

OFFICIAL STATEMENT DATED FEBRUARY 28, 2006

NEW ISSUES – Book-Entry Only

Fitch Ratings: AAA
Moody's Investors Service: Aaa
Standard & Poor's Ratings Services: AAA
See "Ratings"

In the opinion of Bond Counsel, (i) under existing law, interest on the Bonds, assuming continuing compliance by the Commission with certain covenants described more fully under "Tax Exemption" herein, is excludable from gross income for purposes of federal income taxation, and (ii) the Bonds are exempt under existing statutes from taxation by the State of Maryland and by the counties and municipalities thereof, but 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. As described under "Tax Exemption" herein, interest income from the Bonds is not includable in corporate or individual alternative minimum taxable income as a separate enumerated item of tax preference or other specific adjustment, but may be included as part of a tax preference item subject to the federal corporate alternative minimum tax and may also be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

\$100,000,000

**WASHINGTON SUBURBAN SANITARY
DISTRICT, MARYLAND**

(MONTGOMERY AND PRINCE GEORGE'S COUNTIES, MARYLAND)

\$50,000,000 WATER SUPPLY BONDS OF 2006

\$50,000,000 SEWAGE DISPOSAL BONDS OF 2006

Dated February 15, 2006

Due: June 1, as shown herein

The Bonds are payable from unlimited ad valorem taxes upon all the assessable property within the District.

Principal is payable annually, on June 1, beginning as set forth on the inside front cover hereof to the registered owner upon presentation and surrender to JPMorgan Chase Bank, N. A., as Bond Registrar and Paying Agent, at its principal corporate trust office in New York, New York. Interest is payable from February 15, 2006 semiannually, on June 1 and December 1, first interest payable on December 1, 2006 (nine and one-half months) by check or draft mailed to the registered owner. The Bonds shall be fully registered bonds, in the denomination of \$5,000 or any integral multiple thereof. The Bonds initially will be issued in book-entry only form and registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York. Payments of principal and interest shall be made as the same shall respectively become due and payable in the manner and as otherwise stated herein.

The Bonds maturing on or after June 1, 2017 are subject to redemption prior to their respective maturities, as more fully described herein.

FOR MATURITY SCHEDULE SEE INSIDE FRONT COVER

The Bonds are offered when, as and if issued and subject to the unqualified approving opinions of Venable LLP, Baltimore, Maryland and McCants & Associates LLC, Silver Spring, Maryland, Co-Bond Counsel. It is expected that the Bonds will be available for delivery through the facilities of The Depository Trust Company, New York, New York, on or about March 30, 2006.

MATURITY SCHEDULE

\$50,000,000 WATER SUPPLY BONDS OF 2006

<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate*</u>	<u>Price or</u> <u>Yield*</u>	<u>CUSIP</u> <u>Number</u>	<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate*</u>	<u>Price or</u> <u>Yield*</u>	<u>CUSIP</u> <u>Number</u>
2007	\$2,500,000	5.000%	3.360%	940157 JB7	2017	\$ 2,500,000	4.000%	3.860%**	940157 JM3
2008	2,500,000	4.000	3.380	940157 JC5	2018	2,500,000	4.000	3.930%**	940157 JN1
2009	2,500,000	4.000	3.390	940157 JD3	2019	2,500,000	4.000	4.000	940157 JP6
2010	2,500,000	4.000	3.410	940157 JE1	2020	2,500,000	4.000	4.070	940157 JQ4
2011	2,500,000	4.000	3.490	940157 JF8	2021	2,500,000	4.000	4.110	940157 JR2
2012	2,500,000	4.000	3.570	940157 JG6	2022	2,500,000	4.125	4.150	940157 JS0
2013	2,500,000	5.000	3.620	940157 JH4	2023	2,500,000	4.125	4.180	940157 JT8
2014	2,500,000	5.000	3.680	940157 JI0	2024	2,500,000	4.125	4.210	940157 JU5
2015	2,500,000	5.000	3.730	940157 JK7	2025	2,500,000	4.250	4.240%**	940157 JV3
2016	2,500,000	5.000	3.780	940157 JL5	2026	2,500,000	4.250	4.270	940157 JW1

\$50,000,000 SEWAGE DISPOSAL BONDS OF 2006

<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate*</u>	<u>Price or</u> <u>Yield*</u>	<u>CUSIP</u> <u>Number</u>	<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate*</u>	<u>Price or</u> <u>Yield*</u>	<u>CUSIP</u> <u>Number</u>
2007	\$2,500,000	5.000%	3.360%	940157 JX9	2017	\$2,500,000	4.000%	3.860%**	940157 KH2
2008	2,500,000	4.000	3.380	940157 JY7	2018	2,500,000	4.000	3.930%**	940157 KJ8
2009	2,500,000	4.000	3.390	940157 JZ4	2019	2,500,000	4.000	4.000	940157 KK5
2010	2,500,000	4.000	3.410	940157 KA7	2020	2,500,000	4.000	4.070	940157 KL3
2011	2,500,000	4.000	3.490	940157 KB5	2021	2,500,000	4.000	4.110	940157 KM1
2012	2,500,000	4.000	3.570	940157 KC3	2022	2,500,000	4.125	4.150	940157 KN9
2013	2,500,000	5.000	3.620	940157 KD1	2023	2,500,000	4.125	4.180	940157 KP4
2014	2,500,000	5.000	3.680	940157 KE9	2024	2,500,000	4.125	4.210	940157 KQ2
2015	2,500,000	5.000	3.730	940157 KF6	2025	2,500,000	4.250	4.240%**	940157 KR0
2016	2,500,000	5.000	3.780	940157 KG4	2026	2,500,000	4.250	4.270	940157 KS8

* The rates shown above are the rates payable by the District resulting from the successful bid for the Bonds on February 28, 2006 by a group of banks and investment banking firms. The successful bidders have furnished to the Commission the initial public offering prices or yields shown above. Other information concerning the terms of the reoffering of the Bonds, if any, should be obtained from the successful bidders and not from the Commission.

** Priced to call on June 1, 2016.

WASHINGTON SUBURBAN SANITARY COMMISSION

14501 Sweitzer Lane, Laurel, Maryland 20707

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www.wsscwater.com

COMMISSIONERS

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Prem P. Agarwal, Vice Chair

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Carla Reid Joyner, Deputy General Manager

Charlett Bundy, Corporate Secretary

Thomas C. Traber, Chief Financial Officer and Treasurer

Jerome K. Blask, General Counsel

Sheila S. Cohen, Budget Director

BOND COUNSEL

Venable LLP

McCants & Associates LLC

FINANCIAL ADVISORS

Public Advisory Consultants, Inc.

Additional copies of this Official Statement for the Water Supply Bonds of 2006 and the Sewage Disposal Bonds of 2006 can be obtained from J.D. Noell, Disbursements Group Leader, Washington Suburban Sanitary Commission, 14501 Sweitzer Lane, Laurel, Maryland 20707 (301-206-7069), or from Public Advisory Consultants, Inc., 25 Crossroads Drive, Suite 402, Owings Mills, Maryland 21117 (410-581-4820). Copies of the latest Official Statements of Montgomery County and Prince George's County are available at the offices of the respective counties.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been provided by the Washington Suburban Sanitary Commission and Montgomery County and Prince George’s County, Maryland. No dealer, broker, sales agent, financial consultant or any other person has been authorized by the Washington Suburban Sanitary Commission, Montgomery County, or Prince George’s County to give any information or to make any representations, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. The Washington Suburban Sanitary Commission 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 Washington Suburban Sanitary Commission or Montgomery County or Prince George’s County, Maryland, from the date hereof.

*All references in this Official Statement to the Commission’s Internet home page are provided for convenience only. The information on the Commission’s Internet home page is **NOT** incorporated herein, by reference or otherwise.*

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OFFICIAL STATEMENT

\$100,000,000

WASHINGTON SUBURBAN SANITARY DISTRICT, MARYLAND (Montgomery and Prince George's Counties, Maryland)

**\$50,000,000 Water Supply Bonds of 2006
\$50,000,000 Sewage Disposal Bonds of 2006**

INTRODUCTORY STATEMENT

The purpose of this Official Statement, including the cover page, inside front cover, and appendices hereto, is to set forth certain information concerning the \$50,000,000 Water Supply Bonds of 2006 (the "Water Supply Bonds"), and the \$50,000,000 Sewage Disposal Bonds of 2006 (the "Sewage Disposal Bonds"), to be issued by the Washington Suburban Sanitary District (the "District"). The Water Supply Bonds, and the Sewage Disposal Bonds are sometimes referred to collectively herein as the "Bonds." The Water Supply Bonds are to be issued by the District to provide funds to finance and refinance enlarging, increasing and augmenting the water supply of the District (the "Water Supply Projects"). The Sewage Disposal Bonds are to be issued by the District to finance and refinance the design and construction or reconstruction of trunk sewers, sewage pumping stations and sewage disposal systems of the District (the "Sewage Disposal Projects").

The District is a sanitary district incorporated under Chapter 122 of the Acts of the General Assembly of 1918, as amended. It is governed by and is under the jurisdiction of a commission of six members constituting a statutory body corporate under the name of the Washington Suburban Sanitary Commission (the "Commission").

The Bonds are being issued under the Constitution and laws of the State of Maryland, particularly Article 29 of the Annotated Code of Maryland, as amended ("Article 29").

The Bonds, including principal, premium, if any, and interest, are payable from unlimited ad valorem taxes upon all the assessable property within the District, but it is estimated that revenues other than tax revenues will be available to pay such Bonds in full. See "Security" herein.

Amounts herein relating to tax collections, front foot benefit charges, water and sewer charges and the District's financial position have been taken from official records of the Commission. All estimates and assumptions herein have been based upon information believed to be reliable and correct; however, statements made involving estimates and assumptions, whether or not expressly so stated, are intended merely as such and not as representations of facts.

SECURITY

Levy of Taxes to Pay Bonds and Notes

For the purpose of paying the principal of and interest on bonds and notes of the District (except as otherwise hereinbelow mentioned respecting storm water drainage bonds), including the Bonds, Article 29 provides for the levy, annually, against all the assessable property within the District by the County Council of Montgomery County and the County Council of Prince George's County of ad valorem taxes sufficient to pay such principal and interest when due and payable. After receiving from the County Executive of each County the assessed valuations of the taxable property in the District, the Commission determines the amount necessary to be raised, taking into account the amount available from other sources, by the levy of taxes for the then ensuing year for the payment of interest on all outstanding bonds and notes due and payable in such year. The Commission shall determine the number of cents per \$100 valuation necessary to raise such amount and shall so certify to the two County Councils. Each of the County Councils in its next annual levy is required to levy and to collect such tax as county taxes are levied and collected. The tax so levied and collected shall be remitted to the Commission. Taxes for paying the storm water drainage bonds are similarly levied by Prince George's County.

Bonds and Notes are Substantially Paid from Revenues Other Than Taxes

Substantially all of the debt service on bonds and notes of the District is being paid from revenues derived by the District from fees, charges, rates and assessments and other available funds. Only the debt service on storm water drainage bonds is paid from revenues derived from certain ad valorem taxes as described herein. The balance of the total debt service is paid from revenues derived from fees, charges, rates, assessments and other available funds. However, the underlying security for all bonds and notes of the District is the levy of ad valorem taxes on the assessable property as stated in the preceding paragraph. See "SUMMARY OF DISTRICT AD VALOREM TAXES, WATER, SEWER AND OTHER CHARGES AND REVENUES THEREFROM" herein.

Water Supply Bonds

The Water Supply Bonds (and all other outstanding water supply bonds of the District) constitute general obligations of the District, all the assessable property within which is subject to the levy of an ad valorem tax, without limitation of rate or amount, to pay said bonds and the interest thereon. The Commission fixes and collects a water consumption charge, which is based upon metered water use on all properties connected to the water supply system of the District. The proceeds of the water consumption charges are applied to the payment of principal of and interest on the water supply bonds of the District, and to the payment of the cost of operating and maintaining the water supply system.

Sewage Disposal Bonds

The Sewage Disposal Bonds (and all other outstanding sewage disposal bonds of the District) constitute general obligations of the District, all of the assessable property within which is subject to the levy of an ad valorem tax, without limitation of rate or amount, to pay said bonds and notes and the interest thereon. In addition, the Commission fixes and collects a sewer usage charge, which is based on metered water use on all properties connected to the sewage disposal system of the District. Sewer only customers are billed a flat rate on a quarterly basis. The proceeds of the sewer usage charges are applied to the payment of the principal of and the interest on all sewage disposal bonds and notes of the District, and to the payment of the costs of operating and maintaining the sewage disposal system.

USE OF PROCEEDS OF THE BONDS

The proceeds of the Water Supply Bonds will be used to finance and refinance the costs of the Water Supply Projects. The proceeds of the Sewage Disposal Bonds will be used to finance and refinance the costs of the Sewage Disposal Projects.

DESCRIPTION OF THE BONDS

The Bonds will be dated February 15, 2006, and will bear interest at the rates and mature in the amounts and at the times set forth on the inside front cover page hereof.

The Bonds shall be fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. The Bond Registrar and Paying Agent shall be JPMorgan Chase Bank, N. A., in the Borough of Manhattan, City and State of New York, which shall register the Bonds and the transfer of Bonds on the District's bond registration books. The payment of interest on each Bond shall be made by the Bond Registrar and Paying Agent on each interest payment date to the person appearing on the bond registration books as the registered owner of such Bond (or the previous bond or bonds evidencing the same debt as that evidenced by such Bond) at the close of business on the record date for such interest, which shall be the 15th day of the calendar month next preceding such interest payment date, by check or draft mailed to such person at his address as it appears on the registration books. The payment of principal shall be made to the owner registered on the bond registration books upon presentation and surrender thereof to JPMorgan Chase Bank, N. A., at its principal corporate trust office in New York, New York. The Bonds may be transferred or exchanged subject to the requirements prescribed by the respective resolutions authorizing their issuance, including provisions that the Bond Registrar shall not be required to exchange or register the transfer of any bond during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Bonds or any portion thereof and ending at the close of business on the day of such mailing or of any

Bond called for redemption in whole or in part pursuant to the resolutions.

Redemption Provisions

The Bonds which mature on or after June 1, 2017, are callable for redemption prior to their respective maturities, at the option of the Commission, from any moneys that may be made available for such purpose. Any such redemption may be made on not fewer than 30 days notice by mail, either in whole on any date not earlier than June 1, 2016, or in part on any interest payment date not earlier than June 1, 2016, at the principal amount of the Bonds to be redeemed, with interest thereon accrued to the date fixed for redemption, without premium. If less than all of the Bonds of any one maturity shall be called for redemption, the particular bonds of such maturity to be redeemed shall be selected by lot. In selecting Bonds for redemption, the Bond Registrar shall treat each bond of a denomination higher than \$5,000 as representing that number of bonds which is equal to the principal amount of such bond divided by \$5,000.

Book-Entry Only System

General. The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds in principal amount equal to the aggregate principal amount of the Bonds 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor’s highest rating: AAA. 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 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 Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 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 are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to 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 Commission or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's. Payments by Direct and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct or Indirect Participant and not of DTC, DTC's nominee, the Paying Agent or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission or its Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

Book-Entry Only System — Miscellaneous. The information in the Section "Book-Entry Only System — General" has been obtained from DTC. The Commission takes no responsibility for the accuracy or completeness thereof. The Commission will have no responsibility or obligations 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 Commission cannot and does not give any assurance that DTC Participants or others will distribute principal and interest payments paid to DTC or its nominees, as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

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

In the event that the Book-Entry Only System is discontinued, the Bonds in fully certificated form will be issued as fully registered Bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof. Such Bonds will be transferable only upon the registration books kept at the principal office of the Bond Registrar, by the registered owner thereof in person, or by an attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer in the form attached thereto and satisfactory to the Bond Registrar, and duly executed by the registered owner or a duly authorized attorney. Within a reasonable time of such surrender, the Commission shall cause to be issued in the name of the transferee a new registered Bond or Bonds of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Bond surrendered and maturing on the same date and bearing interest at the same rate. The new Bond or Bonds shall be delivered to the transferee only after due authentication by an authorized officer of the Bond Registrar. The Commission may deem and treat the person in whose name a Bond is registered as the absolute owner thereof for the purpose of receiving payment of or on account of the principal or redemption price thereof and interest due thereon and for all other purposes.

In the event that the Book-Entry Only System is discontinued, the Bonds may be transferred or exchanged at the principal office of the Bond Registrar. Upon any such transfer or exchange, the Commission shall execute and the Bond Registrar shall authenticate and deliver a new registered Bond or Bonds without coupons of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Bond exchanged or transferred, and maturing on the same date and bearing interest at the same rate. In each case, the Bond Registrar may require payment by any holder of Bonds requesting exchange or transfer of Bonds of any tax, fee or other governmental charge, shipping charges and insurance that may be required to be paid with respect to such exchange or transfer, but otherwise no charge shall be made to the holder of Bonds for such exchange or transfer.

The Bond Registrar shall not be required to transfer or exchange any Bond after the mailing of notice calling such Bond or portion thereof for redemption as previously described; provided, however, that the foregoing limitation shall not apply to that portion of a Bond in excess of \$5,000 which is not being called for redemption.

NEITHER THE COMMISSION, THE BOND REGISTRAR NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO 1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT; 2) THE PAYMENT BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS; 3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS; 4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER; OR 5) THE SELECTION BY DTC, ANY DIRECT PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF BONDS.

WASHINGTON SUBURBAN SANITARY DISTRICT

Establishment, Powers and Service Area

The District was created in 1918 and operates as a public corporation of the State of Maryland under Article 29. Through its governing body, the Commission, it provides, as authorized, water and sewerage systems, including water supply and sewage disposal facilities for Montgomery and Prince George’s counties, Maryland. The area initially incorporated in the District has been expanded by legislative enactments to its present boundaries encompassing over 950 square miles within Montgomery and Prince George’s counties.

The populations of Montgomery and Prince George’s counties are shown below:

	<u>1980</u>	<u>1990</u>	<u>2000</u>
Montgomery County.....	579,053	757,027	855,000
Prince George’s County	<u>665,071</u>	<u>729,553</u>	<u>781,781</u>
Total	<u>1,244,124</u>	<u>1,486,580</u>	<u>1,636,781</u>

Source: U.S. Census of Counties.

Commission

The District is under the jurisdiction of, and its governing body is, the Commission, a body corporate consisting of six members who are required to be residents of the District. Three Commissioners are required to be from, and are appointed by the County Executive of, Montgomery County, subject to their confirmation by the County Council thereof, and three Commissioners are required to be from, and are appointed by the County Executive of, Prince George’s County, subject to their confirmation by the County Council thereof. No more than two commissioners from Montgomery County may be of the same political party. The term of office for the Commissioners is four years, with termination dates on a staggered year basis. The Chair and the Vice-Chair of the Commission are elected by the members and may not be from the same county. These two offices rotate annually between the two counties unless waived, as provided by law.

The County Executive of each of the two counties may, with the approval of the majority of the members of the County Council of the respective county, remove any Commissioner appointed from such county from such Commissioner's current term of office prior to the completion of such term. In addition, a majority of the Montgomery County Council, by resolution, may, unless the Montgomery County Executive disapproves the resolution in writing within 30 days of its adoption, remove any Commissioner appointed from Montgomery County prior to the completion of his term. In either event, a public hearing must be held thereon unless waived in writing by the Commissioner sought to be removed.

Powers and Responsibilities of the Commission

The powers and responsibilities of the Commission as set forth in Article 29 include, among others:

- (i) providing for construction, reconstruction, operation and maintenance of water supply and sanitary sewerage facilities in the District area in Montgomery and Prince George's counties;
- (ii) establishing water rates, sewer usage rates, connection charges, front foot benefit charges and permit fees, and causing ad valorem taxes to be levied;
- (iii) issuing bonds and notes of the District, including refunding bonds and bond anticipation notes;
- (iv) exercising the power of eminent domain;
- (v) providing for construction, reconstruction, operation and maintenance of water and sewer house connection lines from the Commission's mains to abutting property lines;
- (vi) approving the location of, and issuing permits for, all utilities to be installed in public ways;
- (vii) reviewing preliminary subdivision plans as to suitability of water and sewer design and reviewing street grades for those streets in which there are Commission facilities;
- (viii) formulating regulations governing all plumbing and gas fitting installations;
- (ix) issuing permits for the installation of and inspection of all plumbing and gas fitting connections; and
- (x) licensing master and journeyman plumbers and gas fitters.

Commission Membership

Marc P. Lieber: Mr. Lieber was appointed to the Commission from Montgomery County in December 2004 and reappointed in May 2005. Mr. Lieber was elected Chair of the Commission on June 1, 2005. He is the President of ProFicient Technologies, a management consulting firm based in Rockville, specializing in project management consulting for corporations and strategic proposal management for federal contractors. In 1998, Mr. Lieber was appointed as a business representative by Governor Glendening to the Patuxent River Commission, a state-chartered body that protects the environmental health of the longest river within Maryland's borders. The Patuxent River is the location of many Commission facilities, including two reservoirs, two dams, a water filtration plant, and two wastewater treatment plants. Mr. Lieber worked with the Commission to address environmental challenges to protect the Patuxent and the Chesapeake Bay, and to prevent oil spills in Commission-operated areas. Elected by his fellow Patuxent River Commission commissioners, Mr. Lieber served from July 2002 until December 2004 as Chair of the Patuxent River Commission, and served as Vice Chair from 1999 to 2002. He participated in development of the statewide Tributary Strategies to protect the Chesapeake Bay, and advocated for economically efficient Bay cleanup approaches for both wastewater and control of urban "non-point" sources of water pollution. Mr. Lieber worked as a management consultant for ICF Kaiser Engineers from 1981 to 1994, specializing in environmental management, and serving as a Project Manager and consultant on projects involving hazardous waste site assessment, cost estimation, schedule control, procurement, and engineering management. Mr. Lieber served as a corporate-level officer of this publicly-traded company. He participated in the successful Kaiser-Hill joint venture win for one of the largest environmental procurements ever awarded, the \$3 billion cleanup of the US Department of Energy's Rocky Flats plant in Colorado. Mr. Lieber serves on the board of Kol Shalom congregation in Bethesda. He served on the board

of the Montgomery Workforce Development Corporation, and was a founder of MOVE, a citizens group advocating for improved transportation solutions in Montgomery County. He is a member of the Technology Council of Maryland, the Montgomery County Chamber of Commerce, and the Society for Human Resource Management. Mr. Lieber earned bachelors and masters degrees from the University of California Berkeley and its Graduate School of Public Policy. His term expires in June 2009.

Prem P. Agarwal: Mr. Agarwal was appointed to the Commission from Prince George's County in July 2003. Mr. Agarwal was elected Vice Chair on June 1, 2005. He is president and owner of G.E. Frisco Company, Inc., an Upper Marlboro-based lumber and building material manufacturer serving the mid-Atlantic region. Mr. Agarwal's career began in 1968 as a systems engineer at Safeway Stores, Inc., in Oakland, California, where he helped improve efficiency by designing computer-based industrial engineering systems for stores and manufacturing plants. Following that, he became president and owner of Iceco Corporation, an ice manufacturing facility in Capitol Heights. The Mitchellville resident holds a bachelor's degree in science and math from Agra University in Agra, India and a mechanical engineering degree from the Indian Institute of Technology in Roorkee, India. He also holds a master's degree in industrial engineering from the University of California, Berkeley, and is a member of the American Institute of Industrial Engineers. His term expires in June 2007.

Sandra A. Allen: Ms. Allen was appointed to the Commission from Montgomery County in January 2005. She currently manages StrongSuite Consulting, a business consulting and executive coaching firm located in Silver Spring, Maryland. In 1981, Ms. Allen co-founded The KEVRIC Company, Inc., a company also based in Silver Spring, which provides technical and scientific support services to private and public sector clients. Through her strategic leadership and vision, she grew the company's annual revenue to \$15 million at the time of sale to IMC in 2003. Ms. Allen's entrepreneurial spirit and communication skills have allowed her to succeed throughout her professional career, including: commercial real property analyst/appraiser for John R. Pinkett, Inc. and Reynolds and Reynolds, Inc., both of Washington, D.C.; Assistant Director of Personnel and Director of Education and Training for Massachusetts General Hospital in Boston; and Personnel Recruiter for Allstate Insurance Company in Hudson, Ohio. The long-time Silver Spring resident serves as a member of the American Medical Informatics Association, American Association for the Advancement of Science, National Contract Management Association, TechCouncil of Maryland, and is a Senior Member of the American Society of Appraisers. Ms. Allen is a past member of the Montgomery County Executive's Economic Advisory Council and the Silver Spring Chamber of Commerce. Ms. Allen holds a Bachelor's Degree in Biology and a Master's Degree in Education, both from Case Western Reserve University in Cleveland, Ohio. Outside of her professional affiliations, Ms. Allen has volunteered her time, talent and energy in the communities in which she has lived, accepting responsibilities such as: Junior Achievement Corporate Volunteer; Girl Scout leader; Cub Scout den mother; Meals on Wheels volunteer; and PTA board member. She is an active member of the People's Community Baptist Church. Her term expires in June 2007.

Stanley J. Botts: Mr. Botts was appointed to the Commission from Montgomery County in December 2004. Mr. Botts is a retired Senior Ethics and Compliance Manager from Verizon Communications with more than 30 years of experience in the telecommunications and government sectors. His background and experience at Verizon included expertise in appeals, compliance, employee relations and dispute resolution. During his 22-year career at the telecommunications leader, Mr. Botts facilitated the development of a Business Code of Conduct for more than 200,000 employees; developed training materials for the introduction of a Business Code of Conduct; trained employees on how to conduct business in an ethical manner that complied with laws and corporate standards; and resolved complex ethics and compliance cases. Prior to Verizon, Mr. Botts worked for the federal government's Office of Personnel Management and General Services Administration, and for Washington, D.C. government -- holding positions with increasing levels of responsibility during his decade-long career in public service. The long-time Montgomery County resident has completed numerous professional development workshops, and is an active community leader. He volunteers on the Boards of Impact Silver Spring and Leadership Montgomery. Mr. Botts holds a Bachelor of Science degree in business administration from Central State University, Wilberforce, Ohio. His term expires in June 2007.

Dr. Juanita D. Miller: Dr. Miller was appointed to the Commission from Prince George's County in October 2005. She is a Special Education administrator with the Prince George's County School system. Dr. Miller previously served as a WSSC Commissioner from Prince George's County in 1996 until 2002 when her term expired. She taught at Bowie State University and served on the Board of Visitors for the University of Maryland, College Park Afro-American Studies Department; the Advisory Board for the Prince George's County Family Crisis Center; the Interagency for Children with Disabilities (Prince George's County) and the Advisory Board for the Girl Scouts

of America. Dr. Miller served as an administrator in the District of Columbia Public School system until her retirement in 1998. In 1986, Dr. Miller was elected to the Maryland General Assembly, representing the 25th Legislative District of Prince George's County where she served four years. Dr. Miller was a Congressional lobbyist and consultant, was elected to the National Democratic Committee and also served as chairman of the Women's Legislative Committee of the Maryland General Assembly's Women's Caucus. Active as a civic and community leader, Dr. Miller served on executive committees of her civic and homeowners' associations, was president of her condominium Board of Directors, was appointed by the Prince George's County Executive to serve on the Commission for Children and Youth, and was appointed by the Governor of Maryland to serve on the Prince George's County Foster Care Review Board. A graduate of the District of Columbia Teacher's College, Dr. Miller earned a bachelor's degree in education and psychology. She also has a master's degree in special education and a doctorate in leadership and policy management from the George Washington University. In addition, Dr. Miller has pursued post-graduate studies at American University, the University of Maryland, College Park and Trinity University. Dr. Miller, a Clinton resident, has received Outstanding Service Awards from the public school system and the State Legislature, and has been a keynote speaker at professional forums, conferences and commencements. Dr. Miller is a member of the Full Gospel AME Zion Church and of the Alpha Kappa Alpha Sorority, Inc. Her term expires in June 2009.

Joyce Starks: Ms. Starks was appointed to the Commission from Prince George's County in February 2004. She served as Commission Chair from June 2004 to June 2005. Ms. Starks is a business Manager for Administration and Budget in the Office of Administration for the National Institutes of Health (NIH). Ms. Starks also was selected to participate in the reengineering of training programs at the Department of Treasury and Internal Revenue Service. She was one of the founders of the Parent Advisory Council for a foster care program, serving as Chair on two occasions, and was recognized with several awards. A Lanham resident, Ms. Starks volunteers at Sarah's House, a homeless shelter for women. She also served as the PTA Vice President for Thomas Johnson Middle School. She is a member of the Association of Government Accountants, and is active with her church and community. Ms. Starks' term expires in June 2007.

Management and Operations

The daily operation of the Commission is supervised by the General Manager.

Senior Staff

A brief resume of the Commission's senior staff is shown below:

Andrew D. Brunhart, General Manager: Mr. Brunhart was appointed General Manager of the Commission in February 2005. Prior to joining the Commission, Mr. Brunhart served for 30 years with the U.S. Navy where he specialized in developing and managing infrastructure including utilities and facilities operations and maintenance, as well as capital construction. During his career Mr. Brunhart led the Production Team for the Public Works Center, Pearl Harbor, Hawaii; led the start-up of the Public Works Center in Jacksonville, Florida; and, was Chief Executive of the Public Works Center in San Diego, California. These public works centers provide utilities and facilities operations and maintenance, engineering/construction, transportation, and environmental services to a multitude of geographically dispersed installations and customers on a fee-for-service (rate) basis. More recently, he was instrumental in creating and operating the Navy's first region providing full scope city/county services to installations in a tri-state area. Mr. Brunhart has led Engineer Programs for the Naval Facilities Engineering Headquarters, where he guided strategic business operations for the nine Navy Public Works Centers throughout the world. He also served at the Pentagon leading day-to-day work production for the Assistant Secretary of the Navy for Installations and Environment, who oversees worldwide management of Navy real estate, installations, public works, construction and environmental programs. Mr. Brunhart is a licensed professional engineer and a registered financial consultant. He holds a Bachelor of Science Degree in Electrical Engineering from Marquette University, Milwaukee, Wisconsin and a Masters of Science Degree in Electrical Engineering from the University of Illinois, Urbana-Champaign, Illinois. He also successfully completed the Advanced Executive Program at the Kellogg Graduate School of Management at Northwestern University, Evanston, Illinois. Mr. Brunhart has been a member of the Board of Directors of the National Conflict Resolution Center.

Carla Reid Joyner, Deputy General Manager: Ms. Joyner was appointed Deputy General Manager of the Commission in June 2005. She served as Acting Deputy General Manager from February 2005 until June 2005 and Interim General Manager from August 2004 until February 2005. Prior to that she served as Chief of Mission Support. In that capacity, her primary responsibilities were to support WSSC's mission by providing internal customer services employees require to perform their jobs and to connect with the vendor community to solicit and secure contracting opportunities to upgrade and maintain WSSC's facilities and infrastructure and to encourage economic development in Montgomery and Prince George's counties. She also managed the following employees and functions: Human Resources; Security and Safety; Property Management; Procurement; Small, Local, Minority, Business Enterprise; Materials and Services; and Fleet Services. Ms. Joyner has worked at WSSC for 20 years. Prior to serving as Chief of Mission Support, she served as Chief of Customer Care; Meter Services Division Manager; Northern Meter Operations Section Head; Meter Maintenance Section Head; Field Operations Supervisor; and Civil Engineer. Previous professional experience includes work at the Beltsville Agricultural Research Center, the Environmental Protection Agency, the University of the District of Columbia, and O'Brien and Gere Engineers. Ms. Joyner has a bachelor's degree in Civil Engineering from Howard University (1985) and a master's (MGA -- Master's of General Administration) degree specializing in Human Resource Management from the University of Maryland, University College.

Charlett Bundy, Corporate Secretary: Ms. Bundy is the WSSC Corporate Secretary, the statutory agent for the Commission and the custodian of the Commission's official files and records, including public records that must be maintained in accordance with Maryland's Open Meetings Act. She acts as the parliamentarian at WSSC Commission meetings. Ms. Bundy has a J.D. from Case Western Reserve University, Cleveland, Ohio and a B.A. from the University of Maryland, College Park, Maryland. She is admitted to practice in the state courts of Ohio and the U.S. District Court of Northern Ohio, Eastern Division. Prior to joining the staff of WSSC in June 2005, Ms. Bundy served as an assistant attorney general for the State of Ohio for nearly 12 years. She acquired extensive appellate litigation experience in administrative law that resulted in over 50 appearances before state appellate courts arguing issues of employment law and labor relations.

Thomas C. Traber, C.P.A., Chief Financial Officer and Treasurer: Mr. Traber joined the Commission in October 1979 and has since held the positions of Accounting Supervisor and Accounting Division Manager. He was promoted to Chief Financial Officer and Treasurer in March 2000. Prior to joining the Commission, Mr. Traber was a controller with a real estate development company and a senior auditor with a national CPA firm. He is a graduate of the University of Maryland and is a member of the American Institute of Certified Public Accountants, the Maryland Association of Certified Public Accountants, the Government Finance Officers Association, and the Maryland Government Finance Officers Association.

Jerome K. Blask, General Counsel: Mr. Blask was appointed General Counsel on October 24, 2005. He is a 1973 graduate of Dickinson College (B.A.) and received a J.D. from Georgetown University Law Center in 1979. Mr. Blask has practiced law for over 25 years, during which time he served as an Assistant Consumer Advocate in the Pennsylvania Office of Consumer Advocate, and was one of the founding partners of the law firm Gurman, Blask and Freedman. He is admitted to practice in the District of Columbia and in the Commonwealth of Pennsylvania, and is also admitted to practice before the Supreme Court of the United States, the United States Court of Appeals for the District of Columbia Circuit, United States District Court for the District of Columbia, and the District of Columbia Court of Appeals.

Sheila S. Cohen, C.P.A., Budget Director: Ms. Cohen has been Budget Director since July 2000. Ms. Cohen joined the Commission as an Internal Auditor in May 1980, and has since held several positions dealing with Internal Audit and budget formulation and administration. Ms. Cohen is a member of the American Institute of Certified Public Accountants, Maryland Association of Certified Public Accountants, Government Finance Officers Association, Maryland Government Finance Officers Association and is a member of the Board of Directors of the Maryland/D.C. Utilities Association. Ms. Cohen received a Bachelor of Science degree from the University of Maryland in 1980, and is a Certified Public Accountant.

Budget

Article 29 requires the Commission, prior to January 15 preceding the respective fiscal year, to prepare operating and capital budgets (the “Budget”) for the ensuing fiscal year.

The Budget is prepared to reflect the total funding and staffing requirements of the Commission as well as its individual programs and organizational components. The Budget is divided into two major sections, the Operating Budget and the Capital Budget. The Operating Budget reflects the Commission’s resource requirements to operate and maintain its completed plants and other installations. The Operating Budget consists of three separate funds: Water Operating, Sewer Operating, and Interest and Sinking. The Capital Budget reflects the Commission’s plan to receive and expend funds for capital projects involved in the first year of its Six Year Capital Improvements Program (see “CAPITAL IMPROVEMENTS PROGRAM — Six Year Capital Program”). The Capital Budget consists of three separate funds: Water Supply Bond, Sewage Disposal Bond and General Construction Bond funds.

The Budget process begins with submission of requests by all organizational units. The Budget Director compiles and presents the budget to the General Manager for review. After review the General Manager submits this Budget with his recommendations to the Commissioners. The Commissioners review the Budget and make changes they deem necessary in order to arrive at the Commission’s Proposed Budget.

Article 29 requires that the Proposed Budget be published by January 15. Copies of the Proposed Budget are available to the public. The Commission holds a public hearing on the Proposed Budget prior to February 15 after providing 21 days’ notice of such hearing by publication in at least two newspapers published and generally circulated in Montgomery County and two newspapers published and generally circulated in Prince George’s County.

The Commission is required to transmit the Proposed Budget by March 1 to the County Executives of Prince George’s and Montgomery Counties. The County Executives make recommendations on the Proposed Budget by March 15 to their respective County Councils. The County Councils may hold public hearings and conduct work sessions with Commission personnel during the months of April and May. Each County Council may add to, delete from, increase or decrease any item of the Proposed Budget and shall transmit by May 15 any proposed changes to the other County Council for review and concurrence. Each of the two County Councils must approve all changes to the Proposed Budget and, prior to June 1, the Commission’s Proposed Budget.

In the event both County Councils fail to concur on a change with respect to any item in such Proposed Budget by June 1, that failure shall constitute approval of the item submitted by the WSSC.

Finally, upon receipt of the joint resolutions of the two County Councils, the Commission adopts the Budget and the water and sewer rates, other charges and fees, and ad valorem tax rates required to fund the approved expenditure levels.

Contracting Initiative

Legislation enacted by the Maryland General Assembly in its 2001 session authorizes the Commission to form joint ventures with private entities to provide water and wastewater operations and management and related services. Such legislation further authorizes the Commission to issue non-recourse revenue bonds to finance the capital costs associated with any such joint venture. Pursuant to the terms of the legislation, all activities financed with revenue bonds must be conducted through single-purpose limited liability entities. Commission management intends to pursue various business opportunities, primarily the operation and management of water and wastewater systems on United States government property. Commission management cannot predict with any certainty whether the Commission will be successful in obtaining or exploiting its target business opportunities.

Labor Relations

On September 30, 2005, the Commission had 1,373 full time employees of whom approximately 399 are represented by the American Federation of State, County and Municipal Employees (“AFSCME”). The Commission considers its labor relations to be satisfactory.

Employees’ Retirement Plan

Substantially all Commission employees participate in either the closed or open version of the contributory Washington Suburban Sanitary Commission Employees’ Retirement Plan (the “Plan”). The closed version of the Plan is applicable only to participants as of June 30, 1978 who did not elect to change to the open version. The open version of the Plan is mandatory for all employees who commenced employment on or after July 1, 1978, and all other employees who elected to change to the open version.

The Plan, including the books and records thereof, is an entity distinct from the Washington Suburban Sanitary Commission. Its assets are managed by an independent board of trustees comprised of two Commissioners, five Commission employees or retirees, and four members of the business community. The Plan’s valuation is prepared annually by an independent actuarial firm.

Since fiscal year 1980, the Commission’s policy has been to fund costs on a level percentage of payroll (“LPOP”) funding method and to accrue a liability for the difference between the amount determined in accordance with the LPOP method and the amount determined in accordance with generally accepted accounting principles as required by APB 8. For fiscal years 2004 and 2005, the amounts funded exceeded the pension costs charged to operating and utility plants by \$2,950,000 and \$2,704,000 respectively. Such excesses were used to reduce the accrued liability. The cumulative liability so recorded will be paid, with interest (approximately \$3,284,000 fiscal year 2004 and approximately \$3,083,000 for fiscal year 2005) over a twenty-nine year period from fiscal year 1981.

For additional information concerning the Plan, see Appendix A, “Notes to Financial Statements,” Note J, Retirement Plan.

Leases and Agreements

During fiscal year 1985, the Commission entered into an agreement with a partnership for the provision and operation of a concrete water storage tank. Associated with this transaction, the Commission is obligated to paying certain fees and charges over the life of the agreement. These fees were \$365,000 for fiscal year 2005.

The Commission is party to certain agreements to provide water service to Howard County, Maryland on an as-available basis and sewage service to the City of Rockville, Maryland. The Commission considers its present capacity to be adequate to continue providing water and sewerage services under these contracts and is of the opinion at the present time that no new capital expenditures will be required of the Commission to fulfill these obligations.

Refunding Bonds and Bonds Refunded

From time to time, refunding bonds of the District have been issued pursuant to the terms of Article 29 in order to yield savings to the Commission in debt service payments. The proceeds of such refunding bonds have been used to purchase United States government obligations, which have been deposited with escrow agents. The principal of and interest on such government obligations held by the respective escrow agents will provide sufficient money to pay, when due, all of the principal of, redemption premium and interest on, the refunded bonds up to and including their retirement.

The following chart sets forth the refunding bonds of the District as of September 30, 2005:

Refunding Bonds	Date of Refunding Issue	Escrow Agent	Amount of Refunded Bonds Outstanding as of September 30, 2005
Refunding Bonds of 2004	02/01/04	JPMorgan Chase	\$ 95,660,000
Refunding Bonds of 2005	03/15/05	JPMorgan Chase	<u>63,980,000</u>
			<u>\$159,640,000</u>

The outstanding refunding bonds of the District, including refunding bonds issued to refund water supply bonds of the District, are required by Article 29 to be included in the debt limitation mentioned under the heading “BONDED INDEBTEDNESS OF THE DISTRICT — Borrowing Limitation” below. The outstanding refunded bonds are not required to be included within such debt limitation.

BONDED INDEBTEDNESS OF THE DISTRICT

Record of No Default

The Commission has never defaulted on any bonded indebtedness.

Washington Suburban Sanitary Commission Debt Statement

	Bonds Outstanding September 30, 2005
Bonds Outstanding(1)(2):	
General Construction Bonds (self-supporting)(3)	\$ 685,450,000
Water Supply Bonds (self-supporting)(4)	316,600,000
Sewage Disposal Bonds (self-supporting)(5)	256,780,000
Administration Building Construction Bonds (self-supporting)(6)	10,035,000
Maryland Water Quality Loan Fund (self-supporting)(5)	92,609,034
Storm Water Drainage Bonds — Prince George’s County(7)	<u>3,245,000</u>
Total Bonds Outstanding	1,364,719,034
Less:	
Self-supporting Bonds	<u>1,361,474,034</u>
Bonds Outstanding Exclusive of Self-supporting Bonds	<u>\$ 3,245,000</u>
Assessed Valuation (September 30, 2005), All Property within District	\$161,952,562,201
Ratios of Bonds Outstanding Exclusive of Self-supporting Bonds to Assessed Valuation of all Property within District	0.002%
Per Capita: (Population estimated at 1,706,425)	
Bonds Outstanding Total	\$ 800
Bonds Outstanding Exclusive of Self-supporting Bonds.....	\$ 2

- (1) Excludes \$159,640,000 principal amount of bonds outstanding as of September 30, 2005 which have been refunded, as more fully detailed under the heading “Refunding Bonds and Bonds Refunded.”
- (2) Excludes \$99,000,000 principal amount of bond anticipation notes outstanding as of September 30, 2005. See “Short-Term Financing Program” below.
- (3) Front foot benefit charges are levied sufficient to pay debt service.
- (4) Water consumption charges are fixed sufficient to pay all operating expenses and debt service.
- (5) Sewage usage charges are fixed sufficient to pay all operating expenses and debt service.
- (6) Water and sewer charges are levied sufficient to pay debt service.
- (7) Payable from ad valorem taxes levied in Prince George’s County only.

The Commission has committed to borrow an additional \$19,680,942 from the state revolving funds administered by the Maryland Water Quality Financing Administration. Such loans will constitute general obligations of the District, payable from unlimited ad valorem taxes upon all the assessable property within the District; however, such loans are expected to be paid from water and sewer usage charges.

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Bonded Debt Outstanding and Changes from June 30, 2005 to September 30, 2005(1)(2)

	Bonds Outstanding June 30, 2005	Issued	Defeased	Redeemed	Bonds Outstanding September 30, 2005
General Construction Bonds	\$ 685,450,000				\$ 685,450,000
Administration Building Construction Bonds	10,035,000				10,035,000
Water Supply Bonds	316,600,000				316,600,000
Sewage Disposal Bonds	256,780,000				256,780,000
Maryland Water Quality Loan Fund	83,015,311	\$9,593,724			92,609,034
Storm Water Drainage Bonds ... Prince George's County.....	<u>3,245,000</u>				<u>3,245,000</u>
Total	<u>\$1,355,125,311</u>	<u>\$9,593,724</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$1,364,719,034</u>

- (1) Excludes \$159,640,000 principal amount of bonds outstanding as of September 30, 2005 which have been refunded, as more fully detailed under the heading "Refunding Bonds and Bonds Refunded."
- (2) Excludes \$99,000,000 principal amount of bond anticipation notes outstanding as of September 30, 2005. See "Short-Term Financing Program" below.

Adjusted Debt Service

The following table shows principal, interest, and total debt service on the District's outstanding bonds.

**Outstanding Bonds
September 30, 2005(1)(2)**

Fiscal Year	Principal	Interest	Total
2006	\$139,444,902	\$61,458,697	\$200,903,599
2007	139,900,834	55,495,931	195,396,765
2008	134,130,596	49,000,445	183,131,041
2009	130,491,422	42,612,804	173,104,227
2010	126,397,312	36,262,927	162,660,240
2011	107,778,267	30,304,581	138,082,848
2012	93,574,287	25,252,414	118,826,702
2013	83,250,465	21,192,572	104,443,036
2014	76,507,634	17,690,951	94,198,585
2015	61,698,855	14,582,221	76,281,076
2016	52,205,145	11,986,483	64,191,627
2017	42,572,172	9,754,687	52,326,859
2018	40,222,083	7,907,120	48,129,202
2019	33,799,248	6,169,274	39,968,522
2020	28,377,962	4,706,972	33,084,934
2021	23,837,850	3,466,180	27,304,030
2022	16,410,000	2,418,047	18,828,047
2023	11,205,000	1,641,853	12,846,853
2024	9,480,000	1,091,691	10,571,691
2025	8,235,000	625,925	8,860,925
2026	1,325,000	246,083	1,571,083
2027	1,390,000	182,323	1,572,323
2028	1,460,000	115,417	1,575,417
2029	<u>1,025,000</u>	<u>46,979</u>	<u>1,071,979</u>
Total	<u>\$1,364,719,034</u>	<u>\$404,212,577</u>	<u>\$1,768,931,611</u>

- (1) Excludes \$159,640,000 principal amount of bonds outstanding as of September 30, 2005 which have been refunded, as more fully detailed under the heading "Refunding Bonds and Bonds Refunded."
- (2) Excludes \$99,000,000 principal amount of bond anticipation notes outstanding as of September 30, 2005. See Short-Term Financing Program" below.

Summary of Outstanding Debt Service as of September 30, 2005(1)(2)

	<u>Principal</u>	<u>Interest To Maturity</u>	<u>Total Debt Service</u>
General Construction Bonds.....	\$685,450,000	\$ 224,707,185	\$ 910,157,185
Administration Building Construction Bonds	10,035,000	1,379,826	11,414,826
Water Supply Bonds	316,600,000	90,470,949	407,070,949
Sewage Disposal Bonds	256,780,000	76,002,165	332,782,165
Maryland Water Quality Loan Fund	92,609,034	11,140,026	103,749,060
Storm Water Drainage Bonds Prince George's County	<u>3,245,000</u>	<u>512,426</u>	<u>3,757,426</u>
Total	<u>\$1,364,719,034</u>	<u>\$ 404,212,577</u>	<u>\$ 1,768,931,611</u>

- (1) Excludes \$159,640,000 principal amount of bonds outstanding as of September 30, 2005 which have been refunded, as more fully detailed under the heading "Refunding Bonds and Bonds Refunded."
- (2) Excludes \$99,000,000 principal amount of bond anticipation notes outstanding as of September 30, 2005. See Short-Term Financing Program" below.

Authorization of Debt

Bonds of the District are issued upon the basis of authorizations, under Article 29 and other applicable law, by the Commission through the adoption of resolutions or orders.

Borrowing Limitation

Article 29 limits the amount of bonds and notes issued by the District that may be outstanding at any time. The aggregate principal amount of bonds and notes of the District (excluding refunded bonds and certain short-term instruments) outstanding at any time may not exceed the sum of (i) 3.8% of the total assessable tax base of all real property assessed for county tax purposes within the District and (ii) 7.0% of the total assessable personal property and operating real property assessed for county tax purposes within the District (or such respective percentages of such tax bases as of July 1, 1997 if larger).

Shown below are the latest certified assessed valuations of those portions of the counties that lie within the District, and the ratio of debt to permitted debt.

As of	<u>Total Assessed Valuation (000)</u>	<u>Total Debt Outstanding (000)</u>	<u>Maximum Debt Permitted (000)</u>	<u>Ratio of Debt Outstanding to Debt Permitted</u>
Sept., 30, 2005	\$161,952,562	\$1,463,719	\$6,207,720	23.6%
June 30, 2005.....	148,923,353	1,454,125	5,724,920	25.4
June 30, 2004.....	133,837,711	1,465,115	5,151,881	28.4
June 30, 2003.....	125,969,843	1,481,675	4,856,322	30.5
June 30, 2002.....	117,286,532	1,579,669	4,528,579	34.9
June 30, 2001.....	111,438,033	1,603,521	4,320,564	37.1

Short-Term Financing Program

On June 24, 2003, the Commission established a short-term borrowing facility whereby it may issue and redeem its General Obligation Multi-Modal Bond Anticipation Notes (the "BANs") from time to time. The BANs are tax-exempt variable rate demand notes, the interest rates on which are reset weekly. The BANs are subject to optional redemption by the Commission at par on not less than fifteen days' notice to the holders thereof. Interest on the BANs is paid out of user fees for water and sewer service. The principal of the BANs is payable from the proceeds of the long-term water supply bonds and sewage disposal bonds of the District and other available funds.

The Commission has issued \$221,100,000 aggregate principal amount of BANs since the short-term borrowing facility was established on June 24, 2003. Of that amount, \$122,100,000 has been redeemed, leaving a balance of \$99,000,000 aggregate principal amount of BANs outstanding as of September 30, 2005. The proceeds of the BANs are used to provide interim financing for the water and sewer projects comprising a portion of the Commission's capital program.

DISTRICT FINANCIAL DATA

The District's financial records are maintained on the debt service method of accounting to conform to its annual budget. The District maintains a fund accounting system to separately account for its construction functions and operating functions. Each operating fund is credited with its share of the interest earned from the investments. The Commission continuously reviews its procedures to ascertain if it is necessary to update them due to new developments and other changes. Revenue available for debt service and operating expenses for the three months ended September 30, 2005 and the four most recent complete fiscal years ended June 30 are shown in summary form as follows:

Summary of Operating Revenues, Expenses and Net Revenues (Loss) (Dollars in Thousands)

	Fiscal Year Ended June 30,				
	For three months ended				
	Sept. 30, 2005(2)	2005	2004	2003	2002
Gross Revenues Available for Debt Service	\$ 127,081	\$ 455,581	\$ 447,973	\$ 457,186	\$ 443,607
Debt Service:					
Bonds Redeemed and Sinking Fund					
Contributions	36,136	134,462	122,367	126,601	137,846
Interest on Bonds and Notes Payable	<u>16,056</u>	<u>62,600</u>	<u>64,461</u>	<u>72,576</u>	<u>81,544</u>
Total	<u>52,192</u>	<u>197,062</u>	<u>186,828</u>	<u>199,177</u>	<u>218,777</u>
Net Revenues Available for Operations.....	74,889	258,519	261,145	258,009	229,350
Operating Expense Exclusive of Depreciation and Amortization	<u>52,779</u>	<u>243,855</u>	<u>221,967</u>	<u>243,344</u>	<u>241,661</u>
Net Revenue (Loss)	<u>\$ 22,110</u>	<u>\$ 14,664</u>	<u>\$ 39,178</u>	<u>\$ 14,665</u>	<u>\$ (12,331)</u>
Composed of:					
Water Operating (1).....	\$ 7,089	\$ 861	\$ 14,496	\$ (9,307)	\$ (13,682)
Sewer Operating (1).....	13,433	396	10,524	20,023	(6,780)
Other Operating Funds.....	<u>1,588</u>	<u>13,407</u>	<u>14,158</u>	<u>3,949</u>	<u>3,018</u>
Total	<u>\$ 22,110</u>	<u>\$ 14,664</u>	<u>\$ 39,178</u>	<u>\$ 14,665</u>	<u>\$ (17,444)</u>

- (1) Operating losses were planned uses of existing prior year surpluses within the operating funds accomplished by restraining rate increases in the respective year.
- (2) Unaudited.

The Commission's operating revenues derived from water and sewer charges vary from year to year, as water usage fluctuates in response to a variety of factors (such as changing weather patterns and economic conditions, for example). The Commission's policy is to maintain a reserve in the amount of 5% of budgeted water and sewer operating revenues to offset any shortfall in such revenues. In those years in which water or sewer operating revenues exceed budgeted amounts, the Commission generally accrues the resulting surplus in the respective Operating Fund(s) to be applied against future capital costs on a pay-as-you-go basis. In those years in which water or sewer operating revenues do not reach budgeted amounts, the Commission adjusts its then-current budget by reducing expenditures and by drawing upon the 5% reserve, if necessary. In the event that the 5% reserve is inadequate to cover such shortfall, the Commission may implement a mid-year rate increase after notifying the respective County Councils. As of the date hereof, the Commission has not drawn upon the 5% reserve during fiscal year 2006.

The Commission's audited financial statements (Appendix A) are prepared in accordance with generally accepted accounting principles. Comparison of the audited financial statements to the debt service method statements requires adjustments for several differences, including depreciation, bond principal redemption, capitalized interest and unfunded pension costs.

**SUMMARY OF DISTRICT AD VALOREM TAXES, WATER, SEWER
AND OTHER CHARGES AND REVENUES THEREFROM**

Ad Valorem Tax Rate

At present, no ad valorem taxes are levied pursuant to Commission certification.

Storm Water Drainage Bonds

As of September 30, 2005, there was a total of \$3,245,000 of outstanding storm water drainage bonds, guaranteed as to their payment by Prince George's County. In the District portion of Prince George's County, an ad valorem tax is levied by Prince George's County pursuant to such County's own taxing authority for the purpose of paying the debt service on storm water drainage bonds issued by the Commission and operating costs for storm water drainage, surface drainage and systems, including the cost of planning, engineering, surveys and other lawful activities. Funds collected for debt service are transferred to the Commission.

Front Foot Benefit Charges and Historic Collections

No levy of an ad valorem tax for debt service on the general construction bonds of the District is necessary or projected. For meeting debt service on its outstanding \$685,450,000 of general construction bonds as of September 30, 2005, there have been assessed front foot benefit charges in amounts sufficient, taking delinquencies in account, to pay debt service on the general construction bonds as such debt service becomes due. Front foot benefit charges are payable in annual or semi-annual installments. There are no operations, repair or maintenance costs paid from front foot benefit charges.

Front foot benefit charges for water and sewer lines placed in service during 2006 and 2005, as shown in the table below, became effective January 1, 2006 and 2005, respectively. The charges are payable over a 23-year period from the assessment date.

	Annual Rates per linear front foot*			
	<u>Effective</u>		<u>Effective</u>	
	<u>January 1, 2006</u>		<u>January 1, 2005</u>	
	<u>Water</u>	<u>Sewer</u>	<u>Water</u>	<u>Sewer</u>
Subdivision	\$4.00	\$6.00	\$4.00	\$6.00
Business (First 200 feet)	5.32	7.98	5.32	7.98
Small Acreage (First 150 feet)	4.00	6.00	4.00	6.00
Multi-Unit Residential Apartment.....	4.00	6.00	4.00	6.00
Townhouse.....	4.00	6.00	4.00	6.00
Agricultural (First 150 feet)	4.00	6.00	4.00	6.00

* The total amount of assessment can be redeemed at any time by the property owner.

Front foot benefit charges and deferred house connection charges are levied on a calendar year basis prior to July 1 of each year. Charges can be paid in two installments, the first due prior to October 1 and the second due prior to January 1. Levies, and collections for the five calendar years through 2004 as supplied by the counties, are shown in the following table:

<u>Calendar Year Ended(2)</u>	<u>Montgomery County</u>			<u>Prince George's County</u>		
	<u>Amount Levied</u>	<u>Total Collections</u>	<u>Percent Collected(1)</u>	<u>Amount Levied</u>	<u>Total Collections</u>	<u>Percent Collected(1)</u>
2004(3)	\$44,282,207	\$42,832,224	96.73%	\$39,039,412	\$36,897,062	94.51%
2003	44,112,241	44,062,013	99.89	38,990,873	38,911,734	99.80
2002	43,991,810	43,930,628	99.86	38,930,931	38,892,946	99.90
2001	44,091,809	44,035,889	99.87	38,880,985	38,855,173	99.93
2000	43,853,153	43,815,427	99.91	38,268,071	38,253,187	99.96

- (1) Collections are applied to their respective levy years regardless of the year of collection.
- (2) Original levies adjusted by subsequent additions, deletions and collections as of September 30, 2005. Calendar year represents the year of construction. Levies are assessed in the subsequent year.
- (3) As of January 31, 2006.

Water and Sewer Charges

Water consumption charges are collected to pay the operation, repair and maintenance costs of, and the debt service on bonds and notes issued for, water supply projects. Sewer usage charges are collected to pay the operation, repair and maintenance costs of, and the debt service on bonds and notes issued for, sewerage projects. Ad valorem taxes are not presently levied for such purposes.

Under Article 29, the Commission imposes a 5% late payment charge on any water/sewer bill outstanding after 30 days for residential customers and 20 days for commercial customers. If payment is not made within an additional 15 days, a termination notice is forwarded to a delinquent property owner advising that service will be discontinued by a specified date without further notice. Should this fail, and if any bill shall remain unpaid for 60 days from the date fixed for payment, it is collectible against the owner of the property served. Historically the bad debt write-off has been negligible.

The Commission employs a conservation oriented multi-rate structure for both water and sewer usage. The structure applies a sliding schedule of rates per thousand gallons of use with a level of charges determined by the customer's average daily consumption (ADC) during each billing period. The rates as of July 1, 2005 range from \$1.69 to \$3.90 per thousand gallons for water consumption and \$2.31 to \$5.86 per thousand gallons for sewer usage. The schedule starts at a base consumption level of 1-49 gallons a day where the lowest water and sewer rates apply and moves up in sixteen increments to a top ADC threshold at 9,000 gallons or more where the highest water/sewer rates apply to the total consumption by the customer unit. Sewer-only customers are charged a flat rate. In addition, all customers are assessed a service charge, based on meter size, in amounts ranging from \$11.00 to \$458.00 per quarter.

Other Charges

The Commission collects other charges and fees, namely, house connection fees, plumbing and gas connection inspection fees and system development charges, as mentioned below.

Sub-district Charges

In order to expedite ahead of schedule the construction of water and/or sewer facilities to serve certain sub-districts within the District, the Commission established individual sub-district charges in the Olney, Mattawoman, Green Branch, Mill Branch and Clopper Road Sub-districts to help defray the cost of capital construction therein.

The Commission has suspended the collection of sub-district charges, because system development charges provide sufficient growth-related cost recovery. See “System Development Charges” below.

House Connection Fees

On January 1, 2005, to reflect the construction cost differential, the Commission’s pricing of house connections for residential customers changed to one in which unimproved and improved connections receive different rates for each different sized connection. Beginning January 1, 2006, the rate for a standard one-inch residential water connection in an unimproved area is \$2,000, whereas a standard one-inch residential water connection in an improved area is \$5,900. A standard residential sewer connection in an unimproved area is \$3,250, whereas a standard residential sewer connection in an improved area is \$10,250. Commercial customers are charged different rates for larger sized improved and unimproved area connections to reflect the construction cost differential for these two types of connections.

Plumbing and Gas Connection Inspection Fees

The Commission inspects the installation of all plumbing and gas facilities throughout the bi-county area. This affords standardization of materials and methods for plumbing and gas systems in the District. The Commission charges certain fees for such inspections.

System Development Charge

The Commission is authorized by Article 29 to impose a system development charge at the time of filing of each plumbing permit application. The charge is applicable to each first-time connection to the water or sewer systems of the District, and to each additional connection or increase in water meter size due to a change in property use or an increase in demand at a property already connected to the system. The amount of the charge is established and annually revised by the Montgomery County Council and the Prince George’s County Council. The charge is applied based on the number of plumbing fixtures at the subject property. The rate schedule in effect as of July 1, 2006 imposes charges of between \$22 and \$264,000 for 71 categories of non-residential fixtures, and between \$44 and \$880 for 20 categories of residential fixtures. The system development charge is capped at \$2,036 per apartment unit, \$3,054 for dwellings with one or two toilets, \$5,090 for dwellings with three or four toilets, and \$7,126 for dwellings with five toilets. The Commission may apply the proceeds of the system development charge only to pay for new treatment, transmission and collection facilities, the need for which is directly attributable to the addition of new service, or to amortize bonds issued in connection with the construction of such facilities.

CAPITAL IMPROVEMENTS PROGRAM

Ten Year Plan

The State of Maryland requires that every county in the State have a ten-year water and sewerage plan. The Commission, as the political entity representing Prince George’s and Montgomery Counties in these matters, has been assisting in the preparation of the ten-year plans for these Counties since 1971. The ten-year plan serves as an overall guide for necessary projects. These projects are the major water filtration plants, pumping stations, transmission lines and storage facilities and sewage treatment plants, pumping stations, force mains and interceptor sewers and related facilities. Local water distribution and sewage collection systems are approved by Commission authority consistent with service policies in the ten-year plans. Projects are added to or dropped from the ten-year plan as priorities are changed.

Six Year Capital Program

Each year as the budget is prepared, the Commission prepares a six-year projection of capital expenditures for major water and sanitary sewerage facilities constituting its Capital Improvements Program (“CIP”). In addition, six-year projections are made for water and sewer systems reconstruction activities, a planned program for rehabilitating the older or defective portions of these systems.

The Commission has approved water and sewer CIP, Engineering Support and Energy Performance Program projects with a value of over \$724 million for fiscal years 2006-2011, and \$324 million for water and sewer system

reconstruction during the same period. Of this amount, \$737 million is anticipated to be funded through the sale of District bonds. The remaining amount is expected from federal and state funding, operating funds, and contributions from various sources.

The following table shows the approximate funding schedule (subject to adjustment for inflation) for approved projects and system reconstruction projects (dollars in thousands).

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>6-Yr. Total</u>
Water CIP/ESP/EPP.....	\$ 72,988	\$ 87,849	\$ 89,266	\$ 58,278	\$ 38,188	\$ 13,300	\$ 359,869
Sewer CIP/ESP/EPP.....	108,760	77,160	73,536	56,057	30,911	17,665	364,089
System Reconstruction...	<u>52,700</u>	<u>54,300</u>	<u>54,300</u>	<u>54,400</u>	<u>54,200</u>	<u>54,200</u>	<u>324,100</u>
Total.....	<u>\$ 234,448</u>	<u>\$ 219,309</u>	<u>\$ 217,102</u>	<u>\$ 168,735</u>	<u>\$ 123,299</u>	<u>\$ 85,165</u>	<u>\$1,048,058</u>

The funds necessary to finance general construction projects are not included in the above six year projections. In accordance with amendments to Article 29 enacted in 1998, general construction projects begun after June 30, 2001 will generally be financed by private developers rather than the Commission.

Federal and State Grants for Wastewater Treatment

Many major wastewater projects previously undertaken by the Commission were eligible for Federal and State grants. Grant collections for the fiscal years 2001 through fiscal year 2005 are as follows:

	<u>Collections(1)</u>				
	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Federal	\$ 2,119,664	\$4,396,813	\$ 5,978,390	\$ -0-	\$ -0-
State	<u>1,236,447</u>	<u>5,102,799</u>	<u>6,223,099</u>	\$ -0-	<u>803,521</u>
Total	<u>\$ 3,356,111</u>	<u>\$9,499,612</u>	<u>\$12,201,489</u>	\$ -0-	<u>\$803,521</u>

1) These amounts are used only for capital improvements.

WATER AND SEWERAGE FACILITIES, SERVICE CENTERS AND STATISTICS

The Commission currently operates water filtration plants, raw water reservoirs, wastewater treatment plants (in addition to sharing the use of regional facilities) and maintenance service centers.

Water Sources and Filtration Facilities

The Commission has multiple sources of raw water available for processing and delivery to its customers. These sources are supplemented by a number of reservoirs containing an aggregate of 17 billion gallons of raw water storage, and up to an additional 17 billion gallons of water for river quality and flow. The water filtration facilities, which have a combined production capacity of approximately 300 million gallons of water per day (mgd) peak, are strategically located to meet all of the needs of the Commission's customers. The water system is designed with a focus on sufficient redundancy to ensure adequate overlapping coverage for the Commission's service area.

The Commission maintains a water distribution network containing more than 5,300 miles of mains. There are filtered water storage structures located at strategic points along this network to assist in meeting peak customer demands and fire protection requirements. These structures have a combined gross storage capacity of more than 200 million gallons.

Wastewater Treatment Facilities

The Commission's wastewater plants are as follows:

Damascus Plant	Piscataway Plant
Seneca Plant	Western Branch Plant
Parkway Plant	Hyattstown Plant

Blue Plains Plant (developed and operated by the District of Columbia Water and Sewer Authority; capacity is shared by the Commission under regional agreements)
Mattawoman Plant (developed and operated by Charles County, Maryland; the Commission has purchased one-fifth of the plant's capacity under a regional agreement)

In recent years, in response to efforts to improve water quality in the Chesapeake Bay, emphasis has been placed on the expansion and improvement of wastewater treatment facilities to serve current and future needs of the Commission's bi-county service area. Every plant receiving wastewater from the Commission's system is equipped to provide advanced treatment. In 2004 the State of Maryland passed the Bay Restoration Fund into law to provide funding to remove additional nitrogen at wastewater treatment plants statewide to achieve Enhanced Nutrient Removal (ENR). The state had previously provided funds on a 50% cost share basis to upgrade plants statewide to Biological Nutrient Removal (BNR). Negotiations are now under way to obtain ENR funding to upgrade WSSC facilities to the ENR technology. The Commission had previously constructed nitrogen removal capability at the Piscataway, Western Branch, Parkway and Damascus Plants. Expansion of the Seneca Plant to 20 mgd to include nitrogen removal capability was completed in 2003. Each of the prior nitrogen removal projects allowed WSSC plants to meet or exceed the BNR technology and produce effluents of < 8 mg/l nitrogen. The additional ENR upgrades being pursued by the Commission are expected to further reduce nitrogen in the effluent to approximately 3 mg/l which is considered the limit of technology.

Most of the District's sewage flow travels through the regional system in Maryland and the District of Columbia to the Blue Plains Plant in Washington, D.C. The Blue Plains Plant is an advanced wastewater treatment plant with treatment capacity of 370 mgd. Blue Plains completed the addition of nitrogen removal facilities in 2000. The Commission has contributed approximately \$170 million, net of federal and State grants, to the capital cost of this shared-use plant. This project continues to receive some grant funding annually from previously-appropriated federal (EPA) and State pollution control grant programs. During fiscal year 2005, the Blue Plains Plant received 47.9 billion gallons (bg) of sewage from the Commission system, while the following flows were handled during the year at Commission-operated facilities: Piscataway Plant, 8.2 bg; Western Branch Plant, 7.5 bg.; Parkway Plant, 2.1 bg; Seneca Plant, 4.9 bg; and Damascus Plant, 0.3 bg. In addition, the Mattawoman Plant received 0.1 bg of sewage from the Commission system.

Wastewater is conveyed through the Commission pipeline system, which contains more than 5,100 miles of sewers.

Service Centers

From the following strategically placed service centers, maintenance, construction and supply activities are conducted by zones:

Anacostia Service Center
Gaithersburg Service Center
Lyttonsville Service Center
Temple Hills Service Center

Historical Water and Sewage Service Statistics

<u>Fiscal Year Ended June 30.</u>	<u>Estimated Population Served</u>	<u>Miles of Water Mains</u>	<u>Water Connections</u>	<u>Water Delivered (000,000 gal.)</u>	<u>Average mgd.</u>	<u>Miles of Sewer Mains</u>	<u>Sewer Connections</u>
2005	1,665,000	5,316	425,556	61,560	168.7	5,189	411,378
2004	1,593,000	5,272	422,192	60,915	166.9	5,132	402,317
2003	1,575,000	5,194	414,076	60,736	166.4	5,061	393,898
2002	1,557,000	5,162	410,192	59,609	163.3	5,022	390,317
2001	1,539,000	5,123	405,149	60,288	165.2	4,976	385,492
2000	1,521,000	5,089	401,181	59,878	163.6	4,946	381,813

INSURANCE

The Commission maintains insurance on its property (structures, contents, boilers and machinery, etc.) for physical damages. The Commission also maintains Employee Dishonesty and Terrorism insurance.

The Commission is self-insured for all liability except fiduciary liability insurance which the Commission maintains in connection with its Employees Retirement Plan. Each year the Commission budgets funds to pay for expected claims, based on past loss experience. However, should the actual claims be significantly higher than budgeted, or should a catastrophic loss occur, then funds to pay for such loss or losses would have to be obtained from ad valorem taxation or other sources of revenue, since a self-insurance fund has not been established.

The Commission is self-insured for Workers' Compensation benefits per the applicable statutory requirements of the State of Maryland.

The Commission's insurance policies contain varying self-insured retention levels. All such policies are subject to their terms, conditions, exclusions, definitions and limitations.

INVESTMENT OF OPERATING AND CAPITAL FUNDS

Commission funds held for operating and capital purposes are invested by the Commission Treasurer's Office in accordance with the Commission's investment policy, which conforms to State of Maryland law on the investment of public funds. The Commission does not leverage its investment portfolio, buy reverse repurchase agreements or invest in investment pools. It does no borrowing or lending of securities. The Commission invests primarily in obligations of the United States government, its agencies or instrumentalities, repurchase agreements, and bankers' acceptances. The repurchase agreements into which the Commission enters are collateralized by United States government treasury obligations and obligations of agencies and instrumentalities of the United States government, held by an independent third party custodian and marked to market daily.

RATINGS

Fitch Inc., Moody's Investors Service, Inc. and Standard & Poor's Rating Group have given the Bonds the respective ratings indicated on the cover page of this Official Statement. No application was made to any other rating agency for the purpose of obtaining a rating on the Bonds. Any explanation of the significance of such ratings may be obtained from the respective rating agency that gave the rating. The Commission furnished to such rating agencies certain information and materials respecting the Bonds, the District, the Commission, Prince George's County and Montgomery County. Generally, rating agencies base their ratings on investigations, studies and assumptions that they made, in addition to the information and materials provided by the issuer. Such ratings express only the views of the respective rating agencies. There is no assurance that the ratings mentioned above will remain in force for any given period of time or that the ratings may not be lowered or withdrawn by the rating agencies or any of them. Any such lowering or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

LITIGATION

There is not now pending any litigation restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued.

There are miscellaneous claims now pending against the Commission, including claims currently in litigation. Reference is made to the notes to the audited financial statements included as Appendix A hereto for a description of certain of such claims. In the opinion of the General Counsel to the Commission, none of such claims will materially adversely affect the ability of the Commission to perform its obligations to the holders of the bonds of the District.

TAX EXEMPTION

In the opinion of Bond Counsel, (i) under existing law, assuming continuing compliance by the Commission with its covenants to comply with the provisions of the Internal Revenue Code of 1986, as amended, as more fully described below, interest on the Bonds is excludable from gross income for purposes of federal income taxation, and (ii) under Article 29, the Bonds are exempt from taxation by the State of Maryland and by the counties and municipalities thereof, but 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.

The provisions of the Internal Revenue Code of 1986, as amended (the "Code"), include several restrictions that must be met simultaneously with or subsequent to the delivery or issuance of the Bonds, some of which must be complied with throughout the term of the Bonds. The Commission has adopted resolutions and will execute and deliver a Tax Certificate and Compliance Agreement on the date of delivery of the Bonds, in which it covenants and agrees to comply with these requirements in order to maintain the exemption of interest on the Bonds from federal income taxation. In the opinion of Bond Counsel, the covenants of the Commission are sufficient to meet the requirements (to the extent applicable to the Bonds) of Section 103 and Sections 141 through 150 of the Code. However, Bond Counsel assumes no responsibility for, and will not monitor, compliance with the covenants and agreements of the Commission. In the event of noncompliance with such covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for Federal income tax purposes retroactively to the date of issue.

Interest on the Bonds is not included in corporate or individual alternative minimum taxable income as a separate enumerated item of tax preference or other specific adjustment. However, for purposes of computing the corporate alternative minimum tax contained in the Code, a corporation will generally be required to increase its alternative minimum taxable income by 75% of the amount by which its "adjusted current earnings" (a modified definition of "earning and profits") exceeds its alternative minimum taxable income (computed without regard to this adjusted current earnings adjustment). For such purpose, "adjusted current earnings" will include, among other items, tax-exempt interest income from the Bonds. Interest income on the Bonds may also be included with the "dividend equivalent amount" for purposes of determining the branch profits tax imposed by the Code on certain foreign corporations conducting a trade or business in the United States. Other Federal income tax consequences may arise from ownership of the Bonds, and in connection therewith, attention is directed to the following provisions of the Code: (a) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Bonds, (b) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds, (c) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on obligations such as the Bonds, and (d) for S corporations having subchapter C earnings and profits, the receipt of certain amounts of passive investment income, which includes interest on the Bonds, may result in the imposition of income tax on such passive investment income and, in some cases, loss of S corporation status. The foregoing is only a general summary of certain provisions of the Code and does not purport to be complete; prospective purchasers and holders of the Bonds should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances.

The initial public offering price of some of the Bonds may be less than the amount payable on those Bonds at maturity. The excess, if any, of the amount payable at maturity of a Bond over the initial public offering price (plus accrued interest from February 15, 2006, to the date of initial delivery of the Bond) at which a substantial amount of the same maturity of the Bonds was sold constitutes original issue discount for Federal income tax purposes (“OID”). The full amount of OID will accrue over the term of a Bond in accordance with a constant yield method (using semi-annual compounding) which allocates smaller portions of OID to earlier semi-annual compounding periods and larger portions of OID to later semi-annual compounding periods. In the case of an original or a subsequent holder of a Bond, the amount of OID which is treated as having accrued with respect to such Bond during the period that the holder has held it (a) is not included in the gross income of the holder for Federal income tax purposes, and (b) is included in the cost basis of the holder in determining, for Federal income tax purposes, gain or loss upon its disposition (including its sale, redemption or payment at maturity). Holders of Bonds should consult their tax advisors with respect to the determination, for Federal income tax purposes, of OID accrued upon the sale, redemption or payment at maturity of such Bonds.

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

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

Legislative proposals presently before Congress or that are introduced after issuance and delivery of the Bonds, if enacted, could alter or amend one or more of the Federal tax matters referred to above and/or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal may be enacted, and there can be no assurance that any such proposal would not apply to obligations issued prior to the enactment of such proposal. Accordingly, prospective purchasers of the Bonds should consult with their tax advisors as to the status and potential effect of such proposals.

Maryland State and Local Income Tax

In the opinion of Bond Counsel, under existing law of the State of Maryland, the Bonds are exempt from income taxation by the State of Maryland and by the counties and municipalities thereof, but no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the income therefrom.

Interest on the Bonds may be subject to state or local income taxes in jurisdictions other than the State of Maryland under applicable state or local tax laws. Prospective purchasers of the Bonds should consult their tax advisors regarding the taxable status of the Bonds in a particular state or local jurisdiction other than the State of Maryland.

CERTIFICATE CONCERNING OFFICIAL STATEMENT

Concurrently with the delivery of the Bonds, the General Manager and the Chief Financial Officer of the Commission will certify that, to the best of their knowledge, the Official Statement did not as of its date, and does not as of the date of delivery of the Bonds, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purpose for which the Official Statement is to be used, or which is necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading in any material respect.

APPENDIX A

**AUDITORS' REPORT DATED AUGUST 25, 2005, AND COMPARATIVE FINANCIAL STATEMENTS
OF THE COMMISSION FOR FISCAL YEARS ENDED JUNE, 30, 2005 AND 2004**

Report of Independent Auditors

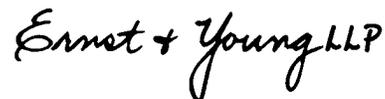
To the Commissioners
Of the Washington Suburban Sanitary Commission:

We have audited the accompanying balance sheets of the Washington Suburban Sanitary Commission as of June 30, 2005 and 2004, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington Suburban Sanitary Commission at June 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Management's discussion and analysis and schedule of historical pension information are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



August 25, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS REQUIRED SUPPLEMENTARY INFORMATION

This section of the Washington Suburban Sanitary Commission (WSSC) annual financial report presents our discussion and analysis of WSSC's financial performance during the fiscal years that ended June 30, 2005 and 2004. Please read it in conjunction with WSSC's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Fiscal Year 2005

- WSSC maintained AAA bond ratings from FitchRatings, Moody's Investor Services, and Standard & Poors.
- Combined water and sewer rates increased in fiscal year 2005. This increase follows six consecutive years of stable rates.
- Remedial measures to eliminate and/or reduce Sanitary Sewer Overflows will be undertaken pursuant to a proposed Consent Decree, which was executed in July 2005 with the Environmental Protection Agency, the Department of Justice, the State of Maryland, and four environmental groups. Costs of these remedial measures are estimated at \$365 million and are projected to be expended over 12 years. The costs for fiscal year 2006 are included in WSSC's budget and capital improvements program. The proposed Consent Decree will become final if it is approved by the U.S. District Court.
- A fiscal year 2005 bond refunding will reduce WSSC's total debt service payments over the next 20 years by \$2.2 million.
- Operating revenues increased \$5.4 million. The volume of water delivered to the system rose slightly during the fiscal year, and average rates billed to water and sewer customers increased approximately 2.7%.
- Operating expenses increased \$53.0 million during fiscal year 2005. An increase of \$4.2 million in expenses can be attributed to rising energy costs. Intermunicipal agency sewage disposal expenses increased \$2.2 million primarily as a result of the reconciliation of WSSC's share of estimated and actual expenses. An additional \$8.0 million was expended to address remedial maintenance measures relating to Sanitary Sewer Overflows in anticipation of the signing of the Consent Decree. Also, WSSC agreed to pay penalties of \$1.1 million related to this agreement and these costs were accrued in fiscal year 2005. During the fiscal year, a \$37.5 million loss was recognized for the impairment in value of one of WSSC's capital assets. This capital asset, a composting facility for biosolids handling was placed in service in 1983. Total costs to construct this facility and acquire the land were \$68.7 million. Contributions to aid in the construction were provided by Federal and State governments in the form of grants and totaled \$29.0 million. Additional funding of \$19.8 million was received from our regional partners. Operations of the composting facility ceased in 1999. In fiscal year 2005, WSSC took steps to commence disposal of this facility. An impairment loss was recorded to reduce this asset's carrying amount to its estimated fair value.
- Capital assets (water and sewer lines, water tanks, treatment plants, pumping stations, multi-purpose facilities and other facilities), net of accumulated depreciation, increased by \$87.8 million, while overall debt increased by \$8.7 million.
- The increase in net assets during the year included operating income, net of non-operating expenses, of \$49.0 million, and capital contributions of \$92.5 million.

Fiscal Year 2004

- WSSC maintained AAA bond ratings from FitchRatings, Moody's Investor Services, and Standard & Poors.
- Water and sewer rates did not increase during fiscal year 2004. This was the sixth consecutive year in which rates remained stable.

- Fiscal year 2004 bond refundings will reduce WSSC's total debt service payments over the next 19 years by \$25.8 million.
- Operating revenues decreased \$3.6 million. The volume of water delivered to the system rose slightly during the fiscal year, but average rates billed to water and sewer customers declined approximately 1.5%.
- Expenses increased during fiscal year 2004. Health care insurance costs increased \$.6 million during the year. Water supply operating and maintenance costs increased \$3.3 million. Pension costs charged to operating expenses increased in 2004 because actuarially required contributions were \$1.4 million higher in comparison to the prior fiscal year. Intermunicipal agency sewage disposal expenses increased \$3.1 million primarily as a result of the reconciliation of WSSC's share of estimated and actual expenses. An additional \$2.7 million was expended during the year to provide training to all employees of the Commission. Also, diversity experts were contracted at a cost of \$1.3 million to conduct a study to evaluate, and recommend enhancements, to WSSC's diversity programs, performance and profile.
- Capital assets (water and sewer lines, water tanks, treatment plants, pumping stations, multi-purpose facilities and other facilities), net of accumulated depreciation, increased by \$123.3 million, while overall debt decreased by \$12.0 million.
- The increase in net assets during the year included operating income, net of non-operating expenses, of \$91.5 million, and capital contributions of \$68.7 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts - management's discussion and analysis and the required financial statements. The required financial statements consist of:

- Balance sheets
- Statements of revenues, expenses, and changes in net assets
- Statements of cash flows

The balance sheets provide a snapshot of WSSC's financial position at June 30, the end of the fiscal year. Figures on the balance sheets are cumulative from inception. WSSC's balance sheets present current and long-term assets and liabilities as well as net assets.

WSSC's statements of revenues, expenses and changes in net assets reflect activity for the fiscal year. These statements measure operating revenues and expenses as well as non-operating revenues and expenses. The statements also present capital contributions as well as changes in net assets.

The statements of cash flows present WSSC's inflow and outflow of cash. Cash flows from operating activities, capital and related financing activities, and investment activities are all shown separately. Cash provided by operating activities is reconciled to operating income. WSSC uses the direct method for presenting the cash flow statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

WSSC operates as an enterprise fund, which is one type of proprietary fund. Enterprise funds operate similarly to private businesses in that charges for services to customers are expected to cover expenses. WSSC's financial statements are presented using the accrual basis of accounting and the economic resources measurement focus. All assets and liabilities are included in the financial statements. Revenue is recognized when water or other services are delivered. Expenses are recognized when goods and services are received. All revenues and expenses are recognized regardless of when cash is received or paid.

FINANCIAL ANALYSIS

Net Assets

Fiscal Year 2005

WSSC's net assets increased 5.5% to \$2,736.3 million (See Table A-1). The majority of this increase is attributable to the change in net assets invested in capital assets, net of related debt. Capital assets, net of accumulated depreciation, increased 2.3% to \$3,910.8 million. Unused bond proceeds at the end of the year increased to \$53.4 million. Investments are restricted for unused bond proceeds and classified as non-current assets. During fiscal year 2005, developers constructed \$45.2 million of capital assets and donated them to WSSC. Additional information is presented in the Capital Asset and Debt Administration section of this discussion.

Total debt, including current maturities, increased .6% to \$1,471.8 million. Capital contributions of \$92.5 million and operating revenues of \$7.0 million were available to finance capital projects during the year. These funding sources reduced the amount of bonds WSSC needed to sell for construction of water and sewer projects. A more detailed description of WSSC's debt can be found in Note H of the financial statements.

Fiscal Year 2004

WSSC's net assets increased 6.6% to \$2,594.8 million (See Table A-1). The majority of this increase is attributable to the change in net assets invested in capital assets, net of related debt. WSSC's capital assets are increasing, while the related debt is decreasing. Capital assets, net of accumulated depreciation, increased 3.3% to \$3,823.0 million. During fiscal year 2004, developers constructed \$23.7 million of these capital assets and donated them to WSSC. Additional information is presented in the Capital Asset and Debt Administration section of this discussion.

Total debt, including current maturities, decreased .8% to \$1,463.1 million. Capital contributions of \$68.7 million were available to finance capital projects during the year. These funding sources reduced the amount of bonds WSSC needed to sell for construction of water and sewer projects. A more detailed description of WSSC's debt can be found in Note H of the financial statements.

TABLE A-1
WSSC's Net Assets
(in millions of dollars)

	FY 2005	FY 2004	FY 2003	FY 2005 % Change	FY 2004 % Change
Current and other assets	\$ 486.4	\$ 420.5	\$ 401.6	15.7	4.7
Capital assets, net of accumulated depreciation	3,910.8	3,823.0	3,699.7	2.3	3.3
Total assets	4,397.2	4,243.5	4,101.3	3.6	3.5
Current and other liabilities	427.3	483.7	410.0	(11.7)	18.0
Bonds and notes payable, net of current maturities	1,233.6	1,165.0	1,256.6	5.9	(7.3)
Total liabilities	1,660.9	1,648.7	1,666.6	0.7	(1.1)
Net assets:					
Invested in capital assets, net of related debt	2,492.5	2,390.2	2,242.9	4.3	6.6
Restricted for growth construction	91.9	73.7	69.7	24.7	5.7
Unrestricted	151.9	130.9	122.1	16.0	7.2
Total net assets	\$ 2,736.3	\$ 2,594.8	\$ 2,434.7	5.5	6.6

Changes in Net Assets

Fiscal Year 2005

WSSC's operating revenues increased \$5.4 million (See Table A-2). The amount of water delivered to the system rose slightly during the fiscal year, and average rates billed to water and sewer customers increased approximately 2.7%. Operating expenses increased by 16.9% to \$366.3 million. An increase of \$4.2 million in expenses can be attributed to rising energy costs. Intermunicipal agency sewage disposal expenses increased \$2.2 million primarily as a result of the reconciliation of WSSC's share of estimated and actual expenses. An additional \$8.0 million was expended to address remedial maintenance issues related to Sanitary Sewer Overflows in anticipation of the signing of the Consent Decree. Also, WSSC agreed to pay penalties of \$1.1 million related to this agreement and these costs were accrued in fiscal year 2005. During the fiscal year, a \$37.5 million loss was recognized for the impairment in value of one of WSSC's capital assets. This capital asset, a composting facility for biosolids handling, was placed in service in 1983. Total costs to construct this facility and acquire the land were \$68.7 million. Contributions to aid in the construction were provided by Federal and State governments in the form of grants and totaled \$29.0 million. Additional funding of \$19.8 million was received from our regional partners. Operations of the composting facility ceased in 1999. In fiscal year 2005, WSSC took steps to commence disposal of this facility. An impairment loss was recorded to reduce this asset's carrying amount to its estimated fair value.

The net result of increases in revenues and expenses during the year resulted in a 46.4% decline in income before contributions to \$49.0 million. Capital contributions increased by 34.6% to \$92.5 million. Total footage of water and sewer mains constructed and donated by developers in 2005 increased 91% in comparison to 2004. Total units of water and sewer house connections constructed by developers in 2005 increased 54% in comparison to 2004.

Fiscal Year 2004

WSSC's operating revenues decreased .8% to \$437.3 million (See Table A-2). The amount of water delivered to the system rose slightly during the fiscal year, but average rates billed to water and sewer customers declined approximately 1.5%. Operating expenses increased by 5.6% to \$313.3 million. Health care insurance costs increased \$.6 million during the year. Water supply operating and maintenance costs increased \$3.3 million. Pension costs charged to operating expenses increased in 2004 because actuarially required contributions were \$1.4 million higher in comparison to the prior fiscal year. Intermunicipal agency sewage disposal expenses increased \$3.1 million primarily as a result of the reconciliation of WSSC's share of estimated and actual expenses. An additional \$2.7 million was expended during the year to provide training to all employees of the Commission. In addition, diversity experts were contracted at a cost of \$1.3 million to conduct a study to evaluate, and recommend enhancements, to WSSC's diversity programs, performance and profile. Increases in operating expenses and decreases in revenues during the year resulted in an 11.8% decline in income before contributions to \$91.5 million. Also, capital contributions decreased by 10.8% to \$68.7 million. Total footage of water and sewer mains constructed and donated by developers in 2004 decreased 26% in comparison to 2003.

TABLE A-2
WSSC's Changes in Net Assets
(in millions of dollars)

	FY 2005	FY 2004	FY 2003	FY 2005 % Change	FY 2004 % Change
Operating revenues	\$ 442.7	\$ 437.3	\$ 440.9	1.2	(0.8)
Operating expenses	(366.3)	(313.3)	(296.8)	(16.9)	(5.6)
Non-operating revenues (expenses)	(27.4)	(32.5)	(40.4)	15.7	19.6
Income before contributions	49.0	91.5	103.7	(46.4)	(11.8)
Capital contributions	92.5	68.7	77.0	34.6	(10.8)
Changes in net assets	\$ 141.5	\$ 160.2	\$ 180.7	(11.7)	(11.3)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Fiscal Year 2005

As of June 30, 2005, WSSC had invested \$3,910.8 million in a broad range of capital assets including water and sewer lines, water tanks, treatment plants, pumping stations, multi-purpose facilities and other facilities. This amount represents a net increase of \$87.8 million, or 2.3%, over fiscal year 2004. A \$37.5 million loss was recorded for the impairment in value of a composting facility, and Sewage Disposal capital assets were reduced accordingly and presented in Table A-3.

Fiscal Year 2004

As of June 30, 2004, WSSC had invested \$3,823.0 million in a broad range of capital assets including water and sewer lines, water tanks, treatment plants, pumping stations, multi-purpose facilities and other facilities. This amount represents a net increase of \$123.3 million, or 3.3%, over fiscal year 2003.

TABLE A-3
WSSC's Capital Assets
(net of depreciation and impairment losses, in millions of dollars)

	FY 2005	FY 2004	FY 2003	FY 2005 % Change	FY 2004 % Change
Land and rights of way	\$ 80.5	\$ 80.9	\$ 81.4	(0.5)	(0.6)
Construction in progress	626.4	526.6	544.5	19.0	(3.3)
Water supply	920.1	916.3	845.0	0.4	8.4
Sewage disposal	1,021.1	1,065.4	996.9	(4.2)	6.9
General construction	1,249.0	1,221.6	1,219.3	2.2	0.2
Other	13.7	12.2	12.6	12.3	(3.2)
Total capital assets	\$ 3,910.8	\$ 3,823.0	\$ 3,699.7	2.3	3.3

Increases in capital assets in fiscal years 2005 and 2004 were comparable. However, capital assets completed and placed in service decreased \$117.7 million or 50%, in comparison to fiscal year 2004. Major additions to capital assets being depreciated during fiscal years 2005 and 2004 are illustrated in Tables A-4 and A-5, respectively.

TABLE A-4
WSSC's Additions to Capital Assets Being Depreciated
Fiscal Year 2005
(in millions of dollars)

	Water Supply	Sewage Disposal	General Construction
Financed from proceeds of bonds, notes, operating revenues or capital contributions:			
Water and sewer main rehabilitation	\$16.8	\$ 2.6	
Water and sewer mains	2.4	14.8	\$ 8.9
Water meters			2.4
House connections			10.8
Water filtration facilities	9.7		
Wastewater treatment facilities		3.9	
Pumping stations		1.5	
Constructed and contributed by developers:			
House connections			7.5
Wastewater pumping stations		1.2	
Water and sewer mains	0.1		36.4
Total fiscal year 2005 additions to capital assets being depreciated	\$29.0	\$24.0	\$66.0

TABLE A-5
WSSC's Additions to Capital Assets Being Depreciated
Fiscal Year 2004
(in millions of dollars)

	Water Supply	Sewage Disposal	General Construction
Financed from proceeds of bonds, notes, operating revenues or capital contributions:			
Water and sewer main rehabilitation	\$13.4	\$ 3.3	
Water and sewer mains	2.5		\$ 4.7
Water meters			1.9
House connections			9.0
Water filtration facilities	80.0		
Pumping stations		22.1	
Wastewater treatment facilities		28.1	
Joint use facilities		48.1	
Constructed and contributed by developers:			
House connections			6.5
Wastewater pumping stations			
Water and sewer mains			17.1
Total fiscal year 2004 additions to capital assets being depreciated	\$95.9	\$101.6	\$39.2

Bonds and Notes Payable

Fiscal Year 2005

At the end of fiscal year 2005, bonds and notes outstanding totaled \$1,471.8 million. This is an .6% increase from the previous fiscal year. A bond refunding during the year will reduce WSSC's total debt service payments over the next 20 years by \$2.2 million. A more detailed description of WSSC's bond refundings can be found in Note I of the financial statements.

The primary sources of revenue utilized for repayment of debt are water consumption and sewer use charges and front foot benefit assessments. In addition, WSSC obtains funds from other sources to reduce the amount of bonds it needs to sell to construct water and sewer projects. These other sources include payments from applicants for new service, payments from other jurisdictions for projects that specifically benefit them, and state and federal grants. A more detailed description of WSSC's bonds and notes payable can be found in Note H of the financial statements.

Fiscal Year 2004

At the end of fiscal year 2004, bonds and notes outstanding totaled \$1,463.1 million. This is an .8% decrease from the previous fiscal year. Three bond refundings during the year will reduce WSSC's total debt service payments over the next 19 years by \$25.8 million. A more detailed description of WSSC's bond refundings can be found in Note I of the financial statements.

The primary sources of revenue utilized for repayment of debt are water consumption and sewer use charges and front foot benefit assessments. In addition, WSSC obtains funds from other sources to reduce the amount of bonds it needs to sell to construct water and sewer projects. These other sources include payments from applicants for new service, payments from other jurisdictions for projects that specifically benefit them, and state and federal grants. A more detailed description of WSSC's bonds and notes payable can be found in Note H of the financial statements.

**TABLE A-6
WSSC's Bonds and Notes Payable
(in millions of dollars)**

	FY 2005	FY 2004	FY 2003	FY 2005 % Change	FY 2004 % Change
Water supply	\$ 365.7	\$ 347.6	\$ 368.3	5.2	(5.6)
Sewage disposal	399.7	378.8	336.5	5.5	12.6
General construction	703.2	732.2	763.8	(4.0)	(4.1)
Storm water drainage	3.2	4.5	6.5	(28.9)	(30.8)
Total	1,471.8	1,463.1	1,475.1	0.6	(0.8)
Current maturities	238.2	297.6	218.5	(20.0)	36.2
Long-term portion	1,233.6	1,165.5	1,256.6	5.8	(7.2)
Total bonds and notes payable	\$ 1,471.8	\$ 1,463.1	\$ 1,475.1	0.6	(0.8)

Bond Ratings

During fiscal year 2001, FitchRatings, Moody's Investors Service, and Standard & Poor's assigned ratings of 'AAA', 'Aaa', and 'AAA', respectively, to WSSC's outstanding general obligation bonds. WSSC's superior credit was attributed in large part, to strong fiscal practices, streamlined operations, and management's commitment to keeping the utility competitive. These ratings were affirmed in fiscal years 2004 and 2005.

Limitations on Debt

Maryland law limits the amount of bonds and notes WSSC may have outstanding at any time. This limitation is generally based on legislated percentages of the real property assessable tax base and personal property and operating real property assessments within the Washington Suburban Sanitary District. As of June 30, 2005 and 2004, the calculated limits were \$5,724.9 million and \$5,151.9 million, respectively. WSSC's outstanding debt was significantly below those limits.

BUDGET

WSSC's operating and capital budgets are prepared annually utilizing the debt service method of accounting. These financial statements are presented in accordance with accounting principles generally accepted in the United States. Because different methods of accounting are utilized, comparisons of budgeted and actual revenues and expenses have not been presented.

WASHINGTON SUBURBAN SANITARY COMMISSION
BALANCE SHEETS
AS OF JUNE 30, 2005 AND 2004
(in thousands)

	<u>2005</u>	<u>2004</u>
ASSETS		
Current assets:		
Cash (Note B)	\$ 371	\$ 88
Short-term investments (Note B)	311,700	269,136
Receivables, net (Note C)	103,373	102,102
Prepaid expenses	324	805
Materials and supplies, at average cost	<u>8,784</u>	<u>8,846</u>
Total current assets	<u>424,552</u>	<u>380,977</u>
Non-current assets:		
Capital assets, net of accumulated depreciation (Note E)	3,910,784	3,823,087
Long-term investments (Note B)	53,435	30,263
Federal and State grants receivable	2,658	3,260
Deferred charges and other assets (Note D)	<u>5,815</u>	<u>5,971</u>
Total non-current assets	<u>3,972,692</u>	<u>3,862,581</u>
 Total assets	 <u>\$4,397,244</u>	 <u>\$ 4,243,558</u>
LIABILITIES		
Current liabilities:		
Bonds and notes payable, current maturities (Note H)	\$ 238,196	\$ 297,600
Accounts payable and accrued expenses	94,866	88,465
Accrued bond and note interest payable	15,594	18,008
Deposits and deferred credits	<u>4,082</u>	<u>1,955</u>
Total current liabilities	<u>352,738</u>	<u>406,028</u>
Non-current liabilities:		
Bonds and notes payable, net of current maturities (Notes H and I)	1,233,572	1,165,540
Long-term pension liability (Note J)	41,624	44,328
Deposits, deferred credits and other long-term liabilities (Note G)	<u>32,996</u>	<u>32,832</u>
Total non-current liabilities	<u>1,308,192</u>	<u>1,242,700</u>
 Total liabilities	 <u>1,660,930</u>	 <u>1,648,728</u>
COMMITMENTS AND CONTINGENCIES (Note L)		
NET ASSETS		
Invested in capital assets, net of related debt	2,492,451	2,390,210
Restricted for growth construction	91,906	73,721
Unrestricted	<u>151,957</u>	<u>130,899</u>
Total net assets	<u>2,736,314</u>	<u>2,594,830</u>
 Total liabilities and net assets	 <u>\$4,397,244</u>	 <u>\$4,243,558</u>

The accompanying notes are an integral part of these financial statements.

WASHINGTON SUBURBAN SANITARY COMMISSION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004
(in thousands)

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES:		
Water consumption, sewer use and service charges	\$ 346,052	\$ 342,811
Front foot benefit assessments	68,549	68,212
House connection charges	11,123	10,211
Other	<u>16,955</u>	<u>16,077</u>
Total operating revenues	<u>442,679</u>	<u>437,311</u>
OPERATING EXPENSES:		
Operations	60,420	58,831
Maintenance	79,025	66,288
Intermunicipal agency sewage disposal	41,555	39,711
Administrative and general	53,843	53,751
Depreciation and amortization	93,961	94,760
Impairment of capital asset (Note E)	<u>37,473</u>	<u>—</u>
Total operating expenses	<u>366,277</u>	<u>313,341</u>
Net operating revenue	<u>76,402</u>	<u>123,970</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest on bonds and notes payable	(63,611)	(65,802)
Capitalized interest	19,577	19,767
Prince George's County storm drain debt service reimbursement	1,549	2,295
Interest income on investments	8,415	3,969
Other interest income	<u>6,653</u>	<u>7,289</u>
Net non-operating expenses	<u>(27,417)</u>	<u>(32,482)</u>
Income before capital contributions	48,985	91,488
Capital contributions	<u>92,499</u>	<u>68,658</u>
Changes in net assets	141,484	160,146
Net assets, beginning of year	<u>2,594,830</u>	<u>2,434,684</u>
Net assets, end of year	<u>\$2,736,314</u>	<u>\$2,594,830</u>

The accompanying notes are an integral part of these financial statements.

WASHINGTON SUBURBAN SANITARY COMMISSION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004
(in thousands)

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from water and sewer customers	\$ 348,780	\$ 338,379
Receipts from front foot benefit assessments	68,484	67,505
Receipts from house connection charges	11,123	10,211
Receipts from other customers and miscellaneous	24,677	15,601
Payments to employees	(134,217)	(131,719)
Payments to District of Columbia Water & Sewer Authority	(35,564)	(28,711)
Payments to suppliers and others	<u>(65,929)</u>	<u>(52,093)</u>
Net cash provided by operating activities	<u>217,354</u>	<u>219,173</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from bonds and notes	287,298	462,607
Proceeds from sale of capital asset	1,029	—
Capital contributions	48,462	44,891
Prince George's County storm drain debt service reimbursement	1,549	2,295
Bond redemptions and note repayments	(293,042)	(479,169)
Interest payments, premiums and discounts on bonds and notes	(46,036)	(55,241)
Capital asset construction	<u>(159,009)</u>	<u>(178,530)</u>
Net cash used in capital and related financing activities	<u>(159,749)</u>	<u>(203,147)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of investments	2,074,010	1,157,078
Purchases of investments	(2,139,032)	(1,177,127)
Interest income received	<u>7,700</u>	<u>4,052</u>
Net cash used by investing activities	<u>(57,322)</u>	<u>(15,997)</u>
Net increase in cash	283	29
Cash, beginning of year	<u>88</u>	<u>59</u>
Cash, end of year	<u>\$ 371</u>	<u>\$ 88</u>
Cash flows from operating activities:		
Net operating revenue	\$ 76,402	\$ 123,970
Adjustments to reconcile net operating revenue to net cash provided by operating activities:		
Depreciation and amortization	97,882	99,195
Impairment of capital asset	37,473	—
Changes in assets and liabilities:		
Increase in receivables, net	(1,271)	(1,843)
Decrease in materials and supplies	62	688
Decrease (increase) in deferred charges and other assets	55	(103)
Increase (decrease) in accounts payable and accrued liabilities	7,181	(10)
Increase (decrease) in deferred credits	1,765	(337)
Decrease in long-term pension liability	<u>(2,195)</u>	<u>(2,387)</u>
Net cash provided by operating activities	<u>\$ 217,354</u>	<u>\$ 219,173</u>

Noncash capital financing activities:

Capital assets of \$46,165 and \$23,572 were acquired through contributions from developers in 2005 and 2004, respectively.

The accompanying notes are an integral part of these financial statements.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Washington Suburban Sanitary Commission (WSSC) is a bi-county political subdivision of the State of Maryland, created to provide water supply and sewage disposal services for Montgomery and Prince George's Counties. The financial statements are presented using the accrual basis of accounting and the economic resources measurement focus. Significant accounting policies are summarized below.

Operating and Non-operating Revenues and Expenses

Revenues and expenses derived from financing and investment activities are classified as non-operating revenues and expenses. All other revenues and expenses are classified as operating.

Water and sewer service rates are established to provide sufficient funds to recover operating costs and debt service relating to the water supply and sanitary sewer systems. Water and sewer revenues are recognized as water is delivered to the system.

Front foot benefit and house connection assessments, levied on properties where water and/or sanitary sewer service is available, are the principal source of funds to service general construction bond debt. Front foot benefit assessments are recorded as operating revenue ratably over the levy year; house connection assessments and fees are deferred and amortized to operating revenue over the life of the bonds issued to finance the house connections.

Recovery of the Prince George's County portion of the cost of storm water drainage debt service is made through annual reimbursement from the County and is recorded as non-operating revenue. If necessary, ad valorem taxes may be levied to cover debt service of storm water drainage bonds and other bonds and notes. No ad valorem taxes were levied in fiscal 2005 or 2004.

Capital Contributions

In July 1993, a system development charge (SDC) was established to help finance the cost of expanding water and sewage systems to accommodate growth in the Washington Suburban Sanitary District. System development charges are recorded as capital contributions when received.

Developer fees and charges are established to recover costs related to services provided to outside developers for the construction of capital assets. These fees are recorded as capital contributions when received.

Federal and State water pollution grants are recognized as capital contributions when related capital costs are incurred.

Donated assets consist principally of capital assets constructed by developers and subsequently donated to WSSC. They are recorded at estimated fair value using developers' estimated costs to construct the assets or WSSC's estimated costs to construct similar assets. The capital assets, and related capital contributions, are recognized upon completion of construction.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A small portion of capital assets is related to donated assets acquired or constructed under a Department of Defense (DOD) contract executed during fiscal 2005 to operate and maintain the water and sewer systems at Bolling Air Force Base. Costs incurred by WSSC to acquire or enhance these systems are reimbursed by DOD and, consequently, recognized as capital assets and capital contributions.

Capital Assets

Capital assets are stated at original construction cost, which includes related payroll, payroll taxes, fringe benefits, administrative costs and interest capitalized during construction.

Depreciation and Amortization

Capital assets are depreciated using the straight-line method over the estimated service lives of the property, which averaged 49 years in fiscal 2005 and 48 years in fiscal 2004.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses. Actual results may differ from these estimates.

Bond Refunding Costs

The issuance costs of refunding bonds are amortized to operations using a proportionate-to-stated interest method (see Note D). The reacquisition price of the refunded bonds in excess of carrying value is also deferred and amortized to operations (see Note I).

Contributions of Capital Assets

WSSC follows Governmental Accounting Standards Board Statements No. 33, Accounting and Financial Reporting for Nonexchange Transactions (GASB No. 33). GASB No. 33 requires recognition of all contributions of capital assets, including donated assets, as revenues (capital contributions in the Statement of Revenues, Expenses and Changes in Net Assets).

Net Assets

GASB No. 34 establishes financial reporting standards for state and local governments regarding the required financial statements, presentation of management's discussion and analysis and classification of net assets. GASB No. 34 requires that net assets restricted for particular purposes, and net assets invested in capital assets, net of related debt, be presented separately on the balance sheets.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets associated with unspent SDC proceeds are restricted for growth construction.

Net assets associated with unspent bond proceeds are restricted for capital projects. As of June 30, 2005, and 2004, unspent bond proceeds total \$53,435,000, and \$30,263,000, respectively. However, cash and investments net of the related debt resulted in a zero net asset balance.

Accounting Guidelines

In accordance with the provisions of Statement No. 20 of the Governmental Accounting Standards Board (GASB), Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, issued in September 1993, WSSC has elected to continue to apply all applicable GASB pronouncements and not to follow Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989.

Recent Accounting Pronouncements

In June 2004, the GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB No. 45 will require WSSC to record a liability for certain postemployment benefits. WSSC has not determined the impact of this pronouncement on the financial statements at this time. For WSSC, GASB No. 45 will not be effective until the year ending June 30, 2008.

In June 2005, the GASB issued Statement No. 47, Accounting for Termination Benefits. WSSC has not determined the impact of this pronouncement on the financial statements at this time. For WSSC, GASB No. 47 will not be effective until the year ending June 30, 2006.

B. CASH AND INVESTMENTS

At June 30, 2005 and 2004, cash per WSSC's records amounted to \$371,000 and \$88,000, respectively, and per reported bank balances was \$1,514,000 and (\$695,000), respectively. All collected bank balance funds were secured by Federal depository insurance or by collateral held in WSSC's name by the Federal Reserve Bank.

WSSC's investment policy conforms to Maryland laws on the investment of public monies. Consequently, WSSC is authorized to invest in the investment types identified in the table on the following page. The table also identifies certain provisions of the Maryland law, or WSSC investment policy, which address interest rate risk, credit risk and concentration of credit risk.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

B. CASH AND INVESTMENTS (continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Government securities	1 year	None	None
Federal agency securities	1 year	None	None
Bankers' acceptances	6 months	None	20%
Collateralized repurchase agreements	1 year	None	20%
Commercial paper	1 year	5%	None
Certificates of deposit	1 year	None	20%

Any investment with a maturity in excess of 1 year must be approved by the Treasurer and will be limited to U.S. Government and Federal agency securities. The aggregated value of investments with any one bank or broker will not exceed 20% of the total investment portfolio at the time of investment, unless approved by the Investment Manager or Treasurer.

Custodial credit risk is the risk that, in the event of a failure of a financial institution, WSSC would not be able to recover deposits, the value of its investments, or collateral securities that are in the possession of an outside party. Maryland State law requires that collateral shall be maintained for all deposits and certificates of deposit with amounts in excess of Federal insurance coverage. State law also requires the securities collateralizing repurchase agreements, commercial paper, and certificates of deposit to have a market value of at least 102 percent of the principal of the investment plus accrued interest. At June 30, 2005 and 2004, all WSSC investments, or the collateral securities for such investments, were held by various Trust Companies in WSSC's name. None of these investments required securities to be held by a broker's or dealer's trust department or agent in WSSC's name.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. As of June 30, 2005 and 2004, all of WSSC's investments had remaining maturities of 1 year or less.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. WSSC may invest in bankers' acceptances and commercial paper having a short-term rating of the highest letter and numerical rating issued by at least one nationally recognized statistical rating organization. WSSC does not have a formal policy for other investment types; however, virtually all remaining investments are in, or collateralized by, Federal agency securities. Actual ratings as of June 30, 2005 and 2004 are presented on the following page for each investment type.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

B. CASH AND INVESTMENTS (continued)

Investments at June 30, 2005 (in thousands):

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Remaining Maturity</u>	<u>Cost</u>	<u>Fair Value</u>
Federal agency securities	Aaa	1 year or less	\$ 219,524	\$ 219,582
Commercial paper	P-1	1 year or less	14,965	15,000
Repurchase agreements	Aaa	1 year or less	<u>130,646</u>	<u>130,646</u>
Total investments (includes \$53,435 restricted for capital projects, classified as non-current)			<u>\$ 365,135</u>	<u>\$ 365,228</u>

Investments at June 30, 2004 (in thousands):

<u>Investment Type</u>	<u>Credit Rating</u>	<u>Remaining Maturity</u>	<u>Cost</u>	<u>Fair Value</u>
Federal agency securities	Aaa	1 year or less	\$ 169,762	\$ 169,729
Commercial paper	P-1	1 year or less	14,968	15,000
Repurchase agreements	Aaa	1 year or less	<u>114,669</u>	<u>114,669</u>
Total investments (includes \$30,263 restricted for capital projects, classified as non-current)			<u>\$ 299,399</u>	<u>\$ 299,398</u>

WSSC records short-term investments in money market instruments such as repurchase agreements and U.S. Government securities with original maturities at acquisition of less than 1 year at cost, which approximates fair value. Non-current investments are recorded at market.

Concentration of credit risk is the risk of loss due to the magnitude of WSSC's investment in the securities of any single issuer. The investment policy of WSSC contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer that represent 5% or more of total investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount at June 30, 2005 (in thousands)</u>
FHLB	Federal agency securities	\$59,614
FNMA	Federal agency securities	74,588
FHLMC	Federal agency securities	84,569
FNMA	Collateral securities for repurchase agreements	50,343
FHLMC	Collateral securities for repurchase agreements	29,657

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

B. CASH AND INVESTMENTS (continued)

<u>Issuer</u>	<u>Investment Type</u>	Reported Amount at June 30, 2004 <u>(in thousands)</u>
FHLB	Federal agency securities	\$29,906
FNMA	Federal agency securities	74,797
FHLMC	Federal agency securities	64,812
General Electric	Commercial paper	14,968
FNMA	Collateral securities for repurchase agreements	65,000
FHLMC	Collateral securities for repurchase agreements	10,000

C. RECEIVABLES

Receivables consisted of the following at June 30 (in thousands):

	<u>2005</u>	<u>2004</u>
Front foot benefit assessments accrued and billed	\$ 42,196	\$ 42,348
Water and sewer services unbilled	33,574	31,031
Water and sewer services billed	27,220	30,468
Services billed to others and miscellaneous	<u>4,480</u>	<u>2,517</u>
	107,470	106,364
Less allowance for doubtful accounts	<u>(4,097)</u>	<u>(4,262)</u>
Total receivables, net	<u>\$103,373</u>	<u>\$102,102</u>

D. DEFERRED CHARGES AND OTHER ASSETS

Deferred charges and other assets consisted of the following at June 30 (in thousands):

	<u>2005</u>	<u>2004</u>
Net deferred cost of storm water drainage property transferred to Prince George's County	\$3,264	\$4,580
Unamortized issuance cost of refunding bonds	<u>2,551</u>	<u>1,391</u>
Total	<u>\$5,815</u>	<u>\$5,971</u>

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

E. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2005 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and rights of way	\$ 80,938	\$ 77	\$ (474)	\$ 80,541
Construction in progress	<u>526,626</u>	<u>155,644</u>	<u>(55,914)</u>	<u>626,356</u>
Total capital assets not being depreciated	<u>607,564</u>	<u>155,721</u>	<u>(56,388)</u>	<u>706,897</u>
Capital assets being depreciated:				
Water supply	1,232,010	28,983	(384)	1,260,609
Sewage disposal	1,554,363	23,992	(233)	1,578,122
General construction	1,897,190	66,090	(12,653)	1,950,627
Other	<u>71,132</u>	<u>5,483</u>	<u>(3,668)</u>	<u>72,947</u>
Total capital assets being depreciated	<u>4,754,695</u>	<u>124,548</u>	<u>(16,938)</u>	<u>4,862,305</u>
Less accumulated depreciation for:				
Water supply	(315,696)	(24,838)	-	(340,534)
Sewage disposal	(488,933)	(30,595)	1	(519,527)
General construction	(675,566)	(38,615)	12,572	(701,609)
Other	<u>(58,977)</u>	<u>(3,921)</u>	<u>3,622</u>	<u>(59,276)</u>
Total accumulated depreciation	<u>(1,539,172)</u>	<u>(97,969)</u>	<u>16,195</u>	<u>(1,620,946)</u>
Capital assets being depreciated, net	<u>3,215,523</u>	<u>26,579</u>	<u>(743)</u>	<u>3,241,359</u>
Reserve for impairment in value	<u>-</u>	<u>-</u>	<u>(37,472)</u>	<u>(37,472)</u>
Total capital assets, net	<u>\$ 3,823,087</u>	<u>\$ 182,300</u>	<u>\$ (94,603)</u>	<u>\$ 3,910,784</u>

A \$37.5 million loss was recorded for the impairment in value of one of WSSC's capital assets. This capital asset, a composting facility for biosolids handling was placed in service in 1983. Total costs to construct this facility and acquire the land were \$68.7 million. Contributions to aid in the construction were provided by Federal and State governments in the form of grants and totaled \$29.0 million. Additional funding of \$19.8 million was received from our regional partners. Operations of the composting facility ceased in 1999. In fiscal 2005, WSSC took steps to commence disposal of this facility. An impairment loss was recorded to reduce this asset's carrying amount to its estimated fair value.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

E. CAPITAL ASSETS (continued)

Capital asset activity for the year ended June 30, 2004 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and rights of way	\$ 81,420	\$ 129	\$ (611)	\$ 80,938
Construction in progress	<u>544,488</u>	<u>159,725</u>	<u>(177,587)</u>	<u>526,626</u>
Total capital assets not being depreciated	<u>625,908</u>	<u>159,854</u>	<u>(178,198)</u>	<u>607,564</u>
Capital assets being depreciated:				
Water supply	1,137,034	95,932	(956)	1,232,010
Sewage disposal	1,453,109	101,562	(308)	1,554,363
General construction	1,860,099	39,190	(2,099)	1,897,190
Other	<u>69,384</u>	<u>4,252</u>	<u>(2,504)</u>	<u>71,132</u>
Total capital assets being depreciated	<u>4,519,626</u>	<u>240,936</u>	<u>(5,867)</u>	<u>4,754,695</u>
Less accumulated depreciation for:				
Water supply	(292,000)	(24,432)	736	(315,696)
Sewage disposal	(456,240)	(32,765)	72	(488,933)
General construction	(640,789)	(37,263)	2,486	(675,566)
Other	<u>(56,791)</u>	<u>(4,435)</u>	<u>2,249</u>	<u>(58,977)</u>
Total accumulated depreciation	<u>(1,445,820)</u>	<u>(98,895)</u>	<u>5,543</u>	<u>(1,539,172)</u>
Capital assets being depreciated, net	<u>3,073,806</u>	<u>142,041</u>	<u>(324)</u>	<u>3,215,523</u>
Total capital assets, net	<u>\$ 3,699,714</u>	<u>\$301,895</u>	<u>\$ (178,522)</u>	<u>\$3,823,087</u>

The amount shown in the statements of revenues, expenses and changes in net assets for depreciation and amortization does not include depreciation of vehicles and equipment. Depreciation of these assets, \$3,921,000 in fiscal 2005 and \$4,435,000 in fiscal 2004, is classified with other related operating and maintenance costs and is charged to capital assets and operations on the basis of usage, in order to facilitate the rate setting process.

F. CAPITAL CONTRIBUTIONS

Capital contributions consisted of the following at June 30 (in thousands):

	<u>2005</u>	<u>2004</u>
System development charges	\$36,629	\$35,776
Developer fees	10,549	8,702
Federal and State water pollution control grants	156	448
Donated assets:		
House connections	7,528	6,563
Other construction projects	<u>37,637</u>	<u>17,169</u>
Total	<u>\$92,499</u>	<u>\$68,658</u>

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

G. DEPOSITS, DEFERRED CREDITS AND OTHER LONG-TERM LIABILITIES

Deposits, deferred credits and other long-term liabilities consisted of the following at June 30 (in thousands):

	<u>2005</u>	<u>2004</u>
Deferred revenue for house connections	\$20,003	\$19,889
Deferred front foot benefit revenue	4,873	5,481
Construction deposits	4,789	4,761
House connection deposits	3,058	2,649
Other	<u>273</u>	<u>52</u>
Total	<u>\$32,996</u>	<u>\$32,832</u>

H. BONDS AND NOTES PAYABLE

Bonds and notes payable activity for the year ended June 30, 2005 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Maturities</u>
Bonds and notes payable:					
Water supply	\$ 345,382	\$ 97,320	\$ (83,372)	\$ 359,330	\$ 62,328
Sewage disposal	377,312	138,915	(124,464)	391,763	113,531
General construction	737,881	51,117	(83,965)	705,033	61,747
Storm water drainage	<u>4,540</u>	<u>—</u>	<u>(1,295)</u>	<u>3,245</u>	<u>590</u>
	1,465,115	287,352	(293,096)	1,459,371	238,196
Less deferred amount	<u>(1,975)</u>	<u>(13,533)</u>	<u>27,905</u>	<u>12,397</u>	<u>—</u>
Total bonds and notes payable	<u>\$1,463,140</u>	<u>\$ 273,819</u>	<u>\$(265,191)</u>	<u>\$1,471,768</u>	<u>\$238,196</u>

Bonds and notes payable activity for the year ended June 30, 2004 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Current Maturities</u>
Bonds and notes payable:					
Water supply	\$ 366,149	\$ 92,445	\$(113,212)	\$ 345,382	\$ 72,312
Sewage disposal	333,848	154,322	(110,858)	377,312	176,559
General construction	775,190	215,840	(253,149)	737,881	47,434
Storm water drainage	<u>6,490</u>	<u>—</u>	<u>(1,950)</u>	<u>4,540</u>	<u>1,295</u>
	1,481,677	462,607	(479,169)	1,465,115	297,600
Less deferred amount	<u>(6,529)</u>	<u>(29,520)</u>	<u>34,074</u>	<u>(1,975)</u>	<u>—</u>
Total bonds and notes payable	<u>\$1,475,148</u>	<u>\$ 433,087</u>	<u>\$(445,095)</u>	<u>\$1,463,140</u>	<u>\$297,600</u>

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

H. BONDS AND NOTES PAYABLE (continued)

The deferred amounts represent deferred interest on bond refundings and premiums on outstanding debt.

Bonds payable accrue interest at rates ranging from 1.1% to 7.0%, with an effective interest rate of 4.59% at June 30, 2005. All bonds payable at June 30, 2005, exclusive of refunded bonds, are due serially through the year 2029. Generally, the bonds are callable at a premium after a specified number of years.

Bond and note maturities and interest thereon for the next five years are as follows (in thousands):

Year ended <u>June 30</u>	Principal <u>Maturities</u>	Interest <u>Requirements</u>
2006	\$238,196	\$ 65,214
2007	139,503	59,033
2008	133,737	52,349
2009	130,103	47,429
2010	126,014	40,782

Bond and note maturities and interest thereon in five-year increments for fiscal years after 2010 are as follows (in thousands):

Years ended <u>June 30</u>	Principal <u>Maturities</u>	Interest <u>Requirements</u>
2011 - 2015	\$420,982	\$127,147
2016 - 2020	192,700	51,205
2021 - 2025	70,118	12,626
2026 - 2030	6,547	1,360
2031 - 2034	1,471	220

During fiscal 2005 and 2004, WSSC issued \$30.0 million and \$85.0 million, respectively, of weekly maturing Bond Anticipation Notes (the Notes) to fund current construction. During fiscal 2004, WSSC issued an additional \$71.1 million of Notes which were used to repay certain Notes outstanding as of June 30, 2003. The Notes were remarketed weekly by WSSC's remarketing agent at prevailing weekly tax-exempt interest rates. Interest rates on the Notes ranged from .99% to 3.00% during fiscal 2005, and from .68% to 1.25% during fiscal 2004. Any or all buyers of the Notes may demand payment from WSSC's remarketing agent upon seven days notice. WSSC's remarketing agent is prepared to remarket the Notes in such eventuality. The Notes were sold under bank line of credit agreements which act as guarantees of liquidity for the Notes in the event that the Notes cannot be remarketed. The maximum amounts available under the lines of credit, which expire in June 2007 and July 2008, and are subject to certain conditions, are \$165 million and \$215 million, respectively.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

H. BONDS AND NOTES PAYABLE (continued)

During fiscal 2005, WSSC issued \$173.2 million of bonds, of which \$94.6 million was used to redeem certain Notes outstanding as of June 30, 2004. WSSC utilized \$18.5 million and \$9.0 million in available cash to redeem a portion of the Notes in fiscal 2005 and 2004, respectively. At June 30, 2005 and 2004, \$99.0 million and \$182.1 million respectively, of the Notes were outstanding. WSSC expects to redeem these Notes with proceeds of future bond issues or annual amortization. The Notes are treated as bonds, and as such, are expected to be amortized over a 20-year term. However, because these Notes are callable, the entire \$99.0 million has been included in current maturities (fiscal 2006 principal maturities), and an estimated \$3.5 million has been included in the fiscal 2006 interest requirements. Additional estimated interest requirements at prevailing rates through 2024 on these Notes, assuming future redemption from proceeds of bonds, would total \$43.6 million.

During fiscal 2005 and 2004, WSSC issued \$78.6 million and \$7.0 million, respectively, of bonds to fund new construction.

On July 15, 2005, WSSC commenced work on a utility service contract with the U.S. Department of Defense to operate and maintain the Bolling Air Force Base water distribution and wastewater collection systems. Under the terms of this contract, WSSC acquired the existing water and sewer systems for \$1.0 million and \$4.3 million, respectively. Corresponding notes payable accrue interest at 7.0% over a 30-year term.

WSSC borrowed \$28.9 million from the 1990 and 1991 State of Maryland Water Quality Revolving Loan Program to fund the construction of certain sewage treatment facilities.

During fiscal 2000, WSSC entered into a Master Loan Agreement with the State of Maryland Water Quality Revolving Loan Program to borrow \$107.5 million. This loan is to be used to fund the construction of a consolidated laboratory facility, a water filtration plant solids handling facility, certain sewage treatment facilities and other sewage and energy performance projects. As of June 30, 2005, WSSC had borrowed \$70.1 million from the program.

WSSC is in compliance with all terms of its debt agreements at June 30, 2005, and during the fiscal years ended June 30, 2005 and 2004.

I. BOND REFUNDINGS

In March 2005, WSSC sold \$62,510,000 of refunding bonds with interest rates of 5.0% to advance refund \$63,980,000 of outstanding callable water supply, sewage disposal and general construction bonds with interest rates ranging from 4.3% to 5.25%. The net proceeds of \$66,860,000 (including a premium of \$4,713,000 and after payment of \$96,000 of issuance costs) were used to purchase U.S. Government securities. Those securities were deposited with an escrow agent to provide for all future debt service payments and the early redemption of callable bonds. The March 2005 refunding reduced WSSC's total debt service payments over the next 20 years by \$2,201,000 and provided an economic gain of \$2,348,000.

As a result of the refundings, the refunded bonds are considered to be defeased and the liability is not reflected in the financial statements.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

I. BOND REFUNDINGS (continued)

In prior years, WSSC sold refunding bonds totalling \$2,993,865,000 for the purpose of refunding and defeasing \$2,870,135,000 of outstanding bonds. The purpose of these refundings was to reduce total debt service payments over the remaining life of the refunded bonds and to obtain an economic gain (difference between the present value of the old and new debt service payments) from the transactions.

Prior to fiscal 1994, these refundings were accounted for in accordance with Statement of Financial Accounting Standards No. 76, Extinguishment of Debt. At the time of the respective refundings, WSSC recognized extraordinary losses aggregating approximately \$89,726,000 resulting from the issuance of additional principal. However, interest savings over the remaining terms of the refunded bonds are estimated to aggregate approximately \$191,863,000.

Effective July 1, 1993, WSSC adopted GASB Statement No. 23, Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities (GASB No. 23). GASB No. 23 requires deferral of the difference between the reacquisition price and the carrying amount of the old debt. The difference is reported in the accompanying financial statements as a deduction from bonds payable and is being amortized to interest on bonds and notes through the year 2022 using the proportionate-to-stated interest method. Amortization totaling \$11,595,000 and \$12,396,000, in fiscal 2005 and 2004, respectively, was recorded as interest on bonds and notes payable in the accompanying statements of revenues, expenses and changes in net assets.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

I. BOND REFUNDINGS (continued)

Details of the current year and prior years' refundings are as follows (in thousands):

<u>Date of Refunding</u>	<u>Amount of Refunded Bonds</u>	<u>Remaining Term at Refunding Date</u>	<u>Amount of Refunding Bonds</u>	<u>Estimated Interest Savings</u>	<u>Extraordinary Loss Previously Recognized</u>	<u>Deferred Loss</u>
03-15-05	\$ 63,980	20 years	\$ 62,510	\$ 731		\$ 2,880
02-01-04	271,815	19 years	266,395	10,059		14,941
10-28-03	14,500	11 years	15,780	3,107		1,103
09-15-03	70,485	11 years	70,590	5,435		2,352
03-01-03	454,905	17 years	428,945	22,269		23,612
04-15-02	43,610	10 years	43,705	4,483		904
12-01-01	100,150	14 years	100,095	9,672		(110)
11-15-97	42,400	14 years	45,265	4,967		2,712
01-01-97	74,375	23 years	79,600	7,467		4,595
01-15-94	437,695	22 years	435,675	84,556		42,761
11-01-93	243,835	22 years	278,730	38,845		28,155
03-01-93	127,975	21 years	139,705	12,908	\$ 7,730	—
06-01-92	50,475	20 years	54,775	4,896	4,200	—
11-15-91	88,355	24 years	95,435	8,083	5,580	—
05-15-91	229,775	23 years	248,865	22,276	10,944	—
03-01-90	48,395	21 years	53,885	6,700	4,216	—
10-15-86	64,160	22 years	74,680	15,000	9,182	—
05-15-86	149,055	29 years	172,490	27,000	18,542	—
07-15-85	111,750	23 years	118,015	18,000	11,002	—
04-01-84	24,765	23 years	29,210	8,000	3,797	—
09-01-77	221,660	23 years	242,025	69,000	14,533	—

The refunded bonds continue to be general obligations of WSSC until redeemed or called. However, the net proceeds of the refunding bonds were applied toward the purchase of U.S. Government obligations (held in escrow) with maturities and interest sufficient to meet debt service and call premiums, if any, on the refunded bonds. The holders of the refunded bonds have first lien on all assets held in escrow. Refunded bonds outstanding at June 30, 2005 and 2004, which amounted to \$159,640,000 and \$168,355,000, respectively, are considered to be defeased and are not reflected in the accompanying financial statements.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

J. RETIREMENT PLAN

Plan Description

Substantially all WSSC employees participate in the Washington Suburban Sanitary Commission Employees' Retirement Plan (the Plan), which is administered by WSSC. The Plan, established in 1967, is a single-employer contributory defined benefit retirement plan. The Commission has been designated as the Plan sponsor and amendments to the Plan must be approved by the Commission. Effective July 1, 1978, WSSC approved a new version of the Plan (Open Version). Members of the Plan as of June 30, 1978 had an option through December 31, 1978 to be included in the Open Version or to continue participation in the original version of the Plan (Closed Version). The Open Version is mandatory for all new employees. It generally provides for reduced employee contributions and benefits.

The Plan requires employees under the Closed Version to contribute 6% of gross wages and employees under the Open Version to contribute 3% of gross wages as a condition of employment. Upon withdrawal from the Plan, participants are refunded their contributions plus 5% interest thereon.

The Plan provides for 100% vesting of retirement benefits after five years of credited service. Generally, the normal retirement benefits payable to an eligible participant are equal to the sum of 2.1% of the participant's final average monthly compensation times Closed Version credited service, if applicable, plus 1.4% of final average monthly compensation, as defined, times Open Version credited service.

Actuarial Assumptions

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Significant actuarial assumptions used in the most recent valuation, as of June 30, 2004, are as follows:

Actuarial method	Frozen initial liability modification of the entry age normal method.
Rate of return on investments	8%
Yearly increase in cost of living	3.5%
Yearly increase in salary scale	5.0%
Yearly increase in total payroll	5.0%
Annual rates of severance prior to retirement	Severance due to withdrawal is based on WSSC experience. Severance due to mortality or disability is based on published rates adjusted to reflect actual experience.
Mortality rates after retirement	Group Annuity - 1983 tables adjusted.
Retirement age assumptions	Ranging from age 45 to 69.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

J. RETIREMENT PLAN (continued)

Actuarially Determined Contribution Requirements
And Contribution Made

WSSC's retirement plan funding policy provides for actuarially determined yearly contributions calculated on a level percentage of payroll costs basis. The covered payroll used by the actuary in determining the contribution was \$86,048,000, and the total actual payroll was \$89,796,000. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those previously described.

WSSC's annual pension cost and long-term pension liability for fiscal 2005 and fiscal 2004 are (in thousands):

	<u>2005</u>	<u>2004</u>
Annual required contribution	\$ 9,021	\$ 8,574
Interest on Long-term Pension Liability	<u>3,083</u>	<u>3,284</u>
Annual Pension Cost	12,104	11,858
Contributions Made	(14,808)	(14,808)
Decrease in Long-term Pension Liability	(2,704)	(2,950)
Long-term Pension Liability – beginning of year	<u>44,328</u>	<u>47,278</u>
Long-term Pension Liability – end of year	<u>\$41,624</u>	<u>\$44,328</u>

The difference between the amount contributed and the amount charged to operating expenses and utility plant is recorded as a reduction to the long-term pension liability. The annual required contribution for the current year was determined as part of an annual actuarial valuation.

Historical Trend Information

The historical trend information designed to provide information about the Plan's progress made in accumulating sufficient assets to pay benefits when due is presented in Schedule A.

Six-year historical trend information showing the Plan's progress is presented in the Plan's December 31, 2004 comprehensive annual financial report, which can be requested from WSSC's offices.

Retirement Restoration Plan

Effective July 1, 1995, WSSC established the Washington Suburban Sanitary Commission Employees' Retirement Restoration Plan (the Restoration Plan), a non-qualified plan. The purpose of the Restoration Plan is to restore most of the benefits foregone by participants in the WSSC Employees' Retirement Plan when such benefits are limited by the maximum benefit provisions of Section 415 of the Internal Revenue Code. During fiscal years 2005 and 2004, the Restoration Plan paid benefits totaling \$33,000 and \$31,000, respectively.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

J. RETIREMENT PLAN (continued)

Post Retirement Benefits

In addition to providing pension benefits, WSSC provides certain health care and life insurance benefits for retired employees.

Eligibility for post retirement health care benefits requires a minimum of two years participation in a WSSC sponsored plan immediately prior to retirement. At the end of fiscal 2005, substantially all of the 1,418 retired employees (or beneficiaries) are eligible for those benefits. WSSC contributes from 78% to 80% of the amount of health care insurance costs for eligible retired employees and their families. Health care benefits are expensed as insurance costs are incurred, rather than over the service life of the employee. During fiscal 2005 and 2004, WSSC expensed approximately \$9,562,000 and \$8,404,000, respectively, for post retirement benefits. If such costs were accrued over the lives of employees, the amount expensed on an annual basis would be substantially greater and a liability for amounts to be funded in the future for services rendered to date would need to be recorded.

Employees who retired in 1982 and after are eligible for post retirement life insurance benefits. The amount of retiree life insurance begins at 85% of the employee's salary as of the day immediately prior to retirement, and decreases over a four year period, until coverage equals either 25% of that salary or \$5,000, whichever is greater. During fiscal 2005, WSSC paid premiums of \$53,000 for 1,013 retirees, and, during fiscal 2004, paid \$58,000 for 1,004 retirees. The cost of these benefits are expensed when the premiums are paid, rather than over the service life of the employee.

K. DEFERRED COMPENSATION PLAN

WSSC offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The deferred compensation plan, available to all employees, permits them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All of the assets of the deferred compensation plan are held in a trust for the exclusive benefit of participants and beneficiaries. Participants' rights under the plan are equal to the fair market value of the deferred account for each participant.

L. COMMITMENTS AND CONTINGENCIES

Construction expenditures for fiscal 2006 are not expected to exceed \$265 million, a portion of which will be funded by capital contributions. Commitments in connection with this construction program approximated \$43 million at June 30, 2005.

Intermunicipal agency sewage disposal expenses are accrued as incurred, based on estimates. These expenses are subject to audit by WSSC and others.

WASHINGTON SUBURBAN SANITARY COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

L. COMMITMENTS AND CONTINGENCIES (continued)

WSSC administers several Federal and State grants. The grant funds expended are subject to compliance audits by the grantors. During fiscal 2005 and 2004, WSSC and the United States Environmental Protection Agency (EPA) settled certain grants that were being audited by the EPA. These settlements did not have a significant impact on WSSC's financial position or changes in net assets.

The United States Department of Justice, the United States Environmental Protection Agency and the Maryland Department of the Environment (collectively "the Regulators") alleged, in previous years, that sanitary sewer overflows ("SSOs") from WSSC's sanitary sewer collection system were violations of the Federal Clean Water Act and analogous State law. Federal agencies have pursued similar enforcement actions nationally against public wastewater treatment system owners. WSSC contested this action and the initial remedial measures proposed by the Regulators. Negotiations to resolve the enforcement action through the entry of a mutually agreeable Consent Decree began in March 2002. In July 2005, a proposed Consent Decree was executed between WSSC, the Regulators and four environmental groups in which WSSC agreed to undertake certain remedial measures to eliminate and/or reduce SSO occurrences. The proposed Consent Decree will become final if it is approved by the U.S. District Court. Costs of these remedial measures are estimated at \$365 million and are to be expended over 12 years. The costs for fiscal 2006 are included in WSSC's budget and capital improvements program. WSSC also agreed to pay civil penalties totaling \$1.1 million and these costs were accrued in fiscal 2005.

WSSC is involved in judicial, condemnation and administrative proceedings. These actions include personal injury, property damage and personnel claims and various claims filed by contractors against WSSC for cost overruns on construction contracts. While the outcomes of these matters are uncertain, it is the opinion of management and WSSC's Acting General Counsel that resolution of all claims outstanding will not have a material adverse effect on the financial position or changes in net assets of WSSC.

WSSC purchases insurance on its property (structures, contents, boiler and machinery, etc.) for physical damages where it has been determined that a reasonable amount of exposure exists. In addition, WSSC is self-insured for workers' compensation in accordance with the statutory requirements of the State of Maryland. The workers' compensation accrued liability includes an estimate for claims incurred but not yet reported to the claims administrator. WSSC also maintains crime and terrorism insurance and fiduciary liability policies having various self-insured retention levels.

WSSC is self-insured for all public liability. Each year, funds are budgeted for normal claims. However, should the past loss experience change, or should a catastrophic loss occur in excess of applicable insurance coverage, funds for such loss or losses would have to be obtained from ad valorem taxation or other sources of revenue since a self-insurance fund has not been established.

During fiscal 2005 and 2004, WSSC leased various equipment with annual rental payments of approximately \$278,000 and \$275,000, respectively. There are no annual commitments under long term non-cancelable operating leases as of June 30, 2005.

**SELECTED INFORMATION RESPECTING MONTGOMERY COUNTY
AND PRINCE GEORGE'S COUNTY**

MONTGOMERY COUNTY

General

The information contained under the heading "Montgomery County" has been provided by Montgomery County.

Montgomery County is located adjacent to the nation's capital, Washington, D.C., and includes 497 square miles of land area. The topography is rolling with small hills. Elevations range from 52 feet above sea level at the junction of the Potomac River and the District Line, to 850 feet in the northern portion of the County near Damascus. Bordering the County are Howard County to the northeast, Prince George's County to the southeast, Frederick County to the northwest, the District of Columbia to the south, and Virginia to the southwest.

Government

The County Council is comprised of nine members, four of whom are elected by the qualified voters of the entire County. Each of the five other members of the Council must, at the time of their election, reside in a different one of five Councilmanic districts of the County and each of these five members shall be nominated and elected by the qualified voters in their respective districts. Populations of the Councilmanic districts are substantially equal.

The County Executive, who must be a qualified voter of the County for the five years preceding his or her election and who may not be less than thirty years of age, is elected by the qualified voters of the entire County at the same time as the Council. Both the County Executive and the County Council members serve a four-year term.

Population

The population of the County, according to the 2000 Census, was 873,341, an increase of 15.0 percent since the 1990 Census. The Maryland-National Capital Park and Planning Commission (M-NCPPC) revised population estimate shows 1,000,000 for the County by July 1, 2010.

Households and Population

	<u>Households</u>	<u>Population</u>	<u>Population Percent Change from Prior Census</u>
2010 (M-NCPPC est.).....	370,000	1,000,000	14.5%
2005 (M-NCPPC est.).....	347,000	942,000	7.9
2004 (M-NCPPC est.).....	342,000	931,000	6.6
2003 (M-NCPPC est.).....	338,000	918,000	5.1
2002 (M-NCPPC est.).....	334,000	903,000	3.4
2001 (M-NCPPC est.).....	329,000	887,000	1.6
2000 (U.S. Census).....	324,565	873,341	15.0
1990 (U.S. Census).....	283,400	759,600	31.2
1980 (U.S. Census).....	207,195	579,053	10.8
1970 (U.S. Census).....	156,674	522,809	53.3
1960 (U.S. Census).....	92,433	340,928	107.4
1950 (U.S. Census).....	45,264	164,401	--

Note: Data are for total population, with forecasts for households and population in 2010 derived from the Demographic Forecast Model from M-NCPPC (Round 7.0).

Median Age

	<u>1950</u>	<u>1960</u>	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>
Median Age	29.5	28.1	27.9	32.1	33.9	36.8

Sources: U. S. Bureau of the Census and M-NCPPC Montgomery County Department of Park and Planning, Research and Technology Center, revised May 2001.

Employment

The County's economic structure reveals a diversified economy with a strong service sector and a greater reliance on the private sector. For example, the share of public-sector employment declined from 18.8 percent in 1990 to 17.5 percent in 2004. The service sector (services, finance, insurance, real estate and retail trade) employed 72.5 percent of the total workforce in 2004, the latest annual data. The following tables present the County's employment by industrial sector.

Payroll Employment

	<u>1990</u>	<u>2000</u>	<u>2004</u>
TOTAL PRIVATE SECTOR.....	307,490	365,022	370,958
PUBLIC SECTOR EMPLOYMENT:...			
Federal.....	42,713	39,615	40,656
State.....	1,634	1,100	1,061
Local.....	<u>27,011</u>	<u>33,084</u>	<u>36,721</u>
TOTAL PUBLIC SECTOR.....	<u>71,358</u>	<u>73,799</u>	<u>78,438</u>
GRAND TOTAL.....	<u>378,848</u>	<u>438,821</u>	<u>449,396</u>

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

Payroll employment represents the total number of jobs covered by the Maryland unemployment insurance program.

The Bureau of Labor Statistics, U.S. Department of Labor converted the industrial classification schedule from the Standard Industrial Classification (SIC) system to the North American Industrial Classification System (NAICS) in 2001. As a result, there is no breakout of the private sector because such data are not comparable for 2000 and 2004.

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

Payroll Employment Shares by Industry

	<u>1990</u>	<u>2000</u>	<u>2004</u>
TOTAL PRIVATE SECTOR	81.2	83.2	82.5
PUBLIC SECTOR EMPLOYMENT :.....			
Federal.....	11.3	9.0	9.1
State.....	0.4	0.3	0.2
Local	<u>7.1</u>	<u>7.5</u>	<u>8.2</u>
TOTAL PUBLIC SECTOR.....	<u>18.8</u>	<u>16.6</u>	<u>17.5</u>
GRAND TOTAL.....	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

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

Due to reclassification by the Bureau of Labor Statistics, U.S. Department of Commerce, of private-sector industrial categories from the U.S. Standard Industrial Classification (SIC) system to the North American Industrial Classification System (NAICS) beginning with the 2001 employment statistics, there is no longer a historical comparison available within the private sector employment categories for years prior to 2001. The table below provides a comparison of the payroll employment data for 2003 and 2004 based on the new classification system.

**Payroll Employment
(NAICS Series)***

	<u>2003**</u>	<u>2004</u>	<u>Difference</u>	<u>Percent Change</u>
TOTAL PRIVATE SECTOR	365,955	370,958	5,003	1.4%
GOODS-PRODUCING	45,045	45,254	209	0.5%
Natural Resources and Mining	602	684	82	13.6%
Construction	28,443	29,116	673	2.4%
Manufacturing	16,000	15,454	(546)	-3.4%
SERVICE PROVIDING	320,910	325,704	4,794	1.5%
Trade, Transportation, and Utilities	64,100	64,381	281	0.4%
Information	14,804	14,831	27	0.2%
Financial Activities	34,936	34,591	(345)	-1.0%
Professional and Business Services	94,563	96,426	1,863	2.0%
Education and Health Services	52,517	55,193	2,676	5.1%
Leisure and Hospitality	37,904	38,329	425	1.1%
Other Services	21,561	21,308	(253)	-1.2%
UNCLASSIFIED	525	645	120	22.9%
PUBLIC SECTOR EMPLOYMENT	78,635	78,438	(197)	-0.2%
Federal Government	41,189	40,656	(533)	-1.3%
State Government	1,118	1,061	(57)	-5.1%
Local Government	36,328	36,721	393	1.1%
GRAND TOTAL	444,590	449,396	4,806	1.1%

* North American Industrial Classification System.

** 2003 data series have been revised by the Maryland Department of Labor, Licensing and Regulation (DLLR).

During first eleven months of 2005, the County's unemployment rate averaged 3.2 percent. The following table presents the County's labor force, employment and unemployment for the calendar years 1997 through 2004, and for the first eleven months of 2005.

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

	<u>Labor Force</u>	<u>Employment</u>	<u>Unemployment</u>	<u>Unemployment Rate</u>
2005**.....	506,000	490,000	16,000	3.2%
2004.....	497,217	481,555	15,662	3.1
2003.....	497,513	480,980	16,533	3.3
2002.....	495,062	477,812	17,250	3.5
2001.....	489,015	473,928	15,087	3.1
2000.....	487,251	474,484	12,767	2.6
1999.....	478,946	470,018	8,928	1.9
1998.....	472,944	462,620	10,324	2.2
1997.....	466,600	455,285	11,315	2.4

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

* All data were revised by DLLR and BLS to incorporate intercensal population controls for 2000.

** Based on the average of the first eleven months of 2005.

Federal Government Employment

The County is home to 23 Federal agencies in which nearly 64,000 civilians are employed, including a significant number of non-Federal employees working as consultants or researchers. The National Institutes of Health in Bethesda (part of the Department of Health and Human Services) is one of the nation's centers of medical research. The following is a partial list of Federal agencies in the County and their estimated employment in 2005.

Department of Health and Human Services	39,000
National Institutes of Health	
Food and Drug Administration	
Other	
Department of Defense	13,670
David Taylor Research Center	
Naval Medical Command.....	
Defense Mapping Agency	
Army Laboratory Center.....	
Walter Reed Army Medical Center/Institute of Research.....	
Other.....	
Department of Commerce	6,678
National Institute of Standards & Technology.....	
National Oceanic & Atmospheric Administration	
Department of Energy	2,200
Nuclear Regulatory Commission	2,100
Consumer Product Safety Commission.....	329

Source: M-NCPPC Montgomery County Department of Park and Planning, Research and Technology Center (2005 data).

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Private Sector Employment

There are several thousand private sector employers in Montgomery County. Below is a listing of some of the County’s largest employers.

<u>Name of Firm</u>	<u>Est. No. of Employees</u>
Adventist Healthcare*	6,951
Giant Food Corporation	4,900
Chevy Chase Bank	4,700
Lockheed Martin	3,900
Marriott International, Inc. (Headquarters)	3,500
Hughes Network Systems	3,200
IBM	3,400
Sodexo Marriott Services	3,000
Holy Cross Health	2,900
Red Coats, Inc	2,700
Westat	2,170
Discovery Communications, Inc.	2,000
BAE Systems	1,820
Montgomery General Hospital	1,750
Safeway Stores, Inc.	1,700
Government Employees Insurance Company (GEICO)	1,650
Kaiser Foundation Health Plan	1,622
Aspen Systems	1,600
Bureau of National Affairs	1,600
Suburban Hospital	1,550
National Association of Securities Dealers	1,330
Mid-Atlantic Medical Services, Inc.	1,200
MedImmune	1,000
Miller & Long	1,000
Human Genome Sciences	1,000

*Includes Shady Grove and Washington Adventist Hospitals

Note: The employee numbers listed are best estimates taken during the 4th quarter of 2005 from various sources, including first-hand research by the County’s Department of Economic Development, the Montgomery County Department of Park and Planning Research and Technology Center, CoStar Tenant, and company Internet websites.

Personal Income

Actual personal income of County residents approached \$48.4 billion in calendar year 2003 and is estimated to total approximately \$54.2 billion in 2005. Income in 2003 experienced modest growth of 3.3 percent, in line with the nation’s growth rate of 3.2 percent but below the State’s rate at 3.9 percent. By contrast, growth in 2004 is estimated to accelerate to 6.3 percent, which is significantly above the eight-year annual average growth rate of 5.6 percent, and then moderate to 5.4 percent in 2005. Strong private-sector employment during 2004 and the first nine months of 2005, the latest date for which data are available, is the primary reason for the pickup in personal income growth.

The County, which accounts for just over 16 percent of the State’s population, accounts for slightly over 23 percent of the State’s total personal income, a share that has remained virtually unchanged during this decade.

**Total Personal Income
(\$ millions)**

<u>Calendar Year</u>	<u>Montgomery County</u>	<u>Maryland</u>	<u>U.S.</u>	<u>Montgomery County as Percent of Maryland</u>
2005 (est.).....	\$54,200	\$232,816	\$10,294,570	23.3%
2004 (est.).....	51,400	218,138	9,702,525	23.6
2003.....	48,365	206,515	9,156,108	23.4
2002.....	46,839	198,785	8,872,521	23.6
2001.....	45,538	191,657	8,718,165	23.8
2000.....	43,575	181,957	8,422,074	23.9
1999.....	39,050	167,075	7,796,137	23.4
1998.....	36,587	157,784	7,415,709	23.2
1997.....	33,418	147,843	6,907,332	22.6
1996.....	32,395	140,035	6,512,485	23.1
1995.....	30,919	133,814	6,144,741	23.1

Notes: Actual data from U.S. Department of Commerce, Bureau of Economic Analysis, revised May 2005 (County).
 Estimates for Montgomery County (2004-2005) by Montgomery County Department of Finance.
 Estimates for Maryland and United States (2005) by State of Maryland, Bureau of Revenue Estimates and Montgomery Department of Finance.

Average Household and Per Capita Personal Income

The County's total personal income is estimated to reach \$54.2 billion in calendar year 2005, up from \$48.4 billion in 2003, and per capita income is expected to reach \$57,500, up from \$52,854 in 2003. Average household income is estimated to increase from \$143,283 in 2003 to \$156,200 in 2005.

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Per Capita and Average Household Income, 2003

<u>County</u>	<u>Per Capita Income</u>	<u>County</u>	<u>Average Household Income</u>
Marin, CA.....	\$65,642	Fairfield, CT.....	\$164,769
Fairfield, CT.....	60,803	Marin, CA.....	157,486
Arlington, VA	56,888	Westchester, NY	153,194
Morris, NJ	55,796	Morris, NJ.....	152,591
Westchester, NY	55,557	Somerset, NJ.....	150,973
Somerset, NJ	55,443	Nassau, NY.....	149,364
Fairfax, VA	53,984	Fairfax, VA.....	146,236
Montgomery, MD.....	52,854	San Mateo, CA.....	143,572
San Mateo, CA	52,841	Montgomery, MD.....	143,283
Bergen, NJ	51,758	Bergen, NJ	137,770
Nassau, NY	50,242	Lake, IL	136,511
Montgomery, PA.....	49,429	Santa Clara, CA	134,861
Oakland, MI.....	49,048	Chester, PA	130,859
Norfolk, MA.....	48,238	Montgomery, PA	129,491
Chester, PA	47,480	Howard, MD.....	125,035
Middlesex, MA.....	47,451	Norfolk, MA.....	124,062
Santa Clara, CA	46,640	DuPage, IL	123,240
Howard, MD.....	46,281	Contra Costa, CA.....	123,154
Lake, IL.....	45,486	Oakland, MI.....	122,047
Arapahoe, CO	45,103	Middlesex, MA.....	121,321

Notes: A major affluent suburban county is defined as a county in either a Metropolitan Statistical Area (MSA) or a Primary Metropolitan Statistical Area (PMSA) with a population of at least 175,000 where income levels are considerably higher than in the central city and other jurisdictions in the area. These counties are primarily suburban in nature; no city or town accounts for 40 percent or more of the total population.

Source: U.S. Department of Commerce, Bureau of Economic Analysis, "Survey of Current Business", May 2005, for total personal income and per capita data; Sales and Marketing Management, "2003 Survey of Buying Power" for number of households.

Property Tax Information

The County levies real and personal property taxes on all taxable property within its boundaries. Annual payments of taxes are due in full on July 1 and become delinquent on the following October 1. Semi-annual payments are the standard in Maryland for residential property owners only, with payments due September 30 and December 31. Property tax bills issued after September 30 may be paid within 30 days without interest or penalty. Tax sales to recover delinquent real property taxes are held on the second Monday in June in the fiscal year that taxes are due and payable. Legal action may be taken to enforce payment of both real and personal property taxes.

Property Tax Assessments

The assessment of all real and tangible personal property for purposes of property taxation by State and local governmental units is the responsibility of the State Department of Assessments and Taxation. Assessment records and tax rolls are maintained in each county seat and in Baltimore City. Real property is valued at market value (full cash value) and assessed in each year at a percentage of market value. Since July 1, 1991, real property was assessed at 40 percent of its full cash value. Legislation adopted by the State Legislature in 2000 changed the taxable assessment methodology from 40 percent to 100 percent of the assessed value of real property during FY01. Effective FY02, all real property in Maryland is assessed at the full 100 percent, with a concomitant decrease in the appropriate tax rate. One-third of the real property base is physically inspected and reassessed each year. Any increase in full cash value arising from such reassessment is phased in over the ensuing three taxable years in equal annual installments, although a decline in assessed valuation becomes fully effective in the first year.

Because of growth in new construction and improved value of properties, the real property taxable base increased 28 percent in the last five years, measured through 2005. Due to a sluggish business investment in personal property the past

two fiscal years and an adjustment by the Maryland State Department of Assessments and Taxation to assessments of individual personal property, the personal property base decreased at an average annual rate of 4 percent in the last two years. However, because of the dramatic growth in the real property assessable base attributed to real estate price appreciation from the strong housing market, the overall aggregate property base increased at an average annual rate of 8.3 percent during this period.

**Assessed Value of All Taxable Property
By Class and Fiscal Year**

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Assessed Value</u>	<u>Percent Change From Prior Year</u>	<u>Ratio of Assessment to Full Market Value</u>
2005.....	\$98,281,724,723	\$3,902,612,110	\$102,184,336,833	9.61%	93.54%
2004.....	89,263,005,267	3,963,801,610	93,226,806,877	7.61	91.35
2003.....	82,407,337,831	4,227,854,400	86,635,192,231	5.94	88.71
2002.....	77,574,947,550	4,201,344,590	81,776,292,140	4.57	92.48
2001.....	74,122,532,195	4,077,848,090	78,200,380,285	3.49	94.10

Note: During FY01 the taxable assessment method for real property changed from 40 percent to 100 percent of the assessed property value. Fiscal Year 2000 has been restated at 100% of assessed value on this schedule for comparison purposes.

Sources: Montgomery County Department of Finance, Comprehensive Annual Financial Reports.

Tax-exempt properties are excluded from the above figures. In FY05, such exemptions for real property owned by Federal, State, County, and other governmental units, religious institutions, schools, fraternal organizations, cemeteries, disabled veterans, and the blind totaled \$10.8 billion. Tax-exempt real property constitutes 10.6 percent of the total gross real property base, with 74.8 percent of the tax-exempt property in the combined Federal, State, Local government sectors. The State Department of Assessments and Taxation grants exemptions from property taxes, pursuant to State law. The ratio of total assessed value to total full market value is based on studies conducted by the State Department of Assessments and Taxation.

Tax Levies and Revenue

<u>Fiscal Year</u>	<u>General County Tax Levy (including Education)</u>	<u>Revenue From Current Year Assessment</u>	<u>Ratio of Current Yr. Revenue to Tax Levy</u>	<u>Revenue From Prior Year Assessment</u>	<u>Total Revenue</u>	<u>Ratio of Total Revenue to Tax Levy</u>	<u>Accumulated Delinquent Taxes</u>	<u>Ratio of Accumulated Delinquent Taxes to Current Year Tax Levy</u>
2005	\$793,578,688	\$797,622,605	100.51%	\$(2,576,941)	\$795,045,664	100.18%	\$31,022,367	3.91%
2004	738,731,341	738,902,755	100.02	(4,201,792)	734,700,963	99.45	32,220,479	4.36
2003	697,317,162	695,293,144	99.71	(3,999,325)	691,293,819	99.14	29,698,063	4.26
2002	650,352,383	646,920,262	99.47	2,843,239	649,763,501	99.91	21,377,781	3.29
2001	621,488,986	616,106,377	99.13	(83,736)	616,022,641	99.12	20,788,899	3.34

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Tax Rates and Tax Levies, By Purpose

Fiscal Year	General County (including Education)		Transit		State		Total	
	Rate	Levy	Rate	Levy	Rate	Levy	Rate	Levy
2005	\$0.734	\$793,578,688	\$.044	\$47,407,995	\$.132	\$130,281,662	\$0.910	\$971,268,345
2004	0.751	738,731,341	.044	43,265,229	.132	117,987,242	0.927	899,983,812
2003	0.754	697,317,162	.038	35,124,792	.084	69,531,736	0.876	801,973,690
2002	0.741	650,352,383	.050	43,984,425	.084	65,703,036	0.875	760,039,844
2001	1.857	621,488,986	.100	33,566,329	.210	62,605,672	2.167	717,660,983

Note: Rates are per \$100 of assessed value. For FY02-05, tax rates shown are for real property only, and tax levies are based upon a 100% of full cash value assessment. The personal property rate for General County was \$1.835 in FY05, \$1.878 in FY04, \$1.885 in FY03, and \$1.852 in FY02; the personal property rate for Transit was \$.110 in FY05, \$.110 in FY04, \$.095 in FY03, and \$.125 in FY02 (the State does not tax personal property). For Fiscal Year 2001, real property was assessed at 40% of full cash value, and for that fiscal year the real property and personal property rates were the same.

Ten Highest Commercial Property Taxpayers' Assessable Base As of June 30, 2005

Taxpayer	Total	Real Property	Personal Property	Ratio: Taxpayer Base to Total Assessable Base
Potomac Electric Power Co.	\$ 729,757,190	\$ 6,494,600	\$ 723,262,590	0.71%
Verizon/Bell Atlantic.....	624,939,880	27,035,000	597,904,880	0.61
Westfield Shoppingtown Montgomery ...	227,088,280	226,747,100	341,180	0.22
Mirant Mid-Atlantic LLC	222,288,330	69,374,800	152,913,530	0.22
Washington Gas Light Co.....	215,907,220	--	215,907,220	0.21
Bryant F. Foulger, Trustee	161,269,999	161,269,999	--	0.16
7501 Wisconsin Ave. LLC.....	155,000,000	155,000,000	--	0.15
Camalier, Anne D et al, Trustee.....	141,546,032	141,546,032	--	0.14
Democracy Associates	137,200,000	137,200,000	--	0.13
Bethesda ARC LLC	130,405,710	130,345,900	59,810	0.13
Total	<u>\$ 2,745,402,641</u>	<u>\$1,055,013,431</u>	<u>\$1,690,389,210</u>	<u>2.69%</u>
Assessable Base (June 30, 2005)	<u>\$102,184,336,833</u>			

Sources: State of Maryland, Department of Assessments and Taxation; and Montgomery County Department of Finance, Division of Treasury.

New Construction

Between FY98 and FY02, the number of new construction projects increased each year at an average annual rate of 14.7 percent. At the same time the value of new construction added to the real property tax base increased at an average of 6.7 percent per year. However, such increases in new construction were not sustained from FY02 to FY05. In fact, two entirely different patterns occurred. The number of projects declined at an annual average decline of 22 percent. Conversely, the value of new construction increased from \$1.5 billion in FY02 to nearly \$1.7 billion in FY05 - an annual average increase of 3.4 percent. While each category within the tax base exhibited volatility from year to year, such volatility did not affect the overall value of new construction, which increased each year although at a lower annual rate than the one experienced during the FY98-FY02 period.

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

Fiscal Year	Construction				Commercial/	All	Total
	Starts	Residential	Apartments	Condominiums	Industrial	Other	
2005.....	2,278	\$874.2	\$82.5	\$121.2	\$588.4	\$1.7	\$1,668.0
2004.....	2,758	892.4	21.0	176.4	559.1	3.0	1,651.9
2003.....	4,062	1,023.5	49.9	133.2	426.9	1.2	1,634.7
2002.....	4,807	896.1	19.4	70.8	520.7	1.3	1,508.3
2001.....	4,555	878.5	53.7	88.2	276.0	4.4	1,300.8
2000.....	4,038	843.4	93.8	108.4	233.6	7.5	1,286.7
1999.....	3,329	787.4	11.0	55.9	287.1	24.5	1,165.9
1998.....	2,675	743.1	1.9	48.9	330.8	27.6	1,152.3
1997.....	2,826	725.9	7.9	56.0	182.9	6.0	978.7
1996.....	2,658	<u>764.5</u>	<u>25.2</u>	<u>51.6</u>	<u>116.2</u>	<u>53.9</u>	<u>1,011.4</u>
10-Year Summary		\$8,429.0	\$366.3	\$910.6	\$3,521.7	\$131.1	\$13,358.7
Categories as Percent of Total		63.1%	2.7%	6.8%	26.4%	1.0%	100.0%

Note: Property assessed at full cash value effective in FY2002 with prior years adjusted to full cash value.

Source: Dodge Analytics, McGraw-Hill Construction, and Maryland State Department of Assessments and Taxation.

Development Districts

In 1994, the County Council enacted the Development District Law, which allows the County to create development districts and to provide financing, refinancing, or reimbursement for the cost of infrastructure improvements necessary for the development of land in areas of the County of high priority for new development or redevelopment. Special assessments and/or special taxes may be levied to fund the issuance of bonds or other obligations created from the construction or acquisition of infrastructure improvements. The proceeds of development district bonds are used to fund certain road, park, and sewer infrastructure improvements supporting development within the districts.

As a result of a petition by property owners and the subsequent review and analysis of the feasibility of the proposed development district, the County Council, in January 1998, created the County's first development district, West Germantown. Encompassing approximately 671 acres in an unincorporated area of Montgomery County, the district consists of two residential developments, which provide for the construction of 1,291 single-family and 102 multi-family units. A second district, Kingsview Village Center, was created on July 28, 1998. This district consists of a 112,000 square foot retail shopping center, and 236 multi-family housing units.

In separate actions in September 2000 and October 2001, the County Council approved resolutions initiating evaluation of three proposed new development districts located in Clarksburg: Clarksburg Town Center, Clarksburg Village and Clarksburg Skylark. The Clarksburg Town Center development district was created on March 4, 2003. Bonds have not yet been issued for Town Center. Upon completion of the three districts in Clarksburg, the proposed developments will consist of approximately 5,200 residential units, 100,000 square feet of commercial office space, and 260,000 square feet of retail space.

Economic Development Initiatives

In an effort to stimulate employment growth and new investment, the County initiates programs and promotes the strengths of each of its local employment centers.

Technology Corridors

The I-270 Technology Corridor is an internationally recognized life sciences and advanced technology center. It is home to over 500 biotechnology and information technology companies, including Celera Genomics, Human Genome Sciences, Lockheed Martin, MedImmune, IBM, and Hughes Network Systems. The corridor continues to grow with over 30 million square feet of additional commercial and industrial development in the pipeline.

The U.S. Route 29 Corridor in eastern Montgomery County continues its steady transformation into the County's other major technology and business center, with more than 100 major employers and counting. The \$900 million FDA Headquarters Consolidation project is well underway, occupying 130 acres of the 660-acre Federal Research Center in White Oak. The new FDA campus will ultimately include over 2.1 million square feet of office, lab and support facilities. There are already over 1,800 FDA employees located on the campus, which will ultimately house some 7,700 total employees by project completion in 2010.

Recognizing the economic importance of such a large Federal user like the FDA, the County chose a 115-acre site just northeast of the FDA campus to build its next Science and Technology Center. The East County Center for Science and Technology will feature 800,000 square feet of development, including laboratory and biotech manufacturing facilities, a technology business incubator, a higher education facility, a telecommuter facility, and several build-to-suit sites. The County hopes to break ground in early to mid 2006.

Central Business Districts

The County is committed to promoting new investment in its Central Business Districts (CBD). The County's four CBDs in Silver Spring, Wheaton, Bethesda, and Friendship Heights are served by the region's longest extensions of the Metrorail system, and are centers for major business activity and medium- to high-density residential development in close proximity to the Metro stations.

Downtown Silver Spring

Since 1998, the State and Montgomery County invested a total of over \$186 million for the redevelopment of downtown Silver Spring. Downtown Silver Spring has transformed into a vibrant business, retail and entertainment hub – with the American Film Institute (AFI) and Discovery Communication leading the way.

The redevelopment project includes 500,000 square feet of retail, restaurant and entertainment space, some 240,000 square feet of office space, a hotel, a community facility, and two new parking garages. The first phase was completed in 2000, and features some 100,000 square feet of retail space, including Fresh Fields Whole Foods Market, Strosniders Hardware, and a Sprint PCS Store. In 2001, the project was expanded to include Baja Fresh, Hollywood Video, Next Day Blinds, MotoPhoto and Family Dry Cleaners.

Since the beginning of 2004, an array of new restaurants and shops were added, including Red Lobster, Panera Bread, Austin Grill, Macaroni Grill, Lebanese Taverna, Pier 1, Men's Wearhouse, Ann Taylor Loft, Cold Stone Creamery, Gymboree, and Borders Books and Music. The Majestic 20 movie theater with its 20 screens and 4,500 seats is, along with AFI, making downtown Silver Spring a significant entertainment destination.

A new 150,000 square foot office building opened in 2004, and the American Nurses Association and Worldspace, an international satellite radio network, are the anchor tenants. The first floor contributed to the retail base in downtown with a Storehouse Furniture, Red Rock Canyon Grill, Bank of America, and Office Depot.

Elsewhere in downtown Silver Spring, the Takoma Park campus of Montgomery College is in the midst of an \$88 million expansion that will extend the campus into the heart of south Silver Spring. The project marks the single largest capital venture for the College since the creation of the Germantown campus in the 1970s, and is widely seen as a vital component of the revitalization of downtown Silver Spring. The expansion will proceed in three phases over the next few years. Construction on Phase I, the 98,000 square foot Health Sciences Center, began in the fall of 2002 and was completed in 2004. Phase II, the Student Life Center and Pedestrian Bridge, began construction in 2004, with an anticipated completion date of early 2006. Phase III, the Cultural Arts Center, is in design and will begin construction in 2006, with completion expected by 2008. The 180,000 square foot Giant bakery building was acquired in 2002 for future expansion. Construction started in 2005 to house an expanded Art department and art studios.

A new \$193.6 million Transit Center mixed-use development project, including retail, residential, hotel, and restaurants alongside an inter-modal transportation hub linking bus, rail, and other transportation services is currently in design. This expanded gateway to downtown Silver Spring should start construction in the fall of 2006.

New investment in downtown Silver Spring will top over \$1.8 billion with more than 50 percent of the projects already completed or under construction. More than 75 percent of this new investment is privately funded. About 1,250 new units of residential development were recently completed or are under construction, adding to the existing base of 5,000 existing residential units in downtown. An additional 3,000 residential units are in various stages of planning.

Wheaton

Wheaton continued its redevelopment in 2005. Macy's arrived in the spring with the opening of its first department store in Montgomery County. In addition to Macy's, Westfield's completed the majority of its 50 new retail shops and restaurants on the lower level of the mall. Several other smaller commercial projects were completed this past year: Hollywood East, a Wheaton restaurant for more than eight years, opened its second location this spring - Hollywood East Café on the Boulevard. Also, Bally's Total Fitness Center opened its new center in late 2004. Three additional projects are scheduled to begin construction in early 2006: the HOC/Bozzuto WMATA Air Rights residential project, the new "freestanding" CVS store at Westfield's and the Wheaton Rescue Squad's new operations and community center.

Several other Wheaton sites are being considered for redevelopment including the BB&T Bank Building, the Anchor Inn Block, the Safeway site, and the Nguyen property on University Boulevard, which Commerce Bank has under contract to purchase.

Last year, Wheaton saw its first new housing in many years with the completion of two townhouse projects. This year, The Montgomery at Wheaton Metro added 243 new apartments. Five (5) of the units are Live/Work Studios. This is the first space designated specifically as Live/Work Studio space in Wheaton. There are now 361 new residential dwelling units in downtown Wheaton, and this number will grow to 736 over the next five years.

Private developer investment of over \$400 million in nearly three million square feet of new residential, retail, and office space is expected in downtown Wheaton over the next 5-6 years. Supporting this substantial private investment are a number of major public initiatives, including pedestrian and safety improvements, special small business retention programs, a Clean and Safe Program that is providing a safer, more attractive and business friendly environment in the downtown, and proposed zoning legislation to amend the Wheaton Retail Preservation Overlay Zone.

The proposed amendment to the Retail Preservation Overlay Zone is being developed to broaden development and investment opportunities in the downtown while maintaining Wheaton's "sense of place and community." Special small and minority business retention and outreach programs are also being developed to help empower Wheaton's small and ethnic businesses with up-to-date technological and service capabilities so that these businesses can better compete in the changing Wheaton marketplace.

Bethesda

Downtown Bethesda has become a major urban business and entertainment center due to the presence of nearly 200 restaurants along with the density of both high-rise office and residential buildings. Downtown Bethesda has grown into a 24-hour, 7-days-a-week downtown that welcomes residents, visitors and its workforce to enjoy multi-cultural dining, live theater, cinema, unique shops and numerous special events and festivals.

Since 2002, Bethesda has welcomed Round House Theatre, Imagination Stage and Bethesda Row Landmark Theatre as marquee entertainment organizations that highlight classical plays, children's theatre, and independent and foreign films. Additionally, several new luxury apartment buildings such as The Palisades, The Whitney, and the Residence at Rosedale Park opened, creating 1,500 new housing units in downtown Bethesda. Several new luxury condominium projects are also in the works, including Adagio on Wisconsin Avenue, and Lions Gate on Woodmont Avenue.

Downtown Bethesda has a workforce of over 44,000, and includes employees who work for some of the region's largest and most notable employers, including Chevy Chase Bank, Clark Construction Group, CoStar Group, and U.S. Bureau of Primary Health Care. Employers and employees alike are drawn to Bethesda for its restaurants and shops, after-work destinations and close proximity to Metro and major highways.

Friendship Heights

The Friendship Heights CBD is located at the Montgomery County-Washington, D.C. border with the Metrorail station at Wisconsin and Western Avenues at its center. Comprising or adjacent to the Friendship Heights CBD are multiple smaller jurisdictions and developments, including the Village of Friendship Heights special taxing district, the Town of Somerset, the Brookdale neighborhood, and the Somerset House complex.

The Friendship Heights area saw the beginning of two major developments projects in 2004. One project is the New England Development Corporation's Wisconsin Place development, which will be located at the former Hecht Company site on the corner of Wisconsin and Western Avenues. This project will include 305,000 square feet of Class A office space, a 265,000 square foot retail center (including a new Bloomingdale's building and supermarket), a 20,500 square foot Community Center, 433 moderately-priced housing units, 1,749 new parking spaces, and two parks, all of which will be connected by a system of pedestrian walkways. Also, in February 2004, The Mills Corporation announced it would be relocating its headquarters from Arlington, Virginia to Friendship Heights. Mills will bring over 300 jobs to the County and lease approximately 200,000 square feet in the new Chevy Chase Center. Mills is expected to move into its new facility by the end of 2006.

The approval of Wisconsin Place will account for a significant portion of the development allowed in Friendship Heights under the Friendship Heights Sector Plan. This Plan concentrates new growth in the Metro-served area while preserving the surrounding neighborhoods. The Plan originally allowed for a total of over 1.4 million additional square feet of office and retail space and housing opportunities for an estimated 635 dwelling units on the former Hecht's and adjacent Geico properties. One of the first major projects constructed in this Plan was the Chase Tower, a 240,000 square foot retail and office building that delivered in November 2001. This luxury Class A tower is now home to the new corporate headquarters for Ritz Carlton. Other tenants in this building include Capital Trust, Capital Source, and the JBG Companies.

Existing Office/R&D/Commercial Space

As of November 1, 2005, Montgomery County has just over 109 million square feet of commercial real estate space (office, flex, R&D, industrial, retail). The weighted vacancy rate for the County dropped since November 2004 from 8.01% to 6.7%.

Most of Montgomery County's office space is located along two "Technology Corridors", the I-270 corridor and the Route 29 corridor. The I-270 corridor includes the Bethesda, Rockville, Gaithersburg, and Germantown markets and features over 85 million square feet of commercial space. Notable buildings along the I-270 corridor include the 700,000 square foot Chevy Chase Bank headquarters in Bethesda, and the 260,000 square foot Tower Building in Rockville. The Route 29 corridor connects Silver Spring to Burtonsville and includes over 16 million square feet of commercial space. Discovery Communications' 550,000 square foot corporate headquarters in downtown Silver Spring is the signature building in the corridor. Also featured along Route 29 is the Westech Business Park, which includes over three million square feet of office, R&D, light industrial, and retail development.

**Office/Flex/Industrial/Commercial Space Availability by Submarket
As of November 1, 2005**

<u>Montgomery County Office Market</u>	<u>Total Inventory (Square Feet)</u>	<u>Total Vacant (Square Feet)</u>	<u>Vacancy Rate w/Sublet</u>	<u>Vacancy Rate w/o Sublet</u>
Bethesda/Chevy Chase	12,602,449	966,184	7.67%	9.51%
Gaithersburg	17,805,873	946,646	5.32%	6.53%
Germantown	7,476,140	645,227	8.63%	10.63%
Kensington/Wheaton	5,109,707	165,119	3.23%	3.29%
North Bethesda/Potomac	15,040,983	1,083,239	7.20%	8.40%
North Rockville	19,736,425	1,386,349	7.02%	8.27%
North Silver Spring/Rt 29.....	7,485,768	435,730	5.82%	6.12%
Rockville	14,674,001	1,214,822	8.28%	5.80%
Silver Spring.....	<u>9,565,482</u>	<u>496,388</u>	5.19%	5.80%
Total County	<u>109,496,828</u>	<u>7,339,704</u>	6.70%	7.75%

Note: These figures are provided by CoStar Property, the County's source for commercial real estate information.

Agriculture

Agriculture in Montgomery County is a diverse industry that occupies about one-third, or 93,000 acres of the County land area. The County's agriculture industry contributes nearly \$251 million to the local economy. Over \$84 million comes from the County's thriving equine industry, about \$125 million from horticulture, and \$42 million from traditional agriculture. There are more than 577 farms and 350 horticultural enterprises in the County. The majority of farms are family-run operations, most having been in the same family for several generations. The industry as a whole employs more than 10,000 residents

Preservation of rural land for agricultural use is a high priority in the County. Farmland preservation efforts consist of a variety of strategic programs offered by the County and State. The County received a total of \$16.9 million in Rural Legacy Program grant awards over the past five years.

Since its creation in 1980, the 93,000 acre Agricultural Reserve controlled farmland development in the County. There are approximately 70,000 acres of farmland in the Reserve, and another 20,000 acres within the Reserve are publicly owned (parkland) or previously developed land (rural villages). Over 65,000 acres of farmland, more acreage than in any other county in the nation, are protected through easements.

Farmers and landowners can choose from seven separate agricultural land preservation programs. Each of these programs places an easement on the property that prevents future commercial, residential or industrial development of the land. These programs include:

- Montgomery County Agricultural Easement Program (AEP)
- Maryland Agricultural Land Preservation Foundation (MALPF)
- Maryland Environmental Trust (MET), and other private trust organizations
- Montgomery County Transfer of Development Rights Program (TDR)
- Montgomery County Rural Legacy Program (RLP)
- Montgomery County Legacy Open Space (LOS)
- Conservation Reserve Enhancement Program (CREP)

The Department also supports retail agricultural marketing programs, such as the County-sponsored farmer's markets and annual farm tour, and promotion of wholesale and cooperative marketing.

Office/Industrial Projects

Summary

In 2005, Montgomery County made significant progress in developing two strategic Science and Technology Centers in the County. In addition, the County had continued success with its Incubator program, resulting in the development of new facilities in Wheaton and Rockville. Additionally, the County made significant progress on new “Town Center” projects in downtown Rockville and Silver Spring, and several private new office buildings and development projects were constructed or expanded. Details on all of these projects appear below.

Public/Private Projects

East County Center for Science and Technology (ECCST)

The East County Center for Science and Technology (ECCST) is a public-private partnership among Montgomery County, the Washington Suburban Sanitary Commission (WSSC) and Republic Properties Corporation. Under the proposed arrangement, a 115-acre site owned by WSSC and located off Route 29 in eastern Montgomery County will be conveyed to the County, with the goal of developing and constructing a science and technology park modeled after the County-owned Shady Grove Life Sciences Center in Rockville. Republic Properties of Washington, D.C. was selected by the County to serve as the County’s private development partner in the project. Republic is charged with developing a plan that focuses on eastern Montgomery County’s needs for biotechnology and high technology development, along with public amenity needs in the area. Republic’s preliminary plan calls for 800,000 square feet of development, including laboratory and biotech manufacturing facilities, a technology business incubator, a higher education facility, a telecommuter building, built-to-suit sites, and a daycare center. The County is currently finalizing the land transfer and development agreements with both WSSC and Republic. While these agreements are being finalized, Republic started on a number of pre-development tasks such as traffic studies and environmental assessments of the ECCST site. Once the final development agreements are in place, it is estimated that groundbreaking on the Site will take place in mid 2006. The entire project is likely to take 10 years to reach full build-out.

Montgomery College-Germantown Science and Technology Park

In early 2003, Montgomery College settled on the purchase of a 20-acre site adjacent to the College’s Germantown campus. This property will be combined with 20 acres of existing undeveloped land on the campus to form a 40-acre site on which a one million square foot science and technology center will be constructed. The purchase of the 20-acre site was made possible by a total of \$6.1 million in funding appropriations to the College from the State and County. The preliminary plan for the science and technology center calls for primarily high technology research and development space, with a focus on the life sciences, which will complement the biotechnology programs and curriculum already offered at the Germantown campus. As part of the County’s investment in the purchase of the land, the County will be granted a five-acre site on the property to construct and manage a high technology incubator for start-up companies. The plan also calls for facilities for incubator “graduates” as well as space for mature biotech and high technology companies. Once built out, the center could be home to nearly 4,000 employees. In early 2004, the College received several proposals for development plans, and ultimately selected Foulger Pratt as its development partner. The College hopes to begin construction on the project in 2006.

Downtown Silver Spring/Silver Triangle

The 22-acre downtown Silver Spring redevelopment is nearing completion as of the end of 2005. Discovery Communications’ 550,000 square foot corporate headquarters, which houses over 2,000 employees, opened in late 2002. New restaurants and stores recently opening include Borders Books, Ann Taylor Loft, Fresh Fields, Strosniders Hardware, Austin Grill, and Panera Bread. Downtown Silver Spring is also home to the AFI Silver Theater, and a new Loews Multiplex movie theater. New office construction continues in the area as well, including the 150,000 square foot building at 8515 Georgia Avenue, which opened in 2005 and is home to the American Nurses Association and Worldspace.

Rockville Town Center

The first phase of the \$352 million redevelopment of downtown Rockville broke ground in 2004. The 15-acre site will become a mix of retail, restaurant, cultural, entertainment, residential and office uses when it opens in the fall of 2006. Specifically, the project will consist of approximately 630 total premiere residences, 175,000 square feet of retail and restaurants, three public parking garages, the new Rockville library, and several new office buildings. The City of Rockville, State of Maryland, and Montgomery County are the primary investors in this project.

Montgomery County Incubator Program

The Montgomery Incubator program has successfully assisted start-up technology companies grow and expand in the County since the first facility – The Maryland Technology Development Center (MTDC) -- opened its doors in 1998. To date nearly 30 companies graduated from the County's incubators to lease nearly 300,000 square feet of private office space and create over 1,000 jobs in the County. The County opened a second Incubator in 2004 in downtown Silver Spring called the Silver Spring Innovation Center (SSIC). The SSIC is fully leased to start-up information technology facilities. The success and demand for the Incubator program spurred the County to develop five additional incubators by 2007. Two incubators will open in 2006 (described below) and two others are proposed for the ECCST and Montgomery College – Germantown projects described above. The location and specific details for the fifth new incubator are currently being discussed by County officials.

Wheaton Incubator

The County will be opening its third business incubator in the first quarter of 2006. The facility will be located in 9,600 square feet of leased office space in Wheaton. The project is expected to support the growth and development of 12-25 small businesses in the region. In addition to rental proceeds received from the tenants (at market rates) the County has provided a \$300,000 subsidy.

Rockville Incubator

The County will be opening an additional business incubator in first quarter of 2007 in the newly re-developed Downtown Rockville. The facility will be approximately 27,000 square feet of office condominium space that is to be purchased by Montgomery County. The purchase is to be subsidized by a \$1 million grant from the Maryland Technology Development Corporation. The project will provide office space for businesses in the medical information technology sector as well as international companies seeking to establish a U.S. subsidiary in the region.

Private Real Estate Projects

Irvington Center (King Farm)

Office and commercial activity continues to be strong in the 430-acre King Farm urban village in Rockville. The newest office building, Four Irvington Center, is under construction and will feature 200,000 square feet of space and a 120 person conference room when it delivers in 2006. Three Irvington Center broke ground in August 2000, and delivered in April 2002. The 217,000 square foot building experienced significant leasing activity, most notably a 75,000 square foot lease by Dental Benefit Provider, a 24,000 square foot lease by Hilb, Rogal, and Hamilton Company, and an 11,000 square foot lease by Mason Dixon Funding. Federal Medical and Health Extras also signed new leases in this building in 2004. The 165,000 square foot building at Two Irvington Center delivered in December 2000, and includes as tenants Wolpoff and Abramson, Avendra, and Client Network Services Inc. One Irvington Center, the first office building completed on the campus, is almost completely leased to companies such as Aronson and Company, Artesia Technologies, and Quest Software, Inc. This building also includes the upscale restaurant Nick's Chophouse. Additional amenities were also added and proposed for the Irvington Center site in 2005, including the approval to build a 175,000 square foot Sheraton hotel. The entire Irvington Center campus is comprised of over 90 acres and will ultimately include over three million square feet of office commercial, retail, and hotel space.

Rock Spring Centre

Construction began in 2003 on Rock Spring Centre, a 53-acre mixed-use development in Bethesda at the intersection of Interstate 270 and Old Georgetown Road. This project will create a "town-center" feel in North

Bethesda's prominent Rock Spring Office Park, which features almost 20,000 employees in nearly five million square feet of office space, and includes the corporate headquarters for Marriott International and Lockheed Martin. Rock Spring Centre will contain up to one million square feet of Class A office space, 225,000 square feet of upscale retail space, and 1,200 luxury apartment units. The Canyon Ranch Spa and Hotel announced the building of a facility in Rock Spring Centre. The Spa and Hotel, along with the other retail and restaurant components of the Centre, is expected to open in late 2006.

Washingtonian Center

Washingtonian Center continued to grow and expand in 2005. This 210-acre mixed-use development project in Gaithersburg has a "Town Center" feel with a mix of office, retail, restaurant, residential, and entertainment centers, all located within walking distance. Office development continued to prosper in Washingtonian Center with the 2005 delivery of a 150,000 square foot building at Washingtonian South, which is home to Marriott International offices. In addition, a 105,000 square foot building at the Washingtonian Lakefront broke ground in 2005 and is scheduled for delivery in 2006. This building will also feature first floor retail. Additional office space proposed includes nearly one million square feet of space at Washingtonian North and 320,000 square feet of space at Washingtonian South. A number of mixed-use projects at the Washingtonian Lakefront made significant progress in 2004. A 1,000 space parking garage that opened in the summer of 2004 will serve a new Courtyard by Marriott hotel, which broke ground in the fall of 2004 and should be complete by early 2006. In addition to the new hotel and garage, the Lakefront area has continued to grow as several retailers and restaurants opened their doors in 2005, including Red Rock Canyon Grill, California Pizza Kitchen, and Jos. A. Bank clothiers.

New Individual Office Projects

Chevy Chase Center (5425 Wisconsin Avenue, Chevy Chase)

This 412,000 square foot building in the upscale Friendship Heights section of Chevy Chase broke ground in early 2005 and is slated for completion in May 2006. The office component of this building is fully leased to the Mills Corporation who will be relocating their corporate headquarters from Arlington, Virginia. This building will also feature 30,000 square feet of high-end retail space.

Market Square at Shady Grove (1 Choke Cherry Road, Rockville)

Market Square at Shady Grove consists of a 228,020 square foot Class A office building just off I-270 in North Rockville. The building was delivered in early 2005 and is fully leased and occupied by the Department of Health and Human Services.

9605 Medical Center Drive, Rockville

9605 Medical Center Drive is the third building on the Johns Hopkins University (JHU) Rockville campus within the County-owned Shady Grove Life Sciences Center. Half of the 115,000 square foot building is occupied by JHU and is used for both administrative and classroom/laboratory space by the University. The other half of the building is being leased to private firms that have agreed to collaborate with JHU and various research projects and other initiatives. Three tenants have signed leases in the building – The Center for Behavioral Health, Gilbank, and Vanda Pharmaceuticals.

1405 Research Boulevard, Rockville

Alexandria Real Estate Equities developed, constructed, and owns this 72,170 square foot biotech/lab facility located in the heart of I-270's Technology Corridor, not far from the Shady Grove Life Sciences Center. The facility delivered in February 2005 and features three floors of Class A lab space. Aeras Global TB Vaccine foundation is the first tenant in the building.

1108 Spring Street (United Therapeutics), Silver Spring

This \$15 million facility was delivered in November 2005 to support the rapid growth of United Therapeutics in downtown Silver Spring. United Therapeutics is using their expanded space to advance their research and development of drugs to fight ovarian cancer.

New Business Additions and Expansions

Montgomery County's Department of Economic Development worked with over 300 companies in 2005 that were looking to expand in or relocate to the County. These companies are projected to create over 3,000 jobs, lease or construct over one million square feet of office space, and generate over \$200 million in capital investment over the next three to five years. Some highlights of the Department's efforts in 2005 include:

Worldspace

Downtown Silver Spring continued to be a magnet for new business in 2005 as Worldspace announced in June 2005 that it would be relocating its headquarters facility from Washington, DC. Worldspace, a satellite radio provider that broadcasts to markets in Asia and Africa, leased 50,000 square feet at 8515 Georgia Avenue, in the heart of downtown Silver Spring's revitalization area. The company opened its doors in September 2005 and committed to bring over 100 new high-paying jobs to downtown Silver Spring, with further expansion promised.

MacroGenics

MacroGenics, Inc. is developing immune-based products including monoclonal antibodies to treat patients with cancer, autoimmune disorders, allergy, or infectious diseases and vaccines to prevent infections in healthy individuals. In August 2005, the company finalized plans to expand in Rockville by leasing 15,180 square feet of lab and R&D space. Currently, 52 employees are located in this facility and the company plans to add an additional 64 employees in the next 2-3 years.

Viasat

The Carlsbad, CA based satellite communications manufacturer increased its regional presence in the County in 2005. The company relocated from its Clarksburg facility on the Lockheed Martin/Comsat campus into 44,500 square feet of expanded space in Germantown in August 2005. This expanded location will be home to over 130 employees. Viasat produces innovative satellite and other wireless communication products that enable fast, secure, and efficient communications to any location.

Startec

Startec signed a lease in 2005 for 28,000 square feet of space in North Rockville. The company is relocating and expanding from another office in Rockville and plans to take occupancy its new location in early 2006. Startec employs over 160 people and has a mission to become a leading provider of Internet Protocol ("IP") communication services, including voice, data and Internet services, to their targeted markets, comprised of ethnic communities from the Asia Pacific Rim, the Middle East and North Africa, Russia and Central Europe, and Latin and South America.

Kierkegaard & Perry Laboratories (KPL)

KPL, a leading supplier of protein detection reagents and systems for biological research, announced in August 2005 that it will be moving its headquarters to a new expanded facility in Gaithersburg. The new facility will consolidate KPL's operations into one location with 30,000 square feet of space, a 35% increase in floor space over the previous location (also in Gaithersburg). More than 50 employees will be housed in the new facility when the relocation is complete in early 2006.

Biocon

BIOCON, a company that has provided custom small animal research services to the regions leading biomedical investigators since 1978, announced in July 2005 that it leased an additional 10,000 square feet of lab space on Lofstrand Lane in Rockville. This additional facility is intended to support BIOCON's existing research efforts in Rockville and to provide added convenience for bioscience researchers at the NIH campus as well as private companies located in Maryland.

Canon USA

In May 2005, Canon U.S. Life Sciences officially decided to locate in the County in leased space in Rockville. Canon U.S. Life Sciences, a subsidiary of Canon U.S.A, currently leases 7,500 square feet at 9800 Medical Center Drive. Canon U.S. Life Sciences, Inc. is dedicated to exploring potential applications of Canon's core technologies to the field of life sciences. The company plans to identify and commercially develop life sciences solutions with potential applications in diagnostics and medical instrumentation.

Intelsat General

Intelsat General Corporation moved its offices from Washington, D.C. to Bethesda in June 2005. Intelsat General Corporation (IGC) now occupies 18,000 square feet at 6550 Rock Spring Drive. IGC is one of the largest wholesalers of commercial satellite services in the world, and brings 30 to 40 new jobs to Montgomery County. IGC was created in 2003 by Intelsat, Ltd as a subsidiary focused on the communications needs of key prime contractors serving US and NATO government users with satellite and managed satellite-based services.

The Federation of American Societies for Experimental Biology

The Federation of American Societies for Experimental Biology (FASEB) advances biological science through collaborative advocacy for research policies that promote scientific progress and education, and lead to improvements in human health. In January 2005, FASEB expanded their Bethesda campus by 17,500 square feet; the campus will be home to over 70 new employees. FASEB will continue to expand in the near future, with over 100,000 square feet of additional office space programmed for the campus.

**General Obligation Bonded Debt Ratios
1996 – 2005**

<u>Fiscal Year</u>	<u>Net Direct Debt to Market Value</u>	<u>GO Bond Debt Service to General Fund Expenditures</u>	<u>Net Direct Debt Per Capita*</u>	<u>Net Direct Debt Per Capita to Per Capita Income**</u>	<u>GO Bond Payout Ratio</u>
1996.....	1.62%	10.04%	\$ 1,384	3.50%	70.52%
1997.....	1.47	10.22	1,277	3.14	71.39
1998.....	1.66	9.71	1,433	3.32	72.58
1999.....	1.56	9.66	1,374	3.02	72.33
2000.....	1.64	9.17	1,473	3.11	72.06
2001.....	1.57	8.72	1,473	2.97	71.83
2002.....	1.55	8.32	1,516	3.03	71.32
2003.....	1.45	8.47	1,541	2.90	71.10
2004.....	1.45	7.98	1,591	2.88	70.94
2005.....	1.30	7.74	1,504	2.61	70.20

* Amounts restated due to restatement of population data.

** Figures restated due to restatement of actual income in May 2001.

**Statement of Direct and Overlapping Debt
As of June 30, 2005**

Direct Debt:		
General Obligation Bonds Outstanding	\$1,415,208,054	
Short-Term BANs/Commercial Paper Outstanding	--	
Long-Term Notes Payable	1,198,385	
Revenue Bonds Outstanding	<u>62,655,000</u>	
Total Direct Debt		\$1,479,061,439
Overlapping Debt:		
Gross Debt:		
Washington Suburban Sanitary Commission		
Applicable to Montgomery County	1,008,216,728	
Housing Opportunities Commission	649,747,538	
Montgomery County Revenue Authority	68,780,082	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County	51,344,940	
Kingsview Village Center Development District	2,305,000	
West Germantown Development District	15,730,000	
Towns, Cities and Villages within Montgomery County	<u>70,911,502</u>	
Total Overlapping Debt		<u>1,867,035,790</u>
Total Direct and Overlapping Debt		3,346,097,229
Less Self-Supporting Debt:		
County Government Revenue Bonds	62,655,000	
Washington Suburban Sanitary Commission		
Applicable to Montgomery County	1,008,216,728	
Housing Opportunities Commission	649,747,538	
Montgomery County Revenue Authority	68,780,082	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County	<u>14,194,940</u>	
Total Self-Supporting Debt		<u>(1,803,594,288)</u>
Net Direct and Overlapping Debt		<u>\$1,542,502,941</u>
Ratio of Debt to June 30, 2005 Assessed Valuation of (100% Assessment):		\$102,184,336,833
Direct Debt		1.45%
Net Direct Debt *		1.39%
Direct and Overlapping Debt		3.27%
Net Direct and Overlapping Debt		1.51%
Ratio of Debt to June 30, 2005 Market Value of:		\$109,242,081,266
Direct Debt		1.35%
Net Direct Debt *		1.30%
Direct and Overlapping Debt		3.06%
Net Direct and Overlapping Debt		1.41%

*Net Direct Debt of \$1,416,406,439 is derived by subtracting direct self-supporting debt, which consists only of County Government Revenue Bonds, from Total Direct Debt.

PRINCE GEORGE'S COUNTY

Overview

The information contained under the heading "Prince George's County" has been obtained from Prince George's County.

Prince George's County, with a 2004 population of 842,967, encompasses an area of 487 square miles and lies between Washington, D.C., and Baltimore, Maryland. Bordering Prince George's County are Howard, Anne Arundel and Calvert Counties to the north and east, Montgomery County and Washington, D.C. to the west and Charles County to the south. Across the Potomac River in Virginia are Arlington and Fairfax Counties. Prince George's County is part of the Washington, D.C. Metropolitan Statistical Area (MSA). The County seat is Upper Marlboro, Maryland.

Prince George's County operates under a "home rule" Charter which was adopted in November 1970. The powers of the County are provided in the County Charter and in the Constitution and the laws of the State of Maryland, including Article 25A of the Annotated Code of Maryland. Under the County Charter, the County is composed of an executive and a legislative branch. The executive branch implements and enforces the laws and administers the day-to-day business of the County. It consists of a County Executive (who is elected by the qualified voters of the entire County) and all other officers, agents, and employees under the County Executive's supervision and authority, including the Chief Administrative Officer, who is responsible for the day-to-day administration of the County. The legislative branch of the County consists of a nine-member County Council (elected from Councilmanic Districts) and its staff. The County Executive and the County Council are elected for the same four-year term by qualified voters of the County and are limited by the County Charter to two consecutive four-year terms in office.

Each member of the County Council has one vote. Five votes generally are required to pass legislation and six votes are needed to enact emergency bills and to override a veto by the County Executive. The County Council customarily elects from among its members a Chair and a Vice-Chair to serve one-year terms.

The court system for the County was established by and is operated under the authority of the State. District and Circuit Court judges are appointed by the Governor, but Circuit Court judges must thereafter run for election. Other State court officials are directly elected for various terms.

There are 27 incorporated municipalities in the County. These municipalities levy taxes on their own authority and are not subject to the limitations as set forth in Sections 812 and 813 of the County Charter. Property in these areas is subject to County taxation and the County provides certain public services to the residents of the incorporated municipalities. County ordinances and regulations also are applicable to them. These municipalities may incur general obligation bonded indebtedness and levy taxes without the prior approval of the County. Bonds issued by these municipalities are the legal responsibility of each municipality and are not guaranteed in any way by the County. Maryland law mandates that the County recognize either through a reduced County tax rate or through a direct grant payment, those governmental services and programs which municipal governments perform in lieu of similar County government services which are funded through the property tax.

The Maryland-National Capital Park and Planning Commission (the "M-NCPPC") is a bi-county agency established by State law. It acquires and develops land and facilities for park or recreational use and provides planning for physical development in Montgomery and Prince George's counties. It also operates the park and recreational systems in Prince George's County. The operations of the M-NCPPC are financed by separate *ad valorem* property taxes levied and collected by each of the two counties on its behalf. Bonds issued by the M-NCPPC for land or improvements located in Prince George's County are guaranteed by the County.

Population

From 1980 to 2004, the County's population increased 26.8%, compared to a 31.8% increase for the State of Maryland and a 29.7% increase for the United States. The population growth in the County has been gradual as is shown in the following table:

Population Growth

1980 - 2004

Year	County	State of Maryland	United States
1980 (Census)	665,071	4,216,000	226,505,000
1990 (Census)	728,553	4,798,000	249,633,000
1994	760,025	5,000,000	260,341,000
1995	767,006	5,042,000	262,213,000
1996	773,810	5,072,000	265,253,000
1997	770,633*	5,094,000	267,636,000
1998	777,811	5,134,000	270,939,000
1999	781,781	5,171,634	273,690,813
2000 (Census)	801,515	5,296,486	281,421,906
2001	817,271	5,379,450	285,102,075
2002	827,704	5,441,531	287,941,220
2003	836,369	5,512,310	290,788,976
2004	842,967	5,558,058	293,655,404
Percent Change (1980-2004)	26.8%	31.8%	29.7%

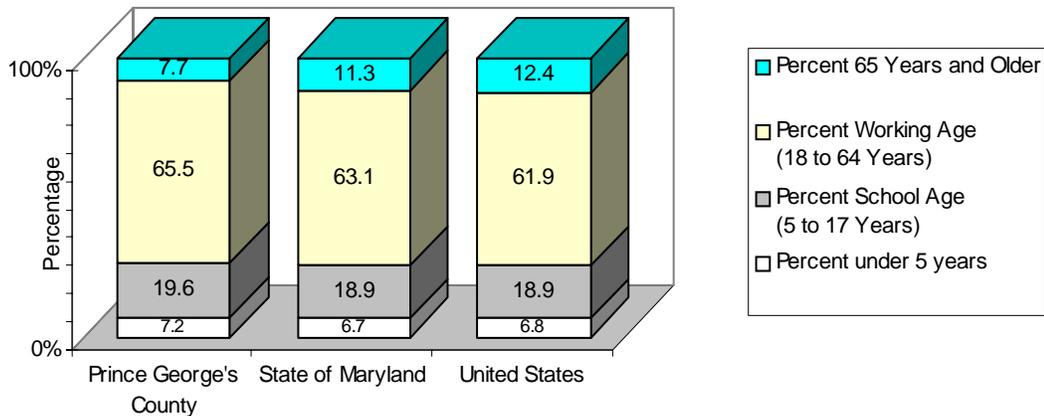
*In November 1995, the Prince George's County, Maryland portion of Takoma Park (a municipality which straddled the Prince George's - Montgomery County line) voted to become part of Montgomery County effective July 1, 1997. This departure resulted in a decrease in the County population by about 5,600 from January 1, 1997 population estimated at 776,267.

Source: U.S. Department of Commerce, Bureau of the Census Population Estimates Branch.

The following chart indicates that 65.5% of the total 2000 population of the County was of working age (18 to 64 years old), which compared favorably to 63.1% of the State of Maryland and 61.9% of the United States. This chart also reflects that the County's senior citizen population percentage was 7.7% compared with 11.3% of the State of Maryland and 12.4% of the United States.

Selected Population Characteristics

2000

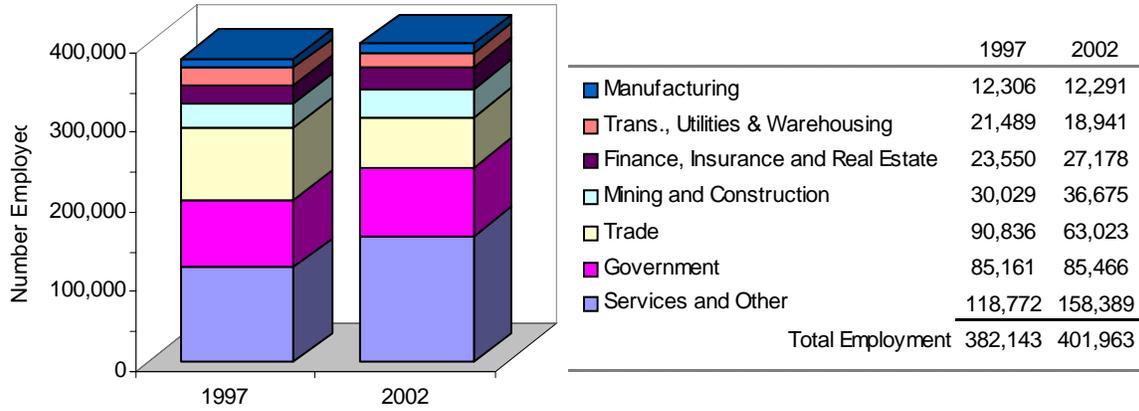


Source: 2000 Census, Bureau of the Census, Department of Commerce.

Employment

Business expansion within the County brought about continuing increases in size and diversity of the economic base. Private and public sector employment rose by 19,820 jobs between 1997 and 2002 as shown in the following table. One-third of this job growth was attributable to increases in services and other employment. One-fourth of this job growth was attributable to increases in construction. Finance, insurance and real estate were also contributors. Public sector employment increased by 305 jobs between 1997 and 2002.

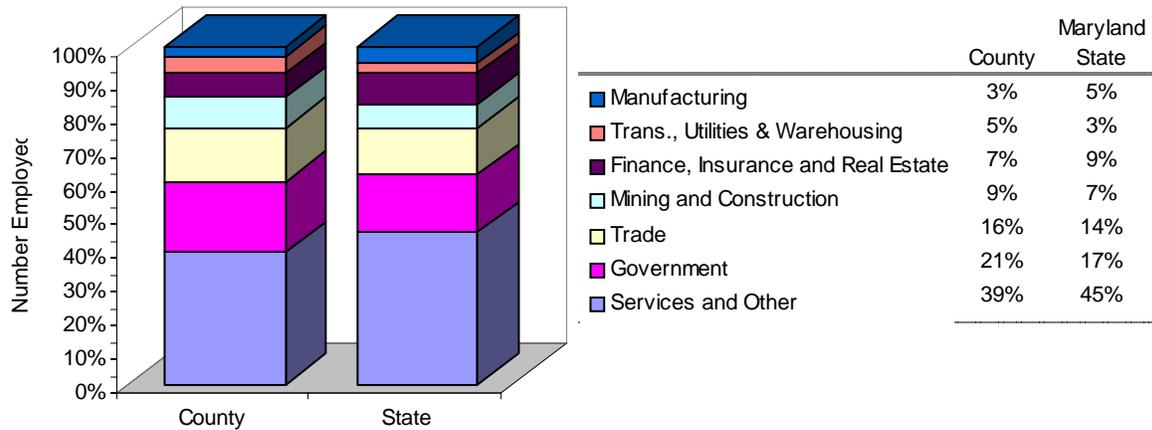
The County's Employment Profile 1997 and 2002



Source: U.S. Department of Commerce, Bureau of Economic Analysis.

A comparison between the employment distribution of the County and the State of Maryland is shown in the following chart.

Comparative 2002 Distributions of Non-Agricultural Employment



Source: U.S. Department of Commerce, Bureau of Economic Analysis.

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The County's diversity in employment is shown in the following table of the 10 largest private and 10 largest public sector employers in the County.

**Prince George's County Principal Employers
June 30, 2004**

<u>Employer</u>	<u>Product or Service</u>	<u>Number of Employees</u>
Largest Private Sector Employers		
Giant Food, Inc.	Retail Grocery Chain (Headquarters).....	5,394
Shoppers Food Warehouse	Retail Grocery Chain (National Headquarters).....	3,700
Dimensions Health Corp	Health Services/Nursing Homes.....	3,000
Verizon	Communications Services.....	2,700
Safeway Stores, Inc.....	Retail Grocery Chain (Regional Headquarters).....	2,400
United Parcel Service	Package Delivery (Regional Headquarters).....	2,300
Raytheon Systems Company	Information Technology	1,300
Computer Sciences Corp.....	Computer and Information Services.....	1,200
Honeywell Technology Solution.....	Engineering/Aerospace.....	900
Digex, Inc.	Information Technology.....	700
Largest Public Sector Employers		
Andrews Air Force Base	Defense Installation (civilian and military employees)	17,289
Prince George's County Public Schools ...	Education.....	16,000
University of Maryland, College Park	State University (Flagship Campus), Higher Education/Research.....	11,730
Prince George's County.....	Local Government.....	5,435
United States Postal Service	Post Office.....	4,220
United States Bureau of the Census	Economic, Demographic Surveys.....	4,158
NASA/Goddard Space Flight Center	Space Satellite Design and Tracking.....	4,000
Internal Revenue Service.....	Revenue Collector.....	3,840
Prince George's Community College	Education	1,863
National Agriculture Research Center/National Agricultural Library.....	USDA Library/Agricultural Research Center	1,700

Source: Prince George's County Economic Development Corporation.

Between 1995 and 2005 (November), as indicated in the following table, the County's resident employment rose by 12,753 jobs. The unemployment rate for the County generally remained below that of the United States as shown in the following table and the subsequent chart.

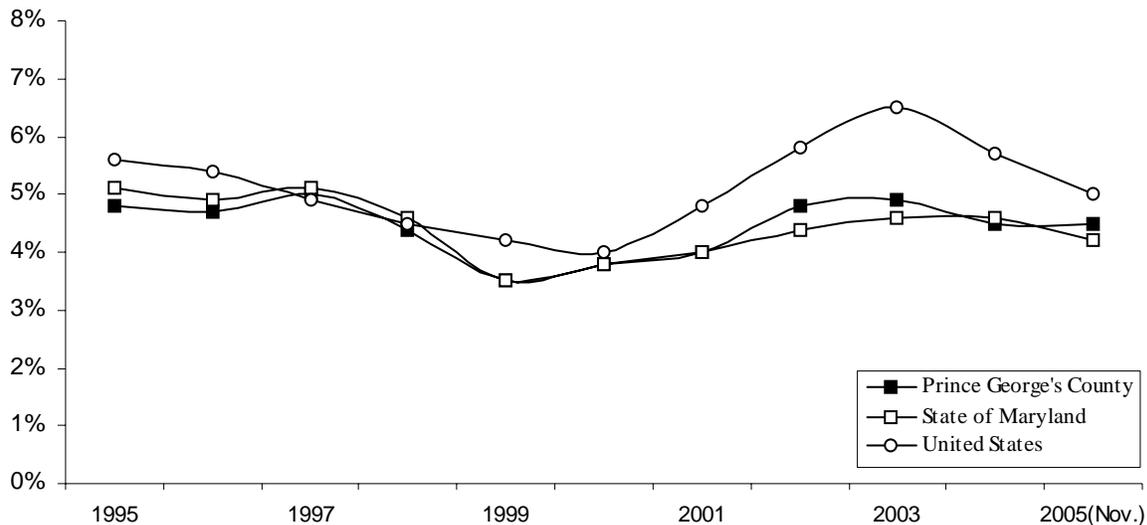
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Labor Market Characteristics
1995 - 2005 (November)

Year	County Residents		Percent Unemployed		
	Civilian Labor Force	Resident Employment	Prince George's County	State of Maryland	United States
1995	445,348	423,894	4.8%	5.1	5.6
1996	451,529	430,291	4.7	4.9	5.4
1997	448,569	426,060	5.0	5.1	4.9
1998	439,616	420,311	4.4	4.6	4.5
1999	442,243	426,684	3.5	3.5	4.2
2000	447,445	430,293	3.8	3.8	4.0
2001	454,318	436,113	4.0	4.0	4.8
2002	466,983	444,607	4.8	4.4	5.8
2003	469,785	447,517	4.7	4.5	5.7
2004	478,253	457,953	4.2	4.0	5.5
2005(Nov.)	457,256	436,647	4.5	4.2	5.0

Source: Maryland Department of Labor, Licensing and Regulations; Office of Labor Market Analysis and Information; U.S. Department of Labor, Bureau of Labor Statistics.

Comparative Unemployment Rates
1995 - 2005 (November)



Source: Maryland Department of Labor, Licensing and Regulation; Office of Labor Market Analysis and Information; U.S. Department of Labor, Bureau of Labor Statistics.

Income

In 2003, the County's personal per capita income was estimated to be \$31,936. Personal per capita income of County residents increased 21.6% between 1998 and 2003, with average annual increases of 4.0%. Depicted below is a comparison of personal income per capita of County, State of Maryland and United States residents.

Total Personal and Per Capita Income

1998 - 2004

Calendar Year	Prince George's County Total Personal Income (\$ Millions)	Per Capita Income		
		Prince George's County	State of Maryland	United States
2004	N/A	N/A	39,247	32,937
2003	\$26,710	31,936	37,446	31,472
2002	25,715	31,068	36,557	30,906
2001	24,414	29,873	35,628	30,627
2000	23,195	28,865	34,257	29,847
1999	21,492	27,038	31,796	27,939
1998	20,731	26,274	30,317	26,883
Percentage Increase (1997-2002)	28.5%	20.9%	26.6%	22.0%

Source: Bureau of Economic Analysis, U.S. Department of Commerce.

Effective Buying Income (EBI) is a classification developed exclusively by Sales & Marketing Management to distinguish it from other sources reporting income statistics and is defined as all personal income less personal tax and non-tax payments; the latter includes fines, fees, penalties and personal contributions to social insurance.

In 2003, the County's per capita EBI was estimated at \$19,207 compared with \$17,828 in 1998, an increase of 7.7% in the 5-year period. The County's Median Household EBI was estimated at \$46,618 in 2003 compared with \$45,544 in 1998, an increase of 2.4% in the 5-year period. Certain comparative amounts are presented in the following table:

Effective Buying Income (EBI)
1998 and 2003

Metro Jurisdiction	Per Capita EBI		Median Household EBI	
	1998	2003	1998	2003
State of Maryland	\$19,177	21,586	43,627	45,879
Washington Metro Area				
Prince George's County	\$17,828	19,207	45,544	46,618
Calvert County.....	17,616	21,537	48,544	55,570
Charles County	18,806	20,437	52,771	52,385
Frederick County.....	18,045	21,633	45,791	51,279
Montgomery County	26,720	30,007	57,464	58,508
Baltimore Metro Area				
Anne Arundel County... ..	19,314	23,392	47,605	52,722
Baltimore City	13,421	14,152	27,277	27,042
Baltimore County.....	20,423	21,979	42,757	43,170
Carroll County	17,260	20,352	44,941	51,356
Harford County	17,433	20,668	44,531	48,636
Howard County	24,259	27,269	58,288	61,413

Source: "1999 Survey of Buying Power" and "2004 Survey of Buying Power" published by Sales & Marketing Management, New York, New York.

Commercial and Industrial Growth

A summary of building permit activity, including residential as well as commercial and industrial (non-residential) projects, is provided in the following table.

Between 1995 and 2004, the value of new residential construction within the County has averaged approximately \$354 million annually. Non-residential construction has averaged approximately \$231 million per year. The value of new residential construction within the County in 2004 was \$402 million as compared to \$450 million in 2003. The value of new non-residential construction within the County in 2004 was \$107 million as compared to \$269 million in 2003.

Building Permits								
Calendar Year	Residential Construction			Non-Residential Construction			Total	
	Permits Issued	Total Valuation(1)	Average Valuation(1)	Permits Issued	Total Valuation(1)	Average Valuation(1)	Permits Issued	Total Valuation(1)
1995	3,487	\$295,097	\$85	95	\$297,823	\$3,135	3,582	\$592,920
1996	3,041	263,965	87	101	255,515	2,530	3,142	519,480
1997	2,788	283,991	102	103	160,558	1,559	2,891	444,549
1998	3,635	354,989	98	125	252,144	2,017	3,760	607,133
1999	2,060	222,422	108	189	175,909	931	2,249	398,331
2000	3,885	413,468	106	358	279,035	779	4,243	692,503
2001	5,174	490,014	95	209	331,009	1,584	5,383	821,023
2002	3,077	360,484	117	517	185,289	358	3,594	545,773
2003	2,716	450,316	165	55	269,306	4,896	2,771	719,622
2004	2,312	402,355	174	52	106,500	2,048	2,364	508,855
Total	32,175	\$3,537,101	\$110	1,804	\$2,313,088	\$1,282	33,979	\$5,850,189
Annual Average	3,218	353,710	110	180	231,301	1,282	3,398	585,019
2005 (Jan.- May)	1,238	\$229,833	\$186	11	\$5,615	\$510	1,249	\$235,448

(1) Amounts in thousands of dollars of permit-stated construction costs.

Source: Bureau of the Census, Construction Statistics Division, Building Permits Branch and Prince George's County Department of Environmental Resources.

During 2003, approximately 4.0 million square feet of new commercial space was started. The total square footage of commercial non-residential construction started during calendar years 1999 through 2003 (by structure type) is shown below:

Commercial Non-Residential Construction Started, by Type					
Area in Square Feet					
Structure Type	1999	2000	2001	2002	2003
Office	982,217	310,844	1,610,087	226,360	818,926
Mixed Use	885,049	1,307,712	989,213	583,325	1,658,927
Retail	526,023	1,208,865	462,534	546,099	1,031,051
Educational/Medical	634,455	608,500	932,150	648,855	452,705
Research & Development	-	180,000	20,000	120,768	73,000
Total Square Footage	3,027,744	3,615,921	4,013,984	2,125,407	4,034,609
Percent of Washington Metropolitan Area	7.2%	7.4	12.5	6.3	13.0

Source: Metropolitan Washington Council of Governments (MWCOC), Commercial Construction Indicators.

The "mixed use" category includes warehouses, recreational buildings (both private and school-related), gas stations, churches, funeral homes and other miscellaneous non-residential buildings.

Transportation

Highway

Interstate 95 provides access to the nation's eastern seaboard, including the major commercial centers in Baltimore, Philadelphia and New York City. Interstate 495 (the Capital Beltway) circles Washington, D.C. and provides access both to that city and to nearby suburban jurisdictions. Other major highways in the County include the Baltimore-Washington Parkway, U.S. Route 50 (access to Maryland's Eastern Shore) and U.S. Route 3/301 (access to Baltimore and Virginia).

Rail

The County is served by CSX Transportation, Norfolk Southern, Amtrak (including a station at New Carrollton on Amtrak's Northeast Corridor service), and the MARC commuter rail system which has two lines that run through the County, both of which provide service between Baltimore City (and surrounding areas) and Washington, D.C.'s Union Station.

Metro

The Washington Metropolitan Area Transit Authority (WMATA) Metrorail system is a 103-mile subway system in its 28th year of operation. The system serves Washington, D.C. and nearby suburban areas, including four lines and 15 stations that serve the County.

Truck

More than 90 freight lines serve the County. Most of the County lines lie within the Washington commercial zone as defined by the Interstate Commerce Commission (I.C.C.).

Air

The County is located near three major airports: Baltimore-Washington International Thurgood Marshall Airport, Washington Dulles International Airport and Ronald Reagan Washington National Airport.

Utilities

Electricity

Baltimore Gas & Electric Company (BGE), Potomac Electric Power Company and Southern Maryland Electric Co-operative, Inc. serve the County.

Gas

Natural gas is supplied by BGE and Washington Gas.

Water and Sewer

Washington Suburban Sanitary Commission provides the water supply to the entire County and wastewater treatment services for part of the County. The District of Columbia Water and Sewer Authority also provides wastewater treatment services for parts of the County. Storm drainage for the County is provided by the County Department of Environmental Resources.

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Principal Taxpayers

February 22, 2005

Taxpayer	Real Property Assessment	Personal Property Assessment	Total Assessment
Mirant Chalk Point, LLC (1)	\$ 147,426,300	288,749,880	436,176,180
Verizon - Maryland	-	393,900,710	393,900,710
Washington Gas Light Company	3,056,490	185,459,050	188,515,540
JKC Stadium, Inc.	187,999,100	-	187,999,100
Baltimore Gas and Electric Co.	3,300	111,496,460	111,499,760
Summerfield Housing Ltd. Partnership	99,274,000	-	99,274,000
Safeway Inc.	75,392,632	13,775,940	89,168,572
Greenbelt Homes, Incorporated	83,958,310	-	83,958,310
Zell Samuel Terrace	72,988,615	-	72,988,615
Silver Oaks Campus LLC	70,624,850	-	70,624,850
Mirant Peaker, LLC (1)	-	65,432,520	65,432,520
GB Mall Limited Partnership	65,326,665	-	65,326,665
Seven Springs Village LLC	55,206,232	-	55,206,232
Comcast of MD	-	54,809,150	54,809,150
Oakcrest Towers LLC	51,465,560	-	51,465,560
Verbal Corporation	49,645,166	-	49,645,166
Writ Limited Partnership	47,166,953	-	47,166,953
Vingarden Associates Limited Partnership	47,055,732	-	47,055,732
American PCS. Limited Partnership	-	44,870,420	44,870,420
Archstone Communities	43,898,500	-	43,898,500
Totals	\$1,100,488,405	1,158,494,130	2,258,982,535
Percentage of Assessable Base	2.4%	41.3%	4.6%

(1) Mirant Chalk Point, LLC and Mirant Peaker, LLC, among other affiliate groups, filed for bankruptcy protection under Chapter 11 on July 14, 2003. Mirant is reorganizing and has paid its fiscal 2004, 2005 and 2006 property taxes.

Source: Office of Finance.

In compliance with State law the County's Operating Budget for fiscal 2006 provides an adjusted nominal real property tax rate of \$0.96 per \$100 of assessed value of real property. The County's Operating Budget for fiscal 2006 also provides the nominal personal property tax rate of \$2.40 per \$100 assessed value of personal property. The total General Fund tax levy included in the County's Operating Budget for fiscal 2006 is \$493.6 million (adjusted for tax credits, assessment abatements and deletions, allowance for municipal taxes and uncollectable taxes)

The tax rates shown in the table below represent a weighted average of the unincorporated and incorporated area rates.

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Real and Personal Property Taxes

(Levies and Collection)

Fiscal Year	Assessed Value (Millions)	Tax Rate per \$100 Assessed Value	Tax Levy Excluding Adjustments	Collected During Fiscal Year	Percent Collected during Fiscal Year	Percent Collected as of June 30
2006 (Est.)	\$54,306.7	0.960	537,636,330	529,571,700	98.5%	N/A
2005	49,033.0	0.960	485,426,100	478,145,300	98.5	N/A
2004	46,022.8	0.960	469,981,236	454,491,696	96.7	96.7%
2003	43,832.2	0.960	452,232,808	445,833,590	98.6	98.6
2002	42,190.7	0.960	436,162,804	429,681,942	98.5	98.5
2001	40,943.6(1)	0.960(1)	423,075,482	416,312,115	98.4	99.3

(1) For comparison purposes, the assessed value of real property and the tax rates are based on 100% of the phased-in market value and adjusted to make the impact revenue neutral.

Source: Office of Finance.

Prior to fiscal year 2002, real property had been assessed at 40% of phased-in market value. Effective fiscal year 2002, the real property is assessed at 100% of the phased-in market value and tax rates were adjusted accordingly.

The following table provides a breakdown of the property tax rate into its component parts. The "General" rate is the only listed component that is subject to the limitations of Section 812 of the County Charter. Pursuant to Section 812, the County shall not levy "a real property tax which would result in a total collection of real property taxes greater than the amount collected in fiscal year 1979; [except that the County] may levy a real property tax which would result in a total collection of real property taxes greater than the amount collected in fiscal year 1979 if the real property tax rate does not exceed two dollars and forty cents (\$2.40) for each One Hundred Dollars (\$100.00) of assessed value." Pursuant to Chapter 80 of the Laws of Maryland of 2000, this maximum rate is to be construed as 40% of the stated rate or \$0.96 for each \$100 of assessed value of real property. The "Stormwater Management" component pays debt service on bonds issued to provide funds for stormwater management facilities. The component identified as "Pre-Section 812" pays for debt service on County bonds issued prior to the effective date of Section 812. The WSTC component pays for the County's contribution to WSTC and other related mass transit costs. The "Maryland State" and the "M-NCPPC" components identify taxes collected by the County on behalf of those entities.

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Assessed and Estimated Actual Value of Taxable Property

(\$ millions)

Fiscal Year	Real Property		Other Property		Total	
	Assessed Value	Estimated Actual Value	Business Personal Property (1)	Public Utilities	Assessed Value	Estimated Actual Value
2006(Est.)	\$51,546.7	57,272.5	1,673.0	1,087.0	54,306.7	60,032.5
2005(Est.)	46,229.5	49,232.3	1,656.5	1,447.0	49,033.0	52,035.8
2004	43,066.7	45,195.2	1,740.6	1,215.5	46,022.8	48,151.3
2003	40,794.4	42,546.3	1,772.1	1,265.7	43,832.2	45,584.1
2002	39,091.4	39,326.3	1,844.9	1,254.4	42,190.7	42,425.6
2001(2)	37,934.5	38,475.9	1,461.7	1,547.4	40,943.6	41,485.0

Annual Growth Rate

Fiscal Year	Assessed Value	Estimated Actual Value
2006(Est.)	10.8%	15.4%
2005	6.5	8.1
2004	5.0	5.6
2003	3.9	7.4
2002	3.0	2.3
2001	1.9	2.3
Six-Year Average	5.2	6.9

- (1) Effective fiscal 2003, "Unincorporated Personal Property" has been combined with "Incorporated Ordinary Business" and is reported as "Business Personal Property" on estimates prepared for the County Assessable Base by the Maryland State Department of Assessments and Taxation.
- (2) For comparison purposes, the assessed value of real property has been computed at a 100% of the phased-in market value. (Prior to fiscal 2002, real property was assessed at 40% of the phased-in market value).

Source: Maryland State Department of Assessments and Taxation.

Property Tax Rates
(In Dollars/\$100 of Assessed Value)

Fiscal Year	Prince George's County			Overlapping Taxing Entities			Total
	General	Stormwater Management	Pre-Section 812	WSTC	Maryland State	M-NCPPC	
2006(Est.)	\$0.960	0.054	--	0.026	0.132	0.279	1.451
2005	0.960	0.054	--	0.026	0.132	0.279	1.451
2004	0.960	0.054	--	0.026	0.132	0.279	1.451
2003	0.960	0.054	0.002	0.026	0.084	0.244	1.370
2002	0.960	0.054	0.002	0.026	0.084	0.244	1.370
2001(1)	0.960	0.054	0.003	0.026	0.084	0.244	1.370

(1) For comparison purposes, the tax rates are based on 100% of the phased-in market value and adjusted to make the impact revenue neutral.

Source: Office of Finance.

Property Tax Levies
(\$ thousands)

Fiscal Year	Prince George's County			Overlapping Taxing Entities			Total
	General	Stormwater Management	Pre-Section 812	WSTC	Maryland State	M-NCPPC	
2006(Est.)	\$537,636	29,200	--	15,300	71,400	151,000	804,536
2005(Est.)	485,426	26,380	--	13,800	64,480	136,290	726,376
2004	469,981	23,944	--	13,018	56,554	132,837	696,334
2003	452,233	23,069	937	12,533	34,412	112,003	635,187
2002	436,163	22,415	905	12,097	32,983	107,977	612,540
2001	423,075	21,506	1,818	11,746	32,065	105,036	595,246

Source: Office of Finance.

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Statutory Debt Limit

Pursuant to Section 5 of the Express Powers Act, the statutory debt limit of the County is a total of 6% of the assessable base of real property of the County and 15% of the County's assessable base of personal property and operating real property described in Section 8-109(c) of the Tax-Property Article. State law authorizes certain exclusions. Obligations issued by the Revenue Authority, the Industrial Development Authority and the Local Government Insurance Trust are excluded from the County's statutory limit. The current debt limit of the County is shown in the following table.

Statutory Debt Limit	
<i>June 30, 2005</i>	
County General Obligation Bonds	\$935,413,759
Maryland Development Debt	327,139
Maryland CDA Infrastructure Financing Bonds	953,400
County Solid Waste Revenue Bonds	29,722,552
Total Debt of the County	\$966,416,850
Less: Portion of Debt Excludable by State Law :	
County General Obligation Bonds for:	
Mass Transit Facilities	36,515,166
Stormwater Facilities	42,575,000
Solid Waste Projects	35,025,000
School Facilities Surcharge-Supported	134,636,047
Maryland Development Debt	327,139
Maryland CDA Infrastructure Financing Bonds	953,400
County Solid Waste Revenue Bonds	29,722,552
Total Excludable Debt	279,754,304
County Debt Subject to Statutory Debt Limitation	\$686,662,546
Assessable Base of Real Property Taxation	\$46,229,500,000
Assessable Base of Personal Property and Operating Real Property Taxation	3,103,500,000
Debt Limit (a total of 6% of Real Property Assessable Base and 15% of Assessable Base of Personal Property)	3,239,295,000
Less: County Debt Subject to Debt Limitation	(686,662,546)
County Debt Margin	\$2,552,632,454

Source: Office of Finance.

Debt Amounts and Debt Ratios

	Fiscal Year Ended June 30																						
	2001	2002	2003	2004	2005																		
Net Tax-Supported General Fund Debt:																							
Net Direct (\$ million)	\$507.5	513.0	551.7	661.1	618.8																		
Overlapping (\$ million)	41.0	37.9	36.4	55.9	54.0																		
Net Direct & Overlapping (\$ million)	548.5	550.9	588.1	717.0	672.8																		
Gross Direct Debt (\$ millions)																							
Gross Direct Debt (\$ millions)	674.7	710.1	766.7	912.7	856.7																		
Population (thousands)	801.5	817.3	827.7	836.4	843.0																		
Per Capita Income	\$29,873.0	31,068.0	31,936.0	30,608.0	N/A																		
Assessed Valuation (\$ millions)	15,173.8	39,091.5 ⁽¹⁾	40,794.4 ⁽¹⁾	43,066.7 ⁽¹⁾	46,612.6 ⁽¹⁾																		
Estimated Market Value (\$ millions)	38,267.5	39,326.3	42,546.3	45,195.2	49,379.4																		
County General Fund:																							
Revenues (\$ millions)	\$987.2	1,012.6	1,092.7	1,160.0	1,281.6																		
Expenditures (\$ millions)	972.7	1,000.8	1,078.3	1,049.1	1,112.4																		
County General Fund Annual Debt Service (\$ millions)	\$58.9	57.4	61.8	65.5	63.3																		
Gross Direct Debt:																							
As a Percent of Assessed Value	4.4%	1.8	1.9	2.1	1.8																		
As a Percent of Estimated Actual Value	1.8	1.8	1.8	2.0	1.7																		
Per Capita	\$842	869	926	1,091	1,158																		
Per Capita Debt as Percent of Per Capita Income	2.8%	2.8	2.9	3.6	N/A																		
Net Direct Debt:																							
As a Percent of Assessed Value	<table border="1" style="display: none;"> <caption>Net Direct Debt: As a Percent of Assessed Value</caption> <thead> <tr> <th>Year</th> <th>2001</th> <th>2002</th> <th>2003</th> <th>2004</th> <th>2005</th> </tr> </thead> <tbody> <tr> <td>Value</td> <td>3.3%</td> <td>1.3%</td> <td>1.4%</td> <td>1.5%</td> <td>1.3%</td> </tr> </tbody> </table>					Year	2001	2002	2003	2004	2005	Value	3.3%	1.3%	1.4%	1.5%	1.3%						
Year						2001	2002	2003	2004	2005													
Value						3.3%	1.3%	1.4%	1.5%	1.3%													
As a Percent of Estimated Actual Value																							
Per Capita																							
Per Capita Debt as Percent of Per Capita Income																							
As a Percent of Assessed Value	3.3%	1.3%	1.4%	1.5%	1.3%																		
As a Percent of Estimated Actual Value	1.3	1.3	1.3	1.5	1.3																		
Per Capita	\$633	628	667	790	734																		
Per Capita Debt as Percent of Per Capita Income	2.1%	2.0	2.1	2.6	N/A																		
Net Direct and Overlapping Debt:																							
As a Percent of Assessed Value	3.6%	1.4	1.4	1.7	1.4																		
As a Percent of Estimated Actual Value	1.4	1.4	1.4	1.6	1.4																		
Per Capita	\$684	674	711	857	798																		
Per Capita Debt as Percent of Per Capita Income	2.3%	2.2	2.2	2.8	N/A																		
County General Fund Annual Debt Service as a Percent of:																							
Revenue	6.0%	5.7	5.7	5.6	4.9																		
<table border="1" style="display: none;"> <caption>County General Fund Annual Debt Service as a Percent of Revenue and Expenditures and Other Uses</caption> <thead> <tr> <th>Year</th> <th>2001</th> <th>2002</th> <th>2003</th> <th>2004</th> <th>2005</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>6.0%</td> <td>5.7%</td> <td>5.7%</td> <td>5.6%</td> <td>4.9%</td> </tr> <tr> <td>Expenditures and Other Uses</td> <td>6.0%</td> <td>5.7%</td> <td>5.7%</td> <td>6.0%</td> <td>5.7%</td> </tr> </tbody> </table>						Year	2001	2002	2003	2004	2005	Revenue	6.0%	5.7%	5.7%	5.6%	4.9%	Expenditures and Other Uses	6.0%	5.7%	5.7%	6.0%	5.7%
Year	2001	2002	2003	2004	2005																		
Revenue	6.0%	5.7%	5.7%	5.6%	4.9%																		
Expenditures and Other Uses	6.0%	5.7%	5.7%	6.0%	5.7%																		
Expenditures and Other Uses	6.0%	5.7%	5.7%	6.0%	5.7%																		

(1) Prior to fiscal 2002, real and personal property in the County had been assessed at 40% and 100% of phased-in market value, respectively. Effective fiscal 2002, both real and personal property in the County are assessed at 100% of phased-in market value. Pursuant to State law passed in 2000 legislative session, the real property tax rate, however, has been adjusted to make the impact revenue neutral.

Source: Office of Finance.

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate, dated as of February 15, 2006 (the “Disclosure Certificate”), is executed and delivered by the Washington Suburban Sanitary Commission (the “Commission”) in connection with the issuance of \$50,000,000 Washington Suburban Sanitary District Water Supply Bonds of 2006, and \$50,000,000 Washington Suburban Sanitary District Sewage Disposal Bonds of 2006 (collectively, the “Bonds”). The Commission hereby covenants and agrees as follows:

SECTION 1. *Purpose of the Disclosure Certificate.* This Disclosure Certificate is being executed and delivered by the Commission for the benefit of the holders from time to time of the Bonds and the beneficial owners from time to time of the Bonds and in order to assist the Underwriter (defined below) in complying with the Rule (defined below).

SECTION 2. *Definitions.* In addition to the definitions set forth above, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Commission pursuant to, and as described in, Sections 4 and 5 of this Disclosure Certificate.

“Disclosure Representative” shall mean the Chief Financial Officer of the Commission or his designee, or such other person as the Commission shall designate from time to time.

“Dissemination Agent” shall mean the Commission or any Dissemination Agent designated in writing by the Commission.

“Listed Events” shall mean any of the events listed in Section 6(a) of this Disclosure Certificate.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository recognized by the Securities and Exchange Commission for purposes of the Rule. Currently, the following are National Repositories:

BLOOMBERG MUNICIPAL REPOSITORY
100 Business Park Drive
Skillman, New Jersey 08558
(609) 279-3225 (phone)
(609) 279-5962 (fax)
E-mail: MUNIS@Bloomberg.com

DPC DATA, INC.
One Executive Drive
Fort Lee, NJ 07024
(201) 346-0701 (phone)
(201) 947-0107 (fax)
E-mail: nrmsir@dpcdata.com

FT INTERACTIVE DATA
Attn: NRMSIR
100 Williams Street
New York, NY 10038
(212) 771-6999 (phone)
(212) 771-7390 (fax)
E-mail: nrmsir@FTID.com

STANDARD & POOR'S J.J. KENNY REPOSITORY
55 Water Street
45th Floor
New York, NY 10041
(212) 438-4595 (phone)
(212) 438-3975 (fax)
E-mail: nrmsir_repository@sandp.com

“Repository” shall mean each National Repository and each State Repository. The listing of repositories herein shall be automatically amended from time to time if the Securities and Exchange Commission (“SEC”) designates additional or other entities as “Nationally Recognized Municipal Securities Information Repositories” (“NRMSIRs”) under the Rule, or if the SEC at any time revokes the designation of an entity as a NRMSIR under the Rule.

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

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule. As of the date of this Disclosure Certificate, there is no State Repository.

“Underwriter” shall mean the original underwriter(s) of the Bonds required to comply with the Rule in connection with the offering or sale of the Bonds.

SECTION 3. *Scope of Agreement.*

(a) The disclosure obligations under this Disclosure Certificate relate solely to the Bonds. Such disclosure obligations are not applicable to any other securities issued or to be issued by the Commission.

(b) The Commission is the only “obligated person” with respect to the Bonds within the meaning of the Rule.

SECTION 4. *Provision of Annual Reports.* The Commission shall, not later than March 31 after the end of the Fiscal Year, commencing with the Fiscal Year ending June 30, 2006, provide to each Repository an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Certificate. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Certificate; provided that the audited financial statements of the Commission may be submitted separately from the balance of the Annual Report.

SECTION 5. *Content of Annual Reports.* The Commission’s Annual Report shall contain or incorporate by reference the following:

- Comprehensive audited financial statements for the immediately preceding fiscal year, prepared in accordance with generally accepted accounting principles, unless the audited financial statements are not available on or before the date of such filing, in which event said audited financial statements will be promptly provided when and if available and the Commission will provide unaudited financial statements as part of the Annual Report; and
- the information provided in the Official Statement prepared and delivered by the Commission with respect to the bonds, under the headings “Washington Suburban Sanitary District — Employees’ Retirement Plan,” “— Leases and Agreements,” “— Refunding Bonds and Bonds Refunded,” “Bonded Indebtedness of the District,” “District Financial Data,” “Summary of District Ad Valorem Taxes, Water, Sewer and Other Charges and Revenues Therefrom,” “Capital Improvements Program,” and “Water and Sewerage Facilities, Service Centers and Statistics,” utilizing the same accounting standards as were used in preparing such information for the Official Statement and updated as of a date no earlier than the last day of the immediately-preceding fiscal year.

SECTION 6. *Reporting of Significant Events.*

(a) In a timely manner, the Commission will provide to each Repository and to the Municipal Securities Rulemaking Board, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- Principal and interest payment delinquencies;
- Non-payment related defaults;
- Unscheduled draws on debt service reserves reflecting financial difficulties;
- Unscheduled draws on credit enhancements reflecting financial difficulties;
- Substitution of credit or liquidity providers or their failure to perform;
- Adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- Modifications to rights of Bondholders;
- Bond calls;
- Defeasances;
- Release, substitution, or sale of property securing repayment of the Bonds; or
- Ratings changes.

The Commission hereby acknowledges that certain of the above-enumerated events do not, and are not ever expected to, apply to the Bonds. Nevertheless, the Commission intends to provide the Underwriter with complete assistance in complying with the Rule. Therefore, the Commission covenants to provide notice of all of the above-enumerated events should they occur.

(b) In a timely manner, the Commission will give to each Repository, or to the Municipal Securities Rulemaking Board and the State Repository (if any), notice of any failure to comply with the covenants set forth herein.

SECTION 7. *Termination of Reporting Obligation.* The Commission's obligations under this Disclosure Certificate shall terminate when there are no longer any Bonds outstanding.

SECTION 8. *Dissemination Agent.* The Commission may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

SECTION 9. *Amendment; Waiver.* Notwithstanding any other provision of this Disclosure Certificate, the Commission may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) said amendment or waiver 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 Commission, or type of business conducted by the Commission;

(b) said provision, as amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the initial offering of the Bonds after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) said amendment or waiver does not materially impair the interests of holders of the Bonds, as determined either by nationally recognized bond counsel or by an approving vote of the holders of 25% of the outstanding aggregate principal amount of the Bonds.

The reasons for any amendment and the impact of the change, if any, in the type of operating data or financial information being provided will be explained in information provided with the Annual Report containing the amended operating data or financial information.

SECTION 10. *Additional Information.* Nothing in this Disclosure Certificate shall be deemed to prevent the Commission from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Commission chooses to include any information in any Annual Report or notice of occurrences of a Listed Event, in addition to that which is specifically required by this Disclosure Certificate, the Commission shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. *Default.* Failure to comply with this Disclosure Certificate shall not be deemed to be a default or an event of default with respect to the Bonds.

SECTION 12. *Beneficiaries.* This Disclosure Certificate shall inure solely to the benefit of the Commission, the Dissemination Agent (if any), the Underwriter, and the holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

WASHINGTON SUBURBAN SANITARY
COMMISSION

By: _____
Thomas C. Traber
Chief Financial Officer

WASHINGTON SUBURBAN SANITARY COMMISSION
 Laurel, Maryland

Ladies and Gentlemen:

We have examined certified copies of the legal proceedings and other proofs submitted relative to the issuance and sale of \$50,000,000 Washington Suburban Sanitary District, Maryland Water Supply Bonds of 2006, dated February 15, 2006, maturing annually on June 1 in the years and amounts and bearing interest, payable semi-annually on June 1 and December 1 in each year, first interest December 1, 2006 (nine and one-half months), as follows:

\$50,000,000 Water Supply Bonds of 2006

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2007	\$2,500,000	5.000%	2017	\$2,500,000	4.000%
2008	2,500,000	4.000	2018	2,500,000	4.000
2009	2,500,000	4.000	2019	2,500,000	4.000
2010	2,500,000	4.000	2020	2,500,000	4.000
2011	2,500,000	4.000	2021	2,500,000	4.000
2012	2,500,000	4.000	2022	2,500,000	4.125
2013	2,500,000	5.000	2023	2,500,000	4.125
2014	2,500,000	5.000	2024	2,500,000	4.125
2015	2,500,000	5.000	2025	2,500,000	4.250
2016	2,500,000	5.000	2026	2,500,000	4.250

Said bonds (the “Bonds”) are issuable as fully registered bonds (without coupons) in the denomination of \$5,000 or any multiple thereof. Payment of the interest on each Bond shall be made by the Bond Registrar on each interest payment date to the person appearing on the bond registration books as the registered owner of such Bond (or the previous Bond or Bonds evidencing the same debt as that evidenced by such Bond) at the close of business on the record date for such interest (the 15th day of the calendar month next preceding such interest payment date) by check or draft mailed to such person at his address as it appears on such registration books. Payment of the principal on all Bonds shall be made to the registered owners upon the presentation and surrender of the Bonds, as the same shall become due and payable, to the Bond Registrar or the paying agent, as provided in the Bonds.

We have examined the law and such certified proceedings and other papers as we deem necessary to render the opinions set forth below.

As to questions of fact material to our opinion, without undertaking to verify the same by independent investigation, we have relied upon the certified proceedings of the Washington Suburban Sanitary Commission (the “Commission”) and certifications by public officials.

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

With respect to the executed and authenticated bond of the issue of Bonds that we have examined, and bonds similarly executed and authenticated and identical thereto in form, except for numbers, interest rates, denominations and maturities, we are of the opinion that:

1. The Bonds are valid and legally binding general obligations of the Washington Suburban Sanitary District, all the assessable property within which is subject to the levy of an ad valorem tax, without limitation of rate or amount, to pay the Bonds and the interest thereon.

2. Under existing law, the Bonds are exempt from taxation by the State of Maryland and by the counties and municipalities in said State; 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.

3. Under existing law, the interest on the Bonds (i) is excludable from gross income for Federal income tax purposes, and (ii) is not includable in corporate or individual alternative minimum taxable income as a separate enumerated item of tax preference or other specific adjustment, but may be included as part of a tax preference item subject to the federal corporate alternative minimum tax and may also be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

In rendering the opinion expressed above in this paragraph 3, we have assumed continuing compliance with the covenants and agreements set forth in the Tax Certificate and Compliance Agreement of even date herewith executed and delivered by the Commission (the "Tax Agreement"), which covenants and agreements are designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the income tax regulations issued thereunder (the "Regulations") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal tax purposes. In our opinion, the covenants and agreements in the Tax Agreement are sufficient to meet such requirements (to the extent applicable to the Bonds) of the Code and Regulations. However, we assume no responsibility for, and will not monitor, compliance with the covenants and agreements in the Tax Agreement. In the event of noncompliance with such covenants and agreements, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for Federal income tax purposes, retroactive to the date of issuance of the Bonds.

Other than as set forth in the preceding paragraphs 2 and 3, we express no opinion regarding the federal or state income tax consequences arising with respect to the Bonds.

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

Respectfully submitted,

[to be signed "Venable LLP"]

[to be signed "McCants & Associates LLC"]

WASHINGTON SUBURBAN SANITARY COMMISSION
 Laurel, Maryland

Ladies and Gentlemen:

We have examined certified copies of the legal proceedings and other proofs submitted relative to the issuance and sale of \$50,000,000 Washington Suburban Sanitary District, Maryland Sewage Disposal Bonds of 2006, dated February 15, 2006, maturing annually on June 1 in the years and amounts and bearing interest, payable semi-annually on June 1 and December 1 in each year, first interest December 1, 2006 (nine and one-half months), as follows:

\$50,000,000 Sewage Disposal Bonds of 2006

<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2007	\$2,500,000	5.000%	2017	\$2,500,000	4.000%
2008	2,500,000	4.000	2018	2,500,000	4.000
2009	2,500,000	4.000	2019	2,500,000	4.000
2010	2,500,000	4.000	2020	2,500,000	4.000
2011	2,500,000	4.000	2021	2,500,000	4.000
2012	2,500,000	4.000	2022	2,500,000	4.125
2013	2,500,000	5.000	2023	2,500,000	4.125
2014	2,500,000	5.000	2024	2,500,000	4.125
2015	2,500,000	5.000	2025	2,500,000	4.250
2016	2,500,000	5.000	2026	2,500,000	4.250

Said bonds (the "Bonds") are issuable as fully registered bonds (without coupons) in the denomination of \$5,000 or any multiple thereof. Payment of the interest on each Bond shall be made by the Bond Registrar on each interest payment date to the person appearing on the bond registration books as the registered owner of such Bond (or the previous Bond or Bonds evidencing the same debt as that evidenced by such Bond) at the close of business on the record date for such interest (the 15th day of the calendar month next preceding such interest payment date) by check or draft mailed to such person at his address as it appears on such registration books. Payment of the principal on all Bonds shall be made to the registered owners upon the presentation and surrender of the Bonds, as the same shall become due and payable, to the Bond Registrar or the paying agent, as provided in the Bonds.

We have examined the law and such certified proceedings and other papers as we deem necessary to render the opinions set forth below.

As to questions of fact material to our opinion, without undertaking to verify the same by independent investigation, we have relied upon the certified proceedings of the Washington Suburban Sanitary Commission (the "Commission") and certifications by public officials.

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

With respect to the executed and authenticated bond of the issue of Bonds that we have examined, and bonds similarly executed and authenticated and identical thereto in form, except for numbers, interest rates, denominations and maturities, we are of the opinion that:

1. The Bonds are valid and legally binding general obligations of the Washington Suburban Sanitary District, all the assessable property within which is subject to the levy of an ad valorem tax, without limitation of rate or amount, to pay the Bonds and the interest thereon.

2. Under existing law, the Bonds are exempt from taxation by the State of Maryland and by the counties and municipalities in said State; 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.

3. Under existing law, the interest on the Bonds (i) is excludable from gross income for Federal income tax purposes, and (ii) is not includable in corporate or individual alternative minimum taxable income as a separate enumerated item of tax preference or other specific adjustment, but may be included as part of a tax preference item subject to the federal corporate alternative minimum tax and may also be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.

In rendering the opinion expressed above in this paragraph 3, we have assumed continuing compliance with the covenants and agreements set forth in the Tax Certificate and Compliance Agreement of even date herewith executed and delivered by the Commission (the "Tax Agreement"), which covenants and agreements are designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and the income tax regulations issued thereunder (the "Regulations") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal tax purposes. In our opinion, the covenants and agreements in the Tax Agreement are sufficient to meet such requirements (to the extent applicable to the Bonds) of the Code and Regulations. However, we assume no responsibility for, and will not monitor, compliance with the covenants and agreements in the Tax Agreement. In the event of noncompliance with such covenants and agreements, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Bonds from becoming includable in gross income for Federal income tax purposes, retroactive to the date of issuance of the Bonds.

Other than as set forth in the preceding paragraphs 2 and 3, we express no opinion regarding the federal or state income tax consequences arising with respect to the Bonds.

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

Respectfully submitted,

[to be signed "Venable LLP"]

[to be signed "McCants & Associates LLC"]

NOTICE OF SALE

WASHINGTON SUBURBAN SANITARY
DISTRICT, MARYLAND

BOND SALE

\$50,000,000 WATER SUPPLY BONDS OF 2006
\$50,000,000 SEWAGE DISPOSAL BONDS OF 2006

Sealed bids or electronic bids will be received until 11:00 A.M. prevailing Eastern time, on February 28, 2006, by the Washington Suburban Sanitary Commission (the "Commission") for the above-referenced bonds (the "Bonds") of the Washington Suburban Sanitary District (the "District").

Terms of the Bonds

The Bonds shall be dated February 15, 2006. The Bonds will mature serially June 1, in the following years and principal amounts:

\$50,000,000 WATER SUPPLY BONDS OF 2006

<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amount</u>	<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amount</u>
2007	\$2,500,000	2017	\$2,500,000
2008	2,500,000	2018	2,500,000
2009	2,500,000	2019	2,500,000
2010	2,500,000	2020	2,500,000
2011	2,500,000	2021	2,500,000
2012	2,500,000	2022	2,500,000
2013	2,500,000	2023	2,500,000
2014	2,500,000	2024	2,500,000
2015	2,500,000	2025	2,500,000
2016	2,500,000	2026	2,500,000

\$50,000,000 SEWAGE DISPOSAL BONDS OF 2006

<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amount</u>	<u>Maturity</u> <u>June 1</u>	<u>Principal</u> <u>Amount</u>
2007	\$2,500,000	2017	\$2,500,000
2008	2,500,000	2018	2,500,000
2009	2,500,000	2019	2,500,000
2010	2,500,000	2020	2,500,000
2011	2,500,000	2021	2,500,000
2012	2,500,000	2022	2,500,000
2013	2,500,000	2023	2,500,000
2014	2,500,000	2024	2,500,000
2015	2,500,000	2025	2,500,000
2016	2,500,000	2026	2,500,000

The Bonds are to be issued for the purpose of providing funds for certain construction programs of the District, as more fully set forth in the Preliminary Official Statement dated February 17, 2006. All such Bonds are to be issued under and in full compliance with the Constitution and laws of the State of Maryland, including Article 29, Washington Suburban Sanitary District, of the Annotate Code of Maryland, as amended.

The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof as fully registered bonds (without coupons). Payment of the semi-annual interest on each Bond (June 1 and December 1, beginning December 1, 2006 (nine and one-half months)), shall be made by the Bond Registrar, JPMorgan Chase Bank, N. A., New York, New York, on each interest payment date to the person appearing on the registration books of the District as the registered owner of such Bond at the close of business on the record date of such interest, which shall be the 15th day of the calendar month next preceding such interest payment date, by check or draft mailed to such person; payment of the principal of each Bond shall be made to the registered owner thereof upon the presentation and surrender of such Bond, as the same shall become due and payable, to the Bond Registrar, Principal Corporate Trust Office, and the transfer or exchange of any Bond may be registered upon said books upon surrender of the Bond to the Bond Registrar.

Optional Redemption

The Bonds which mature on or after June 1, 2017, are callable for redemption prior to their respective maturities, at the option of the Commission, from any moneys that may be made available for such purpose, either in whole on any date not earlier than June 1, 2016, or in part on any interest payment date not earlier than June 1, 2016, at the principal amount of the Bonds to be redeemed, with interest thereon accrued to the date fixed for redemption, without premium.

Book-Entry System

One bond representing each maturity of each Series of the Bonds will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), as registered owner of the Bonds and each such bond shall be immobilized in the custody of DTC. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates representing their interest in the Bonds purchased. The winning bidder, as a condition to delivery of the Bonds, will be required to deposit the bond certificates representing each maturity with DTC.

Bid Parameters

No less than 100% of par plus accrued interest from February 15, 2006 to the date of delivery of the Bonds, no oral bid and no bid for less than all of the Bonds described in this Notice, will be considered. The Bonds are expected to be awarded at approximately 4:00 p.m. prevailing Eastern time on February 28, 2006. All proposals shall remain firm until the time of award.

Bidders are requested to name the interest rate or rates in multiples of $\frac{1}{8}$ or $\frac{1}{20}$ of 1% and the highest rate may not exceed the lowest rate by more than 3%. For maturities from 2018 through 2026, inclusive, no interest rate may be bid that is lower than the interest rate in the immediately preceding year (i.e. interest rates must ascend or remain level from a base year of 2017). The Bonds of the two series maturing on the same date must bear interest at the same rate. A zero rate may not be named. No Bond shall bear more than one rate of interest which rate shall be uniform for the life of the Bond.

Basis of Award

The successful bidder will be determined based on the lowest cost to the Commission. The lowest interest cost shall be determined in accordance with the true interest cost (TIC) method by doubling the semi-annual interest rate, compounded semi-annually, necessary to discount the debt service payments from the payment dates to February 15, 2006 and to the price bid, excluding interest accrued to the date of delivery of the Bonds. If two or more bidders offer to purchase the Bonds at the same lowest interest cost, the Bonds may be apportioned between such bidders; provided, that if apportionment is not acceptable to such bidders, the Commission shall have the right to award the Bonds to one of such bidders. There will be no auction.

Procedures for Electronic Bidding or Bidding by Sealed Proposals

Electronic Bids

Electronic bids will be received via **PARITY**, in the manner described below, until 11:00 a.m., prevailing Eastern time, on February 28, 2006.

Bids may be submitted electronically via **PARITY** pursuant to this Notice until 11:00 a.m., prevailing Eastern time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice, the terms of this Notice shall control. For further information about **PARITY**, potential bidders may contact **PARITY** at Dalcomp (212) 404-8102.

Disclaimer

Each prospective electronic bidder shall be solely responsible to submit its bid via **PARITY** as described above. Each prospective electronic bidder shall be solely responsible to make necessary arrangements to access **PARITY** for the purpose of submitting its bid in a timely manner and in compliance with the requirements of the Notice of Sale. Neither the Commission nor **PARITY** shall have any duty or obligation to provide or assure access to **PARITY** to any prospective bidder, and neither the Commission nor **PARITY** shall be responsible for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by **PARITY**. The Commission is using **PARITY** as a communication mechanism, and not as the Commission's agent, to conduct the electronic bidding for the Bonds. The Commission is not bound by any advice and determination of **PARITY** to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the "Bid Parameters" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their submission of bids via **PARITY** are the sole responsibility of the bidders; and the Commission is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying, or withdrawing a bid for the Bonds, such bidder should telephone **PARITY** at Dalcomp (212) 404-8102 and notify the Commission's Financial Advisor, Public Advisory Consultants, Inc. by facsimile at (410) 581-9808.

Electronic Bidding Procedures

Electronic bids must be submitted for the purchase of the Bonds (all or none) via **PARITY**. Bids will be communicated electronically to the Commission at 11:00 a.m., prevailing Eastern time, on Tuesday, February 28, 2006. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid via **PARITY**, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds, or (3) withdraw its proposed bid. Once the bids are communicated electronically via **PARITY** to the Commission, each bid will constitute an irrevocable offer to purchase the Bonds on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on **PARITY** shall constitute the official time.

Sealed Bid Procedures

In the alternative, bids will also be accepted in written form on the "Bid for Bonds" form. Bids will be received in the Commission Hearing Room, First Floor, 14501 Sweitzer Lane, Laurel, Maryland, 20707. Each bid must be on a form to be furnished by the undersigned, enclosed in a sealed envelope marked "Bid for Bonds."

Good Faith Deposit

Each bid must be accompanied by a certified or bank cashier's or treasurer's check drawn upon an incorporated bank or trust company, or be accompanied by a Financial Surety Bond, for One Million Dollars (\$1,000,000). If a check is used, it must be payable unconditionally to the order of the Washington Suburban Sanitary Commission. If a Financial Surety Bond is used, it must be from an insurance company acceptable to the Commission and licensed to issue such a bond in the State of Maryland, and such Financial Surety Bond must be submitted to the Commission or its financial advisor prior to the opening of the bids and must be in form and substance satisfactory to the Commission. The Financial Surety Bond must identify the bidder whose good faith deposit is guaranteed by such Financial Surety Bond. Award or rejection of bids will be made on the date above stated for receipt of bids, and the checks of unsuccessful bidders will be returned immediately. If the successful bidder submitted a check, it will be cashed and at the closing the principal amount of such check will be applied as partial payment for the Bonds. If the successful bidder submitted a Financial Surety Bond, then such bidder is required to submit its good faith deposit to the Commission in the form of a wire transfer not later than 12:00 p.m. prevailing Eastern time on the next business day following the award. If such good faith deposit is not received by that time, the Commission may draw upon the Financial Surety Bond to satisfy the good faith deposit requirement. No interest will be allowed on any good faith deposit. In the event the successful bidder shall fail to comply with the terms of its bid, the proceeds of such check or Financial Surety Bond may be retained as and for full liquidated damages.

Approving Legal Opinion; Closing Papers

The approving legal opinions of Venable LLP, Baltimore, Maryland and McCants & Associates LLC, Silver Spring, Maryland, Co-Bond Counsel, will be furnished the purchasers without cost. There will also be furnished the usual closing papers and, in addition, a certificate signed by appropriate officers of the Commission, certifying that there is no litigation pending or, to the knowledge of the signers of such certificate, threatened affecting the validity of the Bonds and that on the date of the Official Statement mentioned below and at the time of delivery of the Bonds the statements and information contained in such Official Statement which are made and provided by the Commission are and will be true, correct and complete in all material respects and the Official Statement does not and will not omit any statement or information which is required to be stated therein or necessary to make the statements and information therein, in the light of the circumstances under which they were made, not misleading or incomplete in any material respect.

Preliminary Official Statement; Continuing Disclosure

The Commission has deemed the Preliminary Official Statement dated February 17, 2006 to be final as of its date for purposes of Rule 15c2-12 of the Securities and Exchange Commission, except for the omission of certain information permitted to be omitted by said Rule. The Commission agrees to deliver to the successful bidder for its receipt no later than seven business days of the date of sale of the Bonds, such quantities of the final official statement as the successful bidder shall request; provided, that the Commission shall deliver up to 500 copies of such official statement without charge to the successful bidder.

The Commission has made certain covenants for the benefit of the holders from time to time of the Bonds to provide certain continuing disclosure, in order to assist bidders for the Bonds in complying with Rule 15c2-12(b)(5) of the Securities and Exchange Commission. Such covenants are described in the Preliminary Official Statement dated February 17, 2006.

Delivery

The Bonds will be delivered on or about March 30, 2006, through the facilities of DTC in the City of New York, New York, against payment therefor in federal or other immediately available funds.

Miscellaneous

As a condition to the award of the Bonds, the successful bidder shall be required to communicate to the Commission the initial offering prices at which a bona fide offering of Bonds has been made to the public and the prices at which a substantial portion of the Bonds have been sold to the public (excluding bond houses, brokers and other intermediaries). Furthermore, as a condition to the delivery of the Bonds, the successful bidder shall be required to certify such initial offering prices by written certificate, such certificate to be in form and substance reasonably satisfactory to the Commission's bond counsel.

It is expected that CUSIP numbers will be printed on the Bonds. Separate CUSIP numbers will be used for the Water Supply Bonds and the Sewage Disposal Bonds. However, the validity, sale, delivery or acceptance of the Bonds will not be affected in any manner by any failure to print, or any error in printing, the CUSIP numbers on said Bonds, or any of them.

The right to reject any or all bids is reserved.

Copies of the Official Statement and the Notice of Sale and Bid for Bonds may be obtained from the undersigned at Washington Suburban Sanitary Commission, 14501 Sweitzer Lane, Laurel, Maryland 20707 (tel. (301) 206-7069) or Public Advisory Consultants, Inc., Financial Advisor, 25 Crossroads Drive, Suite 402, Owings Mills, Maryland 21117 (410-581-4820).

WASHINGTON SUBURBAN SANITARY COMMISSION

By: THOMAS C. TRABER
Chief Financial Officer

[FOR USE IN SUBMITTING SEALED BIDS]

BID FOR BONDS

February 28, 2006

Washington Suburban Sanitary Commission
 Commission Hearing Room
 1st Floor
 14501 Sweitzer Lane
 Laurel, Maryland 20707

Ladies and Gentlemen:

We make the following offer for the bonds of the Washington Suburban Sanitary District, Maryland, indicated below and described in the Notice of Sale of said bonds, which Notice of Sale is hereby made a part of this bid, this offer being for all of said bonds and not for less than all:

For \$50,000,000 Water Supply Bonds of 2006, and \$50,000,000 Sewage Disposal Bonds of 2006 (collectively, the "Bonds"), maturing on June 1 in the years and aggregate principal amounts, respectively, as set forth in the Notice of Sale and bearing interest as follows:

<u>Year of Maturity</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Interest Rate</u>
2007	_____ %	2017	_____ %
2008	_____	2018	_____
2009	_____	2019	_____
2010	_____	2020	_____
2011	_____	2021	_____
2012	_____	2022	_____
2013	_____	2023	_____
2014	_____	2024	_____
2015	_____	2025	_____
2016	_____	2026	_____

We will pay an amount equal to the par value
 of the Bonds
 plus a premium in the amount of
 making a total of

\$100,000,000
 + \$ _____
 \$ _____

and also accrued interest from February 15, 2006, to the date of delivery of the Bonds.

We enclose herewith a certified or bank cashier's or treasurer's check for \$1,000,000 payable to the order of the Washington Suburban Sanitary Commission, or a Financial Surety bond in the amount of \$1,000,000 to be applied in accordance with said Notice of Sale.

Bidder

By: _____

Title: _____

(No addition or alteration, except as provided above, is to be made to this bid and it must not be detached from the annexed Notice of Sale).

The following is for information only and is not part of this bid:

Aggregate amount of interest from date of Bonds to final maturity	\$ _____
True interest cost	_____ %

The above good faith check has been returned and receipt thereof is fully acknowledged.

Bidder

By: _____

Title: _____