

OFFICIAL STATEMENT DATED NOVEMBER 8, 2018

NEW ISSUE -- BOOK-ENTRY ONLY

**Moody's Investors Service, Inc.: Aa1
S&P Global Ratings: AA+
(See "Ratings")**

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 2018 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. See "Tax Matters" herein.

**\$56,135,000
MONTGOMERY COUNTY, MARYLAND
Taxable Limited Obligation Certificates**

Consisting of

**\$33,715,000
Taxable Limited Obligation Certificates
(Facility and Residential Development Projects)
Series 2018A**

**\$22,420,000
Taxable Limited Obligation Refunding Certificates
(Facility and Residential Development Projects)
Series 2018B**

Dated: Date of Initial Delivery

Due: As shown on inside front cover

The Taxable Limited Obligation Certificates (Facility and Residential Development Projects), Series 2018A (the "Series 2018A Certificates") and Taxable Limited Obligation Refunding Certificates (Facility and Residential Development Projects), Series 2018B (the "Series 2018B Certificates") and, together with the Series 2018A Certificates, the "Series 2018 Certificates" are being issued by Montgomery County, Maryland (the "County") to (i) finance or refinance certain projects of the Montgomery Housing Initiative established to promote a broad range of housing opportunities in the County and (ii) refund all of the County's outstanding Taxable Limited Obligation Certificates (Facility and Residential Development Projects), Series 2010A. The Series 2018 Certificates represent proportionate interests in a Funding Agreement dated as of April 1, 2010, as amended and supplemented (the "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 2018 Certificates are issued pursuant to a Taxable Limited Obligation Certificate Trust Agreement dated as of April 1, 2010, as amended and supplemented (the "Trust Agreement"), between the County and U.S. Bank National Association, as trustee (the "Trustee") and as the Bank, pursuant to which the County and the Bank have agreed to assign to the Trustee for the benefit of the holders of the Series 2018 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, and all amounts on deposit from time to time in the funds and accounts established under the Trust Agreement, as provided thereunder.

Interest on the Series 2018 Certificates is payable on May 1, 2019 and semi-annually on each November 1 and May 1 thereafter until maturity. The Series 2018 Certificates will be issued in registered form in denominations of \$5,000 or any integral multiple thereof. The Series 2018 Certificates will be issued in book-entry only form, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), acting as securities depository. So long as the Series 2018 Certificates are registered in the name of Cede & Co., the payments of the principal or redemption price of and interest on the Series 2018 Certificates will be made when due by the Trustee to DTC. See "Appendix D - Book-Entry Only System."

The Series 2018 Certificates which mature on or before May 1, 2026, are not subject to redemption prior to their maturity. Outstanding Series 2018 Certificates maturing on or after May 1, 2027 are subject to redemption prior to maturity, in whole or in part, on May 1, 2026 or at any time thereafter, at the option of the County and in the order of maturity directed by the County. See "The Series 2018 Certificates – Redemption Provisions."

The Series 2018 Certificates, and the interest on them, are limited obligations of the County. The principal or redemption price of and the interest on the Series 2018 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.

DELIVERY: The Series 2018 Certificates are offered, when, as and if issued by the County and subject to the approval of legality of McKennon Shelton & Henn LLP, special counsel, and to certain other conditions. It is expected that the Series 2018 Certificates will be available for delivery on or about November 19, 2018.

The date of this Official Statement is November 8, 2018.

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 THE MAKING OF AN INFORMED INVESTMENT DECISION.

AMOUNTS, MATURITIES, INTEREST RATES, YIELDS AND CUSIPS

\$33,715,000

Taxable Limited Obligation Certificates (Facility and Residential Development Projects) Series 2018A

Maturing May 1	Principal Amount	Interest Rate	Yield	CUSIP	Maturing May 1	Principal Amount	Interest Rate	Yield	CUSIP
2019	\$940,000	2.600%	2.600%	613357AS1	2027	\$1,550,000	3.900%	3.910%	613357BA9
2020	1,180,000	4.000	3.240	613357AT9	2028	1,610,000	3.900	3.960	613357BB7
2021	1,230,000	4.000	3.340	613357AU6	2029	1,675,000	4.050	4.060	613357BC5
2022	1,280,000	4.000	3.410	613357AV4	2030	1,740,000	4.100	4.110	613357BD3
2023	1,330,000	4.000	3.510	613357AW2	2031	1,815,000	4.150	4.160	613357BE1
2024	1,380,000	4.000	3.560	613357AX0	2032	1,890,000	4.200	4.210	613357BF8
2025	1,435,000	4.000	3.740	613357AY8	2033	1,970,000	4.250	4.260	613357BG6
2026	1,495,000	3.800	3.840	613357AZ5					

\$11,195,000 4.400% Term Certificate due May 1, 2038, Yield 4.420%, CUSIP 613357BM3

\$22,420,000

Taxable Limited Obligation Refunding Certificates (Facility and Residential Development Projects) Series 2018B

Maturing May 1	Principal Amount	Interest Rate	Yield	CUSIP	Maturing May 1	Principal Amount	Interest Rate	Yield	CUSIP
2019	\$1,470,000	3.050%	3.050%	613357BN1	2025	\$1,880,000	3.750%	3.750%	613357BU5
2020	1,595,000	3.150	3.150	613357BP6	2026	1,955,000	3.850	3.850	613357BV3
2021	1,645,000	3.300	3.300	613357BQ4	2027	2,030,000	3.950	3.950	613357BW1
2022	1,695,000	3.400	3.400	613357BR2	2028	2,105,000	4.000	4.000	613357BX9
2023	1,755,000	3.500	3.500	613357BS0	2029	2,190,000	4.050	4.050	613357BY7
2024	1,820,000	3.600	3.600	613357BT8	2030	2,280,000	4.150	4.150	613357BZ4

The rates shown above are the interest rates payable by the County resulting from the successful bids for the Series 2018 Certificates at public sale on November 8, 2018. The yields shown above were furnished by Raymond James & Associates, Inc., the successful bidder for the Series 2018A Certificates, and Morgan Stanley & Co. LLC, the successful bidder for the Series 2018B Certificates. Any additional information concerning the reoffering of the Series 2018 Certificates should be obtained from the successful bidders and not from the County.

CUSIP (Committee on Uniform Securities Identification Procedures) is a registered trademark of the American Bankers Association. The above CUSIP numbers are provided by CUSIP Global Services which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence. The County is not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of certificate holders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. The County has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the assigned CUSIP numbers set forth above.

OFFICIAL STATEMENT DATED NOVEMBER 8, 2018

\$56,135,000
MONTGOMERY COUNTY, MARYLAND
Taxable Limited Obligation Certificates

Consisting of

\$33,715,000
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(Facility and Residential Development Projects)
Series 2018A

\$22,420,000
Taxable Limited Obligation Refunding Certificates
(Facility and Residential Development Projects)
Series 2018B



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 2018 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 2018 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 2018 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 2018 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.

The order and placement of materials in this Official Statement, including the appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement including the appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provision or section of this Official Statement. The offering of the Series 2018 Certificates is made only by the means of this entire Official Statement.

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

COUNTY EXECUTIVE

Isiah Leggett

COUNTY COUNCIL

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

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>
Alexandre A. Espinosa	<i>Director, Department of Finance</i>
Jennifer A. Hughes	<i>Director, Office of Management and Budget</i>
Marc P. Hansen	<i>County Attorney</i>
Megan Davey Limarzi	<i>Clerk of the Council</i>

SPECIAL COUNSEL

McKennon Shelton & Henn LLP
Baltimore, Maryland

FINANCIAL ADVISOR

Davenport & Company LLC
Towson, Maryland

VERIFICATION AGENT

Precision Analytics Inc.
Morristown, New Jersey

INDEPENDENT PUBLIC ACCOUNTANTS

CliftonLarsonAllen LLP
Timonium, Maryland

TRUSTEE AND ESCROW DEPOSIT AGENT

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

\$33,715,000
MONTGOMERY COUNTY, MARYLAND
Taxable Limited Obligation Certificates
(Facility and Residential Development Projects)
Series 2018A

\$22,420,000
MONTGOMERY COUNTY, MARYLAND
Taxable Limited Obligation Refunding Certificates
(Facility and Residential Development Projects)
Series 2018B

INTRODUCTION

The purpose of this Official Statement, which includes the attached appendices, is to provide certain information concerning the sale and delivery of the \$33,715,000 Montgomery County, Maryland Taxable Limited Obligation Certificates (Facility and Residential Development Projects), Series 2018A (the "Series 2018A Certificates") and the \$22,420,000 Montgomery County, Maryland Taxable Limited Obligation Refunding Certificates (Facility and Residential Development Projects), Series 2018B (the "Series 2018B Certificates" and, together with the Series 2018A Certificates, the "Series 2018 Certificates"). The Series 2018 Certificates are to be issued pursuant to a Taxable Limited Obligation Certificate Trust Agreement dated as of April 1, 2010 (the "Original Trust Agreement"), as amended and supplemented by the First Supplemental Taxable Limited Obligation Certificate Trust Agreement and Supplemental Funding Agreement dated as of August 1, 2011 (the "First Supplemental Trust and Agreement"), the Second Supplemental Taxable Limited Obligation Certificate Trust Agreement and Supplemental Funding Agreement dated as of December 1, 2013 (the "Second Supplemental Trust and Agreement"), and the Third Taxable Limited Obligation Certificate Trust Agreement and Supplemental Funding Agreement to be dated as of November 1, 2018 (the "Third Supplemental Trust and Agreement" and, collectively with the First Supplemental Trust and Agreement and the Second Supplemental Trust and Agreement amending the Original Trust Agreement, the "Trust Agreement"), each between Montgomery County, Maryland (the "County") and U.S. Bank National Association, as trustee (the "Trustee") and as the Bank under the Funding Agreement dated as of April 1, 2010 between the County and the Bank, as amended and supplemented by the First Supplemental Trust and Agreement, the Second Supplemental Trust and Agreement and the Third Supplemental Trust and Agreement (as so amended and supplemented, the "Funding Agreement"). The Series 2018 Certificates are being issued to (i) finance or refinance certain projects of the Montgomery Housing Initiative established by the County to promote a broad range of housing opportunities in the County (the "Projects") and (ii) refund all of the County's outstanding Series 2010A Certificates (as defined herein). For more information regarding the Projects see "Description of Projects and Refunding." Pursuant to the Trust Agreement, the County previously issued its (i) \$30,400,000 Montgomery County, Maryland Taxable Limited Obligation Certificates (Facility and Residential Development Projects), Series 2010A (the "Series 2010A Certificates"), (ii) \$28,840,000 Montgomery County, Maryland Taxable Limited Obligation Certificates (Facility and Residential Development Projects), Series 2011 (the "Series 2011 Certificates"), and (iii) \$38,015,000 Montgomery County, Maryland Taxable Limited Obligation Certificates (Facility and Residential Development Projects), Series 2013 (the "Series 2013 Certificates"). For more information regarding the Series 2010A Certificates, the Series 2011 Certificates, and the Series 2013 Certificates see "The Series 2018 Certificates - Additional Certificates."

The Series 2018 Certificates represent proportionate interests in the Funding Agreement. 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 2018 Certificates until the County shall pay the principal of and premium, if any, and interest on the Series 2018 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.

Capitalized terms used in the front part of this Official Statement and not defined herein shall have the meanings given to such terms in Appendix C, "Summary of Principal Legal Documents."

The Series 2018 Certificates, and the interest on them, are limited obligations of the County. The principal or redemption price of and the interest on the Series 2018 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.

ESTIMATED SOURCES AND USES

The proceeds of the Series 2018 Certificates are expected to be applied as follows:

SOURCES OF FUNDS:	SERIES 2018A CERTIFICATES	SERIES 2018B CERTIFICATES	TOTAL
Par amount of Series 2018 Certificates.....	\$33,715,000	\$22,420,000	\$56,135,000
Net Premium.....	<u>82,505</u>	<u>-</u>	<u>82,505</u>
Total sources of funds	<u>\$33,797,505</u>	<u>\$22,420,000</u>	<u>\$56,217,505</u>
USES OF FUNDS:			
Housing Initiative Projects	\$33,500,000	-	\$33,500,000
Deposit to Escrow Fund	-	\$22,315,940	22,315,940
Financing and miscellaneous expenses ⁽¹⁾	<u>297,505</u>	<u>104,060</u>	<u>401,565</u>
Total uses of funds.....	<u>\$33,797,505</u>	<u>\$22,420,000</u>	<u>\$56,217,505</u>

⁽¹⁾ Includes Underwriter's discount, additional proceeds and other miscellaneous expenses.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 CERTIFICATES

The Series 2018 Certificates are limited obligations of the County, the principal or redemption price of or interest on which are payable solely from and secured by (i) 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. Pursuant to the Trust Agreement, in order to provide for the payment of the Series 2018 Certificates and the interest with respect thereto according to their tenor, purport and effect, the County and the Bank have pledged and assigned to the Trustee for the benefit of the Holders, all rights, title and interest of the County and the Bank, respectively, under the Funding Agreement, the right to receive Revenues (as defined herein), and all amounts on deposit from time to time in the funds and accounts established under the Trust Agreement. The "Revenues" include all payments to be made by the County to the Bank pursuant to the Funding Agreement, the proceeds of the Series 2018 Certificates and all amounts from time to time on deposit in the funds and accounts established under the Trust Agreement, and all other revenues derived from the Funding Agreement or from the exercise of remedies under the Trust Agreement. The pledge made under the Trust Agreement is, by its terms, for the equal and ratable benefit of the Holders of all the Certificates (as defined in the Trust Agreement), without any priority of any one Certificate over any other, except as expressly provided in or permitted by the Trust Agreement. See "Summary of Principal Legal Documents - Summary of Certain Provisions of the Trust Agreement" in Appendix C.

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 2018 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 2018 CERTIFICATES. THERE IS NO ASSURANCE THAT SUCH MONEYS WILL BE SUFFICIENT FOR THE PAYMENT OF THE SERIES 2018 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 FUNDS OR ACCOUNTS ESTABLISHED AND MAINTAINED BY THE COUNTY.

Funding Agreement

The Funding Agreement will remain in effect until the County has paid all Contract Payments required to be paid therein, 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 2018 Certificates and the fees and expenses of the Trustee. The Contract Payments are due and payable on the second business day prior to each May 1 and November 1 of any year and shall be paid by the County in immediately available funds on the second business day prior to each May 1 and November 1.

The ability of the County to pay the Contract Payments is subject to annual appropriation of sufficient funds for such purpose by the County Council. See "General Financial Policies -- Legal Framework for Budgeting" in the County's Annual Information Statement (the "AIS"), a link to which is included under the Section "The County." Under the Funding Agreement, the County Executive of the County (the "County Executive") covenants, to the extent permitted by law and subject to applicable public policy, to 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 under the Funding Agreement in full in its next fiscal year budget. Notwithstanding the foregoing, the Funding Agreement does not obligate the County Council to make any such appropriation.

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 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. In the event the Funding Agreement is terminated for nonappropriation, the County will pay to the Trustee all proceeds of the Series 2018 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 Series 2018 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. See "Summary of Principal Legal Documents - Summary of Certain Provisions of the Funding Agreement" in Appendix C.

In the event of termination due to the occurrence of an Event of Default under the Funding Agreement, the County shall pay to the Bank all proceeds of the Series 2018 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 Series 2018 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. The County will be liable for any deficiency, if any, between (i) the amount actually appropriated for the payment of Contract Payments and other amounts payable under the Funding Agreement and unpaid by the County during the current fiscal year and which is therefore payable by the County 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 Series 2018 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. See "Summary of Principal Legal Documents - Summary of Certain Provisions of the Funding Agreement" in Appendix C.

No Lien on Property

The payment of the Contract Payments by the County is *not* secured by any lien on housing or other assets that may be constructed, acquired or renovated with proceeds of the Series 2018 Certificates.

DESCRIPTION OF PROJECTS AND REFUNDING

Housing Initiative Project

The County has a long-standing tradition of commitment and dedication toward meeting the housing needs of its citizens. Under the leadership of the County Executive, the County has implemented a number of programs and initiatives dedicated to the goal of providing affordable housing in the County. In May 1988, the County Council enacted Section 25B-9 of the Montgomery County Code establishing the Housing Initiative Project to help meet the County's existing and growing affordable housing needs.

Section 25B-9 of the Montgomery County Code requires the County Executive to establish the Housing Initiative Project in order to promote a broad range of housing opportunities in the County. The County Executive utilizes the Housing Initiative Project to assist in alleviating the difficulties of many low and moderate income households in obtaining and maintaining housing at prices that they can afford. The Housing Initiative Project helps the County meet a number of its housing goals including constructing new affordable housing units, renovating distressed properties, preserving housing that might otherwise be removed from the supply of affordable housing, developing special needs housing, helping to create mixed-income communities, making sure that housing programs build neighborhoods and not just housing units and working toward an equitable distribution of affordable housing units.

The County's Department of Housing and Community Affairs ("DHCA") administers the Housing Initiative Project pursuant to regulations adopted by the County Executive. DHCA partners with various affordable housing organizations and developers to construct new properties and to acquire and rehabilitate existing properties. The County Executive is committed to continuing the tradition of creative action to provide affordable housing in the County, and as the need for affordable housing has increased in the County, the County has taken new approaches to the development of ideas that will meet the challenge. One such approach was the creation of the Housing Acquisition and Rehabilitation Fund to expand the Housing Initiative Project.

On February 28, 2007, the County Executive issued Executive Order No. 84-07 forming the Affordable Housing Task Force (the "Task Force"). The Task Force was instructed to develop strategies that would result in more affordable housing in the County. The first priority identified by the Task Force in their findings was to preserve the housing stock. Further, the Task Force recommended creating a property acquisition fund – the Housing Acquisition and Rehabilitation Fund – as a tool to enable experienced organizations to purchase-at-risk properties and increase the public and nonprofit ownership of affordable rental housing.

The Housing Acquisition and Rehabilitation Fund includes County financial resources in addition to proceeds from the Series 2010A Certificates, the Series 2011 Certificates, the Series 2013 Certificates and the Series 2018 Certificates. Approximately \$33,500,000 of the proceeds of the Series 2018A Certificates will be used to acquire, construct, purchase and rehabilitate affordable housing units. DHCA's partners for projects financed with the Series 2018A Certificates include various for-profit and non-profit agencies.

The following table provides information regarding actual results for FY2012 through FY2018, and projections for FY2019 to FY2021, of the total affordable housing unit preservation and production program managed by the DHCA. The numbers of units listed below are funded by various sources including the proceeds of the Series 2018A Certificates, other County resources, as well as Federal and Maryland (the "State") aid.

Total Affordable Housing Units Produced and Preserved

Preservation	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Projected	FY2020 Projected	FY2021 Projected
County Funded Units Online	766	1,146	2,066	2,286	2,910	2,814	3,644	4,205	3,999	4,026
No-Cost Units Online	--	401	369	201	672	41	43	340	357	375
Preservation Pipeline	281	116	109	159	62	96	703	355	394	550
Total Preservation	1,047	1,663	2,544	2,646	3,644	2,951	4,390	4,900	4,750	4,950

Production	FY2012 Actual	FY2013 Actual	FY2014 Actual	FY2015 Actual	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Projected	FY2020 Projected	FY2021 Projected
County Funded Units Online	278	982	104	221	409	497	468	557	921	702
No-Cost Units Online	201	352	550	370	454	508	98	272	286	300
Production Pipeline	1,088	293	558	424	440	751	959	787	330	272
Total Production	1,567	1,627	1,212	1,015	1,303	1,756	1,525	1,616	1,538	1,277

Online unit	A unit that is ready for occupancy.
Preservation	Acquisition and/or rehabilitation of an existing unit with affordability restrictions.
Production	New construction or rehabilitation of a market unit added to the inventory.
Pipeline unit	A unit is considered in the pipeline as soon as the County commits to a project.
No-Cost Units	A unit either preserved or produced without County capital investment.

The Series 2018A Certificates are anticipated to be used to fund, among others, a portion of the following projects:

- \$13.0 million to acquire and rehabilitate an 864-unit garden apartment property in Gaithersburg.
- \$20.5 million to acquire and rehabilitate three senior housing properties, consisting of:
 - \$7.4 million for 102 units located in Germantown;
 - \$6.2 million for 83 units located in Silver Spring; and
 - \$6.9 million for 100 units located in Olney.

The County is in the process of identifying additional properties to be financed with proceeds of a future financing for the Housing Acquisition and Rehabilitation Fund as part of the ongoing program.

Refunding of Certificates

The County is issuing the Series 2018B Certificates to refund all of the outstanding Series 2010A Certificates (the “Refunded 2010A Certificates”) in order to realize savings on debt service costs.

Deposits to Escrow Deposit Fund

The proceeds of the Series 2018B Certificates will be applied to the purchase of direct obligations of, or obligations the timely payment of principal and interest upon which is unconditionally guaranteed by, the United States of America (the “Federal Securities”) and which will be held by U.S. Bank National Association, Richmond, Virginia (the “Escrow Deposit Agent”) in the Escrow Deposit Fund established under an Escrow Deposit Agreement by and between the County and the Escrow Deposit Agent (the “Escrow Deposit Agreement”). The Federal Securities on deposit in the Escrow Deposit Fund will mature at stated fixed amounts as to principal and interest at such times as will be sufficient to pay when due the principal of and interest on the Refunded 2010A Certificates and, as applicable, the redemption price of and accrued interest on the Refunded 2010A Certificates through and until May 1, 2020, the redemption date for the Refunded 2010A Certificates maturing on or after May 1, 2021. The Federal Securities will be pledged only to the payment of the Refunded 2010A Certificates and are not available for the payment of principal, premium, if any, or interest on the Series 2018 Certificates.

THE SERIES 2018 CERTIFICATES

The Series 2018 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 2018 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 2018 Certificates on each May 1 and November 1 (each an “Interest Payment Date”), beginning May 1, 2019. Interest paid on May 1, 2019 will accrue from the date of delivery of the Series 2018 Certificates. The principal or redemption price of and interest on the Series 2018 Certificates will be paid as described in Appendix D so long as the Book-Entry Only System is maintained. If the Book-Entry Only System is discontinued then the Series 2018 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 2018 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 (10th) day before such payment. At the request of a Holder of Series 2018 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 2018 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 2018 Certificates are issued pursuant to Article 25B-9 of the Montgomery County Code, Resolution No. 16-675 of the County Council adopted on July 29, 2008 and effective on July 31, 2008, as amended by Resolution No. 16-1298 of the County Council adopted on March 23, 2010, Resolution No. 17-227 of the County Council adopted on July 26, 2011 and effective on July 26, 2011, Resolution No. 17-803 of the County Council adopted on July 16, 2013 and effective on July 19, 2013, Resolution No. 18-1181 of the County Council adopted on July 17, 2018 and effective on July 17, 2018, Executive Order No. B368-18 of the County Executive executed and delivered as of October 23, 2018 and Executive Order No. B370-18 of the County Executive executed and delivered as of November 8, 2018.

Redemption Provisions

Optional Redemption. The Series 2018 Certificates that mature on or before May 1, 2026, are not subject to redemption prior to their respective maturities. The Series 2018 Certificates that mature on or after May 1, 2027, are subject to redemption beginning May 1, 2026, 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.

Mandatory Sinking Fund Redemption. The Series 2018A Certificates maturing on May 1, 2038, are subject to mandatory sinking fund redemption, at a price equal to the principal amount thereof plus accrued interest thereon, on May 1 each of the following years and in the following amounts:

<u>Year</u>	<u>Sinking Fund Installments</u>
2034	\$2,050,000
2035	2,140,000
2036	2,235,000
2037	2,335,000
2038*	2,435,000

*Maturity Date.

If the County redeems or otherwise discharges the Series 2018A Certificates maturing on May 1, 2038 before the applicable scheduled maturity or payment date, an amount equal to the principal amount of such redeemed or discharged certificate shall be credited to the applicable sinking fund installment amounts in any manner determined by the County.

Selection of Series 2018 Certificates to be Redeemed. If fewer than all of the outstanding Series 2018 Certificates of any one maturity are called for redemption, the Trustee shall redeem the Series 2018 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 2018 Certificate of any one maturity to be redeemed shall be in the principal amount of \$5,000 or any integral multiple thereof and, in selecting Series 2018 Certificates of such maturity for redemption, the Trustee shall treat each Series 2018 Certificate as representing that number of Series 2018 Certificates that is obtained by dividing the principal amount of such Series 2018 Certificate by \$5,000.

Notice of Redemption. The Trustee will mail notice of redemption, by first class mail, not less than 20 days and not more than 60 days before the date of redemption to the registered Holders of the Series 2018 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 2018 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 2018 Certificates.

Additional Certificates

The County may issue additional parity certificates (the “Additional Certificates”) under the Trust Agreement to provide additional funds to finance the objectives of the Projects and other projects permitted under the Trust Agreement.

The Series 2018 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.

The County has previously issued the Series 2010A Certificates, with an aggregate principal amount of \$21,525,000 currently outstanding, the Series 2011 Certificates, with an aggregate principal amount of \$21,020,000 currently outstanding and the Series 2013 Certificates, with an aggregate principal amount on \$32,120,000 currently outstanding. Upon the issuance of the Series 2018 Certificates, the aggregate principal amount of \$21,525,000 of the Series 2010A Certificates will be defeased. The Series 2010A Certificates were issued to finance and refinance costs associated with the Housing Initiative Project, the Series 2011 Certificates were issued to finance and refinance costs associated with the Housing Initiative Project and a community and recreational facility, and the Series 2013 Certificates were issued to finance and refinance costs associated with the Housing Initiative Project. The Series 2018 Certificates constitute Additional Certificates under the Trust Agreement and will be secured equally and ratably on parity with the outstanding Series 2011 Certificates and the outstanding Series 2013 Certificates (collectively, the “Parity Certificates”).

ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth for each calendar year: (i) the principal becoming due on the Series 2018A Certificates; (ii) interest due on the Series 2018A Certificates; (iii) the total debt service requirements of the Series 2018A Certificates; (iv) the principal becoming due on the Series 2018B Certificates; (v) interest due on the Series 2018B Certificates; (vi) the total debt service requirements of the Series 2018B Certificates; (vii) the total debt service requirements of the Parity Certificates; and (viii) the total debt service requirements of outstanding Certificates. The table below excludes the Refunded 2010A Certificates.

Year	<u>Series 2018A</u> <u>Certificates</u>			<u>Series 2018B</u> <u>Certificates</u>			<u>Total Debt</u> <u>Service on</u> <u>Parity</u> <u>Certificates</u>	<u>Total Debt</u> <u>Service</u> <u>Requirement</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>		
2019	\$ 940,000	\$ 624,634	\$1,564,634	\$1,470,000	\$372,332	\$1,842,332	\$5,572,374	\$8,979,340
2020	1,180,000	1,363,635	2,543,635	1,595,000	782,570	2,377,570	4,992,954	9,914,159
2021	1,230,000	1,316,435	2,546,435	1,645,000	732,328	2,377,328	4,991,745	9,915,508
2022	1,280,000	1,267,235	2,547,235	1,695,000	678,043	2,373,043	4,989,737	9,910,015
2023	1,330,000	1,216,035	2,546,035	1,755,000	620,413	2,375,413	4,990,835	9,912,283
2024	1,380,000	1,162,835	2,542,835	1,820,000	558,988	2,378,988	4,991,644	9,913,467
2025	1,435,000	1,107,635	2,542,635	1,880,000	493,468	2,373,468	4,992,472	9,908,575
2026	1,495,000	1,050,235	2,545,235	1,955,000	422,968	2,377,968	4,993,202	9,916,405
2027	1,550,000	993,425	2,543,425	2,030,000	347,700	2,377,700	4,993,181	9,914,306
2028	1,610,000	932,975	2,542,975	2,105,000	267,515	2,372,515	4,996,590	9,912,080
2029	1,675,000	870,185	2,545,185	2,190,000	183,315	2,373,315	4,992,551	9,911,051
2030	1,740,000	802,348	2,542,348	2,280,000	94,620	2,374,620	4,991,369	9,908,337
2031	1,815,000	731,008	2,546,008	--	--	--	4,991,894	7,537,902
2032	1,890,000	655,685	2,545,685	--	--	--	2,792,075	5,337,760
2033	1,970,000	576,305	2,546,305	--	--	--	2,791,425	5,337,730
2034	2,050,000	492,580	2,542,580	--	--	--	2,794,838	5,337,418
2035	2,140,000	402,380	2,542,380	--	--	--	--	2,542,380
2036	2,235,000	308,220	2,543,220	--	--	--	--	2,543,220
2037	2,335,000	209,880	2,544,880	--	--	--	--	2,544,880
2038	2,435,000	107,140	2,542,140	--	--	--	--	2,542,140

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 and its other obligations, see the County's AIS, which is hereby incorporated by reference and can be found at:

<https://www.montgomerycountymd.gov/BONDS/Resources/Files/AIS2018.pdf>

For information respecting the County's Employees' Retirement System, see the County's Employee Retirement Plans, Comprehensive Annual Financial Report, which is hereby incorporated by reference and can be found at:

<https://www.montgomerycountymd.gov/mcerp/Resources/Files/FY17%20Combined%20CAFR%20Final%20UPDATED%20112917.pdf>

Selected Debt and Financial Schedules

The information (including Tables 1 through 8) presented on the following pages has been updated to provide current information on the County's financial position. 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, 2017, please see the AIS.

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Table 1
Statement of Direct and Overlapping Debt
As of June 30, 2018
And Including 2018 General Obligation Bonds

Direct Debt as of June 30, 2018		
General Obligation Bonds Outstanding	\$3,095,230,000	
Short-Term BANs/Commercial Paper Outstanding ⁽¹⁾	170,000,000	
2018 General Obligation Bonds	330,000,000	
Revenue Bonds Outstanding	<u>200,480,000</u>	
Total Direct Debt		\$ 3,795,710,000
Overlapping Debt		
Washington Suburban Sanitary Commission		
Applicable to Montgomery County	2,371,362,000	
Housing Opportunities Commission	1,083,030,421	
Montgomery County Revenue Authority	78,883,464	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County	51,330,000	
Kingsview Village Center Development District	728,223	
West Germantown Development District	10,020,000	
Towns, Cities and Villages within Montgomery County	<u>46,703,434</u>	
Total Overlapping Debt		<u>\$ 3,642,057,552</u>
Total Direct and Overlapping Debt		\$ 7,437,767,552
Less Self-Supporting Debt:		
County Government Revenue Bonds	200,480,000	
Washington Suburban Sanitary Commission		
Applicable to Montgomery County	2,371,362,000	
Housing Opportunities Commission	1,083,030,421	
Montgomery County Revenue Authority	<u>78,883,464</u>	
Total Self-Supporting Debt		<u>(3,733,755,885)</u>
Net Direct and Overlapping Debt		<u>\$ 3,704,011,667</u>
Ratio of Debt to June 30, 2018 Assessed Valuation of (100% Assessment):		\$188,182,435,927
Direct Debt		2.02%
Net Direct Debt ⁽²⁾		1.91%
Direct and Overlapping Debt		3.95%
Net Direct and Overlapping Debt		1.97%
Ratio of Debt to June 30, 2018 Market Value of:		\$199,028,527,137
Direct Debt		1.91%
Net Direct Debt ⁽²⁾		1.81%
Direct and Overlapping Debt		3.74%
Net Direct and Overlapping Debt		1.86%

(1) Net of amount retired with the proceeds of the County's Consolidated Public Improvement Bonds of 2018, Series A (the "Series 2018 General Obligation Bonds") issued and delivered by the County on November 8, 2018.

(2) Net Direct Debt of \$3,595,230,000 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, 2018
And Including 2018 General Obligation Bonds

June 30, 2018 Assessed Valuation - Real Property	\$ 183,993,870,661
Debt Limit (% of Assessed Valuation)	<u>6.00%</u>
Subtotal Limitation - Real Property	<u>\$ 11,039,632,240</u>
June 30, 2018 Assessed Valuation - Personal Property	\$ 4,188,565,266
Debt Limit (% of Assessed Valuation)	<u>15.00%</u>
Subtotal Limitation - Personal Property	<u>\$ 628,284,790</u>
Total Assessed Valuation - Real and Personal Property	\$ 188,182,435,927
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds	\$ 11,667,917,030
Less Amount of Debt Applicable to Debt Limit:	
General Obligation Bonds Outstanding	\$3,095,230,000
2018 General Obligation Bonds	330,000,000
Short-Term BANs/Commercial Paper Outstanding ⁽¹⁾	170,000,000
Net Direct Debt	<u>3,595,230,000</u>
Legal Debt Margin	<u>\$ 8,072,687,030</u>
Net Direct Debt as a Percentage of Assessed Valuation	1.91%

(1) Net of amount retired with the proceeds of the Series 2018 General Obligation Bonds.

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Table 3
General Obligation Debt of the County
As of June 30, 2017 and June 30, 2018
And Including 2018 General Obligation Bonds

<u>Issue</u>	<u>Dated Date</u>	<u>Original Issue Size</u>	<u>Original Coupon Rates</u>	<u>TIC ⁽¹⁾</u>	<u>Maturity</u>	<u>Principal Outstanding June 30, 2017</u>	<u>Principal Outstanding June 30, 2018⁽⁵⁾</u>
GO Refunding Bonds	06/01/2005	\$120,355,000	5.00	3.7817	2011-21	\$12,585,000	-
GO VRDO ⁽²⁾	06/07/2006	100,000,000	Variable	Variable	2017-26	90,000,000	-
GO Bonds	07/15/2008	250,000,000	3.00-5.00	4.1809	2009-28	36,100,000	10,650,000
GO Bonds ⁽³⁾	11/03/2009	232,000,000	3.75-5.00	3.1774	2015-29	201,070,000	185,605,000
GO Refunding Bonds	11/03/2009	161,755,000	2.00-5.00	2.6487	2011-20	82,445,000	59,360,000
GO Bonds	07/08/2010	195,000,000	2.00-5.00	2.2596	2011-22	97,500,000	48,750,000
GO Bonds ⁽⁴⁾	07/08/2010	130,000,000	4.75-5.40	5.0708	2023-30	130,000,000	130,000,000
GO Bonds	08/11/2011	320,000,000	2.00-5.00	3.2268	2012-31	144,000,000	32,000,000
GO Refunding Bonds	08/11/2011	237,655,000	2.00-5.00	1.9896	2012-22	156,015,000	134,245,000
GO Bonds	10/24/2012	295,000,000	2.50-5.00	2.2599	2013-32	236,000,000	118,000,000
GO Bonds	11/26/2013	295,000,000	3.00-5.00	3.1270	2014-33	250,750,000	206,500,000
GO Refunding Bonds	11/26/2013	24,915,000	5.00	2.7745	2023-24	24,915,000	24,915,000
GO Bonds	11/19/2014	500,000,000	4.00-5.00	2.7745	2015-32	450,000,000	375,000,000
GO Refunding Bonds	11/19/2014	297,990,000	5.00	2.3437	2016-28	284,365,000	270,590,000
GO Refunding Bonds	03/26/2015	58,520,000	5.00	1.2264	2018-21	58,520,000	58,520,000
GO Bonds	12/01/2015	300,000,000	3.00-5.00	2.8036	2016-35	285,000,000	270,000,000
GO Bonds	12/13/2016	340,000,000	3.00-5.00	3.2816	2017-37	340,000,000	323,000,000
GO Bonds	11/15/2017	170,000,000	5.00	1.7265	2018-27	-	170,000,000
GO Refunding Bonds	11/15/2017	78,270,000	5.00	1.6316	2018-26	-	69,640,000
GO Refunding Bonds	11/15/2017	294,625,000	3.00-5.00	2.0707	2019-31	-	294,625,000
GO Refunding Bonds	11/15/2017	143,830,000	3.00-4.00	2.1002	2020-29	-	143,830,000
GO VRDO ⁽²⁾	11/22/2017	170,000,000	Variable	Variable	2028-37	-	170,000,000
GO Bonds	11/08/2018	330,000,000	3.50-5.00	3.2796	2019-39	-	330,000,000
Total						<u>\$2,879,265,000</u>	<u>\$3,425,230,000</u>

(1) True Interest Cost

(2) Variable Rate Demand Obligations

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

(4) Includes Federally Taxable – Build America Bonds – Direct Pay

(5) Principal Outstanding as of June 30, 2018 includes the Series 2018 General Obligation Bonds. The balance excluding the Series 2018 General Obligation Bonds is \$3,095,230,000.

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Table 4
General Obligation Bonds Authorized – Unissued
As of June 30, 2018

<u>Purpose</u>	<u>Chapter</u>	<u>Act</u>	<u>Amount</u>	<u>Amount Unissued</u>
General County, Parks, and	26	2013	331,600,000	242,580,477
Consolidated Fire Tax District	31	2014	167,400,000	167,400,000
	49	2015	<u>148,100,000</u>	<u>148,100,000</u>
			<u>647,100,000</u>	<u>558,080,477</u>
Road & Storm Drainage	31	2014	49,300,000	7,043,107
	49	2015	<u>113,600,000</u>	<u>113,600,000</u>
			<u>162,900,000</u>	<u>120,643,107</u>
Public Schools and	31	2014	162,000,000	162,000,000
Community College	49	2015	<u>267,200,000</u>	<u>267,200,000</u>
			<u>429,200,000</u>	<u>306,438,171</u>
Mass Transit	49	2015	<u>34,200,000</u>	<u>17,441,245</u>
			<u>34,200,000</u>	<u>17,441,245</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>
Easements: Agricultural 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>	<u>4,458,000</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>\$1,365,160,000</u>	<u>\$1,069,496,000</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 June 30, 2018
And After Issuance of 2018 General Obligation Bonds

<u>Issue</u>	<u>Balance June 30, 2017</u>	<u>BANs Retired</u>	<u>BANs Issued</u>	<u>Balance June 30, 2018</u>	<u>Estimated BANs to be Retired</u>	<u>Estimated Balance</u>
BAN 2009-A	\$100,000,000	\$ 30,000,000	\$ 30,000,000	\$100,000,000		
BAN 2009-B	100,000,000	30,000,000	30,000,000	100,000,000		
BAN 2010-A	150,000,000	140,000,000	140,000,000	150,000,000		
BAN 2010-B	<u>150,000,000</u>	<u>140,000,000</u>	<u>140,000,000</u>	<u>150,000,000</u>		
Total	<u>\$500,000,000</u>	<u>\$340,000,000</u>	<u>\$340,000,000</u>	<u>\$500,000,000</u>	<u>\$330,000,000</u>	<u>\$170,000,000</u>

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

	Fiscal Year Actual ⁽¹⁾			Projected Fiscal Year 2018 (Unaudited) ⁽³⁾
	2015 ⁽¹⁾⁽²⁾	2016 ⁽¹⁾⁽³⁾	2017 ⁽¹⁾⁽³⁾	
Revenues:				
Taxes:				
Property, including interest & penalty	\$ 1,088,396,848	\$ 1,128,176,443	\$ 1,268,546,191	\$ 1,268,805,072
Transfer tax and recordation tax	147,599,257	161,708,395	178,375,819	158,587,905
County income tax	1,310,821,061	1,422,428,435	1,466,625,994	1,469,251,059
Other taxes	<u>278,098,839</u>	<u>266,344,615</u>	<u>268,924,060</u>	<u>274,245,891</u>
Total Taxes	2,824,916,005	2,978,657,888	3,182,472,064	3,170,889,927
Licenses and permits	10,315,894	11,144,883	11,236,330	11,256,622
Intergovernmental revenue	62,972,046	61,733,732	75,066,678	63,900,396
Charges for services	27,338,198	29,143,713	30,128,687	10,725,931
Fines and forfeitures	27,538,162	27,327,136	26,826,771	29,660,686
Investment income	373,677	992,786	1,120,236	3,595,759
Miscellaneous	<u>13,994,838</u>	<u>8,601,100</u>	<u>22,474,705</u>	<u>9,393,631</u>
Total Revenues	<u>2,967,448,820</u>	<u>3,117,601,238</u>	<u>3,349,325,471</u>	<u>3,299,422,952</u>
Expenditures (including encumbrances):				
General County:				
General government	418,808,265	417,800,628	446,202,270	376,777,437
Public safety	395,772,952	400,082,511	379,644,039	391,830,567
Public works and transportation	76,675,794	87,062,413	67,413,701	70,849,704
Health and human services	225,280,973	217,471,067	237,717,134	250,961,876
Culture and recreation	41,713,019	45,043,237	45,250,504	46,315,092
Housing and community development	12,364,542	11,623,439	13,662,421	6,901,075
Environment	1,778,768	2,054,109	2,314,408	2,534,498
Education	<u>1,615,305,046</u>	<u>1,674,058,571</u>	<u>1,792,988,988</u>	<u>1,850,884,306</u>
Total Expenditures	<u>2,787,699,359</u>	<u>2,855,195,975</u>	<u>2,985,193,465</u>	<u>2,997,054,555</u>
Transfers In (Out):				
Transfers In:				
Special Revenue Funds	24,313,710	25,251,175	27,116,652	46,274,513
Enterprise Funds	36,201,147	39,857,160	26,090,797	38,440,411
Internal Service Funds	10,745,911	-	4,312	27,468,380
Component Units	-	-	-	-
Total Transfers In	<u>71,260,768</u>	<u>65,108,335</u>	<u>53,211,761</u>	<u>112,183,304</u>
Transfers Out:				
Special Revenue Funds	(22,847,343)	(24,928,893)	(25,773,949)	(31,791,415)
Debt Service Fund	(281,282,151)	(273,627,906)	(309,582,508)	(312,020,121)
Capital Projects Fund	(54,521,679)	(45,791,407)	(55,254,099)	(42,216,871)
Enterprise Funds	(25,000)	(25,000)	(25,000)	(2,166,800)
Internal Service Funds	(576,813)	(39,184)	(95,623)	(609,198)
Total Transfers Out	<u>(359,252,986)</u>	<u>(344,412,390)</u>	<u>(390,731,179)</u>	<u>(388,804,405)</u>
Net Transfers In (Out)	<u>(287,992,219)</u>	<u>(279,304,055)</u>	<u>(337,519,418)</u>	<u>(276,621,101)</u>
Other Financing Sources	<u>231,235</u>	<u>1,739,803</u>	<u>22,843</u>	<u>367</u>
Net Change in Fund Balance	<u>(108,011,523)</u>	<u>(15,158,989)</u>	<u>26,635,432</u>	<u>25,747,663</u>
Fund Balances, Beginning of Year	599,744,611	491,733,088	480,336,363	506,971,795
Adjustment for Fund Consolidation	-	<u>3,762,264</u>	-	-
Fund Balances, Beginning of Year as Reported	-	495,495,352	-	-
Fund Balance, June 30	<u>\$ 491,733,088</u>	<u>\$ 480,336,363</u>	<u>\$ 506,971,795</u>	<u>\$ 532,719,458</u>

(1) Audited.

(2) Statements are based on the County's Comprehensive Annual Financial Report (CAFR). For financial reporting purposes, the amounts include the General Fund and the Revenue Stabilization Fund.

(3) Statements are based on the County's CAFR. For financial reporting purposes, the amounts include the General Fund, Urban Districts, Economic Development and the Revenue Stabilization Fund.

Table 7
General Fund
Schedule of Actual and Estimated
GAAP Fund Balances

	Fiscal Year Actual ⁽¹⁾			Projected
	2015	2016	2017	Fiscal Year 2018 (Unaudited)
Restricted - Revenue Stabilization Fund ⁽²⁾	\$230,647,665	\$254,406,038	\$280,660,259	\$308,867,923
Components of General Fund Reported Fund Balance (Net of RSF) ⁽³⁾				
Nonspendable	\$ 6,799,926	\$ 7,275,055	\$ 8,797,529	\$ 7,420,531
Restricted - Other	\$585,905	6,907,814	11,784,991	11,951,917
Committed	70,586,279	71,684,134	60,445,573	66,650,415
Assigned	26,575,194	27,035,009	26,916,962	26,392,706
Unassigned	156,538,119	113,028,313	118,366,481	111,435,966
Subtotal	261,085,423	225,930,325	226,311,536	223,851,535
Total Reported General Fund	\$ 491,733,088	\$ 480,336,363	\$ 506,971,795	\$ 532,719,458

(1) Amounts for FY15-17 are audited.

(2) Per Sections 20-64 through 20-72, inclusive, of the County Code, use of the resources in the Revenue Stabilization Fund is restricted. For financial reporting purposes, the fund is reported as part of the General Fund.

(3) Beginning in FY 2016, for GAAP financial reporting purposes, the Economic Development Fund and Urban District Funds, are required to be reported as part of the General Fund.

Revenue Stabilization Fund

The State of Maryland (the “State”) enacted legislation in 1992 authorizing political subdivisions in the State to establish “rainy day” or reserve funds to accommodate future funding shortfalls. Pursuant to this State law, the County, under Section 20-64 of Article XII of the County Code, established a Revenue Stabilization Fund (the “Fund”) effective July 1, 1994. The Fund supplements the reserve or operating margin the County annually sets aside, and provides a mechanism to level out the revenue stream by adjusting for year-to-year fluctuations beyond a certain baseline level.

Effective fiscal year 2011, the mandatory annual contribution to the Fund must equal the greater of 50 percent of any excess revenue or an annual amount equal to the lesser of 0.5 percent of the Adjusted Governmental Revenues (as defined below) or the amount needed to obtain a total reserve of 10 percent of the Adjusted Governmental Revenues. Excess revenue is the amount, if positive, by which total revenues from the income tax, real property transfer tax, recordation tax, and investment income for the General Fund for the fiscal year exceed the original projections for these amounts. Adjusted Governmental Revenues means tax-supported County Governmental Funds revenues, plus revenues of the County Grants Fund, County Capital Projects Fund, tax-supported funds of the Montgomery County Public Schools, not including the County’s local contribution, tax-supported funds of Montgomery College, not including the County’s local tax contribution, and tax-supported funds of the Montgomery County portion of the Maryland-National Capital Park and Planning Commission.

In fiscal year 2014, the fund balance in the Revenue Stabilization Fund was combined with the General Fund in the Comprehensive Annual Financial Report. This amount is reported as restricted fund balance in the General Fund. The County is phasing in a 10 percent reserve requirement for Adjusted Governmental Revenues and expects to obtain this level of funding by fiscal year 2020.

Table 8
Revenue Stabilization Fund
Transfers In and Fund Balance
(in Millions)

Fiscal Year	Transfers	Fund Balance
2018 ⁽¹⁾	\$25.1	\$308.9
2017 ⁽²⁾	24.7	280.7
2016 ⁽²⁾	23.2	254.4
2015 ⁽²⁾	22.4	230.6
2014 ⁽²⁾	23.0	208.0

(1) Estimated.

(2) Audited.

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 refunds, including interest, issued by the Comptroller for the State of Maryland (the “Comptroller”) through March 2018 in the amount of \$143.3 million, 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 \$144.0 million for the County. Since tax years 2007 through 2013 are now closed for revised tax return filings, a final amount will be available after any additional revised tax returns for tax year 2014 are filed by October 15, 2018. As the Comptroller issues refunds to eligible taxpayers, the refunds are 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 2021, 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 2021, and continuing for five years. In addition to refunds for prior tax years, there is an estimated annual impact of approximately \$32.0 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, rounded to the nearest whole number, 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 from 13% to 3%. 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. On January 16, 2018, the Circuit Court for Baltimore City dismissed the complaint having determined that the court lacked jurisdiction of the matter based upon the plaintiffs’ failure to exhaust administrative remedies. On May 23, 2018, the Maryland Tax Court ordered that legislation adopted by the Maryland General Assembly to lower the rate on tax refunds due as a result of the Wynne decision was unconstitutional. On June 15, 2018, the Comptroller of Maryland appealed the order of the Maryland Tax Court in the Circuit Court for Anne Arundel County. If the Maryland Tax Court decision becomes final after all appeals are decided, the estimated amount of interest on refunds owed by

each Maryland county would increase. 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 each Maryland county would increase

TAX MATTERS

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 2018 Certificates is not exempt from income taxation by the State of Maryland or by any of its political subdivisions.

Interest on the Series 2018 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. Holders or prospective purchasers of the Series 2018 Certificates should consult their tax advisors regarding the taxable status of the Series 2018 Certificates in a particular state or local jurisdiction other than the State of Maryland.

United States Federal Income Taxation

A holder or prospective purchaser of the Series 2018 Certificates should seek advice based on the holder's or prospective purchaser's particular circumstances from an independent tax advisor.

General. The interest on the Series 2018 Certificates *will* be includable in gross income for United States federal income tax purposes.

Certain Other Federal Tax Consequences Pertaining to Series 2018 Certificates. Many factors may impact the application of federal income tax laws pertaining to the Series 2018 Certificates and the receipt of interest on the Series 2018 Certificates, including the status of the beneficial owner of the Series 2018 Certificates as a United States holder or non-United States holder under applicable rules, whether the Series 2018 Certificates are held as capital assets or in some other context, and whether the status of the beneficial owner or the financial context in which it is operating represents a special tax situation, such as an S corporation, insurance company, tax-exempt organization, financial institution, regulated investment company, real estate investment trust, or broker-dealer and trader in securities. Persons considering the purchase of the Series 2018 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 2018 Certificates held as capital assets by United States holders. The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and regulations, rulings and judicial decisions as of the date of this Official Statement. Those provisions 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 2018 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 2018 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 2018 Certificates should consult its tax advisor.

Pursuant to recently enacted legislation, an accrual method taxpayer that reports revenues on an applicable financial statement generally must recognize income for United States federal income tax purposes no later than the taxable year in which such income is taken into account as revenue in an applicable financial statement of the taxpayer. To the extent this rule is inconsistent with the rules described below, this rule supersedes such rules. Thus, this rule could potentially require such a taxpayer to recognize income for United States federal income tax purposes with respect to the Series 2018 Certificates prior to the time such income would be recognized pursuant to the rules described below. Potential investors in the Series 2018 Certificates should consult their tax advisors regarding the potential applicability of these rules to their investment in the Series 2018 Certificates.

Payment of Interest. Interest on a Series 2018 Certificate will be taxable to a United States holder as ordinary interest income at the time it is accrued or is paid in accordance with the United States holder's method of accounting for tax purposes.

Tax Accounting Treatment of Discount Certificates. Certain maturities of the Series 2018 Certificates may be issued at an initial public offering price which is less than the stated redemption price at maturity of such Series 2018 Certificates (the "Discount Certificates"). If the stated redemption price at maturity of Discount Certificates of a particular maturity exceeds the first price at which a substantial amount of such 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 Discount Certificates will be treated as having original issue discount. A holder of 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 which is treated as having accrued during a taxable year with respect to such 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 Discount Certificates will be attributed to permissible compounding periods during the life of any Discount Certificates in accordance with a constant rate of interest accrual method. The yield to maturity of the 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 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 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 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 2018 Certificate premium, as described below) and reduced by any payments made on the Discount Certificate (other than qualified stated interest) on or before the first day of the compounding period. Under these rules, a holder of a 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 Discount Certificates held of record by persons other than corporations and other exempt holders will be reported to the Internal Revenue Service. If a 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 Discount Certificate and is payable at a single fixed rate or, subject to certain conditions, based on one or more interest indices.

Holders of Discount Certificates should note that, under applicable regulations, the yield and maturity of a Discount Certificate is determined without regard to commercially reasonable sinking fund payments and any original issue discount remaining unaccrued at the time that a 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 2018 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 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 Discount Certificates should consider possible State and local income, excise or franchise tax consequences arising from original issue discount on Discount Certificates. In addition, prospective foreign corporate purchasers should consider possible federal tax consequences arising from original issue discount on such 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 Discount Certificates should consult their tax advisors.

Purchase, Sale and Retirement of Certificates. Except as noted below in the case of market discount, the sale or other disposition of a Series 2018 Certificate will normally result in capital gain or loss. A United States holder's initial tax basis in a Series 2018 Certificate will be its cost. Upon the sale, redemption or retirement of a Series 2018 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 2018 Certificate, determined by adding to the original cost basis in such Series 2018 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 2018 Certificate other than qualified stated interest, as more fully described above under "Tax Accounting Treatment of 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 2018 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 2018 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 2018 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 2018 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 2018 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 2018 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 2018 Certificate until the holder disposes of the Series 2018 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 2018 Certificate is generally subject to rules for accruing original issue discount described above. However, if such holder's purchase price for the Series 2018 Certificate exceeds the adjusted issue price (the sum of the issue price of the Series 2018 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 2018 Certificate by such holder and reduced by any payment previously made on the Series 2018 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 2018 Certificate over the adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Series 2018 Certificate after the purchase date other than qualified stated interest over the Series 2018 Certificates' adjusted price).

Amortizable Certificate Premium. If the United States holder's basis in a Series 2018 Certificate exceeds the sum of all amounts payable on the Series 2018 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 2018 Certificate and, in the case of a Discount Certificate, such holder will not have to account for original issue discount with respect to such Series 2018 Certificate. The holder of a Series 2018 Certificate having amortizable premium generally may elect to amortize the premium over the remaining term of the Series 2018 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 2018 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 2018 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 Certificate. The holder of a Series 2018 Certificate may elect to treat all interest on the Series 2018 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 2018 Certificate is acquired and may not revoke the election without the consent of the Internal Revenue Service. Holders of Series 2018 Certificates should consult with their own tax advisors about this election.

Medicare Tax. Interest income from the Series 2018 Certificates and net gain realized on the sale or other disposition of property such as the Series 2018 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 2018 Certificates should consult their tax advisors concerning this additional tax as it may apply to the purchase, holding and disposition of the Series 2018 Certificates.

Consequences of Defeasance. The Series 2018 Certificates may be defeased prior to maturity at the option of the County. Holders of the Series 2018 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 2018 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.

U.S. Federal Information Reporting and Backup Withholding. Under current United States federal income tax law, a 24% backup withholding tax requirement may apply to certain payments of interest and original issue discount on, and the proceeds of the sale, exchange or redemption of, the Series 2018 Certificates if the holder fails to satisfy applicable IRS information reporting requirements. In addition, certain persons making such payments are required to submit information returns (*i.e.*, IRS Forms 1099) to the IRS 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. Subject to the discussion below under “FATCA Compliance,” payments with respect to the Series 2018 Certificates to a non-United States holder that has no connection with the United States other than holding its Series 2018 Certificate generally will be exempt from United States income tax and will be made free of withholding tax, as long as that holder has complied with certain tax identification and certification requirements. Non-United States holders should consult their tax advisors regarding the possible United States income tax implications of their ownership and disposition of the Series 2018 Certificates.

FATCA Compliance. Sections 1471 through 1474 of the Code and related federal income tax guidance, collectively referred to as FATCA, generally impose United States federal withholding tax at a rate of 30% on payments to certain foreign entities of (i) United States-source interest income (including interest paid on the Series 2018 Certificates) and (ii) the gross proceeds from a disposition, after December 31, 2018, of an obligation that produces United States-source interest (including a disposition of the Series 2018 Certificates), in each case, unless various information reporting and diligence requirements are satisfied. This tax generally would apply in the case of Series 2018 Certificates held through foreign financial institutions that do not satisfy such requirements. Non-United States holders should consult their tax advisors regarding the possible implications of FATCA on their ownership and disposition of the Series 2018 Certificates.

Future Tax Developments. Future legislation or regulatory actions and proposals may affect the federal or State income tax consequences of owning the Series 2018 Certificates or the market value of the Series 2018 Certificates (including, but not limited to, actions or inactions with respect to, among other things, the scheduled expiration of certain income tax cuts enacted by Congress). Prospective holders of the Series 2018 Certificates should consult their own independent tax advisors regarding any pending or proposed federal or State tax legislation, regulations, rulings or litigation as to which McKennon Shelton & Henn LLP, special counsel, expresses no opinion.

The foregoing discussion does not discuss all aspects of federal income taxation that may be relevant to a particular holder of Series 2018 Certificates in light of his or her particular circumstances and income tax situation. Each holder of Series 2018 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 2018 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 2018 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

Davenport & Company LLC, has acted as Financial Advisor to the County for the sale and issuance of the Series 2018 Certificates and on certain other financial matters.

RATINGS

Moody's Investors Service, Inc., and S&P Global Ratings ("S&P") have given the Series 2018 Certificates the respective ratings 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 2018 Certificates.

UNDERWRITING

Morgan Stanley & Co. LLC., the winning bidder for the Series 2018B Certificates, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2018B Certificates.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

With respect to the Series 2018B Certificates, Precision Analytics Inc. (the "Verification Agent") has verified the mathematical accuracy of the computations performed by Davenport & Company LLC, including the adequacy of the funds held in the Escrow Deposit Fund for the payment when due of the principal of and interest on and, as applicable, the redemption price of and accrued interest on the Refunded 2010A Certificates on the redemption date therefor. Such verification is based upon data and information supplied to the Verification Agent by Davenport & Company LLC.

CERTIFICATE OF COUNTY OFFICIALS

The Chief Administrative Officer and the Director of Finance of the County will furnish a certificate to the successful bidders for the Series 2018 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 2018 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 and Exchange Commission ("Rule 15c2-12") to comply with the requirements of paragraph (b)(5) of Rule 15c2-12, the County will execute and deliver a continuing disclosure agreement (the "Continuing Disclosure Agreement") on or before the date of issuance and delivery of the Series 2018 Certificates, the form of which is attached to this Official Statement as Appendix B. Potential purchasers of the Series 2018 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 2018 Certificates, such as the possibility of unscheduled draws on debt service reserves and matters affecting collateral for the Series 2018 Certificates.

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 for its bonds in the future.

- The County failed to file notices of ratings changes in connection with: (i) the upgrade by S&P in July 2013 of the County's Revenue Bonds (Department of Liquor Control), (ii) the upgrade by S&P in January 2016 of the County's Revenue Bonds (Water Quality Protection Charge), Series 2012, (iii) the upgrade by Fitch Ratings in April 2016 of the County's Taxable Limited Obligation Certificates (Facility and Residential Development Projects), and (iv) the upgrade by Fitch Ratings in April 2016 of the County's Lease Revenue Project and Refunding Bonds (Metrorail Garage Projects). The County subsequently filed notices of such upgrades on the Electronic Municipal Market Access ("EMMA") system.

LEGALITY OF THE CERTIFICATES

The authorization, sale, issuance and delivery of the Series 2018 Certificates will be subject to legal approval by McKennon Shelton & Henn LLP, Baltimore, Maryland, special counsel, and a copy of their unqualified approving legal opinion with respect to the Series 2018 Certificates will be delivered upon request, without charge, to the successful bidders for the Series 2018 Certificates. The opinions are expected to be substantially in the forms of the draft opinions attached to this Official Statement as Appendix A.

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 2018 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 2018 Certificates should be directed to the County's Director of Finance, 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/ Alexandre A. Espinosa
Alexandre A. Espinosa
Director, Department of Finance

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APPENDIX A

FORMS OF APPROVING OPINIONS OF SPECIAL COUNSEL

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[Form of Approving Opinion of Special Counsel – Series 2018A Certificate]

[Closing Date]

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

County Executive and Council Members:

In connection with the issuance of \$_____ Montgomery County, Maryland, Taxable Limited Obligation Certificates (Facility and Residential Development Projects) Series 2018A (the “Series 2018A Certificates”) we have examined:

(i) the Taxable Limited Obligation Certificate Trust Agreement by and between Montgomery County, Maryland (the “County”) and the U.S. Bank National Association, acting as Trustee (the “Trustee”) and as the Bank (the “Bank”) dated as of April 1, 2010, as amended by the First Supplemental Taxable Limited Obligation Certificate Trust Agreement and Supplemental Funding Agreement dated as of August 1, 2011 (the “First Supplement”), the Second Supplemental Taxable Limited Obligation Certificate Trust Agreement and Supplemental Funding Agreement dated as of December 1, 2013 (the “Second Supplement”) and the Third Supplemental Taxable Limited Obligation Certificate Trust Agreement and Supplemental Funding Agreement (the “Third Supplement”) dated as of November 1, 2018 (the “Trust Agreement”);

(ii) the Funding Agreement by and between the County and the Bank dated as of April 1, 2010, as amended by the First Supplement, the Second Supplement and the Third Supplement (the “Funding Agreement”);

(iii) Resolution No. 16-675 of the County Council adopted on July 29, 2008 and effective on July 31, 2008, as amended by Resolution No. 16-1298 of the County Council adopted on March 23, 2010; Resolution No. 17-227 of the County Council adopted on July 26, 2011 and effective on July 26, 2011; Resolution No. 17-803 of the County Council adopted on July 16, 2013 and effective on July 19, 2013; and Resolution No. 18-1181 of the County Council adopted on July 17, 2018 and effective on July 17, 2018;

(iv) Executive Order No. B368-18 executed by the County Executive of the County on October 23, 2018 and Executive Order No. B370-18 of the County Executive of the County executed and delivered as of November 8, 2018;

(v) form of the Series 2018A Certificates;

(vi) relevant provisions of the Internal Revenue Code of 1986, as amended (the “Code”); and

(vii) other proofs submitted to us relative to the issuance of the Series 2018A 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.

The Series 2018A Certificates are in registered form in denominations of \$5,000 or any integral multiple thereof. The Series 2018A Certificates bear interest, mature and are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth therein and in the Trust 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:

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

(b) The Series 2018A Certificates have been duly authorized and issued pursuant to, and are permitted by the terms of, the Trust Agreement, constitute valid and binding obligations evidencing direct and proportionate interests of the owners thereof in principal and interest components of Contract Payments, and are equally and ratably secured under the Trust Agreement. Additional Certificates secured equally and ratably with the Series 2018A 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 2018A 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) Under existing law, the interest portion of the Contract Payments on the Series 2018A 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 2018A Certificates will be includable in gross income for federal income tax purposes under existing statutes, regulations and decisions.

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. The opinions expressed herein are limited to the matters set forth above, and no other opinions should be inferred beyond the matters expressly stated.

Very truly yours,

[Form of Approving Opinion of Special Counsel – Series 2018B Certificate]

[Closing Date]

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

County Executive and Council Members:

In connection with the issuance of \$_____ Montgomery County, Maryland, Taxable Limited Obligation Refunding Certificates (Facility and Residential Development Projects) Series 2018B (the “Series 2018B Certificates”) we have examined:

(i) the Taxable Limited Obligation Certificate Trust Agreement by and between Montgomery County, Maryland (the “County”) and the U.S. Bank National Association, acting as Trustee (the “Trustee”) and as the Bank (the “Bank”) dated as of April 1, 2010, as amended by the First Supplemental Taxable Limited Obligation Certificate Trust Agreement and Supplemental Funding Agreement dated as of August 1, 2011 (the “First Supplement”), the Second Supplemental Taxable Limited Obligation Certificate Trust Agreement and Supplemental Funding Agreement dated as of December 1, 2013 (the “Second Supplement”) and the Third Supplemental Taxable Limited Obligation Certificate Trust Agreement and Supplemental Funding Agreement (the “Third Supplement”) dated as of November 1, 2018 (the “Trust Agreement”);

(ii) the Funding Agreement by and between the County and the Bank dated as of April 1, 2010, as amended by the First Supplement, the Second Supplement and the Third Supplement (the “Funding Agreement”);

(iii) Resolution No. 16-675 of the County Council adopted on July 29, 2008 and effective on July 31, 2008, as amended by Resolution No. 16-1298 of the County Council adopted on March 23, 2010; Resolution No. 17-227 of the County Council adopted on July 26, 2011 and effective on July 26, 2011; Resolution No. 17-803 of the County Council adopted on July 16, 2013 and effective on July 19, 2013; and Resolution No. 18-1181 of the County Council adopted on July 17, 2018 and effective on July 17, 2018;

(iv) Executive Order No. B368-18 executed by the County Executive of the County on October 23, 2018 and Executive Order No. B370-18 of the County Executive of the County executed and delivered as of November 8, 2018;

(v) form of the Series 2018B Certificates;

(vii) relevant provisions of the Internal Revenue Code of 1986, as amended (the “Code”); and

(vii) other proofs submitted to us relative to the issuance of the Series 2018B 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.

The Series 2018B Certificates are in registered form in denominations of \$5,000 or any integral multiple thereof. The Series 2018B Certificates bear interest, mature and are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth therein and in the Trust 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:

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

(b) The Series 2018B Certificates have been duly authorized and issued pursuant to, and are permitted by the terms of, the Trust Agreement, constitute valid and binding obligations evidencing direct and proportionate interests of the owners thereof in principal and interest components of Contract Payments, and are equally and ratably secured under the Trust Agreement. Additional Certificates secured equally and ratably with the Series 2018B 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 2018B 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) Under existing law, the interest portion of the Contract Payments on the Series 2018B 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 2018B Certificates will be includable in gross income for federal income tax purposes under existing statutes, regulations and decisions.

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. The opinions expressed herein are limited to the matters set forth above, and no other opinions should be inferred beyond the matters expressly stated.

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 _____, 2018 (this “Disclosure Agreement”) is executed and delivered by MONTGOMERY COUNTY, MARYLAND (the “County”) in connection with the issuance of its Taxable Limited Obligation Certificates (Facility and Residential Development Projects), Series 2018A and Taxable Limited Obligation Refunding Certificates (Facility and Residential Development Projects), Series 2018B (together, the “Series 2018 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 2018 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:

“Dissemination Agent” shall mean the County, acting as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the County.

“EMMA” shall mean Electronic Municipal Market Access System maintained by the MSRB. For more information on EMMA, see 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.

“Participating Underwriter” shall mean any of the original underwriters of the Series 2018 Certificates required to comply with the Rule in connection with offering of the Series 2018 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, 2018:

- (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, 2018, 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, 2018), 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 2018 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.

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 2018 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 events affecting the tax status of the Series 2018 Certificates;
- (7) modifications to rights of holders of the Series 2018 Certificates, if material;
- (8) certificate calls;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Series 2018 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 2018 Certificates;
- (13) tender offers;
- (14) bankruptcy, insolvency, receivership or similar event of the County;

- (15) appointment of a successor or additional trustee or the change of name of a trustee, if material; and
- (16) 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.

(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 identifying 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 2018 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 2018 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 2018 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 2018 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 2018 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 2018 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 current owners from time to time of the Series 2018 Certificates, including beneficial owners, and shall create no rights in any other person or entity.

SECTION 11. *Relationship to Series 2018 Certificates.* This Disclosure Agreement constitutes an undertaking by the County that is independent of the County's obligations with respect to the Series 2018 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 2018 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.

SECTION 16. *Dissemination Agent.* The County may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the County pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the County shall be the Dissemination Agent.

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: _____
Director of Finance

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, as amended.

“Certificate” means the limited obligation certificates executed and delivered under the Trust Agreement, together with any Additional Certificates.

“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 Holders moneys received by the Trustee from the County for the payment of principal, premium, if any, and interest on the Certificates.

“County Representative” means the County Executive, the Chief Administrative Officer, or the Director of Finance of the County and any other person authorized by the County to act on its behalf under or with respect to the Funding Agreement and the Trust Agreement by written certificate executed by the Director of Finance of the County and delivered to the Trustee.

“Holder” means the person or entity in whose name a certificate is registered on the Certificate register maintained by the Trustee pursuant to the Trust Agreement.

“Government Obligations” means direct obligations of, or obligations the full and timely payment of the principal of and the interest on which are unconditionally guaranteed by, the United States of America.

“Interest Payment Date” means May 1 and November 1 of each year commencing May 1, 2019.

“Outstanding” when used with reference to the Certificates and as of any particular date, means all Certificates theretofore authenticated and delivered except: (a) any Certificate cancelled by the Trustee (or delivered to the Trustee for cancellation) at or before such date, (b) any Certificate in lieu of or in substitution for which another Certificate shall have been delivered pursuant to the Trust Agreement and (c) any Certificate that is deemed to have been paid pursuant to the provisions of the Trust Agreement.

“Program” means (i) the County Affordable Housing Initiative promulgated under Section 25B of the Montgomery County Code to provide funding for the acquisition, construction, rehabilitation and renovation of real property for the purpose of increasing the inventory of affordable housing in the County; (ii) the public-private partnership to redevelop a retail site into a music hall as part of the County’s redevelopment; and (iii) any additional projects as specified in supplemental trust agreements.

“Project Costs” means the costs of acquisition, construction, rehabilitation and renovation of real property for the purpose of implementing the Program.

“Revenues” means (i) all payments to be made by the County to the Bank pursuant to the Funding Agreement, (ii) the proceeds of the 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 from the exercise of remedies under the Trust Agreement.

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 should be made to the Funding Agreement for a complete statement of its terms.

Term of Agreement (Section 3.02.)

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 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.

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 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).

Essentiality (Section 4.06.)

The County represents that the Program is essential to the County.

Events of Default and Remedies (Sections 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.

No delay or omission to exercise any right or power accruing upon any default will impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Bank to exercise any remedy reserved to it in the Funding Agreement, it will not be required to give any notice other than such notice as may be required in 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 should be made to the Trust Agreement for a complete statement of its terms.

Security (Granting Clauses)

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 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 in trust by the Trustee for the benefit of the Holders and which shall be kept separate and apart from all other funds and moneys held by the Trustee.

Moneys on deposit in the Project Fund 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 Project Fund shall be paid by the Trustee to pay the Project Costs 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, or, if the County can establish that it has already made such payment, to the County as reimbursement.

Upon the earlier of (i) three years from the date of initial authentication and delivery of the Certificates and (ii) the payment of all of the Project Costs, the Trustee shall transfer any moneys remaining in the Project Fund upon the written direction of the County; provided that the proceeds of the sale of the Certificates, including any premium paid for such 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 Project Fund to the Certificate Fund for the purpose of paying the maturing principal of and interest on the Certificates as they become due.

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 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 Interest Account and the Principal Account.

The Trustee shall deposit amounts received by the Trustee under 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 May 1 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 funds held by the Trustee in the Interest Account.

On each Interest Payment Date and redemption date, the Trustee shall pay or cause to be paid out of the Interest Account the interest due on the Certificates on such date and on each May 1 and redemption date, the Trustee shall pay or cause to be paid out of the Principal Account the principal or redemption price due on the Certificates on such date.

Investments (Section 4.04.)

Moneys held by the Trustee under the Trust Agreement shall be invested by the Trustee upon written order of a County Representative. 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.

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 to fund the Program. 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.

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 the Trustee 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 Trustee 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 Holder in any action which any 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 (Sections 8.09. and 8.10.)

The Trustee may resign and thereby become discharged from the trusts thereby 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, (ii) upon acceptance by the new Trustee of the trusts created and the duties of the Trustee under the Trust Agreement, and (iii) assignment by the Trustee and acceptance and assumption by the new Trustee of all the rights, title and interest, duties and obligations of the Trustee under the Funding Agreement. Upon the occurrence of any such resignation, the Trustee, by appropriate documentation, shall transfer all right, title and interest it may have as Trustee under the Trust Agreement and as Trustee under the Funding Agreement to the successor Trustee.

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 under the Funding Agreement to the successor Trustee. Removal of the Trustee shall take effect immediately upon (i) the appointment of a new Trustee and (ii) upon acceptance by the new Trustee of the trusts created and the duties of the Trustee under the Trust Agreement and 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 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 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 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 thereby created 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. The Trustee shall be deemed to have a conflicting interest if such interest is a conflicting interest within the meaning of Section 310(b)(1) to (9), inclusive, of the Trust Indenture Act of 1939, as amended.

Liability of Trustee (Section 8.14.)

Except as expressly provided in the Trust Agreement, the Trustee shall have no obligation or liability to the 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 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 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 hereof, which supplemental trust agreements shall thereafter form a part thereof:

- (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 confer upon the Trustee or the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Trustee or the Holders;
- (c) to authorize the issuance of Additional Certificates; or
- (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.

Not less than thirty (30) days prior to the execution of any supplemental trust agreement for any of the purposes indicated above, the Trustee shall cause a notice of the proposed execution of such supplemental trust agreement to be mailed, postage prepaid, to all 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 Holders.

Subject to the terms and provisions of the Trust Agreement, 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 therein 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 therein provided, no 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 (as such term is defined in the Funding Agreement) 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 (in funds satisfactory to the Trustee) 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 Holders the interest on or principal of any Certificate when due, are also declared to be and constitute Events of Default under the Trust Agreement.

Upon the occurrence and continuance of an Event of Default, subject to any applicable cure period as set forth in the Funding Agreement, 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 may, in its discretion, enforce each and every right or remedy granted to it, in its capacity as the Bank, 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 Holders and require the County to carry out any agreements with or for the benefit of the 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 Holders; (d) intervene in proceedings involving the rights of the Bank, the Trustee or the 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 Holder shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust, or any other remedy under the Trust Agreement or on the Certificates, unless (a) such 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 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 thereby 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; it being understood and intended that no one or more Holders of the Certificates thereby secured 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 therein provided, and that all proceedings at law or in equity shall be instituted, held and maintained in the manner therein provided 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 (Article XII)

If the Trustee 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 under the Trust Agreement to the Trustee or the 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 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 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 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.

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The information contained in this Appendix D has been extracted from a schedule prepared by The Depository Trust Company ("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 2018 Certificates. The Series 2018 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 2018 Certificate will be issued for each maturity of the Series 2018 Certificates in principal amount equal to the aggregate principal amount of the Series 2018 Certificates of such maturity, and will be deposited with DTC.

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-only 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 and www.dtc.org.

Purchases of Series 2018 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018 Certificates on DTC's records. The ownership interest of each actual purchaser of each Series 2018 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 2018 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 2018 Certificates, except in the event that use of the book-entry system for the Series 2018 Certificates is discontinued.

To facilitate subsequent transfers, all Series 2018 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 2018 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2018

Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2018 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2018 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 2018 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 2018 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments and any premium on the Series 2018 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, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or its 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.

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 2018 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 2018 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 2018 Certificate certificates will be printed and delivered.

In the event that the Book-Entry Only System is discontinued, the Series 2018 Certificates in fully certificated form will be issued as fully registered Series 2018 Certificates without coupons in the

denomination of \$5,000 each or any integral multiple thereof. Such Series 2018 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 2018 Certificate or Series 2018 Certificates of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Series 2018 Certificate surrendered and maturing on the same date and bearing interest at the same rate. The new Series 2018 Certificate or Series 2018 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 2018 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.

The Trustee shall not be required to transfer or exchange any Series 2018 Certificate after the mailing of notice calling such Series 2018 Certificate or portion thereof for redemption as previously described; provided, however, that the foregoing limitation shall not apply to that portion of a Series 2018 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 2018 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 2018 Certificates.

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