Rule in connection with offering of the Series 2016 Certificates.

“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 or replaced from time to time.

“State” shall mean the State of Maryland.

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

(a) The County shall provide to the MSRB, the following annual financial information and operating data, such information and data to be updated as of the end of the preceding fiscal year and made available within 275 days after the end of the fiscal year, commencing with the fiscal year ended June 30, 2016:

- (i) Statement of Direct and Overlapping Debt;
- (ii) General Bonded Debt Ratios;
- (iii) Assessed Value of All Taxable Property By Class;
- (iv) Property Tax Levies and Collections;
- (v) Property Tax Rates and Tax Levies, By Purpose; and
- (vi) Schedule of General Fund Revenues, Expenditures and Transfers In (Out).

(b) The County shall provide to the MSRB annual audited financial statements for the County, such information to be made available within 275 days after the end of the County's fiscal year, commencing with the fiscal year ended June 30, 2016, unless the audited financial statements are not available on or before such date, in which event said financial statements will be provided promptly when and if available. In the event that audited financial statements are not available within 275 days after the end of the County's fiscal year (commencing with the fiscal year ended June 30, 2016), the County will provide unaudited financial statements within such time period.

(c) The presentation of the financial information referred to in paragraph (a) and in paragraph (b) of this Section shall be made in accordance with the same accounting principles as utilized in connection with the presentation of applicable comparable financial information included in the final official statement for the Series 2016 Certificates.

(d) If the County is unable to provide the annual financial information and operating data within the applicable time periods specified in (a) and (b) above, the County shall send in a timely manner a notice of such failure to the MSRB.

(e) The County hereby represents and warrants that it has not failed to comply with any prior disclosure undertaking made pursuant to the Rule, except as set forth in the Official Statement under the heading "Continuing Disclosure Undertaking."

#### SECTION 4. *Reporting of Significant Events.*

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following events with respect to the Series 2016 Certificates:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or other material events affecting the tax status of the Series 2016 Certificates;
- (7) modifications to rights of holders of the Series 2016 Certificates, if material;
- (8) bond calls, if material;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Series 2016 Certificates, if material;
- (11) rating changes;
- (12) the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2016A Certificates;

- (13) tender offers;
- (14) bankruptcy, insolvency, receivership or similar event of the County;
- (15) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (16) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) In a timely manner, not in excess of ten business days after the occurrence of an event listed in Section 4(a) above, the County shall file a notice of such occurrence with the MSRB.

SECTION 5. *Filing with EMMA.* Unless otherwise required by the MSRB, all filings with the MSRB shall be made with EMMA and shall be accompanied by indentifying information as prescribed by the MSRB.

SECTION 6. *Termination of Reporting Obligations.* The County's obligations under this Disclosure Agreement shall terminate upon the payment in full of all of the Series 2016 Certificates either at their maturity or by early redemption. In addition, the County may terminate its obligations under this Disclosure Agreement if and when the County no longer remains an obligated person with respect to the Series 2016 Certificates within the meaning of the Rule.

SECTION 7. *Amendments.*

(a) The County may provide further or additional assurances that will become part of the County's obligations under this Disclosure Agreement. In addition, this Disclosure Agreement may be amended by the County in its discretion, provided that:

(1) the amendment is being made in connection with a change of circumstances that arises from a change in legal requirements, change in law, change in the identity, nature or status of the County as the obligated person with respect to the Series 2016 Certificates, or type of business conducted by the County;

(2) this Disclosure Agreement, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the issuance of the Series 2016 Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) the amendment does not materially impair the interests of owners of the Series 2016 Certificates, including beneficial owners, as determined by bond counsel selected by the County or by an approving vote of at least 25% of the outstanding principal amount of the Series 2016 Certificates.

(b) The reasons for the County agreeing to provide any further or additional assurances or for any amendment and the impact of the change in the type of financial information or operating data being provided will be explained in narrative form in information provided with the annual financial information containing the additional or amended financial information or operating data.

SECTION 8. *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 disclaimers or any other information in any disclosure made pursuant to Section 3(a) or 3(b) hereof 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 disclosure made pursuant to Section 3(a) or 3(b) hereof or notice of occurrence 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 disclosure made pursuant to Section 3(a) or 3(b) hereof or notice of occurrence of a Listed Event.

SECTION 9. *Limitation on Remedies and Forum.*

(a) The County shall be given written notice at the address set forth below of any claimed failure by the County to perform its obligations under this Disclosure Agreement, and the County shall be given 15 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the County shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the County shall be given to Director of Finance, 15th Floor, Executive Office Building, 101 Monroe Street, Rockville, Maryland 20850, or at such alternate address as shall be specified by the County in disclosures made pursuant to Section 3(a) or 3(b) hereof or a notice of occurrence of a Listed Event.

(b) Any suit or proceeding seeking redress with regard to any claimed failure by the County to perform its obligations under this Disclosure Agreement must be filed in the Circuit Court for Montgomery County, Maryland.

SECTION 10. *Beneficiaries.* This Disclosure Agreement shall inure solely to the benefit of the owners from time to time of the Series 2016 Certificates, including beneficial owners, and shall create no rights in any other person or entity.

SECTION 11. *Relationship to Series 2016 Certificates.* This Disclosure Agreement constitutes an undertaking by the County that is independent of the County's obligations with respect to the Series 2016 Certificates. Any breach or default by the County under this Disclosure Agreement shall not constitute or give rise to a breach or default under the Series 2016 Certificates.

SECTION 12. *Severability.* In case any section or provision of this Disclosure Agreement or any covenant, stipulation, obligation, agreement, or action, or any part thereof, made, assumed, entered into or taken under this Disclosure Agreement, or any application thereof, is for any reason held to be illegal or invalid or is at any time inoperable, such illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision of this Disclosure Agreement, or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into or taken under this Disclosure Agreement, which shall at the time be construed and enforced as if such illegal or invalid or inoperable portion were not contained therein.

SECTION 13. *Entire Agreement.* This Disclosure Agreement contains the entire agreement of the County with respect to the subject matter hereof and supersedes all prior arrangements and understandings with respect thereto; provided, however, that this Disclosure Agreement shall be interpreted and construed with reference to and in pari materia with the Rule.

SECTION 14. *Captions.* The captions or headings herein shall be solely for convenience of reference and shall in no way define, limit or describe the scope or intent of any provisions or sections hereof.

SECTION 15. *Governing Law.* This Disclosure Agreement and any claim made with respect to the performance by the County of its obligations hereunder shall be governed by, subject to and construed in accordance with the federal securities laws, where applicable, and the laws of the State, without reference to the choice of law principles thereof.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the County has caused this Disclosure Agreement to be duly executed as of the day and year first above written.

MONTGOMERY COUNTY, MARYLAND

By: \_\_\_\_\_  
Robert Hagedoorn  
Acting Director of Finance

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**APPENDIX C**

**SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

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## **DEFINITIONS OF CERTAIN TERMS**

In addition to the terms defined elsewhere in this Official Statement, the following are definitions of certain terms used in this Official Statement. Terms used but not defined in this Official Statement shall have the meanings set forth in the Funding Agreement and the Trust Agreement.

“Certificate Fund” means the fund so designated that is established under the provisions of the Trust Agreement for the purpose of accepting and disbursing to the Certificate Holders moneys received by the Trustee from the County for the payment of principal, premium, if any, and interest on the Series 2016 Certificates.

“Interest Payment Date” means May 1 and November 1 of each year, commencing November 1, 2016.

“Net Proceeds” means the amount remaining from the gross proceeds of any insurance claim after deducting all expenses (including reasonable attorney’s fees) incurred in the collection of such claim.

“Revenues” means (i) all payments to be made by the County to the Trustee pursuant to the Funding Agreement, (ii) the proceeds of the Series 2016 Certificates and all amounts from time to time on deposit in the funds and accounts established by the Trust Agreement and (iii) all other revenues derived from the Funding Agreement or the exercise of the remedies thereunder.

## **SUMMARY OF CERTAIN PROVISIONS OF THE FUNDING AGREEMENT**

The following is a summary of certain provisions of the Funding Agreement. This summary is not a complete recital of the terms of the Funding Agreement, and reference is made to the Funding Agreement for a complete statement of its terms.

### **Term of Agreement (Sections 3.03.)**

The Funding Agreement will remain in effect until the County has paid all of the Contract Payments and any other sums required to be paid under the provisions of the Funding Agreement to the Bank or in the event that sufficient funds are not appropriated for the payment of the Contract Payments or upon the occurrence of an Event of Default under and as defined in the Funding Agreement, until the date on which the Funding Agreement is terminated.

### **Contract Payments to Be Unconditional (Section 4.03.)**

The obligation of the County to make payment of the Contract Payments required under the Funding Agreement and to perform and observe the other covenants and agreements contained therein is absolute and unconditional in all events except as expressly provided in the Funding Agreement. Notwithstanding any dispute between the County and the Bank or any other person, the County agrees to pay all Contract Payments when due and not to withhold any part of any Contract Payments pending final resolution of the dispute. The County agrees that it will not assert any right of set-off, cross-claim, recoupment, or counterclaim against its obligation to make the payments required under the Funding Agreement. The County’s obligation to pay Contract Payments during the term of the Funding Agreement will not be abated through accident or unforeseen circumstances.

#### **Continuation of Agreement by the County (Section 4.04.)**

The County agrees, subject to the nonappropriation provisions of the Funding Agreement, to pay the Contract Payments due under the Funding Agreement. The County agrees, to the extent permitted by law and subject to applicable public policy, that it will not terminate the Funding Agreement for nonappropriation of funds in any fiscal year for which sufficient funds for the payment of Contract Payments due in that fiscal year are appropriated for such Contract Payments. The County Executive, to the extent permitted by law and subject to applicable public policy, will use best efforts to obtain the authorization and appropriation of such funds, including (without limitation) the inclusion of such funds in the budget of the County to be submitted to the County Council and a request for adequate funds to meet the County's obligations in full in its next fiscal year budget. The County reasonably believes that funds in an amount sufficient to pay all Contract Payments will be available. The Funding Agreement does not obligate the County Council to make any such appropriation.

#### **Nonappropriation (Section 4.05.)**

In the event that sufficient funds are not appropriated for the payment of the Contract Payments, the County may terminate the Funding Agreement at the end of the last fiscal year or earlier date for which an appropriation is not available and the County will not be obligated to make payment of the Contract Payments beyond the last date for which an appropriation is available. The County agrees to deliver written notice to the Bank of such termination no later than seven days after the County has knowledge that an appropriation will not be available. The failure to give the notice will not extend the Funding Agreement beyond such fiscal year or affect the termination of the Funding Agreement. Upon termination of the Funding Agreement for nonappropriation, the County will pay to the Bank all proceeds of the Certificates not theretofore expended by the County, if any, or such lesser amount as shall be required to pay the outstanding principal of and interest on the Certificates and all other amounts payable under the Funding Agreement after the application to the payment thereof of amounts on deposit in the funds and accounts created by the Trust Agreement. Upon the payment of such proceeds to the Bank, all obligations of the County under the Funding Agreement requiring the expenditure of money will cease (other than the obligation to pay any Contract Payments and other amounts payable under the Funding Agreement previously appropriated).

#### **Events of Default and Remedies (Section 6.01., 6.02. and 6.03.)**

The following constitute an "Events of Default" under the Funding Agreement, subject to the provisions under the Funding Agreement regarding nonappropriation: (a) failure by the County to pay any Contract Payment at the time specified in the Funding Agreement; or (b) failure by the County to observe and perform any covenant, condition or agreement on its part to be observed or performed, for a period of 30 days after written notice to the County by the Bank, specifying such failure and requesting that it be remedied, unless the Bank agrees to an extension of such time; provided that if the failure stated on the notice cannot be corrected within 30 days, the Bank will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the County within the applicable period and diligently pursued until the default is corrected; or (c) the County files any proceeding under the United States Bankruptcy Code or makes a general assignment for the benefit of creditors or institutes or consents to the filing of any proceeding for any receivership under any other bankruptcy or insolvency laws.

Whenever any Event of Default shall have happened and be continuing, the Bank shall have the right, at its sole option, without any further demand or notice, to terminate the Funding Agreement and require the County to pay to the Bank all proceeds of the Certificates not

theretofore expended by the County, if any, or such lesser amount as shall be required to pay the outstanding principal of and interest on the Certificates and all other amounts payable thereunder after the application to the payment thereof of amounts on deposit in the funds and accounts created by the Trust Agreement, holding the County liable for the deficiency, if any, between (i) the amount actually appropriated for the payment of Contract Payments and other amounts payable thereunder and unpaid by the County during the current fiscal year and which is therefore payable by the County thereunder to the end of the current fiscal year of the County and (ii) the sum of the amounts on deposit in the funds and accounts created by the Trust Agreement and the proceeds of the Certificates not theretofore expended by the County, if any, paid to the Bank, after deducting all the Bank's costs and expenses, including (without limitation) reasonable attorneys' fees and expenses incurred in the enforcement of the Funding Agreement.

Whenever an Event of Default shall have occurred and be continuing, the Bank shall have the right, at its sole option, without further demand or notice, to institute appropriate legal proceedings to require the County to cure any such Event of Default by observing, complying with or performing its obligations under the Funding Agreement.

### **SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT**

The following is a summary of certain provisions of the Trust Agreement. This summary is not a complete recital of the terms of the Trust Agreement, and reference is made to the Trust Agreement for a complete statement of its terms.

#### **Security (Granting Clause)**

The County and the Bank, in order to provide for the payment of the Certificates and the interest with respect thereto according to their tenor, purport and effect, and the performance and observance by the County and the Bank, respectively, of all the covenants expressed or implied in the Certificates, the Trust Agreement and the Funding Agreement, do, pursuant and subject to the provisions of the Trust Agreement, thereby grant, bargain, sell, release, convey, transfer and assign unto the Trustee for the benefit of the Certificate Holders, their successors and assigns, unconditionally and absolutely, all rights, title and interest of the County and the Bank, respectively, under the Funding Agreement, and all amounts on deposit from time to time in the funds and accounts established by the Trust Agreement.

#### **Establishment and Application of Project Fund (Section 4.02.)**

There is established under the Trust Agreement a special fund designated the "Project Fund," which shall be held by the Trustee for the benefit of the Certificate Holders and which shall be kept separate and apart from all other funds and moneys held by the Trustee. Within the Project Fund there is established a Capitalized Interest Account, a Series 2016A Project Account constituting proceeds of the Series 2016A Certificates, a Series 2016B Project Account constituting proceeds of the Series 2016B Certificates, a Series 2016A Costs of Issuance Account and a Series 2016B Costs of Issuance Account.

Moneys on deposit in the Series 2016A Costs of Issuance Account and the Series 2016B Costs of Issuance Account shall be paid by the Trustee for the costs of issuance of the Certificates upon receipt from the County of a duly executed requisition.

Moneys on deposit in the Series 2016A Project Account constituting proceeds of the Series 2016A Certificates shall be paid by the Trustee to pay the Improvements Costs and other costs of financing the Improvements upon receipt from the County of a duly executed requisition. Upon receipt of such requisition, the Trustee shall make payment either directly to the payee

named therein.

Upon the earlier of (i) three years from the date of initial authentication and delivery of the Series 2016A Certificates and (ii) the payment of all of the Improvement Costs and the filing with the Trustee of the Acceptance Certificate by the County, the Trustee shall transfer any moneys remaining in the Series 2016A Project Account and the Series 2016B Project Account upon the written direction of the County; provided that the proceeds of the sale of the 2016A Certificates, including any premium paid for such 2016A Certificates in excess of the face amount thereof, together with investment earnings on such proceeds and premium, may be transferred upon the direction of the County from time to time from the Series 2016A Project Account to the Certificate Fund for the purpose of paying the maturing principal of and interest on the 2016A Certificates as they become due.

Amounts on deposit in the Series 2016B Project Account shall be applied to pay the Lease Termination Costs, provided that after all Lease Termination Costs have been paid, any amounts remaining in such account may, as determined and directed by the County, be used to pay Improvement Costs or to pay debt service or be deposited into other accounts and funds created pursuant to the Trust Agreement.

#### **Establishment and Application of Certificate Fund (Section 4.03.)**

There is established under the Trust Agreement a special fund designated the "Certificate Fund," which shall be held in trust by the Trustee for the benefit of the Certificate Holders and which shall be kept separate and apart from all other funds and moneys held by the Trustee. Within the Certificate Fund there is established the Capitalized Interest Account and the Principal Account.

Trustee shall deposit Revenues immediately upon their receipt by the Trustee, including (without limitation) amounts received by the Trustee pursuant to the Funding Agreement, as follows:

FIRST: to the Interest Account, the amount, if any, necessary to make the amount on deposit in the Interest Account equal to the interest to accrue on the Certificates until the earlier of (i) the immediately succeeding Interest Payment Date and (ii) any redemption date;

SECOND: to the Principal Account, the amount, if any, necessary to make the amount on deposit therein equal to the principal amount or redemption price of the Certificates due on the earlier of (i) the immediately succeeding Interest Payment Date and (ii) any redemption date; and

THIRD: to the Trustee, the accrued fees and expenses of the Trustee invoiced and remaining unpaid for a period of 30 days.

After making the payments required by items FIRST through THIRD above, the Trustee shall deposit any balance of Revenues held by the Trustee in the Interest Account.

Upon receipt of any late payment of a Contract Payment, the Trustee shall deposit such Contract Payment as follows:

FIRST: to the Interest Account, an amount equal to the amount of interest, if any, theretofore due to Certificate Holders and unpaid;

SECOND: to the Principal Account, an amount equal to the amount of principal, if any, theretofore due to the Certificate Holders and unpaid;

THIRD: to the Interest Account, the amount, if any, necessary to make the amount on deposit in the Interest Account equal to the interest to accrue on the Certificates until the earlier of (i) the immediately succeeding Interest Payment Date and (ii) any redemption date fixed in accordance with the Trust Agreement;

FOURTH: to the Principal Account, the amount, if any, necessary to make the amount on deposit therein equal to the principal amount or redemption price of the Certificates due on the earlier of (i) the immediately succeeding Interest Payment Date and (ii) any redemption date of which the Trustee shall then have knowledge; and

FIFTH: to the Trustee, the accrued and unpaid fees and expenses of the Trustee as set forth in the Trust Agreement.

After making the payments required by items FIRST through FIFTH above, the Trustee shall deposit any balance of such Contract Payment in the Interest Account.

#### **Establishment and Application of Insurance Fund (Section 4.04.)**

There is established under the Trust Agreement a special fund designated the “Insurance Fund,” which shall be held in trust by the Trustee for the benefit of the Certificate Holders and which shall be kept separate and apart from all other funds and moneys held by the Trustee and shall not be pledged as security for the Certificates.

Net Proceeds of any insurance claim in excess of \$500,000 received in accordance with the Funding Agreement and required to be held in escrow under the Lease, shall be deposited immediately upon their receipt by the Trustee in the Insurance Fund. The Trustee shall notify the County in writing of its receipt of any insurance proceeds.

Moneys in the Insurance Fund shall be applied by the Trustee in accordance with the Funding Agreement for the following purposes:

(a) disbursement to or at the direction of the County to pay the costs of repair or replacement of lost, damaged, destroyed or taken property or other costs approved in writing by the County, upon receipt of either a duly executed requisition of the County or a duly executed requisition of the Foundation or College that meets all applicable requirements; or

(b) if the County shall not elect, within six (6) months of such loss, damage, destruction or taking, in the manner provided by the Funding Agreement, to repair or replace any lost, damaged, destroyed or taken property for which such moneys were received, the Trustee shall transfer such moneys to the Principal Account of the Certificate Fund to be applied to the redemption of Series 2016A Certificates on the earliest practicable redemption date fixed in accordance with the Trust Agreement; provided, however, that in the event of the issuance of any Additional Certificates, such moneys shall be allocated by the Trustee between the payment of Certificates and Additional Certificates proportionately on the basis of the respective aggregate principal amount of Series 2016A Certificates and Additional Certificates then Outstanding.

#### **Investments Authorized (Section 4.05.)**

Moneys held by the Trustee under the Trust Agreement shall be invested upon written order of a County Representative by the Trustee in Permitted Investments; provided, however, that amounts on deposit in the Certificate Fund shall be invested only in Permitted Investments

maturing or redeemable at the option of the holder not later than one year from the date of purchase. Such investments shall be registered in the name of the Trustee or any authorized nominee of the Trustee and held by the Trustee. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Trust Agreement. Such investments and reinvestments shall be made giving full consideration for the time at which funds are required to be available. The Trustee may act as purchaser or agent in the making or disposing of any investment.

For the purpose of determining the amount on deposit in any fund or account created by the Trust Agreement, all Permitted Investments credited to such fund or account shall be valued at their market value. The Trustee may sell at the best price obtainable, or present for redemption, any Permitted Investment so purchased by the Trustee, whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from such investment.

Interest earned, profits realized or losses suffered by reason of the investment of any fund or account created by the Trust Agreement shall be deposited in the fund or account for which such investment shall have been made.

**No-Arbitrage Covenants; Rebate Fund (Section 4.06.)**

The County covenants that it will not make, or (to the extent it exercises control or direction) permit to be made, any use of the proceeds of the Series 2016A Certificates, or of any moneys, securities or other obligations that may be deemed to be proceeds of the Series 2016A Certificates (collectively, "Certificate Proceeds") within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended ("Section 148"), and the regulations issued or proposed thereunder (the "arbitrage regulations") that would cause the Series 2016A Certificates to be "arbitrage bonds" within the meaning of Section 148 and the arbitrage regulations. To the extent that provisions of Section 148 and the arbitrage regulations apply only to a portion of the Series 2016A Certificates, it is intended that the covenants of the County be construed so as only to require compliance with Section 148 and the arbitrage regulations to the extent of such applicability.

The Trustee shall hold and invest Certificate Proceeds in accordance with written instructions of the County Representative.

There is hereby established in trust a special fund designated the "Rebate Fund," which shall be held by the Trustee for provision of any rebate to be made to the United States of America and which shall be kept separate and apart from all other funds and moneys held by the Trustee.

Upon receipt of a written direction delivered to the Trustee given by the County Representative directing the transfer of amounts on deposit in any fund or account created by the Trust Agreement to the Rebate Fund in order to provide for the rebate of such amounts to the United States of America pursuant to the Internal Revenue Code of 1986, as amended, the Trustee shall make the transfer referred to therein. The Trustee assumes no responsibility for determining the amount of such rebate and will only transfer to the Rebate Fund or remit to the United States of America such amounts as the County so directs.

Amounts on deposit in the Rebate Fund from time to time required to be rebated to the United States of America pursuant to the Internal Revenue Code of 1986, as amended, shall be applied by the Trustee to the payment of such rebates and shall not be pledged to the payment of

the principal or redemption price of or interest on the Certificates. If amounts on deposit in the Rebate Fund are determined not to be required to be rebated to the United States of America, then such amounts shall be transferred by the Trustee to the Interest Account of the Certificate Fund as the County so directs.

#### **Issuance of Additional Certificates (Section 7.10.)**

So long as the Funding Agreement is in effect and no Event of Default shall have occurred and be continuing thereunder or under the Trust Agreement, one or more series of Additional Certificates on a parity with the Certificates may be issued for the purpose of providing additional funds necessary for the completion of the Improvements or to finance or refinance additions to the Improvements. Each series of Additional Certificates shall be issued in such principal amount, mature on such dates, bear interest at such rates and have such provisions for redemption and other terms and conditions not inconsistent with the Trust Agreement as shall be specified in a supplemental trust agreement authorizing such Additional Certificates. Additional Certificates shall not bear Interest at a variable rate.

Prior to the issuance of each series of Additional Certificates and the execution and delivery of a supplemental trust agreement in connection therewith, the County and Bank, or its assignee, shall enter into an amendment to the Funding Agreement which shall provide among other things that, with the consent of the County, the Contract Payments shall be increased and computed so as to amortize in full the principal of and interest on such Additional Certificates and any other costs in connection therewith.

#### **Limitation on Duties (Section 8.05.)**

The Trustee shall not have any duty or obligation to manage, control, use, sell or otherwise transfer title to or dispose of or otherwise deal with any part of the assets constituting the Trust Estate, or to otherwise take or refrain from taking any action under or in connection with the Funding Agreement or the Certificates, except as expressly provided by the terms of the Funding Agreement and the Trust Agreement or as expressly provided in written instructions from the Holders of not less than a majority in aggregate principal amount of the Certificates Outstanding. Whenever the Bank is required to give any consent, approval, permission or otherwise act affirmatively under the terms of the Funding Agreement, the Trustee at its discretion may give such consent, approval, permission or otherwise act affirmatively as it may deem appropriate.

#### **Trustee May Deal in Certificates and Take Action as a Holder (Section 8.06.)**

The Trustee and its directors, officers, employees or agents may in good faith buy, sell, own and hold any of the Certificates issued under and secured by the Trust Agreement, and may join in the capacity of a Certificate Holder in any action which any Certificate Holder may be entitled to take with like effect as if it were not the Trustee under the Trust Agreement.

#### **Resignation and Removal of Trustee (Section 8.09. and 8.10.)**

The Trustee may resign and thereby become discharged from the trusts hereby created by notice in, writing given to the County and the Holders of the Certificates. Such resignation shall take effect immediately upon, but only upon (i) the appointment of a new Trustee under the Trust Agreement, (ii) upon acceptance by the new Trustee of the trusts herein created and the duties of the Trustee under the Trust Agreement and (iii) upon assignment by the Trustee and acceptance

and assumption by the new Trustee of all the rights, title and interest, duties and obligations of the Bank under the Funding Agreement. Upon the occurrence of any such resignation, the Trustee, by appropriate documentation, shall transfer all rights title and interest it may have as Trustee under the Trust Agreement and as the Bank under the Funding Agreement to the successor Trustee under the Trust Agreement.

The Trustee may be removed at any time by an instrument or concurrent instruments in writing executed by the Holders of not less than a majority in aggregate principal amount of the Certificates Outstanding.

The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Trust Agreement with respect to the duties and obligations of the Trustee, by any court of competent jurisdiction upon the application of the County or the Holders of not less than a majority in aggregate principal amount of the Certificates Outstanding. Upon any such removal of the Trustee, the Trustee, by appropriate documentation, shall transfer all right, title and interest it may have as Trustee under the Trust Agreement and as the Bank under the Funding Agreement to the successor Trustee under the Trust Agreement. Removal of the Trustee shall take effect immediately upon (i) the appointment of a new Trustee under the Trust Agreement and (ii) upon acceptance by the new Trustee of the trusts created under the Trust Agreement and the duties of the Trustee under the Trust Agreement and of the Bank under the Funding Agreement.

#### **Appointment of Successor Trustee; Qualifications of Trustee (Section 8.11.)**

If at any time the Trustee shall resign, be removed, be dissolved or otherwise become incapable of acting, or the bank or trust company acting as the Trustee shall be taken over by a governmental official, agency, department or board, the position of Trustee shall thereupon become vacant. If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason, the County shall appoint a successor Trustee to fill such vacancy and shall mail notice of any such appointment to the Trustee and the Certificate Holders.

At any time within one year after any such vacancy shall have occurred, the Holders of not less than a majority in aggregate principal amount of the Certificates Outstanding, by an instrument or concurrent instruments in writing, executed by such Certificate Holders and filed with the County may appoint a successor Trustee, which appointment shall supersede any appointment theretofore made by the County. Copies of each such instrument shall be delivered promptly by the County to the predecessor Trustee and the Trustee so appointed by the Certificate Holders.

If no appointment of a successor Trustee shall be made, the Holders of not less than a majority in aggregate principal amount of the Certificates outstanding or any retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any successor Trustee appointed under the provisions of the Trust Agreement shall (i) be a commercial bank or trust company duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, of good standing and having a combined capital and surplus aggregating not less than \$50,000,000; and (ii) have, in the opinion of the County, substantial prior experience as a trustee for the benefit of municipal bondholders or certificate holders if such a bank or trust company is available and willing to assume the position of successor Trustee upon reasonable and customary terms. If the Trustee has or shall acquire any conflicting interest, it shall, within ninety (90) days after ascertaining that it has such conflicting interest, either eliminate such conflicting interest or resign and thereby become

discharged from the trusts created under the Trust Agreement by giving notice as provided in the Trust Agreement, such resignation to become effective immediately upon the appointment of a successor Trustee and such successor Trustee's acceptance of such appointment.

**Liability of Trustee (Section 8.14.)**

Except as expressly provided in the Trust Agreement, the Trustee shall have no obligation or liability to the Certificate Holders with respect to the payment of the Contract Payments when due, or with respect to the performance by the County of any other covenant made by the County in the Funding Agreement. The Trustee shall be under no liability to any person for interest earned on any money received by it under the Trust Agreement for deposit in the Certificate Fund. Any money deposited with the Trustee for the payment of the principal, premium (if any) or interest on the Certificates and remaining unclaimed for five (5) years after the Certificate has become due and payable, will be paid by the Trustee to the County, and the Holder of such Certificate shall thereafter look only to the County for payment thereof, and all liability of the Trustee with respect to such moneys shall thereupon cease. The Trustee shall in no event be liable to any Holder or Holders of any Certificate or any other person for any amount due on any Certificate from its own funds.

**Limited Liability of the County (Section 8.15.)**

The liability of the County is limited solely to its obligations under the Funding Agreement. No recourse shall be had for the payment of the principal or redemption price of and interest on any Certificate or for any claims based thereon, on the Funding Agreement or on the Trust Agreement against any officer, official, council member, employee or agent of Montgomery County, Maryland, all such liability, if any, being expressly waived and released by every Holder of a Certificate by the acceptance of such Certificate.

**Supplemental Trust Agreements and Modification to Trust Agreement (Sections 10.01. and 10.02.)**

Without the consent of the Certificate Holders, the County and the Trustee may from time to time, and at any time, enter into such supplemental trust agreements as shall not be inconsistent with the terms and provisions of the Trust Agreement and, in the opinion of the County and the Trustee, shall not be detrimental to the interests of the Certificate Holders, in order:

- (a) to cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in the Trust Agreement or in any supplemental trust agreement;
- (b) to grant to or upon the Trustee or the Certificate Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Trustee or the Certificate Holders;
- (c) to authorize the issuance of Additional Certificates pursuant to the Trust Agreement;
- (d) to make any other change in the Trust Agreement that, in the opinion of the County and the Trustee, shall not prejudice in any material respect the rights of the Holders of Certificates Outstanding at the date as of which such change shall become effective; or
- (e) to maintain the tax exemption of the tax-exempt portion of the Contract Payments related to the Series 2016A Certificates.

At least (30) days prior to the execution of any supplemental trust agreement, the Trustee shall cause a notice of the proposed execution of such supplemental trust agreement to be mailed, postage prepaid, to all Certificate Holders at their addresses as they appear on the registration books. Such notice shall briefly set forth the nature of the proposed supplemental trust agreement and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Certificate Holders.

Holders of not less than a majority in aggregate principal amount of the Certificates Outstanding shall have the right from time to time, anything contained in the Trust Agreement to the contrary notwithstanding, to consent to and approve the execution by the County and the Trustee of a supplemental trust agreement for the purpose of modifying, altering, amending, adding to or rescinding, any of the terms or provisions contained in the Trust Agreement or in any supplemental trust agreement; provided, however, that nothing herein contained shall permit or be construed as permitting:

(a) a preference or priority of any Certificate or Certificates over any other Certificate or Certificates;

(b) a change in the interest rates, payment terms or payment dates of any of the Certificates;

(c) a reduction in the aggregate principal amount of the Certificates without the consent of the holders of such Certificates; or

(d) the adoption of a provision in any supplemental trust agreement which increases the obligations of the County under the Funding Agreement.

If the Holders of not less than a majority in aggregate principal amount of the Certificates at the time of the execution of such supplemental trust agreement shall have consented to and approved the execution thereof as herein provided, no Certificate Holder shall have any right to object to the execution of such supplemental trust agreement, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the County from executing the same or from taking any action pursuant to the provisions thereof.

#### **Defaults and Remedies (Article XI)**

The occurrence of an Event of Default under the Funding Agreement constitutes an Event of Default under the Trust Agreement.

The failure by the Trustee to receive from the County sufficient amounts to pay the principal or redemption price of or interest on the Certificates when due or to redeem Certificates on any date fixed for redemption of Certificates, or the failure by the Trustee to pay (the County having deposited sufficient funds with the Trustee for such payment) to the Certificate Holders the interest on or principal of any Certificate when due, are also declared to be and constitute Events of Default hereunder.

Upon the occurrence and continuance of an Event of Default, subject to any applicable cure period, the Trustee may, and shall, upon written request of the Holders of not less than a majority in aggregate principal amount of the Certificates then outstanding, declare the principal amount of and accrued interest on the Certificates due and payable; subject, however, to the condition that after the principal of and accrued interest on the Certificates shall have been so

declared to be due and payable, the Trustee may, and shall, upon the written request of the Holders of not less than a majority in aggregate principal amount of the Certificates then Outstanding, waive such Event of Default and rescind and annul such declaration and its consequences by written notice to the County; provided that no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon and provided further that an Event of Default based on the nonpayment of interest on or principal of a Certificate may not be waived without the written consent of the Holders of all Certificates then outstanding.

The Trustee, as the Bank under the Funding Agreement, may, in its discretion, enforce each and every right or remedy granted to it pursuant to the Funding Agreement.

Upon the happening of any Event of Default, the Trustee may, and shall, upon the written request of the Holders of not less than a majority in aggregate principal amount of the Certificates then Outstanding and receipt of indemnity to its satisfaction: (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Certificate Holders and require the County to carry out any agreements with or for the benefit of the Certificate Holders and to perform its duties under the Funding Agreement and the Trust Agreement; (b) bring suit against the County upon the Funding Agreement; (c) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Certificate Holders; (d) intervene in proceedings involving the rights of the Bank, the Trustee or the Certificate Holders; or (e) exercise any other rights or remedies now or hereafter existing at law or in equity including, without implied limitation, the rights and remedies of the Trustee as the Bank under the Funding Agreement.

No Certificate Holder shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Trust Agreement, or any other remedy hereunder or on the Certificates, unless (a) such Certificate Holder previously shall have given to the Trustee written notice of a continuing Event of Default; (b) the Holders of not less than a majority in aggregate principal amount of the Certificates then outstanding shall have made written request of the Trustee so to do, after the right to exercise such powers or rights of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers hereinabove granted, or to institute such action, suit or proceeding in its or their name; (c) there shall have been offered to the Trustee security and indemnity satisfactory to it against the costs, expenses (including counsel fees) and liabilities to be incurred therein or thereby; and (d) the Trustee shall not have complied with such request within a reasonable time. Such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the trusts of the Trust Agreement or for any other remedy under the Trust Agreement, it being understood and intended that no one or more Holders of the Certificates secured by the Trust Agreement shall have any right in any manner whatever by his, her or their action to affect, disturb or prejudice the security of the Trust Agreement, or to enforce any right under the Trust Agreement or under the Certificates, except in the manner provided in the Trust Agreement, and that all proceedings at law or in equity shall be instituted, held and maintained in the manner provided in the Trust Agreement and for the equal and ratable benefit of all Holders of Outstanding Certificates.

Nothing contained in the Trust Agreement shall, however, affect or impair the right of any Holder of Certificates to enforce the payment of the principal or redemption price of and the interest on any Certificate at and after the maturity thereof.

## **Defeasance (12.01)**

If the County shall pay or cause to be paid the principal or redemption price of and interest on all of the Certificates, then the pledge of the Trust Estate and all other rights granted hereby to the Trustee or the Certificate Holders shall be discharged and satisfied. In such event, upon the request of the County, the Trustee shall execute and deliver to the County all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee, without any request required, shall pay or deliver all moneys, securities and funds held by it pursuant to the Trust Agreement that are not required for the payment or redemption of Certificates not theretofore surrendered for such payment or redemption to the County or to such officer, board or body as may then be entitled by law to receive the same.

A Certificate shall be deemed to have been paid within the meaning of and with the effect expressed in the Trust Agreement if (i) sufficient money for the payment of the principal or redemption price of and interest on such Certificate shall then be held by the Trustee (through deposit by the County of moneys for such payment or otherwise, regardless of the source of such moneys), whether at or prior to the maturity or the redemption date of such Certificates or (ii) if the maturity or redemption date of such Certificate shall not then have arrived, provision shall have been made for the payment of the principal or redemption price of and interest on such Certificate on the due dates for such payments, by deposit with the Trustee (or other method satisfactory to the Trustee) of Government Obligations, the principal of and the interest on which when due will provide sufficient moneys for such payment and the Trustee shall have given notice, at the expense of the County, by first class mail, postage paid, to all Certificate Holders at their addresses as they appear on the registration books maintained by the Trustee, that such moneys are so available for such payment; provided, however, that if any such Certificate is to be redeemed prior to the maturity thereof, provisions shall have been made for the giving of notice of such redemption.

Anything in the Trust Agreement to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Certificates that remain unclaimed for five (5) years after the date on which such Certificates became due and payable either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such dates or for five (5) years after the date of deposit of such moneys if deposited with the Trustee after such date, shall, at the written request of the County Representative, be repaid by the Trustee to the County or to such officer, board or body as may then be entitled by law to receive such moneys, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged; provided, however, that, before being required to make any such payment, the Trustee may, at the expense of the County, give notice, by first class mail, postage paid, to all Certificate Holders at their addresses as they appear on the registration books maintained by the Trustee, that such moneys remain unclaimed and that, after a date named in such notice which date shall be not fewer than forty (40) nor more than ninety (90) days after the date of giving of such notice, the balance of such moneys then unclaimed shall be returned to the County.

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