

OFFICIAL STATEMENT DATED MARCH 21, 2019

NEW ISSUE -- BOOK-ENTRY ONLY

RATING: S&P: AA
(see "Rating" herein)

In the opinion of Bond Counsel, under existing law, the interest payable on the Series 2019A Bonds and profit realized from the sale or exchange of the Series 2019A Bonds, will be exempt from State of Maryland income taxation. No opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Series 2019A Bonds, their transfer or the interest therefrom. Assuming compliance with certain covenants described herein, under existing statutes, regulations and decisions, interest on the Series 2019A Bonds will be excludable from gross income for federal income tax purposes. Interest on the Series 2019A Bonds for federal income tax purposes is not includable in the alternative minimum taxable income of individuals as an enumerated item of tax preference or other specific adjustment. Additionally, interest on the Series 2019A Bonds will be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States of America. See "TAX MATTERS."

\$24,700,000
MONTGOMERY COUNTY, MARYLAND
REFUNDING REVENUE BONDS (DEPARTMENT OF LIQUOR CONTROL), 2019 SERIES A

Dated: Date of Issuance

Due: April 1, as shown inside

Montgomery County, Maryland (the "County") is issuing the Refunding Revenue Bonds (Department of Liquor Control), 2019 Series A (the "Series 2019A Bonds") to provide funds to currently refund certain outstanding revenue bonds of the County and to pay costs of issuance. The Series 2019A Bonds will be issued under a Trust Agreement, dated as of May 1, 2009, by and between the County and U.S. Bank National Association, as Trustee, as supplemented by a Third Supplemental Trust Agreement, dated as of March 1, 2019, by and between the County and the Trustee.

The Series 2019A Bonds and the interest and premium (if any) thereon will be special obligations of the County, the principal of and interest and premium (if any) on which will be payable solely from the Trust Estate or from any other moneys made available to the Trustee for such purpose. Neither the Series 2019A Bonds nor the interest or premium (if any) thereon shall ever constitute an indebtedness or a charge against the general credit or taxing powers of the State of Maryland, the County or any other public body within the meaning of any constitutional or charter provision or statutory limitation. The Series 2019A Bonds do not constitute an indebtedness to which the faith or credit of the State of Maryland, the County or any other public body is pledged.

FOR MATURITY SCHEDULE SEE INSIDE FRONT COVER

Interest on the Series 2019A Bonds is payable semiannually on April 1 and October 1 of each year, commencing October 1, 2019. See "The Series 2019A Bonds – General" herein. The Series 2019A Bonds will be subject to optional redemption prior to maturity as more fully described herein.

The Series 2019A Bonds will be issuable in the denomination of \$5,000 and any integral multiple of \$5,000 in excess thereof. The Series 2019A Bonds will be issuable only as registered bonds. When issued, the Series 2019A Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). Purchasers of ownership interests in the Series 2019A Bonds ("Beneficial Owners") will not receive physical delivery of bond certificates. Ownership by Beneficial Owners of ownership interests in the Series 2019A Bonds will be evidenced by book-entry only. As long as Cede & Co., as nominee for DTC, is the registered owner of the Series 2019A Bonds, payments of principal of and interest or premium (if any) on the Series 2019A Bonds will be made directly to DTC, through Cede & Co. as its nominee for DTC, is the registered owner of the Series 2019A Bonds, nominee, which will in turn remit such payments to the DTC Participants, as herein described, for subsequent disbursement to the Beneficial Owners. See "The Series 2019A Bonds - Book-Entry System" herein.

The Series 2019A Bonds are offered when, as and if issued, subject to the approval of McKennon Shelton & Henn LLP, Baltimore, Maryland, Bond Counsel, and certain other conditions. It is expected that the Series 2019A Bonds will be available for delivery in New York, New York through the facilities of DTC on or about March 29, 2019.

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 AND YIELDS

\$24,700,000

MONTGOMERY COUNTY, MARYLAND

REFUNDING REVENUE BONDS (DEPARTMENT OF LIQUOR CONTROL), 2019 SERIES A

Maturity		Interest		
<u>April 1,</u>	<u>Amount</u>	<u>Rate</u>[*]	<u>Yield</u>[*]	<u>CUSIP</u>⁺
2021	\$ 665,000	5.00%	1.600%	61336PEW7
2022	2,520,000	5.00	1.630	61336PEX5
2023	2,645,000	5.00	1.670	61336PEY3
2024	2,780,000	5.00	1.740	61336PEZ0
2025	2,920,000	5.00	1.800	61336PFA4
2026	3,065,000	5.00	1.860	61336PFB2
2027	3,215,000	5.00	1.910	61336PFC0
2028	3,375,000	4.00	2.010 ^{**}	61336PFD8
2029	3,515,000	4.00	2.140 ^{**}	61336PFE6

* The rates shown above are the interest rates payable by the County resulting from the successful bid for the Series 2019A Bonds by a group of banks and investment banking firms at a public sale on March 21, 2019. The yields or prices shown above were furnished by the successful bidder. Any additional information concerning the reoffering of the Series 2019A Bonds should be obtained from the successful bidder and not from the County.

** Yield to call date of April 1, 2027

+ The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. that is not affiliated with the County, and the County is not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders 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.

\$24,700,000
MONTGOMERY COUNTY, MARYLAND
REFUNDING REVENUE BONDS (DEPARTMENT OF LIQUOR CONTROL), 2019 SERIES A



PROSPECTIVE BONDHOLDERS ARE ADVISED TO READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES HERETO. SPECIAL REFERENCE IS MADE TO THE SECTION “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019A BONDS” THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2019A BONDS.

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 2019A BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE.

No dealer, broker, salesperson, or other person has been authorized by the County or the Department to give any information or to make any representations with respect to the Series 2019A Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing.

Certain information contained herein has been obtained from the County and other sources which are believed to be reliable, but has not been independently verified by, is not guaranteed as to accuracy or completeness by and is not to be construed as a representation of the County. 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 herein shall, under any circumstances, create any implication that there has been no change in the affairs of the parties referred to above since the date hereof. See “CONTINUING DISCLOSURE” herein. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Series 2019A Bonds.

This Official Statement should be considered in its entirety and no one factor considered less important than any other by reason of its location herein. Where agreements, reports or other documents are referred to herein, reference should be made to such agreements, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute “forward-looking statements.” In this respect, the words “estimate,” “project,” “anticipate,” “expect,” “intend,” “believe” and similar expressions are intended to identify forward-looking statements. A number of important factors, including factors affecting the Department’s financial condition and factors which are otherwise unrelated thereto which affect Project construction and operation, could cause actual results to differ materially from those stated in the forward-looking statements.

The order and placement of information in this Official Statement, including the appendices, are not an indication of relevance, materiality or relative importance, and this Official Statement, including the appendices, must be read 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 selection in this Official Statement.

THE SERIES 2019A BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT.

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

COUNTY EXECUTIVE

Marc Elrich

COUNTY COUNCIL

Nancy Navarro	<i>President</i>
Sidney Katz	<i>Vice President</i>
Gabe Albornoz	
Andrew Friedson	
Evan Glass	
Tom Hucker	
Will Jawando	
Craig Rice	
Hans Riemer	

The County Executive and all County Council members were inaugurated on December 3, 2018 for a four year term.

APPOINTED OFFICIALS

Andrew Kleine	<i>Chief Administrative Officer</i>
Alexandre A. Espinosa	<i>Director, Department of Finance</i>
Richard S. Madaleno	<i>Director, Office of Management and Budget</i>
Marc P. Hansen	<i>County Attorney</i>
Megan Davey Limarzi	<i>Clerk of the Council</i>

BOND COUNSEL

McKennon Shelton & Henn LLP
Baltimore, Maryland

FINANCIAL ADVISOR

Davenport & Company LLC
Towson, Maryland

TRUSTEE

U.S. Bank National Association
Richmond, Virginia

DEBT MANAGEMENT AND DISCLOSURE INFORMATION

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

TABLE OF CONTENTS

	<u>Page</u>
SUMMARY OF OFFICIAL STATEMENT.....	iv
INTRODUCTORY STATEMENT.....	1
THE COUNTY	1
THE DEPARTMENT	2
PLAN OF REFUNDING	2
THE SERIES 2019A BONDS	3
SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019A BONDS	6
OTHER OBLIGATIONS.....	7
ANNUAL DEBT SERVICE REQUIREMENTS OF OUTSTANDING PARITY DEBT	8
RISK FACTORS.....	9
TAX MATTERS	10
LEGAL MATTERS	13
LITIGATION	13
SALE AT COMPETITIVE BIDDING	14
FINANCIAL ADVISOR.....	14
RATING.....	14
CONTINUING DISCLOSURE	14
FINANCIAL INFORMATION	15
MISCELLANEOUS.....	15

APPENDIX A - The Department of Liquor Control
APPENDIX B - Financial Information regarding the Department excerpted
from the County's Comprehensive Annual Financial Reports
for the Fiscal Years ending June 30, 2018 and 2017
APPENDIX C - Definitions of Terms and Summary of the Trust Agreement
APPENDIX D - Proposed Form of Opinion of Bond Counsel
APPENDIX E - Proposed Form of Continuing Disclosure Agreement
APPENDIX F - Refunded Bonds

SUMMARY OF OFFICIAL STATEMENT

This Summary is provided for the convenience of the reader and does not purport to be complete. Potential investors should read the entire Official Statement before considering an investment in the Series 2019A Bonds. Capitalized terms used in this Official Statement are defined in "APPENDIX C - Definitions of Terms and Summary of the Trust Agreement."

Issuer:	Montgomery County, Maryland
Issue:	Montgomery County, Maryland Refunding Revenue Bonds (Department of Liquor Control), 2019 Series A
Security:	Pledge of net revenues of the Montgomery County Department of Liquor Control deposited in the County's General Fund
Trustee:	U.S. Bank National Association, Richmond, Virginia
Maturity Dates:	April 1, 2021 through 2029, inclusive
Interest Payment Dates:	April 1 and October 1, beginning October 1, 2019
Redemption:	Series 2019A Bonds maturing on or before April 1, 2027 are not subject to redemption prior to maturity. Series 2019A Bonds maturing on or after April 1, 2028 are subject to optional redemption in whole at any time, or in part on any Interest Payment Date, on and after April 1, 2027, at a Redemption Price equal to the principal of and accrued interest, if any, on the Series 2019A Bonds, without premium, upon 30 days notice to the Owners of Series 2019A Bonds.
Tax status:	Generally exempt from federal and Maryland income taxation

\$24,700,000
MONTGOMERY COUNTY, MARYLAND
REFUNDING REVENUE BONDS
(DEPARTMENT OF LIQUOR CONTROL)
2019 SERIES A

INTRODUCTORY STATEMENT

This Official Statement, including the cover page, inside front cover and appendices, is provided to furnish certain information with respect to the issuance by Montgomery County, Maryland, a body politic and corporate and a political subdivision of the State of Maryland (the “County”) of \$24,700,000 aggregate principal amount of its Refunding Revenue Bonds (Department of Liquor Control), 2019 Series A (the “Series 2019A Bonds”). The Series 2019A Bonds will be issued pursuant to Resolution No. 19-40 adopted by the County on February 12, 2019 (the “Resolution”), and a Trust Agreement dated as of May 1, 2009 (the “2009 Trust Agreement”) entered into between the County and U. S. Bank National Association, as trustee (the “Trustee”), as supplemented by a First Supplemental Trust Agreement dated April 11, 2011 (the “First Supplemental Trust Agreement”), a Second Supplemental Trust Agreement dated as of August 1, 2013 (the “Second Supplemental Trust Agreement”), and a Third Supplemental Trust Agreement dated as of March 1, 2019 (the “Third Supplemental Trust Agreement”), each by and between the County and the Trustee. The 2009 Trust Agreement as supplemented by the First, Supplemental Trust Agreement, Second Supplemental Trust Agreement and Third Supplemental Trust Agreement is referred to herein as the “Trust Agreement”. The Trustee has a corporate trust office at 1021 E. Cary Street, Suite 1850, Richmond, Virginia 23219. The Trustee may be removed or replaced by the County, pursuant to the terms of the Trust Agreement.

The Series 2019A Bonds are being issued to provide funds to currently refund the County’s Revenue Bonds (Department of Liquor Control) 2009, Series A (the “Refunded Bonds”) and to pay certain costs of issuing the Series 2019A Bonds.

Certain terms used in this Official Statement are defined in “APPENDIX C - Definitions of Terms and Summary of the Trust Agreement.” Any capitalized term used in this Official Statement and not defined herein shall have the meaning given such term by the Trust Agreement, except where otherwise indicated or the context clearly indicates otherwise.

The Series 2019A Bonds will be limited obligations of the County, payable solely from the Trust Estate as described under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019A BONDS.”

THE COUNTY

The Series 2019A Bonds have been authorized and will be issued by the County. The Series 2019A Bonds will be issued under the provisions of the Constitution and laws of the State of Maryland, in particular Section 10-203 of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2018 Supplement), and the Montgomery County Revenue Bond Act, Article IX of the Montgomery County Code (2004 Edition, as amended) (collectively, the “Revenue Bond Act”), and pursuant to the Resolution and other proceedings of the County.

THE DEPARTMENT

The Montgomery County Department of Liquor Control (the “Department”) operates facilities for the wholesale and retail distribution of alcoholic beverages in the County. The Series 2019A Bonds are payable solely from the Trust Estate, the primary component of which is the Pledged Revenues of the Department. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019A BONDS” below.

Further current and historical information concerning the Department is contained in “APPENDIX A — The Department of Liquor Control” and in “APPENDIX B — Financial Information Regarding the Department Excerpted from the County’s Comprehensive Annual Financial Reports for the Fiscal Years Ending June 30, 2017 and 2018.” The financial information included in Appendix B has not been audited by the County’s auditors.

PLAN OF REFUNDING

Purpose of the Series 2019A Bonds

The proceeds of the Series 2019A Bonds will be used to (i) currently refund all maturities of the Refunded Bonds outstanding as of April 1, 2019 and (ii) pay the costs of issuing the Series 2019A Bonds. The Refunded Bonds are outstanding in the aggregate principal amount of \$28,400,000 and are more fully described in Appendix F hereto. All of the Refunded Bonds will be called for redemption and will be redeemed on April 1, 2019.

Estimated Sources and Uses of Funds

The proceeds of the Series 2019A Bonds will be used (i) to currently refund the Refunded Bonds and (ii) to pay costs of issuance of the Series 2019A Bonds (including underwriting, legal, rating agency, printing and other miscellaneous costs allocable to the issuance of the Series 2019A Bonds).

Sources of Funds

Principal Amount of Series 2019A Bonds	\$24,700,000.00
Net Original Issue Premium.....	3,931,259.40
Other Sources of Funds:	
Debt Service Fund	<u>683,375.00</u>
Total Sources of Funds	<u>\$29,314,634.40</u>

Uses of Funds

Payment/Refunding of Series 2009A Bonds.....	\$29,083,375.00
Underwriter’s Discount.....	94,022.77
Deposit to Costs of Issuance Account.....	135,000.00
Additional Proceeds.....	<u>2,236.63</u>
Total Uses of Funds	<u>\$29,314,634.40</u>

THE SERIES 2019A BONDS

General

The Series 2019A Bonds will be dated the date of their delivery, will be issued in authorized denominations of \$5,000 or any integral multiple thereof and will bear interest at the rates set forth on the inside front cover page of this Official Statement, payable semi-annually on April 1 and October 1, commencing October 1, 2019, computed on the basis of a 360-day year comprised of twelve 30-day months.

Redemption

In the manner and with the effect provided in the Trust Agreement, the Series 2019A Bonds will be subject to redemption prior to maturity as described below.

Optional Redemption. The Series 2019A Bonds maturing on or before April 1, 2027 are not subject to optional redemption prior to their respective maturities. The Series 2019A Bonds maturing on or after April 1, 2028 are subject to optional redemption by the County, in its sole discretion, in whole or in part at any time on and after April 1, 2027, at a Redemption Price equal to the principal amount thereof, plus accrued interest.

Selection of Series 2019A Bonds for Redemption. If not otherwise provided as described above, whenever less than all the Outstanding Series 2019A Bonds of a maturity are to be redeemed on any one date, the Trustee shall select the Series 2019A Bonds to be redeemed from the Outstanding Series 2019A Bonds of such maturity by lot, or in such other manner as the Trustee deems fair; provided, that the Trustee shall select for redemption Series 2019A Bonds stated to mature in the years selected by the County in its discretion.

Notice of Redemption. Notice of redemption shall be given by mail by the Trustee to the Owners of any Series 2019A Bonds designated for redemption in whole or in part no less than twenty (20) days prior to the Redemption Date, but failure to give such notice will not affect the validity of any proceedings for the redemption of any such Series 2019A Bonds. Each notice of redemption shall state the Redemption Date, the redemption place and the redemption price, the maturity dates of the Series 2019A Bonds to be redeemed and shall designate the numbers of the Series 2019A Bonds to be redeemed if less than all of the Outstanding Series 2019A Bonds of a maturity are to be redeemed, shall (in the case of any Series 2019A Bond called for redemption in part only) state the portion of the principal amount thereof which is to be redeemed, and shall state that the interest thereon or portions thereof designated for redemption shall cease to accrue from and after such Redemption Date and that on such Redemption Date, upon the condition that funds are available as required in the Trust Agreement, there will become due and payable on each of the Series 2019A Bonds or portions thereof designated for redemption the redemption price thereon. The failure to mail such notice with respect to any Series 2019A Bond shall not affect the validity of the proceedings for the redemption of any other Series 2019A Bond with respect to which notice was so mailed.

Redemptions - Book-Entry. During any period in which the Series 2019A Bonds are maintained pursuant to a book-entry system, redemption of the Series 2019A Bonds shall occur in accordance with the Securities Depository's standard procedures for redemption of obligations such as the Series 2019A Bonds.

Book-Entry Only System

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

General. DTC will act as securities depository for the Series 2019A Bonds. The Series 2019A Bonds 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 Bond will be issued for each maturity of the Series 2019A Bonds in principal amount equal to the aggregate principal amount of the Series 2019A Bonds 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 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019A Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 2019A Bonds 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 2019A Bonds, except in the event that use of the book-entry system for the Series 2019A Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2019A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2019A Bonds, such as redemptions and defaults. For example, Beneficial Owners of the Series 2019A Bonds may wish to ascertain that the nominee holding the Series 2019A Bonds for their benefit has agreed

to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of the notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2019A Bonds 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 Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

So long as a nominee of DTC is the registered owner of the Series 2019A Bonds, references herein to the bondholders or the holders or owners of the Series 2019A Bonds shall mean DTC and shall not mean the Beneficial Owners of the Series 2019A Bonds. The County and the Paying Agent/Registrar will recognize DTC or its nominee as the holder of all of the Series 2019A Bonds for all purposes, including the payment of the principal of and interest on, and the purchase price of, the Series 2019A Bonds, as well as the giving of notices. Neither the County nor the Paying Agent will have any responsibility or obligation to Direct or Indirect Participants or Beneficial Owners with respect to payments or notices to Direct or Indirect Participants or Beneficial Owners.

So long as the Series 2019A Bonds are held by DTC under a book-entry system, principal and interest payments and any premium on the Series 2019A Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent, on 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 Paying Agent or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest or premium to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or its Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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 obligation to DTC Participants or the persons for whom they act as nominees with respect to the payments to or the providing of notice to the DTC Participants, or the Indirect Participants, or Beneficial Owners. The County cannot and does not give any assurance that DTC Participants or others will distribute principal and interest payments paid to DTC or its nominees, as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

Discontinuation of Book-Entry Only System. DTC may discontinue providing its services as securities depository with respect to the Series 2019A Bonds at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. The County may also decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

In the event that the Book-Entry Only System is discontinued, the Series 2019A Bonds in fully certificated form will be issued as fully registered Bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof. Such Bonds will be transferable only upon the registration books kept

at the principal office of the Paying Agent/Registrar, by the registered owner thereof in person, or by an attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer in the form attached thereto and satisfactory to the Paying Agent/Registrar, 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 Bond or Bonds of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Bond surrendered and maturing on the same date and bearing interest at the same rate. The new Bond or Bonds shall be delivered to the transferee only after due authentication by an authorized officer of the Paying Agent/Registrar. The County may deem and treat the person in whose name a Bond is registered as the absolute owner thereof for the purpose of receiving payment of or on account of the principal or redemption price thereof and interest due thereon and for all other purposes.

In the event that the Book-Entry Only System is discontinued, the Series 2019A Bonds may be transferred or exchanged at the principal office of the Paying Agent/Registrar. Upon any such transfer or exchange, the County shall execute and the Paying Agent/Registrar shall authenticate and deliver a new registered Bond or Bonds without coupons of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Bond exchanged or transferred, and maturing on the same date and bearing interest at the same rate. In each case, the Paying Agent/Registrar may require payment by any holder of Bonds requesting exchange or transfer of Bonds of any tax, fee or other governmental charge, shipping charges and insurance that may be required to be paid with respect to such exchange or transfer, but otherwise no charge shall be made to the holder of Bonds for such exchange or transfer. The Paying Agent/Registrar shall not be required to transfer or exchange any Bond after the mailing of notice calling such Bond or portion thereof for redemption as previously described; provided, however, that the foregoing limitation shall not apply to that portion of a Bond in excess of \$5,000 which is not being called for redemption.

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

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2019A BONDS

General

The Series 2019A Bonds and the interest and premium (if any) thereon are payable solely from the Trust Estate. The Trust Estate consists of (1) the Pledged Revenues, as described below, (2) the amounts on deposit under the Trust Agreement (other than amounts on deposit in the Rebate Fund) and (3) any other property rights and interests granted to the Trustee after the date of the Trust Agreement as and for additional security.

The Series 2019A Bonds and the interest and premium (if any) thereon will be special obligations of the County, the principal of and interest and premium (if any) on which will be payable solely from the Trust Estate or from any other moneys made available to the Trustee for such purpose. Neither the Series 2019A Bonds nor the interest or premium (if any) shall ever constitute an indebtedness or a charge against the general credit or taxing powers of the State of Maryland, the County or any other public body within the meaning of any constitutional or charter provision or statutory limitation. The Series 2019A Bonds do not constitute an indebtedness to which the faith or credit of the State of Maryland, the County or any other public body is pledged.

Pledged Revenues

In the Trust Agreement, the County has pledged all right, title and interest in and to the Pledged Revenues in order to secure the payment of the principal of, premium, if any, and interest on the Series 2019A Bonds, and the County's other obligations under the Trust Agreement.

Application of Proceeds. Under applicable State law, proceeds derived by the Department from the sale of alcoholic beverages are applied to maintain a working capital reserve adequate to provide for the continued operation of the dispensary system operated by the Department (the "Working Capital Reserve"). Any such net proceeds remaining after the deposit to the Working Capital Reserve are available to pay debt service on the Bonds outstanding under the Trust Agreement.

In the Trust Agreement, the County will covenant not to create or incur any indebtedness payable in whole or in part from any portion of the revenues of the Department, except in accordance with the provisions of the Trust Agreement. See "Additional Bonds" below.

Working Capital Reserve. Pursuant to State law, the Director of Finance of the County and the Director of the Department, subject to the approval of the County Executive, are required to determine the amount of the Working Capital Reserve, to be in an amount adequate to provide for the continued operation of the dispensary system of the Department. The amount of the Working Capital Reserve for Fiscal Years 2014 through 2018, plus the budgeted amount for Fiscal Year 2019, is set forth in Appendix A hereto under the heading "The Department of Liquor Control - Working Capital Reserve."

Deposit to County's General Fund. All net profits of the Department, after the funding of the Working Capital Reserve, are available to pay debt service on the Bonds outstanding under the Trust Agreement. The amount of the deposit to the County's General Fund in Fiscal Years 2014 through 2018, plus the budgeted amount for Fiscal Year 2019, is set forth in Appendix A hereto under the heading "The Department of Liquor Control - Transfers to General Fund."

OTHER OBLIGATIONS

The Series 2019A Bonds constitute Additional Bonds under the Trust Agreement. Upon the issuance of the Series 2019A Bonds and the refunding of the Refunded Bonds and the payment of County's Revenue Bonds (Department of Liquor Control), 2009 Series A (the "Series 2009A Bonds") due on April 1, 2019, the County's Series 2011A Bonds in the aggregate principal amount of \$25,570,000 and the County's Series 2013A Bonds in the aggregate principal amount of \$38,100,000 will be outstanding under the Trust Agreement. The Series 2011A Bonds and the Series 2013A Bonds are fixed-rate bonds, and are not secured by any Credit Facility. The Series 2019A Bonds, the Series 2011A Bonds and the Series 2013A Bonds are equally and ratably secured by the Pledged Revenues. As of the date of issuance of the Series 2019A Bonds, there are no other obligations secured by the Pledged Revenues.

Additional Bonds

The County may from time to time issue Additional Bonds under the Trust Agreement. The County has approximately \$10 million of unused bonding authority remaining under prior resolutions. Each Additional Bond shall be on a parity with, and shall be entitled to the same benefit and security of the Trust Agreement as the Bonds then Outstanding. Additional Bonds may be issued initially as Variable Rate Debt, and may be secured by a separate Credit Facility, all as shall be determined by the County in its discretion. See "APPENDIX C - Definitions of Terms and Summary of the Trust Agreement – Summary of the Trust Agreement – Additional Bonds."

As a condition to the delivery of any such Additional Bonds, the Trustee must receive, among other things, unless such Additional Bonds are being issued solely to (i) refinance, refund or advance refund Outstanding Bonds and/or (ii) to pay the costs of issuing such Additional Bonds, a written certificate of a

County Representative to the effect that (A) the amount of the Pledged Revenues for the most recent Bond Year was not less than 150% of the Debt Service Requirements of Outstanding Bonds for such Bond Year plus the Maximum Annual Debt Service for such Additional Bonds, and (B) during each of the five Bond Years immediately succeeding the later of the date of delivery of such Additional Bonds and the date to which interest on such Additional Bonds has been funded, the estimated Pledged Revenues as of the last day of each such Bond Year are projected to be not less than 150% of the Maximum Annual Debt Service on the Outstanding Bonds, taking into account the issuance of such Additional Bonds. If such Additional Bonds are being issued solely to (i) refinance, refund or advance refund Outstanding Bonds and/or (ii) to pay the costs of issuing such Additional Bonds, then the Trustee must receive, among other things, either (1) the certificate described in the immediately preceding sentence or (2) a written certificate of a County Representative to the effect that the Maximum Annual Debt Service on Outstanding Bonds, taking into account the issuance of such Additional Bonds and the Long-Term Indebtedness to be refinanced or refunded, will not be increased by more than ten percent during the life of any then Outstanding Bonds that are not refinanced or refunded with proceeds of such Additional Bonds. See “APPENDIX C - Definitions of Terms and Summary of the Trust Agreement – Summary of the Trust Agreement – Additional Bonds.”

ANNUAL DEBT SERVICE REQUIREMENTS OF OUTSTANDING PARITY DEBT

The following table sets forth for each Fiscal Year ending June 30: (i) the principal due on the Series 2019A Bonds; (ii) the interest due on the Series 2019A Bonds; (iii) the total debt service requirements of the Series 2019A Bonds; (iv) the debt service due on the Series 2009A Bonds on April 1, 2019 and the total debt service requirements of the Series 2011A Bonds and Series 2013A Bonds; and (v) the total debt service requirements of all outstanding parity debt.

<u>Fiscal Year</u>	<u>Series 2019A Bonds</u>			Series 2009A*, Series 2011A and Series 2013A	
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Debt Service</u>	<u>Total Parity Debt Service*</u>
2019	-	-	-	\$9,837,839	\$9,837,839
2020	-	\$1,172,578	\$1,172,578	\$6,175,689	\$7,348,267
2021	\$665,000	1,166,100	1,831,100	6,177,689	8,008,789
2022	2,520,000	1,132,850	3,652,850	6,175,939	9,828,789
2023	2,645,000	1,006,850	3,651,850	6,175,189	9,827,039
2024	2,780,000	874,600	3,654,600	6,177,639	9,832,239
2025	2,920,000	735,600	3,655,600	6,177,108	9,832,708
2026	3,065,000	589,600	3,654,600	6,175,658	9,830,258
2027	3,215,000	436,350	3,651,350	6,179,108	9,830,458
2028	3,375,000	275,600	3,650,600	6,178,658	9,829,258
2029	3,515,000	140,600	3,655,600	6,178,758	9,834,358
2030	-	-	-	6,177,133	6,177,133
2031	-	-	-	6,176,613	6,176,613
2032	-	-	-	3,480,638	3,480,638
2033	-	-	-	3,479,850	3,479,850
TOTAL	\$24,700,000	\$7,530,728	\$32,230,728	\$90,923,503	\$123,154,231

* With respect to the Series 2009A Bonds, inclusive of only the debt service due on April 1, 2019 to be paid concurrently with the refunding of the Refunded Bonds.

RISK FACTORS

General

In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations set forth throughout this Official Statement, and should specifically consider certain investment considerations associated with the Series 2019A Bonds. The material under this heading is a discussion of some, but not necessarily all, of the possible risk factors that should be evaluated carefully by prospective purchasers of the Series 2019A Bonds prior to any investment.

Limited Obligations

The Series 2019A Bonds and the interest and premium (if any) thereon will be special obligations of the County, the principal of and interest and premium (if any) on which will be payable solely from the Trust Estate or from any other moneys made available to the Trustee for such purpose. Neither the Series 2019A Bonds nor the interest or premium (if any) thereon, shall ever constitute an indebtedness or a charge against the general credit or taxing powers of the State of Maryland, the County or any other public body within the meaning of any constitutional or charter provision or statutory limitation. The Series 2019A Bonds do not constitute an indebtedness to which the faith or credit of the State of Maryland, the County or any other public body is pledged.

Results of Operations

Payment of the Series 2019A Bonds will depend on timely collection of revenues, which in turn will depend upon the Department's ability to conduct its operations in such a fashion as to generate sufficient net profits. The Department's ability to generate sufficient net profits to pay debt service on the Series 2019A Bonds will depend upon (1) the Department's ability to conduct its operations in an efficient manner, and (2) the level of demand in the County for beverage alcohol.

The Department's ability to conduct efficient operations may be affected by a number of factors, including (without limitation):

- new federal or State regulations affecting the conduct of the Department's operations;
- changes in County personnel policies regarding employee compensation; and
- policy changes in the Department's mission that increase the emphasis on moderation of consumption over revenue production.

The level of demand in the County for beverage alcohol is subject to a number of factors outside of the control of the County and the Department, including (without limitation):

- general economic and demographic conditions in the County;
- federal and State regulation of the distribution, sale and consumption of beverage alcohol;
- federal and State taxation of the purchase of beverage alcohol; and
- broad societal and cultural trends affecting alcohol consumption patterns.

Changes in any of these factors may have a material adverse affect on the Department's ability to generate Pledged Revenues and, therefore, on the ability of the County to pay debt service on the Series 2019A Bonds.

No Mortgage

Neither the County nor the Department will grant a mortgage or other security interest in any real property. The sole source of security for the Series 2019A Bonds is the Trust Estate.

Additional Bonds Secured by Pledged Revenues

The Trust Agreement permits the issuance of Additional Bonds under certain circumstances which would be equally and ratably secured with the Series 2019A Bonds, the Series 2011A Bonds and the Series 2013A Bonds. Any such Additional Bonds would be entitled to share ratably with the holders of the Series 2019A Bonds, the Series 2011A Bonds and the Series 2013A Bonds in any moneys realized from the exercise of remedies in the event of a default by the County. Upon the issuance of the Series 2019A Bonds, there will be approximately \$10 million of unused bonding authority under prior resolutions, but there is no limitation on the authority of the County to adopt one or more additional resolutions authorizing the issuance of Additional Bonds.

TAX MATTERS

In rendering its opinion with respect to the Series 2019A Bonds, Bond Counsel will rely without investigation on certifications provided by the County with respect to certain material facts within the knowledge of the County relevant to the tax-exempt status of interest on the Series 2019A Bonds.

The following is only a general summary of certain provisions of the Internal Revenue Code of 1986, as amended (the "Code") as enacted and in effect on the date hereof and does not discuss all aspects of federal income taxation that may be relevant to a particular holder of the Series 2019A Bonds in light of such holder's particular circumstances and income tax situation. Each holder of the Series 2019A Bonds should consult such holder's tax advisors as to the specific consequences to such holder of the ownership and disposition of the Series 2019A Bonds, including the application of state, local, foreign and other tax laws.

Maryland Income Taxation

In the opinion of Bond Counsel, under existing law, the interest payable on the Series 2019A Bonds and profit realized from the sale or exchange of the Series 2019A Bonds, will be exempt from State of Maryland income taxation. No opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Series 2019A Bonds or the interest thereon. Interest on the Series 2019A Bonds may be subject to state or local income taxes in jurisdictions other than the State of Maryland under applicable state or local tax laws. Purchasers of the Series 2019A Bonds should consult their own tax advisors with respect to the taxable status of the Series 2019A Bonds in jurisdictions other than Maryland.

Federal Income Taxation

In the opinion of Bond Counsel, assuming compliance with certain covenants described herein and under existing statutes, regulations, and decisions, interest on the Series 2019A Bonds will be excludable from gross income for federal income tax purposes.

Under the provisions of the Code, there are certain restrictions that must be met subsequent to the delivery of the Series 2019A Bonds, including restrictions that must be complied with throughout the term of the Series 2019A Bonds in order that the interest thereon be excludable from gross income. These include the following: (i) a requirement that certain earnings received from the investment of the proceeds of the Series 2019A Bonds be rebated to the United States of America under certain circumstances (or that certain payments in lieu of rebate be made); (ii) other requirements applicable to the investment of the proceeds of the Series 2019A Bonds; and (iii) other requirements applicable to the use of the proceeds of the Series 2019A Bonds and the facilities financed or refinanced with such proceeds. Failure to comply

with one or more of these requirements could result in the inclusion of the interest payable on the Series 2019A Bonds in gross income, for federal income tax purposes, effective from the date of their issuance. The County has covenanted to regulate the investment of the proceeds of the Series 2019A Bonds and to take such other actions as may be required to maintain the excludability from gross income for federal income tax purposes of interest on the Series 2019A Bonds.

Further, under existing statutes, regulations and decisions, interest on the Series 2019A Bonds is not included in the alternative minimum taxable income of individuals as an enumerated item of tax preference or other specific adjustment. In addition, interest income on the Series 2019A Bonds will be subject to the branch profits tax imposed by the Code on certain foreign corporations engaged in a trade or business in the United States of America.

Certain Other Federal Tax Considerations

There are other federal income tax consequences of ownership of obligations such as the Series 2019A Bonds under certain circumstances, including the following: (i) deductions are disallowed for certain expenses of taxpayers allocable to interest on tax-exempt obligations, as well as interest on indebtedness incurred or continued to purchase or carry tax-exempt obligations and interest expense of financial institutions allocable to tax-exempt interest, (ii) for property and casualty insurance companies, the amount of the deduction for losses incurred must be reduced by 25% of the sum of tax-exempt interest received or accrued and the deductible portion of dividends received by such companies; (iii) interest income that is exempt from tax must be taken into account for the purpose of determining whether, and what amount of, social security or railroad retirement benefits are includable in gross income for federal income tax purposes; (iv) for S corporations having Subchapter C earnings and profits, the receipt of certain levels of passive investment income, which includes interest on tax-exempt obligations such as the Series 2019A Bonds, can result in the imposition of tax on such passive investment income and, in some cases, loss of S corporation status; (v) net gain realized upon the sale or other disposition of the Series 2019A Bonds 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; and (vi) receipt of certain investment income, including interest on the Series 2019A Bonds, is considered when determining qualification limits for obtaining the earned income credit provided by Section 32(a) of the Code.

Tax Accounting Treatment of Discount Bonds

Certain maturities of the Series 2019A Bonds may be issued at an initial public offering price which is less than the amount payable on such Bonds at maturity (the "Discount Bonds"). The difference between the initial offering price, at which a substantial amount of the Discount Bonds of each maturity was first sold, and the principal amount of such Discount Bonds payable at maturity constitutes original issue discount. The amount of such original issue discount which is treated as having accrued with respect to such Discount Bonds is added to the original cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, early redemption or repayment at maturity). For federal income tax purposes (a) any holder of a Discount Bond will recognize gain or loss upon the disposition of such Discount Bond (including sale, early redemption or payment at maturity) in an amount equal to the difference between (i) the amount received upon such disposition and (ii) the sum of (1) the holder's original cost basis in such Discount Bond, and (2) the amount of original issue discount attributable to the period during which the holder held such Discount Bond, and (b) the amount of the basis adjustment described in clause (a)(ii)(2) will not be included in the gross income of the holder.

Original issue discount on Discount Bonds will be attributed to permissible compounding periods during the life of any Discount Bonds in accordance with a constant rate of interest accrual method. The yield to maturity of the Discount Bonds 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 Bonds and must begin or end on the date of such

payments. Such yield then is used to determine an amount of accrued interest for each permissible compounding period. For this purpose, interest is treated as compounding periodically at the end of each applicable compounding period. The amount of original issue discount which is treated as having accrued in respect of a Discount Bond for any particular compounding period is equal to the excess of (a) the product of (i) the yield for such Discount Bond (adjusted as necessary for an initial short period) divided by the number of compounding periods in a year multiplied by (ii) the amount that would be the tax basis of such Discount Bond at the beginning of such period if held by an original purchaser who purchased at the initial public offering price, over (b) the amount actually payable as interest on such Discount Bond during such period. For purposes of the preceding sentence, the tax basis of a Discount Bond, if held by an original purchaser, can be determined by adding to the initial issue price of such Discount Bond the original issue discount that is treated as having accrued during all prior compounding periods. If a Discount Bond is sold or otherwise disposed of between compounding dates, then interest which would have accrued for that compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Holders of Discount Bonds should note that, under the tax regulations, the yield and maturity of Discount Bonds are determined without regard to commercially reasonable sinking fund payments, and any original issue discount remaining unaccrued at the time that a Discount Bond 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 2019A Bonds as shown on the inside cover of this Official Statement may not reflect the initial issue prices for the purpose of determining the original issue discount for federal income tax purposes.

The foregoing summarizes certain federal income tax consequences of original issue discount with respect to the Discount Bonds 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 Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on the Discount Bonds. In addition, prospective corporate purchasers should consider possible federal tax consequences arising from original issue discount on such Discount Bonds 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 Bonds should consult their tax advisors.

Purchase, Sale and Retirement of Bonds

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

Market Discount

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

In the case of a Bond not issued at an original issue discount, market discount will be *de minimis* if the excess of the Bond's stated redemption price at maturity over the holder's cost of acquiring the Bond is less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years between the date the holder acquires the Bond and its stated maturity date. In the case of a Bond issued with original issue discount, market discount will be *de minimis* if the excess of the Bond's revised issue price over the holder's cost of acquiring the Bond is less than 0.25% of the revised issue price multiplied by the number of complete years between the date the holder acquires the Bond and its stated maturity date. For this purpose, a Bond's “revised issue price” is the sum of (i) its original issue price and (ii) the aggregate amount of original issue discount that is treated as having accrued with respect to the Bond during the period between its original issue date and the date of acquisition by the holder.

Amortizable Bond Premium

A Series 2019A Bond will be considered to have been acquired at a premium if, and to the extent that, immediately after the acquisition of such Bond, the holder's tax basis in the Bond exceeds the amount payable at maturity (or, in the case of a Bond callable prior to maturity, the amount payable on the earlier call date). Under tax regulations applicable to the Series 2019A Bonds, the amount of the premium would be determined with reference to the amount payable on that call date (including for this purpose the maturity date) that produces the lowest yield to maturity on such Bonds. The holder will be required to reduce his tax basis in such Bond for purposes of determining gain or loss upon disposition of the Bond by the amount of amortizable bond premium that accrues, determined in the manner prescribed in the regulations. Generally, no deduction (or other tax benefit) is allowable in respect of any amount of amortizable bond premium on the Series 2019A Bonds.

Legislative Developments

Legislation recently under consideration or proposed after issuance and delivery of the Series 2019A Bonds could adversely affect the market value of the Series 2019A Bonds. Further, if enacted into law, any such proposal could cause the interest on the Series 2019A Bonds to be subject, directly or indirectly, to federal income taxation and could otherwise alter or amend one or more of the provisions of federal tax law described above or their consequences. Prospective purchasers of the Series 2019A Bonds should consult with their tax advisors as to the status and potential effect of any legislative proposals, as to which Bond Counsel expresses no opinion.

LEGAL MATTERS

The validity of the Series 2019A Bonds will be passed upon by McKennon Shelton & Henn, Baltimore, Maryland, Bond Counsel. The form of Bond Counsel's opinion is set forth in Appendix D to this Official Statement.

LITIGATION

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Series 2019A Bonds or questioning or affecting the validity of the Series 2019A Bonds, the Trust Agreement, the

Resolution or the proceedings and authority under which the Series 2019A Bonds are to be issued or the pledge of the Pledged Revenues.

SALE AT COMPETITIVE BIDDING

The Series 2019A Bonds were offered by the County at a competitive bidding on March 21, 2019, in accordance with the Official Notice of Sale relating to the Series 2019A Bonds. The interest rates shown on the inside cover page of this Official Statement are the interest rates to the County resulting from the award of the Series 2019A Bonds at the competitive bidding. The yields or prices shown on the inside cover page of this Official Statement were furnished by the successful bidder for the Series 2019A Bonds. All other information concerning the nature and terms of any reoffering should be obtained from the successful bidder for the Series 2019A Bonds and not from the County.

FINANCIAL ADVISOR

Davenport & Company LLC of Towson, Maryland has acted as financial advisor to the County in connection with the issuance of the Series 2019A Bonds. Davenport & Company LLC is not obligated to undertake, and has neither undertaken an independent verification of, nor assumed responsibility for the accuracy of the information contained in this Official Statement.

RATING

As noted on the cover page of this Official Statement, S&P Global Ratings, has given the Series 2019A Bonds the rating of “AA”. 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 2019A Bonds.

CONTINUING DISCLOSURE

As a condition to the issuance of the Series 2019A Bonds, the County will execute and deliver a Continuing Disclosure Agreement dated the date of issuance of the Series 2019A Bonds (the “Continuing Disclosure Agreement”), pursuant to which it will make certain undertakings in order to comply with the provisions of Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”). The proposed form of Continuing Disclosure Agreement is set forth in Appendix E to this Official Statement.

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.

FINANCIAL INFORMATION

The financial information for the Department set forth in Appendix B is extracted from and should be read in conjunction with the Comprehensive Annual Financial Reports of Montgomery County, Maryland for Fiscal Years 2017 and 2018, prepared by the County Finance Department. The financial information included in Appendix B has not been audited by the County's auditors. Copies of the complete Comprehensive Annual Financial Reports of Montgomery County, Maryland for Fiscal Years 2017 and 2018 are available from the County or at <http://bonds.montgomerycountymd.gov/>.

MISCELLANEOUS

This Official Statement includes descriptions of the terms of the Resolution and the Trust Agreement. Such descriptions do not purport to be complete and all such descriptions and references thereto are qualified in their entirety by references to each such document, copies of which may be obtained from the Trustee.

Any statements made in this Official Statement involving matters of opinion, whether or not expressly so stated, are set forth as such and not as representations of fact.

The attached Appendices A through F are integral parts of this Official Statement and should be read in their entirety together with the foregoing information.

The execution and delivery of this Official Statement by the County Executive of the County has 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/ Marc Elrich
Marc Elrich
County Executive

THE DEPARTMENT OF LIQUOR CONTROL

<u>Section</u>	<u>Page Number</u>
Introduction	A-2
History	A-2
Mission	A-2
Statutory Authorization	A-3
Organization and Senior Staff	A-3
Wholesale Operations.....	A-5
Retail Operations	A-7
Results of Operations	A-8
Characteristics of the Service Area	A-11

THE DEPARTMENT OF LIQUOR CONTROL

Introduction

The Montgomery County Department of Liquor Control (the “Department”) operates facilities for the wholesale and retail distribution of alcoholic beverages in Montgomery County, Maryland (the “County”). The Department has a complete monopoly on wholesale distribution of all alcoholic beverages in the County, and (subject to one grandfathered exception in Takoma Park, as described below) a monopoly in the County on the retail distribution of distilled beverage spirits for off-site consumption. In addition, the Department conducts retail sales of non-chilled beer, wine, ice, bottled water and some mixers.

History

Upon the repeal of Prohibition in 1933, the regulation of alcoholic beverages reverted to the several states. Two regulatory models emerged: “license jurisdictions” grant licenses to private entities to sell alcoholic beverages; “control jurisdictions” conduct the sales themselves, at the wholesale level, the retail level or both. The State of Maryland (the “State”) is generally a license jurisdiction. However, State legislation established the County as a control jurisdiction. On December 5, 1933, the Maryland General Assembly enacted legislation to establish the Liquor Control Board for Montgomery County. For the next 18 years, the Liquor Control Board controlled the sale and distribution of alcoholic beverages in the County and also served as the Board of License Commissioners, granting licenses for the retail sale of liquor, wine, and beer within the County.

The Department was created pursuant to Article 2B of the Annotated Code of Maryland, effective July 1, 1951. This newly-created Department assumed control over all wholesale distribution of beverage alcohol and all retail sales of distilled spirits for off-premise consumption, while the separate Board of License Commissioners retained the authority to issue licenses for the retail sale of liquor, wine, and beer within the County.

In 1997, the portion of the City of Takoma Park that was previously in adjoining Prince George’s County, Maryland (“Prince George’s County”) became a part of the County. This new portion of the County contained one retail establishment that had authority under State and Prince George’s County law to sell liquor package goods for off- premise consumption. That establishment retains its authority under a grandfather clause.

On August 8, 2006, the Board of License Commissioners was reorganized into a new division of the Department entitled “Licensure, Regulation and Education.” The Board remains an independent body.

Mission

The Department’s mission statement is:

We will provide efficient and quality wholesale and retail sales of beverage alcohol products while promoting moderation and responsible behavior in all phases of distribution and consumption. We will diligently promote and obey all laws and regulations governing beverage alcohol while generating revenue for the benefit of Montgomery County's General Fund.

The Department attempts to conduct its operations in such a fashion as to balance the promotion of moderation in the consumption of alcoholic beverages with the offering of a wide variety of products at reasonable prices while returning a fair profit to the County’s General Fund for use in paying for other citizen services.

Statutory Authorization

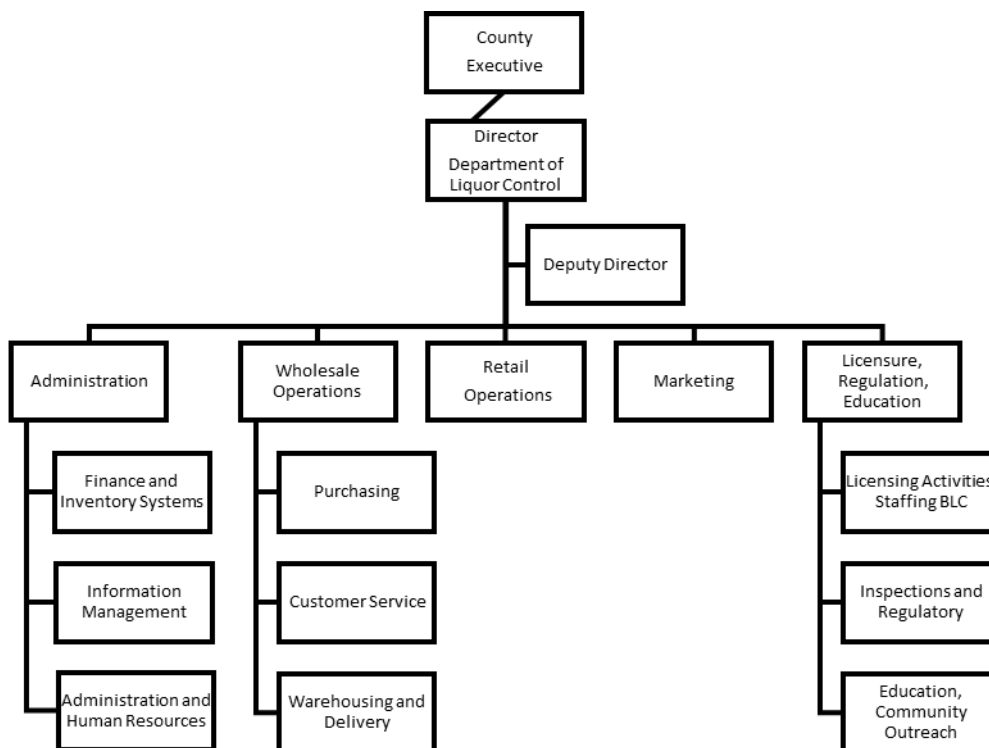
The Department is a creature of State statute. Pursuant to Title 25 of the Alcoholic Beverages Article (previously codified in Article 2B of the Annotated Code of Maryland, the Department is a department of the County government under the general administrative supervision of the Director of the Department, with such powers as are granted it by State law. Those powers consist generally of the power to operate dispensaries, to hire employees, to purchase and sell alcoholic beverages, and to acquire real or personal property for use in Department operations. “Alcoholic beverages” are defined in State law to include any spirituous, vinous, malt or fermented liquor, liquid or compound, by whatever name called, which contains one-half of one percent or more of alcohol by volume, and which is fit for beverage purposes.

State law does not directly prohibit County residents from transporting beverage alcohol from outside the State into the County for personal consumption. However, the State imposes a tax on any such alcohol (subject to certain *de minimis* exceptions); willful possession or transport of alcoholic beverages subject to tax upon which tax has not been paid is a crime, subject to a fine of up to \$10,000 or imprisonment of up to 5 years or both. There are no legal limitations on the ability of County residents to transport beverage alcohol into the County for personal consumption if such alcohol was legally purchased in other Maryland jurisdictions.

Organization and Senior Staff

The Department is a department of County government, under the general supervision of the Director of the Department. The Director is appointed by, and serves at the pleasure of, the County Executive.

Organization. The Department is organized as shown in the following chart:



Senior Staff. The senior staff of the Department consists of the following persons:

Robert M. Dorfman, Director: Bob has been the Director of the Department of Liquor Control since January 31, 2017. Bob spent 15 years with Marriott International in several executive capacities, from 1981 to 1995. He joined Marriott as Vice President of Procurement, he then ran several Marriott contract service businesses, ranging in size from \$100 million in sales to almost \$2 billion. Bob was the President of Host International, a Marriott company, and the world's largest food, beverage, duty free and retail operator of airport, toll roads and sports and entertainment businesses. Annual sales exceeded \$1.5B with almost 40,000 employees worldwide. He was a corporate officer of Marriott for 10 years. Bob joined the Five Guys franchise system in 2005. His company, TCH Restaurant Group, became the second largest operating franchisee in the Five Guys System, with 35 restaurants in 3 states. In June of 2012, Bob joined Trusthouse Services Group, the 5th largest contract services company in the US, as President and COO. In October of 2013, Bob signed a development agreement with World of Beer. He sold his 2 locations, in Charlottesville, VA and Ashburn, VA in January 2017. Bob received his BA in Political Science from Rutgers University and his MBA in Executive Management and Marketing from St. John's University in NY.

Edgar Gonzalez, Deputy Director: Mr. Gonzalez has served as the Deputy Director since April 2015 with more than 40 years of professional transportation and public works engineering and management experience in the private and public sectors. Upon joining DLC, Edgar led a multi-departmental team in developing the 2015 Improvement Action Plan for the Department and has been monitoring and ensuring implementation of the plan since its approval. He also authored the Strategic Plan for Retail Operations in March 2017. As the Chief Engineer for Montgomery County for ten years he directed more than 300 projects during the planning, design, citizens' participation and construction phases. He served for 15 years as the Deputy Director for Transportation Policy for Montgomery County DOT / DPWT. Mr. Gonzalez's education includes a BS in Civil Engineering (Universidad Nacional de Colombia); an MSCE from the University of Maryland, where he attended as a Fulbright Scholar; and a Master's in Public Policy from the University of Maryland, (Mid-Career Fellow).

John Utermohle, Chief of Administration: Mr. Utermohle has been the Administration Division Chief since May 2016. He is a Certified Public Accountant (CPA) in the State of MD. John has twenty years financial/auditing experience in retail in the private sector and the County government. His experience includes eight years on the County's ERP Team as the Functional Lead for various Financial and Procurement related modules. Mr. Utermohle holds Bachelors' Degrees in Business Administration from Frostburg State University and Accounting from the University of Maryland University College.

John Zeltner, Chief of Wholesale Operations: Mr. Zeltner has been the Chief Division of Wholesale Operations since September 2015. Mr. Zeltner held Sales and Service Industry Positions between 1973 and 1975. He moved on to Wholesale Sales in the beverage industry from 1975 through 1980. John then moved to management positions in the beer industry from 1980 through 2000, including assignments in different organizations as Sales Manager, General Sales Manager, Vice President of Sales and Vice President General Manager. In those positions Mr. Zeltner was instrumental in growing sales by volume and profit margins. Between 2000 and 2011 John became President of Premium Distributors of Virginia, and between 2011 and 2014 his responsibilities were expanded as the President of Premium Distributors for Virginia, Maryland and Washington DC. Mr. Zeltner attended St. Thomas University, where he graduated in 1973.

Kent Massie, Chief of Retail Operations: Mr. Massie joined the Department of Liquor Control in September of 2018. Kent served with Honor on Active Duty in the United States Army prior to beginning his 25-year career in Retail Management. He has split his time between four fortune 100 companies working as a multi-unit manager for The Home Depot, Best Buy, Target and TJX Companies (Marshalls, Homegoods TJ Maxx, Winners, HomeSense). He has developed a reputation as a leader who drives bottom line profitability through talent development, recruitment, and customer service. Kent practices a management style known as Servant Leadership which he instills in those leaders who work with him. He has a high sense of accountability and a track record for delivering results that exceed expectations.

Melissa Davis, Senior Marketing Officer: Ms. Davis has served as the Senior Marketing Officer since August 2017 and has 20 years of experience in the wine & spirits industry, with roles that have spanned the retail,

distribution, and supplier tiers. Prior to joining the department, Ms. Davis held a variety of marketing roles within brand management, consumer insights, trade marketing, and beverage operations for some of the largest and most influential companies in the industry, including Brown-Forman, Marriott International, HMSHost, and Winebow. She is a Certified Specialist of Spirits, Certified Bourbon Steward, and has completed WSET II. Melissa received her B.A. in Sociology from the University of Virginia and her MBA, with concentrations in Marketing and Strategy, from the Robert H. Smith School of Business at the University of Maryland.

Kathie Durbin, Chief of Licensure, Regulation and Education: Ms. Durbin joined the Department of Liquor Control in 2002 where she developed a comprehensive outreach program focusing on the businesses licensed to sell/serve alcohol as well the community. In 2007 her role was expanded to the Division Chief of Licensure, Regulation and Education and is responsible for alcohol licensing, policy, education, legislative initiatives and business compliance. Related to those responsibilities Kathie plays a leadership role on local, statewide and national alcohol related boards. She spent several years working with Montgomery County Health and Human Services as a substance abuse prevention specialist where she wrote and managed state grants, mini-grants and the local prevention network. Later, as the Executive Director of the Montgomery County Restaurant Association Kathie worked closely with the business community to craft meaningful alcohol legislation. Kathie is a graduate of the University of Maryland in Baltimore County. She is certified by the State of Maryland as an Alcohol Server Instructor (RBS) and as a Substance Abuse Prevention Professional.

Advisory Board. There is an advisory board, with five members who are appointed by the County Executive with the approval of the County Council; no more than two of the five may hold liquor licenses. The Director of the Department, the superintendent of the County police and the chair of the Board of License Commissioners also serve as *ex officio* members of the advisory board. The duties of the advisory board are to report to the County Executive periodically but at least quarterly on recommendations for the improvement of the alcoholic beverages control and enforcement activities of the County and on the operations of the Department's dispensary and distribution systems from the standpoint of efficiency, service and convenience to the public.

Employees. As of the end of Fiscal Year 2018, the Department had 307 full-time and 148 part-time positions for a total of 442 full-time equivalents. With the exception of management and some administrative positions, employees of the Department belong to, or are represented by, The United Food and Commercial Workers Local 1994, Municipal and County Government Employees' Organization (the "Union").

Annual Budget Process. The Department prepares an annual budget in coordination with the County's Office of Management and Budget. The Department projects sales, expenses, capital needs and the resulting gross profit margin. The Department and the County then determine the amount of the Working Capital Reserve (see "Results of Operations – Working Capital Reserve" below). Based on these projections and determinations and considering cash on hand, the Department and the County budget the amount of the transfer to the County's General Fund. These budgeted amounts and the resulting transfer are approved by the County Executive no later than March 15 for the Fiscal Year beginning on the ensuing July 1.

Wholesale Operations

Wholesale Facility

The Department of Liquor Control's (the Department) climate-controlled wholesale facility (Existing Warehouse) is located on Edison Park Drive in Gaithersburg, MD. The product storage space is approximately 185,000 square feet, of which approximately 10,000 square feet is a keg facility.

The Department uses the warehouse to store approximately 7,000 SKU's of stock beer, wine and spirit products for resale to wholesale customers. Stock products are purchased in bulk and stored at the Existing Warehouse for wholesale customers to purchase, and for transfer to the 25 County retail stores. The Department also offers thousands of items as special order and will research any product a customer wants to ascertain price and availability. Special order items are obtained specifically for both wholesale and retail customers. The procurement process starts once the product is ordered. Each week, approximately 4,000 special order items are stored in the warehouse for no longer than 7 days. The Existing Warehouse also houses the Department's administrative activities.

Wholesale Customer Base

The Department's wholesale customer base comprises every licensed seller of alcoholic beverages in the County. There are over 1,000 license holders in the County, including restaurants, carry-out stores, hotels, conference centers, caterers, clubs and lodges. The Department's ten largest wholesale customers in calendar year 2018 were:

Customer	CY 2018 Sales	Percent of Total Wholesale Sales
Safeway.....	\$5,220,706	3.67%
Long Branch Beer and Wine	3,357,876	2.36
Shoppers Food Warehouse	3,246,015	2.28
Downtown Crown Wine & Beer	2,089,240	1.47
Rodman's Gourmet Beer & Wine	1,891,816	1.33
Georgetown Square Wine and Cheese	1,813,071	1.28
Rodman's Party Boutique.....	1,653,576	1.16
Giant Food Store	1,610,276	1.13
Belby's Discount	1,449,731	1.02
Balducci's	<u>1,406,815</u>	<u>0.99</u>
Total.....	<u>\$23,739,122</u>	<u>16.70%</u>

Source: Department of Liquor Control

Wholesale Suppliers

The Department is not subject to County procurement laws or regulations for purchasing alcoholic beverages. The Department procures its stock from wholesale distributors, breweries, wineries and distillers.

The Department's ten largest wholesale suppliers in calendar year 2018 were:

Supplier	CY 2018 Purchases	Percent of Total Wholesale Purchases
Constellation Imports (Crown).....	\$ 15,475,427	7.87%
Anheuser Busch, Inc.....	14,558,490	7.40
Miller Brewing Company	11,737,256	5.97
Diageo North America, Inc.	11,689,777	5.95
E & J Gallo Winery	10,736,786	5.46
Constellation Brands	8,934,127	4.54
Heineken USA.....	8,212,029	4.18
Pernod Ricard USA	6,082,644	3.09
Jim Beam Brands Company	4,864,143	2.47
A Vintners Selections	<u>4,803,302</u>	<u>2.44</u>
Total.....	<u>\$ 97,093,981</u>	<u>49.37%</u>

Source: Department of Liquor Control

Retail Operations

Retail Facilities

The Department operates 27 retail stores located throughout the County. These stores sell non-chilled beer, wine and liquor, plus ice, bottled water and certain mixers.

The stores vary in size, from approximately 2,100 square feet to over 7,400 square feet. The Department leases the stores. The inventory in each store varies according to sales patterns and available retail space. In fiscal year 2018, no single location operated twelve months accounted for more than 5.9 percent or less than 2.0 percent of total Department retail sales.

The Department regularly reviews the operating performance of each retail store. The Rockville Pike store and the Milestone store ceased operations on June 30, 2018.

Retail Sales

The distribution of sales across the Department's 27 retail facilities that were in operation in fiscal year 2018 was as follows:

Retail Store	FY 2018 Sales	% of Total Retail Sales
Aspen Hill.....	\$ 3,863,336	2.7%
Burtonsville	3,894,425	2.7
Cabin John.....	5,026,649	3.5
Clarksburg	3,443,113	2.4
Cloverly	3,784,976	2.7
Darnestown.....	6,879,225	4.8
Downtown Rockville.....	4,298,343	3.0
Fallsgrove	4,248,277	3.0
Flower Avenue	2,864,405	2.0
Goshen Crossing.....	5,582,684	3.9
Hampden Lane.....	7,040,662	4.9
Kensington.....	7,093,674	5.0
King Farm.....	3,055,059	2.1
Kingsview.....	5,579,524	3.9
Leisure World.....	4,344,710	3.0
Milestone	4,413,287	3.1*
Montrose.....	8,462,803	5.9
Muddy Branch.....	8,027,372	5.6
Olney	5,631,254	3.9
Pike.....	4,336,235	3.0**
Potomac	6,985,842	4.9
Seneca Meadows	4,711,857	3.3
Silver Spring.....	7,128,066	5.0
Walnut Hill	4,531,099	3.2
Westwood.....	8,428,454	5.9
Wheaton.....	4,778,766	3.3
White Oak.....	<u>4,531,310</u>	<u>3.2</u>
Total:	<u>\$142,965,407</u>	<u>100.0%</u>

Source: Department of Liquor Control

*Milestone ceased operations on June 30, 2018.

**Pike ceased operations on June 30, 2018.

Results of Operations

Annual Operating Results

The Department's annual operating results have consistently created significant net revenues for transfer to the County's general fund. The following chart shows the total operating expenses, total operating revenues and net revenues for Fiscal Years 2014 through 2018 with estimates for 2019:

Annual Operating Results (dollars in thousands)						
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019*</u>
Sales, net	\$266,676	\$276,692	\$292,467	\$296,155	\$294,632	\$290,939
Other operating revenues	<u>1,979</u>	<u>1,931</u>	<u>2,107</u>	<u>2,154</u>	<u>2,027</u>	<u>2,165</u>
Total operating revenues	268,655	278,623	294,574	298,309	296,659	293,104
Non-operating revenues	<u>(2,960)</u>	<u>(1,761)</u>	<u>(1,791)</u>	<u>(1,501)</u>	<u>(1,389)</u>	<u>(832)</u>
Revenues	265,695	276,862	292,783	296,808	295,270	292,271
Expenses	<u>237,435</u>	<u>247,295</u>	<u>263,388</u>	<u>272,453</u>	<u>266,630</u>	<u>259,157</u>
Net Income	<u>\$ 28,260</u>	<u>\$ 29,567</u>	<u>\$ 29,395</u>	<u>\$ 24,355</u>	<u>\$ 28,640</u>	<u>\$ 33,114</u>

* Projected, based on actual financials through December 31, 2018.

Source: County Comprehensive Annual Financial Report (2014-2018); Department of Liquor Control (2019)

Sales Allocation

The Department's retail and wholesale sales for Fiscal Years 2014 through 2018 were as follows:

<u>Fiscal Year</u>	<u>Retail Sales</u>	<u>Warehouse Beer Sales</u>	<u>Warehouse Wine/Liquor Sales</u>
2018	\$142,965,407	\$86,582,491	\$65,084,372
2017	140,631,083	88,371,003	67,153,030
2016	137,657,061	88,286,504	66,523,484
2015	127,972,927	86,078,319	62,640,269
2014	127,277,321	81,424,564	57,974,599

Source: Department of Liquor Control

Cases Sold from Warehouse

The Department's sales by category for Fiscal Years 2014 through 2018 were as follows:

<u>Fiscal Year</u>	<u>Case Beer</u>	<u>Keg Beer</u>	<u>Wine</u>	<u>Liquor</u>
2018	51.0%	6.0%	37.0%	6.0%
2017	52.0	6.0	36.0	6.0
2016	65.0	7.0	19.0	9.0
2015	50.0	6.0	40.0	4.0
2014	71.0	2.0	19.0	8.0

Source: Department of Liquor Control

Transfers to the General Fund

Pursuant to State law, the Department retains a working capital reserve in an amount determined by the Director of the Department and the Director of Finance of the County, subject to the approval of the County Executive, prior to transferring net revenues of the Department to the County's general fund. The amount of the transfer is budgeted by the Department and the County and approved by the County Executive by March 15 for the Fiscal Year beginning on the ensuing July 1 (see "Organization and Senior Staff – Annual Budget Process" above). Transfers are made on or before September 25, December 25, March 25 and June 25 in each Fiscal Year. The aggregate annual amounts of such transfers in Fiscal Years 2014 through 2018 and the budgeted amount for Fiscal Year 2019 were as follows:

<u>Fiscal Year</u>	<u>Amount of Deposit to General Fund</u>
2019 ⁽¹⁾⁽²⁾	\$28,171,463
2018 ⁽²⁾	24,830,172
2017 ⁽²⁾	13,237,642
2016 ⁽²⁾	24,569,660
2015 ⁽²⁾	28,300,046
2014 ⁽²⁾	20,891,290

(1) Budgeted

(2) Net of debt service on Series 2009A Bonds, Series 2011A Bonds, and Series 2013A Bonds

Source: 2014 – 2018: County Comprehensive Annual Financial Report; 2019: County Department of Finance

Working Capital Reserve

The amount of the working capital reserve has been set at the aggregate of (1) one month's operating expenses, (2) the amount of one payroll cycle (currently bi-weekly), (3) \$1.5 million for inventory purchase, and (4) major, near-future non-recurring expenses (such as start-up costs for new retail facilities).

The amounts of the working capital reserves in Fiscal Years 2014 through 2018 and the budgeted amount for Fiscal Year 2019 were as follows:

<u>Fiscal Year</u>	<u>Amount of Working Capital Reserve</u>
2019 (1)	\$2,243,031
2018	6,356,749
2017	2,427,629
2016	2,290,672
2015	4,306,913
2014	4,032,638

(1) Budgeted

Source: 2014 – 2018: Department of Liquor Control; 2019: County Department of Finance

Historical Financial Results

The following chart shows the Department's historical financial results for Fiscal Years 2014 through 2018:

	2014	2015	2016	2017	2018
Operating Revenues					
Sales, net	\$266,676,484	\$276,691,515	\$292,467,049	\$296,155,116	\$294,632,270
Other revenues	1,978,855	1,931,025	2,107,144	2,154,132	2,026,732
Total Operating Revenues	268,655,339	278,622,540	294,574,193	298,309,248	296,659,002
% Change	3.78%	3.71%	5.73%	1.27%	-0.55%
Operating Expenses					
Cost of goods sold	\$190,878,813	\$199,491,617	\$211,517,189	\$215,872,938	\$205,934,522
Personnel costs	27,108,377	28,827,501	31,794,062	34,409,501	37,113,495
Contractual services	2,069,902	3,763,178	3,732,145	3,444,271	4,948,717
Rentals	6,892,704	6,498,225	6,568,451	7,634,056	7,261,915
Depreciation	2,247,106	2,118,550	2,372,241	2,522,575	2,779,000
Maintenance	1,162,492	864,620	785,550	1,204,599	1,231,147
Other expenses	7,075,333	5,730,905	6,618,563	7,365,266	7,364,028
Total Operating Expenses	237,434,727	247,294,596	263,388,201	272,453,206	266,629,824
% Change	5.85%	4.15%	6.51%	3.44%	-2.14%
Gain (loss) on disposal of capital assets	(794,351)	(46,198)	-	-	-
Investment income	5,756	23,735	27,920	78,759	50,539
Interest Expense	(2,193,563)	(1,844,215)	(1,839,210)	(1,763,512)	(1,679,387)
Other revenue	22,520	146,122	19,798	184,061	239,856
Total Non-Operating Revenue (Expense)	(2,959,638)	(1,760,556)	(1,791,492)	(1,500,692)	(1,388,992)
Net Revenues	\$28,260,974	\$29,567,388	\$29,394,500	\$24,355,350	\$28,640,186
Add Back: Depreciation	2,247,106	2,118,550	2,372,241	2,522,575	2,779,000
Add Back: Interest Expense	2,193,563	1,884,215	1,839,210	1,763,512	1,679,387
Less: Retention of Working Capital	(4,032,638)	(4,306,913)	(2,290,672)	(2,427,629)	(6,356,749)
Net Revenues Available for Debt Service	\$28,669,005	\$29,263,240	\$31,315,279	\$26,213,808	\$26,741,824
Existing Debt Service**	9,763,843	9,828,539	9,837,389	9,834,889	9,834,639
Debt Service Coverage	2.94x	2.97x	3.18x	2.66x	2.72x
Transfer Out	26,440,830	34,147,753	30,422,492	19,088,907	30,680,946
Ending Cash Position	13,816,054	9,260,502	7,240,857	4,886,289	8,816,209
Unrestricted Net Assets	\$24,836,124	\$17,019,497	\$16,180,588	\$21,367,959	\$18,843,365

Source: Department of Liquor Control

Characteristics of the Service Area

The Department serves wholesale and retail customers in the County. The County is located adjacent to the nation's capital, Washington, D.C., and includes 497 square miles of land area. The County is the most populous jurisdiction in Maryland, and the wealthiest by any conventional measure.

The following information describes some of the demographic and economic characteristics of the County.

Population

The population of the County, according to the 2010 Census, was 971,777, an increase of 10.6 percent since the 2000 Census exceeded 1 million in 2012 (1.005 million) and is estimated at 1.069 million in calendar year 2018 – an increase of ten percent from the 2010 Census.

Households and Population

	<u>Households</u>	<u>Population</u>	<u>Population Percent Change from Prior Census</u>
2018 (est.)	378,205	1,068,721	10.0%
2017	373,219	1,058,810	9.0%
2016	373,346	1,049,477	7.4
2015	371,468	1,040,116	7.0
2014	364,854	1,030,447	6.0
2013	364,743	1,016,677	4.6
2012	361,116	1,004,709	3.4
2011	359,496	989,794	1.9
2010 (U.S. Census)	357,086	971,777	10.6
2009	345,301	959,013	9.1
2008	341,812	942,748	7.3
2007	343,540	931,694	6.0
2006	341,438	926,492	5.4
2005	339,628	921,531	4.9
2004	337,838	914,991	4.1
2000 (U.S. Census)	324,565	878,683	15.7

Note: Data for households and total population from 2011 to 2017 from the American Community Survey, U.S. Census Bureau. Data for households from the American Community Survey are defined as occupied housing units. The estimate of households and population in 2018 derived by the Montgomery County Department of Finance from Moody's Analytics and Woods & Poole Economics.

Median Age

	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2017</u>
Median Age	28.1	27.9	32.1	33.9	36.8	38.6	39.0

Sources: For 2010 and 2017 the American Community Survey, U.S. Bureau of the Census. For previous years, Decennial Census, U.S. Bureau of the Census

Employment

The County's economic structure reveals a diversified economy with a strong service sector. The total private sector (trade, information services, financial activities, professional services, education and health, and hospitality) employed 80.6 percent of the total workforce in 2017, the latest available annual data. The following tables present the County's employment by industrial sector.

Payroll Employment

	<u>2010</u>	<u>2016</u>	<u>2017</u>
TOTAL PRIVATE SECTOR	358,172	373,686	377,714
PUBLIC SECTOR EMPLOYMENT:			
Federal	45,072	48,068	48,743
State	1,199	1,217	1,208
Local	<u>37,140</u>	<u>40,478</u>	<u>41,135</u>
TOTAL PUBLIC SECTOR	<u>83,411</u>	<u>89,763</u>	<u>91,086</u>
GRAND TOTAL	<u>441,583</u>	<u>463,449</u>	<u>468,802</u>

Notes: The following groups are excluded from the payroll count: Federal military, self-employed, railroad workers, and domestic employees.

Payroll employment represents the total number of jobs covered by the Maryland Unemployment Insurance Program.

Source: State of Maryland, Department of Labor, Licensing and Regulation.

Payroll Employment Shares by Industry

	<u>2016</u>	<u>2017</u>
TOTAL PRIVATE SECTOR	80.6%	80.6%
PUBLIC SECTOR EMPLOYMENT:		
Federal	10.4	10.4
State	0.3	0.2
Local	<u>8.7</u>	<u>8.8</u>
TOTAL PUBLIC SECTOR	<u>19.4</u>	<u>19.4</u>
GRAND TOTAL	<u>100.0%</u>	<u>100.0%</u>

Source: State of Maryland, Department of Labor, Licensing and Regulation.

The following table provides a comparison of the payroll employment data for 2016 and 2017 based on the classification system which shows that the County had a slight overall percentage gain in employment in 2017.

**Payroll Employment
(NAICS Series)***

	<u>2016</u>	<u>2017</u>	<u>Difference</u>	<u>Percent Change</u>
TOTAL PRIVATE SECTOR	373,686	377,714	4,028	1.1%
GOODS-PRODUCING	35,588	36,165	577	1.6%
Natural Resources and Mining	310	319	9	2.9%
Construction	23,332	23,457	125	0.5%
Manufacturing	11,946	12,388	442	3.7%
SERVICE PROVIDING	338,098	341,548	3,450	1.0%
Trade, Transportation, and Utilities	56,846	56,651	(195)	-
Information	11,780	11,075	(705)	-6.0%
Financial Activities	29,790	28,614	(1,176)	-3.9%
Professional and Business Services	102,397	105,389	2,992	2.9%
Education and Health Services	71,561	73,528	1,967	2.7%
Leisure and Hospitality	43,203	43,804	601	1.4%
Other Services	22,521	22,486	(35)	-0.2%
PUBLIC SECTOR EMPLOYMENT	89,763	91,086	1,323	1.5%
Federal Government	48,068	48,743	675	1.4%
State Government	1,217	1,208	(9)	-
Local Government	40,478	41,135	657	1.6%
GRAND TOTAL	463,449	468,802	5,353	1.2%

* North American Industrial Classification System.

During calendar year 2017 the County's unemployment rate averaged 3.3 percent. The following table presents the County's labor force, employment and unemployment for the calendar years 2013 through 2017.

**Montgomery County's Resident Labor Force
Employment & Unemployment**

	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment</u>
2017*	557,412	539,132	18,280	3.3%
2016	551,392	533,201	18,191	3.3%
2015	548,499	527,034	21,415	3.9%
2014	544,210	520,288	23,922	4.4%
2013	542,690	515,689	27,001	5.0%

Source: State of Maryland, Department of Labor, Licensing and Regulation (DLLR) and the Bureau of Labor Statistics (BLS).

* Estimated by the Montgomery County Department of Finance.

Personal Income

Actual personal income of County residents reached \$91.2 billion in calendar year 2017 which is an increase over the 2016 amount of \$87.1 billion. The County's total personal income experienced an increase of 4.8 percent in 2017,

greater than the nation's increase of 4.4 percent, and greater than the State's rate of 4.1 percent. The County's total personal income increase of 4.8 percent is greater than the ten-year (2007-2016) annual average growth rate of 3.6 percent.

The County accounts for 24.8 percent of the State's personal income in 2017, which is a percentage that has ranged from a low of 23.5 percent in 2007, 2009, and 2014 to its current high of 24.8 percent in 2017.

Total Personal Income				
(\$ millions)				
<u>Calendar Year</u>	<u>Montgomery County</u>	<u>Maryland</u>	<u>U.S.</u>	<u>Montgomery County as Percent of Maryland</u>
2017	\$91,202	\$368,258	\$16,820,250	24.8%
2016	87,052	353,880	16,115,630	24.6
2015	82,327	341,295	15,711,634	24.1
2014	76,406	324,968	14,983,140	23.5
2013	74,333	313,195	14,175,503	23.7
2012	76,944	314,142	13,998,383	24.5
2011	74,121	305,178	13,315,478	24.3
2010	68,848	288,606	12,541,995	23.9
2009	65,405	278,547	12,051,307	23.5
2008	66,913	280,309	12,438,527	23.9
2007	63,117	268,336	12,002,204	23.5

Notes: Data for 2007 to 2016 from U.S. Department of Commerce, Bureau of Economic Analysis, revised November 2018 (County, State, and U.S.).

Average Household and Per Capita Personal Income

According the Bureau of Economic Analysis, U.S. Department of Commerce, the County's total personal income reached \$91.2 billion in calendar year 2017, up from a revised \$87.1 billion in 2016, while per capita income reached \$86,136 in 2017, up from \$83,038 in 2016. Average household income increased from \$226,381 in 2016 to \$244,366 in 2017.

Per Capita and Average Household Income, 2017

<u>County</u>	<u>Per Capita Income</u>	<u>County</u>	<u>Average Household Income</u>
Marin, CA	\$124,552	San Mateo, CA	\$331,154
San Mateo, CA	113,410	Marin, CA	331,867
Fairfield, CT	110,104	Fairfield, CT	310,879
Westchester, NY	101,542	Santa Clara, CA	299,777
Santa Clara, CA	98,032	Westchester, NY	283,644
Somerset, NJ	96,548	Somerset, NJ	282,073
Morris, NJ	94,259	Morris, NJ	260,435
Arlington, VA	89,487	Nassau, NY	259,709
Collier FL	87,829	Montgomery, MD	244,366
Norfolk, MA	86,746	Fairfax, VA	234,561
Montgomery, MD	86,136	Norfolk, MA	230,235
Nassau, NY	84,763	Loudoun, VA	229,560
Bergen, NJ	81,203	Bergen, NJ	227,502
Middlesex, MA	79,214	Collier, FL	226,871
Fairfax, VA	78,376	Contra Costa, CA	223,980
Chester, PA	77,465	Lake, IL	216,483
Montgomery, PA	77,207	Chester, PA	212,273
Contra Costa, CA	76,527	Middlesex, MA	211,802
Lake, IL	76,227	Howard, MD	208,724
Howard, MD	74,938	Alameda, CA	206,689

Notes: A major affluent suburban county is defined as a county in either a Metropolitan Statistical Area (MSA) or a Primary Metropolitan Statistical Area (P203MSA) with a population of at least 200,000 and the number of households of at least 100,000 where income levels are considerably higher than in the central city and other jurisdictions in the area.

Source: U.S. Department of Commerce, Bureau of Economic Analysis (BEA), November 2018, for total personal income and per capita data; the Department of Finance used the number of households from the American Community Survey, U.S. Census Bureau., and the total personal income from BEA.

New Construction

Between FY17 and FY18, the number of new construction projects increased 2.5 percent. At the same time, the value of new construction added to the real property tax base increased 1.0 percent to \$1.657 billion. Over the prior ten-year period (from FY09 to FY18), the number of projects, both residential and non-residential increased from 738 to 1,694. During that same period, the value of new construction averaged \$1.335 billion between FY09 and FY18 and ranging from a high of \$1.657 billion in FY18 to a low of \$0.586 billion in FY12. The decline in the construction of residential properties beginning in FY09 and ending in FY12 reached its lowest level in five fiscal years. Because of the depressed housing market beginning in late 2005, the value of new residential construction declined at an average annual rate of 25.3 percent between the peak in 2007 and 2012, but since 2012, new residential construction increased at an average annual rate of 20.6 percent from 2012 to FY2018.

**New Construction Added to Real Property Tax Base
Montgomery County
(\$ millions)**

<u>Fiscal Year</u>	<u>Construction Starts</u>	<u>Residential</u>	<u>Apartments</u>	<u>Condominium</u>	<u>Commercial/ Industrial</u>	<u>All Other</u>	<u>Total</u>
2018	1,694	\$743.5	\$49.5	\$107.4	\$751.5	\$4.8	\$1,656.7
2017	1,652	820.4	101.7	130.9	578.8	7.9	1,639.8
2016	1,797	755.2	118.6	130.1	595.2	18.5	1,617.5
2015	1,819	660.2	30.9	27.6	696.6	4.2	1,419.5
2014	1,775	652.4	73.5	59.1	517.6	6.8	1,309.4
2013	1,497	537.2	91.9	123.8	651.8	3.0	1,407.7
2012	839	241.5	39.0	60.7	241.3	3.1	585.6
2011	863	540.2	20.6	56.6	226.9	75.5	919.8
2010	833	599.4	19.7	180.3	354.7	226.6	1,380.7
2009	738	724.1	5.8	455.4	229.5	0.0	1,414.8
10-Year Summary		\$6,274.0	\$551.2	\$1,332.0	\$4,844.0	\$350.4	\$13,351.5
Categories as Percent of Total		47.0%	4.1%	10.0%	36.3%	2.6%	100.0%

APPENDIX B

FINANCIAL INFORMATION REGARDING THE DEPARTMENT EXCERPTED FROM THE COUNTY'S COMPREHENSIVE ANNUAL FINANCIAL REPORTS FOR THE FISCAL YEARS ENDING JUNE 30, 2018 AND 2017

The following financial information for the Montgomery County Department of Liquor Control is extracted from and should be read in conjunction with the Comprehensive Annual Financial Reports of Montgomery County, Maryland for Fiscal Years 2018 and 2017, prepared by the County Finance Department. The financial information included in Appendix B has not been audited by the County's auditors. Copies of the complete Comprehensive Annual Financial Reports of Montgomery County, Maryland for Fiscal Years 2018 and 2017 are available from the County or at <http://bonds.montgomerycountymd.gov/>.

**MONTGOMERY COUNTY, MARYLAND
DEPARTMENT OF LIQUOR CONTROL
COMPARATIVE STATEMENT OF NET ASSETS
AS AT JUNE 30, 2018 AND JUNE 30, 2017**

	<u>6/30/2017</u>	<u>6/30/2018</u>
ASSETS		
Current Assets:		
Equity in pooled cash and investments	\$ 2,373,129	\$ 6,306,249
Cash with fiscal agents	2,458,660	2,459,460
Cash	54,500	50,500
Receivables (net of allowances for uncollectibles):		
Accounts	4,389,258	3,450,996
Inventory of supplies	33,709,400	30,871,698
Prepays	<u>172,452</u>	<u>243,065</u>
Total Current Assets	<u>43,157,399</u>	<u>43,381,968</u>
Noncurrent Assets:		
Capital Assets:		
Land, improved and unimproved	7,033,656	7,033,656
Improvements other than buildings	15,054,010	15,054,010
Buildings	26,404,147	26,404,147
Furniture, fixtures, equipment, and machinery	15,736,423	15,756,549
Automobiles and trucks	<u>4,187,948</u>	<u>6,495,794</u>
Subtotal	68,416,184	70,744,156
Less: Accumulated depreciation	<u>16,142,929</u>	<u>18,921,930</u>
Total Capital Assets (net of accumulated depreciation)	<u>52,273,255</u>	<u>51,822,226</u>
Total Noncurrent Assets	<u>52,273,255</u>	<u>51,822,226</u>
Total Assets	<u>95,430,654</u>	<u>95,204,194</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	<u>3,971,063</u>	<u>2,221,547</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	5,784,537	4,338,795
Interest payable	444,891	437,512
Retainage payable	69,946	32,910
Accrued liabilities	4,975,901	8,063,465
Due to other funds	563,420	2,436,824
Due to other governments	1,187,376	1,137,186
Equipment notes payable	1,069,466	1,089,267
Unearned revenue	27,010	29,863
Revenue bonds payable	2,206,912	2,302,664
Other liabilities	<u>3,585</u>	<u>7,617</u>
Total Current Liabilities	<u>16,333,044</u>	<u>19,876,103</u>
Noncurrent Liabilities:		
Equipment notes payable	3,969,838	5,188,384
Revenue bonds payable	37,899,695	35,419,297
Compensated absences	913,361	987,465
Net pension liability	6,999,225	5,713,111
Other postemployment benefits	<u>1,838,263</u>	<u>-</u>
Total Noncurrent Liabilities	<u>51,620,382</u>	<u>47,308,257</u>
Total Liabilities	<u>67,953,426</u>	<u>67,184,360</u>
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	<u>494,328</u>	<u>1,115,943</u>
NET POSITION		
Net Investment in capital assets	7,127,344	7,822,613
Restricted for debt service	2,458,660	2,459,460
Unrestricted	<u>21,367,959</u>	<u>18,843,365</u>
Total Net Assets	<u>\$ 30,953,963</u>	<u>\$29,125,438</u>

MONTGOMERY COUNTY, MARYLAND
DEPARTMENT OF LIQUOR CONTROL
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2017

	<u>6/30/2017</u>	<u>6/30/2018</u>
OPERATING REVENUES		
Sales - net	\$296,155,116	\$294,632,270
Charges for services	21,868	22,091
Licenses and permits	1,913,800	1,778,715
Fines and penalties	<u>218,464</u>	<u>225,926</u>
Total Operating Revenues	<u>298,309,248</u>	<u>296,659,002</u>
OPERATING EXPENSES		
Cost of goods sold	215,872,938	205,931,522
Personnel costs	34,409,501	37,113,495
Other post employment contributions	2,157,520	2,339,170
Postage	23,119	13,345
Insurance	593,071	724,274
Supplies and materials	717,329	743,407
Contractual services	3,444,271	4,948,717
Communications	320,881	348,981
Transportation	1,216,209	1,181,619
Public utility services	713,674	715,910
Rentals	7,634,056	7,261,915
Maintenance	1,204,599	1,231,147
Depreciation	2,522,575	2,779,000
Other	<u>1,623,463</u>	<u>1,297,322</u>
Total Operating Expenses	<u>272,453,206</u>	<u>266,629,824</u>
Operating Income (Loss)	<u>25,856,042</u>	<u>30,029,178</u>
NONOPERATING REVENUES (EXPENSES)		
Investment income	78,759	50,539
Interest expense	(1,763,512)	(1,679,387)
Other revenue	178,931	239,624
Insurance recoveries	<u>5,130</u>	<u>232</u>
Total Nonoperating Revenues (Expenses)	<u>(1,500,692)</u>	<u>(1,388,992)</u>
Income (Loss) Before Capital Contributions and Transfers	<u>24,355,350</u>	<u>28,640,186</u>
Transfers In (Out):		
Transfers in	41,865	212,235
Transfers out	<u>(19,088,907)</u>	<u>(30,680,946)</u>
Total Transfers In (Out)	<u>(19,047,042)</u>	<u>(30,468,711)</u>
Change in Net Assets	5,308,308	(1,828,525)
Total Net Assets - Beginning of Year	<u>25,645,655</u>	<u>30,953,963</u>
Total Net Assets - End of Year	<u>\$30,953,963</u>	<u>\$29,125,438</u>

**MONTGOMERY COUNTY, MARYLAND
DEPARTMENT OF LIQUOR CONTROL
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE FISCAL YEARS ENDED JUNE 30, 2018 AND JUNE 30, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES	<u>6/30/2017</u>	<u>6/30/2018</u>
Receipts from customers	\$300,450,866	\$297,529,504
Payments to suppliers	(239,451,155)	(219,002,925)
Payments to employees	(36,048,042)	(37,967,364)
Other operating receipts	178,931	239,624
Other operating expenses	(1,623,463)	(1,297,321)
Claims paid	<u>5,130</u>	<u>232</u>
Net Cash Provided (Used) by Operating Activities	<u>23,512,267</u>	<u>39,501,750</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating subsidies and transfers from other funds	41,864	212,235
Operating subsidies and transfers to other funds	<u>(19,088,907)</u>	<u>(30,680,946)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(19,047,043)</u>	<u>(30,468,711)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Equipment note payable	(997,710)	(1,069,499)
Acquisition and construction of capital assets	(2,621,300)	(2,327,971)
Proceeds from equipment note payable	778,565	2,307,845
Principal paid on capital debt	(2,294,594)	(2,384,646)
Interest paid on capital debt	<u>(1,763,512)</u>	<u>(1,679,387)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(6,898,551)</u>	<u>(5,153,658)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment income from pooled investments	<u>78,759</u>	<u>50,539</u>
Net Cash Provided (Used) by Investing Activities	<u>78,759</u>	<u>50,539</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,354,569)	3,929,920
Balances - Beginning of Year	<u>7,240,857</u>	<u>4,886,289</u>
Balances - End of Year	<u>\$4,886,289</u>	<u>\$8,816,209</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$25,856,042	\$30,029,178
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	2,522,575	2,779,000
Other revenue	178,937	239,624
Unearned revenue	7,291	2,853
Insurance recoveries	5,130	232
Pension expense	355,210	1,085,017
Changes in assets and liabilities:		
Receivables, net	2,134,326	867,650
Compensated absences	26,399	74,104
Accounts payable and other liabilities	(7,711,009)	4,097,910
Accrued expenses	<u>137,372</u>	<u>326,181</u>
Net Cash Provided (Used) by Operating Activities	<u>\$23,512,267</u>	<u>\$39,501,749</u>

**APPENDIX C
DEFINITIONS OF TERMS AND SUMMARY OF THE TRUST AGREEMENT**

Set forth in this Appendix C are definitions of certain terms used in this Official Statement and Summary of the Trust Agreement. The summary of the Trust Agreement contained in this Appendix C does not purport to be complete and reference is made to the Trust Agreement for a complete statement of its terms. A copy of the Trust Agreement is available from the County or the Trustee.

DEFINITIONS OF TERMS

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

“Accounts” means, collectively, the Construction Account, the Costs of Issuance Account, the Interest Account, the Principal Account and the Sinking Fund Account created pursuant to the Trust Agreement.

“Additional Bonds” means any issue of Bonds issued subsequent to and on a parity with the Bonds initially issued pursuant to the Trust Agreement.

“Additional Projects” means any projects which may be added to the Projects by a Supplemental Trust Agreement, which projects constitute authorized uses of the proceeds of Bonds under the Revenue Bond Act and the Resolution.

“Authorized Denominations” means \$5,000 and any integral multiple thereof.

“Balloon Debt” means Indebtedness 25% or more of the principal amount of which matures in the same 12-month period, which portion of such principal amount is not required to be amortized by redemption prior to such period.

“Bond Counsel” means any firm of nationally recognized municipal bond attorneys selected by the County and experienced in the issuance of municipal bonds and matters relating to the exclusion of the interest thereon from gross income for Federal income tax purposes.

“Bond Fund” means the fund created by the Trust Agreement.

“Bonds” means the Series 2011A Bonds, Series 2013A Bonds, the Series 2019A Bonds and any Additional Bonds that are authenticated and delivered by the Trustee, issued under the Trust Agreement.

“Bond Year” means the period from and including April 1 of each calendar year through and including March 31 of the immediately succeeding calendar year.

“Business Day” means a day on which the Trustee or banks or trust companies in New York, New York, are not authorized or required to remain closed and on which the New York Stock Exchange is not closed.

“Code” means the Internal Revenue Code of 1986, as amended.

“Completion Date” means with respect to any Project, the date of completion of such Project as determined by the County.

“Construction Account” means the account by that name created within the Project Fund under the Trust Agreement.

“Costs” means (a) the cost of all land, property, rights, easements, and franchises that are necessary for the construction or improvement of any Project; (b) the cost of all: (i) labor; (ii) materials; (iii) machinery; (iv) equipment; (v) furnishings; (vi) installing any equipment and furnishings; (vii) financing charges; and (viii) interest charged before and during construction, and for one (1) year after completion of construction; and (c) the costs of: (i) engineering; (ii) architectural services; (iii) legal services; (iv) plans; (v) specifications; (vi) surveys; (vii) estimates of costs and of revenues; (viii) determining the feasibility or practicability of construction; (ix) administrative expenses; and (x) any other services that may be necessary or incident to the financing, construction, or improvement of a Project, and of placing a Project in operation.

“Costs of Issuance Account” means the account by that name created within the Project Fund under the Trust Agreement.

“County” means Montgomery County, Maryland, a body politic and corporate and a political subdivision of the State of Maryland.

“County Representative” means the Chief Administrative Officer of the County, the Director of Finance of the County and any other person at the time designated to act on behalf of the County for purposes of the Trust Agreement by a written instrument furnished to the Trustee containing the specimen signature of such person and signed on behalf of the County by any of its officers. The certificate may designate an alternate or alternates.

“Credit Facility” means any letter of credit, bond insurance policy, bond purchase agreement, guaranty, line of credit, surety bond or similar credit or liquidity facility securing any Bond or held to the credit of any fund or account created by the Trust Agreement. When used with reference to any Bonds, “Credit Facility” means any Credit Facility securing such Bonds.

“Credit Facility Agreement” means the agreement, if any, pursuant to which any Credit Facility is issued. When used with reference to any Bonds, “Credit Facility Agreement” means the Credit Facility Agreement under which any Credit Facility securing such Bonds shall have been issued.

“Debt Service Requirements” means, when used with respect to any Long-Term Indebtedness for any Bond Year, as of any particular date of calculation, the amount required to pay the sum of (1) the interest on such Long-Term Indebtedness payable during the period from the second day of such Bond Year through the first day of the immediately succeeding Bond Year, and (2) the principal of, the Sinking Fund Installment for and any other amount required to effect any mandatory redemption of such Long-Term Indebtedness, if any, during the period from the second day of such Bond Year through the first day of the immediately succeeding Bond Year, less any amount of such interest or principal for the payment of which moneys or Permitted Investments, the principal of and interest on which when due will provide for such payment, are held in trust, including (without limitation) any accrued interest and capitalized interest on deposit in the Bond Fund or the Project Fund. For the purpose of calculating the Debt Service Requirements:

(a) with respect to any Variable Rate Debt:

(i) for the purpose of calculating the principal amount of any such Variable Rate Debt constituting Balloon Debt payable in any Bond Year described in clause (b) below, such Variable Rate Debt shall be deemed to bear interest at the fixed rate that it would have borne had it been issued at a fixed rate for the term thereof, as evidenced by a certificate of an investment banking firm or financial advisor knowledgeable in financial matters relating to the Projects satisfactory to the County, who may be, without limitation, the financial advisor to the County, confirming such interest rate assumption as reasonable, *provided* that if the County shall have entered into any cap, swap or other hedging arrangement with an entity rated in one of the three highest Rating Categories by at least one of Fitch, Moody’s or S&P (each, a “Qualified Hedging Transaction”) identified in the records of the County with respect to such Variable Rate Debt at the option of the County, such Variable Rate Debt shall be deemed to bear interest at the rate payable by the County under such Qualified Hedging Transaction;

(ii) for all other purposes of the Trust Agreement, such Variable Rate Debt shall be deemed to bear interest at an annual rate equal to (A) in the case of any period during which such Variable Rate

Debt shall have been outstanding, the weighted average interest rate per annum borne by such Variable Rate Debt during such period and (B) in any other case, the higher of (1) the weighted average interest rate per annum borne by such Indebtedness during the 12-month period ending on the date of calculation (or, in the case of any Indebtedness to be issued during the immediately preceding 12-month period, the weighted average interest rate per annum borne by other outstanding indebtedness having comparable terms and of comparable creditworthiness during the immediately preceding 12-month period, as evidenced by a certificate of an investment banking firm or a financial advisor knowledgeable in financial matters relating to the Projects satisfactory to the County, who may be, without limitation, the financial advisor to the County) and (2) the interest rate per annum borne by such Indebtedness on the date of calculation, *provided* that if any Qualified Hedging Transaction identified in the records of the County with respect to any such Variable Rate Debt shall be in effect for the period for which such calculation is to be made, at the option of the County, such Variable Rate Debt shall be deemed to bear interest at the rate payable by the County under such Qualified Hedging Transaction during such period;

(b) with respect to any Balloon Debt, the principal amount of such Indebtedness payable in each Bond Year may be deemed to be the amount that would be payable during such Bond Year if such Indebtedness were required to be amortized in full from the date of its issuance in substantially equal annual installments of principal (such principal to be rounded to the nearest \$5,000) and interest over a term equal to the shorter of (i) 30 years and (ii) 120% of the weighted average economic life of the Projects financed or refinanced thereby;

(c) with respect to any Optional Tender Debt, the option of the holder thereof to tender such Indebtedness for purchase or redemption prior to maturity shall be disregarded; and

(d) with respect to any Credit Facility Agreement, so long as no demand for payment under the Credit Facility issued under such Credit Facility Agreement shall have been made, the debt service requirements of such Credit Facility Agreement shall be excluded from such calculation.

“Department” means the Montgomery County Department of Liquor Control, its successors and assigns.

“DLC Revenue Legislation” means Section 25-311 of the Alcoholic Beverages Article of the Annotated Code of Maryland (2016 Replacement Volume and 2018 Supplement), as amended (previously codified as Section 15-207(e) of Article 2B of the Annotated Code of Maryland).

“Event of Default” means any occurrence or event specified in and defined by the Trust Agreement.

“Favorable Opinion of Bond Counsel” means, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Counsel, which shall be a Bond Counsel, to the effect that such action is permitted under the Revenue Bond Act and the Trust Agreement and will not impair the exclusion of interest on the Bonds from gross income for purposes of Federal income taxation or the exemption of interest on the Bonds from personal income taxation under the laws of the State (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds).

“First Supplemental Trust Agreement” means the First Supplemental Trust Agreement dated as of April 1, 2011 by and between the County and the Trustee.

“Fitch” means Fitch, Inc., a nationally recognized bond rating agency, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the County.

“Funds” shall mean, collectively, the Revenue Fund, the Bond Fund, the Project Fund, the Redemption Fund and the Rebate Fund created pursuant to the Trust Agreement.

“Generally Accepted Accounting Principles” means generally accepted accounting principles in the United States of America applicable in the preparation of financial statements of governmental units, as promulgated by the

Governmental Accounting Standards Board or such other body as shall be recognized as authoritative by the American Institute of Certified Public Accountants or any successor body (as such principles may change from time to time), applied on a consistent basis, applied both to classification of items and amounts.

“Government Obligations” means any of the following securities, if and to the extent the same are non-callable and not subject to redemption at the option of the owners, at the time legal for investment of the County’s funds, as determined by the County: direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America and including a receipt, certificate or any other evidence of an ownership interest in an aforementioned obligation, or in specified portions thereof (which may consist of specified portions of interest thereon).

“Indebtedness” means any indebtedness or liability for borrowed money, any installment sale obligation or conditional purchase agreement, or any obligation under any lease that is capitalized under Generally Accepted Accounting Principles, to the extent that any of the foregoing is payable from the Pledged Revenues.

“Interest Account” means the account by that name created within the Bond Fund pursuant to the Trust Agreement.

“Interest Payment Date” means each April 1 and October 1.

“Long-Term Indebtedness” means all of the following Indebtedness incurred or assumed by the County and payable under any circumstances from the Trust Estate:

- (1) any obligation for the payment of principal and interest with respect to money borrowed for an original term, or renewable at the option of the County for a period from the date originally incurred, longer than one year;
- (2) any obligation for the payment of money under leases that are required to be capitalized under Generally Accepted Accounting Principles, longer than one year; and
- (3) any obligation for the payment of money under installment purchase contracts having an original term in excess of one year.

“Maximum Annual Debt Service” means, when used with reference to any Long-Term Indebtedness for any Bond Year, as of any particular date of computation, the greatest amount required in the then-current or any future Bond Year to pay the Debt Service Requirements of such Long-Term Indebtedness.

“Moody’s” means Moody’s Investors Service.

“Opinion of Counsel” means a written legal opinion from a firm of attorneys experienced in the matters to be covered in the opinion.

“Optional Tender Debt” means any Indebtedness that is subject to optional or mandatory tender by the holder thereof (including, without limitation, any mandatory tender in connection with the expiration of any Credit Facility securing such Indebtedness or any conversion of the interest rate on such Indebtedness) for purchase or redemption prior to the stated maturity date thereof if the purchase or redemption price of such Indebtedness is under any circumstances payable from the Trust Estate.

“Outstanding,” when used as of a particular time with reference to Bonds, means (subject to the provisions of the Trust Agreement) all Bonds delivered under the Trust Agreement except:

- (i) Bonds cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (ii) Bonds paid or deemed to have been paid in accordance with the terms of the Trust Agreement; and

- (iii) Bonds in lieu of or in substitution for which replacement Bonds shall have been executed by the County and delivered by the Trustee under the Trust Agreement.

“Owner” means the registered owner of a Bond.

“Permitted Investments” means:

- (a) an obligation for which the United States has pledged its faith and credit for the payment of the principal and interest;

- (b) an obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress;

- (c) a repurchase agreement collateralized in an amount not less than 102% of the principal amount by an obligation of the United States, its agencies or instrumentalities, provided the collateral is held by a custodian other than the seller designated by the buyer;

- (d) bankers’ acceptances guaranteed by a financial institution with a short-term debt rating in the highest letter and numerical rating by at least one Rating Agency;

- (e) commercial paper that has received the highest letter and numerical rating by at least one Rating Agency;

- (f) money market mutual funds that:

- (i) contain only securities of the organizations listed in items (a), (b), and (c) of this subsection;

- (ii) are registered with the Securities and Exchange Commission under the Investment Company Act of 1940, 15 U.S.C. § 80(a), as amended; and

- (iii) are operated in accordance with Rule 2A-7 of the Investment Company Act of 1940, 17 C.F.R. § 270.2A-7, as amended; and

- (g) any investment portfolio created under the Maryland Local Government Investment Pool defined under Sections 17-301 through 17-309, inclusive, of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2018 Supplement), as amended, (previously codified as Article 95, § 22G of the Annotated Code of Maryland), that is administered by the Office of the State Treasurer; and

- (h) any other investments that are then legal investments of the County under the laws of the State.

“Pledged Revenues” means all revenues of the Montgomery County Department of Liquor Control, as and when transferred to the General Fund of the County pursuant to the provisions of the DLC Revenue Legislation.

“Principal Account” means the account by that name created within the Bond Fund pursuant the Trust Agreement.

“Project Fund” means the fund by that name created pursuant to the Trust Agreement.

“Projects” means the projects described in the Trust Agreement.

“Qualified Hedging Transaction” is defined in the definition to “Debt Service Requirements” herein.

“Rating Agency” means any one of Fitch, Moody’s and S&P.

“Rating Confirmation Notice” means a notice from Moody’s, S&P or Fitch, as appropriate, confirming that the rating on the Bonds will not be withdrawn as a result of the action proposed to be taken.

“Rebate Fund” means the fund by that name created pursuant to the Trust Agreement.

“Record Date” means the fifteenth (15th) day (whether or not a Business Day) of the month next preceding each Interest Payment Date.

“Redemption Date” means the date fixed for redemption of Bonds subject to redemption in any notice of redemption given in accordance with the terms of the Trust Agreement.

“Redemption Fund” means the fund by that name created pursuant the Trust Agreement.

“Redemption Price” means an amount equal to the principal of and premium, if any, and accrued interest, if any, on the Bonds to be paid on the Redemption Date.

“Resolution” means Resolution No. 16-676 adopted by the County on July 29, 2008 and amended on February 24, 2009, as further supplemented and amended from time to time.

“Revenue Bond Act” means, collectively, Section 10-203(b) of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2018 Supplement), as amended (previously codified as Sections 5(P)(2) and 5(P)(3) of Article 25A of the Annotated Code of Maryland) and the Montgomery County Revenue Bond Act, Article IX of the Montgomery County Code (2004 Edition, as amended), as amended and supplemented from time to time.

“Revenue Fund” means the fund by that name created pursuant to the Trust Agreement.

“Second Supplemental Trust Agreement” means the Second Supplemental Trust Agreement dated as of August 1, 2013 by and between the County and the Trustee.

“Securities Depositories” means the following registered securities depository which has been designated in a certificate of the County delivered to the Trustee: The Depository Trust Company, 570 Washington Blvd., 5th Floor Jersey City, NJ 07310, or, such other securities depositories as the County may designate in a certificate of the County delivered to the Trustee.

“Series” means any Series of Bonds authorized by the Trust Agreement or any Supplemental Trust Agreement.

“Series 2011A Bonds” means the Montgomery County, Maryland Revenue Bonds (Department of Liquor Control), 2011 Series A.

“Series 2013A Bonds” means the Montgomery County, Maryland Revenue Bonds (Department of Liquor Control), 2013 Series A.

“Sinking Fund Account” means the account by that name created within the Bond Fund pursuant to the Trust Agreement.

“Sinking Fund Installment” means the amount of money provided in the Trust Agreement, and in each Supplemental Trust Agreement authorizing any Additional Bonds, to redeem Bonds at the times and in the amounts provided in the Trust Agreement or such Supplemental Trust Agreement (as the case may be).

“S&P” means Standard & Poor’s Rating Group, a division of McGraw-Hill, duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “S&P” shall be deemed to refer to any other nationally recognized securities rating agency selected by the County.

“State” means the State of Maryland.

“Supplemental Trust Agreement” means an amendment or supplement, executed by the County and the Trustee, to the Trust Agreement.

“Third Supplemental Trust Agreement means the Third Supplemental Trust Agreement dated as of March 1, 2019 by and between the County and the Trustee.

“Trust Agreement” means the 2009 Trust Agreement, as supplemented by the First Supplemental Trust Agreement, the Second Supplemental Trust Agreement and the Third Supplemental Trust Agreement, as the same may be further amended and supplemented from time to time.

“Trustee” means U. S. Bank National Association, a national banking association organized and existing under the laws of the United States, and having a corporate trust office in Richmond, Virginia, or any other bank or trust company duly incorporated and existing under and by virtue of the laws of any state or of the United States of America, which may be substituted in its place as provided in the Trust Agreement.

“2009 Trust Agreement” means the Trust Agreement dated as of May 1, 2009 by and between the County and the Trustee.

“Variable Rate Debt” means any Indebtedness the interest rate(s) on which are not fixed to maturity.

THE TRUST AGREEMENT

The following is a summary of certain provisions of the Trust Agreement. Such summary does not purport to be complete or definitive and reference is made to the Trust Agreement for a full and complete statement of the terms and provisions and for the definition of capitalized terms used in this summary and not otherwise defined under “Definitions of Certain Terms in the Trust Agreement.”

Additional Bonds *(Section 2.10)*

Additional Bonds may be issued under the Trust Agreement pursuant to a Supplemental Trust Agreement for any purpose permitted under the Revenue Bond Act or to refinance all or any portion of the Outstanding Bonds pursuant to applicable law.

Each Additional Bond shall be on a parity with, and shall be entitled to the same benefit and security of the Trust Agreement as the Bonds then Outstanding.

The Supplemental Trust Agreement authorizing the issuance of any Additional Bonds shall specify the maturities and redemption provisions of such Additional Bonds. Any Supplemental Trust Agreement authorizing the issuance of Additional Bonds shall provide for the creation of a separate Bond Fund for such Bonds if any principal of such Bonds becomes due on a date other than April 1 on or the Interest Payment Dates on such Bonds are not identical to those of the other Outstanding Bonds. The County may provide for the creation of a separate Bond Fund or Redemption Fund and other funds and accounts for any Additional Bonds in other circumstances, as shall be deemed advisable by the County.

The Supplemental Trust Agreement authorizing the issuance of any Additional Bonds shall provide for the deposit of Pledged Revenues in the Bond Fund maintained for such Bonds, which deposits shall be made not more frequently than monthly except to the extent required to pay the principal of and interest on such Bonds when due.

If any Supplemental Trust Agreement provides for the establishment of separate funds and accounts for any Bonds, then such Supplemental Trust Agreement shall require that the Pledged Revenues required to be deposited in the Revenue Fund on any date shall be transferred and deposited *pro rata* among all of the Bond Funds on the basis of the principal of, the Sinking Fund Installments for and the interest on the Bonds secured thereby required to be deposited in the Bond Fund for such Bonds on such date. Amounts on deposit in the funds and accounts created for particular Bonds available for the payment of any Bonds shall be applied solely to the payment of the principal or Redemption Price of and interest on the Bonds of such Series or to the reimbursement of the issuer of any Credit Facility securing such Bonds and shall not be available to satisfy the claims of Owners of other Bonds or the issuer of any Credit Facility securing any other Bonds.

The Supplemental Trust Agreement authorizing the issuance of any Additional Bonds may provide that (i) proceeds realized under any Credit Facility securing the payment of such Additional Bonds shall not be available to pay the principal or Redemption Price of or interest on any other Bonds, and (ii) any proceeds of such Additional Bonds and investment earnings thereon remaining after the completion of the projects financed with the proceeds of such Additional Bonds shall be applied to the payment or redemption of such Additional Bonds.

The Trustee shall not authenticate or deliver any Additional Bonds unless it has received each of the following items (among others):

(a) an opinion of Bond Counsel to the effect that (i) the Additional Bonds constitute the valid and binding special obligations of the County, (ii) the Supplemental Trust Agreement has been duly adopted and constitutes the valid and binding obligation of the County, and (iii) the Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Additional Bonds, of the Trust Estate, subject to the terms of the Trust Agreement;

(b) a certificate of a County Representative to the effect that, upon the authentication and delivery of such Additional Bonds, no Event of Default shall exist under the Trust Agreement;

(c) unless such Additional Bonds are being issued solely to (i) refinance, refund or advance refund Outstanding Bonds, or (ii) to pay the costs of issuing such Additional Bonds, a written certificate of a County Representative to the effect that (A) the amount of the Pledged Revenues for the most recent Bond Year was not less than 150% of the Debt Service Requirements of Outstanding Bonds for such Bond Year plus the Maximum Annual Debt Service for such Additional Bonds, and (B) during each of the five Bond Years immediately succeeding the later of the date of delivery of such Additional Bonds and the date to which interest on such Additional Bonds has been funded, the estimated Pledged Revenues as of the last day of each such Bond Year are projected to be not less than 150% of the Maximum Annual Debt Service on Outstanding Bonds, taking into account the issuance of such Additional Bonds;

(d) if such Additional Bonds are being issued solely to (i) refinance, refund or advance refund Outstanding Bonds, and (ii) to pay the costs of issuing such Additional Bonds, either (1) the certificate in paragraph (c) above or (2) a written certificate of a County Representative to the effect that the Maximum Annual Debt Service on Outstanding Bonds, taking into account the issuance of such Additional Bonds and the Long-Term Indebtedness to be refinanced or refunded, will not be increased by more than ten percent during the life of any then Outstanding Bonds that are not refinanced or refunded with proceeds of such Additional Bonds;

(e) an opinion of Bond Counsel stating the issuance of the Additional Bonds will not adversely affect the exemption from federal income taxes of interest on the Bonds then Outstanding as set forth in the opinion of Bond Counsel delivered at the time of delivery of the Bonds; and

(f) a Rating Confirmation Notice as to all Outstanding Bonds from each rating agency then maintaining a rating on such Bonds.

Creation of Funds and Accounts to be Held by the Trustee
(Section 4.1)

The following Funds and Accounts within the Funds are created under the Trust Agreement for the Bonds and, with the exception of the Rebate Fund, shall be held and maintained for the holders of Bonds by the Trustee under the Trust Agreement:

Revenue Fund
Project Fund
 Construction Account
 Costs of Issuance Account
Bond Fund
 Interest Account
 Principal Account
 Sinking Fund Account
Redemption Fund
Rebate Fund

Revenue Fund
(Section 4.3)

On or before the 25th day of each March, June, September and December, the County shall pay or cause to be paid to the Trustee, but only from the Pledged Revenues, amounts sufficient to make at least all of the payments required to be deposited in the Revenue Fund by the Trust Agreement, which amounts shall be deposited by the Trustee into the Revenue Fund. In accordance with the Trust Agreement, the Trustee shall then transfer amounts in the Revenue Fund to the Bond Fund, to the payment of any fees and expenses of the Trustee then due and any other administrative expenses then due under the Trust Agreement and, if any remaining amount exists, to the Redemption Fund or the Bond Fund or shall be returned to the County, as the County shall direct in writing.

Project Fund
(Section 4.4)

The County shall pay from the Costs of Issuance Account the administrative expenditures relating to the issuance of each Series of Bonds and not otherwise paid. Moneys deposited in the Construction Account shall be used only to finance or refinance the Costs of or relating to the Projects and any Additional Projects. These payments shall be made from the Project Fund pursuant to requisitions of the County.

As soon as practicable after the Completion Date of all of the Projects or any Additional Projects, the County shall deliver to the Trustee a Certificate of the County certifying the balance of moneys then remaining in the Project Fund and shall forthwith pay to the Trustee such balance, less any amounts to be retained in the Project Fund to pay any unpaid Costs of the Project or such Additional Projects. The Trustee shall pay any balance so received to the Redemption Fund or the Bond Fund, as shall be directed in writing by the County.

Bond Fund
(Sections 4.5)

Except as provided in any Supplemental Trust Agreement authorizing any Series of Additional Bonds with respect to any Bond Fund maintained for the Bonds of such Series, amounts on deposit in the Bond Fund shall be applied in accordance with the following:

(a) **Interest.** On each Interest Payment Date, the Trustee shall apply from the Interest Account the amount required to pay the interest due on the Outstanding Bonds on such date, in accordance with the terms of such Bonds.

(b) **Principal.** On each date on which the principal of the Outstanding Bonds becomes due, the Trustee shall apply from the Principal Account the amount required to pay the principal due on such date, in accordance with the terms of the Bonds.

(c) **Sinking Fund Installments.** Moneys in the Sinking Fund Account shall be applied to the purchase or redemption of such Bonds as follows:

(i) Subject to the provisions of paragraph (ii) below, prior to the due date for the payment of each Sinking Fund Installment for such Bonds, the Trustee shall direct the Registrar to call for redemption, in accordance with the Trust Agreement, Outstanding Bonds of such Series subject to redemption from such Sinking Fund Installment in an aggregate principal amount equal to such Sinking Fund Installment, less the amount previously credited against such Sinking Fund Installment in accordance with paragraph (iii) below. On the date fixed for redemption of such Bonds, the Trustee shall make available to the Trustee from the Sinking Fund Account an amount equal to the principal amount of such Bonds so called for redemption, which amount shall be applied by the Trustee to the payment of the Redemption Price of such Bonds in accordance with the terms of such Bonds.

(ii) Upon the direction of the County, the Trustee shall endeavor to purchase Outstanding Bonds of such Series subject to redemption from the Sinking Fund Installment due on any date from amounts on deposit in the Sinking Fund Account at the most advantageous price then obtainable with reasonable diligence. No such purchase shall be made by the Trustee (A) after the earlier of the date on which the Trustee gives notice of the redemption of Bonds of such Series from such Sinking Fund Installment and the date that is 45 days before the due date for the payment of such Sinking Fund Installment, or (B) at a price, including any brokerage and other charges, greater than the principal amount of such Bonds and accrued interest thereon.

(iii) If (A) the Trustee purchases Bonds from amounts on deposit in the Sinking Fund Account in accordance with paragraph (ii) above, (B) the County delivers to the Trustee for cancellation Bonds subject to redemption from such Sinking Fund Installment on or before the earlier of the date on which the Trustee gives notice of the redemption of any Bonds from such Sinking Fund Installment and the date that is 45 days before the due date for the payment of such Sinking Fund Installment, or (C) Bonds subject to redemption from any Sinking Fund Installment are redeemed at the election of the County, then an amount equal to 100% of the aggregate principal amount of such Bonds so purchased and delivered to the Trustee for cancellation or redeemed (as the case may be) shall be credited against such Sinking Fund Installment.

(iv) If the aggregate principal amount of Bonds purchased or redeemed in any Bond Year is in excess of the Sinking Fund Installment due on such Bonds in such period, the Trustee shall credit the amount of such excess against subsequent Sinking Fund Installments for such Bonds as directed in writing by the County.

Redemption Fund (Section 4.7)

The Trustee shall deposit in the Redemption Fund any amounts paid to the Trustee for the redemption of Bonds (other than any redemption from the Sinking Fund Installments).

Subject to the provisions below, available moneys in the Redemption Fund shall be applied by the Trustee to the purchase or redemption of Bonds of such Series and maturities as the County shall direct. At the direction of the County, the Trustee shall endeavor to purchase such Bonds at the most advantageous price obtainable with reasonable diligence.

The County may set aside any available amount on deposit in the Redemption Fund for the redemption of particular Bonds by the delivery of irrevocable written instructions to the Trustee directing the Trustee to set aside such amount for such purpose, in which event all of the provisions of the Trust Agreement with respect to

defeasance of the Bonds shall be applicable to such Bonds and the amounts set aside for the payment of such Bonds. Amounts set aside for the redemption of Bonds and investment earnings on such amounts shall be applied to the payment of the interest due on such Bonds on or prior to the redemption date of such Bonds to the extent provided in such instructions.

Moneys set aside to pay the Redemption Price of any Bonds theretofore called for redemption shall not be deemed to be available for application as provided in the Trust Agreement.

Investments

(Section 4.8)

Moneys in any of the funds and accounts established by the Trust Agreement may be invested, but only in Permitted Investments maturing or redeemable at the option of the holder in such amounts and on such dates as may be necessary to provide moneys to meet the payments from such funds and accounts. The Trustee shall invest amounts on deposit in the funds and accounts held by the Trustee in accordance with the Trust Agreement as directed by a County Representative.

Subject to the further provisions of the Trust Agreement, interest earned, profits realized and losses suffered by reason of any investment of any amounts held by the Trustee under the Trust Agreement shall be credited or charged, as the case may be, to the fund or account for which such investment shall have been made, except as otherwise provided in any Supplemental Trust Agreement authorizing any Additional Bonds with respect to any funds and accounts maintained for such Additional Bonds.

The Trustee may sell or redeem any obligations in which moneys shall have been invested to the extent necessary to provide cash in the respective funds or accounts to make any payments required to be made therefrom or to facilitate the transfers of moneys between various funds and accounts as may be required or permitted from time to time pursuant to the provisions of the Trust Agreement. The proceeds from the sale of any investment shall be paid into the fund or account for which the sale thereof was made.

In determining the value of the assets of the funds and accounts created by the Trust Agreement (a) investments and accrued interest thereon shall be deemed a part thereof, and (b) investments shall be valued at the current market value thereof.

The Trustee shall not be liable for any depreciation in the value of any obligations in which moneys of the funds or accounts created by the Trust Agreement shall be invested in accordance with the Trust Agreement, or for any loss arising from any investment permitted therein. The investments authorized by the Trust Agreement shall at all times be subject to the provisions of Applicable Law.

Covenants of the County

(Article V)

The County makes the following representations and covenants in the Trust Agreement:

Payment of Bonds. The County will promptly pay the principal of and premium, if any, and interest on the Bonds on the dates and in the manner provided in the Bonds, but only from the sources available therefor under the Trust Agreement. The County will provide the Trustee sufficient moneys to enable the Trustee to make deposits required under the Trust Agreement and to make all payments of principal of, and premium, if any, and interest on, the Bonds.

Representations of the County. The County is duly authorized under the Constitution and laws of the State, particularly the Revenue Bond Act, to issue the Bonds, to enter into the Trust Agreement and to pledge the Trust Estate in the manner and to the extent set forth in the Trust Agreement, (b) all action on its part for the issuance of the Bonds has been duly and effectively taken, and (c) the Bonds when issued in accordance with the Trust Agreement will be valid and binding obligations of the County.

Results of Operations. The County shall at all times maintain or cause the Department to maintain adequate accounting and management procedures to provide for the periodic review of the Department's results of operations in order to determine the need for any change therein or modification thereof and to permit such change or modification to be implemented within the period required to enable the County to comply with the Trust Agreement.

Accounts and Audits. The County shall keep or cause the Department to keep proper books of records and accounts (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions with respect to the Pledged Revenues. Such books and accounts shall be subject to the inspection of the Trustee (at reasonable hours and subject to the reasonable rules and regulations of the County).

Additional Indebtedness. The County shall not create or incur any Indebtedness payable in whole or in part from any portion of the revenues of the Department, except: (a) any Additional Bonds issued in accordance with the Trust Agreement; (b) any Indebtedness secured by a pledge of all or any portion of the Trust Estate junior and subordinate to the pledge of such portion of the Trust Estate securing the Bonds ("Subordinate Obligations"); (c) any unsecured Indebtedness ("Unsecured Obligations"); and (d) temporary, short-term loans incurred in accordance with this Section ("Temporary Loans").

If the cash requirements of any portion of the Projects from time to time exceed the funds available therefor as a result of any delay in receipt of any grant payments or other Pledged Revenues, the County may obtain Temporary Loans in anticipation of such payments or revenues. Temporary Loans may be secured by a first lien on any grant payments in anticipation of which such Temporary Loans are incurred, or other revenues of the County that do not constitute Pledged Revenues, but shall be subordinate to all outstanding Bonds with respect to the balance of the Trust Estate.

No payments shall be made with respect to the principal of or interest on any Subordinate Obligation or any Unsecured Obligation during any period in which (i) any Event of Default shall have occurred and be continuing, or (ii) any deposit required to be made as described under the caption "Revenue Fund" remains unpaid. During any other period, the County may pay or prepay, or authorize the payment or prepayment of, the principal of and interest on any Subordinate Obligation or any Unsecured Obligation and no recourse shall be had by the Trustee or any Owner against the person to whom any such payment shall have been made unless such person shall have had, at the time of receipt of such payment, actual knowledge of the occurrence of an Event of Default.

No Disposition of Trust Estate. Except as permitted by the Trust Agreement, the County shall not sell, lease, pledge, assign or otherwise dispose of, and shall neither create nor suffer to remain any lien, encumbrance or charge upon, its interest in the Trust Estate ranking prior to or on a parity with the claim, lien and pledge created by the Trust Agreement as security for the Bonds issued within the limitations of the Trust Agreement. The County from the Pledged Revenues will cause to be discharged, or will make adequate provisions to satisfy and discharge, within 60 days after the same shall accrue, all lawful claims and demands that, if unpaid, might by law become such a lien upon its interest in the Trust Estate, *provided* that the County is not required to pay or cause to be discharged, or make provision for, any such lien, encumbrance or charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

Events of Default (Section 6.1)

Each of the following shall constitute an Event of Default under the Trust Agreement:

- (a) Default in the due and punctual payment of interest on any Bond, whether at the stated Interest Payment Date thereof, or upon proceedings for redemption thereof;
- (b) Default in the due and punctual payment of the principal of or premium, if any, on any Bond when the same shall become due and payable, at maturity, upon redemption, or otherwise; or

(c) The County shall fail to observe or perform in any material way any covenant, condition, agreement or provision contained in the Bonds or in the Trust Agreement on the part of the County to be performed other than with respect to the payment of principal of and premium, if any, and interest on the Bonds, and such failure shall continue for sixty (60) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the County by the Trustee, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of all Bonds then Outstanding.

Acceleration; Other Remedies

(Sections 6.2 and 6.3)

If, under the Trust Agreement, an Event of Default occurs under paragraphs (a) and (b) above and is continuing or, when a Credit Facility is not in effect, an Event of Default occurs under paragraph (c) above, the Trustee by notice to the County, or the Owners of at least 25% in aggregate principal amount of the Bonds then Outstanding by notice to the County and the Trustee, may declare the principal of and accrued interest on the Outstanding Bonds to be due and payable immediately. Upon any such declaration the principal of and accrued interest on the Outstanding Bonds shall be due and payable immediately. When a Credit Facility is in effect, the Trustee shall, immediately upon a declaration of acceleration, draw upon the Credit Facility to pay the principal of and interest on the Outstanding Bonds then covered by the Credit Facility. The Trustee may rescind an acceleration and its consequences if (1) any payment default has been cured, (2) the Owners have not been notified of the acceleration, and (3) the amount available to be drawn under the Credit Facility has been reinstated so as to be available in an amount equal to the principal amount of the Bonds Outstanding then covered by the Credit Facility, plus the applicable interest amount. Except as provided above, the Trustee shall not declare the Bonds to be due and payable.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the principal of and premium, if any, or interest on the Bonds or to enforce the performance of any provision of the Bonds and the Trust Agreement.

The Trustee may maintain a proceeding even if it does not possess any of the Bonds or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Owner in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative.

Waiver of Past Defaults

(Section 6.4)

A majority in principal amount of the Outstanding Bonds by notice to the County and the Trustee may waive an existing Event of Default and its consequences. When an Event of Default is waived, it is cured and stops continuing, but no such waiver shall extend to any subsequent or other Event of Default or impair any right consequent to it.

Control

(Section 6.5)

The Owners of a majority in aggregate principal amount of Bonds Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to Owners.

Rights of Owners to Receive Payment

(Section 6.6)

Notwithstanding any other provision of the Trust Agreement, the right of any Owner to receive payment of principal of, premium, if any, and interest on a Bond, on or after the due dates expressed in the Bond, or to bring

suit for the enforcement of any such payment on or after such dates, shall not be impaired or affected without the consent of the Owner.

Priorities

(Section 6.7)

If the Trustee collects any money pursuant to the Trust Agreement, it shall pay out the money in the following order: first to the Trustee for amounts to which it is entitled under the Trust Agreement; second to Owners for amounts due and unpaid on the Bonds for principal and interest, ratably, without preference or priority of any kind, according to the amounts due and payable on the Bonds for principal, premium and interest, respectively; and third to the County.

The Trustee may fix a payment date for any payment to the Owners.

Removal and Resignation of Trustee; Appointment of Successor

(Sections 7.2)

The Trustee may resign by notifying the County. The Owners of a majority in principal amount of the Outstanding Bonds may remove the Trustee by notifying the Trustee and may appoint a successor Trustee with the consent of the County. The County will remove the Trustee by notifying the Trustee if (a) the Trustee fails to comply with the penultimate sentence of the Trust Agreement, (b) the Trustee is adjudged a bankrupt or an insolvent, (c) a receiver or other public officer takes charge of the Trustee or its property or (d) the Trustee otherwise becomes incapable of acting. Upon any such removal or resignation, the County shall promptly appoint a successor Trustee by an instrument in writing, which successor Trustee shall give notice of such appointment to all Owners as soon as practicable; *provided*, that in the event the County does not appoint a successor Trustee within sixty (60) days following the giving of any such notice of removal or the receipt of any such notice of resignation, the removed or resigning Trustee may petition any appropriate court having jurisdiction to appoint a successor Trustee. Any successor Trustee shall be a bank with trust powers, national banking association with trust powers or trust company doing business and having a principal corporate trust office in New York, New York, having a combined capital (exclusive of borrowed capital) and surplus of at least one hundred million dollars (\$100,000,000) and subject to supervising or examination by state or national authorities. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Trust Agreement the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of the appointment by the successor Trustee and the transfer by the retiring Trustee to the successor Trustee of all property held by it hereunder as Trustee.

Modification or Amendment of Trust Agreement

(Section 8.1)

Amendment or Supplement by Consent of Owners. The Trust Agreement, the Bonds and the rights and obligations of the County, the Trustee and the Owners under the Trust Agreement may be amended or supplemented at any time by an amendment thereof or supplement thereto which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Trust Agreement, are filed with the Trustee, together with a Favorable Opinion of Bond Counsel. No such amendment or supplement shall (a) reduce the rate of interest on any Bond or extend the time of payment thereof or reduce the amount of principal or redemption premiums, if any, on any Bond or extend the Principal Payment Date thereof without the prior written consent of the Owner of the Bond so affected, or (b) reduce the percentage of Owners whose consent is required for the execution of any amendment of the Trust

Agreement or supplement to the Trust Agreement, or (c) modify any of the rights or obligations of the Trustee without its prior written consent thereto.

Amendment or Supplement Without Consent of Owners. The Trust Agreement, the Bonds and the rights and obligations of the County, the Trustee and the Owners under the Trust Agreement may also be amended or supplemented at any time by an amendment thereof or supplement thereto which shall become binding upon execution without the written consent of any Owners, and (if the amendment or supplement modifies any of the rights or obligations of the Trustee under the Trust Agreement) with the written consent of the Trustee, only after receipt of a Favorable Opinion of Bond Counsel and only for any one or more of the following purposes:

- (a) to add to the conditions, covenants and terms contained in the Trust Agreement required to be observed or performed by the County, other conditions, covenants and terms thereafter to be observed or performed by the County, or to surrender any right reserved therein to or conferred therein on the County, and which in either case shall not adversely affect the interests of the Owners;
- (b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective, inconsistent or conflicting provision contained herein or in regard to questions arising hereunder which the County may deem desirable or necessary, and which shall not adversely affect the interests of the Owners;
- (c) to comply with the requirements of Moody's, S&P or Fitch, as applicable, as a condition of rating, or maintaining an existing rating on, the Bonds, provided such change is not materially adverse to the interests of the Owners of any of the Bonds;
- (d) to provide Additional Projects to be funded with the proceeds of the Bonds;
- (e) to provide for the delivery of Bonds in book-entry form; or
- (f) to provide for the issuance of Additional Bonds.

Defeasance
(Section 9.1)

If and when the Bonds secured under the Trust Agreement shall become due and payable in accordance with their terms or through redemption proceedings as provided in the Trust Agreement, or otherwise, and the whole amount of the principal, or redemption price and the interest so due and payable upon all of the Bonds shall be paid, or provision shall have been made for the payment of the same, together with all other sums payable under the Trust Agreement by the County, including all fees and expenses of the Trustee, then and in that case, the Trust Agreement and the lien created hereby shall be discharged and satisfied and the County shall be released from the covenants, agreements and obligations of the County contained in the Trust Agreement, and the Trustee shall assign and transfer to or upon the order of the County all property (in excess of the amounts required for the foregoing) then held by the Trustee free and clear of any encumbrances and shall execute such documents as may be reasonably required by the County in this regard.

Subject to the provisions of the above paragraph, when any of the Bonds shall have been paid and if, at the time of such payment, the County shall have kept, performed and observed all the covenants and promises in such Bonds and in the Trust Agreement required or contemplated to be kept, performed and observed by the County or on its part on or prior to that time then the Trust Agreement shall be considered to have been discharged in respect of such Bonds and such Bonds shall cease to be entitled to the lien of the Trust Agreement and such lien and all covenants, agreements and other obligations of the County hereunder shall cease, terminate, become void and be completely discharged as to such Bonds.

Notwithstanding the satisfaction and discharge of the Trust Agreement or the discharge of the Trust Agreement in respect of any Bonds, those provisions of the Trust Agreement relating to the maturity of the Bonds, interest payments and dates thereof, tender and exchange provisions, exchange and transfer of Bonds, replacement

of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds and the duties of the Trustee in connection with all of the foregoing, and compliance by the County of the covenants contained in the Trust Agreement, shall remain in effect and shall be binding upon the County, the Trustee and the Owners of the Bonds and the Trustee shall continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal of, redemption price and interest on the Bonds, to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Trust Agreement or the discharge of the Trust Agreement in respect of any Bonds, those provisions of the Trust Agreement relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Trustee and the County.

Bonds Deemed to Have Been Paid

(Section 9.2)

Any Outstanding Bond or Bonds shall, prior to the maturity, acceleration or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed above under the caption "Defeasance" if (a) in case said Bonds are to be redeemed on any date prior to their maturity, the County shall have given to the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, in accordance with the provisions of the Trust Agreement, notice of redemption of such Bonds on said redemption date, (b) there shall have been deposited with the Trustee either moneys, in an amount which shall be sufficient, or Government Obligations, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which, together with the moneys, if any, deposited with or held by the Trustee at the same time, shall be sufficient (as verified by a report of an independent certified public accountant), to pay when due the principal or redemption price (if applicable) of, and interest due and to become due on, said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event any of said Bonds are not to be redeemed within the next succeeding sixty (60) days, the County shall have given the Trustee in form satisfactory to the Trustee irrevocable instructions to mail, as soon as practicable in the same manner as a notice of redemption is mailed as described above, a notice to the Owners of such Bonds and to the Securities Depositories and an Information Service that the deposit required by (b) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with the foregoing and stating such maturity or redemption dates upon which moneys are to be available for the payment of the principal or redemption price (if applicable) of said Bonds. Neither the securities nor moneys deposited with the Trustee pursuant to the foregoing nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or redemption price (if applicable) of, and interest on said Bonds; provided that any cash received from such principal or interest payments on such obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, and at the direction of the County, be reinvested in Government Obligations maturing at times and in amounts, together with the other moneys and payments with respect to Government Obligations then held by the Trustee pursuant to this Section, sufficient to pay when due the principal or redemption price (if applicable) of, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall, upon receipt by the Trustee of a written direction of a County Representative, be paid over to the County, as received by the Trustee, free and clear of any trust, lien or pledge.

PROPOSED FORM OF OPINION OF BOND COUNSEL

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

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance by Montgomery County, Maryland (the “County”) of its Refunding Revenue Bonds (Department of Liquor Control), 2019 Series A (the “Series 2019A Bonds”), as special limited obligations of the County.

The Series 2019A Bonds are dated the date of their initial delivery and are issued in fully registered form in the denomination of \$5,000 each or any integral multiple thereof. The Series 2019A Bonds are issued pursuant to (i) Section 10-203 of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2018 Supplement), Section 19-207 of the Local Government Article of the Annotated Code of Maryland (2013 Replacement Volume and 2018 Supplement) and Sections 20-47 through 20-54 of Chapter 20 of the Montgomery County Code (collectively, the “Enabling Laws”); (ii) Resolution No. 19-40 adopted by the County Council of the County on February 12, 2019 (the “Resolution”); (iii) provisions of the Montgomery County Charter (the “Charter”); (iv) an Executive Order of the County Executive of the County, as amended and supplemented (the “Order”); and (v) the Trust Agreement dated as of May 1, 2009 (the “2009 Trust Agreement”) by and between the County and U.S. Bank National Association, as Trustee (the “Trustee”), as supplemented by a First Supplemental Trust Agreement dated as of April 1, 2011 (the “First Supplemental Trust Agreement”), a Second Supplemental Trust Agreement dated as of August 1, 2013 (the “Second Supplemental Trust Agreement”) and a Third Supplemental Trust Agreement dated as of March 1, 2019 (the “Third Supplemental Trust Agreement”), each by and between the County and the Trustee, (collectively, the “Trust Agreement”). The terms of the Series 2019A Bonds are specified in the Resolution, the Order and the Trust Agreement.

In connection with the issuance of the Bonds, we have examined:

- (i) the Enabling Laws;
- (ii) the Resolution;
- (iii) the Order;
- (iv) the form of Series 2019A Bond;
- (v) the Trust Agreement;
- (vi) relevant provisions of the Constitution and laws of the State of Maryland;
- (vii) relevant provisions of the Internal Revenue Code of 1986, as amended (the “Code”); and
- (viii) other proofs submitted to us relative to the issuance and sale of the Series 2019A Bonds.

In rendering this opinion, we have relied without investigation on the representations and certifications of certain officials of the County made on behalf of the County in its Tax and Section 148 Certificate with respect to certain material facts within the knowledge of the County relevant to the tax-exempt status of interest on the Series 2019A Bonds.

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Trust Agreement.

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

(a) The County is a validly created and existing body politic and corporate and political subdivision of the State of Maryland, possessing authority under the Enabling Laws, the Charter, the Resolution and the Order to issue the Series 2019A Bonds.

(b) The Trust Agreement and the Third Supplemental Trust Agreement have been duly adopted by the County and, assuming the due authorization, execution and delivery thereof by the Trustee, are the valid and legally binding obligations of the County. The Trust Agreement creates the valid pledge, to secure the payment of the principal of and interest on the Series 2019A Bonds, of the Trust Estate, subject to the terms of the Trust Agreement. The rights and obligations under the Series 2019A Bonds and the Trust Agreement are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases.

(c) The County is duly authorized and entitled to issue the Series 2019A Bonds. The Series 2019A Bonds, executed and authenticated as provided in the Order have been duly and validly issued and constitute valid and binding limited obligations of the County.

(d) The Trust Agreement and the Series 2019A Bonds are enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases.

(e) The Series 2019A Bonds do not constitute a debt of the State of Maryland or any political subdivision thereof, including the County, within the meaning of any constitutional, charter or statutory debt limit or restriction. Neither the faith and credit nor the taxing power of the State of Maryland or any political subdivision thereof, including the County, is pledged to the payment of the Series 2019A Bonds. The County is required to pay the Series 2019A Bonds and the premium, if any, and interest thereon and to perform its obligations under the Trust Agreement only from the sources available therefor under the Trust Agreement.

(f) The interest payable on the Series 2019A Bonds and profit realized from the sale or exchange of the Series 2019A Bonds, will be exempt from State of Maryland income taxation. No opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Series 2019A Bonds or the interest thereon

(g) Assuming compliance with certain covenants referred to herein, interest on the Series 2019A Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions. It is noted that under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), there are certain restrictions that must be met subsequent to the delivery of the Series 2019A Bonds, including restrictions that must be complied with throughout the term of the Series 2019A Bonds, in order that the interest thereon be excludable from gross income. These include (i) a requirement that certain investment earnings received from the investment of the proceeds of the Series 2019A Bonds be rebated (or that certain payments in lieu of rebate be made) to the United States of America under certain circumstances; (ii) other requirements applicable to the investment of the proceeds of the Series 2019A Bonds; and (iii) requirements applicable to the use of the proceeds of the Series 2019A Bonds and the use of the facilities financed or refinanced with such proceeds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Series 2019A Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The County has covenanted to regulate the investment of the proceeds of the Series 2019A Bonds and to take such other actions as may be required to maintain the excludability of interest on the Series 2019A Bonds from gross income for federal income tax purposes.

(h) Interest on the Series 2019A Bonds is not includable in the alternative minimum taxable income of individuals as an enumerated item of tax preference or other specific adjustment. Interest income on the Series 2019A Bonds will be subject to the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States of America.

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

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PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of _____, 2019 (this “Disclosure Agreement”) is executed and delivered by MONTGOMERY COUNTY, MARYLAND (the “County”) in connection with the issuance of its Refunding Revenue Bonds (Department of Liquor Control), Series 2019 Series A (the “Bonds”). 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 Bonds, including beneficial owners, and in order to assist the Participating Underwriters in complying with the Rule (as defined below). 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 Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended 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, 2019:

- (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, 2019, 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, 2019), 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 Bonds.

(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 Bonds:

- (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, 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 Bonds, or other material events affecting the tax status of the Bonds;
- (7) modifications to rights of Bondholders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the County;
- (13) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (14) 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;
- (15) incurrence of a financial obligation of the County, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the County, any of which affect Bond holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the County, any of which reflects financial difficulties.

(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 Bonds 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 Bonds 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 Bonds, 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 Bonds, 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 Bonds, 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 Bonds.

(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 Bonds, including beneficial owners, and shall create no rights in any other person or entity.

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

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.

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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: _____
Alexandre A. Espinosa
Director of Finance

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APPENDIX F**REFUNDED BONDS**

Montgomery County, Maryland
Revenue Bonds (Department of Liquor Control), 2009 Series A
(To be redeemed on or about April 1, 2019)

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Call Date</u>	<u>Call Price</u>	<u>CUSIP¹</u>
4/1/2020	4.000%	\$ 2,290,000	4/1/2019	100.00	61336PAP6
4/1/2021	5.000	2,385,000	4/1/2019	100.00	61336PAQ4
4/1/2022	5.000	2,500,000	4/1/2019	100.00	61336PAR2
4/1/2023	5.000	2,625,000	4/1/2019	100.00	61336PAS0
4/1/2024	4.000	2,760,000	4/1/2019	100.00	61336PAT8
4/1/2025	5.000	2,870,000	4/1/2019	100.00	61336PAU5
4/1/2026	5.000	3,010,000	4/1/2019	100.00	61336PAV3
4/1/2027	4.500	550,000	4/1/2019	100.00	61336PAW1
4/1/2027	5.000	2,610,000	4/1/2019	100.00	61336PBC4
4/1/2028	5.000	3,315,000	4/1/2019	100.00	61336PAX9
4/1/2029	5.000	3,485,000	4/1/2019	100.00	61336PAY7

¹The CUSIP numbers are included solely for convenience. No representation is made by the County as to the correctness of the CUSIP numbers either as printed on the Refunded Bonds or as contained in this Appendix.

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