

In the opinion of McKennon Shelton & Henn LLP, Bond Counsel, (i) under existing law, the Series 2012 Bonds, their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale and exchange, shall be exempt at all times from every kind and nature of taxation by the State of Maryland or by any of its political subdivisions, municipal corporations or public agencies of any kind; no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Series 2012 Bonds or the interest thereon; and (ii) under existing law, interest on the Series 2012 Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions. As described herein under "TAX MATTERS", interest earned on the Bonds, for federal income tax purposes, may be included in the calculation of a corporation's alternative minimum taxable income and will be subject to the branch profits tax imposed on foreign corporations.

NEW ISSUE - FULL BOOK-ENTRY
(See "THE SERIES 2012
BONDS – Book-Entry Only System")

RATINGS: Fitch AA
Standard & Poor's AA
(See "RATINGS" herein)

\$37,835,000
MONTGOMERY COUNTY, MARYLAND
Water Quality Protection Charge Revenue Bonds
Series 2012A

Dated: Date of Initial Delivery

Due: April 1, as shown on inside front cover

The Water Quality Protection Charge Revenue Bonds, Series 2012A (the "Series 2012 Bonds") are being issued by Montgomery County, Maryland (the "County") as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof. The Series 2012 Bonds initially will be maintained under a book-entry system and registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2012 Bonds. Interest on the Series 2012 Bonds from the date of delivery of the Series 2012 Bonds will be payable semiannually on April 1 and October 1 of each year, commencing October 1, 2012. So long as the Series 2012 Bonds are maintained under a book-entry system, payments of the principal of and premium, if any, and interest on the Series 2012 Bonds will be made when due by U.S. Bank National Association, as trustee (the "Trustee"), to DTC in accordance with the Trust Agreement described herein, and the Trustee will have no obligation to make any payments to any beneficial owner of the Series 2012 Bonds. See "THE SERIES 2012 BONDS – Book-Entry Only System" herein.

The County is issuing the Series 2012 Bonds for the purposes of (i) financing and refinancing the planning, design, acquisition, and construction of stormwater management facilities and other related projects as such facilities are included in and approved in the County's Capital Improvements Program, (ii) funding a debt service reserve fund for the Series 2012 Bonds, and (iii) paying the cost of issuing the Series 2012 Bonds. See "PURPOSE OF FINANCING" herein.

The Series 2012 Bonds are subject to redemption prior to maturity as described herein under THE SERIES 2012 BONDS – Redemption."

The Series 2012 Bonds are special limited obligations of the County payable solely from Pledged Revenues under the Trust Agreement and are not and shall not be deemed (i) to be general obligations of the County, (ii) to constitute obligations of the State of Maryland or any political subdivision thereof, or (iii) to constitute a debt or a pledge of the faith and credit of the County, the State of Maryland or any other political subdivision thereof within the meaning of any constitutional provision or statutory limitation or charge against the general credit or taxing power of the County or the State of Maryland.

FOR MATURITY SCHEDULES, INTEREST RATES AND PRICES OR YIELDS, SEE INSIDE COVER

The Series 2012 Bonds are offered for delivery when, as and if issued by the County and accepted by the Underwriters, subject to the approving legal opinion of McKennon Shelton & Henn LLP, Bond Counsel. Certain legal matters will be passed upon for the County by the County Attorney. Certain legal matters will also be passed upon by Miles & Stockbridge P.C., counsel to the Underwriters. It is expected that the Series 2012 Bonds in definitive form will be available for delivery through DTC in New York, New York, on or about July 18, 2012.

Citigroup

M&T Securities, Inc.

The date of this Official Statement is June 28, 2012.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

AMOUNTS, MATURITIES, INTEREST RATES, YIELDS AND PRICES

\$37,835,000 Water Quality Protection Charge Revenue Bonds, Series 2012A

<u>Maturing April 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP⁽¹⁾</u>
2013	\$ 565,000	2.000%	0.250%	101.227	61336SAA3
2013	350,000	0.250	0.250	100.000	61336SAX3
2014	710,000	3.000	0.420	104.372	61336SAB1
2014	600,000	1.000	0.420	100.982	61336SAY1
2015	1,340,000	4.000	0.590	109.129	61336SAC9
2016	1,395,000	3.000	0.720	108.315	61336SAD7
2017	1,435,000	4.000	0.990	113.796	61336SAE5
2018	1,490,000	4.000	1.270	114.970	61336SAF2
2019	1,550,000	4.000	1.530	115.676	61336SAG0
2020	1,615,000	5.000	1.790	122.998	61336SAH8
2021	1,695,000	5.000	1.990	121.394 *	61336SAJ4
2022	1,000,000	5.000	2.130	120.286 *	61336SAW5
2022	780,000	3.000	2.390	104.266 *	61336SAK1
2023	1,855,000	5.000	2.290	119.034 *	61336SAL9
2024	1,945,000	5.000	2.440	117.874 *	61336SAM7
2025	2,045,000	5.000	2.570	116.879 *	61336SAN5
2026	2,145,000	5.000	2.660	116.197 *	61336SAP0
2027	2,250,000	5.000	2.740	115.594 *	61336SAQ8
2028	2,365,000	5.000	2.820	114.994 *	61336SAR6
2029	2,485,000	5.000	2.890	114.473 *	61336SAS4
2030	2,605,000	5.000	2.960	113.954 *	61336SAT2
2031	2,740,000	5.000	3.030	113.439 *	61336SAU9
2032	2,875,000	5.000	3.100	112.925 *	61336SAV7

* Priced to first optional redemption date of April 1, 2020.

⁽¹⁾ CUSIP numbers are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and the County does not take any responsibility for the accuracy thereof. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau.

OFFICIAL STATEMENT DATED JUNE 28, 2012

\$37,835,000

MONTGOMERY COUNTY, MARYLAND
Water Quality Protection Charge Revenue Bonds
Series 2012A



No dealer, broker, salesman or any other person has been authorized by the County to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2012 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the County and by other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the County as to information from sources other than the County.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or owners of any of the Series 2012 Bonds. All statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The cover page hereof, inside front cover, and the appendices attached hereto are part of this Official Statement. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2012 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the County since the date hereof.

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

No registration statement relating to the Series 2012 Bonds has been filed with the United States Securities and Exchange Commission or with any state security agency, nor has the Trust Agreement authorizing the Series 2012 Bonds been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The Series 2012 Bonds have not been approved or disapproved by the Securities and Exchange Commission or any state securities agency nor has the Securities and Exchange Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary may be a criminal offense.

IN CONNECTION WITH THIS OFFERING THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2012 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE INITIAL PUBLIC OFFERING PRICES SET FORTH ON THE INSIDE COVER OF THIS OFFICIAL STATEMENT MAY BE CHANGED BY THE UNDERWRITERS, AND THE UNDERWRITERS MAY OFFER TO SELL THE SERIES 2012 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE OFFERING PRICES AS SET FORTH ON THE INSIDE COVER PAGE.

The Trustee has neither participated in the preparation of, nor reviewed, this Official Statement.

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

COUNTY EXECUTIVE

Isiah Leggett

COUNTY COUNCIL

Roger Berliner	<i>President</i>
Nancy Navarro	<i>Vice President</i>
Phil Andrews	
Marc Elrich	
Valerie Ervin	
Nancy Floreen	
George L. Leventhal	
Craig Rice	
Hans Riemer	

The terms of the County Executive and all County Council members expire in December 2014.

APPOINTED OFFICIALS

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

BOND COUNSEL

McKennon Shelton & Henn LLP
Baltimore, Maryland

INDEPENDENT PUBLIC ACCOUNTANTS

CliftonLarsonAllen LLP
Timonium, Maryland

BDO USA, LLP
Bethesda, Maryland

FINANCIAL ADVISOR

Davenport & Company LLC
Towson, Maryland

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>

**OFFICIAL STATEMENT
OF
MONTGOMERY COUNTY, MARYLAND**

**\$37,835,000
MONTGOMERY COUNTY, MARYLAND
Water Quality Protection Charge Revenue Bonds
Series 2012A**

INTRODUCTION

This Official Statement sets forth information concerning the sale by Montgomery County, Maryland (the “County”) of its Water Quality Protection Charge Revenue Bonds, Series 2012A (the “Series 2012 Bonds”), in the aggregate principal amount of \$37,835,000.

Authorization

The County will issue the Series 2012 Bonds pursuant to the Authorizing Legislation (as defined herein) and a Trust Agreement (as defined herein) between the County and U.S. Bank National Association, as trustee (the “Trustee”). See “AUTHORIZATION.”

Purpose of Financing

The County is issuing the Series 2012 Bonds for the purposes of (i) financing and refinancing the planning, design, acquisition, and construction of stormwater management facilities and other related projects as such facilities are included in and approved in the County’s Capital Improvements Program, (ii) funding a debt service reserve fund for the Series 2012 Bonds, and (iii) paying the cost of issuing the Series 2012 Bonds. See “PURPOSE OF FINANCING” and “ESTIMATED SOURCES AND USES OF FUNDS.”

The Series 2012 Bonds

The Series 2012 Bonds will be dated their date of delivery and will bear interest from their date, payable on October 1, 2012 and semiannually thereafter on each April 1 and October 1, at the rate or rates set forth on the inside front cover. The principal on the Series 2012 Bonds will be payable on April 1 in the years and amounts set forth on the inside front cover. The Series 2012 Bonds are issuable only as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. The Series 2012 Bonds are subject to redemption at the option of the County as described below. See “THE SERIES 2012 BONDS.”

The County

See the caption “THE COUNTY” for information regarding the County.

Security for the Series 2012 Bonds

The Series 2012 Bonds and any Additional Bonds issued under the Trust Agreement are special limited obligations of the County payable solely from and equally and ratably secured by (i) the Pledged Revenues (as defined herein), and (ii) certain funds established under the Trust Agreement (excluding the Rebate Fund), including the Debt Service Reserve Fund, and including the investments of money on deposit in such funds.

The Series 2012 Bonds are not 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 full 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 2012 Bonds. Only the County is obligated to pay the principal of or premium, if any, and interest on the Series 2012 Bonds, and such obligation of the County is payable solely from the Pledged Revenues and other moneys pledged therefor. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS.”

Additional Bonds

Under the Trust Agreement, the County may issue Additional Bonds on parity with Series 2012 Bonds, subject to the satisfaction of certain conditions. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS – Additional Bonds” and “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT” in Appendix A.

Additional Information

This Official Statement contains brief descriptions of, among other things, the Series 2012 Bonds, the Trust Agreement, the County and the Projects (as defined below). Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to laws and documents are qualified in their entirety by reference to such laws and documents; references to the Series 2012 Bonds are qualified in their entirety by reference to the form of the Series 2012 Bonds included in the Trust Agreement. Copies of the Trust Agreement and other agreements described in this Official Statement may be obtained upon written request from the County.

AUTHORIZATION

The Series 2012 Bonds are authorized to be issued pursuant to (i) Section 5(P)(2) of Article 25A of the Annotated Code of Maryland, as amended (“Article 25A”); (ii) Title 4 of the Environment Article of the Annotated Code of Maryland, as amended (the “Environment Article”); (iii) Council Bill No. 12-12 passed by the County Council of the County (the “County Council”) on April 17, 2012 and approved by the County Executive of the County (the “County Executive”) and effective on April 27, 2012 (the “Bond Ordinance”); (iv) the Charter of the County (the “Charter”); (v) Chapter 19 of the Montgomery County Code, as amended (“Chapter 19” and together with Article 25A, the Environment Article, the Charter, and the Bond Ordinance, the “Authorizing Legislation”); (vi) the Trust Agreement dated as of July 1, 2012 (the “Trust Agreement”) between the County and U.S. Bank National Association (the “Trustee”); and (vii) an Executive Order issued by the County Executive of the County. A summary of certain provisions of the Trust Agreement is set forth in Appendix A and, unless otherwise indicated, terms used but not otherwise defined herein have the meanings assigned to such terms in the Trust Agreement.

THE COUNTY

The County is a body politic and corporate and a political subdivision of the State of Maryland. For more information respecting the County, see the County's Annual Information Statement dated April 13, 2012 (the "AIS"), which is hereby incorporated by reference and can be found at <http://bonds.montgomerycountymd.gov/data/AISApr12.pdf>.

PURPOSE OF FINANCING

General

The County is issuing the Series 2012 Bonds for the purposes of (i) financing and refinancing the planning, design, acquisition, and construction of stormwater management facilities and other related projects (the "Projects"), as such Projects are included in and approved in the County's Capital Improvements Program and described below, (ii) funding a debt service reserve fund for the Series 2012 Bonds, and (iii) paying the cost of issuing the Series 2012 Bonds. See "STORMWATER MANAGEMENT PROGRAM – The Stormwater Capital Improvement Program" and "ESTIMATED SOURCES AND USES OF FUNDS."

The Projects

The Stormwater Capital Improvement Program implemented by the Montgomery County Department of Environmental Protection (the "Department"), is a proactive program to protect natural waterway environments, restore streams previously damaged by excessive erosion, sedimentation, and impaired water quality. See "STORMWATER MANAGEMENT PROGRAM – The Stormwater Capital Improvement Program." As part of the County's compliance with the National Pollutant Discharge Elimination System (the "NPDES") and the Municipal Separate Storm Sewer System permit (the "MS4 Permit") issued on February 16, 2010, a major ramp up of stormwater management capital projects is planned in the County's Approved Fiscal Year ("FY") 2013-2018 Stormwater Capital Improvement Program. The County's MS4 Permit requires the County to treat 4,300 acres of impervious area to the maximum extent practicable by February 16, 2015. See "STORMWATER MANAGEMENT PROGRAM - Regulatory Compliance". The implementation of the MS4 Permit requirements will be accomplished through the planning, design, acquisition, and construction of the following stormwater management facilities identified in the County's Stormwater Capital Improvement Program:

Stormwater Management Retrofit – Countywide. The Stormwater Management Retrofit Countywide project provides for the design and construction of new and/or the upgrade of existing underperforming stormwater management facilities and devices.

Miscellaneous Stream Valley Improvements. The Miscellaneous Stream Valley Improvements project provides for design and construction of habitat restoration or stabilization measures to improve local stream habitat conditions where streams have been damaged by inadequately controlled stormwater runoff. Corrective measures constructed or coordinated under this project include streambank stabilization, channel modifications, habitat restoration, stormdrain outfall or sanitary sewer infrastructure repairs to improve fish and other biological resources, while reducing sediment and nutrient loadings caused by excessive streambank erosion.

Watershed Restoration - Interagency. The Watershed Restoration – Interagency project provides for the design and construction of stormwater management retrofits and stream restoration projects which manage stormwater runoff, enhance aquatic habitat and improve water quality in County streams. This project is implemented under interagency agreements with the U.S. Army Corps of Engineers.

Stormwater Management Facility Major Structural Repair. The Stormwater Management Facility Major Structural Repair project provides for the design and construction of major structural repairs to County maintained stormwater management facilities, which includes over 2,000 stormwater management facilities. These are primarily older facilities requiring maintenance beyond what is provided under the routine maintenance program. While this project does not address impervious area requirements, it supports the overall stormwater facility capital investment.

Stormwater Management Retrofit - Government Facilities. The Stormwater Management Retrofit – Government Facilities project provides for the design and construction of Environmental Site Design (ESD)/Low Impact Development (LID) stormwater management devices at County facilities such as buildings, parking garages, and parking lots constructed prior to modern stormwater management controls. The ESD/LID stormwater devices include green roofs, bioretention areas, tree box inlets, porous concrete and other stormwater management devices that promote water filtering and groundwater recharge.

Stormwater Management Retrofit - Roads. The Stormwater Management Retrofit – Roads project provides for the design and construction of ESD/LID stormwater management devices along County roads constructed prior to modern stormwater management controls. The ESD/LID stormwater devices include bioretention, curb extensions, porous concrete, tree box inlets and other stormwater management devices that promote water filtering and groundwater recharge.

Stormwater Management Retrofit - Schools. The Stormwater Management Retrofit – Schools project provides for the design and construction of ESD/LID stormwater management devices at Montgomery County Public Schools, such as buildings, parking lots and other impervious surfaces constructed prior to modern stormwater management controls.

Facility Planning. The Facility Planning project provides for feasibility studies and preliminary planning as needed. This project will not be funded with proceeds of the Series 2012 Bonds.

The Stormwater Capital Improvement Program will provide 3,500 acres of impervious area treatment and the remaining impervious acres treated will be or have been completed through redevelopment within the County, the Department’s residential retrofit program funded by the operating budget and partnerships with other agencies including:

- Maryland State Highway Administration stewardship projects for the Inter County Connector;
- Maryland Department of Natural Resources funded reforestation; and
- Washington Suburban Sanitary Commission stream restoration completed as part of their Sanitary Sewer Overflow Consent Decree.

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ESTIMATED SOURCES AND USES OF FUNDS

The County estimates that the costs of the Project funded by the Series 2012 Bonds and the sources of funds available therefor are as follows:

SOURCES OF FUNDS:

Series 2012 Bonds	\$37,835,000
Premium	<u>5,478,155</u>
Total sources of funds	<u>\$43,313,155</u>

USES OF FUNDS:

Deposit to Construction Fund	\$40,000,000
Deposit to Debt Service Reserve Fund ⁽¹⁾	3,020,750
Financing and miscellaneous expenses ⁽²⁾	<u>292,405</u>
Total uses of funds	<u>\$43,313,155</u>

(1) Amount required to make the amount on deposit in the Debt Service Reserve Fund securing the Series 2012 Bonds under the Trust Agreement upon the issuance of the Series 2012 Bonds equal to the Debt Service Reserve Fund Requirement.

(2) Includes Underwriters’ discount as well as certain fees and expenses of the financial advisor to the County, Bond Counsel to the County, counsel to the Underwriters and certain accounting fees, as well as rating agency fees, printing costs, fees and expenses of the Trustee and other miscellaneous expenses.

THE SERIES 2012 BONDS

The Series 2012 Bonds are dated as of the date of their delivery and will mature on April 1 of the years and in the principal amounts shown on the inside front cover of this Official Statement. The Series 2012 Bonds shall bear interest from their date until paid at the rate or rates set forth on the inside front cover of this Official Statement (computed on the basis of a 360-day year composed of twelve 30-day months) payable on October 1, 2012 and semiannually thereafter on April 1 and October 1 of each year (each an “Interest Payment Date”).

The Series 2012 Bonds are issuable only as fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. So long as the Series 2012 Bonds shall be maintained under a book-entry system, payments of the principal or redemption price of and interest on the Series 2012 Bonds will be made as described below under the heading “Book-Entry Only System.” At any other time, interest on the Series 2012 Bonds will be payable by wire transfer or check or draft mailed on each Interest Payment Date, or the next Business Day if such Interest Payment Date is not a Business Day, to each registered owner thereof at the address of such owner as it appears on the registration books of the Registrar and Paying Agent at the close of business on the 15th day of the month immediately preceding the Interest Payment Date (the “Record Date”), and the principal of the Series 2012 Bonds will be payable upon presentation and surrender of the Series 2012 Bonds, when due, at the designated corporate trust office of the Trustee. Initially, the Trustee shall also serve as Registrar and Paying Agent for the Series 2012 Bonds.

Registration and Exchange of Series 2012 Bonds

So long as the Series 2012 Bonds are maintained under a book-entry system, Beneficial Owners thereof will have no right to receive physical possession of the Series 2012 Bonds, and transfers of ownership interests in the Series 2012 Bonds will be made through book-entries by The Depository Trust Company (“DTC”) and the Direct Participants. See “Book-Entry Only System” below.

If the book-entry system is discontinued, upon surrender of the Series 2012 Bonds at the designated office of the Registrar and Paying Agent, together with an assignment duly executed by the registered owner or the attorney or legal representative of such owner in such form as shall be satisfactory to the Registrar and Paying Agent, such Series 2012 Bonds will be exchanged for an equal aggregate principal amount of Series 2012 Bonds of the same maturity, of any authorized denomination or denominations, and bearing interest at the same rate as the Series 2012 Bonds surrendered for exchange.

The transfer of any Series 2012 Bond may be registered only upon the books kept for the registration and transfer of the Series 2012 Bonds upon surrender of such Series 2012 Bond to the Registrar and Paying Agent, together with an assignment duly executed by the registered owner or the attorney or legal representative of such owner in such form as shall be satisfactory to the Registrar and Paying Agent.

Upon any exchange or registration of transfer, the County shall execute, and the Registrar and Paying Agent shall authenticate and deliver in exchange for such Series 2012 Bond, within a commercially reasonable time according to then-prevailing industry standards, a new Series 2012 Bond or Series 2012 Bonds, registered in the name of the transferee, of any authorized denomination or denominations, in aggregate principal amount equal to the principal amount of the Series 2012 Bond surrendered, of the same maturity and bearing interest at the same rate.

The County or the Registrar and Paying Agent may make a charge for every such exchange or registration of transfer of Series 2012 Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge shall be made to any Bondholder for the privilege of exchanging or registering the transfer of Series 2012 Bonds under the provisions of the Trust Agreement.

Redemption

Optional Redemption

Series 2012 Bonds maturing on or prior to April 1, 2020 are not subject to redemption prior to their stated maturities. Series 2012 Bonds maturing on or after April 1, 2021 are subject to redemption on or after April 1, 2020 in whole or in part at any time at the option of the County, at a Redemption Price equal to 100% of the principal amount thereof, together with interest accrued to the date fixed for redemption.

Redemption of Series 2012 Bonds Subject to Deposit of Funds and Other Conditions

Any redemption of Series 2012 Bonds shall be subject to the deposit of funds for such redemption by or on behalf of the County and may be subject to such other conditions as the County shall determine.

Selection of Series 2012 Bonds to Be Redeemed

If fewer than all of the Series 2012 Bonds shall be called for redemption, then the maturities of the Series 2012 Bonds to be redeemed shall be selected by the County.

So long as the Series 2012 Bonds are maintained under a book-entry system, the selection of individual ownership interests in the Series 2012 Bonds of any one maturity to be credited with any partial redemption or purchase shall be made as described below under “Book-Entry Only System” except as otherwise directed by the County.

If fewer than all of the Series 2012 Bonds of any one maturity shall be called for redemption during any other period, the Trustee shall select or cause to be selected the particular Series 2012 Bonds or portions of Series 2012 Bonds to be redeemed from such maturity as shall be directed by the County or, in the absence of any such direction, by lot or in such other manner as the Trustee in its discretion may deem proper.

Notice of Redemption

So long as the Series 2012 Bonds are maintained under a book-entry system, notice of the call for any redemption of the Series 2012 Bonds shall be given to DTC at least 20 days prior to the date of redemption, as described below under “Book-Entry Only System.” At any other time, the Trustee shall mail notice of the call for any redemption to the registered owners of the Series 2012 Bonds to be redeemed at their addresses as they appear on the registration books maintained by the Trustee, but failure to mail any such notice to any of such registered owners or any defect in any notice shall not affect the validity of the proceedings for the redemption of any Series 2012 Bonds.

Effect of Call for Redemption

The Series 2012 Bonds so called for redemption will cease to bear interest on the specified redemption date and shall no longer be secured by the Trust Agreement, provided that funds for such redemption shall be on deposit at that time with the Trustee and that all conditions to such redemption shall have been satisfied.

Book-Entry Only System

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2012 Bonds. The Series 2012 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Series 2012 Bond certificate for each maturity will be issued in the aggregate principal amount 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”). DTC has a Standard & Poor’s rating of AA+. 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.

Purchases of Series 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2012 Bond (each a “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, but Beneficial Owners are expected to receive written confirmation 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 2012 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2012 Bonds, except in the event that use of the book-entry system for the Series 2012 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of Series 2012 Bonds with DTC and their registration in the name of Cede & Co. does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2012 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2012 Bonds within are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2012 Bonds. 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 the Series 2012 Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal of and interest payments on the Series 2012 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 Registrar and Paying Agent, on the payable date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of

customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Registrar and Paying Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Registrar and Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2012 Bonds at any time by giving reasonable notice to the County or the Registrar and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2012 Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2012 Bond certificates will be printed and delivered.

The information provided above under this caption has been provided by DTC. No representation is made by the County as to the accuracy or adequacy of such information provided by DTC or as to the absence of material adverse changes in such information subsequent to the date hereof. Neither the County, the Trustee, nor the Registrar and Paying Agent will have any responsibility or obligation to the Direct Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any Participant; (b) the payment by any Participant of any amount due to any Beneficial Owner in respect of the principal of or premium, if any, or interest on the Series 2012 Bonds; (c) the delivery or timeliness of delivery by any Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Trust Agreement to be given to Bondholders; or (d) any other action taken by DTC, or its nominee, Cede & Co., as Bondholder, including the effectiveness of any action taken pursuant to an omnibus proxy.

Special Considerations

Because DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants and certain banks, the ability of a Beneficial Owner to pledge Series 2012 Bonds to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such Series 2012 Bonds, may be limited due to the lack of a physical certificate for such Series 2012 Bonds.

Under its current procedures, DTC does not automatically forward redemption and other notices to its Participants who have Series 2012 Bonds credited to their accounts. Rather, a notice that DTC has received a notice is entered onto an electronic computer network which DTC shares with its Direct Participants, and such Direct Participants may obtain the full text of such notices upon request. Neither the County, the Trustee, nor the Registrar and Paying Agent have control over whether or how timely redemption and other notices are made available by DTC to its Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners of the Series 2012 Bonds.

Termination of Book-Entry Only System

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In the event that the book-entry only system is discontinued, the Series 2012 Bonds will be delivered by DTC to the Trustee and such Series 2012 Bonds will be exchanged for Series 2012 Bonds registered in the names of the Direct Participants or the Beneficial Owners identified to the Registrar and Paying Agent. In such event, certain provisions of the Series 2012

Bonds pertaining to ownership of the Series 2012 Bonds will be applicable to the registered owners of the Series 2012 Bonds as described above under the heading “THE SERIES 2012 BONDS – Registration and Exchange of Series 2012 Bonds.”

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2012 BONDS

Security for the Series 2012 Bonds

The Series 2012 Bonds and any Additional Bonds issued under the Trust Agreement are special limited obligations of the County payable solely from and equally and ratably secured by (i) the Pledged Revenues (defined below), and (ii) the funds created under the Trust Agreement (excluding the Rebate Fund), including the Debt Service Reserve Fund, and the investments of money on deposit in such funds.

The Series 2012 Bonds are not 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 full 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 2012 Bonds. Only the County is obligated to pay the principal of or premium, if any, and interest on the Series 2012 Bonds, and such obligation of the County is payable solely from the Pledged Revenues and other moneys pledged therefor.

Pledged Revenues

Pursuant to the Trust Agreement, the County will pledge and assign to the Trustee the Pledged Revenues. As defined in the Trust Agreement, “Pledged Revenues” means (i) Revenues (hereinafter defined) deposited by the County into the Pledged Revenues Fund, (ii) interest earnings on the funds and accounts created under the Trust Agreement, and (iii) all rights of the Trustee to receive such Revenues required to be deposited under the Trust Agreement and the proceeds of such rights, whether now existing or hereafter coming into existence. As defined in the Trust Agreement “Revenues” means WQPC revenues, together with other revenues of the County including the Carryout Bag Tax (as hereinafter defined), which are deposited into the County’s Water Quality Protection Fund (as hereinafter defined), together with interest thereon. The Revenues and other amounts deposited into the Water Quality Protection Fund are not pledged to the payment of the Series 2012 Bonds.

Rate Covenant

The County covenants, subject to any lawful regulation by the United States of America, that it will fix, revise, charge and collect the WQPC (as hereinafter defined) and must revise the WQPC as may be necessary or appropriate to produce Revenues in each Bond Year, which after payment of Operating Expenses (as hereinafter defined) in an amount not less than the sum of (1) one hundred fifteen percent (115%) of the amount of the Debt Service Requirements for such Bond Year of all outstanding Bonds and any Parity Indebtedness then outstanding, (2) 100% of the Debt Service Requirements of all other outstanding Long-Term Indebtedness for such Bond Year, and (3) 100% of the amount set forth in the Annual Budget to be deposited to the Rate Stabilization Fund for such Bond Year. Such covenant is referred to herein as the “Rate Covenant”. As defined in the Trust Agreement “Operating Expenses” means all expenses incurred by the County in operating or maintaining its stormwater management facilities or causing such facilities to be operated and maintained in good repair, working order, and in compliance with applicable State and federal laws.

If the amount of the Revenues in any Bond Year shall be less than the amount referred to above for such Bond Year, as soon as practicable after the last day of such Bond Year (but in no event more than 120 days after the last day of such Bond Year), the County shall employ an Independent Consultant to prepare a Report including recommendations with respect to the WQPC. The County shall require the Independent Consultant to file its report with the County and the Trustee within 30 days after the date of its employment by the County pursuant to this Section; provided that the County may extend the time for the filing by the Independent Consultant of its report to the extent reasonably necessary to enable the Independent Consultant to complete such report, if the Independent Consultant files a request for such an extension with the County and the Trustee containing an estimated completion date for such report, stating that the Independent Consultant is proceeding diligently to complete its report, and that its report cannot reasonably be completed within the time allowed by this paragraph.

The Independent Consultant may recommend with respect to the WQPCs, either that the County (i) increase the WQPC by an amount calculated to be sufficient to result in compliance with the provisions of the Trust Agreement, (ii) make no change, or (iii) make some change, even though such recommendation is not calculated to result in compliance with the provisions of the Trust Agreement. The County may revise the WQPC in conformity with any practicable recommendation of the Independent Consultant and shall otherwise follow any practicable recommendation of the Independent Consultant. If the County complies with the reasonable recommendations of such Independent Consultant, then the failure of the County to meet the requirements of the Trust Agreement for such Bond Year shall not constitute an Event of Default under the Trust Agreement.

Rate Policy

The County's current policy is to assess the WQPC in a manner that generates sufficient Pledged Revenues for a debt service coverage for the Series 2012 Bonds of at least 125% of the amount of the Debt Service Requirements for the Series 2012 Bonds, but the County reserves the right to revise this policy.

The Debt Service Reserve Fund

Upon the delivery of the Series 2012 Bonds, there will be deposited into the Debt Service Reserve Fund an amount necessary to make the amount on deposit therein equal to the Debt Service Reserve Fund Requirement for the Series 2012 Bonds.

The Trust Agreement establishes the Debt Service Reserve Fund Requirement for the Debt Service Reserve Fund as an amount equal to the least of (i) 10% of the proceeds of the Bonds secured thereby, (ii) Maximum Annual Debt Service on all outstanding Bonds secured thereby and (iii) 125% of the average annual debt service requirements of all Bonds secured thereby. In addition, pursuant to a Supplemental Trust Agreement, the Debt Service Reserve Fund may secure other series of Additional Bonds if there is deposited therein an amount that will make the amount on deposit in the Debt Service Reserve Fund equal to the Debt Service Reserve Fund Requirement on all Bonds secured by such Debt Service Reserve Fund. See "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Additional Bonds" in Appendix A.

The County may provide for the delivery to the Trustee of a Debt Service Reserve Fund Credit Facility in substitution for amounts initially deposited in the Debt Service Reserve Fund. See "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Debt Service Reserve Fund" in Appendix A.

If as a result of any withdrawal from the Debt Service Reserve Fund, the amount credited thereto is less than the Debt Service Reserve Fund Requirement, the Trustee is required under the Trust Agreement to transfer from the Pledged Revenue Fund in each month such amount as will cure the deficiency within 12 months. The Trust Agreement also contains provisions which require the Trustee to make certain transfers from the Pledged Revenue Fund to the Debt Service Reserve Fund in the event of certain investment losses and in the event that any Debt Service Reserve Fund Credit Facility fails to qualify to be credited to the Debt Service Reserve Fund.

Deposit of Revenues; Transfer of Pledged Revenues

The County shall cause to be paid to the Trustee, solely from Revenues, amounts sufficient to make all of the payments required under the Trust Agreement on a quarterly basis. Amounts so deposited will be (i) transferred to the Bond Fund, in an amount equal to respective amounts of the debt service accruing on such Series 2012 Bonds, (ii) applied to the payment of any amounts payable under any Credit Facility Agreements, (iii) applied to cure certain deficiencies in the Debt Service Reserve Fund, and (iv) transferred to the Rate Stabilization Fund and applied as specified in the Trust Agreement. Any balance remaining in the Pledged Revenue Fund will be deposited in the Rate Stabilization Fund. See “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Deposit of Pledged Revenues” in Appendix A.

Additional Bonds

Under the Trust Agreement, the County may issue other Additional Bonds on parity with the Series 2012 Bonds, subject to the satisfaction of certain conditions. See “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT – Authorization of Additional Bonds; Conditions Precedent to Delivery of Additional Bonds” in Appendix A.

Limitation on Bondholders’ Remedies

The Series 2012 Bonds may not be accelerated upon the occurrence of an Event of Default. Under the terms of the Trust Agreement, remedies for Events of Default are limited to such actions which may be taken at law or in equity. See Appendix A — “SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT”.

In the event of a default in the payment of principal of or interest on the Series 2012 Bonds, the remedies available to the owners of the Series 2012 Bonds upon default are in many respects dependent upon judicial action, which is often subject to discretion and delay under existing law, including the United States Bankruptcy Code. The approving opinion of Bond Counsel (defined herein) to the County with respect to the Series 2012 Bonds will be qualified as to enforceability of the various legal instruments by certain limitations, including limitations imposed by bankruptcy, reorganization, insolvency and equitable principles. See Appendix C hereto.

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THE WATER QUALITY PROTECTION CHARGE

General

In 2001, the County established the Water Quality Protection Charge (the “WQPC”) in order to provide funds for the structural maintenance of residential and associated non-residential stormwater facilities and water quality improvements within the County. The WQPC was implemented in 2002 and is levied on all residential property and certain non-residential property located within the County. The WQPC appears as a line item on annual property tax bills for properties subject to the WQPC and is calculated based on a property’s impervious surface area (*i.e.* rooftops, pavements, patios, sidewalks, and driveways). State properties, County-owned properties, public roads, nonresidential properties that do not drain to residential stormwater controls, the City of Takoma Park and the City of Rockville are exempt from collection of the WQPC.

The WQPC is used to fund the capture and treatment of uncontrolled stormwater runoff from urban surfaces through (i) environmentally sensitive design installations (e.g., rain gardens, bio swales, sand filters, bio-retention basins), which work by retaining, filtering and infiltrating rainfall and snowmelt on-site, (ii) stream restoration, and (iii) retrofitting of stormwater facilities such as ponds, underground devices, and pipes, which are vital infrastructure to prevent flooding and pollution. The WQPC is also the source of funding for (i) inspection and maintenance of stormwater management facilities, (ii) water quality monitoring, (iii) street sweeping, and (iv) associated operating expenses (*i.e.* personnel, printing, phones, and training).

Authority for WQPCs

State Law

Pursuant to Section 4-204 of the Environment Article, counties and municipalities in the State of Maryland may adopt a system of charges to fund the implementation of stormwater management programs, including (i) reviewing stormwater management plans, (ii) inspection and enforcement activities, (iii) watershed planning, (iv) planning, design, land acquisition, and construction of stormwater management systems and structures, (v) retrofitting developed areas for pollution control, (vi) water quality monitoring and water quality programs, (vii) operation and maintenance of facilities, and (viii) program development of the foregoing activities. Section 4-204 of the Environment Article requires that such system of charges be implemented by a local law.

On April 6, 2012, the Maryland General Assembly passed House Bill 987, which was approved by the Governor of the State and enacted on May 2, 2012 as Chapter 151 of the Laws of Maryland of 2012 (“Chapter 151”). Chapter 151 amends certain sections of Title 4 of the Environment Article and requires each county and municipal corporation that is subject to the NPDES MS4 permitting requirements to adopt local laws necessary to establish an annual stormwater remediation fee and watershed protection and restoration fund in order to implement stormwater management plans. However, Chapter 151 exempts counties and municipalities who have enacted and implemented similar watershed protection and restoration programs consistent with Chapter 151 prior to July 1, 2012. Although the County is assumed to be exempt from such bill, the County has determined to amend its local laws to comply with certain provisions of Chapter 151. See “*County Law – Pending Legislation*” herein.

County Law

In accordance with State law, on November 20, 2001, the Montgomery County Council (the “County Council”) passed Chapter 27 of the Laws of Montgomery County 2001, which was approved by the County Executive of the County and effective on February 27, 2002 (the “Act”). The Act was added to Chapter 19 of the Montgomery County Code (the “County Code”). Section 19-35 of the County Code authorizes the imposition of the WQPC and the rate for such charge is set by County Council resolution effective July 1 each levy year. WQPC revenues must be deposited into the stormwater management fund (the “Water Quality Protection Fund”) and used only for stormwater management programs as authorized by State and County law. The Bond Ordinance authorizes the County to use the WQPC to pay debt service on the Series 2012 Bonds. Section 19-35 provides that the WQPC is imposed and administered as provided by regulations adopted by the County, as such Regulations are contained in the Code of Montgomery County Regulations.

Pursuant to Chapter 19 of the County Code, the WQPC is calculated based on the median impervious area for property subject to the WQPC. The median impervious area is calculated to be 2,406 square feet, which is the Equivalent Residential Unit (ERU) or the base unit for calculating the WQPC. The ERU base unit of 2,406 square feet is used to determine the number of ERUs for multifamily residential and associated nonresidential properties.

Pursuant to 19-35 of the County Code and applicable County regulations, property types subject to the WQPC are assigned one of the following classifications for purposes of determining the appropriate assessment rate:

Detached single-family residential property: For detached single-family residential properties, the impervious area includes the house, driveways, sidewalks, sheds, patios, rooftops and any other fixtures on the property that are impenetrable by water. Detached single-family residential properties are billed as one ERU. As of July 1, 2011, there were approximately 170,560 ERUs for residential single-family detached properties.

Attached single-family residential property: Attached single-family residential properties, which include townhouses and duplexes, contain the same kind of impervious area as detached single-family residential properties. The WQPC for each attached single-family residential property is 33 percent of the applicable base rate for one ERU. As of July 1, 2011, there were approximately 20,796 ERUs for residential single-family attached properties.

Multifamily residential property: For multifamily residential properties the impervious area includes the residential structures that contain the dwelling units, the sidewalks, parking lots and any other permanent installations on the developed parcel, whether under single or common ownership, that is impenetrable by water. Charges for multifamily residential properties are calculated based on the amount of imperviousness and are billed as multiples of the ERU. As of July 1, 2011, there were approximately 27,272 ERUs for multi-family residential properties.

Associated nonresidential property: Associated nonresidential properties are defined as nonresidential property from which stormwater drains into a stormwater management facility that primarily serves one or more residential properties. Properties may include commercial properties such as office buildings, hotels, retail establishments or industrial properties such as factories and warehouses. Associated nonresidential properties also include not-for-profit entities such as religious institutions, healthcare facilities, and other developed properties devoted to non-governmental charitable and institutional uses. The impervious area for these properties includes all buildings, parking lots sidewalks, and any other impermeable installations permanently attached to the land parcel containing those installations. Associated nonresidential structures are

billed as multiples of the ERU. As of July 1, 2011, there were approximately 30,302 ERUs for associated nonresidential properties.

Pursuant to Section 4-204 of the Environment Article and Section 19-35 of the County Code, revenues generated by WQPC must be used for stormwater related programs, including:

- Construction, operation, and maintenance of stormwater management facilities, and related expenses;
- Environmentally sensitive design installations (e.g., rain gardens, bio swales, sand filters, bio-retention basins);
- Stream restoration;
- Special Protection Area Best Management Practice Monitoring;
- Stormwater Outfall Monitoring;
- Watershed Restoration;
- Water quality monitoring and water quality programs;
- Retrofitting of stormwater facilities;
- Inspection and maintenance of stormwater management facilities;
- Street sweeping;
- Operating expenses; and
- Debt service.

Pending Legislation

In light of the enactment of Chapter 151, the County anticipates the introduction of legislation to amend Chapter 19 of the County Code to establish certain programs in compliance with provisions of Chapter 151 and further anticipates that such legislation will be effective as of July 1, 2013. Such amendments are expected to include:

- Imposing the WQPC on all nonresidential properties;
- Establishing a credit for nonresidential or multifamily residential property owners if the property contains a stormwater management system maintained by such owner in accordance with the maintenance requirements of the Department of Environmental Protection; and
- Establishing an exemption from the WQPC for property owners who demonstrate a substantial financial hardship.

The criteria for receipt of a credit or hardship exemption is expected to be implemented and administered pursuant to County regulations to be adopted after passage of the proposed legislation.

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WQPC Rates

The WQPC rate is set by the County Council by resolution. As of July 1, 2011, the WQPC rate is \$70.50 per Equivalent Residential Unit (“ERU”), and as of July 1, 2012, the WQPC rate will be \$92.60. The WQPC rates from inception through July 1, 2012 are and will be:

<u>Effective Date</u>	<u>Rate Per ERU</u>
July 1, 2002	\$12.75
July 1, 2003	12.75
July 1, 2004	12.75
July 1, 2005	19.35
July 1, 2006	25.23
July 1, 2007	25.23
July 1, 2008	35.50
July 1, 2009	45.50
July 1, 2010	49.00
July 1, 2011	70.50
July 1, 2012	92.60

Future Rate Increases

In addition to proposed changes to Chapter 19 of the County Code described above, the County anticipates that such legislation will also change its current WQPC rate structure for residential property from a single rate structure based on the median impervious area to a tiered rate structure based on impervious area of all residential and commercial properties subject to the WQPC. The County anticipates that the new tiered rate structure will have no adverse effect on the revenues generated from collection of the WQPC.

Rate Consultant

CH2M HILL, an environmental engineering and consulting firm, was hired by the County to provide consulting services with respect to the County’s WQPC program and stormwater management facilities.

Billing and Collection

The WQPC is assessed against each applicable property in the County based on the listing of accounts in the WQPC billing system. The Department prepares billing data for each account, including the number of ERUs that are used to calculate the annual WQPC. This information is included as a line item on all County residential and commercial real property tax bills subject to the WQPC. WQPC revenues collected by the Finance Department must be deposited into the County stormwater management fund and used only for stormwater management programs. See “THE WATER QUALITY PROTECTION CHARGE – Authority for WQPCs - County Law”. In the event the WQPC is not paid,

the County may apply the same interest, penalties, and other remedies applicable to all other County property taxes, including a lien on the property subject to the WQPC and tax sale. Based on historical performance, the average collection rate for the WQPC is approximately 99.8%. The WQPC collection rates from FY2003 to FY2011 are as follows:

MONTGOMERY COUNTY
WATER QUALITY PROTECTION CHARGE
COLLECTION RATES

<u>Fiscal Year</u>	<u>Collection Rate¹</u>
2003	99.98%
2004	99.91
2005	99.88
2006	99.80
2007	99.72
2008	99.70
2009	99.60
2010	99.87
2011	99.20

¹ based on data provided by Montgomery County Department of Finance, Treasury Division

In July 2003, the County and the City of Gaithersburg established a Memorandum of Understanding regarding the WQPC. Subject to appropriation, the County collects the WQPC for properties within the City of Gaithersburg and reimburses the City for its stormwater management program, less County administrative costs for billing and collection. The amount the City of Gaithersburg is reimbursed is limited to the amount that the County would spend if the County were operating the program. Amounts reimbursed to the City of Gaithersburg are not included as WQPC receipts for any purpose of this Official Statement.

Municipalities within the County that have their own stormwater management programs are not subject to the WQPC, including the City of Rockville and the City of Takoma Park.

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Major Customers

The following table provides information on the ten largest property owners in the County paying the WQPC as of June 30, 2011.

<u>Owner</u>	<u>Impervious Area(Sq.Ft.)</u>	<u>ERUs</u>	<u>% of Total ERUs</u>	<u>WQPC</u>
Wheaton Plaza Reg Shop Ctr	2,464,921	1,024	0.43%	\$72,226
Briggs Chaney Plaza LLC	676,900	281	0.12	19,834
Riggs Bank NA Trustee	669,875	278	0.12	19,629
CMF Springfield LTD Partnership	608,997	253	0.11	17,845
HD Development of MD Inc	582,629	242	0.10	17,072
Wal-Mart Real Ests Business Trust	535,405	223	0.09	15,688
HNS Real Estate LLC	531,103	221	0.09	15,562
Auto Properties Silver Spring LLC	478,746	199	0.08	14,028
Verizon Maryland Inc	454,100	189	0.08	13,306
FP Cloverleaf LLC	438,141	182	0.08	12,838

Carryout Bag Tax

In March 2011, the County Council passed legislation to establish the Carryout Bag Tax (the "Carryout bag Tax"). Pursuant to County Code Section 52-102, a \$0.05 charge is imposed on each paper or plastic carryout bag provided by retail establishments in the County to customers at the point of sale, pickup or delivery. Retailers retain \$0.01 of each \$0.05 cents for the bags they sell to a customer. Revenues generated by the Carryout Bag Tax are deposited to the Water Quality Protection Fund and used to meet State-mandated MS4 Permit requirements.

FINANCIAL INFORMATION

The Table below provides historical financial data for the period FY2003 to FY2011 and estimated financial data for FY2012. During this period, the WQPC has increased in order to fund WQPC programs.

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**HISTORICAL AND ESTIMATED FINANCIAL PERFORMANCE
FY 2003 TO FY 2012**

Historical WQPC	ACTUAL FY 2003	ACTUAL FY 2004	ACTUAL FY 2005	ACTUAL FY 2006	ACTUAL FY 2007	ACTUAL FY 2008	ACTUAL FY 2009	ACTUAL FY 2010	ACTUAL FY 2011	Estimated Budget FY 2012
Revenues										
WQPC (County)	\$ 2,748,597	\$ 2,801,864	\$ 2,789,245	\$ 4,276,978	\$ 5,617,415	\$ 5,643,251	\$ 8,063,457	\$10,190,106	\$ 11,138,845	\$ 16,413,649
WQPC (Gaithersburg)		181,050	186,039	277,377	363,477	367,389	511,089	624,360	688,786	1,013,977
Bag Tax	-	-	-	-	-	-	-	-	-	561,640
Intergovernmental		14,056			300,194					-
Investment Income	13,188	30,802	61,395	164,787	273,640	284,329	120,732	17,569	2,337	2,000
Total Revenues	<u>2,761,785</u>	<u>3,027,772</u>	<u>3,036,679</u>	<u>4,719,142</u>	<u>6,554,726</u>	<u>6,294,969</u>	<u>8,695,278</u>	<u>10,832,035</u>	<u>11,829,968</u>	<u>17,991,266</u>
Expenditures										
Personnel	344,542	696,556	727,918	884,190	1,147,032	1,502,806	1,643,690	3,184,011	3,839,999	6,312,640
Operating	613,838	1,518,860	1,360,510	1,981,406	3,641,098	3,340,602	3,973,339	4,759,161	5,367,029	8,669,580
Gaithersburg Reimbursement	-	153,893	158,648	249,177	336,336	340,025	480,659	586,832	608,989	884,124
Indirect Costs ^(a)	562,323	83,990	139,427	111,850	150,900	182,820	284,926	490,880	555,880	816,690
Capital Outlay	-	-	-	-	-	-	-	9,999	-	-
Total Expenditures	<u>1,520,703</u>	<u>2,453,298</u>	<u>2,386,503</u>	<u>3,226,623</u>	<u>5,275,366</u>	<u>5,366,253</u>	<u>6,382,614</u>	<u>9,030,883</u>	<u>10,371,897</u>	<u>16,683,034</u>
Net Revenues*	<u>\$ 1,241,082</u>	<u>\$ 547,317</u>	<u>\$ 622,785</u>	<u>\$ 1,464,319</u>	<u>\$ 1,252,219</u>	<u>\$ 901,352</u>	<u>\$ 2,282,234</u>	<u>\$ 1,763,624</u>	<u>\$ 1,378,274</u>	<u>\$ 1,178,379</u>
Debt Service Funded by WQPC	n/a	450,000 ^(b)								
<i>Debt Service Coverage Ratio</i>	n/a	2.62								
CIP funded by Current Revenues										
	<u>91,413</u>	<u>233,003</u>	<u>553,367</u>	<u>331,714</u>	<u>151,262</u>	<u>606,373</u>	<u>1,311,749</u>	<u>1,421,461</u>	<u>2,174,678</u>	<u>2,605,166</u>
Fund Balance - Beginning of Year	53,007	1,202,676	1,544,147	1,640,956	2,801,761	3,929,859	4,252,202	5,253,117	5,632,808	4,916,201
Fund Balance - End of Year	<u>\$ 1,202,676</u>	<u>\$ 1,544,147</u>	<u>\$ 1,640,956</u>	<u>\$ 2,801,761</u>	<u>\$ 3,929,859</u>	<u>\$ 4,252,202</u>	<u>\$ 5,253,117</u>	<u>\$ 5,632,808</u>	<u>\$ 4,916,201</u>	<u>\$ 3,169,267</u>
WQPC Rate (\$/ERU)	\$ 12.75	\$ 12.75	\$ 12.75	\$ 19.35	\$ 25.23	\$ 25.23	\$ 35.50	\$ 45.50	\$ 49.00	\$ 70.50
ERUs	215,576	233,954	233,356	235,367	237,055	238,234	241,537	237,681	241,380	248,930

* Net of amounts related to Gaithersburg MOU.

(a) Transfer to General Fund, including repayment of a loan in the amount of \$458,710 in FY03

(b) No debt service is currently estimated for FY12

Source: Comprehensive Annual Financial Reports, Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for FY2003-F2011.

Budget for FY2012 based on WQPC 6-year Fund Display.

PROJECTED FINANCIAL PERFORMANCE AND DEBT SERVICE COVERAGE

The Department submits an annual operating budget to the County's Office of Management and Budget, which includes the projected financial performance of the Water Quality Protection Fund including the annual recommended WQPC rate, and a 6-year projection. As part of the annual budget process, the debt service schedule for Series 2012 Bonds has been and will be considered. On the following page is a table showing the projected WQPC revenues after giving effect to the issuance of the Series 2012 Bonds.

[Table appears on the next page.]

PROJECTED FINANCIAL PERFORMANCE AND DEBT SERVICE COVERAGE

	Projected FY2013	Projected FY2014	Projected FY2015	Projected FY2016	Projected FY2017	Projected FY2018
Revenues						
WQPC (County)	\$21,599,677	\$22,835,942	\$23,768,975	\$24,655,354	\$25,425,105	\$26,148,205
WQPC (collected for Gaithersburg)	1,335,987	1,412,452	1,470,162	1,524,987	1,572,598	1,617,323
Bag Tax	561,640	561,640	561,640	561,640	561,640	561,640
Investment Income	<u>10,000</u>	<u>10,000</u>	<u>30,000</u>	<u>60,000</u>	<u>90,000</u>	<u>110,000</u>
Total Revenues	<u>23,507,304</u>	<u>24,820,034</u>	<u>25,830,777</u>	<u>26,801,981</u>	<u>27,649,343</u>	<u>28,437,168</u>
Expenditures						
Personnel	6,884,893	7,556,267	7,952,467	8,350,487	8,764,687	9,199,927
Operation and Maintenance	9,494,560	10,112,194	10,696,564	11,268,859	11,649,859	11,933,783
Reimbursement for Gaithersburg Indirect Costs (transfer to General Fund)	<u>972,950</u>	<u>919,420</u>	<u>908,310</u>	<u>856,710</u>	<u>856,710</u>	<u>856,710</u>
Total Expenditures	<u>18,676,053</u>	<u>19,890,331</u>	<u>20,917,501</u>	<u>21,891,046</u>	<u>22,733,856</u>	<u>23,497,740</u>
Net Revenues ⁽¹⁾	<u>4,818,915</u>	<u>4,819,701</u>	<u>4,803,274</u>	<u>4,800,938</u>	<u>4,805,490</u>	<u>4,829,425</u>
Debt Service Funded by WQPC ⁽²⁾	\$3,210,000	\$3,209,500	\$3,211,000	\$3,209,250	\$3,209,250	\$3,210,750
<i>Debt Service Coverage Ratio</i> ⁽³⁾	1.50	1.50	1.50	1.50	1.50	1.50
CIP Funded by Current Revenues	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,150,000</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,100,000</u>
Fund Balance - Beginning of Year	<u>3,169,267</u>	<u>3,640,518</u>	<u>4,210,722</u>	<u>4,762,999</u>	<u>5,364,684</u>	<u>5,970,921</u>
Fund Balance - End of Year	<u>\$ 3,640,518</u>	<u>\$ 4,210,722</u>	<u>\$ 4,762,999</u>	<u>\$ 5,364,684</u>	<u>\$ 5,970,921</u>	<u>\$ 6,599,599</u>
WQPC (\$/ERU)	\$ 92.60	\$ 97.90	\$ 101.90	\$ 105.70	\$ 109.00	\$ 112.10
ERUs	248,930	248,930	248,930	248,930	248,930	248,930

(1) does not include amounts related to Gaithersburg MOU

(2) debt service starting in FY2013 based on the estimated principal amount of the Series 2012A (\$40,000,000)

(3) the County's policy is to maintain debt service coverage of at least 1.25x. The rate model on this page targets a coverage ratio of 1.50x

Future Financings

The County may issue additional bonds to fund future stormwater management facilities. For future financings, the County will set the WQPC rate as necessary to comply with the Rate Covenant.

STORMWATER MANAGEMENT PROGRAM

Organization and Management

The Department is an agency and department of the County and is responsible for the operating and maintenance of the County's water and sewer systems, which includes the maintenance and operation of all public and private stormwater management facilities within the County. The mission of The Department is to improve the quality of life in the community through conservation, protection, and restoration of natural resources guided by the principles of science, sustainability, and stewardship; and to provide solid waste management services, including reducing, reusing, and recycling waste in an environmentally progressive and economically sound manner. The Department is comprised of the following divisions:

- Division of Solid Waste Services
- Division of Environmental Policy and Compliance
- Watershed Management Division

In addition, the Department, generates and administers the WQPC revenue and the Watershed Management Division provides watershed-based monitoring; planning and policy development; stormwater facility inspection and maintenance; manages the Stormwater Capital Improvement Program; and manages compliance comply with the federal Clean Water Act and the NPDES. See "Regulatory Compliance."

The following comprise the management and staff of the Department responsible for the management of the Projects and other stormwater management facilities within the County:

Robert G. Hoyt serves as the Director of the Department of Environmental Protection in Montgomery County, Maryland. He oversees four divisions comprising solid waste management, watershed management, and environmental policy and compliance, and water and wastewater management with a combined budget of approximately \$120 million. He co-chairs the Sustainability Working Group, which has broad representation from among the community, businesses, and other interest groups and drafted the County's Climate Protection Plan. He leads the coordinated response to the State of Maryland-issued municipal separate stormwater permit that covers runoff in most of the County including all public school property. He represents the County at regional water and sewer utilities and commissions. He is responsible for County programs and legislative initiatives on energy, air quality, noise, climate change, litter, streams/watersheds, stormwater and more than a dozen other areas that impact the environment. Prior to serving in local government, Mr. Hoyt formerly served as Assistant Secretary of the Maryland Department of the Environment. In 2001, Mr. Hoyt co-founded the EcoLogix Group, Inc., which provided environmental policy guidance to clients including government agencies, businesses and environmental organizations. Previously, Mr. Hoyt was Senior Vice President for the Chesapeake Bay Foundation, where he developed and oversaw the Strategic Plan. He was also a Deputy Attorney General for the New Jersey Division of Law. He has 10 years of combined experience practicing and teaching environmental law. He has taught at the University of Maryland's School of Law and the Widener University School of Law. Mr. Hoyt earned a B.A. in Political Science from Princeton University and a Juris Doctorate from Rutgers University.

Steven P. Shofar serves as the Division Chief for Watershed Management in the Department of Environmental Protection in Montgomery County, Maryland. He oversees four sections comprising Watershed Restoration, Stormwater Facility Inspection and Maintenance, Construction, and Stormwater Permit Coordination. He develops policy for and oversees implementation of the WQPC the County stormwater utility. He manages implementation of the County's municipal separate storm sewer system permit including the requirement to restore 20 percent of the impervious area not currently treated to the maximum extent practicable. He is responsible for the inspection and maintenance of over 4,300 stormwater facilities within the County. Prior to working in the County, Mr. Shofar worked at the Washington Suburban Sanitary Commission, a bi-county water and wastewater utility where he managed the negotiation and implementation of the Sanitary Sewer Overflow Consent Decree, a \$500 million program. Previously, Mr. Shofar worked for a national environmental consulting firm. Mr. Shofar is a professional engineer in the State of Maryland. He earned a B.S. in Mechanical Engineering and an M.S. in Civil/Environmental Engineering from the University of Maryland, and has worked in water resources engineering for 25 years.

Vicky W. Wan serves as the Manager of the Water Quality Protection Charge and Information Technology Services in the Department of Environmental Protection in Montgomery County, Maryland. She oversees all aspects of the WQPC including, implementing policy, processing and generation of the WQPC, and evaluating and responding to appeals. She manages a team of GIS and database IT professionals. She has been responsible for the WQPC for the past six years. Before joining the County, Ms. Wan was a senior data analyst for the Maryland Cancer Registry where she analyzed cancer trends and statistics for the State of Maryland. Ms. Wan earned a Bachelor of Science in Information Systems Management, a Master in Business Administration, and a Master of Science in Technology Management from the University of Maryland.

Craig Carson serves as the Manager of the Watershed Restoration Program in Department of Environmental Protection in Montgomery County, Maryland. He oversees the implementation of the Capital Improvement Program with a current budget of \$106 million. He is responsible for implementing the County's impervious surfaces targets outlined in the County's Municipal Separate Storm Sewer System (MS4) Permit. He has over 17 years of watershed restoration experience including several years working in the Pacific Northwest. Mr. Carson earned a B.S. in Environmental Resource Management from The Pennsylvania State University.

The Stormwater Capital Improvement Program

The Approved FY13-18 Stormwater Capital Improvement Program reflects the program growth to meet the new MS4 Permit requirements including acceleration of watershed restoration to meet specific stormwater pollutant load allocations established by the Maryland Department of Environment (MDE). The MS4 Permit requires the County to expand stormwater management to an additional 20 percent or 4,300 acres of the County's impervious surfaces that do not currently have stormwater management to the maximum extent practicable by February 16 2015. The Department also submitted a Countywide Coordinated Implementation Strategy to MDE in February 2011 outlining the efforts underway by the County. In addition, watershed feasibility planning studies set priorities for pursuing individual design and construction of the capital projects.

Historically, the Stormwater Capital Improvement Program was primarily funded with general obligation bonds of the County, current revenues, and permit waiver fees from the Maryland Water Quality Financing Administration. In addition, some Stormwater Capital Improvement Program projects were partially funded with State aid through grants and partnerships.

The County expects that the total costs for the Projects as approved in the Stormwater Capital Improvement Program and described under “PURPOSE OF FINANCING – The Projects” to be approximately \$295,000,000.

**FY13-18 STORMWATER CIP PROJECTS/
CASHFLOWS OF STORMWATER MANAGEMENT FUND**

Projects (\$ 000s)

Project No.	Project	6 year total	FY13	FY14	FY15	FY16	FY17	FY18
809319	Facility Planning: SM	6,750	1,150	1,150	1,150	1,100	1,100	1,100
807359	Misc Stream Valley Improvements	15,870	3,070	3,070	3,070	2,220	2,220	2,220
800700	SM Facility Major Structural Repair	14,800	2,350	2,450	2,500	2,500	2,500	2,500
800900	SM Retrofit - Government Facilities	17,425	2,125	2,900	3,100	3,100	3,100	3,100
801300	SM Retrofit - Roads	64,425	8,515	9,910	11,500	11,500	11,500	11,500
801301	SM Retrofit - Schools	20,100	1,270	1,010	3,270	4,850	4,850	4,850
808726	SM Retrofit - Countywide	154,010	16,210	24,200	25,100	24,500	29,500	34,500
809342	Watershed Restoration - Interagency	1,620	310	310	310	230	230	230
	Total	<u>295,000</u>	<u>35,000</u>	<u>45,000</u>	<u>50,000</u>	<u>50,000</u>	<u>55,000</u>	<u>60,000</u>

Sources of Funds (\$ 000s)

Funding Source	6 year total	FY13	FY14	FY15	FY16	FY17	FY18
State Aid	60,000	10,000	10,000	10,000	10,000	10,000	10,000
Water Quality Protection Bonds	228,250	23,850	33,850	38,850	38,900	43,900	48,900
Water Quality Protection Charge	6,750	1,150	1,150	1,150	1,100	1,100	1,100
Total	<u>295,000</u>	<u>35,000</u>	<u>45,000</u>	<u>50,000</u>	<u>50,000</u>	<u>55,000</u>	<u>60,000</u>

Regulatory Compliance

Federal

The United States Environmental Protection Agency (the “EPA”) was mandated by the U.S. Congress through Section 402 of the Water Quality Act of 1987 to promulgate the NPDES permitting program for municipal stormwater discharges known as the MS4 permitting program (the “MS4 Permit Program”). As it has done with most states, the EPA delegated the NPDES permitting authority to MDE.

The NPDES MS4 Permit Program is an EPA regulatory program administered in Maryland by the MDE. The MS4 Permit Program is intended to reduce and eliminate pollution from rainfall runoff, which flows through storm drain systems to local streams, ponds, and other waterways. Specifically, the goal of the MS4 Permit Program is to restore and maintain the chemical, physical, and biological integrity of the nation's waters, as defined in the Clean Water Act, by controlling previously uncontrolled sources of pollution across the landscape that are transported by rainfall runoff or stormwater.

On February 16, 2010, the County received its third round of MS4 permit from MDE. The permit has a number of requirements that must be completed by the end of the five-year permit term including: (i) develop of a permit compliance action and plan document within one year; (ii) complete restoration

efforts for an additional 20 percent of the County's impervious, urban surfaces not currently restored to the maximum extent practicable; (iii) support regional strategies to reduce trash and increase recycling as set forth in the Trash Free Potomac Watershed Initiative 2006 Action Agreement to eliminate trash in the Anacostia and Potomac Rivers; (iv) implement of total maximum daily load (“TMDL”) limits to restore impaired waterways in the County by developing and implementing plans to reduce nonpoint source pollutant loads (e.g., from stormwater); (v) ensure anti-degradation measures for high quality waters (Tier II waters) within the County including appropriate reviews prior to approval of capital projects, water/sewer plan amendments and any development with the potential to affect water quality and downstream water quality; (vi) establish long-term schedules for identifying sources of pollution and water quality improvement opportunities for all watersheds in the County; and use ESD/LID as a method to capture stormwater, by improving the County's stormwater management ordinances/regulations and modifying the County's planning and zoning codes as needed; (vii) require all new construction in the County to follow the State stormwater controls as defined in the Title 4 of the Environment Article; (vii) require developers to maintain after development, as nearly as possible, the predevelopment runoff characteristics to the maximum extent practicable; (viii) detect and eliminate illegal, non-stormwater discharges into the storm drain, and involve and engage the public in the process of stormwater control; and (viii) submit annual reports on progress.

Local

On February 16, 2011, the County submitted to MDE the Comprehensive County Implementation Strategy (“CCIS”) which provides a plan of implementation for its recent MS4 permit.

Following completion of the CCIS, the County refined its strategy for meeting the MS4 Permit requirements and has developed a plan that will achieve 3,500 acres of treatment by FY2015. It is anticipated that the remaining 800 acres treated will be achieved by Maryland State Highway Administration and stewardship projects for the Inter County Connector, redevelopment within the County, reforestation, and the Rainscapes Program (the “Rainscapes Program”). The RainScapes Program promotes and implements projects on residential, institutional, and commercial properties to reduce stormwater pollution. In addition to the County’s MS4 Permit, the County is part of the Chesapeake Bay watershed and is subject to the Chesapeake Bay TMDL. The local TMDLs that are included in the County’s MS4 Permit have no specific timeline. However, the Chesapeake Bay TMDL must be achieved no later than 2025. Based on preliminary estimates, the work program outlined by the CCIS would comply with the Chesapeake Bay TMDL limits.

The County fully expects to meet the MS4 Permit requirements and is in regular contact with the State of Maryland regarding the County’s compliance with the MS4 Permit. If deemed necessary, the County will cooperate with the State of Maryland to extend the permit completion date based upon the County’s good faith effort to comply with the MS4 Permit. Failure to meet the requirements of the permit or receive an extension from the State of Maryland may result in civil penalties and a consent decree with monetary penalties for noncompliance.

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DEBT SERVICE REQUIREMENTS

The following table sets forth, for each of the fiscal years ending June 30, the amounts required in such fiscal year for the payment of principal and interest on the Series 2012 Bonds.

Annual Debt Service			
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2013	\$915,000	\$1,207,601	\$2,122,601
2014	1,310,000	1,706,150	3,016,150
2015	1,340,000	1,678,850	3,018,850
2016	1,395,000	1,625,250	3,020,250
2017	1,435,000	1,583,400	3,018,400
2018	1,490,000	1,526,000	3,016,000
2019	1,550,000	1,466,400	3,016,400
2020	1,615,000	1,404,400	3,019,400
2021	1,695,000	1,323,650	3,018,650
2022	1,780,000	1,238,900	3,018,900
2023	1,855,000	1,165,500	3,020,500
2024	1,945,000	1,072,750	3,017,750
2025	2,045,000	975,500	3,020,500
2026	2,145,000	873,250	3,018,250
2027	2,250,000	766,000	3,016,000
2028	2,365,000	653,500	3,018,500
2029	2,485,000	535,250	3,020,250
2030	2,605,000	411,000	3,016,000
2031	2,740,000	280,750	3,020,750
2032	2,875,000	143,750	3,018,750
TOTAL	\$37,835,000	\$21,637,851	\$59,472,851

TAX MATTERS

Maryland Income Taxation

In the opinion of Bond Counsel, under existing law, the Series 2012 Bonds, their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale or exchange, shall be exempt at all times from every kind and nature of taxation by the State of Maryland or by any of its political subdivisions, municipal corporations or public agencies of any kind. No opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Series 2012 Bonds or the interest thereon. Interest on the Series 2012 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 2012 Bonds should consult their own tax advisors with respect to the taxable status of the Series 2012 Bonds in jurisdictions other than Maryland.

Federal Income Taxation

In the opinion of Bond Counsel, assuming compliance with certain covenants described herein, interest on the Series 2012 Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations, and decisions.

In rendering its opinion with respect to the Series 2012 Bonds, Bond Counsel will rely, without independent investigation, on certifications provided by the County with respect to certain material facts within its knowledge relevant to the tax-exempt status of interest on the Series 2012 Bonds.

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 2012 Bonds, including restrictions that must be complied with throughout the term of the Series 2012 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 2012 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 2012 Bonds; and (iii) other requirements applicable to the use of the proceeds of the Series 2012 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 2012 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 2012 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 2012 Bonds.

Interest on the Series 2012 Bonds will not be includable in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment. However, for purposes of calculating the corporate alternative minimum tax, a corporation subject to tax may be required to increase its alternative minimum taxable income by 75% of the amount by which its “adjusted current earnings” exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For such purposes, “adjusted current earnings” could include, among other items, interest income from the Series 2012 Bonds. In addition, interest income on the Series 2012 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.

Certain Other Federal Tax Consequences

There are other federal tax consequences of ownership of obligations such as the Series 2012 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 15% of the sum of tax-exempt interest income and the deductible portion of dividends received by such companies; (iii) interest income that is exempt from tax must be taken into account for the purpose of determining whether, and what amount of, social security or railroad retirement benefits are includable in gross income for federal income tax purposes; and (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 2012 Bonds, can result in the imposition of tax on such passive investment income and, in some cases, loss of S corporation status.

Tax Accounting Treatment of Discount Bonds

Certain maturities of the Series 2012 Bonds may be issued at an initial public offering price which is less than the amount payable on such Series 2012 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 sold and the principal amount of such Discount Bonds payable at maturity constitutes original issue discount. In the case of any holder of Discount Bonds, 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 (i) any holder of a Discount Bond will recognize 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 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 (ii) the amount of the basis adjustment described in clause (i)(b)(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 (i) the product of (a) the yield for the Discount Bond (adjusted as necessary for an initial short period) divided by the number of compounding periods in a year multiplied by (b) 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 (ii) 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 public offering 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 a Discount Bond is 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 on the occurrence of certain contingencies. The prices or yields furnished by the successful bidder for the Series 2012 Bonds as shown on the inside cover of this Official Statement may not reflect the initial issue prices for the purposes of determining the original issue discount for federal income tax purposes.

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

Purchase, Sale and Retirement of Series 2012 Bonds

Except as noted below in the case of market discount, the sale or other disposition of a Series 2012 Bond will normally result in capital gain or loss to its holder. A holder's initial tax basis in a Series 2012 Bond will be its cost. Upon the sale or retirement of a Series 2012 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 Series 2012 Bond, determined by adding to the original cost basis in such Series 2012 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 Series 2012 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, net capital gains will be taxed at a maximum rate of 15%, while short-term capital gains and other ordinary income will be taxed at a maximum rate of 35%. 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. Because of the limitation on itemized deductions and the deduction for personal exemptions applicable to higher income taxpayers, the effective rate of tax may be higher in certain circumstances. The operation of sunset, effective date and similar timing provisions in current law would result in a change in the tax rates in certain future time periods.

Market Discount

If a holder acquires a Series 2012 Bond after its original issuance at a discount below its principal amount (or in the case of a Series 2012 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 Series 2012 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 Series 2012 Bond with market discount subsequently realizes a gain upon the disposition of the Series 2012 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 Series 2012 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 Series 2012 Bond not issued at an original issue discount, market discount will be *de minimis* if the excess of the Series 2012 Bond's stated redemption price at maturity over the holder's cost of acquiring the Series 2012 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 Series 2012 Bond and its maturity date. In the case of a Series 2012 Bond issued with original issue discount, market discount will be *de minimis* if the excess of the Series 2012 Bond's revised issue price over the holder's cost of acquiring the Series 2012 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 Series 2012 Bond and its stated maturity date. For this purpose, a “revised issue price” is the sum of (i) its original issue price and (ii) the aggregate amount of original issue discount that is treated as having accrued with respect to the Series 2012 Bond during the period between its original issue date and the date of acquisition by the holder.

Amortizable Bond Premium

A Series 2012 Bond will be considered to have been purchased at a premium if, and to the extent that, the holder's tax basis in the Series 2012 Bond exceeds the amount payable at maturity (or, in the case of a Series 2012 Bond callable prior to maturity, the amount payable on the earlier call date). Under tax regulations applicable to the Series 2012 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) which produces the lowest yield to maturity on the Series 2012 Bonds. The holder will be required to reduce his tax basis in the Series 2012 Bond for purposes of determining gain or loss upon disposition of the Series 2012 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 allocable in respect of any amount of amortizable bond premium on the Series 2012 Bonds.

The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not discuss all aspects of federal income taxation that may be relevant to a particular holder of Series 2012 Bonds in light of such holder's particular circumstances and income tax situation. Each holder of Series 2012 Bonds should consult such holder's tax advisor as to the specific tax consequences to such holder of the ownership and disposition of the Series 2012 Bonds, including the application of State, local, foreign and other tax laws.

Legislative Developments

Legislative proposals currently under consideration or proposed after issuance and delivery of the Series 2012 Bonds could adversely affect the market value of the Series 2012 Bonds. Further, if enacted into law, any such proposal could cause the interest on the Series 2012 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 2012 Bonds should consult with their tax advisors as to the status and potential effect of pending proposed legislative proposals, as to which Bond Counsel expresses no opinion.

LITIGATION

The County is currently processing numerous claims for damages and is also a defendant in a number of lawsuits which are expected to be paid, when applicable, through its self-insurance program. Management and legal counsel believe that the self-insurance program is adequately funded to cover such claims and lawsuits to be paid out of the program. In addition to those suits in which claims for liability are adequately covered by insurance, the County is a defendant in various suits involving tort claims, violations of civil rights, breach of contract, inverse condemnation, and other suits and actions arising in the normal course of business. In the opinion of the County Attorney, the possible liability of the County in the resolution of these cases will not materially affect the County's ability to perform its obligations to the holders of the Series 2012 Bonds.

INDEPENDENT PUBLIC ACCOUNTANTS

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

The County has retained BDO USA, LLP, independent public accountants to audit its FY2012 basic financial statements.

LEGALITY FOR INVESTMENT

Pursuant to the Authorizing Legislation, the Series 2012 Bonds are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, insurance companies, fiduciaries, trustees, guardians for all public funds of the State of Maryland or other political corporations or subdivisions of the State of Maryland, and any and all public funds of cities, towns, counties, school districts or other political corporations or subdivisions of the State of Maryland.

CERTAIN LEGAL MATTERS

The authorization, sale, issuance and delivery of the Series 2012 Bonds will be subject to legal approval by McKennon Shelton & Henn LLP, Bond Counsel, and a copy of their unqualified approving legal opinion with respect to the Series 2012 Bonds will be delivered upon request, without charge, to the Underwriters. The opinion is expected to be substantially in the form of the draft opinion attached to this Official Statement as Appendix C.

RATINGS

Rating reviews for this issue have been provided by Fitch Ratings and Standard & Poor's Rating Group. 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. A securities rating is not a

recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. 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 2012 Bonds.

Due to the ongoing uncertainty regarding the economy of the United States, including, without limitation, matters such as the future political uncertainty regarding the United States debt limit, obligations issued by state and local governments, such as the Series 2012 Bonds, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, including the Series 2012 Bonds.

UNDERWRITING

Citigroup Global Markets Inc., as Representative of the Underwriters, has agreed, subject to certain conditions set forth in the purchase contract with the County, to purchase the Series 2012 Bonds at an aggregate purchase price of \$43,205,327.53 (which represents the par amount of Series 2012 Bonds plus a net original issue premium of \$5,478,155.40 and less an Underwriters' discount of \$107,827.87). The Underwriters may offer and sell the Series 2012 Bonds to certain dealers (including dealers depositing Series 2012 Bonds into investment trusts, certain of which may be sponsored by one or more of the Underwriters) and others at prices lower than the public offering prices stated on the cover page hereof.

The public offering prices set forth on the inside cover page hereof may be changed after the initial offering by the Underwriters. The purchase contract for the Series 2012 Bonds provides that the Underwriters' obligation to purchase the Series 2012 Bonds is subject to certain conditions and that the Underwriters are obligated to purchase all of the Series 2012 Bonds if any Series 2012 Bonds are purchased.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking and other banking and trust services for the County for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the County.

Citigroup Inc., parent company of Citigroup Global Markets Inc., an underwriter of the Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

FINANCIAL ADVISOR

Davenport & Company LLC, Towson, Maryland, is serving as financial advisor to the County with respect to the issuance and sale of the Series 2012 Bonds.

CERTIFICATE OF COUNTY OFFICIALS

The Chief Administrative Officer and the Director of Finance of the County will furnish a certificate to the successful bidders for the Series 2012 Bonds to the effect that, to the best of their knowledge and belief, this Official Statement (including, without limitation, the County's AIS and incorporated herein by reference), as of the date of sale and the date of delivery of the Series 2012 Bonds, is true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact, required to be stated or necessary to be stated, to make such statements, in the light of the circumstances under which they were made, not misleading.

CONTINUING DISCLOSURE UNDERTAKING

In order to enable participating underwriters, as defined in Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") to comply with the requirements of paragraph (b)(5) of Rule 15c2-12, the County will execute and deliver a continuing disclosure agreement (the "Continuing Disclosure Agreement") on or before the date of issuance and delivery of the Certificates, the form of which is attached to this Official Statement as Appendix B. Potential purchasers of the Certificates should note that the definition of Reportable Events in Appendix B is intended to completely restate the events specified in Rule 15c2-12.

The County has not failed to comply with any prior continuing disclosure undertaking made pursuant to Rule 15c2-12.

MISCELLANEOUS

All references to the Trust Agreement and other documents mentioned herein and in the accompanying Appendices, including any summaries thereof, are qualified in their entirety by reference to such documents. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the registered Holders of the Series 2012 Bonds.

The information in this Official Statement is presented for the guidance of prospective purchasers of the Series 2012 Bonds described herein. The information has been compiled from official and other sources and, while not guaranteed by the County, is believed to be correct. So far as any statements made in this Official Statement and the Appendices attached hereto involve matters of opinion or of estimates, whether or not so expressly stated, they are set forth as such and not as representations of facts, and no representation is made that any of the estimates will be realized.

The attached Appendices are integral parts of the Official Statement and must be read in their entirety together with all of the foregoing information.

AUTHORIZATION OF OFFICIAL STATEMENT

The execution of this Official Statement and its delivery have been duly authorized by the County.

/s/ Timothy L. Firestine
Timothy L. Firestine
Chief Administrative Officer

/s/ Joseph F. Beach
Joseph F. Beach
Director, Department of Finance

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT

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

Definitions

The following are definitions of certain terms used in the Trust Agreement and not otherwise defined in this Official Statement.

“Additional Bonds” means any bond, note or other evidence of obligation issued by the County pursuant to the Trust Agreement, including (without limitation) any cap, swap or other hedging arrangement.

“Additional Facilities” means any “stormwater management facilities” as defined in the Authorizing Legislation and any other facility for which Additional Bonds may be issued pursuant to the Authorizing Legislation that is financed or refinanced with proceeds of any Additional Bonds.

“Annual Budget” means the County’s Annual Capital Budget for a fiscal year adopted pursuant to the Trust Agreement.

“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” or **“Bonds”** means the Series 2012 Bonds and any Additional Bonds, collectively.

“Bond Counsel” means an attorney or firm of attorneys having a national reputation in the field of municipal law whose legal opinions are generally accepted by purchasers of municipal bonds designated by the County as its bond counsel from time to time. The firm of McKennon Shelton & Henn LLP is recognized as constituting Bond Counsel, subject to further action by the County.

“Bond Year” means the period from and including July 1 of each calendar year through and including June 30 of the immediately succeeding calendar year.

“Business Day” means a day other than a (a) Saturday, Sunday or legal holiday in the State, (b) day on which banking institutions in the State or in the city in which the Designated Office of the Trustee or the Credit Facility Provider is located are authorized or obligated to remain closed or (c) day on which the New York Stock Exchange is closed.

“Certificate,” “Notice,” “Opinion,” “Order,” “Report,” “Request,” “Requisition” and **“Statement”** mean, respectively, a written certificate, notice, opinion, order, report, request, requisition or statement, in form and substance satisfactory to the County, signed (a) when used with respect to the County, by an County Representative, and (b) when used with respect to any other person, by an authorized officer thereof. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the instruments so combined shall be read and construed as a single instrument.

“Cost” as applied to the Projects or any Additional Facilities, includes the cost of and all expenses incident to the construction, reconstruction, acquisition, improvement, extension, alteration,

modernization, planning, equipping, maintenance and repair of the Projects or such Additional Facilities, including (without limitation) the cost and expenses of (a) all property acquired in connection with it; (b) financial, architectural, consulting, engineering and legal services; (c) plans, specifications, surveys, estimates, feasibility reports and direct and indirect labor, material, equipment and administrative expenses; and (d) financing and refinancing the Projects or such Additional Facilities, including (without limitation) financing charges and interest before, during and for one year after completion of construction.

“Credit Facility” means any credit or liquidity facility securing any Bond or held to the credit of any fund or account created by the Trust Agreement and any Alternate Credit Facility delivered in substitution therefor. When used with reference to or in connection with any Bonds, “Credit Facility” means any Credit Facility securing such Bonds.

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

“Credit Facility Default” when used with respect to any Credit Facility or Credit Facility Provider shall have the meaning specified by the County and such Credit Facility Provider in writing upon the delivery of such Credit Facility to the Trustee.

“Credit Facility Provider” means the issuer of any Credit Facility in connection with any Bonds issued under the Trust Agreement.

“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 (a) 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 (b) 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 any Bond Fund or any Construction Fund. For the purpose of calculating the Debt Service Requirements:

(a) with respect to any Variable Rate Indebtedness:

(i) for the purpose of calculating the Debt Service Reserve Fund Requirement and the principal amount of any such Indebtedness constituting Balloon Debt payable in any Bond Year described in clause (b) below, such Indebtedness 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 Facilities 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 a Rating Agency (each, a “Qualified Hedging Transaction”) identified in the records of the County with respect to such Indebtedness, at the option of the County, such Indebtedness 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 Indebtedness shall be deemed to bear interest at an annual rate equal to (A) in the case of any period during which such Indebtedness shall have been outstanding, the weighted average interest rate per annum borne by such Indebtedness 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 Facilities 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 Indebtedness shall be in effect for the period for which such calculation is to be made, at the option of the County, such Indebtedness 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 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 facilities financed or refinanced thereby; and

(c) 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.

“Debt Service Reserve Fund Credit Facility” means any Credit Facility held to the credit of a Debt Service Reserve Fund.

“Debt Service Reserve Fund Credit Facility Agreement” means the agreement, if any, pursuant to which any Debt Service Reserve Fund Credit Facility is issued.

“Debt Service Reserve Fund Requirement” means (a) when used with respect to or in connection with the Series 2012 Bonds, any other Series of Bonds secured by the Debt Service Reserve Fund maintained for the Series 2012 Bonds or such Debt Service Reserve Fund, as of any particular date of computation, an amount equal to the least of (i) 10% of the proceeds of the Bonds secured thereby, (ii) Maximum Annual Debt Service on all outstanding Bonds secured thereby, and (iii) 125% of the average annual debt service requirements of all Bonds secured thereby; and (b) when used with respect to any other Series of Bonds or the Debt Service Reserve Fund, if any, maintained for such Bonds, such amount as shall be established in the Supplemental Trust Agreement authorizing the issuance of such Bonds.

“Event of Default” has the meaning set forth in the Trust Agreement and summarized below in “Events of Defaults and Remedies--Events of Default.”

“Facilities” means the Projects and any Additional Facilities.

“Favorable Opinion of Bond Counsel” means, when used with respect to or in connection with any action, a written opinion of Bond Counsel to the effect that such action will not adversely affect the excludability from gross income of interest paid on any Tax-Exempt Bond for federal income tax purposes.

“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 (except for changes in application in which the Independent Public Accountant concurs) applied both to classification of items and amounts.

“Government Obligations” means direct obligations of, or obligations that are unconditionally guaranteed by, the United States of America, including (without limitation) obligations of Resolution Funding Corporation.

“Holder” or **“holder”** or **“Bondholder”** or any similar term means the registered owner of any Bond.

“Indebtedness” means any indebtedness or liability for borrowed money, any installment sale obligation 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.

“Independent Consultant” means an independent consulting firm having a favorable reputation for skill and experience with respect to the operation of stormwater management facilities or the determination of the feasibility of rates and charges and sufficiency of the revenues with respect to such facilities, designated and retained by the County to perform the activities required by the Trust Agreement to be performed by the Independent Consultant.

“Independent Public Accountant” means an individual, partnership or corporation engaged in the accounting profession, either entitled to practice, or having members or officers entitled to practice, as a certified public accountant under the laws of the State and in fact independent, employed by the County from time to time to pass upon those matters required by the Trust Agreement to be passed upon by an Independent Public Accountant. The firm of CliftonLarsonAllen LLP is recognized as constituting the Independent Public Accountant, subject to further action by the County.

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

(a) 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;

(b) any obligation for the payment of money under leases that are required to be capitalized under Generally Accepted Accounting Principles; and

(c) 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.

“Operating Expenses” means all expenses incurred by the County in operating or maintaining its stormwater management facilities or causing such facilities to be operated and maintained in good repair, working order, and in compliance with applicable State and federal laws.

“Outstanding” or **“outstanding”** means, (a) when used with reference to Bonds as of any particular date, all Bonds authenticated and delivered under the Trust Agreement except (i) any Bond cancelled by the Registrar and Paying Agent or the Trustee (or delivered to the Registrar and Paying Agent or the Trustee for cancellation) at or before such date, (ii) any Bond for the payment of the principal or Redemption Price of and interest on which provision shall have been made as provided in the Trust Agreement and (iii) any Bond in lieu of or in substitution for which a new Bond shall have been authenticated and delivered pursuant to Article II, Article III or Section 8.04 of the Trust Agreement; and (b) when used with reference to any other Indebtedness, all Indebtedness theretofore issued or incurred other than any such Indebtedness that is deemed to have been paid and discharged under Generally Accepted Accounting Principles and that is not secured by the Pledged Revenues.

“Participant” when used with respect to any Securities Depository, means any participant of such Securities Depository.

“Permitted Investment” means each of the following investments to the extent that the amounts to be invested therein are then permitted to be invested in such investments under Applicable Law:

- (a) Government Obligations;
- (b) Agency Obligations;
- (c) interest bearing time deposits, certificates of deposit or similar arrangements (“Deposits”) with any commercial bank, trust company or savings and loan association (including, without limitation, the Trustee), *provided* that, to the extent such Deposits are not fully insured by the Federal Deposit Insurance Corporation, the outstanding unsecured long-term indebtedness of such commercial bank, trust company or savings and loan association (or its holding company) is rated by a Rating Agency in one of its two highest Rating Categories, and such Deposits are continuously secured by lodging with a bank or trust company, as collateral security, obligations described in clause (a), (b), (e) or (f) below, having a market value, calculated no less frequently than weekly, not less than 102% of the amount of such Deposit;
- (d) repurchase agreements for obligations described in clause (a) or (b) above, *provided* that (i) such obligations shall be (A) delivered to the County or the Trustee (as the case may be) or supported by a safekeeping receipt issued by a depository satisfactory to the County or the Trustee (as the case may be) if issued in certificated form, or (B) supported by a receipt or other confirmatory documentation satisfactory to the County or the Trustee (as the case may be) if issued in book-entry form, (ii) the County or the Trustee (as the case may be) shall have a perfected security interest in such obligations, (iii) such obligations shall be free and clear of any other liens or encumbrances, and (iv) such repurchase agreements shall provide that the value of the underlying obligations shall be continuously maintained at a current market value, calculated no less frequently than weekly, of not less than 102% of the purchase price;
- (e) obligations issued by or on behalf of any state of the United States of America or any political subdivision thereof for the payment of the principal or redemption price of and interest on which there shall have been irrevocably deposited Government Obligations maturing as to principal and interest at times and in amounts sufficient to provide such payment;

(f) any other obligations issued by or on behalf of any state of the United States of America or any political subdivision thereof, *provided* that such obligations, or other obligations of the issuer thereof of comparable maturities that are secured equally and ratably with such obligations, shall be rated by a Rating Agency in one of its two highest long-term Rating Categories;

(g) banker's acceptances issued by any commercial bank, trust company or savings and loan association (including, without limitation, the Trustee), the outstanding unsecured long-term indebtedness of which is rated by a Rating Agency in one of its two highest Rating Categories;

(h) commercial paper or finance company paper rated by a Rating Agency in its highest Rating Category;

(i) investment agreements, including (without limitation), forward purchase agreements pursuant to which the Trustee agrees to purchase securities of the type described in clause (a), (b), (c), (e), (f), (g) or (h) above, *provided* that (i) the outstanding unsecured long-term indebtedness of the provider thereof (or of its holding company) is rated by a Rating Agency in one of its two highest Rating Categories, (ii) such agreements are continuously secured by obligations described in clause (a), (b), (c), (e), (f), (g) or (h) above, (iii) the County or the Trustee (as the case may be) shall have a perfected security interest in such obligations, (iv) such obligations shall be free and clear of any other liens or encumbrances, and (v) such investment agreements shall provide that the value of the underlying obligations shall be maintained at a current market value, calculated no less frequently than weekly, of not less than 102% of the amount deposited thereunder;

(j) shares in investment companies that invest only in obligations described in clauses (a), (b), (c), (d), (e), (f), (g), (h) and (i) above (including any proprietary mutual fund, money market fund or short term investment fund maintained by the Trustee and for which the Trustee or an affiliate is investment advisor, or provides other services, and receives reasonable compensation for such services); and

(k) with respect to investments held in any fund or account created by the Trust Agreement solely for Bonds of a Series secured by a Credit Facility, such other investments as shall be approved in writing by the Credit Facility Provider with respect to such Bonds.

"Pledged Revenues" means (a) Revenues deposited by the County into the Pledged Revenues Fund, (b) interest earnings on the funds and accounts created hereby, and (c) all rights of the Trustee to receive the Revenues required to be deposited under the Trust Agreement and the proceeds of such rights, whether now existing or hereafter coming into existence.

"Rating Agency" means Fitch Ratings, Moody's Investors Service, Inc., and Standard & Poor's Ratings Services, or any other securities rating agency that, at the request of the County, shall have assigned a rating that is then in effect with respect to any Bonds, and their successors and assigns, and **"Rating Agencies"** means each such Rating Agency, collectively.

"Rating Category" means one of the general rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

"Redemption Price" means, when used with respect to any Bond or portion thereof, the principal amount of such Bond or such portion thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the Trust Agreement.

“Revenues” means WQPC revenues (excluding WQPC revenues collected with respect to the City of Gaithersburg in accordance with the Memorandum of Understanding dated July 15, 2003), together with other revenues of the County, including the Carryout Bag Tax, which are deposited into the Water Quality Protection Fund, together with interest earned thereon.

“Registrar and Paying Agent” means the Trustee, except as otherwise provided in any Supplemental Trust Agreement.

“Serial Bonds” means the Bonds of a series that shall be stated to mature in annual installments.

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

“Series 2012 Bonds” means the Montgomery County, Maryland Water Quality Protection Charge Revenue Bonds, Series 2012A.

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

“State” means the State of Maryland.

“Supplemental Trust Agreement” means any instrument between the County and the Trustee amending, modifying or supplementing the Trust Agreement, any Supplemental Trust Agreement or any Bond, delivered and becoming effective in accordance with the terms of the Trust Agreement.

“Tax-Exempt Bond” means any Series 2012 Bond and any other Bond with respect to which there shall have been delivered to the County an opinion of Bond Counsel to the effect that the interest on such Bond is excludable from gross income for federal income tax purposes.

“Termination Date” means, when used with respect to any Bonds (a) the day that is five days prior to the stated expiration date of the Credit Facility securing such Bonds, and (b) the effective date of each Alternate Credit Facility securing such Bonds.

“UCC” means the Maryland Uniform Commercial Code - Secured Transactions, Title 9, Commercial Law Article, Annotated Code of Maryland, as amended.

“Variable Rate Indebtedness” means, as of any particular date, any indebtedness the interest on which is not established at a fixed rate or rates for the remaining term thereof.

“Water Quality Protection Fund” means the fund established pursuant to Section 19-35(f) of the Montgomery County Code.

Creation of Funds (Section 4.01)

The following funds are created pursuant to the Trust Agreement: Pledged Revenues Fund; Construction Fund; Bond Fund; Debt Service Reserve Fund; Redemption Fund; Rate Stabilization Fund; and Rebate Fund. The Pledged Revenues Fund, the Bond Fund, the Construction Fund, the Debt Service Reserve Fund, the Rate Stabilization Fund and the Redemption Fund shall be held by the Trustee in the name of the County in trust for the holders of all outstanding Bonds, subject to the provisions of the Trust Agreement. The Rebate Fund shall be held by the Trustee and is not pledged to the payment of any Bonds.

The funds and accounts created pursuant to the Trust Agreement may contain one or more accounts and sub-accounts, as the County shall direct.

Deposit of Revenues; Transfers of Pledged Revenues (*Section 4.03*)

On or before the 25th day of each March, June, September and December, commencing on September 25, 2012, the County shall pay or cause to be paid to the Trustee into the Pledged Revenues Fund, solely from Revenues, amounts sufficient to make all of the payments required by (i) through and including (iv) below. On the first day of each January, April, July, and October, the Trustee shall transfer amounts from the Pledged Revenues Fund as follows:

(i) to the Bond Fund, the sum of:

(A) the lesser of (i) during the period from the date of delivery of the Series 2012 Bonds through first Interest Payment Date on October 1, 2012, an amount equal to the interest due on such Interest Payment Date, and thereafter one-half (1/2) of the interest becoming due on the outstanding Series 2012 Bonds on the immediately succeeding Interest Payment Date and (ii) the amount, if any, necessary to make the amount on deposit therein equal to interest becoming due on the outstanding Series 2012 Bonds on the immediately succeeding Interest Payment Date;

(B) the lesser of (i) during the period from the date of delivery of the Series 2012 Bonds through April 1, 2013, one-third (1/3) and thereafter, one-fourth (1/4) of the amount of the principal of the Series 2012 Bonds Outstanding becoming due on the immediately succeeding April 1 and (ii) the amount, if any, necessary to make the amount on deposit therein equal to principal of the outstanding Series 2012 Bonds becoming due on the immediately succeeding April 1;

(C) any deficiency in the amount required to be deposited in the Bond Fund in any prior period in accordance with this paragraph;

(ii) to the payment of any amounts payable under the Credit Facility Agreements;

(iii) to the Debt Service Reserve Fund, beginning in the month immediately succeeding any month in which the County receives notice of any deficiency in the Debt Service Reserve Fund, one-fourth (1/4) of the amount of such deficiency; and

(iv) to the Rate Stabilization Fund, such amount, if any, of any balance remaining after making the payment under clause (i), (ii), and (iii) above (or the entire balance if less than the required amount) as may be required to make the amount deposited in the Rate Stabilization Fund equal to the amount set forth in the Annual Budget.

Debt Service Reserve Fund (*Section 4.06*)

If on any Interest Payment Date the amount in the Bond Fund maintained for any Series of Bonds shall be less than the amount of interest then due on the Outstanding Bonds of such Series and the amount, if any, due under the Credit Facility Agreement with respect to such Bonds as a result of any amounts realized under the Credit Facility issued thereunder for the payment of interest due on any Bonds of such Series and interest due on amounts realized under such Credit Facility for the payment of the principal or Redemption Price of or interest on, or the purchase price of, Bonds of such Series on such date, or if on any date on which the principal amount of any Outstanding Bond of a Series becomes due the amount in the Bond Fund maintained for such Bonds shall be less than the amount of the principal and

the Sinking Fund Installment (either or both, as the case may be) then due on such Bonds and the amounts, if any, due under the Credit Facility Agreement with respect to such Bonds as a result of any amounts realized under the Credit Facility issued thereunder for the payment of the principal or Redemption Price of Bonds of such Series on such date, the Trustee forthwith shall transfer moneys from the Debt Service Reserve Fund maintained for such Bonds to such Bond Fund, to the extent necessary to make good any deficiency.

For the purposes of the Trust Agreement, in the case of a Debt Service Reserve Fund:

(a) a “deficiency” shall mean that the value of the assets of such Debt Service Reserve Fund, determined in accordance with Section 4.09 of the Trust Agreement, is less than the Debt Service Reserve Fund Requirement; and

(b) a “surplus” shall mean that the value of the assets of such Debt Service Reserve Fund, determined in accordance with Section 4.09 of the Trust Agreement, is in excess of the Debt Service Reserve Fund Requirement.

The Trustee shall determine the value of the assets of each Debt Service Reserve Fund in the manner provided by Section 4.09 of the Trust Agreement as of the close of business (i) on July 1 in each year, (ii) on the date of any withdrawal from the Debt Service Reserve Fund and on the last Business Day of each month thereafter until such determination discloses that a deficiency no longer exists in such fund, (iii) on any date on which the Trustee obtains actual knowledge that any Debt Service Reserve Fund Credit Facility held to the credit of a Debt Service Reserve Fund is no longer entitled to be credited to such Debt Service Reserve Fund, (iv) on the date that is six months prior to the stated expiration date of any Debt Service Reserve Fund Credit Facility, and (v) on any other date directed by the County.

As promptly as practicable after making such determination, the Trustee shall notify the County of the result of such determination and of the amount of any deficiency or surplus determined to exist in a Debt Service Reserve Fund.

The Trustee shall transfer the amount of any surplus that exists in a Debt Service Reserve Fund from time to time to the Bond Fund, the Redemption Fund or the Rate Stabilization Fund upon the direction of the County.

Rate Stabilization Fund (*Section 4.08*)

The County covenants that on or before the first day of July in each year it will adopt the Annual Budget with respect to the operation and maintenance of the Facilities and the deposit of such budgeted amount through quarterly deposits to the credit of the Rate Stabilization Fund for the ensuing fiscal year.

Amounts on deposit in the Rate Stabilization Fund shall be used to (i) pay the costs of unexpected additions, improvements or betterments to, or design, expansion, construction, replacement, remodeling or equipping of “stormwater management facilities” as defined in the Authorizing Legislation, including (without limitation) any extraordinary maintenance of or repairs to such facilities and (ii) provide funds to replace budgeted WQPCs that are uncollected for the current fiscal year.

Investments (*Section 4.09*)

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 this section as directed by an County Representative.

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 (i) investments and accrued interest thereon shall be deemed a part thereof, and (ii) investments shall be valued at the current market value thereof. In addition, in determining the value of the assets of the Debt Service Reserve Fund on any date, there shall be credited to the Debt Service Reserve Fund the amount that can be realized by the Trustee under any Debt Service Reserve Fund Credit Facility if each of the following conditions is met: (i) on the date of delivery of such Debt Service Reserve Fund Credit Facility to the Trustee, the unsecured indebtedness or claims-paying ability of the issuer thereof is rated in one of the three highest Rating Categories of a Rating Agency; (ii) such Debt Service Reserve Fund Credit Facility permits the Trustee to realize amounts thereunder at such times as the Trustee is required to transfer any amount (other than any surplus) from the Debt Service Reserve Fund in accordance with the Trust Agreement; (iii) if amounts realized under such Debt Service Reserve Fund Credit Facility are, under any circumstances, payable from the Pledged Revenues, such amounts shall be payable in no fewer than 12 equal monthly installments; and (iv) the expiration date of such Debt Service Reserve Fund Credit Facility is at least six months after the date of valuation or is after the maturity date of the Bonds secured thereby or such Debt Service Reserve Fund Credit Facility permits the Trustee to draw thereunder for deposit to the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Fund Requirement prior to its expiration.

Neither the County nor the Trustee shall 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 this section, or for any loss arising from any investment permitted under the Trust Agreement. The investments authorized by this section shall at all times be subject to the provisions of applicable law.

Authorization of Additional Bonds; Conditions Precedent to Delivery of Additional Bonds (*Section 2.04*)

The County is authorized to issue, from time to time, Additional Bonds under and secured by the Trust Agreement, subject to the conditions provided in this section, for any purpose for which indebtedness may be incurred by the County under the Enabling Legislation, including (without limitation): (a) refinancing, refunding or advance refunding any Outstanding Indebtedness (“Refunding Purposes”), (b) obtaining funds to pay the Cost of completing any Additional Facilities (“Completion Purposes”), (c) obtaining funds necessary to pay the costs of extraordinary maintenance of or repairs or improvements to any Facilities, including (without limitation) repairs, replacements or improvements required as a result of any casualty or taking or other extraordinary occurrence or to meet the

requirements of Applicable Law (“Extraordinary Maintenance Purposes”) or (d) obtaining funds to pay the Cost of any Additional Facilities. Additional Bonds may be issued to pay the costs incurred in connection with the issuance and sale of any Bonds, to establish reserves and to pay interest on any Bonds prior to and during acquisition and construction. The issuance of Additional Bonds shall be authorized by a Supplemental Trust Agreement. 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 Series 2012 Bonds and any other Additional Bonds that may be issued from time to time, to the extent provided in the Trust Agreement.

The Supplemental Trust Agreement authorizing the issuance of any Series of Additional Bonds shall specify the maturities and redemption provisions of such Additional Bonds, the form and denominations thereof and other details of such Additional Bonds. Without limiting the generality of the foregoing, Additional Bonds may constitute Variable Rate Indebtedness or Balloon Debt, as shall be determined by the County, in its discretion. The County may provide for the creation of a separate Bond Fund, Debt Service Reserve Fund or Redemption Fund and other funds and accounts for any Series of Additional Bonds, 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 and the Debt Service Reserve Fund, if any, 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 Series of Bonds, then such Supplemental Trust Agreement shall require that (i) the Pledged Revenues required to be deposited in the Pledged Revenues 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 Series of Bonds secured thereby required to be transferred to the Bond Fund for such Bonds on such date, and (ii) the Pledged Revenues required to be transferred to the Debt Service Reserve Fund on any date shall be allocated *pro rata* among all Debt Service Reserve Funds on the basis of the respective aggregate principal amounts of the Bonds Outstanding secured by such Debt Service Reserve Funds. Amounts on deposit in the funds and accounts created for particular Series of 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, or the purchase price of, 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 Holders of Bonds of any other Series or the issuer of any Credit Facility securing any other Series of Bonds.

The Supplemental Trust Agreement authorizing the issuance of any Series of Additional Bonds may provide that any proceeds of such Additional Bonds and investment earnings thereon remaining after the completion of any Additional Facilities financed with the proceeds of such Additional Bonds shall be applied to the payment or redemption of such Series of Additional Bonds.

Any Supplemental Trust Agreement authorizing the issuance of Additional Bonds may provide that (i) such Series of Bonds shall be secured by the Debt Service Reserve Fund maintained for the Series 2012 Bonds or other Series of Bonds issued pursuant to the Trust Agreement, (ii) such Series of Additional Bonds shall not be secured by a Debt Service Reserve Fund, or (iii) such Additional Bonds shall be secured by a separate Debt Service Reserve Fund.

If any Supplemental Trust Agreement authorizing the issuance of any Additional Bonds provides that such Additional Bonds may be secured by the Debt Service Reserve Fund maintained for the Series 2012 Bonds or any other Series of Bonds issued under the Trust Agreement, such Supplemental Trust Agreement shall provide for the deposit in such Debt Service Reserve Fund on the date of issuance of such Additional Bonds of the amount, if any, necessary to make the amount on deposit therein equal to

the Debt Service Reserve Requirement on all Bonds secured thereby, after giving effect to the issuance of such Additional Bonds. Such Supplemental Trust Agreement may provide that the amount of any increase in the Debt service Reserve Requirement resulting from the issuance of such Additional Bonds shall be applied to the final payments of the principal or Redemption Price of such Additional Bonds.

If the Supplemental Trust Agreement authorizing the issuance of any Additional Bonds provides that such Series of Additional Bonds shall be secured by a separate Debt Service Reserve Fund, such Supplemental Trust Agreement shall (i) establish the amount of the Debt Service Reserve Fund Requirement for such Debt Service Reserve Fund, (ii) provide the period during which any deficiency shall be cured, (iii) contain provisions with respect to the issuance of any other Additional Bonds secured by such Debt Service Reserve Fund and (iv) provide such terms with respect to the valuation of such Debt Service Reserve Fund, the application of any earnings on or surpluses in such Debt Service Reserve Fund and any Credit Facilities held to the credit of such Debt Service Reserve Fund (which may be different from those prescribed in the Trust Agreement) as the County shall deem appropriate, any other provision of the Trust Agreement to the contrary notwithstanding. If a separate Debt Service Reserve Fund is created for any Series of Bonds, the Debt Service Reserve Fund Requirement shall be calculated separately for each Series of Bonds for which a separate Debt Service Reserve Fund is maintained.

Additional Bonds shall be executed by the County and delivered to the Registrar and Paying Agent, whereupon the Registrar and Paying Agent shall authenticate and deliver such Additional Bonds upon the Order of the County, but only upon receipt by the Registrar and Paying Agent of a Certificate of the Trustee to the effect that the Trustee has received the purchase price of such Additional Bonds, if any, and each of the following:

(i) a counterpart of the applicable Supplemental Trust Agreement authorizing such Additional Bonds, executed by the parties thereto;

(ii) an Order of the County directing the authentication and delivery of such Additional Bonds, describing such Additional Bonds, designating the purchaser of such Additional Bonds, stating the purchase price of such Additional Bonds and stating that all items required by this section are therewith delivered to the Trustee in form and substance satisfactory to the County;

(iii) an Opinion of Bond Counsel to the effect that (A) the Supplemental Trust Agreement authorizing such Additional Bonds has been duly authorized, executed and delivered by the County, assuming due authorization, execution and delivery by the other parties, and constitutes the valid and binding obligation of the County; (B) the County is duly authorized and entitled to issue such Additional Bonds, and Additional Bonds executed, authenticated and delivered as provided in the Trust Agreement and such Supplemental Trust Agreement have been duly and validly issued and constitute valid and binding limited obligations of the County; and (C) the issuance of such Additional Bonds will not adversely affect the excludability from gross income, for federal income tax purposes, of interest paid on any Tax-Exempt Bonds theretofore issued;

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

(v) unless such Additional Bonds are issued or incurred for Refunding Purposes, Completion Purposes or Extraordinary Maintenance Purposes and the items described below are furnished to the Trustee, a Certificate of the County to the effect that (A) the amount of Revenues for the most recent Bond Year less the amount of the Operating Expenses for such Bond Year was not less than the sum of (1) 115% of the Debt Service Requirements of Outstanding Bonds for such Bond Year, (2) 100% of the Debt Service Requirements of all other outstanding Long-Term Indebtedness for such Bond

Year, and (3) the amount set forth in the Annual Budget to be deposited to the Rate Stabilization Fund for such Bond Year, 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 amount of Revenues in such Bond Years, less the amount of the estimated Operating Expenses for such Bond Years, are projected to be not less than the sum of (1) 115% of the Debt Service Requirements of Outstanding Bonds for such Bond Year, taking into account the Additional Bonds then to be issued, (2) 100% of the Debt Service Requirements of all other outstanding Long-Term Indebtedness for such Bond Year, and (3) the estimated amount set forth in the Annual Budget to be deposited to the Rate Stabilization Fund for such Bond Year; and

(vi) the amount, if any, required to make the amount on deposit in the Debt Service Reserve Funds equal the respective Debt Service Reserve Fund Requirements upon the issuance of such Additional Bonds.

If Additional Bonds are issued or incurred for Completion Purposes or Extraordinary Maintenance Purposes, the items required by paragraph (v) need not be provided to the Trustee if, in lieu thereof, there shall be furnished to the Trustee (I) a Report of an Independent Consultant to the effect that the amount of the Revenues for each of the five full Bond Years following the date on which the proceeds of such Additional Bonds are expected to have been fully applied is projected to be not less than the sum of (i) the Debt Service Requirements of all Outstanding Long-Term Indebtedness as of the last day of each such Bond Year and (ii) the amount of estimated Operating Expenses for each such Bond Year, and (II) a Report of an Engineer to the effect that the proceeds of such Additional Bonds do not exceed the amount necessary to accomplish the intended Completion Purpose or Extraordinary Maintenance Purpose, respectively.

If Additional Bonds are issued or incurred for Refunding Purposes, the items required by paragraph (v) need not be provided to the Trustee if there shall be furnished to the Trustee a Certificate of the County 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.

Additional Bonds may be authenticated, delivered and paid for in installments of less than the total authorized principal amount of a Series of Bonds from time to time as the County may direct in its written requests.

Events of Default (*Section 7.01*)

Each of the following events is hereby declared to constitute an “Event of Default” under the Trust agreement:

(a) the principal of any Bond shall not have been paid when the same shall have become due and payable, either at maturity or by proceedings for redemption or otherwise;

(b) the interest on any Bond shall not have been paid when the same shall have become due and payable;

(c) the County shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in any Bond or in the Trust Agreement on the part of the County to be performed (other than as described in clause (a) or (b) above), which default shall continue for 30 days after written notice specifying such default and requiring the same to be remedied shall have

been given to the County by the Trustee, *provided* that, if the County shall proceed to take any curative action which, if begun and prosecuted with due diligence, cannot be completed within a period of 30 days, then such period shall be increased to such extent as shall be necessary to enable the County to complete such curative action through the exercise of due diligence.

Enforcement (*Section 7.02*)

Upon the happening and continuance of any Event of Default, then and in every such case the Trustee may proceed, and upon the written request of not less than 25% of the Holders shall proceed, to protect and enforce its rights and the rights of the Holders under the laws of the State and under the Trust Agreement and any Credit Facility by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained in the Trust Agreement, or in aid or execution of any power granted, or for an accounting against the County as if the County were the trustee of an express trust or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy upon the occurrence of an Event of Default under the Trust Agreement, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the County, for principal of or interest on the Bonds, or otherwise under any of the provisions of the Trust Agreement or of any Bonds, with interest on overdue payments of principal at the rate or rates of interest specified in the Bonds, together with any and all costs and expenses of collection and of all proceedings under the Trust Agreement and under the Bonds, without prejudice to any other right or remedy of the Trustee or of the Holders, and to recover and enforce judgment or decree against the County, but solely as provided in the Trust Agreement and in the Bonds and from the sources and moneys provided in the Trust Agreement and in the Bonds, for any portion of such amounts remaining unpaid and to collect in any manner provided by law the moneys adjudged or decreed to be payable.

The principal of the Bonds shall not be subject to acceleration by the Trustee or the Bondholders upon the occurrence of any Event of Default notwithstanding any other provision of the Trust Agreement.

Priority of Payments Following Default (*Section 7.03*)

If at any time there shall have occurred and be continuing an Event of Default, after payment of all amounts owing to the Trustee under the Trust Agreement, amounts held by the Trustee pursuant to the Trust Agreement, together with any moneys thereafter becoming available for such purpose, whether through exercise of the remedies provided in the Trust Agreement or otherwise, shall be applied as follows:

(a) unless the principal of all Outstanding Bonds shall have become due and payable, all such moneys shall be applied:

FIRST: to the payment to the persons entitled thereto of all installments of interest then due on the Bonds Outstanding and all amounts, if any, due under the Credit Facility Agreements as a result of any amounts realized under the Credit Facilities issued thereunder for the payment of interest due on such Bonds and interest on amounts realized under such Credit Facilities for the payment of the principal or Redemption Price of and interest on, and the purchase price of, such Bonds, in the order in which such amounts became due and payable and, if the amount available shall not be sufficient to pay in full all such amounts due on any particular date, then to the payment of such amounts, ratably, according to the amounts due on such date, to the persons entitled thereto, without any discrimination or preference,

except as to any difference in the respective rates of interest specified in such Bonds and Credit Facility Agreements;

SECOND: to the payment to the persons entitled thereto of the unpaid principal of any Outstanding Bonds that shall have become due and payable and all amounts, if any, due under any Credit Facility Agreement as a result of any amounts realized under any Credit Facility issued thereunder for the payment of the principal or Redemption Price of such Bonds, in the order of their due dates, with interest thereon from the respective dates upon which such amounts shall have become due and payable and, if the amount available shall not be sufficient to pay in full the all such amounts due on any particular date, together with such interest, then first to the payment of such interest, ratably, according to the amount of interest due on such date, and then to the payment of the balance due hereunder, ratably, according to the amount due on such date, to the persons entitled thereto, without any discrimination or preference, except as to any difference in the respective rates of interest specified in the Bonds and any Credit Facility Agreement; and

THIRD: to the payment of any other amounts due under any Credit Facility Agreement; and

(b) if the principal of all Outstanding Bonds shall have become due by their terms, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon such Bonds and all amounts, if any, due under any Credit Facility Agreement as a result of any amounts realized under any Credit Facility issued thereunder for the payment of the principal or Redemption Price of and interest on, or the purchase price of, such Bonds and interest on such amounts, ratably, according to the amounts due, to the persons entitled thereto, without any without preference or priority of principal over interest or of interest over principal, or of any Bond or Credit Facility Agreement over any other Bond or Credit Facility Agreement, except as to any difference in the respective rates of interest specified in the Bonds and any Credit Facility Agreement.

Notwithstanding any other provision of the Trust Agreement (i) if any Supplemental Trust Agreement provides for the establishment of separate funds and accounts for one or more Series of Bonds, amounts on deposit in the funds and accounts established for such Bonds shall be applied solely to the payment of amounts due on such Bonds and amounts payable under any Credit Facility Agreement with respect to such Bonds as a result of amounts realized under any Credit Facility issued thereunder for the payment of the principal or Redemption Price of and interest on, and the purchase price of, such Bonds, and accrued interest on such amounts; (ii) the Trustee shall allocate any other amounts held by the Trustee among the Outstanding Bonds of each Series after giving effect to the application of amounts on deposit in the funds and accounts maintained for such Bonds to the payment thereof, *provided* that the amount allocated to any Series of Bonds shall not exceed the amount necessary to pay the principal of and interest on such Bonds after the application to such payment of any amount on deposit in any Debt Service Reserve Fund securing such Bonds; and (iii) prior to the application of any moneys that constitute proceeds of any Series of Tax-Exempt Bonds or the investment earnings on such proceeds to the payment of any Bond of any other Series, the Trustee shall obtain a Favorable Opinion of Bond Counsel.

Whenever moneys are to be applied by the Trustee pursuant to the provisions of this section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee may determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for the benefit of all Holders shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the County, to any Holder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Trust Agreement as may be applicable at the time of application by the Trustee. Whenever the Trustee

shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date for the Bonds unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal of the Bonds to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. The provisions of this paragraph shall be subject in all respects to the provisions of the Bonds with respect to the payment of defaulted interest on the Bonds. The Trustee shall not be required to make payment to the Holder of any Bond unless such Bond shall be presented to the Trustee for appropriate endorsement.

Remedies (*Sections 7.04, 7.05, 7.06, 7.07, 7.08, and 7.09*)

In case any proceedings taken by the Trustee or the Holders on account of any default with respect to the Bonds shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or such Holders, then and in every such case the County, the Trustee and the Holders shall be restored to their former positions and rights under the Trust Agreement, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken. A majority of the Holders shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Trust Agreement, *provided* that such direction shall not be otherwise than in accordance with law and the provisions of the Trust Agreement and that the Trustee shall have the right to decline to follow any such direction which, in the opinion of the Trustee, would be unjustly prejudicial to Holders not parties to such direction.

No Holder of any Bond shall have any right to institute any suit, action or proceeding in equity or at law on any Bond for the execution of any trust or for any other remedy unless (i) such Holder previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, (ii) not less than 25% of Holders shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Trust Agreement or to institute such action, suit or proceeding in its or their name, and (iii) there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Trust Agreement or to any other remedy under the Trust Agreement. Notwithstanding the foregoing provisions of this section and without complying therewith, 25% or more of the Holders may institute any such suit, action or proceeding in their own names for the benefit of all Holders.

It is understood and intended that, except as otherwise provided above, no one or more Holders shall have any right in any manner whatever to affect, disturb or prejudice the security of the Trust Agreement or to enforce any right under the Trust Agreement, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided in the Trust Agreement and for the benefit of all Holders and that any individual right of action or other right given by law to one or more of such Holders is restricted by the Trust Agreement to the rights and remedies provided therein.

All rights of action under the Trust Agreement or under any Bond may be enforced by the Trustee without the possession of any Bond or the production thereof at the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all Holders, all subject to the provisions of the Trust Agreement.

No remedy conferred upon or reserved to the Trustee or to the Holders under the Trust Agreement is intended to be exclusive of any other remedy and each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or now or hereafter existing at law or in equity or by statute.

No delay or omission of the Trustee or of any Holder to exercise any right or power accruing upon any default shall impair any such right or power, nor shall any such delay or omission be construed to be a waiver of any such default or an acquiescence therein. Every power and remedy given by the Trust Agreement to the Trustee and the Holders, respectively, may be exercised from time to time and as often as may be deemed expedient.

The Trustee may, and upon written request of not less than 25% of the Holders shall, waive any default with respect to Bonds which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Trust Agreement or before the completion of the enforcement of any other remedy under the Trust Agreement; but no such waiver shall extend to or affect any other existing or any subsequent default or impair any rights or remedies consequent thereon.

Defeasance (*Section 9.01*)

(a) If the County shall pay or cause to be paid the principal or Redemption Price of and interest on all Bonds at the times and in the manner stipulated therein, in the Trust Agreement and in any Supplemental Trust Agreement authorizing the issuance of any Additional Bonds, then the pledge of the Trust Estate to the Trustee for the benefit of the Holders and all other rights granted hereby to the Trustee or the Holders shall be discharged and satisfied. In such event, upon the request of the County, the Trustee shall execute and deliver to the County all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay or deliver to the County, or to such officer, board or body as may then be entitled by law to receive the same, all property held by it pursuant to the Trust Agreement (other than any moneys and securities required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption).

(b) A Series 2012 Bond and any Additional Bond, except as otherwise provided in any Supplemental Trust Agreement authorizing the issuance thereof, shall be deemed to have been paid within the meaning of, and with the effect expressed in this section if (i) money for the payment or redemption of such Bond shall be held by the Trustee (through deposit by the County of moneys for such payment or redemption or otherwise, regardless of the source of such moneys), whether at or prior to the maturity or the redemption date of such Bond, or (ii) if the maturity or redemption date of such Bond shall not have arrived, provision shall have been made by the County for the payment of the principal or Redemption Price of and interest on, and the purchase price of, such Bond on the due dates for such payments by deposit with the Trustee (or other method satisfactory to the Trustee) of Government Obligations, the principal of and the interest on which when due will provide for such payment, *provided* that, if such Bond is to be redeemed prior to the maturity thereof, the County shall have taken all action necessary to redeem such Bond and notice of such redemption shall have been duly and irrevocably given or provisions satisfactory to the Trustee shall have been made for the giving of such notice.

(c) If the County shall determine to provide for the payment of all of the Bonds of any Series in accordance with this section, upon the direction of the County, the Trustee shall set aside any amounts on deposit in any funds and accounts maintained for the Bonds of such Series (other than amounts theretofore set aside for the payment of particular Bonds of such Series in accordance with as provided in the Trust Agreement) for the payment of the principal or Redemption Price of and interest on, and the purchase price of, such Bonds on the due dates for such payments in accordance with this section. If all

of the Bonds of any Series shall have been paid in accordance with the Trust Agreement, amounts on deposit in any funds and accounts maintained for such Bonds (other than amounts set aside for the payment of particular Bonds of such Series) shall be paid to or upon the order of the County. The provisions of this paragraph shall be subject in all respects to the provisions of any Supplemental Trust Agreement authorizing any Additional Bonds.

(d) Anything in the Trust Agreement to the contrary notwithstanding, at the written request of the County, any moneys held by the Trustee in trust for the payment of any of the Bonds that remain unclaimed for four years after the later of the date at which such Bonds became due and payable and the date of deposit of such moneys shall be repaid by the Trustee to the County, or to such officer, board or body as may then be entitled by law to receive such moneys, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto.

Concerning the Trustee; Registrar and Paying Agent

Responsibilities of the Trustee (Section 6.02)

The recitals, statements and representations contained in the Trust Agreement and in the Bonds shall be taken as the statements of the County and not of the Trustee, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of the Trust Agreement or with respect to the security afforded by the Trust Agreement or the due execution hereof by the County, and the Trustee shall incur no liability with respect thereto. Except as otherwise expressly provided in the Trust Agreement, the Trustee shall have no responsibility or duty with respect to: (i) the issuance of the Bonds for value, (ii) the application of the proceeds thereof, except to the extent that such proceeds are received by it in its capacity as Trustee, or (iii) the application of any moneys paid to the County or others in accordance with the Trust Agreement except as to the application of any moneys paid to it in its capacity as Trustee.

The duties and obligations of the Trustee shall be determined by the express provisions of the Trust Agreement and no implied covenant or obligation shall be read into the Trust Agreement against the Trustee, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Trust Agreement.

The Trustee shall not be liable for any action taken or omitted by it in the performance of its duties under the Trust Agreement except for its own negligence or willful misconduct.

The Trustee shall not be liable with respect to any action taken or omitted by it in good faith in accordance with the direction of the Bondholders under any provision of the Trust Agreement relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Trust Agreement.

No provision of the Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any liability in the performance of any of its duties under the Trust Agreement, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by the Trust Agreement at the request or direction of any of the Bondholders unless such holders have offered to the Trustee security or indemnity satisfactory to the Trustee as to its terms, coverage, duration, amount and otherwise with respect to the costs, expenses and liabilities which may be incurred by it in compliance with such request or direction.

The Trustee shall not be required to take notice or deemed to have notice of any default or Event of Default, except any Event of Default under Section 7.01(a) or (b) of the Trust Agreement, unless a responsible officer of the Trustee has actual knowledge thereof or has received notice in writing of such default or Event of Default from the County or the holders of at least 25% of the Bonds, and in the absence of any such notice, the Trustee may conclusively assume that no such default or Event of Default exists.

The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under the Trust Agreement shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and right to indemnification, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the defeasance or discharge of the Trust Agreement and final payment of the Bonds.

The permissive right of the Trustee to take the actions permitted by the Trust Agreement shall not be construed as an obligation or duty to do so.

In case an Event of Default shall have occurred and be continuing, the Trustee shall exercise such of the rights and powers vested in it hereby and use the same degree of care and skill in their exercise as a prudent person would exercise under the circumstances in the conduct of his or her own affairs.

Resignation and Removal of the Trustee (Sections 6.07 and 6.08)

The Trustee may at any time resign and be discharged of its duties and obligations under the Trust Agreement by giving not fewer than 30 days' written notice, specifying the date when such resignation shall take effect, to the County and each Holder. Such resignation shall take effect upon the appointment of a successor Trustee and the acceptance of such appointment by such successor.

The Trustee may be removed by the County so long as no Event of Default shall have occurred and be continuing or, if any Event of Default shall have occurred and be continuing, by a majority of the Holders by an instrument or concurrent instruments in writing signed and acknowledged by such Holders or by their attorneys-in-fact, duly authorized and delivered to the County. Facsimile copies of each such instrument shall be delivered by the County to the Trustee and any successor thereof. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Trust Agreement with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the County or of not less than ten percent of the Holders.

Successor Trustee (Section 6.09)

If the Trustee shall resign, be removed, be dissolved or become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, the position of the Trustee shall thereupon become vacant. If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason, a successor Trustee shall be appointed by the County. Copies of any instrument of the County providing for any such appointment shall be delivered by the County to the Trustee so appointed and the predecessor Trustee. The County shall mail notice of any such appointment to each Holder within 90 days after such appointment.

If in a proper case no appointment of a successor Trustee shall be made within 60 days after the giving by any Trustee of any written notice of resignation in accordance with the Trust Agreement or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any

Holder may apply to any court of competent jurisdiction for the appointment of such a successor, and the court may thereupon, after such notice, if any, as the court may deem proper, appoint such successor.

Any successor Trustee appointed under the provisions of this section shall be a commercial bank or trust company or national banking association having a capital and surplus aggregating at least \$100,000,000, if there be such a commercial bank or trust company or national banking association willing and able to accept the appointment on reasonable and customary terms, and authorized by law to perform all the duties of the Trustee required by the Trust Agreement.

Registrar and Paying Agent (*Sections 6.14 and 6.15*)

(a) Initially, the Trustee shall serve as Registrar and Paying Agent. Any successor Registrar and Paying Agent shall accept the duties and obligations imposed on it under the Trust Agreement by written instrument delivered to the County and the Trustee.

(b) In addition to the other obligations imposed on the Registrar and Paying Agent, the Registrar and Paying Agent shall:

(i) hold the redemption or purchase price of any Bonds in trust for the benefit of the persons entitled to receive the payment of such purchase price;

(ii) keep such books and records as shall be consistent with prudent industry practice, which books and records shall be available for inspection by the County and the Trustee during normal business hours; and

(iii) deliver to the County and the Trustee upon request, and to any other person at the Request of the holders of not less than five percent of the Bonds, a list of the names and addresses of the Bondholders.

(c) If at any time the Registrar and Paying Agent is unable or unwilling to act as Registrar and Paying Agent for any Bonds, the Registrar and Paying Agent may resign, upon 60 days' prior Notice to the County, the Trustee, and the Credit Facility Provider. Such resignation shall become effective upon the appointment of a successor Registrar and Paying Agent and the acceptance of such appointment by such successor. The Registrar and Paying Agent for any Bonds may be removed at any time by the County, by Notice delivered to the Trustee, the Registrar and Paying Agent, and the Credit Facility Provider. Upon resignation or removal of the Registrar and Paying Agent, the County shall appoint a successor Registrar and Paying Agent, which shall be a commercial bank having trust powers or a trust company or a national banking association having trust powers, in each case that has a combined capital and surplus of at least \$50,000,000. Upon the resignation or removal of the Registrar and Paying Agent, the Registrar and Paying Agent shall pay over, assign and deliver any moneys and Bonds held by it in trust pursuant to the Trust Agreement to its successor. Removal of the Registrar and Paying Agent shall become effective upon the appointment of a successor Registrar and Paying Agent and the acceptance of such appointment by such successor.

(d) The Registrar and Paying Agent shall be entitled to compensation for services rendered pursuant to the Trust Agreement (subject to any contract or agreement entered into between the County and the Registrar and Paying Agent with respect thereto) and to indemnification by the County or by others on the same basis and to the same extent as the Trustee for the performance of its services. The Registrar and Paying Agent shall enjoy the same protections and immunities as the Trustee.

(e) The duties and obligations of the Registrar and Paying Agent shall be determined by the express provisions of the Trust Agreement, and the Registrar and Paying Agent shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Trust Agreement. The Registrar and Paying Agent shall not be liable in connection with the performance of its duties except for its own negligence or willful default.

Within 30 days of the resignation or removal of the Registrar and Paying Agent for any Bonds or the appointment of a successor Registrar and Paying Agent the Trustee shall mail notice thereof to the holders of such Bonds and to each Rating Agency, which is then rating any of the Bonds.

Modification or Amendment of Trust Agreement Without Consent (*Section 8.01*)

Without notice to, or the consent of, the Holders, the County and the Trustee may enter into a Supplemental Trust Agreement supplementing, modifying or amending the Trust Agreement or any Supplemental Trust Agreement at any time or from time to time for one or more of the following purposes:

(a) to grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Trustee for the benefit of the Holders;

(b) to add to the covenants and agreements of the County contained in the Trust Agreement, other covenants and agreements thereafter to be observed relative to the acquisition, construction, equipping, operation, maintenance, development or administration of the Facilities, or the application, custody, use or disposition of the proceeds of Bonds;

(c) to surrender to the Trustee any right, power or privilege reserved to or conferred upon the County by the Trust Agreement;

(d) to confirm, as further assurance, any pledge under, and the subjection to any lien on, or claim or pledge of (whether created or to be created by the Trust Agreement), the Trust Estate;

(e) to cure any ambiguity or to cure or correct any defect or inconsistent provisions contained in the Trust Agreement or to make such provisions in regard to matters or questions arising under the Trust Agreement as may be necessary or desirable and not contrary to or inconsistent with the Trust Agreement;

(f) to provide for the issuance of Additional Bonds, including (without limitation) any modifications or amendments required to grant to or otherwise secure for the Holders of such Additional Bonds a parity interest in the security granted to the holders of the Series 2012 Bonds and any other then-Outstanding Bonds in accordance with Section 2.04 of the Trust Agreement;

(g) to permit the qualification of the Trust Agreement or any Supplemental Trust Agreement under any federal statute now or hereafter in effect or under any state blue sky law and, in connection therewith, to add to the Trust Agreement or any Supplemental Trust Agreement such other terms, conditions and provisions as may be permitted or required by such federal statute or state blue sky law;

(h) to obtain or to maintain any ratings on the Bonds of any Series from any nationally recognized securities rating agency;

(i) to provide for the issuance of any Bonds in coupon form or in book entry form, to change any Securities Depository or to discontinue any book-entry system, *provided* that, prior to the effective date of any such amendment that provides for the issuance of any Tax-Exempt Bonds in coupon form, there shall be delivered to the County a Favorable Opinion of Bond Counsel;

(j) to preserve the excludability from gross income for federal income tax purposes of the interest paid on any Tax-Exempt Bonds theretofore issued; or

(k) to make any other change in the Trust Agreement that, in the opinion of the Trustee, shall not prejudice in any material respect the rights of the Holders of the Bonds Outstanding at the date as of which such change shall become effective.

Supplemental Trust Agreements Requiring Consent of Holders (*Section 8.02*)

With the prior written consent of a the Holders of majority of the Bonds affected thereby, the County and the Trustee may enter into at any time and from time to time Supplemental Trust Agreements amending or supplementing the Trust Agreement, any Supplemental Trust Agreement or any Bond to modify any of the provisions thereof or to release the County from any of the obligations, covenants, agreements, limitations, conditions or restrictions therein contained, *provided* that nothing contained in the Trust Agreement shall permit (i) a change in any terms of redemption or purchase of any Bond, the due date for the payment of the principal of or interest on any Bond or any reduction in the principal, Redemption Price or purchase price of or interest rate on any Bond without the consent of the Holder of such Bond, or (ii) the creation of a claim or lien upon, or a pledge of, 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 Series 2012 Bonds and any Additional Bonds issued within the limitations of the Trust Agreement, a preference or priority of any Bond over any other Bond or a reduction in the percentage of Bonds the consent of the Holders of which is required for any modification of the Trust Agreement without the unanimous consent of the Holders.

APPENDIX B

FORM OF CONTINUING DISCLOSURE AGREEMENT

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of July 18, 2012 (this “Disclosure Agreement”) is executed and delivered by MONTGOMERY COUNTY, MARYLAND (the “County”) in connection with the issuance of its Water Quality Protection Charge Revenue Bonds, Series 2012A (the “Series 2012 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 Series 2012 Bonds, including beneficial owners, and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The County’s obligations hereunder shall be limited to those required by written undertaking pursuant to the Rule (as defined below).

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

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

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

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

“Official Statement” shall mean the Official Statement dated June 28, 2012 with respect to the Series 2012 Bonds.

“Participating Underwriter” shall mean any of the original underwriters of the Series 2012 Bonds required to comply with the Rule in connection with offering of the Series 2012 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, 2012:

- (i) Schedule of Water Quality Protection Fund (as defined in the Official Statement) revenues, expenditures, and debt service coverage for such fiscal year; and
- (ii) Schedule of Water Quality Protection Charge and Carryout Bag Tax rates and charges for such fiscal year.

(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, 2012, 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, 2012), 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.

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

(e) The County hereby represents and warrants that it has not failed to comply with any prior disclosure undertaking made pursuant to the Rule.

SECTION 4. *Reporting of Significant Events.*

(a) This Section 4 shall govern the giving of notices of the occurrence of any of the following events with respect to the Series 2012 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 Series 2012 Bonds or other material events affecting the tax status of the Series 2012 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 Series 2012 Bonds, if material;
- (11) rating changes;

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

(b) In a timely manner, not in excess of ten business days after the occurrence of a Listed Event, the County shall file a notice of such occurrence with the MSRB.

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

SECTION 6. *Termination of Reporting Obligations.* The County's obligations under this Disclosure Agreement shall terminate upon the payment in full of all of the Series 2012 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 Series 2012 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 Series 2012 Bonds, or type of business conducted by the County; and

(2) this Disclosure Agreement, as amended, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the issuance of the Series 2012 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances and the amendment does not materially impair the interests of owners of the Series 2012 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 Series 2012 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 Series 2012 Bonds, including beneficial owners, and shall create no rights in any other person or entity.

SECTION 11. *Relationship to Series 2012 Bonds.* This Disclosure Agreement constitutes an undertaking by the County that is independent of the County's obligations with respect to the Series 2012 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 Series 2012 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.

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: _____
Joseph F. Beach, Director of Finance

[Signature page to Continuing Disclosure Agreement]

APPENDIX C

FORM OF BOND COUNSEL OPINION

PROPOSED FORM OF OPINION OF BOND COUNSEL

[Closing Date]

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

Ladies and Gentlemen:

We have examined a record of the proceedings relating to the issuance by Montgomery County, Maryland (the "County") of its Water Quality Protection Charge Revenue Bonds, Series 2012A (the "Bonds") as special limited obligations of the County.

The 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 Bonds are issued pursuant to Section 5(P)(2) of Article 25A of the Annotated Code of Maryland, as amended, Title 4 of the Environmental Article of the Annotated Code of Maryland, as amended, Council Bill No. 12-12 passed by the County Council of the County (the "County Council") on April 17, 2012 and approved by the County Executive of the County (the "County Executive") and effective on April 27, 2012, the Charter of the County, Chapter 19 of the Montgomery County Code, as amended, and Executive Order No. B319-12 of the County Executive of the County issued on June 20, 2012 (collectively, the "Authorizing Legislation").

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

- (i) the Authorizing Legislation;
- (ii) the form of Bond;
- (iii) Trust Agreement dated as of July 1, 2012 between the County and U.S. Bank National Association, as Trustee (the "Trust Agreement");
- (iv) relevant provisions of the Constitution and laws of the State of Maryland;
- (v) relevant provisions of the Internal Revenue Code of 1986, as amended (the "Code"); and
- (vi) other proofs submitted to us relative to the issuance and sale of the Bonds.

In rendering this opinion, we have relied without investigation on the County's Tax and Section 148 Certificate dated this date made on behalf of the County by officers thereof with respect to certain material facts within the knowledge of the County relevant to the tax-exempt status of interest on the Bonds.

Based upon the foregoing, it is our opinion that:

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

(b) The Trust Agreement has been duly authorized, executed and delivered by the County and, assuming the due authorization, execution and delivery thereof by the other parties thereto, the Trust Agreement constitutes a valid and binding obligation of the County.

(c) The County is duly authorized and entitled to issue the Bonds. The 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, payable solely from the Pledged Revenues (as defined in the Trust Agreement) and other amounts pledged to such payment under the Trust Agreement.

(c) The Trust Agreement and the Bonds are subject to bankruptcy, insolvency, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors' rights and to general principles of equity.

(d) The 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 Bonds. The County is required to pay the Bonds and the premium, if any, and interest thereon and to perform its obligations under the Trust Agreement only to the extent that there are Pledged Revenues available for the payment thereof.

(e) The Bonds their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale or exchange, shall be exempt at all times from every kind and nature of taxation by the State of Maryland or by any of its political subdivisions, municipal corporations or public agencies of any kind.

(f) Assuming compliance with certain covenants referred to herein, interest on the Bonds will be excludable from gross income for federal income tax purposes. It is noted that under the provisions the Code, there are certain restrictions that must be met subsequent to the delivery of the Bonds, including restrictions that must be complied with throughout the term of the Bonds, in order that the interest thereon be excludable from gross income for federal income tax purposes. These include (i) a requirement that certain investment earnings received from the investment of the proceeds of the 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 Bonds; and (iii) other requirements applicable to the use of the proceeds of the 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 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 Bonds and to take such other actions as may be required to maintain the excludability of interest on the Bonds from gross income for federal income tax purposes. It is our opinion that, assuming compliance with such covenants, the interest on the Bonds will remain excludable from gross income for federal income tax purposes under the provisions of the Code.

(g) Interest on the Bonds will not be includable in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment. However, for purposes of calculating the corporate alternative minimum tax, a corporation subject to tax will be required to increase its alternative minimum taxable income by 75% of the amount by which its "adjusted current earnings" exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For such purposes, "adjusted current earnings" would include, among other items, interest income from the Bonds. In addition, interest income on the 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.

Very truly yours,