

SUPPLEMENTAL OFFICIAL STATEMENT DATED JUNE 7, 2006

\$50,000,000

**MONTGOMERY COUNTY, MARYLAND
CONSOLIDATED PUBLIC IMPROVEMENT BOND ANTICIPATION NOTES
2006 SERIES B**

Supplement to Official Statement Dated May 31, 2006

The Official Statement dated May 31, 2006 (the “Official Statement”) relating to the \$50,000,000 Montgomery County, Maryland Consolidated Public Improvement Bond Anticipation Notes, 2006 Series B is hereby supplemented as follows. All capitalized terms used in this Supplement shall have the respective meanings ascribed to them in the Official Statement.

The Official Statement is supplemented by deleting the material under the headings “SECURITY AND SOURCES OF PAYMENT FOR THE NOTES – Standby Note Purchase Agreement -- Special Event of Default,” “-- Suspension Event” and “-- Other Events of Default; Remedies” and replacing it with the following:

Special Event of Default. The occurrence of any of the following events shall constitute a Special Event of Default under the Standby Note Purchase Agreement:

- Any principal of, or interest on, any Note or Bank-Owned Note shall not be paid when due; or
- The County shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) any general obligation indebtedness or any interest or premium thereon, and such failure shall continue beyond any applicable period of grace specified in any underlying resolution, indenture, contract or instrument providing for the creation of or concerning such indebtedness, or pursuant to the provisions of any such resolution, indenture, contract or instrument, the maturity of any such indebtedness, as a result of the occurrence of a payment default of any nature, may be accelerated or may be required to be prepaid prior to the stated maturity thereof; or
- (i) The County shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its Debt, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any substantial part of its assets, or the County shall make a general assignment for the benefit of its creditors; or (ii) there shall be commenced against the County any case, proceeding or other action of a nature referred to in clause (i) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days; or (iii) there shall be commenced against the County, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets,

which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the entry thereof; or (iv) the County shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above; or (v) the County shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its Debts; or

- any provision of the Standby Note Purchase Agreement or any other Bond Document relating to the County's ability to make payments of principal or interest on the Notes (including Bank-Owned Notes) as provided therein shall at any time for any reason cease to be valid and binding on the County as a result of a ruling, finding, decree, order, legislative act or similar action by a Governmental Authority having jurisdiction over the County, or shall be declared in a final non-appealable judgment by any court having jurisdiction over the County to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be publicly contested by the County acting through any official of the County having the authority to do so; or
- The long-term unenhanced rating by Moody's, Fitch and S&P on any general obligation bonded indebtedness of the County shall be withdrawn or suspended (but excluding any withdrawals or suspensions if the Rating Agency stipulates in writing that the rating action is being taken for non-credit related reasons) or reduced below "Baa3" (or its equivalent), "BBB-" (or its equivalent) and "BBB-" (or its equivalent), respectively; or
- (i) a final, nonappealable judgment or order for the payment of money in excess of \$10,000,000 or (ii) two or more final, nonappealable judgments or orders for the payment of money in excess of \$20,000,000 in the aggregate, in either case, which shall be rendered against the County with respect to which, in the opinion of the Bank, adequate cash reserves have not been established, or other means of satisfying or otherwise funding the judgment have not been undertaken, satisfactory to the Bank and such judgment or order shall continue unsatisfied and unstayed for a period of sixty (60) days; or
- the County shall impose, or any Governmental Authority having appropriate jurisdiction over the County shall make a finding or ruling or shall enact or adopt legislation or issue an executive order or enter a judgment or a decree which results in, a debt moratorium, debt restructuring, debt adjustment or comparable restriction on the repayment when due and payable or the principal of or interest on any general obligation indebtedness of the County.

Upon the occurrence of a Special Event of Default, the obligations of the Bank under the Standby Note Purchase Agreement shall immediately terminate and expire without the requirement of notice by the Bank.

Suspension Event. If the County, acting through any official of the County having the authority to do so, shall publicly contest any provision of the Standby Note Purchase Agreement or other Bond Document relating to the County's ability to make payments of principal or interest on the Notes (including Bank-Owned Notes) as provided therein, or the County, acting through any official of the County having the authority to do so, shall publicly deny that it has any obligation to make payments on the Notes (including Bank-Owned Notes), then the obligations of the Bank under the Standby Note Purchase Agreement shall be suspended from the time of the occurrence of such contest or denial, and in the event any provision of the Standby Note Purchase Agreement or any other Bond Document related to the County's ability to make payments on the Notes (including Bank-Owned Notes) as provided in the the Standby Note Purchase Agreement shall at any time for any reason cease to be valid and binding on the County as a result of a ruling, finding, decree, order, legislative act or similar action by a Governmental Authority having jurisdiction over the County, or it is determined that the County has no liability under the Standby Note Purchase Agreement or any other Bond Document, in either case by a court or other Governmental Authority with competent jurisdiction, then the obligations of the Bank under the Standby Note Purchase Agreement shall immediately terminate and expire without the requirement of notice by the Bank; *provided, however,* that if such provisions are upheld in their entirety, then the Bank's obligations under the Standby Note Purchase Agreement shall be automatically reinstated and the terms of the Standby

Note Purchase Agreement will continue in full force and effect (unless the Standby Note Purchase Agreement shall have otherwise expired or been terminated in accordance with its terms) as if there had been no such suspension. If the Event of Default which gave rise to the suspension of the obligations of the Bank under the Standby Note Purchase Agreement has not been cured or does not cease to exist prior to the three year anniversary of such occurrence, the obligations of the Bank under the the Standby Note Purchase Agreement shall be terminated upon written notice from the Bank, to the County, and thereafter the Bank shall have no further obligations under the Standby Note Purchase Agreement.

Upon the occurrence of a Default (as defined in the Standby Note Purchase Agreement) described in clause (ii) or (iii) of the third bullet-point paragraph under “Special Event of Default” above, the obligation of the Bank to purchase Notes under the Standby Note Purchase Agreement shall be immediately suspended until the proceeding referred to therein is terminated prior to the court entering an order granting the relief sought in such proceeding. In the event such proceeding is terminated, the obligations of the Bank to purchase Notes under the Standby Note Purchase Agreement shall be reinstated and the terms of the Standby Note Purchase Agreement will continue in full force and effect (unless the obligations of the Bank to purchase Notes under the Standby Note Purchase Agreement shall have otherwise terminated in accordance with the terms thereof) as if there had been no such suspension.

Other Events of Default; Remedies. The occurrence of any of the following events shall constitute an Event of Default (but not a Special Event of Default) under the Standby Note Purchase Agreement:

- the County shall fail to pay any amount payable by it under the Standby Note Purchase Agreement (not otherwise constituting a Special Event of Default) within three (3) days of such amount becoming due and payable under the Standby Note Purchase Agreement; or
- any representation or warranty made by or on behalf of the County to the Bank in the Standby Note Purchase Agreement or by the County in any Related Document or in any certificate or statement delivered under the Standby Note Purchase Agreement shall be incorrect or untrue in any material respect when made or deemed to have been made; or
- the County shall default in the due performance or observance of certain covenants under the Standby Note Purchase Agreement respecting modification of the Related Documents, the tax status of the Notes, appointment or removal of the Registrar and Paying Agent and the Remarketing Agent, violation of laws, use of disclosure materials not approved by the Bank, performance of covenants in the Related Documents, the Bank-Owned Notes, and governmental immunities; or
- the County shall default in the due performance or observance of any term, covenant or agreement contained or incorporated by reference in the Standby Note Purchase Agreement (other than those constituting a Special Event of Default and those described in the three immediately preceding paragraphs) and such default shall remain unremedied for a period of thirty (30) days or more; or
- the County shall fail to pay when due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) any Debt of the County, other than general obligation indebtedness, with an outstanding principal amount of \$1,000,000 or more, and such failure shall continue beyond any applicable period of grace specified in any underlying resolution, indenture, contract or instrument providing for the creation or concerning such Debt, or any other default under any resolution, indenture, contract or instrument providing for the creation of or concerning such Debt, or any other event, shall occur and shall continue after the applicable grace period, if any, specified in such resolution, indenture, contract or instrument, if the effect of such default or event is to accelerate, or to permit the acceleration of, the maturity of such Debt; or pursuant to the provisions of any such resolution, indenture, contract or instrument the maturity of any Debt, other than general obligation indebtedness, in a principal amount in excess of \$1,000,000 shall have been or may be accelerated or shall have been or may be required to be prepaid prior to the stated maturity thereof; or

- any “Event of Default” under the Note Order or the note order pertaining to the Series B Notes, or any “Event of Default” which is not cured within any applicable cure period under any of the other Related Documents shall occur; or
- any material provision of the Standby Note Purchase Agreement or any other Bond Document (other than a provision the invalidity of which would constitute a Special Event of Default) shall at any time for any reason cease to be valid and binding on the County as a result of a ruling, finding, decree, order, legislative act or similar action by a Governmental Authority having jurisdiction over the County, or shall be declared in a final non-appealable judgment by any court having jurisdiction over the County to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be publicly contested by the County acting through any official of the County having the authority to do so; or
- The long-term unenhanced rating by Moody’s, Fitch or S&P on any general obligation bonded indebtedness of the County shall be reduced below “Aa3” (or its equivalent), “AA-” (or its equivalent) or “AA- (or its equivalent), respectively.

Upon the occurrence of an Event of Default (other than a Special Event of Default or a Suspension Event), the Bank shall have all other remedies provided at law or equity, including, without limitation, specific performance; and in addition, the Bank, may do one or more of the following:

(i) declare all Obligations of the County to the Bank under the Standby Note Purchase Agreement and under the Bank-Owned Notes to be immediately due and payable, and the same shall thereupon become due and payable without demand, presentment, protest, notice of intent to accelerate, notice of acceleration or further notice of any kind; (ii) deliver to the County and the Registrar and Paying Agent written notice that an Event of Default has occurred under the Standby Note Purchase Agreement (a “*Notice of Termination of Commitment to Purchase*”), whereupon the remarketing of Notes shall cease immediately and at the close of business on the 35th day following the date such Notice of Termination of Commitment to Purchase is received by the Registrar and Paying Agent, the Available Commitment shall be reduced to zero and the obligations of the Bank to purchase Notes under the Standby Note Purchase Agreement shall terminate; *provided, however*, that prior to such termination, the Bank shall remain obligated to purchase Eligible Notes in accordance with the terms of the Standby Note Purchase Agreement so long as no Special Event of Default and no Suspension Event has occurred; (iii) require immediate purchase of Bank-Owned Notes by the County; (iv) exercise any right or remedy available to it under any other provision of the Standby Note Purchase Agreement; or (v) exercise any other rights or remedies available under any Related Document, any other agreement or at law or in equity; *provided, however*, that the Bank shall not have the right to terminate its obligation to purchase Notes except as expressly provided in the Standby Note Purchase Agreement.

Except as specifically supplemented hereby, the County affirms the content of the Official Statement as of the date hereof.

MONTGOMERY COUNTY, MARYLAND

By: /s/ Douglas M. Duncan
County Executive