

OFFICIAL STATEMENT DATED MARCH 29, 2016

NEW ISSUE – BOOK-ENTRY ONLY

**Ratings: Standard & Poor's: AAA
Moody's: Aa2
(See "RATINGS" herein)**

In the opinion of Bond Counsel, assuming compliance with certain covenants described herein, (i) interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions and (ii) by the terms of the Transportation Article of the Annotated Code of Maryland (2015 Replacement Volume, as amended and supplemented), the Bonds, their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale or exchange, shall be exempt at all times from every kind and nature of taxation by the State of Maryland or by any of its political subdivisions, municipal corporations, or public agencies of any kind; no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the Bonds, their transfer or the income therefrom. Interest on the Bonds is not includable in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment and is not taken into account in determining "adjusted current earnings;" however, interest on the Bonds will be included in a corporation's "adjusted current earnings" in the calculation of a corporation's alternative minimum taxable income for federal income tax purposes and will be subject to the branch profits tax imposed on certain foreign corporations engaged in a trade or business in the United States of America. See the information contained herein under the caption "TAX MATTERS."

**Department of Transportation of Maryland
\$41,970,000 County Transportation Revenue Bonds, Series 2016
and
\$12,440,000 County Transportation Revenue Bonds, Refunding Series 2016**

Dated: Date of Delivery

Due: As shown on the inside front cover

The Department of Transportation of Maryland County Transportation Revenue Bonds, Series 2016 (the "Construction Bonds") and the Department of Transportation of Maryland County Transportation Revenue Bonds, Refunding Series 2016 (the "Refunding Bonds" and together with the Construction Bonds, the "Bonds") will be issued as fully registered bonds in the denomination of \$5,000 each or any integral multiple thereof. The Bonds will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the registered owner of the Bonds. Interest on the Construction Bonds will accrue from the date of their issuance and delivery and will be payable commencing October 1, 2016 and semiannually thereafter on April 1 and October 1 of each year, unless redeemed prior to maturity. Interest on the Refunding Bonds will accrue from the date of their issuance and delivery and will be payable commencing May 15, 2016 and semiannually thereafter on May 15 and November 15, until maturity. The registration, exchange and transfer of the Bonds shall be made at the Department of Transportation of Maryland (the "Department") at its principal office in Anne Arundel County, Maryland or at the principal office of any other registrar/paying agent designated by the Secretary of the Department (the "Registrar/Paying Agent").

The Construction Bonds are subject to redemption prior to their stated maturities at the option of the Department, as described under "THE BONDS – Redemption."

The Refunding Bonds are not subject to optional redemption.

The Bonds constitute limited obligations of the Department payable solely from (i) all amounts payable by the Participant (hereinafter defined) under the Participation Agreement (hereinafter defined), except prepayments with respect to the administrative expenses of the Department, (ii) all Highway User Revenues (hereinafter defined) withheld by the Comptroller of the State of Maryland (the "Comptroller") from Mayor and City Council of Baltimore ("Baltimore City" or the "Participant") and credited to a sinking fund maintained on the books of the Comptroller for such purpose pursuant to a participation agreement related to the Bonds entered into by the Participant with the Department dated as of March 10, 2016 (the "Participation Agreement"), (iii) any investment earnings on amounts held under the Indenture (hereinafter defined), and (iv) to the extent provided in the trust indenture, as supplemented, as further described herein (the "Indenture"), the proceeds of the Bonds.

Neither the State of Maryland (the "State") nor the Department shall be obligated to pay the principal of and interest on the Bonds except from the Revenues (hereinafter defined) and other amounts available therefor under the Indenture, and neither the faith and credit nor the taxing powers of the State or the Department is pledged to the payment of the principal of or the interest on the Bonds. The issuance of the Bonds does not directly or indirectly or contingently obligate, morally or otherwise, the State or the Department to levy or pledge any form of taxation whatsoever therefor or to make any appropriation for their payment.

THE BONDS ARE NOT AND SHALL NOT BE DEEMED TO CONSTITUTE A PLEDGE OF THE FULL FAITH AND CREDIT OF THE STATE OR OF THE DEPARTMENT. THE DEPARTMENT DOES NOT HAVE TAXING POWERS.

The Bonds are offered for delivery when, as and if issued, and subject to the unqualified approving opinion of McKennon Shelton & Henn LLP, Baltimore, Maryland, Bond Counsel. Certain legal matters will also be passed upon by the Office of the Attorney General of the State of Maryland and by Funk & Bolton, P.A., Baltimore, Maryland, Special Counsel to Baltimore City. It is expected that the Bonds in book-entry form will be available for delivery to The Depository Trust Company in New York, New York on or about April 14, 2016.

\$41,970,000 County Transportation Revenue Bonds, Series 2016
Maturities, Amounts, Interest Rates, Prices and CUSIP Numbers

<u>Maturing April 1</u>	<u>Principal Amount</u>	<u>Interest Rate¹</u>	<u>Price¹</u>	<u>CUSIP²</u>	<u>Maturing April 1</u>	<u>Principal Amount</u>	<u>Interest Rate¹</u>	<u>Price¹</u>	<u>CUSIP²</u>
2017	\$2,045,000	5.000%	104.212	574203MW2	2025	\$2,930,000	5.000%	124.061	* 574203NE1
2018	2,085,000	5.000	108.310	574203MX0	2026	3,080,000	4.000	115.212	* 574203NF8
2019	2,190,000	5.000	111.995	574203MY8	2027	3,200,000	3.000	105.889	* 574203NG6
2020	2,295,000	5.000	115.338	574203MZ5	2028	3,300,000	3.000	104.918	* 574203NH4
2021	2,410,000	5.000	118.364	574203NA9	2029	3,395,000	2.500	98.000	574203NJ0
2022	2,535,000	5.000	121.102	574203NB7	2030	3,480,000	2.500	97.000	574203NK7
2023	2,660,000	5.000	123.209	574203NC5	2031	3,570,000	2.750	99.000	574203NL5
2024	2,795,000	5.000	124.903	574203ND3					

\$12,440,000 County Transportation Revenue Bonds, Refunding Series 2016
Maturities, Amounts, Interest Rates, Prices and CUSIP Numbers

<u>Maturing May 15</u>	<u>Principal Amount</u>	<u>Interest Rate¹</u>	<u>Price¹</u>	<u>CUSIP²</u>
2018	\$2,250,000	4.000%	106.606	574203NM3
2019	2,360,000	4.000	109.253	574203NN1
2020	2,480,000	4.000	111.598	574203NP6
2021	2,610,000	4.000	113.509	574203NQ4
2022	2,740,000	4.000	115.243	574203NR2

¹ The interest rates and prices shown above were furnished by the successful bidder for the Bonds on March 29, 2016. All the information concerning the terms of reoffering of the Bonds should be obtained from the successful bidder and not from the Department. See "SALE AT COMPETITIVE BIDDING."

² CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, which is managed by S&P Capital IQ, a division of McGraw-Hill Financial, and the Department takes no responsibility for the accuracy thereof. These data are not intended to create a database and do not serve in any way as a substitute for CUSIP Global Services.

*Priced to the April 1, 2024 optional redemption date at the redemption price of 100%.

STATE OF MARYLAND

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Department of Transportation of Maryland

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James F. Ports, Jr., Deputy Secretary

R. Earl Lewis, Jr., Deputy Secretary

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TABLE OF CONTENTS

	<u>Page</u>
SUMMARY STATEMENT	i
INTRODUCTION	1
PURPOSE OF THE BONDS	2
VERIFICATION OF MATHEMATICAL COMPUTATIONS	3
THE BONDS	3
General	3
Redemption.....	4
Indenture.....	4
RATINGS	5
SALE AT COMPETITIVE BIDDING.....	5
SECURITY.....	5
ADDITIONAL BONDS	7
THE DEPARTMENT.....	7
THE TRANSPORTATION TRUST FUND	8
HIGHWAY USER REVENUE SOURCES AND ALLOCATIONS.....	8
LITIGATION	10
STATE GOVERNMENT	10
FINANCIAL STATEMENTS.....	11
FINANCIAL ADVISOR.....	11
TAX MATTERS	12
CONTINUING DISCLOSURE.....	15
THE BONDS ARE NOT DEBT OF THE STATE OR OF THE DEPARTMENT	15
LEGAL MATTERS	15
MISCELLANEOUS	16
APPENDIX A -- FORM OF OPINION OF BOND COUNSEL	A-1
APPENDIX B -- FORM OF CONTINUING DISCLOSURE AGREEMENT	B-1
APPENDIX C -- BOOK-ENTRY ONLY SYSTEM	C-1
APPENDIX D -- DEBT SERVICE REQUIREMENTS FOR THE PARTICIPANT	D-1
APPENDIX E -- DEBT SERVICE COVERAGE	E-1

No dealer, broker, salesman or any other person has been authorized by the Department or Baltimore City to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Department or Baltimore City. 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 securities described herein 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 Department and other sources. The Department 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 Department or Baltimore City since the date hereof.

No quotations from or summaries or explanations of provisions of law 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 Department or Baltimore City and the purchasers or holders of any of the securities described herein. 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 cover page, list of officials, this page and the appendices attached hereto are part of this Official Statement.

The order and placement of materials in this Official Statement, including the appendices hereto and the information incorporated herein by reference, are not to be deemed to be a determination of relevance, materiality or importance, and this Official Statement, including the appendices and the information incorporated herein by reference, must be considered in its entirety. The Offering of Bonds is made only by means of this entire Official Statement.

NO REGISTRATION STATEMENT RELATING TO THE BONDS HAS BEEN FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR WITH ANY STATE SECURITY AGENCY. THE BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES AGENCY NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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SUMMARY STATEMENT

(Subject in all respects to more complete information in this
Official Statement to which the reader is specifically referred)

THE DEPARTMENT OF TRANSPORTATION OF MARYLAND — The Department of Transportation of Maryland (the “Department”) has responsibility for most transportation facilities and programs owned by the State of Maryland (the “State”), exclusive of toll facilities.

PURPOSE OF THE BONDS — The net proceeds of the \$41,970,000 Department of Transportation of Maryland County Transportation Revenue Bonds, Series 2016 (the “Construction Bonds”) will be used by Mayor and City Council of Baltimore (the legal name of the City of Baltimore, Maryland) (“Baltimore City” or the “Participant”) for transportation facilities in accordance with the Transportation Article of the Annotated Code of Maryland (2015 Replacement Volume, as amended and supplemented). The net proceeds of the \$12,440,000 Department of Transportation of Maryland County Transportation Revenue Bonds, Refunding Series 2016 (the “Refunding Bonds” and, together with the Construction Bonds, the “Bonds”) will be used to refund certain maturities of outstanding County Transportation Revenue Bonds.

SECURITY — The Bonds are limited obligations of the Department, payable as to both principal and interest solely from the funds credited to a sinking fund maintained on the books of the Comptroller of the State of Maryland (the “Comptroller”) for such purpose. The Participant has entered into an agreement with the Department (the “Participation Agreement”) authorizing the Comptroller to withhold in each year from its portion of Highway User Revenues (defined herein) funds sufficient to maintain a sinking fund in an amount equal to its debt service requirements for the current and next succeeding fiscal years. The revenues of the State and the Department are not pledged and may not be used to pay the principal of or interest on the Bonds.

HIGHWAY USER REVENUES — In general, highway user revenues (“Highway User Revenues” or “HURs”) consist of certain motor fuel taxes and fees, a portion of an excise tax on the fair market value of motor vehicles for which title certificates are issued, net receipts from motor vehicle registration fees, a portion of the net receipts of the State’s 8.25% corporation income tax and a portion of the sales and use tax on short-term vehicle rentals. Highway User Revenues are allocated to Baltimore City, to the counties and their municipalities and to the Department.

ADDITIONAL BONDS AND DEBT SERVICE COVERAGE — The Department will not issue additional County Transportation Revenue Bonds on behalf of the Participant if, upon delivery of such bonds, the Participant’s share of Highway User Revenues for the latest fiscal year is less than twice the Participant’s maximum annual debt service on outstanding County Transportation Revenue Bonds. Baltimore City was the sole participant in the \$30,000,000 County Transportation Revenue Bonds, Series 2007, the \$45,000,000 County Transportation Revenue Bonds, Series 2009, the \$25,345,000 County Transportation Revenue Bonds, Series 2012 and the \$12,910,000 County Transportation Revenue Bonds, Refunding Series 2012 (collectively, the “Outstanding Bonds”) and is the sole participant in the issuance of the Bonds. Debt service coverage for Baltimore City on the Outstanding Bonds and for the proposed Bonds is as follows:

	<u>Highway User Revenue Fiscal Year 2015</u>	<u>Maximum Annual Debt Service¹</u>	<u>Times Covered</u>
Baltimore City.....	\$137,713,800	\$16,003,237	8.60x

(1) This amount includes the maximum annual debt service on the Outstanding Bonds, adjusted for the refunding, and the maximum annual debt service on the Bonds.

See APPENDIX D - DEBT SERVICE REQUIREMENTS FOR THE PARTICIPANT and APPENDIX E - DEBT SERVICE COVERAGE.

BONDS ARE NOT DEBT OF THE STATE OR OF THE DEPARTMENT — The Bonds are limited obligations of the Department payable solely from the Revenues (defined herein) and other amounts pledged therefor under the Indenture (defined herein), and neither the State nor the Department is obligated to pay the principal of or interest on such Bonds. **Neither the faith and credit nor the taxing power of the State, or of the Department, is pledged to the payment of the principal of or interest on the Bonds.**

CONTINUING DISCLOSURE — The Department will provide annual Highway User Revenues information, including notice of certain events, in order to assist the successful bidder in complying with the United States Securities and Exchange Commission Rule 15c2-12. Appropriate periodic credit information will be provided to the rating agencies maintaining ratings on the Bonds. See APPENDIX B - FORM OF CONTINUING DISCLOSURE AGREEMENT.

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**OFFICIAL STATEMENT
OF THE
DEPARTMENT OF TRANSPORTATION OF MARYLAND
RELATING TO
\$41,970,000 COUNTY TRANSPORTATION REVENUE BONDS, SERIES 2016
AND
\$12,440,000 COUNTY TRANSPORTATION REVENUE BONDS, REFUNDING SERIES 2016**

INTRODUCTION

This Official Statement sets forth information concerning the sale by the Department of Transportation of Maryland (the “Department”), of \$41,970,000 County Transportation Revenue Bonds, Series 2016 (the “Construction Bonds”) and of \$12,440,000 County Transportation Revenue Bonds, Refunding Series 2016 (the “Refunding Bonds” and, together with the Construction Bonds, the “Bonds”). The Department is authorized to issue the Bonds pursuant to Sections 3-501 through 3-519, inclusive (the “Act”), of the Transportation Article of the Annotated Code of Maryland (2015 Replacement Volume, as amended and supplemented) (the “Transportation Article”), by a resolution of the Secretary of Transportation of Maryland dated as of March 9, 2016 (the “Resolution”) and by a trust indenture by and between The First National Bank of Maryland, as trustee, and the Department, dated as of November 1, 1993 (the “1993 Indenture”), as supplemented by the First Supplemental Trust Indenture dated as of December 1, 2004 between the Department and Manufacturers and Traders Trust Company (successor to The First National Bank of Maryland) as trustee (the “Trustee”) (the “First Supplemental Indenture”), as further supplemented by the Second Supplemental Trust Indenture dated as of May 15, 2007 between the Department and the Trustee (the “Second Supplemental Indenture”), as further supplemented by the Third Supplemental Trust Indenture dated as of June 18, 2009 between the Department and the Trustee (the “Third Supplemental Indenture”), as further supplemented by the Fourth Supplemental Trust Indenture dated as of October 4, 2012 between the Department and the Trustee (the “Fourth Supplemental Indenture”), and as further supplemented by the Fifth Supplemental Trust Indenture dated as of April 14, 2016 between the Department and the Trustee (the “Fifth Supplemental Indenture”). The 1993 Indenture, the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture and the Fifth Supplemental Indenture are collectively referred to herein as the “Indenture”.

The Department was created as a principal department of the government of the State of Maryland (the “State”) in 1971. The head of the Department is the Secretary of Transportation (the “Secretary”) who is appointed by the Governor of the State (the “Governor”) with the advice and consent of the Senate of the State (the “State Senate”).

Background

The Department previously issued County Transportation Bonds (“County Transportation Bonds”) under Sections 3-301 through 3-310, inclusive, of the Transportation Article (“Subtitle 3”). The outstanding County Transportation Bonds were special obligations of the Department only, payable as to both principal and interest solely from the funds credited to a sinking fund maintained on the books of the Comptroller for the State (the “Comptroller”) for such purpose. By terms of the agreements between the Department and each participating county of the State, including Mayor and City Council of Baltimore (the legal name of the City of Baltimore, Maryland) (“Baltimore City”) and in accordance with the terms of Subtitle 3, the Comptroller was authorized, during each fiscal year, beginning with the fiscal year in which the County Transportation Bonds were issued, to withhold from highway user revenues (“Highway User Revenues” or “HURs”) allocated to each participant in accordance with the terms of Title 8, Subtitle 4 of the Transportation Article (the “Highway User Revenue Act”), funds sufficient to maintain in a sinking fund an amount equal to debt service on the County Transportation Bonds payable in the current and next succeeding fiscal years and to credit such funds to the sinking fund. There currently are no County Transportation Bonds outstanding and unpaid. The Department has no intention of issuing additional County Transportation Bonds under Subtitle 3.

The Act, initially enacted at the 1993 Session of the Maryland General Assembly (the “General Assembly”), created a new class of obligations which are obligations of the participating counties and Baltimore City secured by revenues of such counties and Baltimore City (“County Transportation Revenue Bonds”). These revenue obligations may be secured by Highway User Revenues, a general obligation pledge of the participating entity or any other revenues acceptable to the Department.

The Department issued \$30,000,000 County Transportation Revenue Bonds, Series 2004 (the “Series 2004 Bonds”) in December 2004 with Baltimore City as the sole participant. As of December 1, 2014, the Series 2004 Bonds were repaid in full. The Department issued \$30,000,000 County Transportation Revenue Bonds, Series 2007 (the “Series 2007 Bonds”) in May 2007 with Baltimore City as the sole participant. As of December 31, 2015, the outstanding Series 2007 Bonds totaled \$17,450,000 with a final maturity of May 15, 2022. The Department issued \$45,000,000 County Transportation Revenue Bonds, Series 2009 (the “Series 2009 Bonds”) in June 2009 with Baltimore City as the sole participant. As of December 31, 2015, the outstanding Series 2009 Bonds totaled \$32,155,000 with a final maturity of June 15, 2024. The Department issued \$25,345,000 County Transportation Revenue Bonds, Series 2012 (the “Series 2012 Bonds”) in October 2012 with Baltimore City as the sole participant. As of December 31, 2015, the outstanding Series 2012 Bonds totaled \$23,800,000 with a final maturity of October 1, 2027. The Department issued \$12,910,000 County Transportation Revenue Bonds, Refunding Series 2012 (the “Refunding Series 2012 Bonds”) in October 2012 with Baltimore City as the sole participant. As of December 31, 2015, the outstanding Refunding Series 2012 Bonds totaled \$10,525,000 with a final maturity of December 1, 2019. The Refunding Series 2012 Bonds refunded \$13,055,000 of the Series 2004 Bonds.

PURPOSE OF THE BONDS

The Act authorizes the Department to assist Baltimore City and the counties of the State in financing, without the issuance of debt of the State or of the Department, the capital cost of transportation facilities as defined in Section 3-101 of the Transportation Article through the Department’s sale of County Transportation Revenue Bonds.

Construction Bonds

The net proceeds from the sale of the Construction Bonds will be loaned by the Department to Baltimore City, the sole participant, (the “Participant”) in accordance with the approved request of the Participant after deducting the costs of issuing the Construction Bonds.

Refunding Bonds

The Department is issuing the Refunding Bonds to provide funds sufficient, together with other available moneys, to refund in advance of their maturities certain Series 2007 Bonds previously issued to finance certain transportation facilities in order to realize savings on debt service costs. The bonds to be refunded (the “Refunded Bonds”) consist of the following:

Issue	Maturity	Par Amount	Call Date	Call Price	CUSIP [#]
Series 2007 Bonds	5/15/2018	\$ 2,365,000	5/15/2017	100.00%	574203LH6
Series 2007 Bonds	5/15/2019	2,480,000	5/15/2017	100.00	574203LJ 2
Series 2007 Bonds	5/15/2020	2,605,000	5/15/2017	100.00	574203LK9
Series 2007 Bonds	5/15/2021	2,735,000	5/15/2017	100.00	574203LL7
Series 2007 Bonds	5/15/2022	2,870,000	5/15/2017	100.00	574203LM5

On the day of delivery of the Refunding Bonds, a portion of the Refunding Bonds proceeds will be applied to the purchase of direct obligations of, or obligations that are unconditionally guaranteed by the United States of America (the “Government Obligations”), which, together with any initial cash deposit, will be held by ZB National Association, formerly Zions First National Bank, (the “Escrow Agent”) in an escrow deposit fund (the “Escrow

[#] See the footnote on the inside cover of this Official Statement regarding CUSIP information.

Deposit Fund”) established under the Escrow Deposit Agreement dated as of the date of issuance and delivery of the Refunding Bonds (the “Escrow Deposit Agreement”), by and between the Department and the Escrow Agent. The Government Obligations on deposit in the Escrow Deposit Fund will mature at stated fixed amounts as to principal and interest at such times as will be sufficient, together with other available moneys, to pay interest when due on the Refunded Bonds prior to May 15, 2017 and to pay the redemption price of and accrued interest on the Refunded Bonds on the call date set forth above. The Government Obligations will be pledged only to the payment of the Refunded Bonds and are not available for the payment of principal of, premium, if any, or interest on the Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Prior to the delivery of the Refunding Bonds, Grant Thornton LLP will deliver to the Department a verification report (the “Verification Report”) indicating that Grant Thornton LLP has verified, in accordance with standards established by the American Institute of Certified Public Accountants, the arithmetic accuracy of the schedules prepared by the Department’s Financial Advisor with respect to (a) the mathematical computations of the adequacy of the cash and the maturing principal amounts of the Government Obligations held in the Escrow Deposit Fund for the payment of interest when due on the Refunded Bonds prior to their redemption and the redemption price of and interest on the Refunded Bonds due on the redemption date and (b) the mathematical computations required by Bond Counsel to support its conclusion that the interest on the Refunding Bonds is exempt from federal taxation. The terms and conditions of the Grant Thornton LLP engagement are such that it has no obligation to update its report because of events occurring or data or information coming to its attention subsequent to the date of such report.

THE BONDS

General

The Construction Bonds are dated as of the date of their delivery, which is expected to occur on or about April 14, 2016, and will mature on the dates and in the principal amounts and will be paid at the rate or rates as shown on the inside cover page of this Official Statement. (Interest is computed on the basis of a 360-day year composed of twelve 30-day months.) The Construction Bonds, in the aggregate principal amount of \$41,970,000, shall accrue interest from the date of issuance and delivery and will be payable commencing on October 1, 2016 and semiannually thereafter on April 1 and October 1 of each year (the “Construction Bond Interest Payment Dates”) until maturity unless redeemed prior to maturity as provided herein under “Redemption Provisions”.

The Refunding Bonds are dated as of the date of their delivery, which is expected to occur on or about April 14, 2016, and will mature on May 15 of the dates and in the principal amounts and will be paid at the rate or rates as shown on the inside cover page of this Official Statement. (Interest is computed on the basis of a 360-day year composed of twelve 30-day months). The Refunding Bonds, in the aggregate principal amount of \$12,440,000, shall accrue interest from the date of issuance and delivery and will be payable commencing on May 15, 2016 and semiannually thereafter on November 15 and May 15 of each year (the “Refunding Bond Interest Payment Dates” and, collectively with the Construction Bond Interest Payment Dates, the “Interest Payment Dates”) until maturity.

If an Interest Payment Date is not a Business Day (herein defined), then interest will be paid on the next succeeding Business Day to the owners in whose name the applicable Bonds are registered at the close of business on the 15th day of the month immediately preceding the Construction Bond Interest Payment Date and the first day of the month of the applicable Refunding Bond Interest Payment Date. “Business Day” means a day other than a Saturday, Sunday or day on which banking institutions in the State are authorized or obligated by law or required by executive order to remain closed. The principal of the Bonds will be payable upon presentation and surrender of the Bonds at the principal office of the Registrar/Paying Agent (as defined herein) designated by the Secretary, on the date the principal is payable or, if that date is not a Business Day, on the next succeeding Business Day. So long as the Bonds are maintained in book-entry form, interest on the Bonds will be paid by electronic funds transfer on the Interest Payment Dates.

The Bonds will be issued in fully registered form in the denomination of \$5,000 each, or any integral multiple thereof. The Bonds will be maintained under a book-entry system. Individual purchasers (“Beneficial Owners”) shall have no right to receive physical possession of the Bonds, and any payment of the principal or redemption price of, and interest on the Bonds will be made as described in Appendix C - “BOOK-ENTRY ONLY SYSTEM.” So long as the Bonds are maintained under a book-entry only system, the Department will initially serve as the Registrar/Paying Agent (the “Registrar/Paying Agent”).

The Bonds will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), to which principal and interest payments on the Bonds will be made so long as Cede & Co. is the registered owner of the Bonds. Beneficial Owners of the Bonds will not have physical possession of bond certificates and the transfer of their interest in the Bonds will be made through DTC. See Appendix C – “BOOK-ENTRY ONLY SYSTEM” for a complete description of this process.

Redemption

The Construction Bonds maturing on or after April 1, 2025 are subject to redemption on or after April 1, 2024 as a whole or in part at the option of the Secretary, on behalf of the Department, on at least 20 days prior notice and, if in part, in any order of maturity at the option of the Secretary, at the redemption price of par (100%), plus accrued interest thereon, if any, to the date fixed for redemption.

The Refunding Bonds are not subject to optional redemption.

Indenture

The Indenture entered into between the Trustee and the Department contains provisions concerning the issuance of the Bonds including details of the Bonds, redemption of the Bonds, if applicable, and deposit of the Participant’s revenues into a sinking fund as required by the Act described in more detail below. **In accordance with the Indenture, the Trustee has no rights or obligations under the Indenture unless an event of default occurs. Upon the occurrence and continuation of an event of default, the Trustee as default trustee will have all the rights and obligations of Trustee.** The following events constitute an event of default under the Indenture:

- (a) the amount required to pay the principal of any Bond shall not have been paid when the same shall have become due and payable, either at maturity or by proceedings for redemption or otherwise;
- (b) the amount required to pay the interest on any Bond shall not have been paid when the same shall have become due and payable;
- (c) any proceeding shall be instituted with the consent or acquiescence of the Department for the purpose of effecting an arrangement between the Department and its creditors, or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from the Trust Estate (as defined in the Indenture); or
- (d) the Department shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in any Bond or in the Indenture on the part of the Department to be performed (other than as described in clause (a) or (b) above), which default shall continue for 30 days after receipt by the Department of written notice from the Trustee or the holders of not less than twenty-five percent of the principal amount of the Bonds outstanding specifying such default and requiring the same to be remedied. If the Department proceeds to take any curative action which, if begun and prosecuted with due diligence, cannot be completed within a period of 30 days, then such period shall be increased to such extent as shall be necessary to enable the Department to complete such curative action through the exercise of due diligence; provided, however, such period shall not be extended beyond 90 days without the agreement of the Trustee.

RATINGS

Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and Moody's Investors Service, Inc. have given the Bonds ratings of "AAA" and "Aa2", respectively. An explanation of the significance of each rating may be obtained from the rating agency furnishing it. The Department furnished to such rating agencies certain materials and information about the Bonds. Generally, rating agencies base their ratings on such materials and information, as well as their own investigations, studies and assumptions. It should be noted that the ratings may be changed at any time and that no assurance can be given that they will not be revised downward, suspended or withdrawn by either or both rating agencies, if in the judgment of any or all, circumstances should warrant such actions. Any downward revision, suspension or withdrawal of either of the ratings could have an adverse effect on the market prices for the Bonds.

SALE AT COMPETITIVE BIDDING

The Bonds were offered by the Department at a competitive sale on March 29, 2016. The interest rates shown on the inside front cover of this Official Statement are the interest rates that resulted from the award of the Bonds at the competitive sale. The initial prices shown on the inside front cover of this Official Statement are based on information supplied to the Department by J.P. Morgan Securities LLC, the successful bidder for the Bonds. Other information concerning the terms of the reoffering of the Bonds, if any, should be obtained from the successful bidder and not from the Department.

SECURITY

General

The Bonds are limited obligations of the Department, payable as to both principal and interest solely from the funds credited to a sinking fund maintained on the books of the Comptroller for such purpose. Pursuant to a participation agreement related to the Bonds entered into by the Participant with the Department dated as of March 10, 2016 (the "Participation Agreement") and in accordance with the terms of the Act, the Participant will secure the Bonds with its share of Highway User Revenues. The Comptroller shall at the direction of the Department during each fiscal year, beginning with the fiscal year in which the Bonds are issued, withhold from Highway User Revenues allocated to the Participant in accordance with the terms of the Highway User Revenue Act, funds sufficient to maintain in the sinking fund an amount equal to debt service on the Bonds payable in the current and next succeeding fiscal years and shall credit such funds to the sinking fund.

The Act and the Participation Agreement provide for the use of Highway User Revenues allocated to the Participant for payment of debt service and for certain of the Department's costs of administering the County Transportation Revenue Bond Program under the Act. See "HIGHWAY USER REVENUE SOURCES AND ALLOCATIONS."

The Bonds will be of equal priority with previously issued and outstanding, or subsequently issued County Transportation Bonds and County Transportation Revenue Bonds of the Participant. The principal of and interest on the Bonds are payable only from the funds credited to the sinking fund maintained on the books of the Comptroller for such purposes.

Neither the State nor the Department is obligated to pay the principal of or the interest on the Bonds except from Highway User Revenues credited to the sinking fund created for the Bonds and other amounts pledged therefor under the Indenture. Neither the faith and credit nor the taxing power of the State or the Department is pledged to the payment of the principal of or the interest on the Bonds. The issuance of the Bonds does not directly or indirectly or contingently obligate, morally or otherwise, the State or the Department to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment. **THE BONDS ARE NOT THE DEBT OF THE STATE OR OF THE DEPARTMENT.** The revenues of the State and the Department are not pledged, and may not be used, to pay the principal of or interest on the Bonds. The Transportation Trust Fund (as

defined herein) is not pledged and may not be used to pay the principal of or interest on the Bonds. **FROM TIME TO TIME, THERE ARE LEGISLATIVE PROPOSALS IN THE GENERAL ASSEMBLY THAT, IF ENACTED, COULD ALTER BALTIMORE CITY'S SHARE OR ALLOCATION OF HURS.**

Pledge of Revenues

Pursuant to the Indenture, the Department pledges and assigns to the Trustee the revenues, as defined in the Indenture ("Revenues"). The Trustee, as set forth in the Indenture, shall have no rights or obligations under the Indenture unless an event of default occurs under the Indenture. The Revenues consist of (i) all amounts payable by the Participant under the Participation Agreement except payments with respect to the administrative expenses of the Department, (ii) all Highway User Revenues withheld by the Comptroller pursuant to the Participation Agreement, (iii) any investment earnings on amounts held under the Indenture and (iv) to the extent provided in the Indenture, the proceeds of the Bonds. The pledge made to the Trustee in the Indenture is for the equal and ratable benefit of the holders of the Bonds and each other series of Additional Bonds of the Participant as defined in the Indenture.

Participation Agreement with the Participant

The Participation Agreement entered into between the Participant and the Department contains provisions providing for the payment of the principal of and interest on the Bonds through the pledge of the Highway User Revenues deposited in the sinking fund described below.

In accordance with the provisions of the Participation Agreement, the Participant has pledged its Highway User Revenues for the payment of the debt service on the Bonds and has agreed that, at the direction of the Department, the Comptroller shall, during each fiscal year, beginning with the fiscal year in which the Bonds are issued, withhold from Highway User Revenues allocated to the Participant, in accordance with the terms of the Highway User Revenue Act, funds sufficient to maintain in a fund an amount equal to debt service on the Bonds payable in the current and next succeeding fiscal year and shall credit such funds to the sinking fund. The Participation Agreement allows the Participant the option to pay debt service from any other revenue of the Participant acceptable to the Department.

In addition, the Participation Agreement constitutes a covenant by the Participant to keep its pledged share of Highway User Revenues free of conflicting commitments and to expend the proceeds of the Bonds for purposes permitted by the Act. The Participation Agreement also contains representations by the Participant that the pledge of Highway User Revenues shall not preclude the Participant from having made or making borrowings secured by the net amount of Highway User Revenues after withholding by the Department and the Comptroller of the Participant's annual debt service requirement relating to County Transportation Bonds or County Transportation Revenue Bonds, and that the Participant has complied with constitutional and statutory limitations or restrictions, if any, on its power to borrow money or to participate in the Bonds.

Without limiting the generality of the foregoing, the covenants and representations of the Participant described above with respect to pledges of Highway User Revenues do not preclude the Participant from having made or making borrowings through the issuance of its Stormwater Special Revenue Bond (West Branch Moores Run Stormwater Project) Series 2004 (issued in the original amount of \$6,881,961 to the Maryland Water Quality Financing Administration) or any other debt issuance, the payment of which is (i) secured by the net amount of Highway User Revenues distributed to the Participant after withholding by the Department and the Comptroller of the annual Participant's bond debt service requirement and the Participant's obligations under any other participation agreements with the Department relating to County Transportation Bonds or County Transportation Revenue Bonds or (ii) subject to annual appropriation by the Participant.

The Participant further covenants and agrees that it will request the Baltimore City Council to adopt a budget amendment authorizing payment of the amount due on the Bonds from other funds lawfully available in the event that the Participant's share of the Highway User Revenues is inadequate to provide for the payment of debt service on the Bonds.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE PARTICIPANT IS PLEDGED TO THE PARTICIPANT'S PAYMENT OBLIGATIONS UNDER THE PARTICIPATION AGREEMENT.

Moneys withheld by the Comptroller, pursuant to the Act and the Participation Agreement, may be reinvested as determined by the Department and in accordance with the provisions of the Indenture.

The Participant may prepay its obligations under the Participation Agreement by depositing money or callable or noncallable government obligations in such amounts with such maturities respectively as the Department deems acceptable. The enforceability of the Participation Agreement is subject to bankruptcy, insolvency, moratoriums, reorganization and other laws affecting creditors' rights and to general principles of equity.

ADDITIONAL BONDS

Within the limitations of the Act and the Indenture, the Department may issue additional County Transportation Revenue Bonds. By the terms of the Resolution and the Participation Agreement, the Department will not issue County Transportation Revenue Bonds under the Indenture on behalf of the Participant if the Participant's share of Highway User Revenues for the latest fiscal year is less than twice the Participant's maximum annual debt service on outstanding County Transportation Revenue Bonds and the County Transportation Bonds issued under Subtitle 3.

THE DEPARTMENT

The Department will be responsible for administering all aspects related to the issuance, delivery and sale of the Bonds and the payment of Construction Bond proceeds to the Participant.

The Department has the responsibility for most State-owned transportation facilities and programs. This responsibility includes the planning, financing, construction, operation and maintenance of various modes of transportation and carrying out various related licensing and administrative functions. The statutorily created transportation agencies that are encompassed by the Department are the Maryland Aviation Administration, the Maryland Port Administration, the Maryland Transit Administration, the Motor Vehicle Administration and the State Highway Administration (collectively, the "Administrations").

The Secretary is empowered, on behalf of the Department, to exercise or perform any power or duty which any of the Administrations may exercise or perform. These powers and duties, include, among others, the operation of the Baltimore/Washington International Thurgood Marshall Airport, including the power to set landing fees and to rent space to airlines and concessionaires; the operation of various State-owned buildings and marine terminals in the Port of Baltimore, including the power to fix and collect rental and other fees for the use of these facilities; the construction and maintenance of the State Highway System; the operation of all mass transit facilities in the Baltimore Metropolitan Transit District (the "District"), including the operation of the bus and rail systems in the District, and the power to fix and collect the fares for these systems; the operation of the Maryland Area Regional Commuter ("MARC") Train Service system by contract with Amtrak and CSX railroad companies, including the power to fix and collect the fares for this system; the licensing and registration of all motor vehicles and motor vehicle operations in the State; and the power to acquire any property by purchase or condemnation that is necessary to exercise or perform these powers and duties.

Certain transportation facilities are operated as toll facilities by the Maryland Transportation Authority (the "Authority"). Although the Authority acts on behalf of the Department, none of the tolls and other revenues received from these facilities are credited to the Transportation Trust Fund (as defined herein). None of the tolls and other revenues received from the transportation facilities operated by the Authority constitute any security for the Bonds.

As described in "SECURITY," only those Highway User Revenues allocated to the Participant constitute security for the Bonds. No part of any other fees, rentals, fares or other charges imposed and collected by the Department or the Authority constitutes security for the Bonds.

THE TRANSPORTATION TRUST FUND

The Transportation Trust Fund (the “Transportation Trust Fund”) was established in 1971 by Chapter 526 of the Laws of Maryland of 1970. The Transportation Trust Fund is credited with taxes, fees, charges, bond proceeds, federal grants for transportation purposes and other receipts (excluding airline passenger facility charges and airport rental car customer facility charges and, to the extent required for debt service on obligations issued on behalf of the Department by the Authority, certain parking revenues) of the Department. All expenditures of the Department are made from the Transportation Trust Fund. The Department may use funds in the Transportation Trust Fund for any lawful purpose related to the exercise of its powers, duties and obligations, after meeting its debt service requirements. Unexpended funds remaining in the Transportation Trust Fund at the close of each fiscal year do not revert to the General Fund but remain in the Transportation Trust Fund. The Bonds are only payable from the sinking fund, which is not part of the Transportation Trust Fund.

The Transportation Trust Fund is held by the Treasurer of the State (the “Treasurer”) and administered in cooperation with the Department. The sinking fund into which Highway User Revenues are deposited is separately maintained and accounted for by the Treasurer as a part of the Transportation Trust Fund.

HIGHWAY USER REVENUE SOURCES AND ALLOCATIONS

Pursuant to legislation enacted by the General Assembly at its 2011 Session (Chapter 397), which became effective on July 1, 2011, as of fiscal year 2014 and thereafter, the total Highway User Revenues will be allocated as follows: 90.4% to the Department and 9.6% to pay allocations to the counties, municipalities and Baltimore City.

Highway User Revenues – HURs include the following taxes and fees after the deduction of certain programmatic expenses provided by law:

1. Motor Fuel Tax and Fees (“Base Tax Rate”) – these taxes and fees that are a component of HUR consist of the following:
 - (a) The 23½ cents on each gallon other than aviation gasoline and 24¼ cents on each gallon of special fuels other than turbine fuel after deductions for certain refunds and collection costs, a 2.3% distribution to the Chesapeake Bay 2010 Trust Fund and/or the General Fund and a .5% distribution to the Waterway Improvement Fund; and
 - (b) The fee for a 15-day trip permit for a commercial vehicle at an amount equal to the tax rate on special fuel other than turbine fuel, in effect at the time the permit is issued, and payable on 174 gallons of motor vehicle fuel.
2. Motor Vehicle Titling Tax – two-thirds of the excise tax imposed at the rate of 6% of the fair market value, excluding trade in allowance, of certain motor vehicles for which certificates of title are issued.
3. Sales and Use Tax – 80% of 45% of the revenues from the collection of the Sales and Use Tax on short-term vehicle rentals.
4. Motor Vehicle Registration Fees – A registration fee on all motor vehicles that ranges from \$2.50 to \$1,800.00 per vehicle.
5. Corporation Income Tax – a percentage of the revenues derived from the State’s 8.25% corporation income tax after certain General Fund reductions. For Fiscal Years 2014 through 2016, the percentage distribution will be 19.5%. For fiscal year 2017 and future fiscal years, the percentage distribution will be 17.2%.

The following table shows Highway User Revenue allocations to the counties and municipalities, to Baltimore City and to the Department in the fiscal years 2011 through 2015, inclusive, and projected for fiscal year 2016. This table shows the impact of certain legislation as discussed in Notes 1, 2, and 3 below.

FROM TIME TO TIME, THERE ARE LEGISLATIVE PROPOSALS IN THE GENERAL ASSEMBLY THAT, IF ENACTED, COULD ALTER BALTIMORE CITY’S SHARE OR ALLOCATION OF HURS.

Actual and Projected Collection of Highway User Revenues
Department of Transportation of Maryland
Transportation Trust Fund
Fiscal Years Ended June 30,
(in thousands)

	<u>2011^{1&2}</u>	<u>2012³</u>	<u>Actual</u> <u>2013³</u>	<u>2014^{3&4}</u>	<u>2015^{3&4}</u>	<u>Projected</u> <u>2016^{3&4}</u>
Revenues:						
Motor Fuel Tax						
And Fees	\$ 752,319	\$ 733,563	\$ 745,556	\$ 812,915	\$ 923,593	\$1,046,285
Motor Vehicle Titling Tax	594,938	632,356	684,655	740,835	795,510	855,200
Motor Vehicle Registration Fees ..	360,514	357,247	362,324	367,305	376,513	374,600
Corporation Income Tax	157,993	180,653	76,746	162,609	166,051	177,605
Sales and Use on						
Rental Vehicles	24,362	23,581	25,462	30,311	30,788	31,173
	<u>\$1,890,126</u>	<u>\$1,927,400</u>	<u>\$1,894,743</u>	<u>\$2,113,975</u>	<u>\$2,292,455</u>	<u>\$2,484,863</u>
Deductions:						
1% Portion-						
Motor Vehicle Titling Tax	\$ (198,313)	\$ (210,785)	\$ (228,218)	\$ (246,945)	\$ (265,170)	\$ (285,100)
Other to the Trust Fund	(6,859)	(6,797)	(9,040)	(121,401)	(180,913)	(299,974)
Other	(45,585)	(57,413)	(51,500)	(52,617)	(57,881)	(62,867)
Total Deductions	(250,757)	(274,995)	(288,758)	(420,963)	(503,964)	(647,941)
Net Highway User Revenues	<u>\$1,639,369</u>	<u>\$1,652,404</u>	<u>\$1,605,985</u>	<u>\$1,693,012</u>	<u>\$1,788,491</u>	<u>\$1,836,922</u>
Allocations:						
Dept. of Transportation	\$1,122,968	\$1,278,618	\$1,445,386	\$1,530,483	\$1,616,796	\$1,660,577
General Fund Share	N/A	40,000	N/A	N/A	N/A	N/A
Counties & Municipalities	9,836	23,134	30,514	32,167	33,981	34,902
Baltimore City	129,510	123,930	130,085	130,362	137,714	141,443
Local Share to General Fund	<u>377,055</u>	<u>186,722</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
TOTAL	<u>\$1,639,369</u>	<u>\$1,652,404</u>	<u>\$1,605,985</u>	<u>\$1,693,012</u>	<u>\$1,788,491</u>	<u>\$1,836,922</u>

Note 1: The 2009 Session of the General Assembly enacted legislation effective as of July 1, 2009, (a) requiring the transfer into the General Fund (defined herein) of \$101,920,000 of the share of HURs of Baltimore City, the counties and municipalities for fiscal years 2010 and 2011 only and (b) requiring the transfer into the General Fund of \$60,000,000 of the share of HURs of Baltimore City and the counties for fiscal year 2010 only. The legislation also reduced the percentage of HURs that will be distributed to Baltimore City, the counties and the municipalities from 30% to 28.5%, effective as of July 1, 2011 and applicable to all fiscal years beginning on or after July 1, 2011. See "HIGHWAY USER REVENUE SOURCES AND ALLOCATIONS" above.

Note 2: Pursuant to legislation enacted by the General Assembly at its 2010 Session, effective July 1, 2010, the total Highway User Revenues allocated to Baltimore City is as follows: fiscal year 2010: 8.6%, fiscal year 2011: 7.9%, and fiscal year 2012: 7.5%. Prior to fiscal year 2010, Baltimore City's allocation was an amount equal to the sum of (1) the greater of \$157,500,000 or 11.5% of the total Highway User Revenues for the fiscal year and (2) 11.5% of the amount by which (a) 30% of the total Highway User Revenues for the fiscal year minus the greater of \$157,500,000 or 11.5% of total Highway User Revenues for the fiscal year exceeds (b) 30% of the total Highway User Revenues for the fiscal year that began July 1, 1997 minus the greater of \$157,500,000 or 11.5% of the total Highway User Revenues for the fiscal year that began July 1, 1997. As of July 1, 2010, Baltimore City no longer has a minimum allocation.

Note 3: Pursuant to legislation enacted by the General Assembly at its 2011 Session (Chapter 397), which became effective on July 1, 2011, the total Highway User Revenues will be allocated as follows: fiscal year 2012: 79.8% to the Department (less a one-time \$40,000,000 distribution to the Revenue Stabilization Account), 11.3% to the State's General Fund (the "General Fund"), and the balance to pay allocations to the counties, municipalities and Baltimore City; Fiscal Year 2013: 90% to the Department and the balance to pay allocations to the counties, municipalities and Baltimore City; fiscal year 2014 and fiscal years thereafter: 90.4% to the Department and the balance to pay allocations to the counties, municipalities and Baltimore City. Highway User Revenues allocated to Baltimore City are as follows: fiscal year 2012: 7.5%, fiscal year 2013: 8.1%, and fiscal year 2014 and fiscal years thereafter: 7.7%.

Note 4: Pursuant to legislation enacted by the General Assembly at its 2013 Session (Chapter 429) (the Transportation Infrastructure Investment Act of 2013), which became effective July 1, 2013, there is an annual adjustment to the motor fuel tax in excess of the Base Tax Rate. The increases in the tax are indexed to the Consumer Price Index, compounding with each adjustment. The annual increase may not be greater than 8%. Also effective July 1, 2013, there is an increase in the motor fuel tax attributable to a sales and use tax equivalent on motor fuel based upon the product of the average annual retail price of motor fuel, less state and federal taxes, multiplied by specified percentage rates. The percentage beginning July 1, 2013 was 1%, increasing to 2% on January 1, 2015 and 3% on July 1, 2015. **While the Base Tax Rate is part of HURs, these adjustments are not.**

The following table presents statistics regarding transactions that generated Highway User Revenues for fiscal years 2010 through 2015.

**Selected Statistics Supporting
Highway User Revenues
Fiscal Years Ended June 30**
(in thousands)
(unaudited)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Motor Vehicle Fuel Gallons sold	2,862,256	3,178,835	3,149,605	3,250,924	3,211,360	3,852,704
Motor Vehicle Titles Issued	939	994	995	1,018	1,001	1,050
Motor Vehicle Registration Transactions	3,337	4,101	3,889	4,044	4,106	4,259

The Maryland Economy. Maryland’s economy continues to recover from the deep economic downturn of 2008-2009, although at a slower rate than that experienced in other recent economic cycles. Steady employment growth averaging over 1% is forecasted for the next several years, while personal income is forecasted to grow at 5% on average over the same time period. With improved economic conditions, revenue growth should enable the Department to address critical capital needs. The major uncertainty for Maryland’s economy is the potential for federal budget cutbacks.

LITIGATION

There is no litigation pending which in any manner will affect the validity of the Act or the Bonds.

The Department and its Administrations, officials and employees are parties to various legal proceedings before the courts, many of which occur in the normal course of the Department’s operations. These legal proceedings will not materially affect the amount or availability of Highway User Revenues allocated for and pledged to debt service on the Bonds.

STATE GOVERNMENT

Legislature

The State has a bicameral legislature, the General Assembly, composed of the State Senate and the House of Delegates of the State (the “House of Delegates”). Currently, the State Senate consists of 47 members and the House of Delegates 141 members. The General Assembly meets annually for a ninety-day session beginning on the second Wednesday in January. This regular session may be extended by the General Assembly or the Governor and the Governor may call special sessions; however no extended or special session may last longer than 30 days, except for the purpose of enacting the budget.

Constitutional Officers

The leadership of State government includes four constitutional officers elected by the voters on a statewide basis for four-year terms: the Governor, the Lieutenant Governor, the Comptroller and the Attorney General. The Treasurer is elected by joint ballot of the Senate and the House of Delegates for a four-year term.

The Governor is the chief executive officer of the State. The Lieutenant Governor has such duties as are delegated to him by the Governor, which may include any and all powers and duties of the Governor, and may serve as acting Governor during the absence or incapacity of the Governor. The Attorney General is legal counsel to the Governor, the General Assembly and all departments and units of the State government except the Public Service Commission and certain authorities.

Together, the Comptroller and the Treasurer constitute the Treasury Department. The Comptroller is required to exercise general superintendence over the fiscal affairs of the State, to prepare plans for the improvement and management of revenue and support of public credit, to keep the accounts of the State and its agencies, including the Transportation Trust Fund and the special accounts therein, to prescribe the form of completing and stating these accounts and to superintend and enforce the collection of all taxes and revenues. The Treasurer maintains custody of all deposits of State monies, invests the State's surplus funds, maintains custody of all securities, and is responsible for all disbursements of State funds, including payment of principal and interest on State debt. Among the State funds for which the Treasurer is responsible are the monies in the Transportation Trust Fund.

Board of Public Works

The Governor, the Comptroller and the Treasurer are the members of the Board of Public Works (the "Board"). Article XII, §2 of the Constitution of Maryland, provides that a majority of the Board shall be competent to act. A constitutional body, the Board supervises the expenditure of all funds obtained by State general obligation bond issues, and all funds appropriated for capital improvements other than roads, bridges and highways. The Board must review and approve all contracts for such capital expenditures after review by the legislatively authorized control agency, principally, the Department, the Department of General Services, the Department of Budget and Management or the University System of Maryland. The Board considers, acts upon and authorizes all issues of State general obligation bonds, fixes the rate of the State property tax required for debt service, and administers through the Interagency Committee on School Construction, the State program for payments to the counties and Baltimore City for public school construction.

Budget

The State has a strong executive system of government. Under Article III, §52 of the Constitution of Maryland, the Governor is responsible for the preparation and introduction of the State's annual budget, including a plan of proposed expenditures and estimated revenues for the Department. The Governor is required by the Maryland Constitution to submit a balanced budget, and in preparing the budget, the Governor is statutorily required to use revenue estimates reported by the Board of Revenue Estimates, whose members are the Comptroller, the Treasurer and the Secretary of Budget and Management, or explain the use of different estimates. Certain transportation revenue is estimated by the Department.

The General Assembly may not amend the budget to affect payment of State debt or otherwise to change its provisions, except to increase or decrease the appropriations relating to the General Assembly or the judiciary, or to strike out or reduce other appropriations submitted by the Governor. It must, however, enact a balanced budget. The General Assembly may authorize an appropriation apart from the budget, but it may only do so by a separate supplementary appropriation bill limited to a single object or purpose and providing for or levying a specific tax or taxes in such bill sufficient to fund the appropriation.

FINANCIAL STATEMENTS

The financial statements of the State of Maryland and the Department are available upon request from David L. Fleming, Director, Office of Finance, Department of Transportation of Maryland, 7201 Corporate Center Drive, P.O. Box 548, Hanover, Maryland 21076 (telephone 410-865-1035). Financial Statements are also available on the Electronic Municipal Market Access ("EMMA") system. Financial information concerning the Participant is filed with the Department of Legislative Services, 90 State Circle, Annapolis, Maryland 21401 (telephone 410-841-3761) and is also available on EMMA.

FINANCIAL ADVISOR

Public Resources Advisory Group ("PRAG"), New York, New York, has been retained as Financial Advisor to the Department in connection with the sale of the Bonds and other matters pertinent thereto.

TAX MATTERS

Maryland Income Taxation

In the opinion of Bond Counsel, assuming compliance with certain covenants described herein, by the terms of the Transportation Article, the Bonds, their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale and exchange, shall be exempt at all times from every kind and nature of taxation by the State of Maryland or by any of its political subdivisions, municipal corporations or public agencies of any kind of the State of Maryland. No opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Bonds, their transfer 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. Holders or prospective purchasers of the Bonds should consult their own tax advisors with respect to the taxable status of the Bonds in particular state or local jurisdictions other than the State of Maryland.

Federal Income Taxation

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

Under the provisions of the Code, there are certain restrictions that must be met subsequent to the delivery of the Bonds in order for interest on the Bonds to remain excludable from gross income for federal income tax purposes, including restrictions that must be complied with throughout the term of the Bonds. These include the following: (i) a requirement that certain earnings received from the investment of the proceeds of the Bonds be rebated to the United States of America under certain circumstances (or that certain payments in lieu of rebate be made); (ii) other requirements applicable to the investment of the proceeds of the Bonds; and (iii) other requirements applicable to the use of the proceeds of the Bonds and the facilities financed and refinanced with proceeds of the Bonds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The Department and the Participant have covenanted to regulate the investment of proceeds of the Bonds and to take such other actions required to maintain the excludability of interest on the Bonds from gross income for federal income tax purposes. It is the opinion of Bond Counsel that, assuming compliance with such covenants, the interest on the Bonds will remain excludable from gross income for federal income tax purposes under the provisions of the Code.

Further, under existing statutes, regulations and decisions, Bond Counsel is of the opinion that interest on the Bonds is not includable in the alternative minimum taxable income of individuals, corporations, or other taxpayers as an enumerated item of tax preference or other specific adjustment. However, for purposes of calculating the corporate alternative minimum tax, a corporation subject to such tax may be required to increase its alternative minimum taxable income by 75% of the amount by which its "adjusted current earnings" exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For such purposes, "adjusted current earnings" could include, among other items, interest income from the Bonds. In addition, interest income on the Bonds will be subject to the branch profits tax imposed by the Code on certain foreign corporations engaged in a trade or business in the United States.

In rendering its opinion, Bond Counsel will rely without independent investigation on the representations of certain officials of the Department and the Participant with respect to certain material facts within the knowledge of the Department and the Participant relevant to the tax-exempt status of interest on the Bonds.

Tax Accounting Treatment of the Bonds Constituting Discount Bonds

Certain maturities of the Bonds may be issued at an initial issue price which is less than the amount payable on such Bonds at maturity (the "Discount Bonds"). The difference between the initial issue price (including accrued interest) at which a substantial amount of the Discount Bonds of each maturity was first sold and the principal amount of such Discount Bonds payable at maturity constitutes original issue discount. In the case of any holder of

Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to such Discount Bonds is added to the original cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, early redemption or purchase or repayment at maturity). For federal income tax purposes (i) any holder of a Discount Bond will recognize gain or loss upon the disposition of such security (including sale, early redemption or purchase or payment at maturity) in an amount equal to the difference between (a) the amount received upon such disposition and (b) the sum of (1) the holder's original cost basis in such Discount Bond, and (2) the amount of original issue discount attributable to the period during which the holder held such Discount Bond, and (ii) the amount of the basis adjustment described in clause (i)(b)(2) will not be included in the gross income of the holder.

Original issue discount on Discount Bonds will be attributed to permissible compounding periods during the life of any Discount Bonds in accordance with a constant rate of interest accrual method. The yield to maturity of the Discount Bonds of each maturity is determined using permissible compounding periods. In general, the length of a permissible compounding period cannot exceed the length of the interval between debt service payments on the Discount Bonds and must begin or end on the date of such payments. Such yield then is used to determine an amount of accrued interest for each permissible compounding period. For this purpose, interest is treated as compounding periodically at the end of each applicable compounding period. The amount of original issue discount which is treated as having accrued in respect of a Discount Bond for any particular compounding period is equal to the excess of (i) the product of (a) the yield for the Discount Bond (adjusted as necessary for an initial short period) divided by the number of compounding periods in a year multiplied by (b) the amount that would be the tax basis of such Discount Bond at the beginning of such period if held by an original purchaser who purchased at the initial public offering price, over (ii) the amount actually payable as interest on such Discount Bond during such period. For purposes of the preceding sentence, the tax basis of a Discount Bond, if held by an original purchaser, can be determined by adding to the initial issue price of such Discount Bond the original issue discount that is treated as having accrued during all prior compounding periods. If a Discount Bond is sold or otherwise disposed of between compounding dates, then interest which would have accrued for that compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Holders of Discount Bonds should note that, under federal tax regulations, the yield and maturity of a Discount Bond are determined without regard to commercially reasonable sinking fund payments and any original issue discount remaining unaccrued at the time that a Discount Bond is redeemed or purchased in advance of stated maturity will be treated as taxable gain. Moreover, tax regulations prescribe special conventions for determining the yield and maturity of certain debt instruments that provide for alternative payment schedules applicable upon the occurrence of certain contingencies.

The yields (and related prices) provided by the successful bidder for the Bonds and shown on the inside cover of this Official Statement may not reflect the initial issue prices for purposes of determining the original issue discount for federal income tax purposes.

The foregoing summarizes certain federal income tax consequences of original issue discount with respect to the Discount Bonds but does not purport to deal with all aspects of federal income taxation that may be relevant to particular investors or circumstances, including those set out above. Prospective purchasers of Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on Discount Bonds. In addition, prospective corporate purchasers should consider possible federal tax consequences arising from original issue discount on such Discount Bonds under the branch profits tax. The amount of original issue discount considered to have accrued may be reportable in the year of accrual for state and local tax purposes or for purposes of the branch profits tax without a corresponding receipt of cash with which to pay any tax liability attributable to such discount. Purchasers with questions concerning the detailed tax consequences of transactions in the Discount Bonds should consult their tax advisors.

Purchase, Sale, and Retirement of the Bonds

Except as noted below in the case of market discount, the sale or other disposition of a Bond will normally result in capital gain or loss to its holder.

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

Market Discount

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

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

Amortizable Bond Premium

A Bond will be considered to have been issued at a premium if, and to the extent that, the holder’s tax basis in such Bond exceeds the amount payable at maturity (or, in the case of a Bond callable prior to maturity, the amount payable on the earlier call date). Under tax regulations applicable to the Bond, the amount of the premium will be determined with reference to the amount payable on that call date (including for this purpose the maturity date) which produces the lowest yield to maturity on the Bonds. 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 in the manner prescribed in the tax regulations) during the period of ownership for such holder. Generally, no deduction (or other tax benefit) is allowable in respect of any amount of amortizable bond premium on the Bonds.

Additional Federal Income Tax Considerations

There are other federal income tax consequences of ownership of obligations such as the Bonds under certain circumstances, including the following: (i) deductions are disallowed for certain expenses of taxpayers allocable to interest on tax-exempt obligations, as well as interest on indebtedness incurred or continued to purchase or carry tax-exempt obligations and interest expense of financial institutions allocable to tax-exempt interest; (ii) for property and casualty insurance companies, the amount of the deduction for losses incurred must be reduced by 15% of the sum of tax-exempt interest received or accrued and the deductible portion of dividends received by such companies; (iii) interest income which is exempt from tax must be taken into account for the purpose of determining whether,

and what amount of, social security or railroad retirement benefits are includable in gross income for federal income taxation purposes; (iv) for S corporations having Subchapter C earnings and profits, the receipt of certain levels of passive investment income, including interest on tax-exempt obligations such as the Bonds, can result in the imposition of tax on such passive investment income and, in some cases, loss of S corporation status; and (v) net gain realized upon the sale or other disposition of the Bonds must be taken into account when computing the 3.8% Medicare tax with respect to investment income imposed on certain higher income individuals and specified trusts and estates.

The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not purport to be complete; holders of the Bonds should consult their own tax advisors as to the effects, if any, of the Code (and any proposed or subsequently enacted amendments to the Code) in their particular circumstances.

Legislative Developments

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

CONTINUING DISCLOSURE

In order to enable the successful bidder for the Bonds to comply with the requirements of paragraph (b)(5) of the United States Securities and Exchange Commission Rule 15c2-12 (the "Rule"), the Department will execute and deliver, on or before the date of issuance and delivery of the Bonds, a Continuing Disclosure Agreement, the form of which is attached as Appendix B. Potential purchasers should note that certain of the fourteen events listed in Section 4(a) of the Continuing Disclosure Agreement have been included for purposes of compliance with the Rule but are not relevant for the Bonds, specifically those events relating to credit enhancements, liquidity providers, and property or other collateral.

The Department believes it has complied in all material respects with its obligations under its existing Continuing Disclosure Agreements executed pursuant to the Rule during the last five years.

THE BONDS ARE NOT DEBT OF THE STATE OR OF THE DEPARTMENT

The Bonds are limited obligations of the Department payable solely from the Revenues and other amounts pledged therefor under the Indenture, and neither the faith and credit nor the taxing power of the State, or of the Department, is pledged to the payment of the principal of or interest on the Bonds. **The Bonds are not debt of the State or of the Department.**

The issuance of the Bonds does not directly or indirectly or contingently obligate, morally or otherwise, the State or the Department to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment.

LEGAL MATTERS

The validity of the issuance of the Bonds will be passed upon, and is subject to the unqualified approving opinion of McKennon Shelton & Henn LLP, Baltimore, Maryland, Bond Counsel to the Department. The text of the unqualified approving opinion in its proposed form is appended hereto as Appendix A. Certain legal matters will also be passed upon for the Department by the Office of the Attorney General of the State of Maryland and for Baltimore City by Funk & Bolton, P.A., Baltimore, Maryland, Special Counsel to Baltimore City.

MISCELLANEOUS

The explanation herein of provisions of Subtitle 3 and the Act, the Indenture, the Participation Agreement and other materials are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to such laws, instruments, documents and other materials for full and complete statements of the provisions thereof.

The Trustee has not participated in the preparation of this Official Statement.

DEPARTMENT OF TRANSPORTATION OF MARYLAND

by order of

/s/ Pete K. Rahn
Secretary of Transportation

FORM OF OPINION OF BOND COUNSEL
[Closing Date]

State of Maryland
Department of Transportation
7201 Corporate Center Drive
P.O. Box 548
Hanover, Maryland 21076

Ladies and Gentlemen:

In connection with the issuance of the \$41,970,000 Department of Transportation of Maryland County Transportation Revenue Bonds, Series 2016 and the \$12,440,000 Department of Transportation of Maryland County Transportation Revenue Bonds, Refunding Series 2016 dated as of April 14, 2016 (collectively, the “Bonds”), we have examined:

(i) Sections 3-501 through 3-519 of the Transportation Article of the Annotated Code of Maryland (2015 Replacement Volume, as amended and supplemented) (the “Act”);

(ii) the Trust Indenture dated as of November 1, 1993 between the Department of Transportation of Maryland (the “Department”) and The First National Bank of Maryland (the “1993 Indenture”), as supplemented by the First Supplemental Trust Indenture dated as of December 1, 2004 between the Department and Manufacturers and Traders Trust Company, as successor to The First National Bank of Maryland (the “Trustee”) (the “First Supplemental Indenture”), as further supplemented by the Second Supplemental Trust Indenture dated as of May 15, 2007 between the Department and the Trustee (the “Second Supplemental Indenture”), as further supplemented by the Third Supplemental Trust Indenture dated as of June 18, 2009 between the Department and the Trustee (the “Third Supplemental Indenture”), as further supplemented by the Fourth Supplemental Trust Indenture dated as of October 4, 2012 between the Department and the Trustee (the “Fourth Supplemental Indenture”) and as further supplemented by the Fifth Supplemental Trust Indenture dated as of April 14, 2016 between the Department and the Trustee (the “Fifth Supplemental Indenture”). The 1993 Indenture, First Supplemental Indenture, Second Supplemental Indenture, Third Supplemental Indenture, Fourth Supplemental Indenture and Fifth Supplemental Indenture are collectively referred to herein as the “Indenture”;

(iii) the Participation Agreement dated as of March 10, 2016 between the Department and Mayor and City Council of Baltimore (the “Participant”) (the “Participation Agreement”);

(iv) a resolution of the Secretary of Transportation of Maryland (the “Secretary”) dated March 9, 2016;

(v) the forms of Bonds;

(vi) relevant provisions of the Constitution and laws of the State of Maryland;

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

(viii) other proofs submitted to us relative to the issuance of the Bonds.

The Bonds are in registered form in denominations of \$5,000 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 Indenture.

In rendering this opinion, (i) we have relied on the Department's Tax and Section 148 Certificate dated this date made on behalf of the Department by officers thereof with respect to certain material facts within the knowledge of the Department, including supporting certifications made on behalf of the Participant, and (ii) we have assumed the correctness of the opinion of Funk & Bolton, P.A., special counsel to the Participant, dated this date regarding, among other things, the authority of the Participant to enter into and perform its obligations under the Participation Agreement and the proper authorization, execution and delivery of the Participation Agreement by the Participant, in each case without investigation.

We have made no investigation of, and are rendering no opinion regarding, the title to real or personal property or the priority or perfection of any lien or security interest in real or personal property.

Based upon the foregoing, it is our opinion that:

(a) The Act is a valid enactment and the Department is a validly created and existing agency of the State of Maryland (the "State") possessing authority under the Act to issue the Bonds;

(b) The Secretary has complied with all requirements of law for the issuance of the Bonds and the Bonds have been duly and validly issued as provided by law and constitute, according to their terms, valid and legally binding limited obligations of the Department.

(c) The Participation Agreement has been duly authorized, executed and delivered by the Department and, assuming the due authorization, execution and delivery thereof by the Participant, the Participation Agreement constitutes the valid and binding obligation of the Department.

(d) The Indenture has been duly authorized, executed and delivered by the Department and, assuming the due authorization, execution and delivery by the Trustee, constitutes the valid and binding obligation of the Department and, as provided by the Act, creates the valid pledge of and the valid lien upon the Revenues (as defined in the Indenture) that it purports to create, subject only to the provisions of the Indenture permitting the withdrawal, payment, setting apart or appropriation thereof for the purposes and on the terms and conditions set forth in the Indenture.

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

(f) Under the terms of the Act and the Indenture, the Bonds do not constitute a debt or liability of the State or of the Department. Neither the State nor the Department shall be obligated to pay the principal of or the interest on the Bonds except from the Revenues (as defined in the Indenture) and other amounts pledged to the payment of the Bonds under the Indenture. The Bonds issued under the Act are not and may not be considered to constitute a debt or a pledge of the faith and credit of the State or of the Department.

(g) Under the terms of the Act, the Bonds, their transfer, the interest payable on them and any income derived from them, including any profit realized from their sale and exchange, shall be exempt at all times from every kind and nature of taxation by the State or by any of its political subdivisions, municipal corporations or public agencies of any kind; no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Bonds or the interest thereon.

(h) Assuming compliance with certain covenants referred to herein, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions. It is noted that under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), there are certain restrictions that must be met subsequent to the delivery of the Bonds, including restrictions that must be complied with throughout the term of the Bonds, in order that the interest thereon be excludable from gross income. These include (i) a requirement that certain investment earnings received from the investment of the proceeds of the Bonds be rebated (or that certain payments in lieu of rebate be made) to the United States of America under certain circumstances; (ii) other requirements applicable to the investment of the proceeds of the Bonds; and (iii) requirements applicable to the use of the proceeds of the Bonds and the use of the facilities financed or refinanced

with such proceeds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The Department and the Participant have covenanted to regulate the investment of the proceeds of the Bonds and to take such other actions as may be required to maintain the excludability of interest on the Bonds from gross income for federal income tax purposes. It is our opinion that, assuming compliance with such covenants, the interest on the Bonds will remain excludable from gross income for federal income tax purposes under the provisions of the Code.

(i) Interest on the Bonds is not includable in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment. For purposes of calculating the corporate alternative minimum tax, however, a corporation subject to such tax will be required to increase its alternative minimum taxable income by 75% of the amount by which its “adjusted current earnings” exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For such purposes, “adjusted current earnings” would include, among other items, interest income from the Bonds. In addition, interest income on the Bonds will be subject to the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States of America.

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

Very truly yours,

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FORM OF CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** (this “Disclosure Agreement”) is executed and delivered by the Department of Transportation of Maryland (the “Department”) in connection with the issuance of its \$41,970,000 Department of Transportation of Maryland County Transportation Revenue Bonds, Series 2016 and \$12,440,000 Department of Transportation of Maryland County Transportation Revenue Bonds, Refunding Series 2016 (collectively, the “Bonds”). The Bonds are being issued pursuant to a resolution of the Secretary of Transportation of Maryland (the “Secretary”) dated as of March 9, 2016 (the “Resolution”). The Department, intending to be legally bound hereby and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement.

This Disclosure Agreement is being executed and delivered by the Department for the benefit of the owners and beneficial owners of the Bonds and in order to assist the Participating Underwriters (as defined herein) in complying with the Rule (as defined herein).

Section 2. Definitions.

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

“**CONTINUING DISCLOSURE SERVICE**” shall mean the continuing disclosure service established by the MSRB known as the Electronic Municipal Market Access (“EMMA”) system or such other format as prescribed by the MSRB.

“**DISSEMINATION AGENT**” shall mean the Department, acting as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Department.

“**LISTED EVENT**” shall mean any of the events listed in Section 4 of this Disclosure Agreement.

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

“**PARTICIPATING UNDERWRITER**” shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“**RULE**” shall mean Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“**SEC**” shall mean the United States Securities and Exchange Commission.

Section 3. Provision of Annual Debt Service and Highway User Revenue Information.

(a) The Department shall provide to the Continuing Disclosure Service in electronic format as prescribed by the MSRB, annual financial information as set forth in Schedule A to this Disclosure Agreement, 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 of the Department, commencing with the fiscal year ending June 30, 2016.

(b) Except as otherwise set forth in this paragraph (b), the presentation of the financial information referred to in paragraph (a) shall be made in accordance with the same format as utilized in connection with the presentation of applicable comparable financial information included in the Official Statement.

(i) The Department may modify the presentation of the financial information required herein, provided that this Disclosure Agreement is amended in accordance with Section 6 hereof.

(c) If the Department is unable to provide the annual financial information within the applicable time period specified in (a) above, the Department shall send in a timely manner a notice of such failure to the Continuing Disclosure Service.

Section 4. Reporting of Significant Events.

(a) Pursuant to provisions of this Section 4, the Department shall give or cause to be given notice of the occurrence of any of the following events with respect to the Bonds:

- (i) principal and interest payment delinquencies,
- (ii) non-payment related defaults, if material,
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties,
- (iv) unscheduled draws on credit enhancements, if any, reflecting financial difficulties,
- (v) substitution of credit or liquidity providers, if any, or their failure to perform,
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the Bonds,
- (vii) modifications to rights of Bond Holders, if material,
- (viii) bond calls, if material, and tenders offers,
- (ix) defeasances,
- (x) release, substitution or sale of property securing repayment of any of the Bonds, if material,
- (xi) rating changes,
- (xii) bankruptcy, insolvency, receivership or similar event of the Department,**
- (xiii) the consummation of a merger, consolidation or acquisition involving the Department or the sale of all or substantially all of the assets of the Department, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material, and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Department agrees to provide, in a timely manner, not in excess of ten (10) business days after the occurrence of a Listed Event, notice of such occurrence with the Continuing Disclosure Service in electronic format as prescribed by the MSRB.

Section 5. Termination of Reporting Obligation.

The Department's obligations under this Disclosure Agreement shall terminate upon the payment in full of all of the Bonds either at their maturity or by early redemption. In addition, the Department may terminate its obligations under this Disclosure Agreement if and when it no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

** For the purposes of the event identified in clause (xii) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Department in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Department, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Department.

Section 6. Amendment.

The Department may provide further or additional assurances that will become part of the Department's obligations under this Disclosure Agreement. In addition, this Disclosure Agreement may be amended by the Department in its discretion provided that (i) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Department as the obligated person with respect to the Bonds, or in the type of business conducted; (ii) this Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iii) the amendment does not materially impair the interests of holders of the Bonds, as determined by counsel selected by the Department that is expert in federal securities law matters. The reasons for the Department agreeing to provide any further or additional assurances or for any amendment and the impact of the change in the type of operating data or financial information being provided will be explained in information provided with the annual financial information containing additional or amended operating data or financial information.

Section 7. Additional Information.

Nothing in this Disclosure Agreement shall be deemed to prevent the Department from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any disclosure made pursuant to Section 3 hereof or notice of occurrence of a Listed Event in addition to that which is required by this Disclosure Agreement. If the Department chooses to include any information in any disclosure made pursuant to Section 3 hereof or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Department shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure made pursuant to Section 3 hereof or notice of occurrence of a Listed Event.

Section 8. Law of Maryland.

This Disclosure Agreement, and any claim made with respect to the performance by the Department of its obligations hereunder, shall be governed by, be subject to and be construed according to the laws of the State of Maryland (without regard to provisions on conflicts of laws) or federal law.

Section 9. Limitation of Forum.

Any suit or other proceeding seeking redress with regard to any claimed failure by the Department to perform its obligations under this Disclosure Agreement must be filed in the Circuit Court for Anne Arundel County, Maryland.

Section 10. Dissemination Agent.

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

Section 11. Limitation On Remedies.

The Department shall be given written notice at the address set forth below of any claimed failure by the Department to perform its obligations under this Disclosure Agreement, and the Department shall be given 45 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the Department shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the Department shall be given to the Secretary of Transportation, 7201 Corporate Center Drive, Hanover, MD 21076, with a copy to the Chief Financial Officer, Office of Finance, Maryland Department of Transportation, 7201 Corporate Center Drive, Hanover, MD 21076, or

at such alternate address as shall be specified by the Department with disclosures made pursuant to Section 3 hereof or a notice of occurrence of a Listed Event.

Section 12. Duty To Update EMMA/MSRB.

The Department agrees that it shall determine, in the manner it deems appropriate, whether there has occurred a change in the MSRB's e-mail address or filing procedures and requirements under EMMA each time it is required to file information with the MSRB.

Section 13. Recordkeeping.

The Department agrees that it shall maintain records of all disclosures of annual financial information pursuant to Section 3 above and disclosures of the occurrence of Listed Events pursuant to Section 4 above, including the content of such disclosures, the names of the entities with whom such disclosures were filed and the dates of filings such disclosures.

Section 14. Relationship to Bonds.

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

Section 15. Beneficiaries.

This Disclosure Agreement shall inure solely to the benefit of the owners and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF this Disclosure Agreement is being executed by the Secretary of Transportation on behalf of the Department as of this 14th day of April, 2016.

DEPARTMENT OF TRANSPORTATION OF MARYLAND

By: _____
Pete K. Rahn
Secretary of Transportation

SCHEDULE A

- (1) Schedule of Participant Debt Service Requirements (similar to Appendix D to the Official Statement)
- (2) Schedule of Highway User Revenues, Maximum Annual Debt Service and Coverage, and Outstanding Debt (similar to Appendix E to the Official Statement)

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BOOK-ENTRY ONLY SYSTEM**BOOK-ENTRY ONLY SYSTEM - GENERAL**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds (as hereinafter defined). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate of the \$41,970,000 Department of Transportation of Maryland County Transportation Revenue Bonds, Series 2016 (the “Construction Bonds”) will be issued for each maturity of the Construction Bonds, and one fully registered certificate of the \$12,440,000 Department of Transportation of Maryland County Transportation Revenue Bonds, Refunding Series 2016 (the “Refunding Bonds”, and together with the Construction Bonds, the “Bonds”) each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s of rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Bonds 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. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 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 Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co, or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. 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 nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Maryland Department of Transportation (the "Department") 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).

Redemption proceeds, distributions and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Department, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or the Department, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Department as registrar and paying agent (the "Registrar and Paying Agent"), disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners 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 Department. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Department 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.

BOOK-ENTRY ONLY SYSTEM - MISCELLANEOUS

The information in the section "BOOK-ENTRY ONLY SYSTEM GENERAL" has been obtained by the Department from sources that the Department believes to be reliable. The Department takes no responsibility for the accuracy or completeness thereof. The Department will have no responsibility or obligation to DTC Participants or the persons for whom they act as nominees with respect to the payments to or the providing of notice to the DTC Participants, or the Indirect Participants, or Beneficial Owners. The Department cannot and does not give any assurance that DTC Participants or others will distribute principal and interest payments paid to DTC or its nominees, as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

TERMINATION OF BOOK-ENTRY ONLY SYSTEM

In the event that the Book-Entry Only System is discontinued, the Bonds will be delivered by DTC to the Registrar and such Bonds will be exchanged for Bonds registered in the names of the DTC Participants or the Beneficial Owners identified to the Registrar and Paying Agent. In such event, certain provisions of the Bonds pertaining to ownership of the Bonds will be applicable to the registered owners of the Bonds as described below.

Interest on the Bonds will be payable by check mailed by the Registrar and Paying Agent to the persons in whose names the Bonds are registered as of the close of business on the Regular Record Date (being the fifteenth day of the month immediately preceding each interest payment date with respect to the Construction Bonds and the first day of the month in which each interest payment date occurs with respect to the Refunding Bonds) at the addresses shown on the registration books of the Department maintained by the Registrar and Paying Agent;

provided, however, that any such interest not punctually paid or duly provided for shall cease to be payable to the registered owner on such Regular Record Date, and may be paid to the persons in whose names such Bonds are registered as of the close of business on a date to be fixed by the Registrar and Paying Agent for the payment of such defaulted interest (the "Special Record Date"), notice of which will be given by letter mailed first class, postage prepaid, to such persons, not less than 30 days prior to such Special Record Date, at the addresses of such persons appearing on the registration books of the Department maintained by the Registrar and Paying Agent, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Bonds may be listed and upon such notice as may be required by such exchange. The principal of and premium, if any, on the Bonds will be payable at the principal office of the Registrar and Paying Agent.

The Bonds in fully certificated form will be fully registered Bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof. Bonds will be transferable only upon the registration books kept at the principal office of Registrar and Paying Agent, by the registered owner thereof in person, or by an attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer in the form attached thereto and satisfactory to the Registrar and Paying Agent, and duly executed by the registered owner or a duly authorized attorney. The Department may deem and treat the person in whose name a Bond is registered as the absolute owner thereof for the purpose of receiving payment of or on account of the principal or redemption price thereof and interest due thereon and for all other purposes.

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

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APPENDIX D

DEBT SERVICE REQUIREMENTS FOR THE PARTICIPANT

Fiscal Year	Series 2007 ¹	Series 2009 ²	Series 2012 ³	Refunding Series 2012 ⁴	Refunding Series 2016 ⁵	Series 2016 ⁶	Total Outstanding Bonds
2016	\$ 2,581,900	\$ 4,271,712	\$ 2,750,500	\$ 2,366,025	\$ 42,849	\$ -	\$ 12,012,986
2017	2,340,000	4,270,963	2,773,000	2,364,000	497,600	3,669,635	15,915,198
2018	-	4,272,962	2,796,600	2,367,150	2,747,600	3,668,250	15,852,562
2019	-	4,309,363	2,818,200	2,364,850	2,767,600	3,669,000	15,929,013
2020	-	4,339,162	2,840,700	2,365,675	2,793,200	3,664,500	16,003,237
2021	-	4,372,363		2,368,550	2,824,000	3,664,750	13,229,663
2022	-	4,408,562		2,366,675	2,849,600	3,669,250	13,294,087
2023		4,457,363		2,366,500		3,667,500	10,491,363
2024		4,487,962		2,364,375		3,669,500	10,521,837
2025				2,365,250		3,664,750	6,030,000
2026				2,367,613		3,668,250	6,035,863
2027				2,365,450		3,665,050	6,030,500
2028				2,364,187		3,669,050	6,033,237
2029						3,665,050	3,665,050
2030						3,665,175	3,665,175
2031						3,668,175	3,668,175
Total	\$ 4,921,900	\$ 39,190,412	\$ 13,979,000	\$ 30,756,300	\$ 14,522,449	\$ 55,007,885	\$ 158,377,945

- 1) County Transportation Revenue Bonds, Series 2007, adjusted for bonds refunded by Refunding Series 2016
- 2) County Transportation Revenue Bonds, Series 2009
- 3) County Transportation Revenue Bonds, Refunding Series 2012
- 4) County Transportation Revenue Bonds, Series 2012
- 5) County Transportation Revenue Bonds, Refunding Series 2016
- 6) County Transportation Revenue Bonds, Series 2016

Note: Totals may not add due to rounding

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DEBT SERVICE COVERAGE

Schedule of Highway User Revenues, Maximum Annual Debt Service, and Outstanding Debt For Baltimore City (Fiscal Years)

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	Projected <u>2016</u>	Projected <u>2017</u>
Highway User Revenue	\$ 123,930,277	\$ 130,084,781	\$ 130,361,953	\$ 137,713,800	\$ 141,442,994	\$ 142,300,081
Maximum Debt Service ⁽¹⁾	10,199,963	12,478,937	12,478,937	12,478,937	16,003,237	16,003,237
Coverage Ratio ⁽²⁾	12.15	10.42	10.45	11.04	8.84	8.89
Outstanding Debt ⁽³⁾	\$ 82,945,000	\$ 101,685,500	\$ 94,930,000	\$ 87,860,000	\$ 120,225,000	\$ 108,800,000

- (1) Debt service for fiscal years 2013 and beyond was adjusted for the 2012 refunding of certain Series 2004 Bonds. Debt Service for fiscal years 2016 and beyond was adjusted for the 2016 refunding of certain Series 2007 Bonds and includes debt service on the Bonds.
- (2) Debt service coverage is computed by dividing the Participant's share of Highway User Revenues in the fiscal year ended June 30th by such Participant's maximum annual debt service requirement.
- (3) Outstanding debt in 2016 and 2017 reflect the issuance of \$41,970,000 Construction Bonds and the \$12,440,000 Refunding Bonds.

Note: Baltimore City has been the sole participant in the County Transportation Revenue Bond program since 2004.