

Fitch: AA+  
 Moodys: Aa2  
 S&P: AA+

(See "RATINGS" herein)

**NEW ISSUES: BOOK-ENTRY ONLY**

*In the opinion of Bond Counsel, assuming in connection with the Series 2002A Bonds continuous compliance with certain covenants of the Issuer and the County and assuming in connection with the Series 2002B Bonds continuous compliance with certain covenants of the Issuer, the County, and Round House Theatre, Inc., and subject to the conditions stated herein under "Tax Exemptions," under existing law, (a) the interest on the Bonds is excludable from gross income for Federal income tax purposes, and (b) the interest on the Bonds is not an enumerated preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States. It is also the opinion of Bond Counsel that, under existing law of the State of Maryland, the interest on the Bonds is exempt from income taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes or any other taxes not levied directly on the Bonds or the interest thereon.*

**\$32,560,000**

**MARYLAND ECONOMIC DEVELOPMENT CORPORATION**

**\$31,580,000**  
**LEASE REVENUE BONDS**  
**(MONTGOMERY COUNTY WAYNE AVENUE**  
**PARKING GARAGE PROJECT)**  
**SERIES 2002A**

**\$980,000**  
**LEASE REVENUE BONDS**  
**(MONTGOMERY COUNTY WAYNE AVENUE**  
**PARKING GARAGE PROJECT)**  
**SERIES 2002B**

**Dated: November 1, 2002**

**Due: September 15, as set forth on inside front cover**

The Bonds are being issued to finance a portion of the cost of developing, constructing and equipping a public parking garage and related improvements in Silver Spring, Maryland (the "Project"). The Bonds are secured on a parity basis by a Trust Agreement between the Issuer and Wachovia Bank, National Association, as trustee (the "Trustee"). Pursuant to a Lease Agreement (the "Lease Agreement") between the Issuer and the County, the Issuer will lease the Project to the County. The County's payments under the Lease Agreement will be sufficient to pay, when due, the principal of and interest on the Bonds. ***The County's payments under the Lease Agreement are payable solely from amounts (if any) appropriated by the County Council for Montgomery County, Maryland.***

The Bonds are available only in global book-entry form, registered in the name of Cede & Co., as nominee of DTC, acting as securities depository for the Bonds. So long as the Bonds are registered in the name of Cede & Co., payment of the principal of, premium (if any) and interest on the Bonds will be made by the Issuer to DTC. DTC is required to remit such payments to DTC participants, who are required in turn to remit such payments to beneficial owners, as described in this Official Statement. **Purchasers of the Bonds will not receive certificates representing their ownership interest in the Bonds.**

The Bonds are issuable only as fully registered bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof. Interest due on the Bonds is payable semiannually on March 15 and September 15 of each year, commencing March 15, 2003 (four and one-half months), by check mailed by Wachovia Bank, National Association, as Bond Registrar and Paying Agent, to the registered owner of record as of the first day of the month of the interest payment date at the address shown on the bond registration books. Principal of and any redemption premium on the Bonds will be payable upon surrender at the principal corporate trust office of the Bond Registrar and Paying Agent in Richmond, Virginia. The Bonds are subject to redemption by the Issuer prior to maturity as set forth herein. See "THE BONDS -- Redemption of Bonds" herein.

**FOR MATURITY SCHEDULE SEE INSIDE FRONT COVER**

**THE BONDS CONSTITUTE LIMITED OBLIGATIONS OF THE ISSUER AND ARE PAYABLE SOLELY FROM THE PAYMENTS MADE BY THE COUNTY PURSUANT TO THE LEASE AGREEMENT AND FROM THE OTHER ASSETS PLEDGED UNDER THE TRUST AGREEMENT AS SECURITY FOR THE PAYMENT THEREOF. THE BONDS DO NOT CONSTITUTE A DEBT OF THE ISSUER, THE COUNTY, THE STATE OF MARYLAND OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OF MARYLAND OR ANY OF ITS POLITICAL SUBDIVISIONS IS PLEDGED TO THE PAYMENT OF THE BONDS OR THE INTEREST THEREON. THE ISSUER HAS NO TAXING POWER.**

The Bonds are offered when, as and if issued and received, subject to the approval as to their legality by Venable, Baetjer and Howard, LLP, Baltimore, Maryland, Bond Counsel, and certain other conditions. Certain matters will be passed upon for the Underwriters by their counsel, McKennon Shelton & Henn LLP, Baltimore, Maryland. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about November 7, 2002.

**LEGG MASON WOOD WALKER**  
 Incorporated

**FERRIS, BAKER WATTS**  
 Incorporated

**MATURITY SCHEDULE**

**SERIES 2002A BONDS**

**\$18,410,000 Serial Bonds**

<b><u>Maturity</u> <u>September 15,</u></b>	<b><u>Principal</u> <u>Amount</u></b>	<b><u>Interest</u> <u>Rate</u></b>	<b><u>Price or</u> <u>Yield</u></b>	<b><u>CUSIP</u> <u>Numbers</u></b>
2003	\$1,300,000	3.00%	1.82%	57420P BV7
2004	1,140,000	3.50	2.16	57420P BW5
2004	1,000,000	4.00	2.16	57420P BX3
2005	1,845,000	3.50	2.57	57420P BY1
2006	915,000	3.50	2.87	57420P CA2
2006	1,000,000	4.00	2.87	57420P CB0
2007	985,000	3.50	3.18	57420P CC8
2007	1,000,000	4.00	3.18	57420P CD6
2008	2,030,000	4.00	3.49	57420P CE4
2009	655,000	4.00	3.71	57420P CG9
2009	1,500,000	4.50	3.71	57420P CH7
2010	505,000	4.00	3.91	57420P CJ3
2010	1,710,000	5.00	3.91	57420P CK0
2011	2,325,000	4.00	4.01	57420P CL8
2014	500,000	4.30	4.34	57420P BZ8

**\$7,295,000 5.25% Term Bonds due September 15, 2014 – Yield 4.34% CUSIP 57420P CN4**

**\$5,875,000 5.25% Term Bonds due September 15, 2016 – Yield 4.55% CUSIP 57420P CQ7**

**(Accrued interest from November 1, 2002 to be added)**

**SERIES 2002B BONDS**

<b><u>Maturity</u> <u>September 15,</u></b>	<b><u>Principal</u> <u>Amount</u></b>	<b><u>Interest</u> <u>Rate</u></b>	<b><u>Price or</u> <u>Yield</u></b>	<b><u>CUSIP</u> <u>Numbers</u></b>
2003	\$230,000	3.00%	1.82%	57420P CR5
2004	240,000	3.50	2.16	57420P CS3
2005	250,000	3.50	2.57	57420PCT1
2006	260,000	3.50	2.87	57420PCU8

**(Accrued interest from November 1, 2002 to be added)**

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

No dealer, broker, salesman or any other person has been authorized by the Issuer to give any information or to make any representation, other than those contained in this Official Statement, and if given and made, such other information or representation must not be relied upon as having been authorized by the Issuer. 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 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 provided by the Issuer and other sources. The Issuer believes that the information contained in this Official Statement is correct and complete and has no knowledge of any inaccuracy or incompleteness as to any of the information herein contained. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof.

No quotations from or summaries or explanations of provisions of laws and documents herein purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. This Official Statement is not to be construed as a contract or agreement between the Issuer and the purchasers or owners of any of the Bonds. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The cover page hereof, inside front cover, and the appendices attached hereto are part of this Official Statement.

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## OFFICIAL STATEMENT

**\$32,560,000**

**MARYLAND ECONOMIC DEVELOPMENT CORPORATION**

**\$31,580,000**

**LEASE REVENUE BONDS  
(MONTGOMERY COUNTY WAYNE AVENUE  
PARKING GARAGE PROJECT)  
SERIES 2002A**

**\$980,000**

**LEASE REVENUE BONDS  
(MONTGOMERY COUNTY WAYNE AVENUE  
PARKING GARAGE PROJECT)  
SERIES 2002B**

## INTRODUCTION

The purpose of this Official Statement, which includes the cover page, inside front cover, Table of Contents and Appendices A, B and C, is to provide certain information concerning the sale and delivery by the Maryland Economic Development Corporation (the “Issuer”) of its \$31,580,000 Lease Revenue Bonds (Montgomery County Wayne Avenue Parking Garage Project), Series 2002A (the “Series 2002A Bonds”) and its \$980,000 Lease Revenue Bonds (Montgomery County Wayne Avenue Parking Garage Project), Series 2002B (the “Series 2002B Bonds”). The Series 2002A Bonds and the Series 2002B Bonds are sometimes referred to collectively herein as the “Bonds.” Capitalized terms not otherwise defined in the Official Statement shall have the respective meanings assigned to them in “APPENDIX C – DEFINITIONS OF CERTAIN TERMS” hereto.

The Bonds are being issued pursuant to a Trust Agreement dated as of November 1, 2002 (the “Trust Agreement”) between the Issuer and Wachovia Bank, National Association, Richmond, Virginia, as trustee (the “Trustee”). The Series 2002A Bonds and the Series 2002B Bonds are being issued on a parity basis, without preference or priority of one series over the other.

The proceeds of the Series 2002A Bonds will be used (i) to finance all or a portion of the costs of developing, designing, constructing and equipping an approximately 1,732-space public parking garage (the “Project”) to be located in the Silver Spring portion of Montgomery County, Maryland (the “County”), as well as certain costs of constructing an approximately 1,300-space public parking garage also to be located in Silver Spring; and (ii) to pay the costs of issuing the Series 2002A Bonds. The proceeds of the Series 2002B Bonds will be used (i) to finance a portion of the costs of designing and constructing space within the Project to be used by Round House Theatre, Inc., a non-profit theater group; and (ii) to pay the costs of issuing the Series 2002B Bonds. The County will be responsible for the design, construction, equipping, operation and maintenance of the Project pursuant to an agreement with the Issuer. See “THE PROJECT” herein.

The Project will be constructed on land owned by the County. Pursuant to the terms of a Ground Lease dated as of November 1, 2002 (the “Ground Lease”), the County will lease such land to the Issuer for a twenty-year term. The Issuer and the County will enter into a Project Management Agreement dated as of November 1, 2002 (the “Project Management Agreement”), pursuant to which the County will be responsible for all aspects of the development, including the design, construction, equipping, operation and maintenance of the Project. The County will operate the Project for its own account. See “THE PROJECT” herein.

The Issuer and the County will enter into a Lease Agreement dated as of November 1, 2002 (the “Lease Agreement”), under which the Issuer will lease the Project to the County. The Lease Agreement will require the County to make lease payments (subject to appropriation), which payments are calculated to be sufficient to pay when due the principal of and interest on the Bonds and related administrative expenses of the Issuer. See “SECURITY AND SOURCES OF PAYMENT” herein.

*The Bonds constitute limited obligations of the Issuer and are payable solely from the payments made by the County under the Lease Agreement and from other assets pledged under the Trust Agreement as security for the payment thereof. The Bonds do not constitute a debt of the Issuer, the County, the State of Maryland or any political subdivision thereof within the meaning of any constitutional or statutory limitation. Neither the faith and credit nor the taxing power of the County, the State of Maryland or any of its political subdivisions is pledged to the payment of the Bonds or the interest thereon. The Issuer has no taxing power.*

*The Lease Agreement is not a general obligation of the County and does not constitute a pledge of the faith and credit or the taxing powers of the County. Payments under the Lease Agreement are payable solely from amounts (if any) appropriated by the County Council for Montgomery County, Maryland (the "County Council"). See "Annual Budgets" in the County's Annual Information Statement dated December 28, 2001, incorporated herein by reference as Appendix A and published under separate cover.*

## **THE BONDS**

### **General**

The Bonds will be dated November 1, 2002 and will mature and bear interest on the dates and at the rates set forth on the inside front cover page hereof. Interest on the Bonds will be payable semiannually on March 15 and September 15 of each year (each a "Payment Date"), commencing March 15, 2003 (four and one-half months).

The Bonds shall be delivered in the form of fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. So long as the Bonds shall be maintained under a book-entry system, payments of the principal of, premium (if any) and interest on the Bonds will be made as described below under the heading "Book-Entry Only System." At any other time, payments of interest due with respect to any Bond on any Payment Date shall be made to the person who appears on the registration books as the Owner thereof as of the Record Date immediately preceding such Payment Date, such interest to be paid in lawful money of the United States of America by check or draft of the Trustee mailed to such Owner at such Owner's address as it appears on the registration books or at such other address as such Owner may have filed with the Trustee for that purpose. The principal and redemption premium, if any, payable with respect to any Bond shall be payable in lawful money of the United States of America by check or draft of the Trustee upon surrender thereof at the principal office of the Trustee.

### **Registration and Exchange of Bonds**

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

If the book-entry system is discontinued, Bonds may be exchanged at the principal corporate trust office of the Trustee, for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. No exchange may be made during the 15 days preceding any date set by the Trustee for the selection of Bonds for redemption prior to maturity. The Trustee may require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The registration of any Bond may, in accordance with its terms to be transferred upon the registration books by the person in whose name it is registered, in person or by duly authorized attorney, upon surrender of such Bond for cancellation at the principal corporate trust office of the Trustee,

accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee. No transfer may be made during the 15 days preceding any date set by the Trustee for the selection of Bonds for redemption prior to maturity. Whenever any Bond or Bonds shall be surrendered for registration of transfer, the Trustee shall execute, authenticate and deliver a new Bond or Bonds for a like aggregate principal amount.

If any Bond shall become mutilated, the Trustee, upon the request and at the expense of the Owner of said Bond, shall execute and deliver a new Bond of like tenor, maturity and number in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and if an indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Bond Owner, shall execute and deliver a new Bond of like tenor and maturity and numbered as the Trustee shall determine in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Bond delivered and of the expenses which may be incurred by the Trustee in carrying out its duties as described in this paragraph. Notwithstanding any other provision of this paragraph, in lieu of delivering a new Bond which has been mutilated, lost, destroyed or stolen, and which has matured, the Trustee may make payment with respect to such Bond.

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered certificate will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such annual maturity, and such certificates will be deposited with DTC.

DTC 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 securities that its participants (“Participants”) deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (“Direct Participants”). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodian relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners

are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The 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 Cede & Co. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC or Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. 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 or the Bond Registrar and Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Bond Registrar and Paying Agent, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

NEITHER THE ISSUER, NOR THE TRUSTEE, WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO 1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; 2) THE PAYMENT BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; 3) ANY NOTICE WHICH IS

PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; 4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR 5) THE SELECTION BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF BONDS.

**Redemption of Bonds**

*Mandatory Sinking Fund Redemption.* The Series 2002A Bonds due September 15, 2014 and bearing interest at a rate per annum of 5.25% are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof plus accrued interest thereon on September 15 of the following years and in the following amounts:

<u>Year</u>	<u>Sinking Fund Installment</u>
2012	\$2,465,000
2013	2,595,000
2014 (maturity)	2,235,000

The Series 2002A Bonds due September 15, 2016 are subject to mandatory sinking fund redemption at a redemption price equal to the principal amount thereof plus accrued interest thereon on September 15 of the following years and in the following amounts:

<u>Year</u>	<u>Sinking Fund Installment</u>
2015	\$2,860,000
2016 (maturity)	3,015,000

*Optional Redemption.* The Bonds of each series maturing on or after September 15, 2013 are subject to optional redemption in whole or in part from prepayment of the Payments on the Lease Agreement made at the option of the County in accordance with the Lease Agreement, commencing September 15, 2012, at a redemption price equal to the outstanding principal amount thereof, together with accrued interest to the date fixed for redemption, without premium.

The Bonds of each series maturing by their terms prior to September 15, 2013 are not subject to optional redemption as described above.

*Selection of Bonds for Redemption.* The Trustee shall select Bonds for redemption by lot or in any other manner which the Trustee shall in its sole discretion deem appropriate and fair. For the purposes of such selection, Bonds shall be deemed to be composed of \$5,000 portions and any such portion may be separately redeemed. Upon surrender of any Bond redeemed in part only, the Trustee shall execute and deliver to the owner thereof, at the expense of the Issuer, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered and of the same interest rate and the same maturity.

*Notice of Redemption.* When redemption is authorized or required as described above, the Trustee shall give notice of the redemption of the Bonds on behalf of the Issuer. Such notice shall state the redemption date and redemption price and, if less than all of the then Outstanding Bonds are to be called for redemption, shall designate the numbers of the Bonds to be called for redemption and shall require that such Bonds be then surrendered, at the principal corporate trust office of the Trustee for redemption at such redemption price. In the case of any Bond called for redemption only in part as described under “Selection

of Bonds for Redemption” above, the notice shall further set forth the portion of the principal amount thereof which is to be redeemed. In each case, such notice shall state that on the specified redemption date there shall become due and payable upon each such Bond, the principal, together with interest accrued to such date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

The notice of redemption shall be mailed by first class mail to the respective Owners of those Bonds designated for redemption at their respective addresses appearing on the registration books of the Trustee, at least 30 days but not more than 60 days prior to the redemption date; provided, however, that neither the failure of any Owner to receive such notice so mailed nor any immaterial defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds.

***Effect of Notice of Redemption.*** If, on said date fixed for redemption, moneys for the redemption of all the Bonds to be redeemed, together with interest to said date of redemption, shall be held by the Trustee so as to be available therefor on such date of redemption, and if notice of redemption thereof shall have been given as aforesaid, then, from and after said date of redemption, interest with respect to the Bonds designated for redemption shall cease to accrue or become payable. All moneys held by or on behalf of the Trustee for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

## **SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

### **General**

The Bonds are payable as to principal and interest solely from (i) the payments under the Lease Agreement to be paid by the County, and (ii) amounts from time to time on deposit in certain funds and accounts established by the Trust Agreement. Pursuant to the Trust Agreement, the Issuer will assign the Lease Agreement to the Trustee, including the right to receive and enforce payment thereunder.

All of the Bonds regardless of their series or maturity, are of equal rank, without preference, priority or distinction of any Bond over any other Bond except as expressly provided or permitted by the Trust Agreement.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND ARE PAYABLE SOLELY FROM THE PAYMENTS MADE BY THE COUNTY PURSUANT TO THE LEASE AGREEMENT AND FROM OTHER ASSETS PLEDGED UNDER THE TRUST AGREEMENT AS SECURITY FOR THE BONDS. THE BONDS DO NOT CONSTITUTE A DEBT OF THE ISSUER, THE COUNTY, THE STATE OF MARYLAND OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OF MARYLAND OR ANY OF ITS POLITICAL SUBDIVISIONS IS PLEDGED TO THE PAYMENT OF THE BONDS OR THE INTEREST THEREON. THE ISSUER HAS NO TAXING POWER.

THE LEASE AGREEMENT IS NOT A GENERAL OBLIGATION OF THE COUNTY AND DOES NOT CONSTITUTE A PLEDGE OF THE FAITH AND CREDIT OR THE TAXING POWERS OF THE COUNTY. PAYMENTS UNDER THE LEASE AGREEMENT ARE PAYABLE SOLELY FROM AMOUNTS (IF ANY) APPROPRIATED BY THE COUNTY COUNCIL.

### **The Lease Agreement**

The County and the Issuer will enter into the Lease Agreement with respect to the Project for a term of approximately 20 years, which ends on October 31, 2022. The Lease Payments and other payments due under the Lease Agreement are calculated to be sufficient to pay the scheduled debt service on the

Bonds and certain fees and expenses of the Issuer. The Lease Payments are payable semi-annually on March 1 and September 1 of each year so long as any of the Bonds are outstanding and will be paid directly to the Trustee. The County is also obligated under the Lease Agreement to pay all expenses associated with the operation, maintenance and policing of the Project, and to pay to the Trustee such amounts as are necessary, together with amounts on deposit with the Trustee, to effect an extraordinary redemption of the Bonds or any optional redemption.

The ability of the County to pay the Lease Payments is subject to the annual appropriation of sufficient funds for such purpose by the County Council. The County is under no obligation to make any appropriations with respect to the Lease Agreement. The County Executive has covenanted in the Lease Agreement, to the extent permitted by applicable law, to use best efforts to obtain the authorization and appropriation of such funds, including, without limitation, the inclusion of such funds in the budget of the County Executive to be submitted to the County Council. See “Annual Budgets” in the County’s Annual Information Statement dated December 28, 2001, incorporated herein by reference as Appendix A and published under separate cover. In the event the County fails to appropriate amounts sufficient to make the Lease Payments in any fiscal year, the County may terminate the Lease Agreement at the end of the last fiscal year or earlier date for which an appropriation is available. See “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Rent” in APPENDIX C. The County has also covenanted to apply funds that are appropriated for the Project to the payment of its obligations under the Lease Agreement and, subject to applicable law and public policy, not to terminate the Lease Agreement in any fiscal year for which sufficient funds are appropriated for the Project or are otherwise available for the payment of Lease Payments due in that fiscal year and the acquisition (by either purchase or lease or otherwise), retention and/or operation of the Project or for which equivalent funds have been appropriated for the Project, which funds are available for the acquisition (by either purchase or lease or otherwise), retention and/or operation of functionally similar improvements, equipment or facilities in the County. There is no Maryland law as to the enforceability of such covenants and agreements. If the County fails to make Lease Payments, the Trustee has the right to seek certain remedies, including the termination of the Lease Agreement, the eviction of the County and the lease of the Project (subject to the term of the Ground Lease). See “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Non-substitution” and “— Default” in APPENDIX C.

The County is required under the Lease Agreement to insure the Project against damage and destruction. The County shall provide the required insurance through self-insurance, commercial insurance, or a combination of both. Net insurance proceeds from commercial insurance and moneys available under a self-insurance program, as well as net proceeds of condemnation awards, must be applied to the repair or replacement of the Project or to the redemption of all or a portion of the Bonds. See “THE BONDS – Redemption of Bonds – Redemption from Net Proceeds of Insurance and Condemnation Awards or from Self-Insurance” herein and “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT” in APPENDIX C.

If the County makes all Lease Payments and other payments due under the Lease Agreement, then when the Bonds shall have been retired and paid in full, or when provision for their defeasance in whole shall have been made in accordance with the Lease Agreement and the Trust Agreement, the Issuer shall, at the option of the County, convey title to the Project to the County, which will result in a termination of the Lease Agreement. See “SUMMARY OF CERTAIN PROVISIONS OF THE LEASE AGREEMENT – Term” in APPENDIX C.

## **THE PROJECT**

### **General**

The Project consists of a seven-story public parking garage with approximately 1,732 spaces, to be known as the Wayne Avenue Garage. The Project will be located at 921 Wayne Avenue, Silver Spring,

Maryland. The Project will also include approximately 7,240 square feet of street-fronting space for use by Round House Theatre, Inc., a non-profit theater group.

### **The Silver Spring Urban Renewal Plan**

The Project is part of a larger urban renewal plan adopted by the County Council to attract viable economic activity to a portion of the central business district of downtown Silver Spring (the “Urban Renewal Area”) and eliminate urban blight from within the Urban Renewal Area. The County Council has found that rehabilitation and redevelopment of the Urban Renewal Area is necessary and in the interest of the public health, safety, morals and welfare of the residents of Montgomery County, and authorized the County Executive to prepare plans for the redevelopment of the blighted area. Following a series of resolutions, the County created the Urban Renewal Area and adopted the Silver Spring Retail Urban Renewal Plan (the “Urban Renewal Plan”) providing for the acquisition by the County of the land in the Urban Renewal Area and the urban renewal and redevelopment of that land.

The Urban Renewal Plan involves significant public and private investment. The County’s investment includes land acquisition (including the acquisition of the land on which the Project is sited), streetscaping, certain utility relocation, the Silver Theatre and Arts Center, the public plazas, the Civic Building, certain historic façade restoration work, and construction of two public parking garages, including the Project. When completed, the County’s investment (including certain funds provided by the State of Maryland) in the Urban Renewal Plan will be in excess of \$180 million.

The Urban Renewal Area is located near the Silver Spring Metrorail Station and within several County-established special districts that overlay each other, all of which are designed to enhance the urban setting and economic attractiveness of the area, and to stimulate business location. The Project is in the Silver Spring Parking Lot District, the Silver Spring Central Business District, the recently designated Arts and Entertainment District, and is within an area designated by the County and the State of Maryland for State and County enterprise zone tax credits.

The components of the approved Urban Renewal Plan generally include:

- **Section A**, which is already completed, contains approximately 64,000 square feet of retail space, approximately 35,000 square feet of second floor office space and includes as its anchor tenant a food market containing approximately 25,000 square feet.
- **Section B** will contain approximately 185,000 square feet of retail space, and the Project. Included in the retail space as anchor tenants are a nationally recognized, primarily first run multi-screen movie theater with a minimum of 17 full size movie screens and a minimum of 3,500 seats and a bookstore containing approximately 25,000 square feet.
- **Section C** will contain approximately 70,000 - 110,000 square feet of retail, restaurant, and entertainment space, including the Silver Plaza, Gateway Plaza, Silver Theatre and Arts Center and, as an anchor tenant, a nationally-recognized, sit-down, full service restaurant containing not less than 6,000 square feet.
- **Section D**, will contain approximately 13,000 square feet of retail space, as well as the Civic Building, Veterans Plaza and the Town Square Garage, a 1,300-space public parking garage, a portion of the costs of which were financed by bonds issued by the Issuer on September 30, 2002 and a portion of the costs of which will be paid from the proceeds of the Series 2002A Bonds.
- **Section H**, will contain a hotel of between 150 and 200 rooms and approximately 30,000 square feet of retail space.

- **Section Q** will contain not more than 200,000 square feet of “Class A” office space and approximately 30,000 square feet of retail space.

The Urban Renewal Plan also includes a residential component that is planned to have approximately 160 residential units.

The Silver Theatre and Arts Center is under construction and is expected to be substantially completed in December, 2002. The Silver Theatre and Arts Center is leased in part to the American Film Institute which, beginning April, 2003, will program it year-round and conduct festivals from time to time. The remaining portion of the Silver Theatre and Arts Center is a black box theatre that will be used by the Round House Theatre, Inc.

The Project is scheduled to be completed by late Spring 2004. Construction on the remainder of Section B is scheduled to begin in early November, 2002 with completion scheduled for Spring, 2004.

There are several office buildings a short distance from the Urban Renewal Area. The Discovery Channel Headquarters project is under construction across the street from Section C and near the Project. This development is nearing completion and will have approximately 545,429 square feet of office space. Occupancy is expected to begin in January, 2003 and upon completion is expected to result in approximately 1,300 new employees by December, 2005.

#### **Project Management Agreement**

The Issuer and the County will enter into the Project Management Agreement, pursuant to which the County will be responsible for all aspects of the development, design, construction, equipping, operation and maintenance of the Project. The County will operate the Project for its own account. See “APPENDIX C - SUMMARY OF CERTAIN PROVISIONS OF THE PROJECT MANAGEMENT AGREEMENT” hereto.

The County is required under the Project Management Agreement to insure the Project against damage and destruction. The County intends to provide a portion or all of such insurance through a program of self-insurance established and funded in accordance with County law. See “RISK MANAGEMENT” in APPENDIX A.

#### **Construction of the Project**

The County is responsible for the development, design, construction and equipping of the Project pursuant to the Project Management Agreement. The County has caused Walker Parking Consultants and Loiederman Soltesz Associates to be retained to design the Project and Foulger-Pratt Contracting, LLC to be retained to build the Project.

#### **Town Square Garage Project**

The Trust Agreement permits the County to direct the application of proceeds of the Series 2002A Bonds to the costs of the Town Square Garage as well as the costs of the Project. On September 30, 2002, the Issuer issued bonds in the aggregate principal amount of \$26,540,000 (the “Town Square Garage Bonds”) to pay the costs of the Town Square Garage. The Town Square Garage Bonds are payable out of lease payments made by the County pursuant to a Lease Agreement dated as of September 15, 2002, the terms of which are substantially the same as the terms of the Lease Agreement relating to the Bonds. The County estimates that approximately \$3.1 million of the proceeds of the Series 2002A Bonds will be applied to the costs of the Town Square Garage.

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**Estimated Sources and Uses of Funds**

Sources of Funds

Principal Amount of the Series 2002A Bonds.....	\$31,580,000
Principal Amount of the Series 2002B Bonds .....	980,000
Original Issue Premium.....	1,365,178
Accrued Interest.....	<u>24,161</u>
Total Sources of Funds .....	<u>\$33,949,339</u>

Use of Funds

Deposit to Series 2002A Project Fund .....	\$32,648,768
Deposit to Series 2002B Project Fund .....	990,000
Accrued Interest .....	24,161
Costs of Issuance (1) .....	<u>286,410</u>
Total Uses of Funds .....	<u>\$33,949,339</u>

- 
- (1) Includes the Underwriters’ discount and fees, certain fees and expenses of Bond Counsel, legal counsel to the Underwriters and the financial advisor to the Issuer, printing costs, fees and expenses of the Trustee, rating agency fees and other miscellaneous expenses.

**THE ISSUER**

The Issuer is a body politic and corporate and a public instrumentality of the State of Maryland. Pursuant to the provisions of the Act, the Issuer is authorized to issue revenue bonds for the purpose of financing or refinancing the cost of any one or more projects. The term “projects,” as defined in the Act, means those facilities and properties used or useful in connection with manufacturing, retail, trade, service industries, supply, wholesaling, warehousing, or any other industrial, commercial or business purposes, including land, buildings, structures, machinery, equipment, furnishings, rail or motor vehicles, barges, boats, and all other real or personal properties or rights therein and appurtenances, rights-of-way, franchises, easements, and other interests in land, all land and facilities which are functionally related and subordinate to the project and all patents, licenses, and other rights necessary or useful in the construction or operation of a project.

**THE COUNTY**

**General**

Montgomery County, Maryland is a body politic and corporate and a political subdivision of the State of Maryland. For more information respecting the County, see the County’s Annual Information Statement dated December 28, 2001, incorporated herein by reference as Appendix A and published under separate cover.

*The Lease Agreement is not a general obligation of the County and does not constitute a pledge of the faith and credit or the taxing powers of the County. Payments under the Lease Agreement are payable solely from amounts (if any) appropriated by the County Council.*

### **Selected Debt and Financial Schedules**

Tables 1 through 7 presented on the following pages have been updated to provide current information on Montgomery County's financial position. For more information on the County, and a complete overview of the County's debt, please see the County's Annual Information Statement dated December 28, 2001, incorporated herein by reference as Appendix A and published under separate cover.

*[table appears on next page]*

**Table 1**  
**Statement of Direct and Overlapping Debt**  
**As of June 30, 2002**

Direct Debt:		
General Obligation Bonds Outstanding	\$1,242,553,054	
Short-Term BANs/Commercial Paper Outstanding	125,000,000	
Long-Term Notes Payable	1,408,951	
Revenue Bonds Outstanding	<u>86,835,000</u>	
Total Direct Debt		\$1,455,797,005
Overlapping Debt:		
Gross Debt:		
Washington Suburban Sanitary Commission		
Applicable to Montgomery County	1,037,317,366	
Housing Opportunities Commission	671,334,508	
Montgomery County Revenue Authority	43,846,538	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County	50,249,454	
Kingsview Village Center Development District	2,410,000	
West Germantown Development District	15,915,000	
Towns, Cities and Villages within Montgomery County	<u>33,833,250</u>	
Total Overlapping Debt		<u>1,854,906,116</u>
Total Direct and Overlapping Debt		3,310,703,121
Less Self-Supporting Debt:		
County Government Revenue Bonds	86,835,000	
Washington Suburban Sanitary Commission		
Applicable to Montgomery County	1,037,317,366	
Housing Opportunities Commission	671,334,508	
Montgomery County Revenue Authority	43,846,538	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County	<u>11,707,766</u>	
Total Self-Supporting Debt		<u>(1,851,041,178)</u>
Net Direct and Overlapping Debt		<u>\$1,459,661,943</u>
Ratio of Debt to June 30, 2002 Assessed Valuation of (100% Assessment):		\$81,776,292,140
Direct Debt		1.78%
Net Direct Debt *		1.67%
Direct and Overlapping Debt		4.05%
Net Direct and Overlapping Debt		1.78%
Ratio of Debt to June 30, 2002 Market Value of:		\$88,440,386,447
Direct Debt		1.65%
Net Direct Debt *		1.55%
Direct and Overlapping Debt		3.74%
Net Direct and Overlapping Debt		1.65%

\* Net Direct Debt of \$1,368,962,005 is derived by subtracting direct self-supporting debt, which consists only of County Government Revenue Bonds, from Total Direct Debt.

**Table 2**  
**Statement of Legal Debt Margin**  
**As of June 30, 2002**

June 30, 2002 Assessed Valuation – Real Property		\$77,574,947,550
Debt Limit (% of Assessed Valuation)		<u>6%</u>
Subtotal Limitation – Real Property		<u>4,654,496,853</u>
June 30, 2002 Assessed Valuation – Personal Property		\$4,201,344,590
Debt Limit (% of Assessed Valuation)		<u>15%</u>
Subtotal Limitation – Personal Property		<u>630,201,689</u>
Total Assessed Valuation – Real and Personal Property		\$81,776,292,140
Legal Limitation for the Borrowing of Funds and the Issuance of Bonds		\$5,284,698,542
Less Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds Outstanding	\$1,242,553,054	
Short-Term BANs/Commercial Paper	125,000,000	
Long Term Notes Payable	<u>1,408,951</u>	
Net Direct Debt		<u>1,368,962,005</u>
Legal Debt Margin		<u>\$3,915,736,537</u>
Net Direct Debt as a Percentage of Assessed Valuation		<u><u>1.67%</u></u>

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

**Table 3**  
**General Obligation Debt of the County**  
**As of June 30, 2002**

<u>Issue</u>	<u>Dated Date</u>	<u>Original Issue Size</u>	<u>Original Interest Rates</u>	<u>TIC*</u>	<u>Maturity</u>	<u>Principal Outstanding June 30, 2002</u>
GO Bonds	05/01/83	\$ 50,000,000	7.00-9.00	7.8999	1984-03	\$ 2,500,000
GO Bonds	06/01/84	55,000,000	9.00-9.75	9.3989	1985-04	5,500,000
GO Bonds	05/01/85	65,000,000	7.60-8.60	8.2205	1986-05	9,750,000
GO Bonds	04/01/86	50,000,000	5.80-6.30	6.0956	1987-06	10,000,000
GO Bonds	04/01/91	60,000,000	6.30-6.75	6.5230	1992-03	3,000,000
GO Bonds	10/01/91	70,000,000	5.75-6.125	5.9747	1992-02	3,500,000
GO Refunding Bonds	07/01/92	273,038,054	2.75-5.80	5.7431	1993-10	177,708,054
GO Bonds	10/01/92	115,000,000	5.00-5.75	5.4740	1993-03	11,500,000
GO Refunding Bonds	08/15/93	60,005,000	2.50-5.00	4.9908	1994-11	56,210,000
GO Bonds	10/01/93	100,000,000	4.40-4.90	4.6899	1994-13	60,000,000
GO Bonds	10/01/94	100,000,000	5.20-6.125	5.7958	1995-08	35,000,000
GO Bonds	03/15/96	120,000,000	5.10-5.50	5.2946	1997-08	36,000,000
GO Bonds	04/15/97	115,000,000	5.00-5.375	5.3226	1998-17	57,500,000
GO Refunding Bonds	01/01/98	69,510,000	3.90-5.25	4.6400	2003-15	69,510,000
GO Bonds	04/01/98	115,000,000	4.875	4.7607	1999-18	92,000,000
GO Bonds	04/01/99	120,000,000	4.00-5.00	4.4764	2000-19	102,000,000
GO Bonds	01/01/00	130,000,000	5.00-6.00	5.4853	2001-13	71,500,000
GO Bonds	02/01/01	140,000,000	4.00-5.00	4.5447	2002-21	133,000,000
GO Refunding Bonds	11/15/01	146,375,000	3.60-5.25	4.5107	2003-19	146,375,000
GO Bonds	02/01/02	160,000,000	3.50-5.00	4.4619	2003-22	<u>160,000,000</u>
Total						<u>\$1,242,553,054</u>

\* True Interest Cost.

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

**Table 4**  
**General Obligation Bonds Authorized – Unissued**  
**As of June 30, 2002**

<u>Purpose</u>	<u>Chapter</u>	<u>Act</u>	<u>Amount</u>	<u>Amount Unissued</u>
General County, Parks, and Consolidated Fire Tax District	19	1998	\$113,400,000	\$ 27,890,000
	18	1999	33,500,000	33,500,000
	22	2000	78,300,000	78,300,000
	17	2001	<u>35,200,000</u>	<u>35,200,000</u>
			<u>260,400,000</u>	<u>174,890,000</u>
Road & Storm Drainage	19	1998	77,000,000	5,410,000
	18	1999	30,000,000	30,000,000
	22	2000	77,600,000	77,600,000
	17	2001	<u>10,630,000</u>	<u>10,630,000</u>
			<u>195,230,000</u>	<u>123,640,000</u>
Public Schools and Community College	22	2000	82,900,000	6,013,000
	17	2001	<u>159,755,000</u>	<u>159,755,000</u>
			<u>242,655,000</u>	<u>165,768,000</u>
Mass Transit	18	1999	400,000	105,000
	22	2000	1,400,000	1,400,000
	17	2001	<u>6,700,000</u>	<u>6,700,000</u>
			<u>8,500,000</u>	<u>8,205,000</u>
Public Housing	17	1981	2,650,000	2,590,000
	13	1982	995,000	995,000
	8	1983	230,000	230,000
	20	1985	900,000	900,000
	13	1986	<u>855,000</u>	<u>855,000</u>
			<u>5,630,000</u>	<u>5,570,000</u>
Parking Districts: Silver Spring	9	1983	2,945,000	2,045,000
	6	1984	<u>1,220,000</u>	<u>1,220,000</u>
		<u>4,165,000</u>	<u>3,265,000</u>	
Bethesda	19	1981	7,325,000	3,040,000
	14	1982	775,000	775,000
	10	1983	<u>1,050,000</u>	<u>1,050,000</u>
			<u>9,150,000</u>	<u>4,865,000</u>
Total Parking Districts		<u>13,315,000</u>	<u>8,130,000</u>	
Total General Obligation Bonds		<u>\$725,730,000</u>	<u>\$486,203,000</u>	

In addition to the above noted authority, the County has authority under the provisions of section 56-13 of the Montgomery County Code 1984, as amended, to issue County bonds, within statutory debt limits, to finance approved urban renewal projects.

**Table 5**  
**Bond Anticipation Notes Outstanding**  
**As of June 30, 2002**

<u>Issue</u>	<u>Balance July 1, 2001</u>	<u>BANs Issued</u>	<u>BANs Retired</u>	<u>Balance June 30, 2002</u>
BAN Series 1995-H	\$ 20,000,000	\$ --	\$ 20,000,000	\$ --
BAN Series 1995-I	105,000,000	--	105,000,000	--
BAN Series 1995-J	--	75,000,000	35,000,000	40,000,000
BAN Series 1995-K	<u>--</u>	<u>85,000,000</u>	<u>--</u>	<u>85,000,000</u>
Total	<u>\$125,000,000</u>	<u>\$160,000,000</u>	<u>\$160,000,000</u>	<u>\$125,000,000</u>

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

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

	Fiscal Year Actual <sup>(3)</sup>			Fiscal Year	Fiscal Year
	1999	2000	2001	Budget 2002 <sup>(4)</sup>	Actual 2002 (Unaudited)
<b>Revenues:</b>					
Taxes:					
Property, including interest & penalty	\$ 593,103,639	\$ 610,403,414	\$ 623,819,661	\$ 643,515,740	\$ 644,399,024
Transfer tax and recordation tax	93,009,575	99,771,486	102,381,412	94,680,000	132,085,044
County income tax	689,203,638	761,148,755	812,352,208	823,950,000	866,996,269
Other taxes	<u>45,183,618</u>	<u>43,312,655</u>	<u>46,768,742</u>	<u>46,020,000</u>	<u>43,704,477</u>
<b>Total Taxes</b>	<b>1,420,500,470</b>	<b>1,514,636,310</b>	<b>1,585,322,023</b>	<b>1,608,165,740</b>	<b>1,687,184,814</b>
Licenses and permits	4,338,599	4,508,738	4,631,314	4,964,600	4,730,062
Intergovernmental revenue	93,255,279	98,051,154	102,932,299	111,228,860	114,796,678
Charges for services	7,337,927	7,904,754	8,961,699	8,807,095	6,874,769
Fines and forfeitures	3,188,275	4,550,638	6,195,417	8,914,180	7,111,493
Investment income	18,155,871	21,831,424	16,998,296	23,581,000	8,270,355
Miscellaneous	<u>8,061,519</u>	<u>8,300,775</u>	<u>9,596,381</u>	<u>8,379,429</u>	<u>7,221,446</u>
<b>Total Revenues</b>	<b><u>1,554,837,940</u></b>	<b><u>1,659,783,793</u></b>	<b><u>1,734,637,429</u></b>	<b><u>1,774,040,904</u></b>	<b><u>1,836,189,617</u></b>
<b>Expenditures (including encumbrances):</b>					
General County:					
General government	139,868,204	152,711,792	153,528,937	166,332,389	161,079,120
Public safety	149,815,388	163,575,547	172,137,027	187,406,298	188,068,127
Transportation and public works	36,671,572	35,155,518	36,326,517	33,682,563	32,635,738
Health and human services	115,372,553	130,598,688	145,121,009	152,427,034	149,060,784
Culture and recreation	34,407,208	37,032,110	37,985,645	45,384,621	44,162,787
Housing and community development	2,883,758	4,104,510	4,256,355	3,795,700	3,632,055
Environment	<u>3,197,837</u>	<u>3,549,047</u>	<u>4,502,897</u>	<u>4,466,186</u>	<u>4,349,787</u>
<b>Total Expenditures</b>	<b><u>482,216,520</u></b>	<b><u>526,727,212</u></b>	<b><u>553,858,387</u></b>	<b><u>593,494,791</u></b>	<b><u>582,988,398</u></b>
<b>Operating Transfers In (Out):</b>					
Operating Transfers In:					
Special Revenue Funds	9,091,019	10,117,342	10,283,760	12,850,550	12,850,550
Enterprise Funds	17,042,960	17,248,580	19,679,903	30,453,480	30,442,440
Trust Funds	--	--	--	--	--
Internal Service Funds	--	--	--	500,000	500,000
Component Units	<u>110,000</u>	<u>192,696</u>	<u>644,650</u>	<u>103,750</u>	<u>612,754</u>
<b>Total Operating Transfers In</b>	<b><u>26,243,979</u></b>	<b><u>27,558,618</u></b>	<b><u>30,608,313</u></b>	<b><u>43,907,780</u></b>	<b><u>44,405,744</u></b>
Operating Transfers Out:					
Special Revenue Funds	(11,590,135)	(15,719,842)	(25,516,861)	(20,709,117)	(27,888,110)
Debt Service Fund	(136,484,729)	(134,767,348)	(143,528,192)	(164,804,300)	(157,547,429)
Capital Projects Fund	(14,189,353)	(38,907,827)	(52,079,521)	(122,120,316)	(62,410,238)
Enterprise Funds	(3,903,074)	(5,988,835)	(4,326,035)	(3,755,716)	(3,143,120)
Internal Service Funds	(1,410,500)	(615,290)	(1,581,897)	(501,310)	(446,330)
Component Units <sup>(1)</sup>	<u>(883,972,417)</u>	<u>(938,162,658)</u>	<u>(1,035,534,480)</u>	<u>(1,135,650,652)</u>	<u>(1,117,290,253)</u>
<b>Total Transfers Out</b>	<b><u>(1,051,550,208)</u></b>	<b><u>(1,134,161,800)</u></b>	<b><u>(1,262,566,986)</u></b>	<b><u>(1,447,541,411)</u></b>	<b><u>(1,368,725,480)</u></b>
<b>Net Operating Transfers In (Out)</b>	<b><u>(1,025,306,229)</u></b>	<b><u>(1,106,603,182)</u></b>	<b><u>(1,231,958,673)</u></b>	<b><u>(1,403,633,631)</u></b>	<b><u>(1,324,319,736)</u></b>
<b>Excess of revenues and operating transfers in over (under) expenditures, encumbrances and operating transfers out</b>					
	<u>47,315,191</u>	<u>26,453,399</u>	<u>(51,179,631)</u>	<u>(223,087,518)</u>	<u>(71,118,517)</u>
Fund Balances, July 1 as previously stated	148,530,451	211,266,962	255,964,974	234,640,751	234,640,751
Net Adjustment for previous year encumbrances <sup>(2)</sup>	<u>15,211,912</u>	<u>18,244,613</u>	<u>29,855,408</u>	<u>29,312,780</u>	<u>27,050,842</u>
Fund Balances, July 1 restated	163,742,363	229,511,575	285,820,382	263,953,531	261,691,593
Equity transfers in (out)	<u>209,408</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<b>Budgetary Fund Balance, June 30</b>	<b><u>\$ 211,266,962</u></b>	<b><u>\$ 255,964,974</u></b>	<b><u>\$ 234,640,751</u></b>	<b><u>\$ 40,866,013</u></b>	<b><u>\$ 190,573,076</u></b>

- (1) Amount for FY00 restated to comply with Governmental Accounting Standards Board Statement Number 33.
  - (2) FY02 prior year encumbrances are net of sundry revenue adjustment.
  - (3) Amounts for FY99-01 are audited.
  - (4) Updated for budget adjustments as of June 30, 2002.
- Note: Actual and budget amounts are for fiscal years ended June 30.

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

	Fiscal Year 1999	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002 (Unaudited)
Budgetary to GAAP Reconciliation:				
Budgetary Fund Balance as noted above	\$211,266,962	\$255,964,974	\$234,640,751	\$190,573,076
Plus encumbrances outstanding	20,625,655	33,029,310	29,312,780	25,487,871
Adjustment for prior year encumbrances	(2,492,577)	(2,381,042)	(3,173,902)	(2,261,938)
Unrealized investment gain (loss)	(1,290,016)	1,169,668	142,060	(1,973,055)
Net differences between beginning fund balances <sup>(1)</sup>	<u>2,147,311</u>	<u>745,760</u>	<u>3,123,811</u>	<u>2,211,847</u>
<b>GAAP Fund Balance as Reported</b>	<b><u>\$230,257,335</u></b>	<b><u>\$288,528,670</u></b>	<b><u>\$264,045,500</u></b>	<b><u>\$214,037,801</u></b>
Elements of GAAP Fund Balance:				
Reservations	\$ 22,947,323	\$ 36,225,684	\$ 32,711,557	\$ 30,628,188
Designated for CIP Transfers	31,294,410	36,001,151	54,234,669	58,662,873
Designated for subsequent years expenditures	85,527,972	140,856,091	117,794,569	57,769,763
Unreserved / Undesignated	<u>90,487,630</u>	<u>75,445,744</u>	<u>59,304,705</u>	<u>66,976,977</u>
	<b><u>\$230,257,335</u></b>	<b><u>\$288,528,670</u></b>	<b><u>\$264,045,500</u></b>	<b><u>\$214,037,801</u></b>

<sup>(1)</sup> Amount restated to break out the impact of unrealized investment gains (losses).

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

### **Montgomery County Department of Public Works and Transportation**

The Montgomery County Department of Public Works and Transportation (the "Department"), through its Facilities and Services Division, will be responsible for supervising the development, design, construction and equipping of the Project. The Department, through its Parking Division will supervise the operation and maintenance of the Project when completed. The Department operates 47 separate off-street parking facilities with an aggregate of 16,605 spaces. As of June 30, 2002, the Department had approximately 1,500 employees.

### **TAX MATTERS**

#### **Federal Tax Treatment of Series 2002A Bonds**

In the opinion of Bond Counsel, under existing law, the interest on the Series 2002A Bonds (a) is excludable from gross income for Federal income tax purposes, and (b) is not an enumerated preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

Under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), there are certain requirements that must be met subsequent to the issuance of the Series 2002A Bonds in order for the

interest on the Series 2002A Bonds to remain excludable from gross income for Federal income tax purposes, including restrictions that must be complied with throughout the term of the Series 2002A Bonds. Such restrictions include, among other things, limitations on the yield of investments acquired with gross proceeds of the Series 2002A Bonds and the periodic payment to the United States of specified portions of arbitrage profit derived from such investments.

In order to comply with the requirements of the Code, the Issuer and the County will execute and deliver a Tax Certificate and Compliance Agreement (“Tax Agreement”) on the date of delivery of the Series 2002A Bonds. The covenants and agreements in the Tax Agreement are designed to satisfy the requirements of Section 103 and Sections 141 through 150, inclusive, of the Code, and the income tax regulations issued thereunder. The opinion of Bond Counsel assumes continuing compliance with such covenants and, in addition, will rely on representations by the Issuer and the County with respect to matters solely within the knowledge of the Issuer and the County. Bond Counsel has not independently verified, and will not monitor compliance with, the covenants, representations and agreements of the Issuer and the County. In the event of noncompliance with such covenants and agreements, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Series 2002A Bonds from becoming includable in gross income for Federal income tax purposes.

#### **Federal Tax Treatment of Series 2002B Bonds**

In the opinion of Bond Counsel, under existing law, the interest on the Series 2002B Bonds (a) is excludable from gross income for Federal income tax purposes, and (b) is not an enumerated preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

Under the provisions of the Code, there are certain requirements that must be met subsequent to the issuance of the Series 2002B Bonds in order for the interest on the Series 2002B Bonds to remain excludable from gross income for Federal income tax purposes, including restrictions that must be complied with throughout the term of the Series 2002B Bonds. Such restrictions include, among other things, limitations on the yield of investments acquired with gross proceeds of the Series 2002B Bonds, the periodic payment to the United States of specified portions of arbitrage profit derived from such investments, and the continued status of Round House Theatre, Inc. as an organization qualified for exemption under Section 501(c)(3) of the Code and the use of that portion of the Project which it will occupy in fulfillment of its exempt purposes.

In order to comply with the requirements of the Code, the Issuer, the County and Round House Theatre, Inc. will execute and deliver an Arbitrage Certificate and Tax Regulatory Agreement (“Tax Regulatory Agreement”) on the date of delivery of the Series 2002B Bonds. The covenants and agreements in the Tax Regulatory Agreement are designed to satisfy the requirements of Section 103 and Sections 141 through 150, inclusive, of the Code, and the income tax regulations issued thereunder. The opinion of Bond Counsel assumes continuing compliance with such covenants and agreements and, in addition, will rely on (i) representations by the Issuer, the County and Round House Theatre, Inc. with respect to matters solely within the knowledge of the Issuer, the County, and Round House Theatre, Inc. and (ii) the opinion of counsel to Round House Theatre, Inc. with regard to its tax-exempt status. Bond Counsel has not independently verified, and will not monitor compliance with, the covenants, representations and agreements of the Issuer, the County and Round House Theatre, Inc. In the event of noncompliance with such covenants and agreements, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Series 2002B Bonds from becoming includable in gross income for Federal income tax purposes.

## **Federal Income Tax Treatment Common to all Bonds**

Under the Code, in calculating corporate alternative minimum tax, a corporation is required to increase its alternative minimum taxable income by 75 percent 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 this purpose, “adjusted current earnings” would include, among other items, interest on the Bonds. In addition, the Code imposes a branch-level tax on certain earnings and profits of foreign corporations operating branches in the United States, and such earnings and profits would include interest on the Bonds.

Other Federal income tax consequences may arise from ownership of the Bonds, and in connection therewith, attention is directed to the following provisions of the Code: (a) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder’s interest expense allocated to interest on the Bonds, (b) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (c) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on obligations such as the Bonds, and (d) for S corporations having subchapter C earnings and profits, the receipt of certain amounts of passive investment income, which includes interest on the Bonds, may result in the imposition of income tax on such passive investment income and, in some cases, loss of S corporation status.

The initial public offering price of some of the Bonds may be less than the amount payable on those Bonds at maturity. The excess, if any, of the amount payable at maturity of a Bond over the initial public offering price (plus accrued interest from the dated date of the Bond to the date of initial delivery of the Bond) at which a substantial amount of the same maturity of the Bonds was sold constitutes original issue discount for Federal income tax purposes (“OID”). The full amount of OID will accrue over the term of a Bond in accordance with a constant yield method (using semi-annual compounding) which allocates smaller portions of OID to earlier semi-annual compounding periods and larger portions of OID to later semi-annual compounding periods. In the case of an original or a subsequent holder of a Bond, the amount of OID which is treated as having accrued with respect to such Bond during the period that the holder has held it (a) is not included in the gross income of the holder for Federal income tax purposes, and (b) is included in the cost basis of the holder in determining, for Federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). Holders of Bonds should consult their tax advisors with respect to the determination, for Federal income tax purposes, of OID accrued upon the sale, redemption or payment at maturity of such Bonds.

A Bond will be considered to have been issued at a premium if, and to the extent that, the holder’s tax basis in the Bond exceeds the amount payable at maturity (or, in the case of a Bond callable prior to maturity, the amount payable on the earlier call date). The holder will be required to reduce such holder’s tax basis in the Bond for purposes of determining gain or loss upon disposition of the Bond by the amount of amortizable bond premium that accrues (determined on a constant yield method) during the period of ownership. No deduction (or other tax benefit) is allowable in respect of any amount of amortizable bond premium on the Bonds.

Prospective purchasers of the Bonds should consider possible state and local, excise, or franchise tax consequences arising from OID on the Bonds. In addition, prospective corporate purchasers of the Bonds should consider possible Federal income tax consequences arising from OID on the Bonds under the alternative minimum tax and the branch profits tax described above.

Legislative proposals presently before Congress or that are introduced after issuance and delivery of the Bonds, if enacted, could alter or amend one or more of the Federal tax matters referred to above and/or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such

proposal may be enacted, and there can be no assurance that any such proposal would not apply to obligations issued prior to the enactment of such proposal. Accordingly, prospective purchasers of the Bonds should consult with their tax advisors as to the status and potential effect of such proposals.

The foregoing is only a general summary of certain provisions of the Code and does not purport to be complete; prospective purchasers and holders of the Bonds should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances.

### **Maryland Tax Treatment of the Bonds**

In the opinion of Bond Counsel, under existing law of the State of Maryland, the interest on the Bonds and the profit realized from the sale or exchange of the Bonds is exempt from income taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes or any other taxes not levied directly on the Bonds or the interest thereon.

Interest on the 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. Prospective purchasers of the Bonds should consult their tax advisors regarding the taxable status of the Bonds in a particular state or local jurisdiction other than the State of Maryland.

### **CERTAIN LEGAL MATTERS**

Certain legal matters incident to the authorization, tax-exempt nature and validity of the Bonds are subject to the approving opinion of Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, McKennon Shelton & Henn LLP, Baltimore, Maryland, which firm is not passing upon the validity of the Bonds.

### **ENFORCEABILITY OF REMEDIES**

The remedies available to the Trustee and the Owners of the Bonds upon an event of default under the Trust Agreement are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing laws and judicial decisions, the remedies provided for under the Trust Agreement may not be readily available or may be limited. The enforceability of certain legal rights related to the Bonds is subject to limitations imposed by bankruptcy, insolvency, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors' rights and to general principles of equity.

### **ABSENCE OF MATERIAL LITIGATION**

There is no pending or threatened litigation to which the Issuer or the County is a party which in any way questions or affects the validity of the Bonds, or any proceedings or transactions relating to their issuance, sale and delivery.

### **RATINGS**

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

## **UNDERWRITING**

The Bonds are being purchased by Legg Mason Wood Walker, Incorporated as representative for the underwriters (the "Underwriters"). The Underwriters have agreed to purchase the Bonds at an aggregate discount of \$131,553.77 from the initial offering prices set forth on the cover of this Official Statement. The bond purchase agreement between the Issuer and the Underwriters provides that the Underwriters will purchase all of the Bonds, if any are purchased.

The initial public offering prices set forth on the cover of this Official Statement may be changed from time to time by the Underwriters.

The Underwriters may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts, certain of which may be sponsored or managed by an Underwriter) and others at prices lower than the offering prices set forth on the cover of this Official Statement.

## **FINANCIAL ADVISOR**

Evensen Dodge, Inc., has rendered financial advice to the Issuer and the County in the preparation of this Official Statement.

## **CONTINUING DISCLOSURE**

In order to assist the Underwriters in complying with the requirements of SEC Rule 15c2-12(b)(5), the County has covenanted for the benefit of the Owners of the Bonds, and the owners of beneficial interests therein, to provide certain ongoing disclosure information (the "Annual Report") and notices of certain material events, if any ("Reportable Events"). The Annual Report will be filed by the County not later than March 31 in each year, commencing March 31, 2003, with the Trustee and each National Registered Municipal Securities Information Repository ("NRMSIR") and the State Repository, if any, as set forth in the Continuing Disclosure Agreement. The Reportable Events will be filed by the County with the Municipal Securities Rulemaking Board or with the NRMSIRs, and with the State Repository, if any. The specific nature of the information to be contained in the Annual Report and the notices of material events is summarized in Appendix C.

The County has never failed to comply with any prior continuing disclosure undertaking made pursuant to Rule 15c2-12.

## **FINANCIAL STATEMENTS**

The audited general purpose financial statements of the County included in the County's Annual Information Statement dated December 28, 2001 and incorporated herein by reference as Appendix A to this Official Statement have been audited by KPMG LLP (KPMG), independent public accountants, as indicated in their report with respect thereto. In that report, KPMG 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 KPMG also contains an explanatory paragraph which states that KPMG did not audit certain identified supplementary information and expressed no opinion thereon. Such audited general purpose financial statements have been included in reliance upon the qualification of said firm to issue said report.

## **RELATIONSHIPS**

Venable, Baetjer and Howard, LLP, is serving as Bond Counsel to the Issuer and as counsel to the County in connection with the issuance of the Bonds.



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**ANNUAL INFORMATION STATEMENT  
DATED DECEMBER 28, 2001**

**(Provided under separate cover  
and incorporated herein by reference)**

The County's Annual Information Statement dated December 28, 2001 may be downloaded from [www.mcmdbonds.emontgomery.org](http://www.mcmdbonds.emontgomery.org), located at the tab for Annual Information Statement.

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**APPENDIX B**

**PROPOSED FORMS OF OPINIONS OF BOND COUNSEL**

**Series 2002A Bonds**

Maryland Economic Development  
Corporation  
Baltimore, Maryland

Ladies and Gentlemen:

We have acted as bond counsel to the Maryland Economic Development Corporation (the "Issuer") in connection with the issuance of its \$31,580,000 Lease Revenue Bonds (Montgomery County Wayne Avenue Parking Garage Project) Series 2002A (the "Bonds"). In such capacity, we have examined:

- (i) Sections 5-201 through 5-216, inclusive of Article 83A of the Annotated Code of Maryland, as amended (the "Act");
- (ii) a Trust Agreement dated as of November 1, 2002 (the "Trust Agreement") between the Issuer and Wachovia Bank, National Association, as trustee (the "Trustee") authorizing the issuance of the Bonds;
- (iii) a Lease Agreement dated as of November 1, 2002 (the "Lease Agreement"), between the Issuer and Montgomery County, Maryland (the "County");
- (iv) the executed and authenticated Bonds;
- (v) relevant provisions of the Constitution and laws of the State of Maryland;
- (vi) certified proceedings of the Issuer and of the County; and
- (vii) other proofs and opinions submitted to us relative to the issuance of the Bonds.

The Bonds are issued as fully-registered Bonds in the denominations of \$5,000 each or any integral multiple thereof. The Bonds bear interest, mature and are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth therein and in the Trust Agreement.

As to questions of fact material to our opinion, without undertaking to verify the same by independent investigation, we have relied upon the certified proceedings of the Issuer and of the County and certifications by public officials.

We do not express any opinion herein regarding any law other than the law of the State of Maryland and the federal law of the United States of America.

We express no opinion as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

We express no opinion as to the existence of or title to any real or personal property, nor as to the creation or perfection of any liens or encumbrances thereon.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any change in law that may hereafter occur.

Based on the foregoing, it is our opinion that, under existing law:

(a) The Issuer is a validly created and existing body politic and corporate and a public instrumentality of the State of Maryland, having full power and authority to issue the Bonds.

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

(c) The Lease Agreement has been duly authorized, executed and delivered between the parties thereto and constitutes the valid and binding obligation of the Issuer and the County.

(d) The Bonds have been duly authorized, executed and delivered as set forth in the Trust Agreement, and constitute valid and binding limited obligations of the Issuer.

(e) By the terms of the Act and the Trust Agreement, neither the Bonds nor the interest thereon shall ever constitute an indebtedness or general obligation of the Issuer or a charge against, or pledge of the general credit or taxing powers of the Issuer, within the meaning of any constitutional or charter provision or statutory limitation, and neither shall ever constitute or give rise to any pecuniary liability of the Issuer. The Bonds and the interest thereon are limited obligations of the Issuer, repayable by the Issuer solely from the moneys and property pledged to their payment under the Trust Agreement, including the payments to be made by the County under the Lease Agreement. The County has not pledged its full faith and credit or its taxing powers to the payments to be made under the Lease Agreement. The obligation of the County to make payments under the Lease Agreement is subject to annual appropriation as provided in the Lease Agreement.

(f) Under existing law, the interest on the Bonds (i) is excludable from gross income for Federal income tax purposes, and (ii) is not an enumerated preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

In rendering the opinion expressed above in this paragraph (f), we have assumed continuing compliance with the covenants and agreements set forth in the Tax Certificate and Compliance Agreement of even date herewith executed and delivered by the Issuer and the County (the "Tax Agreement"), which covenants and agreements are designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the income tax regulations issued thereunder (the "Regulations") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal tax purposes. In our opinion, the covenants and agreements in the Tax Agreement are sufficient to meet such requirements (to the extent applicable to the Bonds) of the Code and Regulations. However, we assume no responsibility for, and will not monitor, compliance with the covenants and agreements in the Tax Agreement. In the event of noncompliance with such covenants and agreements, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includible in gross income for Federal income tax purposes, retroactive to the date of issuance of the Bonds.

(g) Under existing law of the State of Maryland, the interest on the Bonds and profit realized from the sale or exchange of the Bonds is exempt from income taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes or any other taxes not levied directly on the Bonds or the interest thereon.

Other than as set forth in the preceding paragraphs (f) and (g), we express no opinion regarding the federal or state income tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

Very truly yours,

[to be signed "Venable, Baetjer and Howard, LLP"]

## Series 2002B Bonds

Maryland Economic Development  
Corporation  
Baltimore, Maryland

Ladies and Gentlemen:

We have acted as bond counsel to the Maryland Economic Development Corporation (the "Issuer") in connection with the issuance of its \$980,000 Lease Revenue Bonds (Montgomery County Wayne Avenue Parking Garage Project) Series 2002B (the "Bonds"). In such capacity, we have examined:

- (i) Sections 5-201 through 5-216, inclusive of Article 83A of the Annotated Code of Maryland, as amended (the "Act");
- (ii) a Trust Agreement dated as of November 1, 2002 (the "Trust Agreement") between the Issuer and Wachovia Bank, National Association, as trustee (the "Trustee") authorizing the issuance of the Bonds;
- (iii) a Lease Agreement dated as of November 1, 2002 (the "Lease Agreement"), between the Issuer and Montgomery County, Maryland (the "County");
- (iv) the executed and authenticated Bonds;
- (v) relevant provisions of the Constitution and laws of the State of Maryland;
- (vi) certified proceedings of the Issuer and of the County; and
- (vii) other proofs and opinions submitted to us relative to the issuance of the Bonds.

The Bonds are issued as fully-registered Bonds in the denominations of \$5,000 each or any integral multiple thereof. The Bonds bear interest, mature and are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth therein and in the Trust Agreement.

As to questions of fact material to our opinion, without undertaking to verify the same by independent investigation, we have relied upon the certified proceedings of the Issuer and of the County and certifications by public officials.

We do not express any opinion herein regarding any law other than the law of the State of Maryland and the federal law of the United States of America.

We express no opinion as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

We express no opinion as to the existence of or title to any real or personal property, nor as to the creation or perfection of any liens or encumbrances thereon.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any change in law that may hereafter occur.

Based on the foregoing, it is our opinion that, under existing law:

- (a) The Issuer is a validly created and existing body politic and corporate and a public instrumentality of the State of Maryland, having full power and authority to issue the Bonds.

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

(c) The Lease Agreement has been duly authorized, executed and delivered between the parties thereto and constitutes the valid and binding obligation of the Issuer and the County.

(d) The Bonds have been duly authorized, executed and delivered as set forth in the Trust Agreement, and constitute valid and binding limited obligations of the Issuer.

(e) By the terms of the Act and the Trust Agreement, neither the Bonds nor the interest thereon shall ever constitute an indebtedness or general obligation of the Issuer or a charge against, or pledge of the general credit or taxing powers of the Issuer, within the meaning of any constitutional or charter provision or statutory limitation, and neither shall ever constitute or give rise to any pecuniary liability of the Issuer. The Bonds and the interest thereon are limited obligations of the Issuer, repayable by the Issuer solely from the moneys and property pledged to their payment under the Trust Agreement, including the payments to be made by the County under the Lease Agreement. The County has not pledged its full faith and credit or its taxing powers to the payments to be made under the Lease Agreement. The obligation of the County to make payments under the Lease Agreement is subject to annual appropriation as provided in the Lease Agreement.

(f) Under existing law, the interest on the Bonds (i) is excludable from gross income for Federal income tax purposes, and (ii) is not an enumerated preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations; however, such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations, and may be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

In rendering the opinion expressed above in this paragraph (f), we have assumed continuing compliance with the covenants and agreements set forth in the Tax Regulatory Agreement of even date herewith executed and delivered by the Issuer, the County and Round House Theatre, Inc. (the "Tax Agreement"), which covenants and agreements are designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the income tax regulations issued thereunder (the "Regulations") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal tax purposes. In our opinion, the covenants and agreements in the Tax Agreement are sufficient to meet such requirements (to the extent applicable to the Bonds) of the Code and Regulations. However, we assume no responsibility for, and will not monitor, compliance with the covenants and agreements in the Tax Agreement. In the event of noncompliance with such covenants and agreements, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includible in gross income for Federal income tax purposes, retroactive to the date of issuance of the Bonds.

(g) Under existing law of the State of Maryland, the interest on the Bonds and profit realized from the sale or exchange of the Bonds is exempt from income taxation by the State of Maryland or by any of its political subdivisions; however, the law of the State of Maryland does not expressly refer to, and no opinion is expressed concerning, estate or inheritance taxes or any other taxes not levied directly on the Bonds or the interest thereon.

Other than as set forth in the preceding paragraphs (f) and (g), we express no opinion regarding the federal or state income tax consequences arising with respect to the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

Very truly yours,

[to be signed "Venable, Baetjer and Howard, LLP"]

## APPENDIX C

### DEFINITIONS OF CERTAIN TERMS AND SUMMARIES OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

Set forth in this APPENDIX C are definitions of certain terms used in this Official Statement and summaries of certain provisions of the principal legal documents. The summaries of the principal legal documents contained in this APPENDIX C do not purport to be complete, and reference is made to the Ground Lease, the Lease Agreement, the Project Management Agreement, the Trust Agreement and the Continuing Disclosure Agreement for complete statements of their respective terms.

#### DEFINITIONS OF CERTAIN TERMS

Below are definitions of certain terms used herein and in the Ground Lease, Lease Agreement, Project Management Agreement and Trust Agreement. Terms not defined under this caption or elsewhere in this Official Statement shall have the meanings assigned to them in the Ground Lease, Lease Agreement, Project Management Agreement or Trust Agreement.

“Bond Year” means the period of 12 consecutive months ending on June 30 in any year during which Bonds are or will be Outstanding; provided, however, the final Bond Year shall end on the date on which funds are deposited with the Trustee in an amount sufficient to pay or redeem the last Bonds. For purposes of this definition, the term outstanding shall include Bonds which are deemed paid in accordance with the Trust Agreement.

“Business Day” means a day other than (i) a Saturday, Sunday or legal holiday in the State or (ii) any other day on which banking institutions are authorized or required by law to be closed in the State.

“Code” means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code that is applicable to the Bonds or the use of the proceeds thereof shall be deemed to include the Regulations promulgated thereunder, now in effect or promulgated hereafter from time to time.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Issuer relating to the execution and delivery of the Ground Lease, the Lease Agreement and the Trust Agreement, and other documents related thereto or to the Project, or the execution, sale and delivery of the Bonds, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee, financing discounts, legal fees and charges, reporting fees, insurance fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, transportation and safekeeping of the Bonds, securities depository fees and charges and fees in connection with the foregoing, and title company fees and expenses.

“County Representative” means the Director of Finance of the County or any other person designated by the Director of Finance as authorized to act on behalf of the County under or with respect to the Trust Agreement in a written authorization filed with the Trustee.

“Event of Default” means, with respect to the Trust Agreement, subject to the provisions of the Lease Agreement relating to nonappropriation, (i) the failure of the County to perform any of its obligations (excepting only the obligation to make Lease Payments or pay any additional rent when due) under the Lease Agreement and the continuance thereof for more than 60 days (or such longer period as may be required, in the reasonable judgment of the Trustee, or at the written direction of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, to correct such default with the exercise of due diligence) and (ii) on any Payment Date, a failure of the County or the Issuer to have deposited with, or made available to, the Trustee for deposit to the Lease Payment Fund, in accordance with the provisions of the Trust Agreement, an amount of funds sufficient to pay principal of, interest on, and redemption premiums (if any) then due and payable under the Bonds, and (iii) the County’s

failure to make Lease Payments or pay any additional rent when due and the continuation of such failure for either (i) five days after written notice from the Issuer or the Trustee specifying such failure or (ii) in the absence of such notice from the Issuer or the Trustee, ten days.

“Government Obligations” means investments described in clause (a) of the definition of Permitted Investments.

“Ground Lease” means the Ground Lease with respect to the land on which the Project is located dated as of November 1, 2002 (including all Exhibits thereto), by and between the County, as lessor, and the Issuer, as lessee, together with any duly authorized and executed amendments, modifications, or supplements thereto.

“Insurance and Condemnation Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Lease Agreement” means the Lease Agreement with respect to the Project dated as of November 1, 2002 (including all Exhibits thereto), by and between the Issuer, as lessor, and the County, as lessee, together with any duly authorized and executed amendments, modifications or supplements thereto.

“Lease Payment Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Leased Premises” means the land in Silver Spring, Maryland, owned by the County and leased to the Issuer under the Ground Lease, upon which the Project will be built.

“Net Proceeds” means any insurance proceeds or condemnation award, to the extent remaining after payment therefrom of an expenses incurred in the collection thereof. Net Proceeds shall not include any amounts available to the County through its self-insurance program.

“Outstanding” or “outstanding”, when used as of any particular time with respect to Bonds, means (except for Bonds disqualified pursuant to the Trust Agreement) all Bonds theretofore executed by the Issuer and authenticated and delivered by the Trustee under the Trust Agreement except:

- (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation;
- (b) Bonds for the payment or redemption of which funds or Government Obligations in the necessary amount shall have theretofore been deposited with the Trustee in accordance with the Trust Agreement (whether upon or prior to the maturity or redemption date of such Bonds); provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as described under “THE BONDS - Redemption of Bonds - Notice of Redemption” or provision satisfactory to the Trustee shall have been made for the giving of such notice; and
- (c) Bonds in lieu of or in exchange for which other Bonds shall have been executed by the Issuer and authenticated and delivered by the Trustee as described under “THE BONDS - General”.

“Owner” or “Bond Owner” or “Owner of a Bond”, or any similar term, when used with respect to a Bond, means the person in whose name such Bond shall be registered on the registration books maintained by the Trustee.

“Permitted Investments” means any of the following which, at the time of investment, constitute legal investments under the laws of the State for the moneys proposed to be invested therein:

- (a) an obligation for which the United States has pledged its faith and credit for the

payment of the principal and interest;

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

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

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

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

(f) money market mutual funds that:

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

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

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

(g) any investment portfolio created under the Maryland Local Government Investment Pool defined under Article 95, § 22G of the Annotated Code of Maryland, as amended from time to time, that is administered by the Office of the State Treasurer.

“Project Fund” means the fund by that name established and held by the Trustee pursuant to the Trust Agreement.

“Rating Agencies” means each of Fitch Ratings, New York, New York, Moody’s Investors Service, Inc., New York, New York, and Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., New York, New York, or the successors of any of them.

“Rebate Fund” means the fund by that name established and held by the Trustee pursuant to the Tract Agreement.

“Record Date” means the close of business on the first day of the month of each Payment Date, whether or not such day is a Business Day.

“Regulations” means any final or temporary regulations of the United States Department of the Treasury which are promulgated under Sections 103 and 141 through 150 of the Code, which regulations by their terms are effective and/or applicable with respect to the Bonds.

“State” means the State of Maryland.

#### **SUMMARY OF CERTAIN PROVISIONS OF THE GROUND LEASE**

The following statements are a brief summary of certain provisions of the Ground Lease. This summary does not purport to be complete and reference must be made to the Ground Lease for a full and

complete statement of its provisions, copies of which will be furnished upon request to the Trustee.

### **Term**

The term of the Ground Lease shall be twenty years, commencing on the date of its execution and delivery and terminating on October 31, 2022. The Issuer has the option to renew the Ground Lease for an additional five years upon termination of the original term.

### **Rent**

The Issuer shall pay to the County annual rent of One Dollar with respect to the Leased Premises, for a total rent during the original lease term of Twenty Dollars.

### **Use of the Leased Premises**

The Leased Premises shall be used by the Issuer solely for the development, construction, equipping, operation, and maintenance of the Project located thereon.

### **Default**

Provided the Issuer is in full compliance with all terms and provisions of the Ground Lease, a default by the County under the Lease Agreement shall not constitute a default by the Issuer under the Ground Lease. In the event of a default by the County under the Lease Agreement which results in the termination of the County's right to possess the Leased Premises and the Project under the Lease Agreement, the Issuer thereupon shall have the right to sublease, without the consent of the County, all or any portion of the Leased Premises to a new operator of the Project or, at its option, to operate the Project itself; provided, however, that nothing in the Ground Lease shall be construed to permit the Issuer to take any action that would or might cause the Bonds to be "private activity bonds" within the meaning of Section 141(a) of the Code, nor take or permit to be taken any other action that would or might adversely affect the excludability of the interest payable on the Bonds from the gross income of the registered owners thereof for federal income tax purposes.

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

The following statements are a brief summary of certain provisions of the Lease Agreement. This summary does not purport to be complete and reference must be made to the Lease Agreement for a full and complete statement of its provisions, copies of which will be furnished upon request to the Trustee. References in this summary to the Issuer shall be deemed to include the Trustee, as the assignee of the Issuer, to the extent the Issuer has assigned certain of its rights under the Lease Agreement to the Trustee pursuant to the Trust Agreement. See "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT - Assignment" herein.

### **Term**

The term of the Lease Agreement shall be twenty years, commencing on the date of its execution and delivery and terminating on October 31, 2022. The County has the option to renew the Lease Agreement for an additional five years upon termination of the original term. When the Bonds shall have been retired and paid in full, or when provisions for their defeasance in full has been made pursuant to the Lease Agreement and the Trust Agreement, the Issuer shall, at the option of the County, convey title to the Project to the County, in which event the Lease Agreement shall terminate.

**Rent**

The County shall pay to the Issuer as rent semiannual payments (the "Lease Payments") on the first day of March and September in each year, commencing March 1, 2003 and continuing for so long as the Bonds are outstanding, in an amount which shall not be less than the amounts required to pay, when due, the principal of and interest on the Bonds. In addition to the Lease Payments, the County has agreed to pay to the Issuer, as additional rent, amounts sufficient to reimburse the Issuer for its direct and indirect costs relating the Lease Agreement and the Bonds.

The County Executive shall, to the extent permitted by applicable law, do all things within the County Executive's power annually to request the appropriation of funds from which the Lease Payments and all other payments to be made by the County under the Lease Agreement may be made, including (without limitation) the inclusion of such funds in the budget of the County to be submitted to the County Council and a request for adequate funds to meet its annual obligations under the Lease Agreement in full in its next fiscal year budget. The County has further agreed to apply funds so appropriated toward the payment of its obligations under the Lease Agreement.

In the event sufficient funds shall not be appropriated or sufficient funds are not otherwise available for the applicable programs administered by the County in any fiscal year for the payment of Lease Payments due under the Lease Agreement, the County may terminate the Lease Agreement at the end of the last fiscal year or earlier date for which an appropriation is available and the County shall not be obligated to make payment of the Lease Payments provided for in the Lease Agreement beyond the last date for which an appropriation is available. Notwithstanding anything contained in the Lease Agreement to the contrary, if a request for an appropriation to pay a Lease Payment has been made by the County Executive to the County Council and the County Council fails to make the appropriation requested, the County shall have the right to terminate the Lease Agreement as described in this paragraph. The County shall report to the Issuer and the Trustee on or before June 1 in each calendar year on the actions taken by the County Council on the County's budget for the fiscal year beginning July 1 of such calendar year as such actions regard appropriations for such fiscal year for Lease Payments and other amounts payable under the Lease Agreement during such fiscal year. The failure to give such notice shall not extend the term of the Lease Agreement beyond such fiscal year. Upon termination of the Lease Agreement for nonappropriation, the obligations of the County requiring the expenditure of money will cease so long as all payments previously approved or appropriated have been made, and all interest of the County in the Project under the Lease Agreement will terminate and be conveyed to the Issuer (or the Trustee as the assignee of the Issuer). The Issuer (or the Trustee as the assignee of the Issuer) may thereupon take possession of the Project and may take such other actions as are permitted to be taken upon an event of default under the Ground Lease, the Lease Agreement or the Trust Agreement. See "Default", and "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT - Events of Default and Remedies of Bond Owners" herein.

**Non-substitution**

The County agrees, to the extent permitted by applicable law, (i) not to terminate the Lease Agreement in any fiscal year for which sufficient funds are appropriated for the payment of Lease Payments due in that fiscal year for the acquisition (by either purchase or lease or otherwise), retention and/or operation of the Project, and (ii) the County Executive will use best efforts to obtain the authorization and appropriation of such funds, including, without limitation, the inclusion of such funds in the budget of the County to be submitted to the County Council and a request for adequate funds to meet its obligations under the Lease Agreement in full in its next fiscal year budget. This provision shall not be construed so as to permit the County Executive to, and the County Executive shall not, terminate the Lease Agreement in order to acquire (through construction, purchase, lease or otherwise) similar, functionally similar or competitive improvements from any other party or to allocate funds to perform indirectly essentially the same functions to the same extent for which the Project is intended.

## **Obligations of County Absolute**

Subject to an event of nonappropriation, the obligation of the County to pay Lease Payments and all other amounts payable under the Lease Agreement shall be absolute, irrevocable, complete and unconditional and the amount, manner and time of payment of such amounts shall not be decreased, abated, rebated, setoff, reduced, abrogated, waived, diminished or otherwise modified in any manner or to any extent whatsoever regardless of any right of setoff, recoupment or counterclaim that the County might otherwise have against the Issuer or any other party or parties and regardless of any contingency, act of God, event or cause whatsoever and notwithstanding any circumstance or occurrence that may arise or take place before, during or after the completion of the Project, including, but without in any way limiting the generality of the foregoing:

(a) any damage to or destruction of any part or all of the Project, (b) the taking or damaging of any part or all of the Project by any public authority or agency in the exercise of the power of eminent domain or otherwise, except as otherwise provided in the Lease Agreement; (c) any assignment, novation, merger, consolidation, sale or transfer of assets, leasing or other similar transaction of or affecting the County, whether with or without the approval of the Issuer, except as otherwise expressly provided in the Lease Agreement; (d) the expiration of any term, covenant or condition of the Lease Agreement pursuant to any provisions thereof or by operation of law, unless the Lease Agreement shall have terminated by operation of the provisions thereof; (e) any change or delay in the time of availability to the County for use of the Project or delays in the development, design, construction or equipping of the Project by the County; (f) the failure to complete or to maintain satisfactory progress in the development, design, construction or equipping of the Project, whether due to the fault or negligence of Issuer or any other cause or reason; (g) failure of consideration, failure of title or commercial frustration; and (h) any change in the tax or other laws of the United States of America or any other governmental authority; provided, however, that nothing in this provision shall preclude a separate action by the County with respect to any claim against the Issuer.

## **Prepayment**

(a) *Prepayment in Whole.* The County shall have the option to prepay the Lease Payments in whole at any time on or after September 1, 2012, by paying a prepayment price equal to the aggregate unpaid principal amount of all then outstanding Bonds, plus that amount of interest required to be paid with respect to all then outstanding Bonds on the next following Payment Date, all pursuant to the terms of the Bonds and the Trust Agreement. The County shall give the Trustee and the Issuer written notice of its intention to exercise such option not less than 60 days in advance of the date of exercise.

(b) *Prepayment in Part.* The County shall have the option to prepay the Lease Payments in part on any Lease Payment Date on or after September 1, 2012, by paying a prepayment price in any integral multiple of \$5,000 (the "prepayment price"), plus that amount of interest payable with respect to Bonds in a principal amount equal to the prepayment price on the next following Payment Date, all pursuant to the terms of the Bonds and the Trust Agreement. The County shall give the Trustee and the Issuer written notice of its intention to exercise such option not less than 60 days in advance of the date of exercise.

(c) *Security Deposit for all Lease Payments.* Notwithstanding any other provision of the Lease Agreement, the County may, on any date, secure the payment of all regularly scheduled Lease Payments by means of a deposit to the Security Deposit Fund established with the Trustee of as amount of: (1) cash which, together with amounts held by the Trustee under the Trust Agreement, and together with permissible interest to accrue thereon (to the extent not required to be deposited to the Rebate Fund or otherwise rebated to the United States under Section 148(f) of the Code), or (2) non-callable Government Obligations, together with permissible interest to accrue thereon, and, if needed, cash, and, if needed, all or a portion of moneys or non-callable Government Obligations then on deposit with the Trustee under the Trust Agreement (to the extent not required to be deposited to the Rebate Fund or otherwise rebated to the United States under Section 148(f) of the Code), which, in the opinion of an independent certified public accountant, will be fully sufficient to pay all unpaid payments of the principal of, and the interest and redemption premiums (if any) on the Bonds, when and as the same shall become due and payable in

accordance with the terms of the Bonds and the Trust Agreement. Said security deposit shall be deemed to be and shall constitute a special fund in full satisfaction of the County's obligation to make payment of Lease Payments in accordance with the provisions of the Lease Agreement.

(d) *Prepayment from Insurance or Condemnation Proceeds.* The County shall be obligated to prepay the Lease Payments, in whole at any time or in part on any Lease Payment Date, from and to the extent of any Net Proceeds of any insurance award or condemnation award or from any moneys available from self-insurance theretofore deposited in the Lease Payment Fund for such purpose as described under "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT-Insurance and Condemnation Fund; Eminent Domain" herein. The County and the Issuer agree that such Net Proceeds or moneys available from self-insurance so deposited, to the extent remaining after payment of any delinquent Lease Payments, shall be credited towards the County's obligations described under this paragraph.

#### **Use of the Premises**

The County shall not use, nor shall it permit any person to use, the Project in any way that would or might cause the Bonds to be considered "private activity bonds" under Section 141(a) of the Code, nor take or permit to be taken any other action that would or might adversely affect the excludability of the interest payable on the Bonds from the gross income of the registered owners thereof for federal income tax purposes or impair any collateral securing the Bonds.

#### **Construction and Improvements**

The County assumes full responsibility for causing the development, design, construction and equipping of the Project.

#### **Operating Expenses and Responsibility**

The County shall at all times during the term of the Lease Agreement maintain the Project in good repair and operating condition. To this end, the County shall be responsible for all aspects of the operation, maintenance and policing of the Project, including but not limited to the payment of all operating expenses relating to the use and occupancy of the Project, such as costs of maintenance and repair of the building and equipment, fixtures, roof, windows, electrical systems, utilities, janitorial services, refuse removal, telephone service, security, maintenance and repair of heating and air conditioning systems, plumbing systems, pest control and any other work or expense incurred by virtue of the use and operation of the Project. The County shall be responsible for the collection of fees received in connection with the operations and programs administered in connection with the Project and any related facilities, the hiring and supervision of employees and contractors in connection with the operation and management of the Project, and the provision of all appropriate safety equipment. The Issuer and the County acknowledge and agree that the County may enter into one or more collateral agreements with other persons, with respect to the upkeep, operation, maintenance and policing of the Project, in which such other persons agree to accept certain responsibilities with respect to all or a portion of the Project; provided that, entry into any such agreements shall not relieve the County of its responsibility, as between the County and the Issuer, for such matters described in this paragraph.

#### **Liability, Property Damage and Fire Insurance**

The County agrees to obtain and maintain, during the full term of the Lease Agreement, a policy of liability insurance, issued by an insurance company licensed in the State and acceptable to the Issuer, with bodily injury limits of not less than \$200,000 for an accident or death to one person, and not less than \$500,000 for bodily injury and property damage for each occurrence.

The County agrees to obtain and maintain during the full term of the Lease Agreement, a policy of fire, extended coverage and vandalism insurance on the Project, in form and substance satisfactory to the Issuer, issued by an insurance company licensed in the State and acceptable to the Issuer, with limits of not

less than the replacement cost of the Project.

The County may, at its option, satisfy its insurance obligations set forth above by means of self-insurance in the amounts prescribed above; provided, however, that its doing so shall constitute a representation, which shall continue in effect during the period of self-insurance, that it has sufficient resources or reserves to satisfy the minimum insurance requirements set forth above. See "RISK MANAGEMENT" in APPENDIX A.

In the event that the Project is destroyed or damaged so as to render all or a substantial portion of the Project unfit for the purposes for which the Project are leased to the County, and sufficient monies are available from insurance proceeds and other funding sources for reconstruction, then the Lease Agreement shall not terminate but shall continue in full force and effect, and the Project shall be reconstructed, within 24 months from the date of such damage or destruction from such sources, unless otherwise agreed by the parties to the Lease Agreement.

The Net Proceeds (i.e., proceeds net of any expenses of collection) of any insurance award resulting from any damage to or destruction of the Project by fire or other casualty or moneys available from self-insurance (in the event the County elects not to repair such damage or destruction) shall be paid by the County or the Issuer, as the case may be, to the Trustee, as assignee of the Issuer under the Trust Agreement, and deposited in the Insurance and Condemnation Fund by the Trustee and applied as set forth in the Trust Agreement. See "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT - Insurance and Condemnation Fund; Eminent Domain" herein.

#### **Eminent Domain**

If all of the Project shall be taken permanently under the power of eminent domain or sold to a government threatening to exercise the power of eminent domain, then the term of the Lease Agreement shall cease as of the day possession shall be so taken. If less than all of the Project shall be taken permanently, or if all of the Project or any part thereof shall be taken temporarily, under the power of eminent domain, then the Lease Agreement shall continue in full force and effect and shall not be terminated by virtue of such taking.

The Net Proceeds (i.e., proceeds net of any expenses of collection) of any eminent domain award resulting from any event described in the preceding paragraph shall be paid by the County or the Issuer, as the case may be, to the Trustee, as the assignee of the Issuer under the Trust Agreement, and deposited in the Insurance and Condemnation Fund by the Trustee and applied as set forth in the Trust Agreement. See "SUMMARY OF CERTAIN PROVISIONS OF THE TRUST AGREEMENT - Insurance and Condemnation Fund; Eminent Domain" herein.

#### **Default**

Subject to the provisions of the Lease Agreement regarding nonappropriation, the County shall be in default of the Lease Agreement upon its failure to perform under any term, covenant or condition of the Lease Agreement and the continuance thereof for 60 days after written notice from the Issuer specifying said failure; provided, however, that in the case of the County's failure to make Lease Payments or pay any additional rent when due, the County shall be in default if such failure to make Lease Payments or pay any additional rent shall continue for either (i) five days after written notice from the Issuer or the Trustee specifying such failure or (ii) in the absence of such notice from the Issuer or the Trustee, 10 days.

In the event that the County shall be in default as hereinabove stated, and shall fail to cure said default within the applicable 60-day, five-day or 10-day period described above (or, except in the case of a failure to make Lease Payments or pay any additional rent when due, such longer period as may be reasonably required to correct the default with the exercise of due diligence), then and in every such case thenceforth, at the option of the Issuer, the County's right of possession shall thereupon end, and the Issuer may proceed to recover possession under the laws of the State.

Notwithstanding any other provision of the Lease Agreement, if the County shall be in default as hereinabove stated, the Issuer may proceed to protect or enforce its rights by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Lease Agreement, or in aid of the execution of any power therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy available therefor to the Issuer.

Subject to the provisions of the Lease Agreement regarding nonappropriation, nothing in this subheading or any other provision of the Lease Agreement shall affect or impair the obligation of the County, which is absolute and unconditional, to pay or prepay the Lease Payments as provided in the Lease Agreement, or affect or impair the right of action, which is also absolute and unconditional, of the Issuer to institute suit to enforce and collect such payment. No delay or omission of the Issuer to exercise any right or power arising upon any event of default described above shall impair any such right or power or shall be construed to be a waiver of any such event of default or an acquiescence therein, and every power and remedy given to the Issuer may be exercised from time to time and as often as shall be deemed expedient by the Issuer.

No remedy conferred upon or reserved to the Issuer in the Lease Agreement is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Lease Agreement or existing at law or in equity or by statute or otherwise from time to time.

#### **SUMMARY OF CERTAIN PROVISIONS OF THE PROJECT MANAGEMENT AGREEMENT**

The following statements are a brief summary of certain provisions of the Project Management Agreement. This summary does not purport to be complete and reference must be made to the Project Management Agreement for a full and complete statement of its provisions, copies of which will be furnished upon request to the Trustee.

##### **County Services and Responsibilities**

The County shall have responsibility for causing the development, design, construction and equipping of the Project, including budget management, design development, selection of an architect, selection of construction contractors (including any general contractors), supervision of construction and every other task necessary or appropriate to the completion of the Project. The County shall oversee and approve the program of requirements, budget development, contract awards (design and construction), design development, construction and equipping of the Project, and all project requisitions. County oversight and approvals shall be provided by the Department of Public Works and Transportation for budget, contract, design, construction, and requisition issues. The County shall consult with the Issuer at all phases of the Project, and shall render such approvals and decisions as may be necessary as the operator of the Project.

##### **Issuer Responsibilities**

The Issuer shall be available for consultation with the County at all phases of the Project, and shall render such approvals and decisions as may be necessary, including executing such contracts as may be necessary (or as requested by the County) as the owner of the Project.

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

The following statements are a brief summary of certain provisions of the Trust Agreement. This summary does not purport to be complete and reference must be made to the Trust Agreement for a full and complete statement of its provisions, copies of which will be furnished upon request to the Trustee.

## **Assignment**

Pursuant to the Trust Agreement, the Issuer has transferred, assigned, and set over to the Trustee, in its capacity as Trustee for the equal and proportionate benefit of the Owners of the Bonds, and not in its individual capacity, all of the Issuer's rights under the Lease Agreement (excepting certain rights as to additional rent payments and reimbursement rights), including (1) the right to receive and collect all of the Lease Payments (including prepayments thereof) from the County under the Lease Agreement and (2) the right to exercise such rights and remedies conferred on the Issuer pursuant to the Lease Agreement as may be necessary or appropriate (i) to enforce payment of the Lease Payments, prepayments thereof, and any other amounts required to be deposited in the Lease Payment Fund, or (ii) otherwise to protect the interests of the Owners in the event of a default by the County under the Lease Agreement or under the Trust Agreement.

## **Moneys in Funds: Investment**

*Investments Authorized.* Moneys held by the Trustee in any fund or account under the Trust Agreement shall be invested and reinvested by the Trustee, as the County Representative or the County Representative's designee shall from time to time direct, in Permitted Investments.

## **Flow of Funds**

*Funds and Accounts.* The Trust Agreement creates the following funds of the Issuer to be established with the Trustee: (i) the Project Fund; (ii) the Lease Payment Fund; (iii) the Rebate Fund; and (iv) the Insurance and Condemnation Fund. The following is a summary of these funds and their operation.

*Project Fund.* The Project Fund consists of four accounts: the Series 2002A Costs of Issuance Account, the Series 2002B Costs of Issuance Account, the Series 2002A Project Account and the Series 2002B Project Account. There shall be deposited in the Project Fund certain proceeds of sale of the Bonds and any other funds from time to time deposited with the Trustee for such purpose. The moneys in the Series 2002A Costs of Issuance Account shall be disbursed to pay Costs of Issuance of the Series 2002A Bonds, and the moneys in the Series 2002B Costs of Issuance Account shall be disbursed to pay Costs of Issuance of the Series 2002B Bonds. The moneys in the Project Accounts shall be disbursed to pay Construction Costs. Such disbursements shall be made upon the written order of the Issuer Representative or the County Representative executed and delivered to the Trustee directing such disbursement as follows:

(a) The Trustee shall disburse moneys from a Costs of Issuance Account only upon a requisition signed by the Issuer Representative or the County Representative. In the case of Construction Costs, the Trustee shall from time to time disburse moneys from the Series 2002A Project Account or the Series 2002B Project Account upon receipt by the Trustee of a requisition signed by the County Representative which requests disbursement of the moneys from the respective Project Account to pay the Construction Costs. Each requisition shall specify the respective Project Account from which disbursement is to be made, set forth the amounts to be disbursed for payment or reimbursement of Construction Costs, and the name or address of the person or persons to whom such amounts are to be disbursed, stating that the amounts are for Construction Costs properly chargeable to the respective Project Account.

(b) Upon payments of all Costs of Issuance, the Trustee shall withdraw and transfer to the Lease Payment Fund any and all remaining moneys in either Costs of Issuance Account, to be credited to the payment of the Lease Payments next to occur as the same shall become due and payable.

*Lease Payment Fund.* All moneys at any time deposited by the Trustee in the Lease Payment Fund shall be held by the Trustee in trust for the equal and proportionate benefit of the Owners of the Bonds. So long as any Bonds are outstanding, the Issuer and the County shall have no beneficial right or interest in the Lease Payment Fund or the moneys deposited therein, except only as provided in the Trust Agreement,

and such moneys shall be used and applied by the Trustee as set forth in the Trust Agreement.

There shall be deposited in the Lease Payment Fund all Lease Payments received by the Trustee as assignee of the Issuer under the Trust Agreement, including any moneys received by the Trustee for deposit therein to be used to redeem the Bonds and any other moneys required to be deposited therein pursuant to the Lease Agreement or pursuant to the Trust Agreement

All amounts in the Lease Payment Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal, interest and redemption premiums (if any) on the Bonds as the same shall become due and payable. The Series 2002A Bonds and the Series 2002B Bonds shall be payable on an equal and proportionate basis, without privilege, priority or distinction of any of the Bonds over any other of the Bonds. All amounts remaining in the Lease Payment Fund on the Business Day immediately following each Payment Date, to the extent not required to pay the principal, interest, and premiums (if any) then due and payable with respect to the Bonds, shall be promptly withdrawn from the Lease Payment Fund by the Trustee and remitted to the Issuer, which shall transfer such amounts to the County; provided, however, that this sentence shall not apply to those amounts transferred by the Trustee to the Lease Payment Fund as described in the last paragraph under “Project Fund” above.

*Final Surplus.* Any surplus remaining in the Lease Payment Fund, after redemption and payment of all Bonds, including redemption premiums and accrued interest (if any) and payment of any applicable fees and expenses to the Trustee, or provision for such redemption or payment having been made to the satisfaction of the Trustee, shall (to the extent not required to be deposited to the Rebate Fund or be rebated to the United States in accordance with the provisions of the Trust Agreement) be withdrawn by the Trustee and remitted to the Issuer, which shall then transfer such amounts to the County.

*Rebate Fund.* Notwithstanding any other provision of the Trust Agreement, upon the advice of bond counsel, the Issuer may direct the Trustee to establish and maintain a fund to be known as the “Rebate Fund” and the Trustee thereafter shall undertake and perform the requirements pertaining to rebate provided for in the Trust Agreement.

In such event, the Issuer or the County will appoint a rebate and compliance monitor or other similar agent to ensure continuing compliance with the arbitrage provisions and rebate requirements of the Code and the Regulations. Upon such an appointment, the Trustee agrees to cooperate with the rebate and compliance monitor and to provide such information and take such other actions as such monitor may reasonably require or as the Issuer may from time to time direct in writing.

#### **Insurance and Condemnation Fund; Eminent Domain**

*Insurance and Condemnation Fund.* Any Net Proceeds of insurance against damage to or destruction of any structure constituting any part of the Project collected by the County or the Issuer in the event of any such damage or destruction shall be paid to the Trustee by the County or the Issuer pursuant to the Lease Agreement and deposited by the Trustee promptly upon receipt thereof in a special fund designated as the “Insurance and Condemnation Fund”. If the County determines and notifies the Trustee in writing of its determination, within 90 days following the date of such deposit, that the replacement, repair, restoration, modification, or improvement of the Project is not in the best interests of the County, then such Net Proceeds shall be promptly transferred by the Trustee to the Lease Payment Fund and applied to the prepayment of Lease Payments required of the County pursuant to the Lease Agreement and the redemption of Bonds as described in “THE BONDS-Redemption of Bonds”; provided, however, that in the event of damage to or destruction of the Project in full, such Net Proceeds may be transferred to the Lease Payment Fund only if sufficient, together with other moneys available therefor, to cause the prepayment by the County of the principal components of all unpaid Lease Payments pursuant to the Lease Agreement. All Net Proceeds deposited in the Insurance and Condemnation Fund and not so transferred to the Lease Payment Fund shall be applied to the prompt replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Project by the County, upon receipt of requisitions satisfactory to the Trustee signed by the County Representative, which: (a) state with respect

to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid, (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, and has not been the basis of any previous withdrawal, and (v) that the County estimates that sufficient funds will remain on deposit in the Insurance and Condemnation Fund following such payment for the purpose of completing such replacement, repair, restoration, modification or improvement; (b) specifies in reasonable detail the nature of the obligation; and (c) is accompanied by a bill or a statement of account for such obligation. Any balance of the Net Proceeds remaining after such work has been completed shall be paid to the Issuer, which shall then transfer such amounts to the County.

If there occurs any damage or destruction to the Project and if the County determines and notifies the Trustee in writing of its determination, within 90 days following such damage or destruction, that the replacement, repair, restoration, modification, or improvement of the Project is not in the best interest of the County, then the County shall deposit any moneys available as part of its self-insurance program with the Trustee to be applied to the prepayment of Lease Payments as described above. Otherwise, the County shall apply any moneys available as part of its self-insurance program to the replacement, repair, restoration, modification or improvement of the damaged or destroyed portions of the Project.

*Eminent Domain.* If all or any part of the Project shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited with the Trustee in the Insurance and Condemnation Fund pursuant to the Lease Agreement and shall be applied and disbursed by the Trustee as follows:

(a) If the County has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Project or the ability of the County to meet any of its obligations under the Lease Agreement, and (ii) that such proceeds are not needed for repair or rehabilitation of the Project, the Trustee shall transfer such Net Proceeds to the Lease Payment Fund to be credited towards the prepayments of the Lease Payments pursuant to the Lease Agreement and applied to the redemption of the Bonds in the manner described under “THE BONDS - Redemption of Bonds - Redemption From Net Proceeds of Insurance and Condemnation Awards or from Self-Insurance”.

(b) If the County has given written notice to the Trustee of its determination that (i) such eminent domain proceedings have not materially affected the operation of the Project or the ability of the County to meet any of its obligations under the Lease Agreement, and (ii) such proceeds are needed for repair, rehabilitation or replacement of the Project, the Trustee shall pay to the County, or to its order, from said Net Proceeds such amounts as the County may expend for such repair or rehabilitation, upon the filing of requisitions of the County Representative in the form and containing the provisions in the third preceding paragraph.

(c) If (i) less than all of the Project shall have been taken in such eminent domain proceedings or sold to a government threatening the use of eminent domain powers, and if the County has given written notice to the Trustee of its determination that such eminent domain proceedings have materially affected the operation of the Project or the ability of the County to meet any of its obligations under the Lease Agreement, or (ii) all of the Project shall have been taken in such eminent domain proceedings, then the Trustee shall transfer such Net Proceeds to the Lease Payment Fund to be credited toward the prepayment of the Lease Payments required of the County pursuant to the Lease Agreement and applied to the redemption of the Bonds in the manner described under “THE BONDS - Redemption of Bonds - Redemption From Net Proceeds of Insurance and Condemnation Awards or from Self-Insurance”.

In making any such determination described under this subcaption, the County may obtain, but shall not be required to obtain, at its expense, the report of an independent engineer or other independent professional consultant. A copy of any such report shall be filed with the Issuer and the Trustee. Any such determination by the County shall be final.

The Issuer and the Trustee shall cooperate fully with the County at the expense of the County in filing any proof of loss with respect to any insurance policy maintained pursuant to the Lease Agreement and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Project or any portion thereof.

#### **Modification or Amendment of Agreements**

The Trust Agreement and the rights and obligations of the Owners of the Bonds, and the Lease Agreement and the rights and obligations of the respective parties thereto, may be modified or amended at any time and from time to time by a supplemental agreement, which shall become effective when written consents with respect to such modification or amendment shall have been filed with the Trustee by or on behalf of the Owners of not less than 60% in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in the Trust Agreement. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Bond or reducing the interest rate with respect thereto or extending the time for payment of interest thereon, or reducing the amount of principal thereof or interest due thereon or reducing any premium payable upon the redemption thereof, without the express consent of the Owner of such Bond, or (2) reduce or have the effect of reducing the percentage of Bond Owners required for the affirmative vote or written consent to an amendment or modification of the Trust Agreement or the Lease Agreement, or (3) modify any of the rights or obligations of the Trustee (including in its capacity as assignee of the Issuer) without its written consent thereto.

The Trust Agreement and the rights and obligations of the Owners of the Bonds, and the Lease Agreement and the rights and obligations of the respective parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only to the extent permitted by law and only (1) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power therein reserved to the Issuer or the County, (2) to cure, correct or supplement any ambiguous or defective provision contained therein, (3) in regard to questions arising thereunder, as the parties thereto may deem necessary or desirable and which shall not adversely affect the interests of the Owners of the Bonds, (4) to modify the legal description of the Project to conform to the requirements of title insurance or otherwise to add or delete property descriptions to reflect accurately the description of the parcel intended to be included therein, or (5) to amend or modify the Lease Agreement to recalculate the Lease Payments upon partial prepayment thereof.

#### **Events of Default and Remedies of Bond Owners**

*Remedies.* If an Event of Default shall occur, then and in each and every such case during the continuance of such Event of Default, the Trustee may, in its own discretion, and upon request of the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding shall, exercise any and all remedies available pursuant to law (including, but not limited to, the Act) or granted pursuant to the Lease Agreement and/or the Trust Agreement.

*Application of Funds.* All moneys received by the Trustee pursuant to any right given or action taken as described in the immediately preceding paragraph or the Lease Agreement shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the costs and expenses of the Bond Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel, and to the payment of the costs and expenses of the Trustee, including reasonable compensation to its agents, attorneys and counsel and including amounts due the Trustee for the exercise of its duties in accordance with the Trust Agreement;

Second, to the payment of the whole amount then owing and unpaid with respect to the Bonds then Outstanding for principal and interest, with interest on the overdue principal and on overdue installments of interest at the rate of interest represented by the Outstanding Bonds (but such interest on

overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

*Institution of Legal Proceedings.* If one or more Events of Default shall occur and be continuing, the Trustee in its discretion may, and upon the written request of the Owners of not less than 25% in principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor shall, proceed to protect or enforce its rights or the rights of the Owners of Bonds by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Trust Agreement, or in aid of the execution of any power granted in the Trust Agreement, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties thereunder.

*Non-waiver.* Nothing described above or in any other provision of the Trust Agreement or in the Bonds, shall affect or impair the obligation of the County to pay or prepay the Lease Payments as provided in the Lease Agreement, or, subject to the provisions described under "Limitations on Suits by Bond Owners" below, affect or impair the right of the Bond Owners to institute suit to enforce and collect such payment. No delay or omission of the Trustee or of any Owner of any of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or be construed to be a waiver of any such Event of Default or an acquiescence therein in the absence of an express writing to such effect signed by the party to be charged with such waiver or acquiescence, and every power and remedy described under this caption as given to the Trustee or to the Owners of Bonds may be exercised from time to time and as often as shall be deemed expedient by the Trustee or the Bond Owners.

*Remedies Not Exclusive.* No remedy in the Trust Agreement conferred upon or reserved to the Trustee or to the Bond Owners is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or existing at law or in equity or by statute or otherwise from time to time, including those provided under the Act.

*Power of Trustee to Control Proceedings.* In the event that the Trustee, upon the occurrence of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties under the Trust Agreement, whether upon its own discretion or upon the written request of the Owners of not less than 25% in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, to make decisions with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action.

*Limitation on Suits by Bond Owners.* No Owner of any Bond issued under the Trust Agreement shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon the Trust Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default under the Trust Agreement; (b) the Owners of at least 25% in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers granted by the Trust Agreement or to institute such action, suit or proceeding in its own name, which request shall specify the action which such Owners request the Trustee to take; (c) said Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Trust

Agreement, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by such Owner's or their action to enforce any right under the Trust Agreement, except in the manner therein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner provided in the Trust Agreement and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payments of principal and interest under such Bond as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this subcaption or any other provision of the Trust Agreement.

### **Defeasance**

If and when all Outstanding Bonds shall be paid and discharged in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of and interest and redemption premiums (if any) with respect to all Bonds Outstanding, as and when the same become due and payable; or

(b) by depositing with the Trustee security for the payment, when and as the same shall become due and payable, of all unpaid amounts of the principal of, interest on, and redemption premiums (if any) on all Bonds Outstanding at the time of such prepayment, as more particularly described in the Lease Agreement with respect to the prepayment of all remaining Lease Payments, said security to be held by the Trustee as agent for the County in a separate fund to be known as the "Security Deposit Fund", to be applied by the Trustee to pay the unpaid payments of the principal of, interest on, and redemption premiums (if any) on all Bonds Outstanding, as the same become due and payable;

then, notwithstanding that any Bonds shall not have been surrendered for payment, all obligations of the Issuer and the County with respect to all Outstanding Bonds shall cease and terminate, except only the obligation to cause the Trustee to pay or cause to be paid, from Lease Payments paid by or on behalf of the County or the Issuer from funds deposited in the Security Deposit Fund pursuant to paragraph (b) above, to the Owners of the Bonds not so surrendered and paid all sums due with respect thereto.

Any funds held by the Trustee, at the time of one of the events described in paragraphs (a) and (b) above, which are not required for the payments to be made to Owners, and which are not required to be deposited to the Rebate Fund or be rebated to the United States in accordance with the provisions of the Trust Agreement, shall be paid over to the Issuer for transfer to the County.

### **SUMMARY OF CERTAIN PROVISIONS OF THE CONTINUING DISCLOSURE AGREEMENT**

The following statements are a brief summary of certain provisions of the Continuing Disclosure Agreement. This summary does not purport to be complete and reference must be made to the Continuing Disclosure Agreement for a full and complete statement of its provisions, copies of which will be furnished upon request to the Trustee.

#### **Information in the Annual Report**

The Annual Report will contain the following information:

The County shall provide to each NRMSIR and the State Repository, if any, 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 ending June 30, 2002:

- (1) Statement of Direct and Overlapping Debt;
- (2) General Bonded Debt Ratios;
- (3) Assessed Value of All Taxable Property By Class;
- (4) Property Tax Levies and Collections;
- (5) Property Tax Rates and Tax Levies, By Purpose, and
- (6) Schedule of General Fund Revenues, Expenditures and Transfers In (Out).

The County shall also provide to each NRMSIR and the State Repository, if any, 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 ending June 30, 2002, 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 ending June 30, 2002), the County will provide unaudited financial statements within such time period.

**Notice of Material Events**

Whenever the County obtains knowledge of the occurrence of one of the following events (each a "Reportable Event"), the County shall as soon as possible determine if such event would constitute material information for owners of the Bonds, in accordance with the applicable "materiality" standard under then-current securities laws:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (7) Modifications to rights of owners of the Bonds;
- (8) Bond calls;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds; or
- (11) Rating changes.

If the County has determined that a Reportable Event is material, the County shall file in a timely manner a notice of such occurrence with the NRMSIRs or the Municipal Securities Rulemaking Board and the State Depository (if any).