OFFICIAL STATEMENT DATED APRIL 15, 2014

NEW ISSUE – 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 is exempt from taxation by the State of Maryland and its counties and municipalities; no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the interest on the Bonds; and (ii) assuming compliance with certain covenants described herein, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions. Interest on the Bonds for federal income tax purposes is not includable in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment; however, interest on the Bonds may be taken into account in determining "adjusted current earnings" for purposes of computing the alternative minimum tax for corporations, and interest on the Bonds will be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States of America. See "TAX MATTERS."

$197,395,000

WASHINGTON SUBURBAN SANITARY DISTRICT, MARYLAND

(MONTGOMERY AND PRINCE GEORGE'S COUNTIES, MARYLAND)

$150,000,000
Consolidated Public Improvement Bonds of 2014

$47,395,000
Consolidated Public Improvement Refunding Bonds of 2014

Dated:	Date of Delivery
Due:	June 1, as shown on the inside front cover
Interest Payment Date:	June 1 and December 1, beginning December 1, 2014
Denomination:	$5,000 or any integral multiples thereof
Form:	Registered, book-entry only through the facilities of The Depository Trust Company
Optional Redemption:	The Construction Bonds maturing on or after June 1, 2025 are subject to redemption prior to maturity without premium. The Refunding Bonds are not subject to redemption prior to maturity. See "DESCRIPTION OF THE BONDS – Redemption Provisions."
Security:	*The Bonds are payable from unlimited ad valorem taxes upon all the assessable property within the District.* See "SUMMARY OF DISTRICT AD VALOREM TAXES, WATER, SEWER AND OTHER CHARGES AND REVENUES THEREFROM" herein
Purpose:	The Bonds will provide funding for (i) the construction or reconstruction of water supply facilities, water supply lines and transmission mains, sewage disposal facilities, sewer collection mains and trunk sewers, and for Commission-built water/sewer pipes in subdivisions and (ii) the refunding of the Refunded Bonds (as defined herein). See "USES OF PROCEEDS OF CONSTRUCTION BONDS" and "REFUNDING PLAN."
Bond Counsel:	McKennon Shelton & Henn LLP
Financial Advisor:	Public Advisory Consultants, Inc.
Paying Agent, Bond Registrar and Escrow Agent:	The Bank of New York Mellon Trust Company, N. A.

FOR MATURITY SCHEDULES, INTEREST RATES, AND YIELDS AND CUSIP NUMBERS, SEE INSIDE FRONT COVER

The Bonds are offered when, as and if issued and subject to the unqualified approving opinions of McKennon Shelton & Henn LLP and other conditions specified in the Notices of Sale. 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 April 29, 2014.

MATURITY SCHEDULES

$150,000,000 CONSOLIDATED PUBLIC IMPROVEMENT BONDS OF 2014

Maturity June 1	Principal Amount	Interest Rate**	Yield**	CUSIP Number†	Maturity June 1	Principal Amount	Interest Rate**	Yield**	CUSIP Number†
2015	$5,000,000	5.00%	0.10%	940157WG1	2030	$5,000,000	4.00%	3.07*%	940157WX4
2016	5,000,000	5.00	0.34	940157WH9	2031	5,000,000	4.00	3.15*	940157WY2
2017	5,000,000	5.00	0.61	940157WJ5	2032	5,000,000	4.00	3.21*	940157WZ9
2018	5,000,000	5.00	0.89	940157WK2	2033	5,000,000	4.00	3.28*	940157XA3
2019	5,000,000	5.00	1.14	940157WL0	2034	5,000,000	4.00	3.33*	940157XB1
2020	5,000,000	5.00	1.49	940157WM8	2035	5,000,000	4.00	3.41*	940157XC9
2021	5,000,000	5.00	1.76	940157WN6	2036	5,000,000	4.00	3.46*	940157XD7
2022	5,000,000	5.00	1.99	940157WP1	2037	5,000,000	4.00	3.51*	940157XE5
2023	5,000,000	5.00	2.17	940157WQ9	2038	5,000,000	4.00	3.55*	940157XF2
2024	5,000,000	4.00	2.38	940157WR7	2039	5,000,000	4.00	3.60*	940157XG0
2025	5,000,000	4.00	2.54*	940157WS5	2040	5,000,000	4.00	3.65*	940157XH8
2026	5,000,000	4.00	2.65*	940157WT3	2041	5,000,000	4.00	3.70*	940157XJ4
2027	5,000,000	4.00	2.82*	940157WU0	2042	5,000,000	4.00	3.74*	940157XK1
2028	5,000,000	4.00	2.92*	940157WV8	2043	5,000,000	4.00	3.75*	940157XL9
2029	5,000,000	4.00	2.99*	940157WW6	2044	5,000,000	4.00	3.76*	940157XM7

$47,395,000 CONSOLIDATED PUBLIC IMPROVEMENT REFUNDING BONDS OF 2014

Maturity June 1	Principal Amount	Interest Rate**	Yield**	CUSIP Number†	Maturity June 1	Principal Amount	Interest Rate**	Yield**	CUSIP Number†
2015	$14,390,000	2.00%	0.13%	940157XN5	2019	$4,620,000	5.00%	1.16%	940157XS4
2016	7,895,000	4.00	0.35	940157XP0	2020	4,730,000	5.00	1.48	940157XT2
2017	4,380,000	5.00	0.63	940157XQ8	2021	4,980,000	5.00	1.75	940157XU9
2018	4,410,000	5.00	0.91	940157XR6	2022	1,990,000	5.00	1.98	940157XV7

* Yield to first par call

** The rates shown above are the rates payable by the District resulting from the successful bids for the Bonds of each series on April 15, 2014 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 of each series, if any, should be obtained from the successful bidders and not from the Commission. See “Sale at Competitive Bidding.”

† CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by Standard & Poor’s CUSIP Service Bureau, division of The McGraw-Hill Companies, Inc. that is not affiliated with the Commission and the Commission is not responsible for the selection or use of the CUSIP numbers. The CUSIP numbers are included solely for the convenience of bondholders and no representation is made as to the correctness of such CUSIP numbers. CUSIP numbers assigned to securities may be changed during the term of such securities based on a number of factors including, but not limited to, the refunding or defeasance of such securities or the use of secondary market financial products. The Commission has not agreed to, and there is no duty or obligation to, update this Official Statement to reflect any change or correction in the assigned CUSIP numbers set forth above. The use of CUSIP numbers in this Official Statement is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau.

WASHINGTON SUBURBAN SANITARY COMMISSION

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COMMISSIONERS

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Letitia Carolina-Powell, Acting Budget Group Leader

BOND COUNSEL

McKennon Shelton & Henn LLP

FINANCIAL ADVISOR

Public Advisory Consultants, Inc.

BOND REGISTRAR, PAYING AGENT AND ESCROW AGENT

The Bank of New York Mellon Trust Company, N.A.

Additional copies of this Official Statement 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. THE COMMISSION HAS NOT UNDERTAKEN TO AUDIT, AUTHENTICATE OR OTHERWISE VERIFY THE INFORMATION SET FORTH IN ANY OFFICIAL STATEMENT OF MONTGOMERY COUNTY OR PRINCE GEORGE'S COUNTY. REFERENCE TO THE OFFICIAL STATEMENTS OF MONTGOMERY COUNTY AND PRINCE GEORGE'S COUNTY IS INCLUDED HEREIN FOR CONVENIENCE ONLY AND ANY INFORMATION INCLUDED IN SUCH OFFICIAL STATEMENTS IS NOT INCORPORATED HEREIN, BY REFERENCE OR OTHERWISE.

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 Commission, Montgomery County and Prince George's County. No dealer, broker, sales agent, financial consultant or any other person has been authorized by the 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 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 Commission, Montgomery County or Prince George's County, from the date hereof.

This Official Statement is not to be construed as a contract or agreement between the Commission and the purchasers or holders of any of the Bonds.

All quotations from and summaries and explanations of provisions of law and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of these provisions. Any statements made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinion and not as representations of fact. 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 implications that there has been no change in the affairs of the Commission since the respective dates as of which information is given herein. The information set forth herein has been obtained from the Commission and other sources that are deemed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the successful bidders for the Bonds.

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission or with any state security agency. The Bonds have not been approved or disapproved by the Securities and Exchange Commission or any state securities agency nor has the Securities and Exchange Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary may be a criminal offense.

The Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe," and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Commission and financial results could cause actual results to differ materially from those stated in the forward-looking statements. The Commission does not plan to issue any updates or revisions to the forward-looking statements.

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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SUMMARY OF OFFICIAL STATEMENT

This Official Statement, including the cover page, inside front cover, and appendices hereto, is to set forth certain information concerning the $150,000,000 Consolidated Public Improvement Bonds of 2014 (the “Construction Bonds”) and the $47,395,000 Consolidated Public Improvement Refunding Bonds of 2014 (the “Refunding Bonds” and, together with the Construction Bonds, the “Bonds”), of the Washington Suburban Sanitary District (the “District”). The following summary is qualified in its entirety by the detailed information in this Official Statement. This summary is only a brief description of the offering and potential investors should review this entire Official Statement. The Official Statement speaks only as of its date, and the information contained herein is subject to change.

The District

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 District was created in 1918 and operates as a public corporation of the State of Maryland under the Public Utilities Article of the Annotated Code of Maryland, as amended (the “Public Utilities Article”). 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 effectively representing 95% of the land area of both counties. See “WASHINGTON SUBURBAN SANITARY DISTRICT – Establishment, Powers and Service Area.”

Authorization of Bonds

Bonds of the District, including the Bonds offered by this Official Statement, are issued upon the basis of authorizations, under the Constitution, the Public Utilities Article and other applicable law, by the Commission through the adoption of resolutions or orders. See “BONDED INDEBTEDNESS OF THE DISTRICT - Authorization of Debt.”

Purpose of Bonds

The Construction Bonds will finance (i) the costs construction or reconstruction of water supply facilities, water supply lines and transmission mains, sewage disposal facilities, sewer collection mains and trunk sewers, and for Commission-built water/sewer pipes in subdivisions; and (ii) together with other available funds, the costs of issuing the Bonds. See “USE OF PROCEEDS OF THE CONSTRUCTION BONDS.”

Proceeds of the Refunding Bonds will be used, in each case together with other available funds, to (i) refund certain callable maturities of the District’s Water Supply Refunding Bonds of 2004, Sewage Disposal Refunding Bonds of 2004, and General Construction Refunding Bonds of 2004; and (ii) pay the costs of issuing the Bonds. See “REFUNDING PLAN.”

Security for Bonds

Debt service on the Bonds of the District is expected to be paid from revenues generated in the District from fees, charges, rates and assessments and other available funds. However, for the purpose of paying the principal of and interest on bonds and notes of the District, including the Bonds, the Public Utilities Article 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. Due to the level of revenues generated in the District from fees, charges, rates and assessments, the Commission has not needed to seek tax revenues from the Counties to pay debt service of any of its outstanding bonds and does not anticipate the need to levy ad valorem taxes to pay the debt service on the Bonds. See “SUMMARY OF DISTRICT AD VALOREM TAXES, WATER, SEWER AND OTHER CHARGES AND REVENUES THEREFROM” herein.

Denominations

The Bonds will be issued in denominations of $5,000 each or any multiple thereof.

Book-Entry Only System

The Depository Trust Company ("DTC") will act as the securities depository for the Bonds. The Bonds will be issued on a book-entry only basis. Beneficial Owners (defined herein) will not receive certificates representing their ownership interest in the Bonds except in the event of termination of the book-entry only. Principal of and interest payments on the Bonds will be made to DTC or its nominee, Cede & Co., as registered owner of the Bonds. Payments by Direct Participants and Indirect Participants (each as defined herein) to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name." For a more complete description, see Appendix F herein.

Redemption

The Construction Bonds which mature on or after June 1, 2025, are callable for redemption prior to their respective maturities, at the option of the Commission, from any money that may be made available for such purpose. Any such redemption may be made on not fewer than 20 days' notice by mail, either in whole or in part on any date not earlier than June 1, 2024, at the principal amount of the Construction Bonds to be redeemed, with interest thereon accrued to the date fixed for redemption, without premium, as more fully described herein under "DESCRIPTION OF THE BONDS – Redemption Provisions."

The Refunding Bonds are not subject to optional redemption prior to maturity. See "DESCRIPTION OF THE BONDS – Redemption Provisions."

Tax Matters

In the opinion of Bond Counsel, (i) under existing law, interest on the Bonds is exempt from taxation by the State of Maryland and its counties and municipalities; no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the interest on the Bonds; and (ii) assuming compliance with certain covenants described herein, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions. Interest on the Bonds for federal income tax purposes is not includable in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment; however, interest on the Bonds may be taken into account in determining "adjusted current earnings" for purposes of computing the alternative minimum tax for corporations, and interest on the Bonds will be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States of America. See "TAX MATTERS."

Continuing Disclosure

In order to assist bidders in complying with SEC Rule 15c2-12(b)(5), the Commission will execute and deliver a continuing disclosure certificate on or before the date of issuance of the Bonds pursuant to which it will undertake to provide certain information annually and notices of certain events. See "CONTINUING DISCLOSURE" and Appendix C herein.

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. See "LITIGATION."

Limitation on Offering or Reoffering Securities

No dealer, broker, sales agent, financial consultant or any other person has been authorized by the 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.

This Official Statement does not constitute an offer to sell or 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.

OFFICIAL STATEMENT
$197,395,000

WASHINGTON SUBURBAN SANITARY DISTRICT, MARYLAND

(MONTGOMERY AND PRINCE GEORGE'S COUNTIES, MARYLAND)

$150,000,000 Consolidated Public Improvement Bonds of 2014	$47,395,000 Consolidated Public Improvement Refunding Bonds of 2014

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 $150,000,000 Consolidated Public Improvement Bonds of 2014 (the "Construction Bonds") and $47,395,000 Consolidated Public Improvement Refunding Bonds of 2014 (the "Refunding Bonds" and, together with the Construction Bonds, the "Bonds"), of the Washington Suburban Sanitary District (the "District"). The proceeds of the Bonds will be used to (i) finance the construction or reconstruction of water supply facilities, water supply lines and transmission mains, sewage disposal facilities, sewer collection mains and trunk sewers, and for Commission-built water/sewer pipes in subdivisions, (ii) refund the callable maturities of certain bonds of the District's described herein under "REFUNDING PLAN," and (iii) pay the costs of issuing the Bonds. The Bonds may also be issued to replace short term bond anticipation notes.

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").

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.

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 as it has in the past. See "Security" herein.

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, including the Bonds, the Public Utilities Article 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 next taxable 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.

Bonds and Notes are Currently Paid from Revenues Other Than Taxes

Currently all of the debt service on bonds and notes of the District is being paid from revenues generated in the District from fees, charges, rates and assessments and other available funds. The Commission has not sought tax revenues from the Counties to pay debt service of any of its outstanding bonds and does not anticipate the need to levy ad valorem taxes to pay the debt service on the Bonds, or for any of its operations. 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.

The Bonds

The Bonds constitute general obligations of the Commission, all the assessable property within the District 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 the following charges and assessments which have been and are currently estimated to be sufficient to pay all expenses of the Commission including principal of and interest on the Bonds:

Water Consumption Charge: 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 and notes of the District (including that portion of the Bonds allocable to water supply projects), and to the payment of the cost of operating and maintaining the water supply system.

Sewer Usage Charge: 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 (including that portion of the Bonds allocable to sewage disposal projects), and to the payment of the costs of operating and maintaining the sewage disposal system.

Front Foot Benefit Charge: The Commission assesses, on certain property benefiting from water mains or sewers, front foot benefit charges in amounts sufficient to pay debt service on said bonds as such debt service becomes due. The front foot benefit charges are payable in annual installments during the term of the respective bonds issued for the particular improvements (including that portion of the Bonds allocable to such improvements). Proceeds of such front foot benefit charges are applied to the payment of the principal of and the interest on the general construction bonds of the District, including that portion of the Bonds allocable to such improvements.

USE OF PROCEEDS OF THE CONSTRUCTION BONDS

The Construction Bonds will provide funding for the construction or reconstruction of water supply facilities, water supply lines and transmission mains, sewage disposal facilities, sewer collection mains and trunk sewers, and for Commission-built water/sewer pipes in subdivisions. The Construction Bonds may also be issued to replace short term bond anticipation notes.

Estimated Sources and Uses of the Construction Bonds

Sources of Funds:	
Par Amount of Construction Bonds	$150,000,000.00
Original Issue Premium	14,273,800.00
Total Sources of Funds	$164,273,800.00
Uses of Funds:	
Deposit to Construction Fund	$163,580,256.56
Underwriter's Discount	448,500.00
Estimated financing expenses [1]	245,043.44
Total Uses of Funds	$164,273,800.00

(1) Includes certain fees and expenses of the financial advisor to the Commission, Bond Counsel to the Commission and certain accounting fees, as well as rating agency fees, printing costs, fees and expenses of the Bond Registrar and other miscellaneous expenses.

REFUNDING PLAN

Financing Plan

The Commission has heretofore developed a refunding plan designated "Washington Suburban Sanitary Commission Refunding Plan and Analysis" (the "Plan"). Section 22-114 of Division II of the Public Utilities Article requires that the Plan be approved, and the Plan has been approved, by the Commission and by the County Councils and the County Executives, respectively, of Montgomery County and Prince George's County. It has been determined that the refunding pursuant to the Plan will produce total savings in debt service costs.

Refunded Bonds

Issue Name	Maturities to be Refunded	Amount	Premium	Anticipated Redemption Date
Water Supply Refunding Bonds of 2004	6/1/2015-6/1/2016	$ 6,205,000	100%	6/1/2014
Sewage Disposal Refunding Bonds of 2004	6/1/2015-6/1/2016	3,740,000	100	6/1/2014
General Construction Refunding Bonds of 2004	6/1/2015-6/1/2022	42,885,000	100	6/1/2014

Refunding Program

The proceeds of the Refunding Bonds will be used to refund the Refunded Bonds. The Refunded Bonds represent certain callable maturities of the respective issues; and the bonds of such issues which are not refunded will continue to be serviced and paid at maturity from the revenues of the District and other sources designated for such purposes. The refunding method being used is frequently termed a "net defeasance" in that provision is made to set aside immediately, from the proceeds of a refunding bond issue and other funds then available for debt service on the refunded bonds, monies for investment which, together with the interest to be received thereon, shall be sufficient to satisfy all payments of principal of and premium, if any, and interest on the refunded bonds to and including the dates on which such bonds mature or are redeemed.

Estimated Sources and Uses of Refunding Bonds

Sources of Funds:	
Par Amount of Refunding Bonds	$47,395,000.00
Original Issue Premium	5,560,427.35
Equity Contribution	1,063,840.63
Total Sources of Funds	$54,019,267.98
Uses of Funds:	
Deposit to Escrow Account	$53,892,866.14
Underwriter's Discount	43,246.85
Estimated financing expenses [1]	83,154.99
Total Uses of Funds	$54,019,267.98

(1) Includes Underwriter's discount as well as certain fees and expenses of the financial advisor to the Commission, Bond Counsel to the Commission and certain accounting fees, as well as rating agency fees, printing costs, fees and expenses of the Bond Registrar, Escrow Agent, Verification Agent and other miscellaneous expenses.

Deposits to Escrow Deposit Fund

Proceeds of the Refunding Bonds will be applied to the purchase of non-callable direct obligations of, or obligations the timely payment of principal and interest upon which is unconditionally guaranteed by, the United States of America (the "Federal Securities") and which will be held by The Bank of New York Mellon Trust Company, N. A. (the "Escrow Deposit Agent") pursuant to an escrow agreement (the "Escrow Deposit Agreement") between the Escrow Agent and the Commission. The Federal Securities on deposit under the Escrow Deposit Agreement will mature at stated fixed amounts as to principal and interest at such times as will be sufficient to pay interest when due on the Refunded Bonds and to redeem the principal amount and pay the redemption premium thereon, if any, on the anticipated call dates, as applicable. The Federal Securities will be pledged only to the payment of the Refunded Bonds, and are not available for the payment of principal, premium, if any, or interest on the Bonds. The sufficiency of the Federal Securities, earnings thereon and other funds deposited under the Escrow Deposit Agreement will be independently verified by The Arbitrage Group, Inc.

DESCRIPTION OF THE BONDS

General

The Bonds will be dated the date of delivery 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 The Bank of New York Mellon Trust Company, N.A. (the "Bond Registrar" or "Paying Agent"), having a corporate trust office in Pittsburgh, Pennsylvania, 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 The Bank of New York Mellon Trust Company, N.A. at the office of its affiliate, The Bank of New York Mellon, in New York, New York or Dallas, Texas. 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 Construction Bonds which mature on or after June 1, 2025, are callable for redemption prior to their respective maturities, at the option of the Commission, from any money that may be made available for such purpose. Any such redemption may be made on not fewer than 20 days' notice by mail, either in whole or in part on any date not earlier than June 1, 2024, at the principal amount of the Construction Bonds to be redeemed, with interest thereon accrued to the date fixed for redemption, without premium. If less than all of the Construction Bonds of any one maturity shall be called for redemption, the particular bonds of such maturity to be redeemed shall be selected by lot; except that so long as the Depository Trust Company ("DTC") or its nominee is the sole registered owner of the Construction Bonds, the particular Construction Bond or portion to be redeemed shall be selected by DTC in such manner as DTC shall determine. In selecting Construction 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.

The Refunding Bonds are not subject to optional redemption prior to maturity.

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 the Public Utilities Article. 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.

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. At the end of a term a commissioner continues to serve until a successor is appointed and takes the oath of office. The Chair and the Vice-Chair of the Commission are elected by the Commission 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 County Executive of Montgomery County disapproves the resolution in writing within 30 days of its adoption, remove any Commissioner appointed from Montgomery County prior to the completion of his or her 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 the Public Utilities Article 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

Gene W. Counihan: Mr. Counihan was appointed to the Commission from Montgomery County in October 2007, and was elected Chair of the Commission in June 2013. He has previously served as Chair and Vice Chair of the Commission. Mr. Counihan has lived and worked in Montgomery County since 1963. His career includes elected and appointed positions in state, regional and county government and 29 years as a teacher and administrator in the Montgomery County Public Schools. Commissioner Counihan was elected to and served three, four-year terms in the Maryland House of Delegates. After leaving the legislature in January 1995, Mr. Counihan worked as a special assistant to Governor Parris Glendening before becoming the Maryland Government Relations Officer for the Washington Metropolitan Area Transit Authority. In this capacity he worked with Montgomery and Prince George's county officials and the state legislature to secure funding to build, operate and maintain public transit services in the Suburban Maryland Region. His numerous community leadership activities include serving as Chair of the Montgomery County Chamber of Commerce, the Montgomery College Board of Trustees, the Committee for Montgomery, the Board of Advisors at the Universities at Shady Grove, and the Olney Theatre Center Board. Mr. Counihan is a graduate of Leadership Maryland and Leadership Montgomery and was named the 2005 Montgomery County Leader of the Year by Leadership Montgomery. Mr. Counihan holds a bachelor's degree in Mathematics Education from Frostburg State University, where he received the 2012 Distinguished Alumni Award for a Lifetime of Public Service. Mr. Counihan earned a master's degree in Educational Administration from American University. His term expires in May 2015.

Christopher Lawson: Mr. Lawson was appointed to the Commission from Prince George's County in May 2011, and was elected Vice Chair of the Commission in June 2013. He has previously served as Chair and Vice Chair of the Commission. Mr. Lawson, President and Principal at Insuraty Inc. is a CPLH licensed insurance broker and Advisor to mid-sized companies and organizations in the area of employee benefits consulting, brokerage and administration including 401k retirement plan advisory and administration. Mr. Lawson comes from Raleigh, North

Carolina, where he studied Business Administration at Saint Augustine’s College before moving to the Washington metropolitan area and starting his business career representing corporations such as American Express Corporate Services and Cigna Healthcare in sales, business development and management. During his business career he has been honored on numerous occasions by Guardian Life Insurance Company, Gold Producers Award, and American Express, Presidents Club, Top District Award and Peak Performance Award. He was also honored with the Gold Masters Club Award by Allianz Life Insurance Company and has been featured in the Gazette of Politics and Business, Pride of Prince George’s County business owners. Mr. Lawson has served on the Board of Directors for the Prince George’s Chamber of Commerce and was presented with the distinguished service award in 2006. Mr. Lawson was an original member of the Washington D.C. Board of Directors for the National Association of African American Insurance Agents in the capacity of Vice President. He is a current member of the Society for Human Resource Management and the National Association of Health Underwriters. A resident of Prince George’s County Maryland for 20 years, Mr. Lawson is no stranger to community service having served as the President of the South Bowie Boys And Girls Club and was awarded the Prince Georges County Boys and Girls Club Inc. Man of the year award in 2003. He has served on the City of Bowie Maryland diversity task force and city recreation committee providing recommendations for recreation fields and facilities development to the Bowie City Council. Mr. Lawson was recognized by proclamation from the City of Bowie for his distinguished service in 2003. In 2006 Lawson led the campaign efforts as Chairman, to elect Rushern L. Baker; III for Prince George’s County Executive. Mr. Lawson’s term expires in June 2015.

Omar M. Boulware: Mr. Boulware was appointed to the Commission from Prince George's County in November 2013. He has a long history of military, public and community service. A Navy veteran, Mr. Boulware is a congressional relations officer in the Department of Veterans Affairs. He advises the Secretary of Veterans Affairs on Congressional interests, including veteran outreach, veteran small business, and collaboration between the VA and the Department of Defense. His areas of expertise include budgeting, financial management and legislation. While attending the University of North Carolina at Chapel Hill, Mr. Boulware volunteered for service in the United States Navy, where he served a three-year tour of duty on the staff for Chief of Naval Operations in the Pentagon. Upon completion of active duty, he entered federal civil service as a legislative liaison in the Department of the Navy's Office of Legislative Affairs. He concurrently served in the U.S. Navy Reserve from 2000 to 2012, earning the rank of Petty Officer First Class. Mr. Boulware and his family live in Mitchellville, where he is involved in the community. He is vice president of the Greater Marlboro Democratic Club and the former president of the Prince George's County Young Democrats. A board member of Enterprise Estates Civic Association, he also served as vice president of Chapel Oaks/Beaver Heights Civic Association. Mr. Boulware was a Maryland Fire-Rescue Education and Training Commissioner. He was a member of the Prince George's County Personnel Board, and in 2011 was a member of County Executive Rushern Baker's transition committee. Mr. Boulware is a 2005 honors graduate of Strayer University with a BBA degree in Management and a minor in Economics. He was a 2007 Rawlings Fellow at University of Maryland's James McGregor Burns Academy of Leadership. Mr. Boulware’s term expires in June 2017.

Mary Hopkins Navies: Ms. Hopkins Navies was appointed to the Commission from Prince George's County in July 2013. She is President and CEO of Hopkins Navies Management, Inc. For the past 22 years, she has owned and operated 8 McDonald’s restaurants in Prince George’s County, Maryland, which employ more than 500 people. Previously, Ms. Hopkins Navies served on the Prince George’s County Redevelopment Authority under the appointment of County Executive Wayne Curry. Prior to her career as a McDonald’s franchisee, Ms. Hopkins Navies worked for United Airlines, Baltimore Mayor William Donald Schaefer, and the University of Maryland. In Baltimore, she worked on Mayor Schaefer’s homestead program, which helped develop housing for the Inner Harbor. Throughout her career, Ms. Hopkins Navies has also been an engaged community activist and philanthropist. She served seven years on the Ronald McDonald House Board of Directors. She was instrumental in helping community non-profits receive Ronald McDonald House grants. Additionally, she has raised money for the Susan G. Komen Foundation Race for the Cure and participated in mentoring at Fairmont Heights High School in Capitol Heights, Maryland. Ms. Hopkins Navies received her Bachelor’s degree from California State University. She has two children and resides in Fort Washington, Maryland, with her husband. Ms. Hopkins Navies’ term expires in June 2015.

Adrienne A. Mandel: The Honorable Adrienne A. Mandel was appointed to the Commission from Montgomery County in October 2007. She has previously served as Chair of the Commission. She retired from the Maryland Legislature in 2007, after serving three four-year terms as a State Delegate from Montgomery County Legislative District 19. Ms. Mandel authored landmark legislation in the areas of highway deaths and injuries, regulation and oversight of WSSC, services and programs for the elderly and expanded access to quality, affordable health care. For seven years, she was Delegation Chair of the Bi-County Committee with jurisdiction over the WSSC. Ms. Mandel was elected president of the 64-member Women Legislators of Maryland and served on the Executive Board of the National

Foundation for Women Legislators. Ms. Mandel retired in 1997 from an 18-year career with Montgomery County Government during which time she opened the Holiday Park Multi-Service Senior Center, served as a Special Projects Coordinator with the Department of Health and Human Services, and for 10 years was a lobbyist to the State Legislature for the County's Office of Intergovernmental Relations. Prior to her service in local government, she was a staff member in the offices of a U.S. senator and congressman. Currently a member of the Board of Advisors of The Center on Global Aging for Catholic University of America, Ms. Mandel also is a member of the friends Advisory Board of the Montgomery County Conservation Corps. She is a member of the League of Women Voters, Congregation Har Shalom, the Women's Suburban Democratic Club and District 19 Democratic Club. Ms. Mandel has a bachelor's degree in Political Science from Rutgers University, a master's degree in Legislative Policy from George Washington University and completed an Executive Program at Harvard University's John F. Kennedy School of Government. Her term expires in May 2017.

Dr. Roscoe M. Moore, Jr.: Dr. Moore was appointed to the Commission from Montgomery County in June 2008. He has previously served as Chair of the Commission. He is an internationally recognized Doctor of Veterinary Medicine with extensive experience and credentials in epidemiology. Recently retired from the U.S. Public Health Service with the rank of Rear Admiral, Dr. Moore has been focused on the prevention, treatment and control of infectious diseases worldwide for more than 37 years. He is currently the founder and president of PH RockWood Corporation, where he is dedicated to continuing this work with an emphasis on the continents of Africa, Asia, Europe and North America. Dr. Moore is trained as an Epidemic Intelligence Service Officer with the U.S. Centers for Disease Control and Prevention (CDC) and was a Senior Epidemiologist with the National Institute for Occupational Safety and Health of the CDC. His career also includes service as the Chief Epidemiologist with the FDA's Center for Devices and Radiological Health. Dr. Moore serves and has served on numerous Boards of Directors, including the Maryland Health Care Commission, the George Washington University Africa Center for Health and Human Security, Greater Silver Spring Chamber of Commerce, the National Philharmonic Orchestra and Chorale of Montgomery County, and Montgomery General Hospital. Born and raised in Richmond, Va., he is a graduate of Tuskegee Institute, where he also earned his Doctor of Veterinary Medicine degree. Dr. Moore obtained a Master of Public Health in Epidemiology from the University of Michigan and his PhD in Epidemiology from The Johns Hopkins University. A Fellow with the American College of Epidemiology, he was awarded the honorary Doctor of Science in Recognition of Public Health Career by Tuskegee University. Dr. Moore has resided in Rockville for more than 32 years, and is married to Patricia Haywood Moore. They have two sons. His term expires in May 2015.

Management and Operations

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

Senior Staff

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

Jerry N. Johnson, General Manager/CEO: Mr. Johnson was hired as General Manager/CEO of the Commission in September 2009. Prior to joining the Commission, he served for 12 years as the first General Manager of the District of Columbia Water and Sewer Authority. He guided the Authority from a bankrupt unrated agency to one with an AA credit rating and over $180 million in reserves. Mr. Johnson previously held the posts of Deputy City Manager for Operations and Director of The Public Utilities for the City of Richmond, Virginia. He was also General Manager for the Richmond Convention and Visitors Bureau and the Director of Community Facilities. Mr. Johnson holds an Associate's degree in Business Administration from Ferrum College and a Bachelor of Science degree in Urban Affairs and Economics from Virginia Polytechnic Institute and State University. Mr. Johnson completed the Program for Senior Executives in State and Local Government at the John F. Kennedy School of Government at Harvard University. He also holds leadership roles in a number of national organizations.

Sheila R. Finlayson, Esq., Corporate Secretary: Ms. Finlayson joined the Commission in May 2013 as Corporate Secretary. She is one of the Commission's corporate officers and the executive officially authorized to attest documents on behalf of the Commission and to act as the custodian of the Commission's official files and records, including the minutes of open and closed meetings that are subject to the Maryland Open Meetings Act. Ms. Finlayson also manages the day-to-day administrative functions of the Office of the Commission/Corporate Secretary's Office and serves as parliamentarian at the Commission's meetings. Ms. Finlayson received her law degree from Howard University

School of Law in Washington, D.C. and her undergraduate degree from the University of Maryland at College Park, Maryland. Ms. Finlayson has extensive corporate secretarial and governance experience, having previously served as the Corporate Secretary and Director of Board Relations for the Society for Human Resource Management, a professional membership association in Alexandria, Virginia, and as Vice President, Counsel and Corporate Secretary for Independence Federal Savings Bank, a federally-chartered stock savings bank in Washington, D.C. Ms. Finlayson is licensed to practice law and is a member in good standing of the Bar of the Commonwealth of Pennsylvania.

Christopher V. Cullinan, Acting Chief Financial Officer and Treasurer: Mr. Cullinan joined the Commission as Budget Group Leader in September 2012 and was appointed Acting Chief Financial Officer and Treasurer in June 2013. He has over 18 years of public finance experience in both the public and private sectors. Prior to joining the Commission, he was a Principal in the consulting firm of TischlerBise specializing in the pricing and financing of public services and infrastructure for local government clients throughout the country. He also served as the Budget Director for the City of Charlottesville, Virginia. Mr. Cullinan holds a Master's degree in Public Financial Management from Indiana University-Bloomington and a Bachelor's degree in Political Science from Earlham College. He is also a member of 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 Maryland, 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.

Letitia C. Carolina-Powell, Acting Budget Group Leader: Ms. Carolina-Powell joined the Commission as Sr. Financial Analyst in September 2007. She was promoted to Budget Unit Coordinator in January 2009 and appointed Acting Budget Group Leader in July 2013. Ms. Carolina-Powell has over 20 years of finance experience in both the public and private sectors. Prior to joining the Commission, she worked as a Project Controller Manager for Deloitte Consulting where she was responsible for the financial management and performance forecasting of Department of Defense contracts. She also served as a Budget Manager for the Federal Home Loan Mortgage Corporation. Ms. Carolina-Powell holds a Masters of Business Administration from the University of Maryland, College Park and a Bachelor's degree in Economics from Williams College.

Budget

The Public Utilities Article 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 General Bond Debt Service. The Capital Budget reflects the Commission's plan to receive and expend funds for capital projects including those identified in the first year of its Six Year Capital Improvements Program (see "CAPITAL IMPROVEMENTS PROGRAM - Six Year Capital Program"), reconstruction programs and other capital programs. 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 Finance Office 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.

The Public Utilities Article requires that the Proposed Budget be published by January 15. Copies of the Proposed Budget are available to the public. The Commission holds public hearings 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 County Council must approve all amendments to the Proposed Budget and, prior to June 1, approve the 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 as submitted by the Commission.

Finally, upon receipt of the joint resolutions of the two County Councils, the Commission adopts the Budget and approves 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 has pursued various business opportunities, primarily the operation and management of water and wastewater systems on United States government property. Commission management cannot predict whether the Commission will participate in any business opportunities in the future.

Labor Relations

On December 31, 2013 the Commission had 1,547 full time employees of whom approximately 489 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, four Commission employees, two Commission retirees, two members of the business community, and the Executive Director of the Plan. 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 year 2013 pension costs charged exceeded amounts funded by $3,276,000; in fiscal year 2012 the amount funded exceeded the pension costs charged to operating and utility plants by $2,536,000. Such excesses were used to adjust the accrued liability. The cumulative liability so recorded will be paid, with interest (approximately $3,179,000 for fiscal year 2013 and approximately $2,937,000 for fiscal year 2012) over a thirty year period.

For additional information concerning the Plan, see Appendix A, "Notes to Financial Statements," Note L, Retirement Plan.

Other Post Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45 ("GASB 45") which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits ("OPEB"). GASB 45 generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB costs for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB 45 do not require governments to fund their OPEB plans. GASB 45 establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time.

The Commission obtains an actuarial report (the "OPEB Report") addressing the extent of its projected liability to its retirees for other post employment benefits at least biennially. The OPEB Report is prepared in accordance with the standards set forth in GASB Statement 45. The OPEB Report is subject to a number of actuarial and economic assumptions; these assumptions are generally similar to the assumptions used in evaluating the Commission's pension fund liabilities.

The Commission's 2013 and 2012 annual OPEB cost was $20.1 million and $20.0 million, respectively. In 2013 and 2012 the Commission pre-funded $8 million and $7 million, respectively, as the initial installments of a phase-in of the required pre-funding level, and OPEB costs exceeded amounts funded by $1,068,000 and $4,006,000, respectively. A liability was established for this excess. The cumulative liability will be adjusted and paid with interest over a twenty-nine year period from fiscal year 2008. For additional information concerning the OPEB Plan, see Appendix A, "Notes to Financial Statements," Note M, Other Post Employment Benefits.

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 pay certain fees and charges over the life of the agreement. These fees were $390,000 for fiscal year 2013.

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 the Public Utilities Article 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. As evidenced by the respective verification reports prepared by independent verification 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 December 31, 2013:

Refunding Bonds	Date of Refunding Issue	Escrow Agent	Amount of Refunded Bonds Outstanding as of Dec. 31, 2013
CPI Refunding Bonds of 2009…………………………	11/25/09	Bank of New York	$ 79,730,000
CPI Refunding Bonds of 2013…………………………	04/23/13	Bank of New York	50,000,000
			$129,730,000

The outstanding refunding bonds of the District, including refunding bonds issued to refund water supply bonds of the District, are required by the Public Utilities Article 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 December 31, 2013
Bonds Outstanding(1)(2):	
General Construction Bonds (self-supporting)(3) …………………………………………	$ 282,785,000
Water Supply Bonds (self-supporting)(4) …………………………………………………	600,605,000
Sewage Disposal Bonds (self-supporting)(5) ……………………………………………	718,200,000
Maryland Water Quality Loan Fund (self-supporting)(5) …………………………………	185,534,328
Total Bonds Outstanding ………………………………………………………………	1,787,124,328
Less:	
Self-supporting Bonds …………………………………………………………………	1,787,124,328
Bonds Outstanding Exclusive of Self-supporting Bonds…………………………………	$ 0
Assessed Valuation (December 31, 2013), All Property within District ……………………	$ 238,906,015,483
Per Capita: (Population estimated at 1,885,847) ………………………………………………	
Bonds Outstanding Total ………………………………………………………………	$ 948
Bonds Outstanding Exclusive of Self-supporting Bonds ……………………………………	$ 0

(1) Excludes $129,730,000 principal amount of bonds outstanding as of December 31, 2013 which have been refunded, as more fully detailed under the heading "Refunding Bonds and Bonds Refunded."
(2) Excludes $130,100,000 principal amount of bond anticipation notes outstanding as of December 31, 2013. 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.

Bonded Debt Outstanding and Changes from June 30, 2013 to December 31, 2013(1) (2)

	Bonds Outstanding June 30, 2013	Issued	Defeased	Redeemed	Bonds Outstanding December 31, 2013
General Construction Bonds ……	$282,785,000	$ -0-	-0-	$0	$ 282,785,000
Water Supply Bonds ……………	600,605,000	-0-	-0-	0	600,605,000
Sewage Disposal Bonds …………	718,200,000	-0-	-0-	0	718,200,000
Maryland Water Quality Loan Fund …………………………	146,606,259	38,928,069	-0-	0	185,534,328
Total ……………………	$1,748,196,259	$38,928,069	$-0-	$0	$ 1,787,124,328

(1) Excludes $129,730,000 principal amount of bonds outstanding as of December 31, 2013 which have been refunded, as more fully detailed under the heading "Refunding Bonds and Bonds Refunded."
(2) Excludes $130,100,000 principal amount of bond anticipation notes outstanding as of December 31, 2013. See "Short-Term Financing Program" below.

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Adjusted Debt Service

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

Outstanding Bonds
December 31, 2013 (1)(2)

Fiscal Year	Principal	Interest	Total
2014	$151,524,876	$33,226,008	$184,750,884
2015	131,172,399	62,538,280	193,710,679
2016	128,183,497	56,845,792	185,029,289
2017	124,639,961	51,452,780	176,092,741
2018	122,643,110	46,165,113	168,808,223
2019	116,446,951	40,988,567	157,435,518
2020	113,236,489	36,236,380	149,472,869
2021	110,116,730	31,737,738	141,854,468
2022	102,694,829	27,770,778	130,465,607
2023	97,526,494	24,247,750	121,774,244
2024	95,066,604	21,067,703	116,134,307
2025	92,873,615	17,932,025	110,805,640
2026	84,279,234	14,685,889	98,965,123
2027	79,676,146	11,672,574	91,348,720
2028	71,019,857	8,755,249	79,775,106
2029	60,373,713	5,998,819	66,372,532
2030	48,227,072	3,677,358	51,904,430
2031	35,782,773	1,860,523	37,643,296
2032	20,789,035	629,240	21,418,275
2033	795,348	4,156	799,504
2034	55,595	259	55,854
Total	$1,787,124,328	$497,492,981	$2,284,617,309

(1) Excludes $129,730,000 principal amount of bonds outstanding as of December 31, 2013 which have been refunded, as more fully detailed under the heading "Refunding Bonds and Bonds Refunded."

(2) Excludes $130,100,000 principal amount of bond anticipation notes outstanding as of December 31, 2013 See "Short-Term Financing Program" below.

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Summary of Outstanding Debt Service as of December 31, 2013(1)(2)

	Principal	Interest To Maturity	Total Debt Service
General Construction Bonds	$ 282,785,000	$ 67,427,639	$ 350,212,639
Water Supply Bonds	600,605,000	185,475,693	786,080,693
Sewage Disposal Bonds	718,200,000	232,050,421	950,250,421
Maryland Water Quality Loan Fund	185,534,328	12,539,228	198,073,556
Total	$1,787,124,328	$497,492,981	$ 2,284,617,309

(1) Excludes $129,730,000 principal amount of bonds outstanding as of December 31, 2013 which have been refunded, as more fully detailed under the heading "Refunding Bonds and Bonds Refunded."

(2) Excludes $130,100,000 principal amount of bond anticipation notes outstanding as of December 31, 2013. See "Short-Term Financing Program" below.

Annual Debt Service on Construction Bonds and Refunding Bonds

Due June 1	Principal	Interest	Total
2015…	$19,390,000.00	$9,047,686.66	$28,437,686.66
2016…	12,895,000.00	7,771,300.00	20,666,300.00
2017…	9,380,000.00	7,205,500.00	16,585,500.00
2018…	9,410,000.00	6,736,500.00	16,146,500.00
2019…	9,620,000.00	6,266,000.00	15,886,000.00
2020…	9,730,000.00	5,785,000.00	15,515,000.00
2021…	9,980,000.00	5,298,500.00	15,278,500.00
2022…	6,990,000.00	4,799,500.00	11,789,500.00
2023…	5,000,000.00	4,450,000.00	9,450,000.00
2024…	5,000,000.00	4,200,000.00	9,200,000.00
2025…	5,000,000.00	4,000,000.00	9,000,000.00
2026…	5,000,000.00	3,800,000.00	8,800,000.00
2027…	5,000,000.00	3,600,000.00	8,600,000.00
2028…	5,000,000.00	3,400,000.00	8,400,000.00
2029…	5,000,000.00	3,200,000.00	8,200,000.00
2030…	5,000,000.00	3,000,000.00	8,000,000.00
2031…	5,000,000.00	2,800,000.00	7,800,000.00
2032…	5,000,000.00	2,600,000.00	7,600,000.00
2033…	5,000,000.00	2,400,000.00	7,400,000.00
2034…	5,000,000.00	2,200,000.00	7,200,000.00
2035…	5,000,000.00	2,000,000.00	7,000,000.00
2036…	5,000,000.00	1,800,000.00	6,800,000.00
2037…	5,000,000.00	1,600,000.00	6,600,000.00
2038…	5,000,000.00	1,400,000.00	6,400,000.00
2039…	5,000,000.00	1,200,000.00	6,200,000.00
2040…	5,000,000.00	1,000,000.00	6,000,000.00
2041…	5,000,000.00	800,000.00	5,800,000.00
2042…	5,000,000.00	600,000.00	5,600,000.00
2043…	5,000,000.00	400,000.00	5,400,000.00
2044…	5,000,000.00	200,000.00	5,200,000.00
Total…	$197,395,000.00	$103,559,986.66	$300,954,986.66

Authorization of Debt

Bonds of the District are issued upon the basis of authorizations, under the Constitution and laws of the State of Maryland, including Titles 16 through 25, inclusive, of Division II of the Public Utilities Article, particularly Titles 22 and 25 thereof and other applicable law, by the Commission through the adoption of Resolution Nos. 2014-2023, 2014-2024, 2014-2025, 2014-2026, 2014-2038, 2014-2039, 2014-2040 and 2014-2041 or orders.

Borrowing Limitation

The Public Utilities Article 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	Total Assessed Valuation (000)	Total Debt Outstanding (000)	Maximum Debt Permitted (000)	Ratio of Debt Outstanding to Debt Permitted
December 31, 2013……………………	$238,906,015	$1,917,224	$9,136,207	21.0%
June 30, 2013 …………………………	240,018,093	1,878,296	9,180,923	20.5
June 30, 2012 …………………………	227,730,398	1,556,797	8,715,697	17.9
June 30, 2011 …………………………	242,366,111	1,421,789	9,275,409	15.3
June 30, 2010 …………………………	250,074,354	1,336,185	9,569,303	14.3
June 30, 2009 …………………………	239,108,924	1,346,727	9,152,697	14.7

Short-Term Financing Program

On June 24, 2003, the Commission established a $465,000,000 short-term borrowing facility whereby it may issue and redeem its General Obligation Multi-Modal Bond Anticipation Notes (the “BANs”) from time to time. On November 19, 2008, the Commission amended the previous note program to expand the authority to issue notes up to an additional $600,000,000. 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 15 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. Until such time as they are redeemed from bond proceeds, the Commission generally amortizes the BANs principal over a 20-year term.

On August 28, 2013, the Commission replaced its liquidity facility, Helaba, with two new facilities with TD Bank and State Street Bank respectively. On that date, the outstanding Series A BANs in the aggregate principal amount of $130,100,000 were fully redeemed and reissued in two separate series, Series A & B. The Series A BANs in the aggregate principal amount of $92,900,000 are backed by the TD Bank Facility and the Series B BANs in the aggregate principal amount of $37,200,000 are backed by the State Street Bank Facility.

The Commission has issued $551,100,000 aggregate principal amount of BANs since the short-term borrowing facility was established on June 24, 2003. Of that amount, $421,000,000 has been redeemed, leaving a balance of $130,100,000 aggregate principal amount of BANs outstanding as of December 31, 2013. 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.

On February 26, 2014, the Commission issued $50,000,000 BANs, Series B-2 to provide interim financing for water projects identified in the CIP. The addition of these BANs brings the aggregate principal outstanding to $180,100,000.

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 five 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)(1)

	Six months ended Dec. 31, 2013	Fiscal Year ended June 30, 2013	2012	2011	2010
Gross Revenues Available for Debt Service ………	$ 318,977	$ 598,510	$ 584,831	$ 566,918	$ 521,543
Debt Service:					
Bonds Redeemed and Sinking Fund Contributions …………………………	77,212	161,921	163,928	182,928	163,471
Interest on Bonds and Notes Payable ………	33,674	65,710	59,082	56,908	54,110
Total……………………………………	110,886	227,631	223,010	239,836	217,581
Net Revenues Available for Operations……………	208,091	370,879	361,821	327,082	303,962
Operating Expense Exclusive of Depreciation and Amortization …………………………………	155,406	356,527	338,004	330,836	318,131
Net Revenue (Loss) ………………………………	$ 52,685	$ 14,352	$ 23,817	$ (3,754)	$ (14,169)
Composed of:					
Water Operating (1) …………………………	$ 20,788	$ 9,986	$ 21,927	$ 26,599	$ (322)
Sewer Operating (1)…………………………	35,072	12,057	6,225	9,122	2,792
Other Operating Funds………………………	(3,175)	(7,691)	(4,335)	(39,475)	(16,639)
Total ………………………………………………	$ 52,685	$ 14,352	$ 23,817	$ (3,754)	$ (14,169)

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

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 at least 5% of budgeted water and sewer operating revenues to offset any shortfall in such revenues. It is the objective of the Commission to increase this reserve to 10% over time. 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 utilized in future years' budgets for fiscally prudent purposes, including rate increase mitigation, one-time expenditures, increasing the Commission's reserve, and applying the surplus 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 reserve, if necessary. In the event that the reserve is inadequate to cover such shortfall, the Commission may implement a mid-year rate increase after notifying the respective County Councils. The Commission did not draw upon the reserve during fiscal year 2012 or fiscal year 2013. The Commission is increasing the reserve by $11.7 million in fiscal year 2014 and anticipates further increasing the reserve by at least $2.3 million per year in subsequent years, with a goal of achieving a reserve of 10% in fiscal year 2015. At June 30, 2013 the reserve amounted to $41.6 million, which is approximately 7.7% of budgeted water and sewer rate revenue. The fiscal year 2014 budgeted addition is expected to increase the reserve percentage to 9.3%.

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 for the payment of debt service on outstanding bonds. Debt service on the Bonds and other outstanding bonds of the District is expected to be paid from revenues generated in the District from fees, charges, rates and assessments and other available funds.

Front Foot Benefit Charges and Historic Collections

For meeting debt service on its outstanding $282,785,000 of general construction bonds as of December 31, 2013, 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 2013 and 2012, as shown in the table below, became effective January 1, 2014 and 2013, respectively. The charges are payable over 20-years.

	Annual Rates per linear front foot*			
	Effective January 1, 2014		Effective January 1, 2013	
	Water	Sewer	Water	Sewer
Subdivision	$4.80	$7.18	$4.80	$7.18
Business (First 200 feet)	6.39	9.55	6.39	9.55
Small Acreage (First 150 feet)	4.80	7.18	4.80	7.18
Multi-Unit Residential Apartment	4.80	7.18	4.80	7.18
Townhouse	4.80	7.18	4.80	7.18
Agricultural (First 150 feet)	4.80	7.18	4.80	7.18

*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 2013 as supplied by the counties, are shown in the following table:

	Montgomery County			Prince George's County		
Levy Year(2)	Amount Levied	Total Collections	Percent Collected(1)	Amount Levied	Total Collections	Percent Collected(1)
2013	$19,609,852	$18,894,062	96.35%	$22,718,632	$21,930,012	96.53%
2012	23,768,751	23,728,383	99.83	27,158,233	27,110,786	99.83
2011	26,401,059	26,397,050	99.98	30,815,410	30,768,548	99.85
2010	29,093,353	29,083,451	99.97	32,472,756	32,437,856	99.89
2009	31,947,956	31,929,242	99.94	34,308,819	34,280,516	99.92

(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 December 31, 2013. Assessments are levied on construction completed in the previous calendar year.

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 the Public Utilities Article, 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, 2013 range from $2.95 to $6.76 per thousand gallons for water consumption and $4.06 to $10.29 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 Charge" 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, 2014, the rate for standard one-inch or one and one-half inch residential water connections in an unimproved area is $2,250, whereas a standard one-inch or one and one-half inch residential water connection in an improved area is $7,250. A standard residential sewer connection in an unimproved area is $3,500, whereas a standard residential sewer connection in an improved area is $10,750. 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 the Public Utilities Article 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, 2013 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.

INFORMATION REGARDING MONTGOMERY AND PRINCE GEORGE'S COUNTIES

Montgomery County, Maryland and Prince George's County are each body politics and corporate and political subdivisions of the State of Maryland. The populations of Montgomery and Prince George's Counties are shown below:

	1990	2000	2010	July 2011
Montgomery County	757,027	873,341	1,004,709	989,794
Prince George's County	728,553	801,515	881,138	871,233
Total	1,485,580	1,674,856	1,885,847	1,861,027

Source: U.S. Census of Counties.

Additional information regarding Montgomery County and Prince George's County, including detailed governance, demographic, economic and financial information is set forth in Appendix B and can be obtained from the most recent Official Statements of such counties. The information regarding Montgomery County and Prince George's County set forth in Appendix B to this Official Statement has been provided to the Commission by Montgomery County and Prince George's County, respectively. **The Commission has not undertaken to audit, authenticate or otherwise verify the information set forth in Appendix B or any Official Statement of Montgomery County or Prince George's County. The Commission makes no guaranty, warranty or other representation respecting the accuracy and completeness of the information set forth in Appendix B or any such Official Statement. The Commission is not in a position to, and will not, undertake to update any information set forth in Appendix B or**

in any Official Statement of Montgomery County or Prince George's County. Reference to the Official Statements of Montgomery County and Prince George's County is included herein for convenience only and any information included in such Official Statements is not incorporated herein, by reference or otherwise.

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 provider of water and wastewater services for Prince George's and Montgomery Counties, has assisted in the preparation of the ten-year plans since 1971. The County 10-year plans provide the overall guidance for the timing and capacity for planned implementation of new 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.

Six Year Capital Program

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

The Commission has approved water and sewer CIP, Engineering Support and Energy Performance Program projects with a value of over $2.4 billion for fiscal years 2014-2019, and nearly $1.3 billion for water and sewer system reconstruction projects during the same period. Of this amount, $3.2 billion is anticipated to be funded through the sale of District bonds. The remaining amount is expected to be funded through federal and state grants, operating funds, and contributions from other sources.

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

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	6-Yr. Total
Water CIP/ESP/EPP……	$ 171,484	$ 139,013	$ 126,365	$ 115,210	$ 69,674	$ 51,566	$ 673,312
Sewer CIP/ESP/EPP……	492,665	446,608	233,152	228,944	198,722	146,822	1,746,913
System Reconstruction…	148,289	220,155	222,247	228,856	235,722	246,844	1,302,113
Total……………………	$ 812,438	$ 805,776	$ 581,764	$ 573,010	$ 504,118	$ 445,232	$ 3,722,338

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

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 more than 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 nearly 5,500 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 located throughout the District are as follows:

Seneca Plant	Piscataway Plant	Parkway Plant
Damascus Plant	Western Branch 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 15% of the plant's capacity under a regional agreement)

Poolesville Plant (owned and operated by the Town of Poolesville, Maryland; the Commission has purchased 20,000 gpd capacity at the plant under an agreement with the Town)

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 Chesapeake Bay Restoration Act into law to provide funding to remove additional nitrogen at wastewater treatment plants statewide to achieve Enhanced Nutrient Removal (ENR). Construction is currently underway to upgrade Commission facilities to the ENR technology. The state had previously provided funds on a 50% cost share basis to upgrade plants statewide to Biological Nutrient Removal (BNR). The Commission has previously constructed BNR facilities at the Piscataway, Western Branch, Parkway, Seneca and Damascus Plants. Each of the prior nitrogen removal projects allowed the Commission plants to meet or surpass the BNR goals and produce effluents of < 8 mg/l nitrogen. The additional ENR upgrades are expected to further reduce nitrogen in the effluent to approximately 3 mg/l which is considered the limit of technology.

Approximately 65% of the District's sewage flow travels through the regional system in Maryland and the District of Columbia to the Blue Plains Plant Advanced Wastewater Treatment Plant in Washington, D.C. The Blue Plains Plant is an advanced wastewater treatment plant with treatment capacity of 370 mgd. Blue Plains nitrogen removal facilities are currently under construction. The Commission has contributed to the capital cost of these upgrades. This project continues to receive grant funding annually from previously-appropriated federal (EPA) and State pollution control grant programs. During fiscal year 2013, the Blue Plains Plant received 42.4 billion gallons (bg) of sewage from the Commission system, while the following flows were handled during the year at Commission-operated facilities: Piscataway Plant, 7.2 bg; Western Branch Plant, 6.9 bg.; Parkway Plant, 2.4 bg; Seneca Plant, 5.4 bg; and Damascus Plant, 0.3 bg. In addition, the Mattawoman Plant received 0.4 bg of sewage from the Commission system.

Wastewater is conveyed through the Commission pipeline system, which contains more than 5,400 miles of sewer mains.

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

Fiscal Year Ended June 30,	Estimated Population Served	Miles of Water Mains	Water Connections	Water Delivered (000,000 gal.)	Average mgd.	Miles of Sewer Mains	Sewer Connections
2013……………………….	1,749,000	5,494	446,453	58,830	161.2	5,376	423,110
2012……………………….	1,742,000	5,471	444,184	60,648	165.7	5,363	421,092
2011……………………….	1,734,000	5,451	441,593	63,861	175.0	5,344	418,718
2010……………………….	1,727,000	5,438	440,019	61,590	168.7	5,324	417,301
2009……………………….	1,710,000	5,427	438,839	59,255	162.3	5,314	416,392
2008……………………….	1,706,000	5,403	436,600	61,572	168.2	5,285	414,386

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, invest in investment pools or enter into interest rate swaps or other derivatives. The Commission does not borrow or lend 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 Ratings, Inc., Moody's Investors Service, Inc. and Standard & Poor's Rating Services 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 sold and issued.

There are miscellaneous claims now pending against the Commission, including claims currently in litigation. Reference is made to paragraph four and five of Note O to the audited financial statements included as Appendix A hereto (except for the reference to condemnation proceedings) 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 MATTERS

State of Maryland Taxation

In the opinion of Bond Counsel, under existing law, interest on the Bonds is exempt from taxation by the State of Maryland and its counties and municipalities; no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the interest on the Bonds. 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. Purchasers of the Bonds should consult their own tax advisors with respect to the taxable status of the Bonds in jurisdictions other than Maryland.

Federal Income Taxation

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

Under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), there are certain restrictions that must be met subsequent to the delivery of the Bonds, including restrictions that must be complied with throughout the term of the Bonds in order that the interest thereon be excludable from gross income. These include the following: (i) a requirement that certain earnings received from the investment of the proceeds of the Bonds be rebated to the United States of America under certain circumstances (or that certain payments in lieu of rebate be made); (ii) other requirements applicable to the investment of the proceeds of the Bonds; and (iii) other requirements applicable to the use of the proceeds of the Bonds and the facilities financed or refinanced with such proceeds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The Commission has covenanted to take all actions necessary to maintain the exemption of interest on the Bonds from federal income taxation in the Resolutions.

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

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

See Appendix D – Forms of Opinions of Bond Counsel.

Certain Other Federal Tax Consequences pertaining to Bonds

There are other federal income tax consequences of ownership of obligations such as the Bonds under certain circumstances, including the following: (i) deductions are disallowed for certain expenses of taxpayers allocable to interest on tax-exempt obligations, as well as interest on indebtedness incurred or continued to purchase or carry tax-exempt obligations and interest expense of financial institutions allocable to tax-exempt interest; (ii) for property and casualty insurance companies, the amount of the deduction for losses incurred must be reduced by 15% of the sum of tax-exempt interest received or accrued and the deductible portion of dividends received by such companies; (iii) interest income which is exempt from tax must be taken into account for the purpose of determining whether, and what amount of, social security or railroad retirement benefits are includable in gross income for federal income taxation purposes; (iv) for S corporations having Subchapter C earnings and profits, the receipt of certain levels of passive investment income, including interest on tax-exempt obligations such as the Bonds, can result in the imposition of tax on such passive investment income and, in some cases, loss of S corporation status; and (v) net gain realized upon the sale or other disposition of the Bonds generally must be taken into account when computing the 3.8% Medicare tax with respect to net investment income imposed on certain high income individuals and specified trusts and estates.

Tax Accounting Treatment of Discount Bonds

Certain maturities of the Bonds may be issued at an initial public offering price which is less than the amount payable on such Bonds at maturity (the “Discount Bonds”). The difference between the initial offering price at which a substantial amount of the Discount Bonds of each maturity was first sold and the principal amount of such Discount Bonds payable at maturity constitutes original issue discount. The amount of such original issue discount which is treated as having accrued with respect to such Discount Bonds is added to the original cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, early redemption or repayment at maturity). For federal income tax purposes (a) any holder of a Discount Bond will recognize gain or loss upon the disposition of such Discount Bond (including sale, early redemption or payment at maturity) in an amount equal to the difference between (i) the amount received upon such disposition and (ii) the sum of (1) the holder’s original cost basis in such Discount Bond, and (2) the amount of original issue discount attributable to the period during which the holder held such Discount Bond, and (b) the amount of the basis adjustment described in clause (a)(ii)(2) will not be included in the gross income of the holder.

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

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

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

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

Purchasers with questions concerning the detailed tax consequences of transactions in the Discount Bonds should consult their tax advisors.

Purchase, Sale and Retirement of Bonds

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

Market Discount

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

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

Amortizable Bond Premium

A Bond will be considered to have been issued at a premium if, and to the extent that, the holder's tax basis in such Bond exceeds the amount payable at maturity (or, in the case of a Bond callable prior to maturity, the amount payable on the earlier call date). Under tax regulations applicable to the Bonds, the amount of the premium would be determined with reference to the amount payable on that call date (including for this purpose the maturity date) which produces the lowest yield to maturity on such Bonds. The holder will be required to reduce his tax basis in such Bond for purposes of determining gain or loss upon disposition of the Bond by the amount of amortizable bond premium that accrues determined in the manner prescribed in the regulations. No deduction (or other tax benefit) is allowable in respect of any amount of amortizable bond premium on the Bonds.

The foregoing discussion does not discuss all aspects of federal income taxation that may be relevant to a particular holder of Bonds in light of his or her particular circumstances and income tax situation. Each holder of Bonds should consult such holder's tax advisor as to the specific tax consequences to such holder of the ownership and disposition of such Bonds, including the application of state, local, foreign and other tax laws.

Legislative Developments

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

CERTIFICATE CONCERNING OFFICIAL STATEMENT

Concurrently with the delivery of the Bonds, one or more Officers 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.

SALE AT COMPETITIVE BIDDING

The Construction Bonds and the Refunding Bonds were offered by the Commission at separate competitive sales, each occurring on April 15, 2014, in accordance with the related Notice of Sale. The Notice of Sale for each series of the Bonds is attached hereto as part of Appendix E. The interest rates shown on the inside cover page of this Official Statement for each series of Bonds are the interest rates resulting from the award of such series of Bonds at the respective competitive sale. The yields or prices shown on the inside cover page of this Official Statement were furnished by the successful bidder for the related Bonds. All other information concerning the nature and terms of any reoffering should be obtained from the successful bidder for the series of Bonds for which such information is sought and not from the Commission.

FINANCIAL ADVISOR

Public Advisory Consultants, Inc., Owings Mills, Maryland (the "Financial Advisor") is an independent registered municipal advisor that has rendered financial advice to the Commission regarding the issuance of the Bonds and the preparation of this Official Statement. The Financial Advisor has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement, or any other related information available to the Commission, with respect to accuracy and completeness of disclosure of such information. The Financial Advisor makes no guaranty, warranty or other representation respecting the accuracy and completeness of this Official Statement or any other matter related to the Official Statement. The Financial Advisor does not engage in the underwriting, selling, or trading of securities.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by The Arbitrage Group, Inc. relating to (a) computation of forecasted receipts of principal and interest on the acquired obligations and the forecasted payments of principal and interest to redeem the Refunded Bonds, and (b) computation of the yields on the Refunding Bonds and the Federal Securities was examined by The Arbitrage Group, Inc. Such computations were based solely on assumptions and information supplied by the Commission. The Arbitrage Group, Inc. has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

CONTINUING DISCLOSURE

The Commission will execute a Continuing Disclosure Certificate (the "Disclosure Certificate") prior to or simultaneously with the issuance of the Bonds. In the Disclosure Certificate, the Commission will covenant for the benefit of the Beneficial Owners from time to time of the Bonds to provide certain financial information and operating data relating to the Commission (the "Annual Report") by not later than March 31 each year, commencing March 31, 2015, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Commission with the Municipal Securities Rulemaking Board (the "MSRB"). The notices of material events, if any, will be filed by the Commission with the MSRB. The Commission has made these covenants in order to assist the underwriters of the Bonds in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

In order to comply with the annual continuing disclosure requirements, Official Statements for bonds of the District issued in 2009 and 2010 were filed with the MSRB. However, such filings may not have been cross-filed with the CUSIP numbers of all of the District's outstanding bonds. Additionally, due to an administrative error, the Commission did not file updated financial information for fiscal year 2010 until October 27, 2011. Otherwise, the Commission has never previously failed to provide financial information or notice of any material event as required by any undertaking pursuant to the Rule.

The form of the Disclosure Certificate is set forth in Appendix C.

APPROVAL OF LEGAL PROCEEDINGS

The legality of the Bonds, based upon the documents and proceedings relative to the authorization, issuance and delivery thereof, is subject to the approval of McKennon Shelton & Henn LLP, Bond Counsel, whose approving opinions will be delivered with the Bonds. The proposed forms of bond counsel opinions are set forth in Appendix D.

FINANCIAL STATEMENTS

The financial statements of the Commission as of June 30, 2013 and 2012 and for the years then ended, included in Appendix A, have been audited by Bazilio Cobb Associates, independent auditors, as stated in their report appearing herein.

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The execution and delivery of this Official Statement by the undersigned officials has been duly authorized by the Commission.

WASHINGTON SUBURBAN SANITARY COMMISSION

By: /s/ Gene W. Counihan
Gene W. Counihan, Chair

By: /s/ Jerry N. Johnson
Jerry N. Johnson, General Manager/CEO

BCA Bazilio Cobb Associates

Certified Public Accountants and Consultants
1920 N Street NW, Suite 800 Washington, DC 20036
t: (202) 737-3300 f: (202) 737-2684

REPORT OF INDEPENDENT AUDITORS

To The Commissioners
of the Washington Suburban Sanitary Commission:

Report on Financial Statements

We have audited the accompanying financial statements of Washington Suburban Sanitary Commission (WSSC), which comprise the statement of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WSSC as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Accounting principles generally accepted in the United States of America require that the accompanying management discussion and analysis on pages 3-10, the schedule of historical other pension information on page 33, and the schedule of historical other postemployment benefits information on page 34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bazilio Cobb Associates, P.C.

Washington, DC
August 31, 2013

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, 2013 and 2012. WSSC identified and recorded corrections to the financial statements in the prior fiscal year. Prior year beginning balances were restated which resulted in a $3.1 million decrease in net position as of June 30, 2011. A summary of the transactions and the impact of the restatements are illustrated in Note P of the financial statements.

FINANCIAL HIGHLIGHTS

Fiscal Year 2013

- WSSC maintained AAA bond ratings from FitchRatings, Moody's Investors Service, and Standard & Poor's.
- In November 2012 and April 2013, WSSC issued $250 million and $150 million, respectively, of Consolidated Public Improvement Bonds to fund new construction on rehabilitation and replacement of water and sewer mains.
- In April 2013, WSSC sold $101,560,000 of refunding bonds with interest rates ranging from 2.00% to 5.00% to advance refund $105,820,000 of outstanding callable water supply, sewage disposal and general construction bonds with interest rates ranging from 4.00% to 5.00%. The net proceeds of $111,394,000 (including a premium of $10,217,000 and payment of $130,000 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 April 2013 refunding will reduce WSSC's total debt service payments over the next 19 years by $9,186,000 and provide an economic gain of $8,492,000.
- A Consent Decree with the Environmental Protection Agency, the Department of Justice, the State of Maryland, and four environmental groups entered its seventh year. The Consent Decree formally identifies the remedial measures to eliminate and/or reduce Sanitary Sewer Overflows. Costs of these remedial measures are estimated at $1,735 million and are projected to be expended over 12 years, $1,272 million of which is expected to be incurred after fiscal year 2013. The costs for each fiscal year are or will be included in WSSC's budget and capital improvements program.
- WSSC's operating revenues rose $14.3 million in fiscal 2013. A 6.9% increase in water and sewer billing rates was offset by a 3% decrease in the amount of water delivered to the system.
- Operating expenses increased $28.5 million, or 6.2%, during fiscal year 2013. Increases in capital assets placed in service in recent years resulted in a $8.9 million escalation in depreciation and amortization expenses. Salaries and wages rose $5.3 million as a result of cost of living adjustments (COLA) and merit increases provided in fiscal year 2013. WSSC employees last received COLAs and merits in fiscal 2009. Actuarially required costs for retirement and other postemployment benefits exceeded contributions, thereby increasing the related liabilities by $3.3 million and $1.0 million, respectively. Maintenance costs increased $8.8 million for sewer main inspections, cleaning and engineering services performed to comply with Consent Decree requirements.
- Capital assets (water and sewer lines, water tanks, treatment plants, pumping stations, multi-purpose facilities and other facilities), net of accumulated depreciation, increased by $458.0 million, while overall debt increased $367.0 million in comparison to the previous fiscal year.
- The increase in net position during the year included net income of $78.1 million, and capital contributions of $126.3 million.

Fiscal Year 2012

- WSSC maintained AAA bond ratings from FitchRatings, Moody's Investors Service, and Standard & Poor's.
- In November 2011, WSSC issued $300 million of Consolidated Public Improvement Bonds to fund new construction, focusing primarily on rehabilitation or replacement of water and sewer mains.
- A Consent Decree with the Environmental Protection Agency, the Department of Justice, the State of Maryland, and four environmental groups entered its sixth year. The Consent Decree formally identifies the remedial measures to eliminate and/or reduce Sanitary Sewer Overflows. Costs of these remedial measures are estimated at $1,413 million and are projected to be expended over 12 years, $1,104 million of which is expected to be incurred after fiscal year 2012. The costs for each fiscal year are or will be included in WSSC's budget and capital improvements program.
- WSSC's operating revenues rose $19.0 million in fiscal 2012. An 8.5% increase in water and sewer billing rates was offset by a 5% decrease in the amount of water delivered to the system.
- Operating expenses increased $9.7 million, or 2.2%, during fiscal year 2012. Increases in capital assets placed in service in recent years resulted in a $10.1 million escalation in depreciation and amortization expenses. Maintenance costs increased $5.5 million for large diameter pipe inspections and engineering services performed to comply with Consent Decree requirements. Conversely, administrative claims for personal injury, property damage and personnel actions decreased $3.9 million in comparison to 2011.
- Capital assets (water and sewer lines, water tanks, treatment plants, pumping stations, multi-purpose facilities and other facilities), net of accumulated depreciation, increased by $359.8 million, while overall debt increased $154.3 million in comparison to the previous fiscal year.
- The increase in net position during the year included net income of $98.0 million, and capital contributions of $103.4 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 position
- Statements of cash flows
- Notes to the financial statements

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 position.

WSSC's statements of revenues, expenses and changes in net position reflect activity for the fiscal years. 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 position.

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

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 Position

Fiscal Year 2013

WSSC's net position increased 5.3% to $4,079.8 million (See Table A-1). The majority of this increase is attributable to the change in the net investment in capital assets. Capital assets, net of accumulated depreciation, increased 8.6% to $5,775.6 million. Unused bond proceeds at the end of the year were $219.2 million. Investments of unused bond proceeds are restricted and classified as non-current assets. During fiscal year 2013, developers constructed $21.5 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 to $2,005.3 million. Capital contributions of $104.8 (net of donated capital assets) 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 Notes J and K of the financial statements.

Fiscal Year 2012

WSSC's net position increased 5.5% to $3,875.4 million (See Table A-1). The majority of this increase was attributable to the change in the net investment in capital assets. Capital assets, net of accumulated depreciation, increased 7.3% to $5,317.6 million. Unused bond proceeds at the end of the year were $79.1 million. Investments of unused bond proceeds are restricted and classified as non-current assets. During fiscal year 2012, developers constructed $28.4 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 to $1,638.3 million. Capital contributions of $75.2 (net of donated capital assets) 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 Notes J and K of the financial statements.

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

	FY 2013	**FY 2012**	**FY 2011 As Restated (Note P)**	**FY 2013 % Change**	**FY 2012 % Change**
Current and other assets	$ 619.0	$ 455.9	$ 428.5	35.8	6.4
Capital assets, net of accumulated Depreciation	5,775.6	5,317.6	4,957.8	8.6	7.3
Total assets	6,394.6	5,773.5	5,386.3	10.8	7.2
Current and other liabilities	591.8	541.5	529.3	9.3	2.3
Bonds and notes payable, net of current maturities	1,723.0	1,356.6	1,183.0	27.0	14.7
Total liabilities	2,314.8	1,898.1	1,712.3	22.0	10.9
Net position:					
Net investment in capital assets	3,989.6	3,758.4	3,562.8	6.2	5.5
Restricted for growth construction	42.4	61.0	90.6	(30.5)	(32.7)
Unrestricted	47.8	56.0	20.6	(14.6)	171.8
Total net position	$ 4,079.8	$ 3,875.4	$ 3,674.0	5.3	5.5

Changes in Net Position

Fiscal Year 2013

WSSC's operating revenues rose $14.3 million (See Table A-2). A 6.9% increase in water and sewer billing rates was offset by a 3.0% decrease in the amount of water delivered to the system. Operating expenses increased $28.5 million, or 6.2%, during fiscal year 2013. Increases in capital assets placed in service in recent years resulted in a $8.9 million escalation in depreciation and amortization expenses. Salaries and wages rose $5.3 million as a result of cost of living adjustments (COLA) and merit increases provided in fiscal year 2013. WSSC employees last received COLAs and merits in fiscal 2009. Actuarially required costs for retirement and other postemployment benefits exceeded contributions, thereby increasing the related liabilities by $3.3 million and $1.0 million, respectively. Maintenance costs increased $8.8 million for sewer main inspections, cleaning and engineering services performed to comply with Consent Decree requirements.

The net changes in revenues and expenses during the year resulted in a 20.3% decrease in income before capital contributions to $78.1 million. Capital contributions increased by 22.2% to $126.3 million. Grant revenue increased in excess of $25 million to provide funding for Enhanced Nutrient Removal (ENR) construction at WSSC and Blue Plains wastewater facilities.

Fiscal Year 2012

WSSC's operating revenues rose $19.0 million (See Table A-2). An 8.5% increase in water and sewer billing rates was offset by a 5% decrease in the amount of water delivered to the system. Operating expenses increased $9.7 million, or 2.2%, during fiscal year 2012. Increases in capital assets placed in service in recent years resulted in a $10.1 million escalation in depreciation and amortization expenses. Maintenance costs increased $5.5 million for large diameter pipe inspections and engineering services performed to comply with Consent Decree requirements. Conversely, administrative claims for personal injury, property damage and personnel actions decreased $3.9 million in comparison to 2011.

The net changes in revenues and expenses during the year resulted in a 5.3% decrease in income before capital contributions to $98.0 million. Capital contributions increased by 121.4% to $103.4 million, which is attributable to a recovery in new construction and the addition of capital assets constructed by developers (donated assets). In addition, grant revenue increased almost $50 million to provide funding for Enhanced Nutrient Removal (ENR) construction at WSSC and Blue Plains wastewater facilities.

TABLE A-2
WSSC's Changes in Net Position
(in million of dollars)

	FY 2013	**FY 2012**	**FY 2011 As Restated (Note P)**	**FY 2013 % Change**	**FY 2012 % Change**
Operating revenues	$ 597.9	$ 583.6	$ 564.6	2.5	3.4
Operating expenses	(487.9)	(459.4)	(449.7)	(6.2)	(2.2)
Net non-operating revenues (expenses)	(31.9)	(26.2)	(11.4)	(21.8)	(129.8)
Income before capital contributions	78.1	98.0	103.5	(20.3)	(5.3)
Capital contributions	126.3	103.4	46.7	22.2	121.4
Changes in net position	$ 204.4	$ 201.4	$ 150.2	1.5	34.1

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Fiscal Year 2013

As of June 30, 2013, WSSC had invested $5,775.6 million, net of accumulated depreciation, 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 $458.1 million, or 8.6%, over fiscal year 2012.

Fiscal Year 2012

As of June 30, 2012, WSSC had invested $5,317.6 million, net of accumulated depreciation, 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 $359.8 million, or 7.3%, over fiscal year 2011.

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

	FY 2013	FY 2012	FY 2011 As Restated (Note P)	FY 2013 % Change	FY 2012 % Change
Land and rights of way	$ 78.0	$ 78.0	$ 78.0	0.0	0.0
Construction in progress	1,237.3	1,090.9	1,137.8	13.4	(4.1)
Water supply	1,296.0	1,115.1	1,050.4	16.2	6.2
Sewage disposal	1,711.7	1,568.0	1,218.1	9.2	28.7
General construction	1,379.9	1,392.8	1,399.3	(0.9)	(0.5)
Intangible assets	39.1	39.9	40.1	(2.0)	(0.5)
Other	33.6	32.9	34.1	(2.1)	(3.5)
Total capital assets	$ 5,775.6	$ 5,317.6	$ 4,957.8	8.6	7.3

Capital assets completed and placed in service decreased $87.8 million or 16.7%, in comparison to fiscal year 2012. Although additions were down in comparison to the prior year, rehabilitation or replacement of water and sewer mains and related house connections increased 18.7%, or $25.3 million. Major additions to capital assets being depreciated during fiscal years 2013 and 2012 are illustrated in Tables A-4 and A-5, respectively.

TABLE A-4
WSSC's Additions to Capital Assets Being Depreciated
Fiscal Year 2013
(in millions of dollars)

	Water Supply	Sewage Disposal	General Construction
Financed from proceeds of bonds, notes, operating revenues or capital contributions:			
Water and sewer mains	$ 67.4	$ 50.0	$ 8.1
House connections	8.3	23.8	2.6
Water meters	1.0	1.0	
Water filtration plants	128.6		
Water pumping stations	0.2		
Wastewater treatment facilities		47.6	
Water storage facilities	5.2		
Wastewater pumping stations		2.2	
Joint-use facilities		62.8	
Miscellaneous assets	2.2	4.5	1.5
Constructed and contributed by developers:			
House connections			2.7
Water and sewer mains	0.9	0.1	17.2
Wastewater pumping stations		0.5	
Total fiscal year 2013 additions to capital assets being depreciated	$213.8	$192.5	$ 32.1

TABLE A-5
WSSC's Additions to Capital Assets Being Depreciated
Fiscal Year 2012
(in millions of dollars)

	Water Supply	Sewage Disposal	General Construction
Financed from proceeds of bonds, notes, operating revenues or capital contributions:			
Water and sewer mains	$ 59.5	$ 30.5	$ 5.7
House connections	6.6	28.6	4.1
Water meters	0.8	0.7	
Water filtration plants	8.3		
Water pumping stations	5.0		
Wastewater treatment facilities		23.9	
Water storage facilities	8.7		
Wastewater pumping stations		20.7	
Joint-use facilities		285.1	
Miscellaneous assets	5.9	3.7	
Constructed and contributed by developers:			
House connections			3.7
Water and sewer mains			24.6
Total fiscal year 2012 additions to capital assets being depreciated	$ 94.8	$393.2	$ 38.1

Bonds and Notes Payable

Fiscal Year 2013

At the end of fiscal year 2013, bonds and notes outstanding totaled $2,005.3 million, a $367.0 million increase in comparison to the previous fiscal year. In November 2012 and April 2013, WSSC issued $250 million and $150, respectively, of Consolidated Public Improvement Bonds to fund new construction, focusing primarily on rehabilitation and replacement of water and sewer mains.

In April 2013, WSSC sold $101,560,000 of refunding bonds with interest rates ranging from 2.00% to 5.00% to advance refund $105,820,000 of outstanding callable water supply, sewage disposal and general construction bonds with interest rates ranging from 4.00% to 5.00%. The net proceeds of $111,394,000 (including a premium of $10,217,000 and payment of $130,000 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 April 2013 refunding will reduce WSSC's total debt service payments over the next 19 years by $9,186,000 and provide an economic gain of $8,492,000.

Fiscal Year 2012

At the end of fiscal year 2012, bonds and notes outstanding totaled $1,638.3 million, a $154.3 million increase in comparison to the previous fiscal year. In November 2011, WSSC issued $300 million of Consolidated Public Improvement Bonds to fund new construction, focusing primarily on rehabilitation and replacement of water and sewer mains.

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

	FY 2013	FY 2012	FY 2011 As Restated (Note P)	FY 2013 % Change	FY 2012 % Change
Water supply	$ 721.5	$ 613.4	$ 569.7	17.6	7.7
Sewage disposal	965.5	676.5	536.9	42.7	26.0
General construction	318.3	348.4	377.4	(8.6)	(7.7)
Total	2,005.3	1,638.3	1,484.0	22.4	10.4
Current maturities	282.3	281.7	301.0	(0.2)	(6.4)
Long-term portion	1,723.0	1,356.6	1,183.0	27.0	14.7
Total bonds and notes payable	$ 2,005.3	$ 1,638.3	$ 1,484.0	22.4	10.4

Bond Ratings

FitchRatings, Moody's Investors Service, and Standard & Poor's assigned and affirmed ratings of 'AAA', 'Aaa', and 'AAA', respectively, on WSSC's outstanding water supply, sewage disposal and general construction general obligation bonds. The agencies identified strengths of the Commission in support of their ratings which include a sizeable, diverse tax base in Montgomery and Prince George's Counties, good finances characterized by the self-supporting nature of the water and sewer system, and a skilled management team.

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, 2013 and 2012, the calculated limits were $9,180.9 million and $8,718.4 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.

CONTACT INFORMATION

Any questions regarding this report can be directed to the Finance Office at 14501 Sweitzer Lane, Laurel, Maryland, 20707. A copy of the report is also available on WSSC's website at www.wsscwater.com.

WASHINGTON SUBURBAN SANITARY COMMISSION
BALANCE SHEETS
AS OF JUNE 30, 2013 AND 2012
(in thousands)

	2013	2012
ASSETS		
Current assets:		
Cash (Note B)	$ 38,242	$ 27,097
Investments (Note B)	188,982	173,779
Receivables, net (Note C)	111,548	117,764
State grants receivable	24,372	1,402
Prepaid expenses	2,023	593
Materials and supplies, at average cost	13,422	13,950
Total current assets	378,589	334,585
Non-current assets:		
Capital assets, net of accumulated depreciation (Note E)	5,775,658	5,317,579
Investments restricted for capital construction (Note B)	219,201	79,056
Note receivable (Note F)	9,668	9,639
Federal and State grants receivable	8,172	29,956
Deferred charges and other assets (Note D)	3,349	2,730
Total non-current assets	6,016,048	5,438,960
Total assets	$6,394,637	$5,773,545
LIABILITIES		
Current liabilities:		
Bonds and notes payable, current maturities (Notes J and K)	$ 282,290	$ 281,662
Accounts payable and accrued expenses	184,237	140,196
Accrued bond and note interest payable	14,630	12,417
Deposits and deferred credits	2,065	2,063
Total current liabilities	483,222	436,338
Non-current liabilities:		
Bonds and notes payable, net of current maturities (Notes J and K)	1,722,992	1,356,591
Long-term pension liability (Note L)	42,917	39,641
Other postemployment benefits liability (Note M)	36,756	35,688
Deposits, deferred credits and other long-term liabilities (Note I)	28,887	29,857
Total non-current liabilities	1,831,552	1,461,777
Total liabilities	2,314,774	1,898,115
NET POSITION		
Net investment in capital assets	3,989,577	3,758,382
Restricted for growth construction	42,467	61,045
Unrestricted	47,819	56,003
Total net position	4,079,863	3,875,430
Total liabilities and net position	$6,394,637	$5,773,545

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

WASHINGTON SUBURBAN SANITARY COMMISSION
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012
(in thousands)

	2013	2012
OPERATING REVENUES:		
Water consumption, sewer use and service charges	$ 523,542	$ 504,514
Front foot benefit assessments	38,076	44,573
House connection charges	9,250	9,809
Other	27,025	24,696
Total operating revenues	597,893	583,592
OPERATING EXPENSES:		
Operations	91,081	89,459
Maintenance	143,786	129,438
Intermunicipal agency sewage disposal	53,372	54,445
Administrative and general	72,348	67,670
Depreciation and amortization	127,315	118,413
Total operating expenses	487,902	459,425
Net operating revenues	109,991	124,167
NON-OPERATING REVENUES (EXPENSES):		
Interest on bonds and notes payable	(57,447)	(53,055)
Capitalized interest	22,662	23,572
Interest income on investments	466	368
Other interest income	2,465	2,923
Net non-operating expenses	(31,854)	(26,192)
Income before capital contributions	78,137	97,975
Capital contributions (Note G)	126,296	103,459
Changes in net position	204,433	201,434
Net position, beginning of the year	3,875,430	3,673,996
Net position, end of year	$4,079,863	$3,875,430

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, 2013 AND 2012
(in thousands)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from water and sewer customers	$ 526,916	$ 500,670
Receipts from front foot benefit assessments	41,957	47,112
Receipts from house connection charges	8,628	9,159
Receipts from other customers and miscellaneous	61,161	42,796
Payments to employees	(145,019)	(136,915)
Payments to District of Columbia Water & Sewer Authority	(42,902)	(45,138)
Payments to suppliers and others	(172,872)	(150,026)
Net cash provided by operating activities	277,869	267,658
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from bonds and notes	590,741	300,435
Capital contributions	125,158	73,933
Bond redemptions and note repayments	(269,883)	(166,044)
Interest payments, premiums and discounts on bonds and notes	(9,410)	(30,622)
Capital asset construction	(548,448)	(449,362)
Net cash used in capital and related financing activities	(111,842)	(271,660)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of investments	846,413	706,760
Purchases of investments	(1,001,725)	(703,957)
Interest income received	430	442
Net cash (used in) provided by investing activities	(154,882)	3,245
Net increase (decrease) in cash	11,145	(757)
Cash, beginning of year	27,097	27,854
Cash, end of year	$ 38,242	$ 27,097
Reconciliation of net operating revenues to net cash provided by operating activities:		
Net operating revenue	$ 109,991	$ 124,167
Adjustments to reconcile net operating revenue to net cash provided by operating activities:		
Depreciation and amortization	137,171	128,714
Changes in assets and liabilities:		
Receivables, net	6,643	(261)
Materials and supplies	528	(1,926)
Deferred charges and other assets	(63)	135
Accounts payable and accrued liabilities	21,191	12,366
Deferred credits	(1,045)	(710)
Long-term pension liability	2,604	2,005
Long-term OPEB liability	849	3,168
Net cash provided by operating activities	$ 277,869	$ 267,658

Noncash capital financing activities:
Capital assets of $21,540 and $28,430 were acquired through contributions from developers in 2013 and 2012, respectively.

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

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.

Estimated intermunicipal agency sewage disposal expenses are paid quarterly. Adjustments resulting from audits and/or reconciliations of WSSC's share of estimated and actual expenses are recognized in the year of settlement.

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.

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 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.

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.

WSSC follows Governmental Accounting Standards Board Statement 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 Statements of Revenues, Expenses and Changes in Net Position).

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 46 and 49 years in fiscal 2013 and 2012, respectively.

Inventory

Materials and supplies inventory is recorded at weighted average cost and is reduced for estimated losses due to obsolescence.

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 K).

Annual Leave

Employees earn annual leave based on length of service. Accumulated annual leave in excess of 360 hours at the end of each year is transferred to sick leave. At termination, employees will be paid for unused annual leave but will not receive any pay or time off for unused sick leave. At retirement, an employee may convert unused annual leave to sick leave. Unused sick leave at retirement may be credited to an employee's total service time for retirement benefit purposes. Annual leave earned but unused is accrued as a liability.

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.

Reclassifications

The 2012 financial statements reflect certain reclassifications to conform with the 2013 presentation.

Net Position

Net position restricted for particular purposes and invested in capital assets are presented separately on the balance sheets.

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

Net position associated with unspent bond proceeds are restricted for capital projects. As of June 30, 2013 and 2012, unspent bond proceeds totaled $219,201,000, and $79,056,000, respectively. However, cash and investments, net of the related debt, resulted in a zero net position balance.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Guidelines

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

Accounting Changes

GASB has issued Statement No. 62, *Codification of Pre-November 30, 1989 FASB Pronouncements.* This statement combines the authoritative accounting and financial reporting of the FASB and the American Institute of Certified Public Accountants ("AICPA"). The statement eliminates the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments. The statement became effective for periods beginning after December 15, 2011 and did not have a significant impact on WSSC's financial statements for 2013 and 2012.

GASB has issued Statement No. 63*, Financial Reporting of Deferred Outflow of Resources, Deferred Inflow of Resources, and Net Position*. The requirement of this statement standardizes the presentation of deferred inflows and outflows of resources, and their effects on a government's net position. This statement became effective for periods beginning after December 15, 2011. The implementation of this statement to WSSC is limiting to renaming of "Net Assets" to "Net Position".

GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The statement is effective for periods beginning after December 15, 2012. WSSC is evaluating the impact of this standard on the financial statements.

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The primary objective of this statement is to improve accounting and financial reporting by state and local government employers about financial support for pensions that is provided by other entities. This statement is effective for periods beginning after June 15, 2014. WSSC is evaluating the impact of this standard on the financial statements.

B. CASH AND INVESTMENTS

At June 30, 2013 and 2012, cash per WSSC's records amounted to $38,242,000 and $27,097,000 respectively, and per reported bank balances was $55,576,000 and $47,898,000 respectively. All collected bank balance funds were secured by Federal depository insurance or by collateral held in WSSC's name under a tri-party collateral agreement with M&T and BNY Mellon.

B. CASH AND INVESTMENTS (continued)

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 below. 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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage Of Portfolio	Maximum Investment In One Issuer
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 have a market value of at least 102 percent of the principal of the investment plus accrued interest. At June 30, 2013 and 2012, 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, 2013 and 2012, 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, 2013 and 2012 are presented below for each investment type.

WSSC investments are recorded at amortized cost. Recorded amounts approximate fair value.

B. CASH AND INVESTMENTS (continued)

Investments at June 30, 2013 (in thousands):

Investment Type	Credit Rating	Remaining Maturity	Cost	Fair Value
Repurchase agreements	Aaa	1 year or less	$ 8,231	$ 8,231
Federal agency securities	Aaa	1 year or less	399,952	400,045
Total investments (includes $219,201 restricted for capital projects, classified as non-current)			$408,183	$408,276

Investments at June 30, 2012 (in thousands):

Investment Type	Credit Rating	Remaining Maturity	Cost	Fair Value
Repurchase agreements	Aaa	1 year or less	$ 12,861	$ 12,861
Federal agency securities	Aaa	1 year or less	239,974	240,030
Total investments (includes $79,056 restricted for capital projects, classified as non-current)			$252,835	$252,891

On August 5, 2011, Standard & Poor's downgraded the U.S. government's credit rating to AA+ and issued a negative outlook. Moody's Investor Services and Fitch Ratings maintained their respective Aaa and AAA ratings, but changed the outlook to negative on June 2, 2011 and November 28, 2011, respectively. Standard & Poor's, Fitch and Moody's Investor Services revised the credit rating outlook for the U.S. government from negative to stable on June 10, 2013, June 28, 2013 and July 18, 2013, respectively.

WSSC records 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.

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:

Issuer	Investment Type	Reported Amount at June 30, 2013 (in thousands)
FNMA	Federal agency securities	$ 129,976
FHLB	Federal agency securities	129,987
FHLMC	Federal agency securities	139,989

Issuer	Investment Type	Reported Amount at June 30, 2012 (in thousands)
FNMA	Federal agency securities	$ 89,999
FHLB	Federal agency securities	84,983
FHLMC	Federal agency securities	64,992

C. RECEIVABLES

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

	2013	2012
Front foot benefit assessments accrued and billed	$ 21,609	$ 25,810
Water and sewer services unbilled	46,927	48,945
Water and sewer services billed	40,468	42,540
Services billed to others and miscellaneous	10,017	8,693
	119,021	125,988
Less allowance for doubtful accounts	(7,473)	(8,224)
Total receivables, net	$111,548	$117,764

D. DEFERRED CHARGES AND OTHER ASSETS

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

	2013	2012
Unamortized bond issuance costs	$ 3,349	$ 2,730
Total	$ 3,349	$ 2,730

E. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and rights of way	$ 78,013	$ —	$ —	$ 78,013
Construction in progress	1,090,859	563,468	(416,998)	1,237,329
Total capital assets not being depreciated	1,168,872	563,468	(416,998)	1,315,342
Capital assets being depreciated:				
Water supply	1,649,484	213,749	(37)	1,863,196
Sewage disposal	2,298,008	192,530	(2)	2,490,536
General construction	2,379,767	32,079	(940)	2,410,906
Intangible assets	50,175	184	—	50,359
Other	115,755	10,204	(4,412)	121,547
Total capital assets being depreciated	6,493,189	448,746	(5,391)	6,936,544
Less accumulated depreciation for:				
Water supply	(534,337)	(32,837)	37	(567,137)
Sewage disposal	(730,026)	(48,861)	2	(778,885)
General construction	(987,009)	(44,671)	703	(1,030,977)
Intangible assets	(10,268)	(999)	—	(11,267)
Other	(82,842)	(9,516)	4,396	(87,962)
Total accumulated depreciation	(2,344,482)	(136,884)	5,138	(2,476,228)
Capital assets being depreciated, net	4,148,707	311,862	(253)	4,460,316
Total capital assets, net	$5,317,579	$ 875,330	$(417,251)	$5,775,658

E. CAPITAL ASSETS (continued)

Capital asset activity for the year ended June 30, 2012 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land and rights of way	$ 78,013	$ —	$ —	$ 78,013
Construction in progress	1,137,750	426,814	(473,705)	1,090,859
Total capital assets not being depreciated	1,215,763	426,814	(473,705)	1,168,872
Capital assets being depreciated:				
Water supply	1,554,810	94,763	(89)	1,649,484
Sewage disposal	1,904,861	393,206	(59)	2,298,008
General construction	2,342,756	38,071	(1,060)	2,379,767
Intangible assets	49,433	742	—	50,175
Other	113,827	8,538	(6,610)	115,755
Total capital assets being depreciated	5,965,687	535,320	(7,818)	6,493,189
Less accumulated depreciation for:				
Water supply	(504,374)	(30,003)	40	(534,337)
Sewage disposal	(686,743)	(43,289)	6	(730,026)
General construction	(943,421)	(44,174)	586	(987,009)
Intangible assets	(9,361)	(907)	—	(10,268)
Other	(79,749)	(9,703)	6,610	(82,842)
Total accumulated depreciation	(2,223,648)	(128,076)	7,242	(2,344,482)
Capital assets being depreciated, net	3,742,039	407,244	(576)	4,148,707
Total capital assets, net	$4,957,802	$ 834,058	$(474,281)	$5,317,579

Purchased software and related development stage costs of $1.5 million and $0.5 million were capitalized in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* in fiscal years 2013 and 2012, respectively. Costs of $2.3 million are included in the Construction in Progress balance as of June 30, 2013 and will commence amortization upon implementation of the software. Intangible assets include the balance of costs placed in service, net of accumulated amortization, of $1.4 million and $1.7 million in fiscal 2013 and 2012, respectively.

An intangible asset for purchased capacity has been established for WSSC’s share of capital costs in the Jennings Randolph Reservoir (Bloomington Dam). The Reservoir provides backup and peak-day water supply to WSSC and is operated by the U.S. Army Corps of Engineers, Baltimore District. WSSC funds 50% of the capital costs, and intangible asset balances of $28.4 million and $28.6 million, for fiscal years 2013 and 2012, respectively, are included above.

In addition, WSSC participates in the funding of capital costs for the Mattawoman and Poolesville Wastewater Treatment Plants through agreements with Charles County and the Town of Poolesville, respectively. In exchange for this participation, WSSC obtains the right to discharge wastewater from the Washington Suburban Sanitary District into said facilities. Asset balances, net of accumulated amortization, totaling $9.3 million and $9.6 million, for fiscal years 2013 and 2012, respectively, are included in intangible assets above.

F. NOTE RECEIVABLE

On April 4, 2007, WSSC entered into a Purchase and Sale Contract with Montgomery County for the County's purchase of WSSC's property which previously was the site of a biosolids composting facility. On January 15, 2009, the closing date of the sale, WSSC received a promissory note in the amount of $10,000,000 from Montgomery County.

Interest accrues at a rate of 4.43%, commencing six months after the execution of the promissory note. Under the provisions of the promissory note, the minimum annual payment by Montgomery County is $400,000 and is due on July 15, 2009 and annually thereafter. Payments shall be allocated first to interest, then to principal. At June 30, 2013 and 2012, the balance of this Note Receivable was $9.7 million and $9.6 million, respectively.

As Montgomery County develops the property, additional payments become due when a 'Payment Event' occurs. A 'Payment Event' is defined as a sale or ground lease of a parcel or the commencement of initial construction on a parcel. The additional payment shall be applied to the minimum annual payment amount. Montgomery County is obligated to pay additional payments for amounts in excess of the minimum annual payment.

The principal portion of additional payments shall be at least determined based upon the ratio of the developable square feet (DSF) of the sold or developed parcel to the sum of the DSF of the sold or developed parcel plus the total DSF of the unsold parcels. Interest shall be the outstanding unpaid interest accrued as of the date of the applicable Payment Event.

The promissory note matures upon the earlier of January 15, 2024, (fifteenth anniversary of the date of the note) or the date for the Payment Event for the last parcel for which an additional payment is due.

G. CAPITAL CONTRIBUTIONS

Capital contributions consisted of the following for the years ended June 30 (in thousands):

	2013	2012
System development charges	$ 25,056	$ 21,049
Developer fees	3,589	3,289
Federal and State grants	76,111	50,691
House connections	2,721	3,668
Other construction projects	18,819	24,762
Total	$ 126,296	$ 103,459

H. COMPENSATED ABSENCE LIABILITY

Compensated absence liability activity consisted of the following for the years ended June 30 (in thousands):

	2013	2012
Compensated absence liability – beginning of year	$ 10,817	$ 10,812
Increases (incurred)	8,719	8,270
Decreases	(8,687)	(8,265)
Compensated absence liability – end of year	$ 10,849	$ 10,817

This liability is included in accounts payable and accrued expenses on the balance sheet.

I. 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):

	2013	2012
Deferred revenue for house connections	$ 19,555	$ 20,294
Deferred front foot benefit revenue	1,501	1,829
Other deferred revenue	479	—
Construction deposits	1,480	1,881
House connection deposits	3,760	3,971
Other	2,112	1,882
Total	$ 28,887	$ 29,857

J. BONDS AND NOTES PAYABLE

Bonds and notes payable activity for the year ended June 30, 2013 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current Maturities
Bonds and notes payable:					
Water supply	$ 592,684	$176,785	$ (84,281)	$ 685,188	$ 105,045
Sewage disposal	648,601	350,980	(86,615)	912,966	114,358
General construction	344,713	62,974	(98,985)	308,702	62,887
	1,585,998	590,739	(269,881)	1,906,856	282,290
Plus deferred amount	52,255	53,722	(7,551)	98,426	—
Total bonds and notes payable	$1,638,253	$644,461	$(277,432)	$2,005,282	$ 282,290

Bonds and notes payable activity for the year ended June 30, 2012 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance	Current Maturities
Bonds and notes payable:					
Water supply	$ 554,676	$ 95,000	$ (56,992)	$ 592,684	$ 104,701
Sewage disposal	521,696	185,435	(58,530)	648,601	109,710
General construction	375,233	20,000	(50,520)	344,713	67,251
	1,451,605	300,435	(166,042)	1,585,998	281,662
Plus deferred amount	32,357	25,231	(5,333)	52,255	—
Total bonds and notes payable	$1,483,962	$325,666	$(171,375)	$1,638,253	$ 281,662

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

Bonds payable accrue interest at rates ranging from 0.8% to 6.0%, with an effective interest rate of 3.92% at June 30, 2013. All bonds payable at June 30, 2013, exclusive of refunded bonds, are due serially through the year 2037. Generally, the bonds are callable at a premium after a specified number of years.

J. BONDS AND NOTES PAYABLE (continued)

In November 2012 and April 2013, WSSC issued $250 million and $150 million, respectively, of Consolidated Public Improvement Bonds to fund new construction on rehabilitation and replacement of water and sewer mains. WSSC issued $300 million of Consolidated Public Improvement Bonds in November 2011 to fund new construction.

In September 2010, WSSC issued $240 million of Consolidated Public Improvement Bonds in two series; $120 million in Tax-Exempt Bonds, Series 2010A and $120 million in Taxable Build America Bonds - Direct Payment to the Issuer, Series 2010B. The American Recovery and Reinvestment Act of 2009 created the Build America Bonds program. This program is intended to assist state and local municipalities in issuing debt. One provision of the program is for issuance of taxable Build America Bonds to finance capital expenditures while providing a federal subsidy of 35% of the interest payment to the issuer. Due to government sequestration enacted in March 2013, the June 1, 2013 subsidy was reduced by 8.7%. The subsidy is payable over the life of the issue, and in the schedule below it is assumed that the remainder of subsidy payments will be made at the original 35%.

Bond and note maturities and interest thereon, including Taxable Build America Bond subsidies, for the next five years are as follows (in thousands):

Year ended June 30	Principal Maturities	Interest Requirements	Build America Bond Subsidies
2014	$282,290	$ 70,513	$ (3,279)
2015	131,863	64,422	(3,279)
2016	128,901	58,286	(3,279)
2017	125,385	54,486	(3,279)
2018	123,418	48,515	(3,279)

Bond and note maturities and interest thereon, including Taxable Build America Bond subsidies, in five-year increments for fiscal years after 2018 are as follows (in thousands):

Year ended June 30	Principal Maturities	Interest Requirements	Build America Bond Subsidies
2019-2023	$ 542,487	$ 163,893	$(15,112)
2024-2028	398,001	72,012	(7,972)
2029-2033	165,522	13,602	(766)
2034-2038	4,869	1,131	—
2039-2043	4,121	340	—

Bond Anticipation Notes (the Notes) are remarketed weekly by WSSC's remarketing agent at prevailing weekly tax-exempt interest rates. Interest rates on the Notes ranged from 0.07% to 0.26% during fiscal 2013, and from 0.11% to 0.34% during fiscal 2012. 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 a bank line of credit agreement which acts as a guarantee of liquidity for the Notes in the event that the Notes cannot be remarketed. WSSC did not issue any Bond Anticipation Notes in 2013. The maximum amount available under the line of credit, which expires in June 2015 and is subject to certain conditions is $215 million.

At June 30, 2013 and 2012, $130.1 million and $149.5 million respectively, of the Notes were outstanding. WSSC expects to redeem these Notes with proceeds of future bond issues or annual amortization. The Commission redeemed $19.4 million in Notes on June 1, 2013 as part of the water, sewer and general debt service 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 $130.1 million has been included in current maturities (fiscal 2014 principal maturities), and an estimated $4.5 million has been included in the fiscal 2014 interest requirements. Additional estimated interest requirements at prevailing rates through 2028 on these Notes, assuming future redemption from proceeds of bonds, would total $37.3 million.

J. BONDS AND NOTES PAYABLE (continued)

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.

Since November 1989, WSSC has participated in a loan program established by the State of Maryland to loan money to Maryland municipalities for local water and sewer projects. The program, known as the Maryland Water Quality Revolving Loan Fund, is designed to offer these municipalities loans at reduced interest rates. As of June 30, 2013, WSSC borrowed $238.0 million from the program. The total principal balance outstanding as of June 30, 2013 and 2012 was $146.6 million and $64.2 million, respectively.

Proceeds of notes payable to the Federal government were used to make improvements to the Jennings Randolph Reservoir for backup and peak-day water supply. The note payable accrues interest at 3.25% and balances outstanding at June 30, 2013 and 2013 were $23.9 million and $24.5 million, respectively.

WSSC is in compliance with all terms of its debt agreements at June 30, 2013 and 2012.

K. BOND REFUNDINGS

In April 2013, WSSC sold $101,560,000 of refunding bonds with interest rates ranging from 2.00% to 5.00% to advance refund $105,820,000 of outstanding callable water supply, sewage disposal and general construction bonds with interest rates ranging from 4.00% to 5.00%. The net proceeds of $111,394,000 (including a premium of $10,217,000 and payment of $130,000 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 April 2013 refunding will reduce WSSC's total debt service payments over the next 19 years by $9,186,000 and provide an economic gain of $8,492,000.

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

No bonds were refunded in fiscal year 2012.

In prior years, WSSC sold refunding bonds totalling $3,324,185,000 for the purpose of refunding and defeasing $3,200,025,000 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 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 2029 using the proportionate-to-stated interest method. Amortization totaling $2,683,000 and $3,502,000 in fiscal 2013 and 2012, respectively, was recorded as interest on bonds and notes payable in the accompanying statements of revenues, expenses and changes in net position.

K. BOND REFUNDINGS (continued)

Details of the current and prior years' refunding are shown in the table below (in thousands):

Date of Refunding	Amount of Refunded Bonds	Remaining Term at Refunding Date	Amount of Refunding Bonds	Estimated Interest Savings	Extraordinary Loss Previously Recognized	Deferred Loss
04-09-13	$105,820	19 years	$ 101,560	$ 4,926	$ -	$ 4,098
11-25-09	79,730	20 years	83,965	5,622	-	4,467
10-15-06	80,360	19 years	82,285	5,544	-	1,989
03-15-04	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)
15-15-97	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, 2013 and 2012, which amounted to $129,730,000 and $79,730,000, respectively, are considered to be defeased and are not reflected in the accompanying financial statements.

L. 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 materially significant 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.

L. RETIREMENT PLAN (continued)

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, 2012 are as follows:

Actuarial method	Frozen initial liability modification of the entry age normal method.
Rate of return on investments	8.0%
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	Retirement Plan – 2000 Healthy Annuitant tables for non-disability pensioners. Group Annuity – 1983 tables assumed forward ten years for disability retirement pensioners.
Retirement age assumptions	Ranging from age 45 to 69

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 \$110,955,000, and the total actual payroll was \$110,671,000. The significant actuarial assumptions used to compute the actuarially determined contribution requirement are the same as those previously described.

L. RETIREMENT PLAN (continued)

WSSC's annual pension cost and long-term pension liability for fiscal years 2013 and 2012 were (in thousands):

	2013	2012
Annual required contribution	$19,097	$17,820
Interest on long-term pension liability	3,179	2,937
Annual pension cost	22,276	20,757
Contributions made	(19,000)	(18,221)
Increase in long-term pension liability	3,276	2,536
Long-term pension liability – beginning of year	39,641	37,105
Long-term pension liability – end of year	$42,917	$39,641

The difference between the amount contributed and the amount charged to operating expenses and capital assets is recorded as a change to the long-term pension liability. The annual required contribution for the current year was determined as part of the most recent 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, 2012 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 2013 and 2012, the Restoration Plan paid benefits totaling $36,000 and $61,000 respectively.

M. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

WSSC provides healthcare, prescription drug, dental and life insurance benefits to retirees and their dependents, and pays a portion of the related costs. All full time active employees who retire or are disabled directly from WSSC and meet the eligibility criteria can participate. The Washington Suburban Sanitary Commission Other Postemployment Benefits Trust (the "Trust") is a single-employer contributory fund established in 2007 to provide life insurance and medical benefits for the Retiree Plan participants and beneficiaries of WSSC under conditions set forth by the Trust Agreement. The provision of postemployment benefits is determined under a set of personnel policies (herein referred to, collectively, as the "Plan").

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 2013, substantially all of WSSC's retired employees (or beneficiaries) are eligible for those benefits. WSSC contributes up to 78% of the amount of health care insurance costs for eligible retired employees and their families.

M. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Employees who retired in 1982 and after are eligible for 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.

Funding Policy

The required contribution is based on projected pay-as-you-go obligations, with an additional amount to prefund benefits as determined annually by WSSC. For fiscal year 2013, WSSC contributed $19.1 million to the Trust, including $11.1 million for current claims and/or premiums (approximately 58 percent of total claims and/or premiums) and an additional $8.0 million to fund benefits. Retirees receiving benefits contributed $3.5 million or approximately 24% of the total claims and/or premiums, through their required contributions.

Annual OPEB Cost and Net OPEB Obligation

WSSC's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over thirty years, beginning with the year that the phase-in funding ends.

The long-term OPEB liability is estimated based on existing WSSC policies regarding retiree healthcare benefits. This level of coverage is not guaranteed in the future. The obligation will be periodically re-evaluated.

WSSC's annual OPEB cost and long-term liability for fiscal years 2013 and 2012 were (in thousands):

	2013	2012
Annual required contribution	$17,452	$17,820
Interest on long-term OPEB liability	2,676	2,361
Adjustment to annual required contribution	—	(197)
Annual OPEB cost	20,128	19,984
Phase-in funding	(8,000)	(7,000)
Benefits paid	(11,060)	(8,978)
Increase in long-term OPEB liability	1,068	4,006
Long-term OPEB liability – beginning of year	35,688	31,682
Long-term OPEB liability – end of year	$36,756	$35,688

WSSC's annual OPEB cost, the percentage of annual OPEB cost contributed and the long-term OPEB liability for fiscal years 2013 and 2012 were (in thousands):

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Long-term OPEB Liability
6/30/2013	$20,128	94.7%	$36,756
6/30/2012	19,984	80.0%	35,688

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 10.3% funded. The actuarial accrued liability for benefits at June 30, 2011 was $205.9 million, and with assets of $21.3 million, the resulting unfunded actuarial liability (UAAL) was $184.6 million. The covered payroll (annual payroll of active employees covered by the OPEB Plan) was $113.6 million, and the ratio of the UAAL to the covered payroll was 162.5%. Subsequent to the date of the valuation, additional contributions and investment gains have brought the market value of the assets held in the OPEB Trust to $41.3 million as of June 30, 2013.

M. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Trust and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress is presented as required supplementary information following the notes to the financial statements in Schedule B. This schedule presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the last valuation, WSSC had 1,358 retired employees and 1,506 active employees who participated in health plans, excluding spouses and dependents. Life insurance plan participation is 1,200 and 1,506, respectively for retirees and active employees. The average age is 67.5 and 47.0 respectively for retirees and active employees.

Actuarial assumptions used in the most recent valuation, as of June 30, 2012, are as follows:

Actuarial cost method	Projected unit credit cost method.
Discount rate	7.5%
Yearly increase in medical/prescription costs	Medical claims and retiree premiums will increase at an annual trend rate of 9.0% pre-65 and 7.0% post-65 for 2013, grading down to an ultimate rate of 5.5% in 2021 for pre-65 and 5.5% in 2018 for post-65.
Mortality rates after retirement	Retirement Plan–2000 Combined Health Mortality Table for non-disability retirees; 1983 Group Annuity Mortality Table (Corrected) set forward 10 years for Males/Females for disability retirees.
Retirement age assumptions	Ranging from 50 to 69
Coverage	100% of current retirees are covered and 100% of current active employees will elect coverage at least two years prior to retirement age under the medical and life insurance plans.
Amortization method	30 year amortization of the unfunded Actuarial Accrued Liability as a level dollar.

N. 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.

O. COMMITMENTS AND CONTINGENCIES

Construction expenditures for fiscal 2014 are not expected to exceed $755 million, a portion of which will be funded by capital contributions. Commitments in connection with this construction program approximated $142 million at June 30, 2013.

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

WSSC administers several federal and state grants. The grant funds expended are subject to compliance audits by the grantors.

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 was approved by the U.S. District Court with an official start date of December 7, 2005. Costs of these remedial measures are estimated at $1,735 million and are to be expended over 12 years, $1,272 million of which is expected to be incurred after fiscal year 2013. The costs are included in WSSC's budget and capital improvements program. WSSC also agreed to pay civil penalties totaling $1.1 million. These costs were accrued in fiscal 2005, and paid in fiscal 2006.

WSSC is involved in judicial 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 General Counsel that resolution of all claims outstanding will not have a material adverse effect on the financial position or changes in net position of WSSC.

O. COMMITMENTS AND CONTINGENCIES (continued)

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.

General liability and workers' compensation claim activity consisted of the following at June 30 (in thousands):

	2013	2012
Claim liability - beginning of year	$18,964	$18,516
Current year claims and changes in estimates	5,354	5,157
Claim payments	(5,887)	(4,709)
Claim liability - end of year	$18,431	$18,964

This liability is included in accounts payable and accrued expenses on the balance sheet.

During fiscal 2013 and 2012, WSSC leased a variety of equipment with annual rental payments of approximately $549,000 and $538,000, respectively. There are no annual commitments under long-term non-cancelable operating leases as of June 30, 2013.

P. RESTATEMENT

WSSC identified and recorded corrections to the financial statements in the current fiscal year. Prior year balances were restated which resulted in a net $3.1 million decrease in net position as of June 30, 2011. A summary of the transactions and the impact of the restatements are illustrated below:

(1) WSSC participates in a long-term agreement to share operating and construction costs of the Jennings Randolph Reservoir (Bloomington Dam), which provides backup and peak-day water supply to the Commission. Historically, payments have been recorded as operating expenses, a portion of which should have been a reduction in debt.
(2) A unit cost component utilized in the valuation of developer-donated pipe was corrected.
(3) WSSC pays for its equitable share, based on wastewater treatment capacity, of capital costs under the Blue Plains Intermunicipal Agreement of 1985. In turn, the City of Rockville purchases a portion of WSSC's capacity under separate agreements. Upon review, WSSC elected to apply an accounting treatment that is consistent with the City of Rockville's handling of this transaction.

	Fiscal 2011 as previously reported	As of July 1, 2010	As of June 30, 2011	Fiscal 2011 Restated
Current and other assets	$ 428,474	$ —	$ —	$ 428,474
Capital assets, net of accumulated depreciation	4,936,438	11,829	$ 9,535	4,957,802
Total assets	5,364,912	11,829	9,535	5,386,276
Current and other liabilities	529,297	—	—	529,297
Bonds and notes payable, net of current maturities	1,158,526	24,986	(530)	1,182,982
Total liabilities	1,687,823	24,986	(530)	1,712,280
Net position				
Net investment in capital assets	3,566,466	(13,670)	10,048	3,562,844
Restricted for growth construction	90,607	—	—	90,607
Unrestricted	20,016	512	17	20,545
Total liabilities and net position	$3,677,089	$(13,158)	$10,065	$3,673,996
Operating revenues	$ 564,587		$ —	$ 564,587
Operating expenses	(450,651)		998	(449,653)
Non-operating revenues (expenses)	(10,650)		(813)	(11,463)
Income before capital contributions	103,286		185	103,471
Capital contributions	36,861		9,880	46,741
Change in net position	$ 140,147		$10,065	$ 150,212

Q. SUBSEQUENT EVENTS

The WSSC has evaluated events subsequent to June 30, 2013 and through August 30, 2013, the date the financial statements were available to be issued, and determined there have not been any events that have occurred that would require adjustments to the financial statements.

SCHEDULE A

WASHINGTON SUBURBAN SANITARY COMMISSION
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF HISTORICAL OTHER PENSION INFORMATION
Unaudited
(In thousands)

Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2009	$619,402	$655,825	$36,423	94.4%	$108,583	33.5%
2010	672,657	701,999	29,342	95.8	110,029	26.7
2011	673,242	710,347	37,104	94.8	110,955	33.4

Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Long-Term Pension Liability
2011	$24,520	68%	$37,105
2012	20,757	88	39,641
2013	22,276	85	42,917

See independent auditors' report.

SCHEDULE B

WASHINGTON SUBURBAN SANITARY COMMISSION
REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF HISTORICAL OTHER POSTEMPLOYMENT BENEFITS (OPEB) INFORMATION
Unaudited
(In thousands)

Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
2009	$ 5,071	$208,729	$203,658	2.43%	$109,377	186.2%
2010	11,308	213,159	201,851	5.31	111,929	180.3
2011	21,296	205,941	184,645	10.34	113,634	162.5

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage of OPEB Contributed	Long-term OPEB Liability
2011	$21,297	69.2%	$36,182
2012	19,984	80.0	35,688
2013	20,128	94.7	36,756

See independent auditors’ report.

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. ***The Commission has not undertaken to audit, authenticate or otherwise verify the information regarding Montgomery County set forth in this Appendix B. The Commission makes no guaranty, warranty or other representation respecting the accuracy and completeness of such information. The Commission is not in a position to, and will not, undertake to update any information set forth herein regarding Montgomery County.***

Montgomery County is located adjacent to the nation's capital, Washington, D.C., and includes 496 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 Montgomery County near Damascus. Bordering Montgomery 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 Montgomery 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 Montgomery 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 Montgomery County, according to the 2010 Census, was 971,777, an increase of 10.6 percent since the 2000 Census. The Metropolitan Washington Council of Governments' (MWCOG) estimates a population of over 1 million by 2015.

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Households and Population

	Households	Population	Population Percent Change from Prior Census
2015 (est.)…………………	375,900	1,016,900	4.6%
2012 ………………………	361,116	1,004,709	1.8
2011 ………………………	359,496	991,645	1.9
2010 (U.S. Census) ………	357,086	971,777	10.6
2009 ………………………	345,301	959,013	9.1
2008 ………………………	341,812	942,748	7.3
2007 ………………………	343,540	931,694	6.0
2006 ………………………	341,438	926,492	5.4
2005 ………………………	339,628	921,531	4.9
2004 ………………………	337,838	914,991	4.1
2003 ………………………	336,613	910,498	3.6
2002 ………………………	334,500	903,140	2.8
2001 ………………………	329,000	891,764	1.5
2000 (U.S. Census) ………	324,565	878,683	15.7
1990 (U.S. Census) ………	283,400	759,600	31.2
1980 (U.S. Census) ………	207,195	579,053	--

Note: Data for total population from 2001 to 2012 from the Census Bureau, U.S. Department of Commerce and population estimate for 2015 from Metropolitan Washington Council of Government (MWCOG), Round 8.2. Data for households for 2001 and 2002 are from *Sales and Marketing Management* issues of the "Survey of Buying Power." Data for households from 2003 to 2012 are from the Census Bureau and in 2015, are from MWCOG (Round 8.2).

Median Age

	1950	1960	1970	1980	1990	2000	2010
Median Age……	29.5	28.1	27.9	32.1	33.9	36.8	38.5

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

Employment

Montgomery County's economic structure reveals a diversified economy with a strong service sector. The total private sector (trade, information services, financial activities, professional services, education and health, and hospitality) employed 80.5 percent of the total workforce in 2012, the latest available annual data. The following tables present Montgomery County's employment by industrial sector.

Payroll Employment

	2000	2011	2012
TOTAL PRIVATE SECTOR………	365,022	361,688	362,899
PUBLIC SECTOR EMPLOYMENT:			
Federal……………………………	39,615	46,460	47,080
State………………………………	1,100	1,186	1,232
Local ……………………………	33,084	38,450	39,669
TOTAL PUBLIC SECTOR…………	73,799	86,096	87,981
GRAND TOTAL……………………	438,821	447,784	450,880

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

Payroll Employment Shares by Industry

.	2000	2011	2012
TOTAL PRIVATE SECTOR…………	83.2%	80.8%	80.5%
PUBLIC SECTOR EMPLOYMENT:			
Federal………………………………	9.0	10.4	10.4
State…………………………………	0.3	0.3	0.3
Local…………………………………	7.5	8.5	8.8
TOTAL PUBLIC SECTOR……………	16.8	19.2	19.5
GRAND TOTAL…………………………	100.0%	100.0%	100.0%

…

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

Note: 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 2011 and 2012 based on the new classification system which shows that the County had a slight overall percentage gain in employment in 2012.

Payroll Employment
(NAICS Series)*

	2011	2012	Difference	Percent Change
TOTAL PRIVATE SECTOR………	361,688	362,899	1,211	0.3%
GOODS-PRODUCING ……………	35,832	35,091	(741)	-2.1%
Natural Resources and Mining……	620	393	(227)	-36.6%
Construction………………………	23,425	23,263	(162)	-0.7%
Manufacturing……………………	11,787	11,435	(352)	-3.0%
SERVICE PROVIDING……………	325,856	327,802	1946	0.6%
Trade, Transportation, and Utilities	57,440	58,193	753	1.3%
Information………………………	12,634	12,232	(402)	-3.2%
Financial Activities ………………	30,474	30,586	112	0.4%
Professional and Business Services	101,751	99,317	(2,434)	-2.4%
Education and Health Services……	64,234	65,780	1,546	2.4%
Leisure and Hospitality……………	37,523	39,115	1,592	4.2%
Other Services ……………………	21,800	22,579	779	3.6%
UNCLASSIFIED	0	0	0	--
PUBLIC SECTOR EMPLOYMENT	83,096	87,981	1,885	2.2%
Federal Government………………	46,460	47,080	620	1.3%
State Government…………………	1,186	1,232	46	3.9%
Local Government…………………	38,450	39,669	1,219	3.2%
GRAND TOTAL …………………	447,784	450,880	3,096	0.7%

* North American Industrial Classification System.

During calendar year 2012 Montgomery County's unemployment rate averaged 5.1 percent. The following table presents the County's labor force, employment and unemployment for the calendar years 2000 through 2013.

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Montgomery County's Resident Labor Force
Employment & Unemployment

	Labor Force	Employment	Unemployment	Unemployment
2013* …	538,288	510,657	27,631	5.1%
2012**…	534,178	506,730	27,448	5.1%
2011**…	529,997	501,697	28,300	5.3%
2010**…	525,384	494,889	30,495	5.8%
2009**…	522,875	493,501	29,374	5.6%
2008**…	519,330	502,802	16,528	3.2%
2007 …	512,934	499,536	13,398	2.6%
2006 …	518,142	503,476	14,666	2.8%
2005 …	508,251	492,431	15,820	3.1%
2004 …	497,204	481,248	15,956	3.2%
2003 …	496,223	479,675	16,548	3.3%
2002 …	496,101	478,782	17,319	3.5%
2001 …	490,213	475,049	15,164	3.1%

Source: State of Maryland, Department of Labor, Licensing and Regulation (DLLR) and the Bureau of Labor Statistics (BLS).
* Based on the rate of change in the averages of the first ten months of 2012 and 2013.
** Data for 2008 through 2012 were revised by DLLR and BLS to incorporate intercensal population controls for 2000 and 2010.

Federal Government Employment

Montgomery County is home to 18 Federal agencies in which over 45,000 civilians are employed. The National Institutes of Health in Bethesda (part of the Department of Health and Human Services) is one of the nation's premier centers of medical research. The following is a partial list of Federal agencies in the County and their estimated employment in 2013.

Department of Health and Human Services (HHS) ………………	28,000
National Institutes of Health …………………………………	
Food and Drug Administration ………………………………	
Department of Defense …………………………………………	13,000
Walter Reed National Military Center…………………………	
Carderock Naval Surface Warfare Center ……………………	
U.S. Army Research Laboratory ………………………………	
Department of Commerce ………………………………………	5,500
National Oceanic & Atmospheric Administration……………	
National Institute of Standards & Technology ………………	
Nuclear Regulatory Commission…………………………………	2,700
Department of Energy……………………………………………	1,800

Source: Maryland Department of Business & Economic Development.

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.

Name of Firm	Est. No. of Employees
Marriott International, Inc. (Headquarters)………………	5,200
Adventist Hospital ………………………………………	5,000
Lockheed Martin …………………………………………	4,700
Holy Cross Hospital………………………………………	3,000
Giant Food Corporation …………………………………	3,000
Kaiser Permanente of the Mid-Atlantic States …………	3,000
Verizon …………………………………………………	3,000
MedImmune/Astra Zeneca ………………………………	2,000
Government Employee Insurance Company (GEICO) …	2,000
Westat, Inc. ………………………………………………	2,000
SuburbanHospital ………………………………………	2,000
Henry M. Jackson Foundation……………………………	2,000
Target Corporation ………………………………………	1,500

Note: The employee numbers are from the Maryland Department of Business and Economic Development.

Personal Income

Actual personal income of County residents reached $73.6 billion in calendar year 2012 which is an increase over the 2011 amount of $71.7 billion. Montgomery County's total personal income experienced an increase of 2.6 percent in 2012, less than the nation's increase of 4.2 percent, and lower than the State's rate of 3.5 percent. Montgomery County's total personal income increase of 2.6 percent is less than the nine-year (2003-2011) annual average growth rate of 4.5 percent.

Montgomery County accounts for 23.2 percent of the State's personal income in 2012, which is a percentage that has ranged from a high of 23.8 percent in 2008 to a low of 23.2 percent.

Total Personal Income
($ millions)

Calendar Year	Montgomery County	Maryland	U.S.	Montgomery County as Percent of Maryland
2012………	$73,551	$316,682	$13,729,063	23.2%
2011………	71,716	306,011	13,179,561	23.4
2010………	67,991	289,653	12,423,332	23.5
2009………	65,965	282,152	12,073,738	23.4
2008………	67,379	283,053	12,429,284	23.8
2007………	64,472	272,901	11,990,244	23.6
2006………	62,252	261,067	11,376,460	23.8
2005………	57,950	245,063	10,605,645	23.6
2004………	54,232	232,067	10,043,284	23.4
2003………	50,322	215,982	9,479,611	23.2

Notes: Data for 2003 to 2012 from U.S. Department of Commerce, Bureau of Economic Analysis, revised September 30, 2013 (County, State, and U.S.).

Average Household and Per Capita Personal Income

According the Bureau of Economic Analysis, U.S. Department of Commerce, Montgomery County's total personal income reached $73.6 billion in calendar year 2012, up from $71.7 billion in 2011, while per capita income reached $73,206 in 2012, up from $72,320 in 2011. Average household income increased from $192,340 in 2011 to $203,677 in 2012.

Per Capita and Average Household Income, 2012

County	Per Capita Income	County	Average Household Income
Marin, CA	$93,407	Marin, CA	$233,520
Arlington, VA	83,242	Fairfield, CT	226,485
Fairfield, CT	81,068	Westchester, NY	218,162
Westchester. NY	77,153	Nassau, NY	216,133
Somerset, NJ	75,863	San Mateo, CA	212,985
San Mateo, CA	74,582	Somerset, NJ	212,778
Morris, NJ	74,057	Fairfax, VA	211,462
Douglas, CO	73,516	Douglas, CO	208,708
Montgomery, MD	**73,206**	Morris, NJ	205,033
Fairfax, VA	71,607	**Montgomery, MD**	**203,677**
Nassau, NY	70,761	Santa Clara, CA	199,181
Howard, MD	70,533	Howard, MD	196,173
Bergen, NJ	69,919	Arlington, MD	192,936
Norfolk, VA	68,619	Bergen, NJ	190,727
Montgomery, PA	68,057	Norfolk, VA	181,132
Santa Clara, CA	66,535	Montgomery, PA	178,180
Middlesex, CT	64,914	Chester, PA	174,940
Chester, PA	63,741	Contra Costa, CA	174,933
Contra Costa, CA	61,638	Middlesex, MA	171,337
Monmouth, NJ	61,426	Monmouth, NJ	163,506

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 200,000 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", November 21, 2013, for total personal income and per capita data; the Department of Finance used data from the Metropolitan Washington Council of Governments and the U.S. Department of Commerce, Bureau of the Census, *American Community Survey*, for the number of households in each county.

Property Tax Information

Montgomery 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 and small business owners only, with the semi-annual payments becoming delinquent after September 30 and December 31. 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 (SDAT). Assessment 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. One-third of the real property base is reassessed every three years. An increase in full cash value arising from such reassessment is phased in over the ensuing three tax years in equal annual amounts. A decline in assessed valuation becomes fully effective in the first year.

As the level of new construction was less than $1.5 billion per year between FY08 and FY10, less than $1.0 billion in FY11, less than $0.6 billion in FY12, and less than $1.5 billion in FY13, coupled with a decline in the valuation of properties, the real property taxable base decreased at an average annual rate of 2.9 percent, measured from FY11 to FY13, compared to the average annual growth rate of 7.5 percent the previous five-year period (from FY07 to FY11). Because of the dramatic decline in the reassessment rates in FY10, FY11, and FY12 and the reduction in the available Homestead Tax Credit (HSTC), real property taxable assessments grew 5.7 percent in FY10, grew 0.4 percent in FY11, then declined 3.3 percent in FY12 and 2.4 percent in FY13. Due to a decline in business investment in personal property between FY04 and FY13, attributed to an adjustment by the SDAT to assessments of individual personal property, the personal property base decreased at an average annual rate of 1.0 percent during the ten-year period (from FY04 to FY13).

Assessed Value of All Taxable Property by Class and Fiscal Year

Fiscal Year	Real Property	Personal Property	Total Assessed Value	Percent Change From Prior Year	Ratio of Assessment to Full Market Value
2013…	$158,272,830,848	$3,604,478,750	$161,877,309,598	-2.43%	93.05%
2012…	162,197,149,758	3,718,945,710	165,916,095,468	-3.34	93.05
2011…	167,790,792,529	3,856,191,952	171,646,984,481	0.25	88.63
2010…	167,096,843,537	4,123,996,612	171,220,840,149	5.66	95.51
2009…	158,133,491,472	3,920,171,020	162,053,662,492	10.79	96.48
2008…	142,306,435,593	3,970,547,370	146,276,982,963	12.82	98.05

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

Tax-exempt properties are excluded from the above figures. In FY13, such exemptions for real property owned by Federal, State, County, and other governmental units, and certain non-profit organizations totaled $18.8 billion at the beginning of the fiscal year based on data from the State Department of Assessments and Taxation. Tax-exempt real property constitutes 10.7 percent of the total assessable base. The SDAT 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 SDAT.

Tax Levies and Revenue

Fiscal Year	County Tax Levy	Revenue From Current Year Assessment	Ratio of Current Yr Revenue to Tax Levy	Revenue From Prior Year Assessment	Total Revenue	Ratio Of Total Revenue to Tax Levy	Accumulated Delinquent Taxes	Ratio of Accumulated Delinquent Taxes to Current Year Tax Levy
2013	$1,081,306,701	$1,056,688,995	97.72%	($23,627,793)	$1,033,061,202	95.54%	$18,400,655	1.70%
2012	1,089,656,756	1,068,630,086	98.07	(26.293.427)	1,042,336,659	95.66	16,292,469	1.50
2011	1,104,184,153	1,088,633,177	98.59	(25,571,510)	1,063,061,667	96.28	15,259,381	1.38
2010	1,082,224,889	1,064,870,559	98.40	(16,618,444)	1,048,252,115	96.86	24,752,779	2.29
2009	1,003,679,078	984,378,292	98.08	(20,121,191)	964,257,101	96.07	20,570,727	2.05

Tax Rates and Tax Levies, by Purpose

Fiscal Year	General County Rate	General County Levy	Transit Rate	Transit Levy	State Rate	State Levy	Total Rate	Total Levy
2013…	$0.724	$1,081,306,701	$0.048	$71,440,950	$0.112	$177,724,401	$0.984	$1,330,472,052
2012…	0.713	1,089,656,756	0.038	57,868,221	0.112	182,298,673	0.863	1,329,823,650
2011…	0.699	1,104,184,153	0.037	58,220,069	0.112	188,764,480	0.848	1,351,168,702
2010…	0.683	1,082,224,889	0.037	58,460,427	0.112	187,999,760	0.832	1,328,685,076
2009…	0.661	1,003,679,078	0.040	60,562,706	0.112	177,929,853	0.813	1,242,171,637
2008…	0.627	848,638,685	0.058	78,263,664	0.112	160,027,167	0.797	1,086,929,516

Note: Rates are per $100 of assessed value. 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 $1.810 in FY13, $1.783 in FY2012, $1.747 in FY11, $1.707 in FY10, $1.652 in FY09, and $1.567 in FY08; the personal property rate for Transit was $0.120 in FY13, $0.095 in FY12, $0.092 in FY11, $0.092 in FY10, $0.100 in FY09, and $0.145 in FY08 (the State does not tax personal property).

Ten Highest Commercial Property Taxpayers' Assessable Base
As of June 30, 2013

Taxpayer	Total	Real Property	Personal Property	Ratio: Taxpayer Base to Total Assessable Base
Potomac Electric Power Co………	$714,754,210	$ --	$714,754,210	0.44%
Verizon Maryland Inc. …………	530,706.663	41,110,733	489,595,930	0.33
Montgomery Mall, LLC …………	280,682,610	280,115,000	567,610	0.17
Washington Gas Light Co………	258,719,080	---	258,719,080	0.16
Wheaton Plaza Reg Shopping Ctr.	213,403,400	212,858,800	544,600	0.13
Chevy Chase Land Co. …………	207,339,733	207,339,733	--	0.13
Camalier, Anne D. et al, Trustee…	202,494,900	202,494,900	--	0.13
7501 Wisconsin Avenue LLC……	200,029,560	200,000,000	29,560	0.12
Federal Realty Investment Trust…	198,438,757	196,053,067	2,385,690	0.12
WP Project Developer LLC…	165,434,493	165,371,263	63,230	0.10
Total………………………………	$2,972,003,406	$1,505,343,496	$1,466,659,910	1.84%
Assessable Base (June 30, 2013)…	$161,877,309,598			

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

ECONOMY

New Construction

Between FY12 and FY13, the number of new construction projects increased 70.3 percent. At the same time, the value of new construction added to the real property tax base increased 140.4 percent to $1.408 billion. Over the prior nine-year period (from FY04 to FY12), the number of projects, both residential and non-residential decreased from over 2,758 to 875. However, during that same period, the value of new construction averaged $1.4 billion between FY04 and FY12 and ranging from a high of $1.668 billion in FY05 to a low of $0.586 billion in FY12. The decline in the construction of residential properties beginning in FY08 and ending in FY12 reached its lowest level in ten fiscal years. Because of the depressed housing market beginning in late 2005, the value of new residential construction declined 76.8 percent between the peak in 2007 and 2012.

New Construction Added to Real Property Tax Base

Montgomery County
($ millions)

Fiscal Year	Construction Starts	Residential	Apartments	Condominiums	Commercial/ Industrial	All Other	Total
2013………	1,497	$537.2	$91.9	$123.8	$651.8	$3.0	$1,407.6
2012………	839	241.5	39.0	60.7	241.3	3.1	585.6
2011………	863	540.2	20.6	56.6	226.9	75.5	919.8
2010………	833	599.4	19.7	180.3	354.7	226.6	1,380.7
2009………	738	724.1	5.8	455.4	229.5	0.0	1,414.9
2008………	952	882.7	25.8	318.5	256.6	0.0	1,483.6
2007………	985	1,040.1	22.0	211.4	312.6	19.5	1,605.6
2006………	1,580	978.3	41.2	132.9	384.6	4.8	1,541.8
2005………	2,077	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
10-Year Summary		$7,796.4	$327.5	$1,846.6	$3,580.6	$335.4	$13,886.5
Categories as Percent of Total		56.1%	4%	13.3%	25.8%	2.4%	100.0%

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 Act, which allows Montgomery 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 Montgomery 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 Montgomery County’s first development district, West Germantown. A second district, Kingsview Village Center, was created on July 28, 1998.

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 (currently marketed as Arora Hills). The Clarksburg Town Center development district was created on March 4, 2003. However, in October 2010, the Council adopted Resolution 16-1544 which effectively terminated the Clarksburg Town Center development district.

Economic Development Initiatives

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

Overview of Montgomery County

Montgomery County is divided into two major commercial real estate areas: the core and non-core markets. The core markets include the Bethesda/Chevy Chase and Silver Spring submarkets. These two are characterized by high- density, mass transit-serviced areas. Historically, they are some of the most highly demanded areas in Suburban Maryland.

The non-core markets include all of the remaining submarkets in Montgomery County including the technology based I-270 corridor. Each of the submarkets is outside of the Capital Beltway and generally exhibits more suburban traits with a few pockets of dense development.

Technology Corridors

The I-270 Technology Corridor is an internationally recognized life sciences and advanced technology center. It is home to over 1,000 biotechnology and advanced technology companies, including GlaxoSmithKline (formerly Human Genome Sciences), Lockheed Martin, MedImmune/Astra-Zeneca, IBM and Hughes Communications. The corridor continues to grow with over 18 million square feet of additional commercial and industrial development in the pipeline.

As the first new hospital in Montgomery County in 35 years, Holy Cross Germantown Hospital will bring much-needed health care services to the most rapidly growing and aging region in the county. The six-story, 237,000 square-foot hospital will offer medical, surgical, obstetric, emergency and psychiatric care when it opens its doors in 2014. As the anchor tenant of the Montgomery College Science & Technology Park, Holy Cross Germantown will serve as a valuable educational resource for aspiring health care workers. The project has significant economic impact both directly and through its multiplier effect. It is anticipated that the construction project alone will lead to the creation of 1,100 jobs and ongoing hospital operations will create more than 1,500 permanent jobs. The combined effect of hospital operations, an expanded nursing program, and a fully developed Science & Technology Park could create more than 5,700 jobs.

The Montgomery Planning Board approved Alexandria Real Estate Equities, Inc.'s plan to build up to 263,000 square feet more R&D space on its 18-acre Shady Grove Life Sciences Center (SGLSC) site. Ultimately developers will be able to bid on 400,000 square feet of additional commercial space and 2,500 additional housing units in the 900-acre SGLSC, which is designated within the Great Seneca Science Corridor master plan to become an even more prominent national and international bioscience hub with up to 17.5 million square feet of life sciences office and lab space, 9,000 residences and approximately 52,500 jobs.

The U.S. General Services Administration selected the Montgomery County campus of Johns Hopkins University as the site for the National Cancer Institute's consolidated headquarters. The Universities at Shady Grove (USG), which offers degrees from 9 colleges throughout the State, continues its expansion. Design is underway for an additional parking garage, which will free up valuable land for USG's Academic Building #4.

The White Flint Sector Plan, approved in March 2010 continues to move forward. The plan targets future growth along Rockville Pike with development clustered around about 430 acres near the White Flint Metro Station. It will allow replacement of aging low-rise commercial properties in the area with mixed-use buildings as tall as 30 stories. The revitalized new urban neighborhood will include residences, offices, service-oriented businesses, restaurants and entertainment venues. Plans for almost six million square feet of new development were submitted for approval in White Flint. Federal Realty Investment Trust (FRIT) broke ground in July of 2012 on Maryland's first "Fast Track" approved project – Pike & Rose – that will bring transit oriented development (TOD) to the White Flint Area. The plan is to overhaul 3.44 million square feet of mixed-use development for Mid-Pike Plaza, a retail center located at the corner of Rockville Pike and Old Georgetown Road. FRIT's development plan is comprised of 1.14 million square feet of office space, 1,500 dwelling units, a 125-room hotel and 304,200 square feet of retail all less than a quarter mile from the White Flint Metro Station. For its part, the JBG Companies submitted plans for the next phase of development at North Bethesda Market. The plans include over 700,000 square feet of new residential and commercial space. A sketch plan for North Bethesda Gateway proposed 1.7 million square feet, half office and half residential, in the southeast quadrant of Rockville Pike and Nicholson Lane. Both plans received Planning Board approval in early 2012.

The redevelopment of the White Flint Mall will be the fourth major project of the White Flint Master Plan, and is by far the largest. The plan is a street-grid town of several million square feet, with multiple office buildings, 2,500 new residences, a hotel and over a million square feet of retail. All but an existing anchor, Lord & Taylor, would be razed. The design includes nearly two dozen buildings, a two acre square, and an elementary school site.

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. The $900 million FDA Headquarters Consolidation project is nearing completion, occupying 130 acres of the 660-acre Federal Research Center in White Oak. The new FDA campus will include over 2.1 million square feet of office, lab and support facilities. Currently, about 7,500 employees work at the new campus and 11,000 will work there when it is completed in 2014, contingent upon Congressional appropriations.

The consolidation of the U.S. Food & Drug Administration provides an opportunity for Montgomery County to re-examine its long-term goals and objectives for this area through the development of the White Oak Science Gateway Master Plan. This planning effort will determine how a new research and technology node that capitalizes on the growing presence of the FDA, complimented by mixed-use development, can be developed in the future. There are approximately 300 acres on two sites adjacent to the FDA – the 115-acre County-owned Site 2 and the 185-acre Percontee property. Potential synergies between these properties and the FDA, as well as with the planned Washington Adventist Hospital are currently being developed. Adventist HealthCare plans to build a hospital and medical campus on nearly 50 acres along Plum Orchard Drive.

Central Business Districts

Montgomery County is committed to promoting new investment in its Central Business Districts (CBD). Montgomery County's four CBDs are Silver Spring, Wheaton, Bethesda, and Friendship Heights, and are served by the region's longest extensions of the Metrorail system. The CBDs 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 approximately $200 million in the redevelopment of downtown Silver Spring. Downtown Silver Spring transformed into a vibrant business, retail and entertainment hub with the American Film Institute (AFI) and Discovery Communications leading the way.

Through a public-private partnership with developer Foulger Pratt, the downtown Silver Spring project has over 800,000 square feet of retail, office, restaurant, hotel, and entertainment space, plus two new parking garages. The first phase was completed and features 100,000 square feet of retail space, including Whole Foods Market and Strosniders Hardware.

The next phase unveiled an array of new restaurants and shops as new sections were completed. The Regal Majestic 20 movie theaters with its 20 screens (one IMAX) and 4,500 seats have, along with the American Film Institute (AFI), made downtown Silver Spring a significant entertainment destination.

Each year the AFI Silver Theatre and Discovery Communications co-sponsor the Silverdocs international documentary film festival, which attracts an estimated 20,000 people. Additionally, downtown Silver Spring has over 190 free diverse and multicultural events per year within the development including festivals, concerts, movies and fashion shows.

United Therapeutics Corporation, an innovative locally grown biotech company, began construction on the third phase of its headquarters/research/laboratory campus in downtown Silver Spring. The third phase includes a seven-story building with an integrated public use space and street-level retail building. The first level is comprised of retail space and the remaining six stories consist of office space supporting activities of the adjacent laboratories. United Therapeutics totals 213,000 square feet on both corners of Spring and Cameron streets in downtown Silver Spring.

The Fillmore Silver Spring has been a huge success in the heart of Silver Spring and brings the tradition of the legendary Fillmore Auditorium in San Francisco to the area through a diverse lineup of performers across many genres of music. The 23,000 square foot music venue is the newest addition to a burgeoning arts and entertainment district anchored by the American Film Institute (AFI) and Discovery Communications. The Fillmore's ability to host 2,000 fans will further invigorate Silver Spring's Arts & Entertainment district to make Silver Spring a true entertainment destination. An adaptive reuse of a former J.C. Penney department store, the Fillmore Silver Spring stemmed from a public-private partnership between the Lee Development Group and Montgomery County. The venue was designed to preserve the historic façade of the old store site which was vacant for 18 years.

The State of Maryland is the first state in the country to sponsor Arts and Entertainment Districts as a way to stimulate the economy and improve quality of life. This designation enables jurisdictions, municipalities, and counties to apply for state designations and offer tax incentives as provided by law. The State of Maryland has redesignated Silver Spring as an Arts & Entertainment District, a designation which will be in effect through November 30, 2021.

The Silver Spring Civic Building and Veterans Plaza added a new dimension to the arts & entertainment economy in the area. The facility has transformed what it means to be in a public space in Silver Spring. During the winter, the ice rink brings this urban space alive. During the remaining months, the space is enjoyed by the community and visitors alike as a gathering place reminiscent of the great urban spaces throughout the world. Montgomery County's annual – and regionally renowned – Jazz Festival and Thanksgiving Parade and SilverDocs Film Festival are now augmented with many other events throughout the year. The 42,000 square foot building with six community use rooms and a 5,200 square foot Great Hall has become the "go-to" venue for fundraisers, celebrations and major civic events as well as private conferences and seminars. The venue is an economic engine for the nearby retail community. The facility houses the Silver Spring Regional Services Center and the administrative offices of the Round House Theatre Company.

In addition, the facility has a large pedestrian plaza (Veterans Plaza), which includes a pavilion where the Silver Spring Swings summer concert series is held. Veterans Plaza also houses three artistic panels dedicated to Veterans, featuring letters to and from home, created by Toby Mendez Studios who also created the Thurgood Marshall Memorial at the State Capital.

The new Silver Spring Library that is currently under design will be 63,000 square feet, almost four times bigger than the current Silver Spring Library. The Library project will include an Arts Center (Pyramid Atlantic) with a Gallery and Community Arts Store and County Office space. The building is being designed to allow for a station for the Purple Line transit project to be on the site. Parking will be provided in the Wayne Avenue Garage across the street from the Library.

In addition to being a destination for work, entertainment, and shopping, downtown Silver Spring is established as a place where people are attracted to live. More than 5,000 units of rental housing provide a solid residential base for downtown Silver Spring.

In the Fenton Village area the challenge continues to be incorporating the proposed developments into the existing fabric of small businesses, restaurants, and service retail. Some of these proposed developments have advanced through the development process and are set to begin construction soon. Among these is the First Baptist Church Redevelopment (corner of Wayne and Fenton), where 220 apartment units and 20,000 square feet of retail will begin construction. Across the street (on Bonifant) will be a senior housing development with approximately 110 units. Just south of this area, the Studio Plaza, an approved major development has applied for the start of phase one, which would bring over 400 apartment units, supportive retail, and a new public plaza. In addition, there are at least four other projects nearby in the approval process.

Back across Georgia Avenue, the plans for the Ripley District are fast becoming a reality. The Solaire Apartments (286 units) recently opened; and the Home Properties development, which will also include retail, is well under construction right across the street. On the north side of downtown, the Falklands redevelopment – if built out to its full potential – will bring over 1,000 units plus 60,000 square feet of retail. In its near vicinity, Fenwick Station (at the old post office site) is under construction for 310 units. In the core of downtown, right behind the Civic Building, 222 units are nearly finished. This will be the last piece of the puzzle of the original, formal "redevelopment area" for the core of downtown Silver Spring.

Commercial activity continues at a brisk pace in downtown Silver Spring, as demonstrated when an anchor store went bankrupt nationally (Borders), another major anchor was eager to take its place (H&M.) Vacancies in the area are hard to find, with most spaces turning around very quickly. Peterson Companies, the management/owners of "Downtown" Silver Spring, point to their development in Silver Spring as one of their most successful in the region and beyond.

The success of the residential market and growing arts, entertainment, retail, and restaurant options, lays the framework for an active, economically viable downtown Silver Spring that is ready for the rebound in commercial office activity - something that has been lackluster in the recent past due more to the national economic situation than local factors. Significant activity in the area includes Radio-One and MedTech having moved into the area, highlighting not only the arts and entertainment opportunities, but the medical and educational opportunities provided by Silver Spring's premier location. Also, United Therapeutics continues their headquarters expansion, creating not only a growing employment center, but architecturally significant buildings and public works of art.

In the first decade of this century, approximately $200 million was invested in Silver Spring's downtown redevelopment by the State of Maryland and Montgomery County. The area was designated an Enterprise Zone; a Parking Lot District was created; the Urban District came into its own; and an Arts & Entertainment District was created (and recently re-designated.) These incentives and programs were instrumental in creating the Silver Spring of today. Public investment continues. A new library will soon be finished, and the Purple Line light rail will add new transit options to the region, with two stations in downtown Silver Spring – and nine in the Silver Spring Regional Area.

Wheaton

The limited size of Wheaton's Central Business District (CBD), 76 acres, combined with the number of small commercial property parcels and multiple property owners, presents a challenge in redeveloping Wheaton, given the cost of land aggregation necessary for larger-scale development. Montgomery County recognized that it and other public entities held enough real estate assets in Wheaton that were capable of accommodating larger development projects. Montgomery County determined that some of these assets might be used to stimulate redevelopment in Wheaton. In May 2012, Montgomery County approved facility planning for a multi-user government office facility to include a new headquarters for the Maryland-National Capital Park & Planning Commission, street-level retail uses, structured underground parking, and a town square on the site of County Parking Lot 13. The site is situated in Wheaton's downtown core, directly across the street from the WMATA Red Line subway station and bus depot.

The Wheaton CBD and Vicinity Sector Plan, which was approved by the County Council in November 2011 promotes transit-oriented, "smart growth" development in downtown Wheaton. Such development will enhance Wheaton's strong retail base, which includes a newly renovated Westfield Wheaton regional shopping mall and over 300 locally owned and operated small businesses, including more than 80 restaurants; 148,000 square foot Costco Wholesale opened alongside the Westfield shopping mall this past year.

Capitalizing on Wheaton's retail strength, Montgomery County seeks to enhance Wheaton's urban character and improve it further by attracting more arts/entertainment-related entities, and encouraging more mixed-use development. It will continue to use its designations as both an Enterprise Zone and an Arts and Entertainment District to move this type of development forward.

Patriot Realty Co., Foulger-Pratt Construction and Safeway, Inc. are currently constructing an 800,000 square foot mixed-use residential/retail project – The Exchange at Wheaton Station – directly across from the WMATA Red Line subway station. The 17-story building will contain a 58,000 square foot, street level Safeway Supermarket and 486 residential units. Structured parking will provide 140 parking spaces for Safeway customers and 432 residential parking spaces. The grocery store opened in Fall 2013.

Approximately 200 feet south of the Exchange project, Lowe Enterprises Real Estate Group has received Planning Board approval for the conversion of an existing 5-story office building into a 12-story mixed-use residential/commercial building containing up to 194 residential units and street-level commercial space. One block south of Lowe Enterprise's project, Washington Property Co. is currently constructing Allaire Wheaton, a six-story, 221-unit residential apartment complex, adjacent to Westfield II Wheaton Mall and one block south of the subway station and bus depot. The project is on track to be completed by March 2014. Centex Homes is in the final phase of its residential project "Leesborough." The project, approximately one-half mile due north of the Wheaton subway station, is comprised of 143 townhomes, 45 condominiums and 6 single-family homes. The single-family homes are currently under construction. All other units have been built and sold.

Bethesda

Downtown Bethesda is one of Montgomery County's major urban business and entertainment centers, with nearly 200 restaurants along with the density of both high-rise office and residential buildings. Downtown Bethesda is a thriving destination offering residents, visitors and its workforce multi-cultural dining, live theater, cinema, unique shops and numerous special events and festivals. Residents and visitors alike continue to enjoy the artistic and enriching performances provided at the Bethesda Round House Theatre, Imagination Stage, Bethesda Row Landmark Theatre and Bethesda Blues and Jazz Super Club. These marquee entertainment organizations highlight classical plays, children's theatre, live music and independent and foreign films.

Bethesda has a workforce of nearly 44,000 and includes employees who work for some of the region's most notable employers, including Capital One (formerly Chevy Chase Bank), Clark Construction Group, Development Alternatives and American Capital Strategies.

The Hilton Garden Inn, Bethesda opened its doors in January 2010. This hotel created 216 additional guestrooms to serve the National Institutes of Health, National Military Medical Center, and the Bethesda community. The hotel is part of the Air Rights Center, a 700,000 square foot office and retail located on Wisconsin Avenue in the heart of Bethesda. The Air Rights Center has approval to add another 150,000 square feet of office space.

Akridge Development has completed renovation of 7550 Wisconsin Avenue, a formerly vacant 10-story Federal building, into a 120,000 square foot commercial office building. The project, which is targeting Leadership in Energy & Environmental Design or LEED Gold certification, started leasing in 2012.

Carr Properties acquired the contract and development rights for 4500 East West Highway, a 223,000 square foot trophy office project located in the CBD of Bethesda. Delivery is expected to begin in 2014. The project is the first trophy quality ground up office development in the Bethesda market in over ten years. The building has been designed to achieve LEED Gold certification.

In the popular Bethesda Row section of downtown Bethesda, StonebridgeCarras has broken ground on the redevelopment of County Parking Lot 31. The development, which will add 250 residential units in two buildings and a new 940-space underground County parking garage, is a joint venture with PN Hoffman. Across the street from Lot 31, JBG has plans to break ground on a 230-room boutique hotel, 25,000 square feet of shops and cafes, and nearly 270,000 square feet of office space.

A block south at 7001 Arlington Road, Associated Estates Realty Corporation recently acquired the former Bethesda Post Office site and has approval to build 145 dwelling units and 7,000 square feet of street level retail. Residential development is also booming in the Woodmont Triangle section of downtown Bethesda, where several developments are poised to add more than 1,200 new housing units and 360,000 square feet of commercial space in the next two to five years.

Bainbridge Bethesda began construction at 4918 St. Elmo Avenue. Built by the Bainbridge Development, Bainbridge Bethesda is a 17-store, mixed-use project with 200 dwelling units (including 30 moderately priced dwelling units) and 7,200 square feet of retail space and four levels of underground parking. The entire project plans to seek LEED Silver certification.

In 2012, Donohoe Development broke ground on the first phase of the Gallery of Bethesda at Auburn and Del Ray Avenues. The Gallery of Bethesda will include two 17 and 16 story high-rise apartment buildings with a total of 456 apartments. Donohoe Development also plans to construct 90,000 square feet of office space at Battery Lane and Wisconsin Avenue.

At 4900 Fairmont, JBG has received approval to build a 17-story, 250 unit residential high-rise building with 7,000 square feet of street-level retail. At Wisconsin Avenue, just south of Norfolk Avenue, Bernstein Management has received preliminary approval for 466,000 square feet redevelopment that will include a full-service hotel, office and retail.

The National Capital Planning Commission has approved final details of the first phase of a $300 million intelligence campus being developed at the former National Geospatial-Intelligence Agency headquarters in Bethesda. The Army Corps of Engineers is working with the Defense Intelligence Agency on the large-scale $300 million, 40-acre overhaul, which will be developed in two phases. When complete, the site will be home to roughly 3,000 employees from the federal government's intelligence gathering agencies, including the Office of the Director of National Intelligence. As proposed, the military wants to keep all but one of the five buildings at the site, which now has about 700,000 square feet. In addition, it plans to add 170,000 square feet and create connections so the complex would be turned into one large facility rather than a cluster of separate buildings.

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. 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 has the first top-tier luxury shopping center on the east coast outside of New York City. The Collection at Chevy Chase, part of the Chevy Chase Center mixed-used development, is a 112,000 square foot project facing Wisconsin Avenue. Originally developed and managed by The Chevy Chase Land Company, the property is now owned by Clarion Partners of New York City, and managed by Cassidy Turley. The Collection brought retailers such as Christian Dior, Jimmy Choo and Barney's New York Co-Op to this area for the first time. Tiffany & Company, Georgette Klinger and Cartier were in Chevy Chase for many years and moved down the street to join Collection tenants such as Bulgari, Ralph Lauren, Gucci, Max Mara, and Louis Vuitton.

The second and third components of Chevy Chase Center consist of 100,000 square feet of neighborhood-oriented retail, and a 200,000 square foot office tower, which was originally leased in its entirety by The Mills Corporation in 2006. Mills subsequently filed for bankruptcy and put the entire building on the market for sublease, and the space was immediately backfilled by such tenants as New Enterprise Associates, Columbia Partners, and The Travel Channel.

The final project completed in 2009 in Friendship Heights is Wisconsin Place, a one million square foot mixed-used development on Wisconsin Avenue. Wisconsin Place consists of 305,000 square feet of retail (Bloomingdale's and Whole Foods are the anchor tenants), 432 luxury apartments, 295,000 square feet of office space, a 20,500 square foot community center and a 1,765 space underground parking garage. Wisconsin Place is also home to the mid-Atlantic offices for Microsoft.

Wisconsin Place accounts for a significant portion of the development allowed in Friendship Heights under the Friendship Heights Sector Plan. The Plan originally allowed for a total of over 1.4 million additional square feet of office and retail space, and an estimated 635 dwelling units. One of the first major projects constructed in this plan was the Chase Tower, a 240,000 square foot retail and office building delivered in November 2001. This luxury Class A tower is now home to the corporate headquarters for Ritz Carlton. Other tenants include Capital Trust and the JBG Companies.

Existing Office/R&D/Commercial Space

As of October 2012, Montgomery County has over 143 million square feet of commercial real estate space (office, flex, R&D, industrial and retail).

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 105 million square feet of commercial space. Notable buildings along the I-270 corridor include the 700,000 square foot Capital One 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 14 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.

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Office/Flex/Industrial/Retail Space Availability by Major Submarkets
as of October 2013

Montgomery County Market	Total Inventory (Square Feet)	Direct Vacant (Square Feet)	Direct Vacancy Rate	Vacancy Rate w/Sublet
Bethesda/Chevy Chase ……………	15,843,986	1,150,393	7.3%	7.8%
Gaithersburg…………………………	21,802,280	1,881,329	8.6	8.0
Germantown ………………………	7,771,750	722,835	9.3	7.0
Kensington/Wheaton ………………	6,800,594	677,995	10.0	9.0
North Bethesda/Potomac …………	17,250,954	2,044,711	11.9	11.0
North Rockville ……………………	22,717,153	2,514,382	11.1	10.0
North Silver Spring/Rt 29 …………	8,917,842	753,766	8.5	7.0
Rockville ……………………………	17,216,046	1,724,295	10.0	11.0
Silver Spring ………………………	11,644,232	936,631	8.0	7.0
Other Markets* ……………………	6,514,781	1,153,631	15.3	15.3
Total ………………………………	136,479,621	13,559,968	9.9	8.5

Note: These figures are provided by CoStar Property, the County's source for commercial real estate information.
*Others include I-270 North, Outlying Montgomery County East, and Outlying Montgomery County West submarkets.

Agriculture

Agriculture in Montgomery County is a diverse industry that occupies about one-quarter of the County land area. Montgomery County's agriculture industry contributes over $243 million to the local economy. Over $84 million comes from Montgomery County's thriving equine industry, about $126 million from horticulture, and $33 million from traditional agriculture. There are more than 561 farms and 350 horticultural enterprises in Montgomery County. Forty-three (43) percent of Montgomery County's 561 farms are farmed as a primary occupation. Cash grain farms are the predominant agricultural use in Montgomery County covering over 48,000 acres. There are 217 farms or thirty-eight (38) percent that produce table food crops-products for direct human consumption. 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 Montgomery County. Farmland preservation efforts consist of a variety of strategic programs offered by Montgomery County and State. Montgomery County received a total of $19.3 million in Rural Legacy Program grant awards.

Since its creation in 1980, the 93,000 acre Agricultural Reserve controlled farmland development in Montgomery 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). Currently, Montgomery County is ranked second nationally in acres of farmland protected through easements (72,479 acres), and has the highest percentage of land in farms preserved in the nation (94 percent).

In 1980, sixty (60) percent of the farmland in the Agricultural Reserve was owned by speculators. Through farmland preservation programs, this trend was significantly reduced as more farms are now owned and operated by farmers. 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.

The Department of Economic Development-Agricultural Services Division supports retail and wholesale agricultural marketing programs, such as the Montgomery County-sponsored farmer's markets and annual farm tour, and promotion of wholesale and cooperative marketing. The Division also provides programs and technical assistance for farmers; these initiatives include Fuel-Energy Tax Relief, Deer Donation Program, Weed Control Services, Agricultural Product and Farm Logo Program, and many more.

Major capital assets acquired during the current fiscal year included approximately $1.8 million for purchasing preservation easements on farmland in agricultural zones. These assets enhance the preservation of farmland protected by Transferable Development Rights easements (TDRs) including other agricultural lands not protected by agricultural easements. An additional $2.0 million dollars is earmarked for pending FY14 easement settlements in association with Montgomery County and State Agricultural Easement Programs.

Office/Industrial Projects

Summary

A few large commercial projects continued in Montgomery County in 2012. Building III of the Nuclear Regulatory Commission in Bethesda was delivered in 2013, and construction began on NIH's National Institute of Allergy and Infectious Diseases (NIAID). Additionally, Montgomery County continued to make significant progress developing two strategic Science and Technology Centers. Details on these projects appear below.

Developers and local government officials broke ground on the Crown project in October 2012. The 182-acre tract is now the construction site for 320,000 square feet of retail and commercial space, plus 2,250 residential units, to be built by Buzzuto Group and called "Cadence at Crown." JBG won the retail rights and restaurants and shops will include Harris Teeter, La Madeleine, Asia Nine and Roti Mediterranean Grill.

Public/Private Projects

East County Center for Science and Technology (ECCST)

The proposed 115-acre Site II development is envisioned as a public-private partnership between Montgomery County and Percontee, Inc. The goal is to create a world-class life sciences, education and research campus that will be an economic engine in the eastern portion of Montgomery County, and complement nearby Federal agencies, most notably the consolidated U.S. Food and Drug Administration (FDA) headquarters. Currently, Montgomery County is taking the property through the State's Voluntary Clean-Up Program; environmental remediation will be complete by early 2014.

Montgomery College-Germantown Science and Technology Park

The White Oak Science Gateway Master Plan is also being developed, which will provide a unique opportunity to capitalize on the presence of FDA, and transform this region of Montgomery County into a vibrant hub for technological advancement.

In early 2003, Montgomery College settled on the purchase of a 20-acre site adjacent to the College's Germantown campus. This property was 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 Park 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 Park 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. Once built out, the Science and Technology Park would be home to nearly 4,000 employees. As the anchor tenant of the Montgomery College Science & Technology Park, Holy Cross Germantown will serve as a valuable educational resource for aspiring health care workers. To complement the Science and Technology Park, the College provided space for a 35,000 square foot County-operated business incubator on campus, which is fully occupied with science and technology early stage companies. To complete this three part science and technology project, the 127,000 square foot Bioscience Education Center has begun construction and will open to students in 2014.

Montgomery County Business Innovation Network

The Montgomery County Business Innovation Network is a program of business incubator facilities that has successfully assisted start-up technology and professional services companies to grow and expand in Montgomery County. The Maryland Technology Development Center (MTDC), opened its doors in 1998 and in August 2012, was renamed the William E. Hanna, Jr. Innovation Center at Shady Grove. To date, nearly 137 companies graduated from Montgomery County's incubators. Montgomery County opened a second incubator in 2004, called the Silver Spring Innovation Center (SSIC). The SSIC is nearly fully leased to start-up information technology companies. The success of and demand for the incubator program spurred Montgomery County to develop three additional incubators since the opening of the SSIC.

The Wheaton Business Innovation Center (WBIC) opened in 2006, and the Rockville Innovation Center (RIC) opened in 2007. The latest addition to the incubator program is the Germantown Innovation Center (GIC), which opened in October 2008.

Commercial Projects Continuing in 2013

National Institute of Allergy and Infectious Diseases (NIAID)

The National Institute of Allergy and Infectious Diseases will bring a projected 2,000 workers to a new 491,000-square-foot building on Fishers Lane in Twinbrook, under a lease signed by the U.S. General Services Administration. Chevy Chase-based JBG Companies will construct and lease the 10-story office at 5601 Fishers Lane, near where NIAID already has 150,000 square feet of laboratory space. There is also a 5-story, concrete parking garage located adjacent to the building. NIAID signed a 15-year lease for its new quarters, which are expected to be completed in 2014.

Construction began in 2013 on a new mixed-use development project in Rockville Town Center. The $100 million development will include approximately 40,000 square feet of retail space, 465 apartments, a 140-room Cambria Suites Hotel and 1,000 parking spaces. The project is expected to generate $10.18 million in revenue for the county and nearly $3.8 million for the city during the next 15 years. The property is across the street from Choice Hotels International’s new headquarters thus realizing the long-time vision for the headquarters and the flagship hotel brand to be located in close proximity.

New Business Additions and Expansions

Montgomery County’s Department of Economic Development continues to work with companies interested in starting-up, expanding, or relocating to the County. Highlights of this activity include:

- **Sodexo –** The company has committed to maintain its US headquarters in Montgomery County and renewed its lease in Gaithersburg for another 10 years. Over 560 jobs were retained and additional 50 jobs will be added.
- **Social & Scientific Systems –** The company has committed to stay in Silver Spring for another 10 years and over 320 jobs were retained in Montgomery County.
- **Progressive Insurance –** added 6,000 square feet of space and is expected to create 10 new jobs in addition to its 30 existing jobs.
- **Data Design Corporation–** added 24,000 square feet of space and will create 10 new jobs in addition to its 40 existing jobs.
- **ActioNet** – signed a lease for over 26,000 square feet of space in the Count; close to 120 jobs were retained and an additional 30 jobs will be created.
- **COSTCO Corporation** – COSTCO has built a new 145,000 square feet store in the Wheaton Mall creating 475 jobs.
- **Kohl’s Corporation** – recently opened a new store in the Aspen Hill area with a projected 1,125 new jobs.
- **Tasly Pharmaceuticals** – Chinese biopharmaceutical company established a US presence of 24,757 square
    - feet in Rockville. This business attraction is estimated to create 25 new jobs
- **Notable Solutions** –relocated to Gaither Road and expanded by 7,000 square feet. The expansion also
    - included the addition of 25 new jobs.
- **Novavax** – expanded by 2,000 square feet in a new location, estimated to add 25 new jobs.

General Obligation Bonds

Montgomery County general obligation bonds are secured by the full faith, credit, and taxing powers of the County. Bonds are normally issued in serial maturities from one to 20 years, with five percent of the principal retired each year. This practice produces equal annual payments of principal over the life of the bond issue and declining annual payments of interest on the outstanding bonds. The Charter limits the term of any bond to a maximum of 30 years.

The General Obligation Bonded Debt Ratios displayed below measure the burden of the County's net direct debt, which consists primarily of general obligation bonds and outstanding BANs/commercial paper, and debt service payments on such. As with the calculation of the Legal Debt Limit, the County includes its BANs/commercial paper in these ratio calculations because it intends to repay such notes with the proceeds of general obligation debt to be issued in the near future. The ratios are as follows: 1) net direct debt as a percentage of full (market) value of taxable property; 2) debt service on outstanding general obligation bonds as a percentage of General Fund expenditures and transfers out; 3) net direct debt per capita; 4) net direct debt per capita as a percentage of per capita income; and 5) rate of replacement of general obligation bond principal (payout ratio) in ten years. The results of these indicators are displayed in the Table below.

General Obligation Bonded Debt Ratios
2004 – 2013

Fiscal Year	Net Direct Debt to Market Value	GO Bond Debt Service to General Fund Expenditures	Net Direct Debt Per Capita	Net Direct Debt Per Capita to Per Capita Income	GO Bond Payout Ratio
2004……	1.45%	7.98%	1,608	2.88%	70.94
2005……	1.30	7.74	1,527	2.61	70.20
2006……	1.30	7.77	1,701	2.71	69.75
2007……	1.30	7.83	1,861	2.81	68.92
2008……	1.18	7.95	1,848	2.70	71.39
2009……	1.13	7.31	1,997	2.83	70.63
2010……	1.22	7.92	2,277	3.24	69.37
2011……	1.27	8.58	2,507	3.55	68.65
2012……	1.46	8.87	2,625	3.60	67.88
2013……	1.58	8.88	2,737	3.74	68.33

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Statement of Direct and Overlapping Debt
As of June 30, 2013

Direct Debt:		
General Obligation Bonds Outstanding	$2,149,825,000	
General Obligation Variable Rate Demand Obligations	100,000,000	
Short-Term BANs/Commercial Paper Outstanding	500,000,000	
Revenue Bonds Outstanding	158,365,000	
Total Direct Debt		$2,908,190,000
Overlapping Debt:		
Gross Debt:		
Washington Suburban Sanitary Commission	1,276,640,000	
Applicable to Montgomery County		
Housing Opportunities Commission	669,408,769	
Montgomery County Revenue Authority	95,624,452	
Maryland-National Capital Park and Planning Commission		
Applicable to Montgomery County	33,904,922	
Kingsview Village Center Development District	1,695,000	
West Germantown Development District	13,890,000	
Towns, Cities and Villages within Montgomery County	52,027,910	
Total Overlapping Debt		2,143,191,053
Total Direct and Overlapping Debt		5,051,381,153
Less Self-Supporting Debt:		
County Government Revenue Bonds	158,365,000	
Washington Suburban Sanitary Commission		
Applicable to Montgomery County	1,276,640,000	
Housing Opportunities Commission	669,408,769	
Montgomery County Revenue Authority	95,624,452	
Maryland-National Capital Park and Planning Commission	222,228	
Applicable to Montgomery County		
Total Self-Supporting Debt		(2,200,260,449)
Net Direct and Overlapping Debt		$2,851,120,604
Ratio of Debt to June 30, 2013 Assessed Valuation of (100% Assessment):		$161,877,309,598
Direct Debt		1.80%
Net Direct Debt *		1.70%
Direct and Overlapping Debt		3.12%
Net Direct and Overlapping Debt		1.76%
Ratio of Debt to June 30, 2013 Market Value		$173,973,510,879
Direct Debt		1.67%
Net Direct Debt *		1.58%
Direct and Overlapping Debt		2.90%
Net Direct and Overlapping Debt		1.64%

* Net Direct Debt of $2,749,825,000 is derived by subtracting direct self-supporting debt, which consists only of Montgomery 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. ***The Commission has not undertaken to audit, authenticate or otherwise verify the information regarding representation respecting the accuracy and completeness of such information. The Commission is not in a position to, and will not, undertake to update any information regarding Prince George's County.***

Prince George's County, with a 2012 population of 881,138, 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 for Prince George's County is Upper Marlboro, Maryland.

Prince George's County is a body corporate and politic and a political subdivision of the State of Maryland. Services provided or paid for by Prince George's County from local, State and federal sources include police, fire and emergency services; programs for the aged; public works; stormwater management; and court and correctional services. Prince George's County also is responsible for adoption and maintenance of building codes and regulation of licenses and permits; collection of taxes and revenues; maintenance of public records; conducting elections; and collection and disposal of refuse.

Health care, elementary, secondary and community college education and library services are provided by other entities and are partially financed by Prince George's County. Public transit, planning, parks, recreation, water, sewer and public housing are provided by related entities. Public assistance is provided by the State of Maryland. Hospital services are provided by a nonprofit corporation under a lease arrangement with Prince George's County. For accounting purposes, certain of these governmental entities are included in Prince George's County's financial statements.

County residents enjoy a diversity of leisure options, including a park system encompassing 26,000 acres of parkland. Leisure facilities and services provided by The Maryland-National Capital Park and Planning Commission (the "M-NCPPC") include a sports and concert facility (Show Place Arena); a 10,000 seat AA Minor League Baseball stadium (Bowie Baysox); community centers; recreational buildings; aquatic facilities; ice rinks; golf courses; an equestrian center; tennis courts; a performing arts and cultural center; and a gymnastic center. Other major recreational facilities include an 87,052-seat National Football League stadium (Fedex Field – Home of the Washington Redskins); an amusement park (Six Flags of America) featuring rides attractions and shows; and a 240,000 square foot Olympic-quality recreational Sports and Learning Complex. In addition, recreational and cultural opportunities of the nation's capital, Washington, D.C., are located just across the Prince George's County line. The National Harbor, Brickyards, and Woodmore Town Center are recent, high-quality mixed-use developments. Prince George's County is home to six universities and colleges including the flagship campus of the University System of Maryland. Prince Georgians enjoy an excellent road system and some of the most affordable housing in the Washington area as well as convenient access to three major airports and the Port of Baltimore.

Government

Prince George's County operates under a Charter which was adopted in November 1970. The powers of Prince George's County are provided in the County Charter and in the Constitution and the laws of the State of Maryland, including the Local Government Article of the Annotated Code of Maryland. Under the County Charter, Prince George's 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 Prince George's 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 Prince George's County. The legislative branch of Prince George's 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 coterminous four-year terms by qualified voters of Prince George's 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 Chairman and a Vice-Chairman to serve one-year terms.

The court system for Prince George's 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 Prince George's County. These municipalities levy taxes on their own authority and are not subject to the limitations set forth in Sections 812 and 813 of the County Charter. Property in these areas is subject to County taxation and Prince George's County provides certain public services to 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 approval of Prince George's County. Bonds issued by these municipalities are the legal responsibility of each municipality and are not guaranteed in any way by Prince George's County. Maryland law mandates that Prince George's 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 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 Prince George's County.

Population

From 1980 to 2010 Prince George's County has grown at an average rate of approximately 76,500 people every 10 years. Between 2000 and 2010 the population growth in Prince George's County increased 7.7%. Prince George's County's growth has been slightly slower than the population growth in Maryland (9.0%) and the United States (9.7%) between 2000 and 2010. The population for 2012 is estimated to be 881,138, an increase of 1.1% from 2011.

In 2012, 66.6% of Prince George's County's residents were between the ages of 18 and 64 years old, which was slightly higher than the State of Maryland (64.2%) and the United States (62.8%). The share of the County's population that was 65 years and older (10.3%) was lower compared to the State of Maryland (12.9%) and the United States (13.7%).

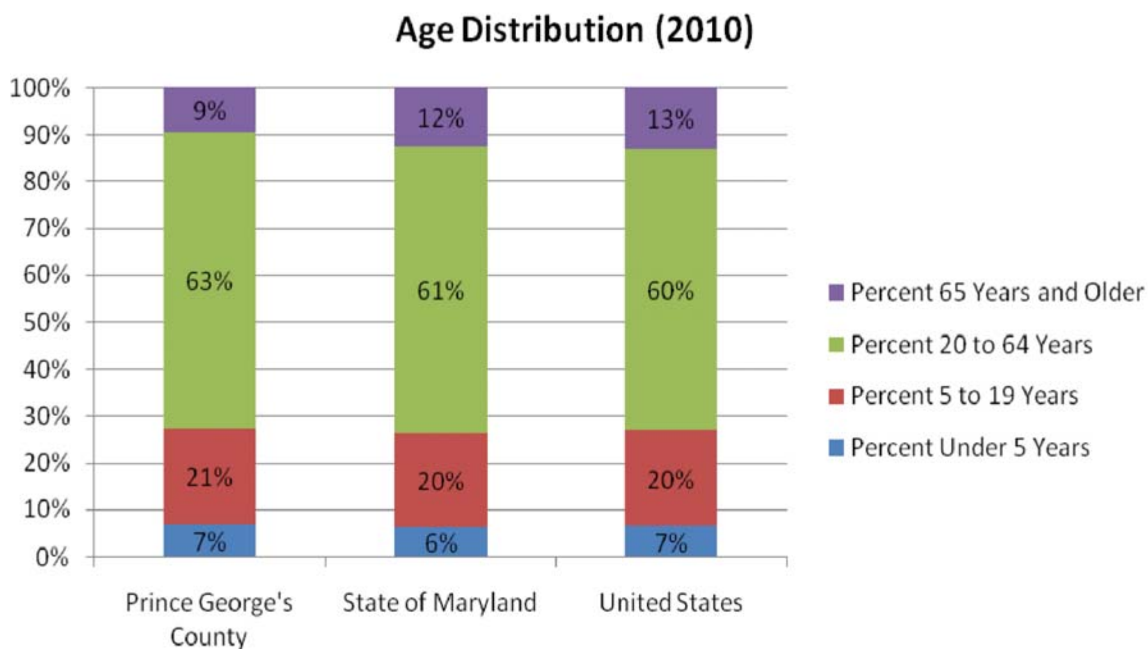
Population

1980 – 2010

Year	County	State of Maryland	United States
2010	863,420	5,773,552	308,745,538
2000	801,515	5,296,486	281,421,906
1990	729,268	4,798,000	248,769,873
1980	665,071	4,216,000	226,505,000
Percent Change (2000-2010)	7.70%	9.00%	9.70%
2012 (Est.)	881,138	5,884,563	313,914,040

Source: Decennial Census, Bureau of the Census, Department of Commerce

The following chart shows that in 2010, 63% of the County's residents were between the ages of 20 and 64 years old, which was slightly higher than the State of Maryland (61%) and the United States (60%). The share of the County's population that was 65 years and older (9%) was lower compared to the State of Maryland (12%) and the United States (13%).



Source: 2010 Decennial Census, Bureau of the Census, Department of Commerce, (Accessed February 2012).

Income

In 2011, Prince George's County's aggregate personal income totaled $35.0 billion. The per capita personal income in Prince George's County during 2011 was $40,215. Prince George's County's per capita personal income increased 7.6% between 2007 and 2011. This percentage increase was higher than in the United States (5.2%) but lower than the State of Maryland (8.1%).

Prince George's County's median household income in 2011 was $73,447 compared to $67,706 in 2007, an increase of 8% in the 5-year period. Jurisdictional comparisons are shown below:

Median Household Income

2007 and 2011

	Median Household Income		
Metro Jurisdiction	2007	2011	% Change
State of Maryland	$67,989	$72,419	7%
Washington Metro Area:			
Prince George's County	**67,706**	**73,447**	**8%**
Calvert County	89,159	92,981	**4%**
Charles County	81,545	92,135	**13%**
Frederick County	76,802	82,668	**8%**
Montgomery County	91,440	95,660	**5%**
Baltimore Metro Area:			
Anne Arundel County	80,158	85,690	**7%**
Baltimore City	36,894	40,100	**9%**
Baltimore County	60,828	65,411	**8%**
Carroll County	79,803	83,325	**4%**
Harford County	72,092	79,953	**11%**
How ard County	100,744	105,692	**5%**

Source: U.S. Census Bureau, American Community Survey 1 Year Estimates (July 2013).

Employment

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

Comparative Distributions of Non-Agricultural Employment by Industry
2008 - 2012

Industry	Prince George's County (2008)		Prince George's County (2012)		Maryland (2012)
Government Employment	85,429	27%	86,122	29%	20%
Private Employment	227,967	73%	213,729	71%	82%
Natural Resources and Mining	230	0%	192	0%	0%
Construction	31,795	10%	24,909	8%	6%
Manufacturing	9,834	3%	7,428	2%	4%
Trade, Transportation and Utilities	60,273	19%	57,141	19%	18%
Information	4,922	2%	4,764	2%	2%
Real Estate and Financial Activities	12,994	4%	11,826	4%	6%
Professional, Business & Administrative Services	42,596	14%	38,640	13%	17%
Education and Health Services	28,054	9%	30,741	10%	16%
Leisure and Hospitality	27,353	9%	28,326	9%	10%
Other Services	9,913	3%	9,762	3%	4%
Unclassified	3	0%	2	0%	0%
Total	313,396	100%	299,851	100%	100%

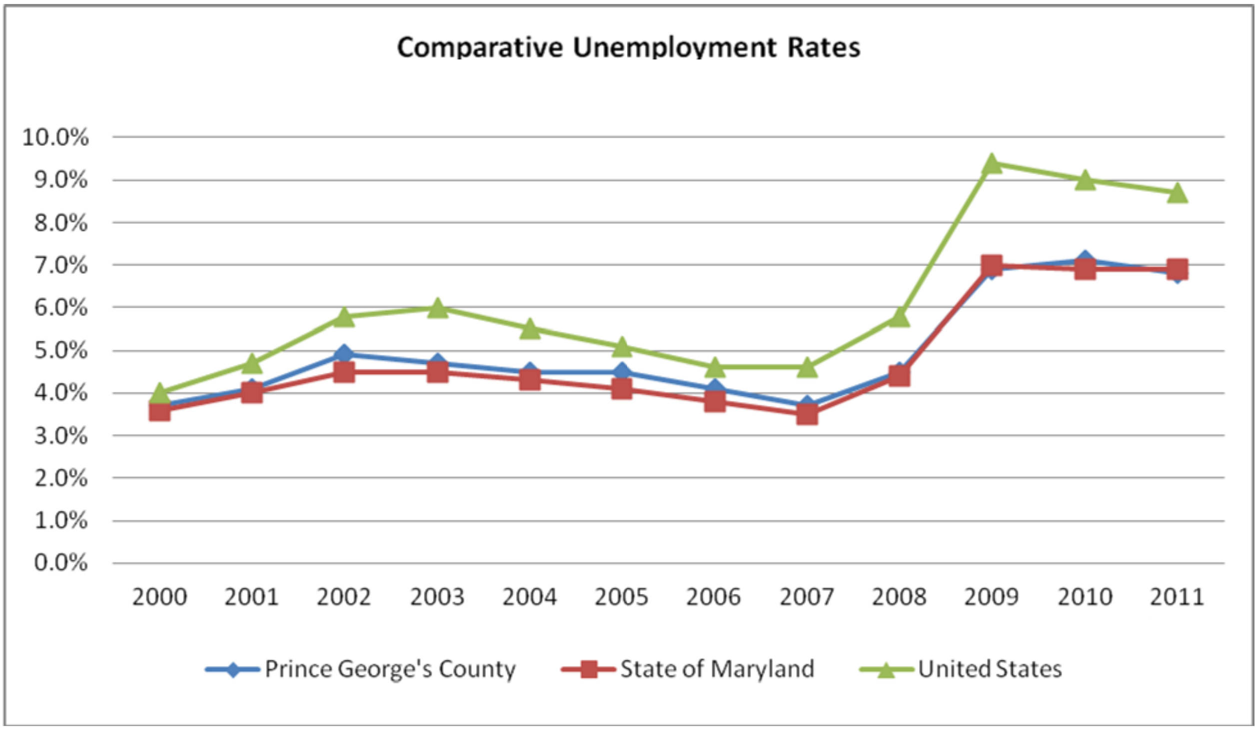
Source: Maryland Department of Labor, Licensing and Regulations Employment and Payroll - County Industry Series (July 2013)

Between 2002 and 2012, the unemployment rate for Prince George's County generally remained close to the State of Maryland's unemployment rate and below that of the United States as shown in the following table and the subsequent chart.

Labor Market Characteristics
2002-2012

Year	County Residents: Civilian Labor Force	County Residents: Resident Employment	Unemployment Rate: Prince George's County	Unemployment Rate: State of Maryland	Unemployment Rate: United States
2002	466,983	444,607	4.9	4.5	5.8
2003	440,673	419,846	4.7	4.5	6.0
2004	440,424	420,476	4.5	4.3	5.5
2005	445,698	425,796	4.5	4.1	5.1
2006	450,839	432,468	4.1	3.8	4.6
2007	448,242	432,234	3.7	3.4	4.6
2008	453,877	434,094	4.4	4.3	5.8
2009	457,150	423,623	7.3	7.4	9.4
2010	462,138	426,518	7.7	7.8	9.0
2011	464,524	432,133	7.0	7.0	8.3
2012	469,150	437,160	6.8	6.8	8.1

*Source: U.S. Department of Labor, Bureau of Labor Statistics, Current Population Survey and Local Area Unemployment Statistics Program.*Not seasonally adjusted. (July 2013).*



Source: U.S. Department of Labor, Bureau of Labor Statistics, Current Population Survey and Local Area Unemployment Statistics Program.*Not seasonally adjusted, (Accessed February 2012).

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Prince George's County's diversity in employment is shown in the following table reflecting the 10 largest private and 10 largest public sector employers in the County.

Prince George's County Principal Employers

November 2012

Employer	Product or Service	Number of Employees
LARGEST PRIVATE SECTOR EMPLOYERS		
United Parcel Service……………………………………	Package Delivery (Regional Headquarters) ……	4,220
Giant Food, Inc . ………………………………………	Retail Grocery Chain …………………………	3,600
Verizon ………………………………………………	Communications Services………………………	2,738
Dimensions Healthcare System ………………………	Health Services/Nursing Homes…………………	2,500
Gaylord National Resort…………………………………	Resort and Conference Center …………………	2,000
Shoppers Food Warehouse ……………………………	Retail Grocery Chain (National Headquarters)…	1,975
Safeway Store, Inc. ……………………………………	Retail Grocery Chain (Regional Headquarters)…	1,605
Chevy Chase Bank/Capital One ………………………	Banking Services…………………………………	1,456
Target …………………………………………………	Consumer Goods (Retail)………………………	1,400
Doctors Community Hospital……………………………	Medical Services…………………………………	1,300
LARGEST PUBLIC SECTOR EMPLOYERS		
Prince George's County Public Schools………………	Education…………………………………………	16,796
University of Maryland, College Park …………………	Higher Education (Flagship Campus)……………	16,938
Joint Base Andrews Naval Air Facility Washington …	Defense Installation (civilian and military employees)…	8,057
Prince George's County ………………………………	Local Government………………………………	6,396
Internal Revenue Service ………………………………	Revenue Collection/Data Processing……………	5,539
United States Bureau of the Census …………………	Demographic and Economic Surveys……………	4,414
NASA/Goddard Space Flight Center* …………………	Space Satellite Design and Tracking……………	3,171
Prince George's Community College…………………	Education ………………………………………	2,676
USDA Research Center/National Agriculture Library*	USDA Library/Agricultural Research……………	1,850
National Maritime Intelligence Center*…………………	Maritime Intelligence Analysis……………………	1,724

*Excludes contractors

Source: MD Dept. Business and Economic Development; Prince George's County Economic Development Corporation November 2012. Accessed January 2012.

Retail Sales

The Maryland sales and use tax rate is 6% on all taxable sales other than certain vehicle rentals and sales of mobile homes. Beginning July 1, 2011, the tax rate for alcoholic beverages, including mixtures, increased from 6% to 9%. Most sales of food by substantial grocery or market businesses are not subject to the sales tax. Other exemptions include medicine, energy for residential use, manufacturing machinery and equipment, and certain agricultural equipment and supplies. In fiscal year 2012, Prince George's County generated an estimated $481.7 million in sales taxes. From fiscal year 2008 to fiscal year 2012 the sales taxes generated by Prince George's County increased 7.9%.

Sales and Use Tax

Fiscal Years 2007 and 2011

Metro Jurisdiction	Total Sales Tax Fiscal Year 2007	Total Sales Tax Fiscal Year 2011	% change
State of Maryland	$3,453,486,896	$3,908,480,321	9.3%
Washington Metro Area:			
Prince George's County ………………………	**$406,932,770………**	**$454,393,868………**	**11.7%……**
Calvert County……………………………………	28,304,074………	32,897,887………	16.2………
Charles County …………………………………	86,661,225………	100,745,878………	16.2………
Frederick County…………………………………	126,317,466………	129,435,456………	2.5………
Montgomery County ……………………………	449,633,954………	500,211,544………	11.2………
Baltimore Metro Area:			
Anne Arundel County……………………………	307,724,337………	366,604,434………	19.1………
Baltimore City ……………………………………	285,692,896………	316,094,999………	10.6………
Baltimore County…………………………………	484,738,670………	535,496,088………	10.5………
Carroll County ……………………………………	83,614,710………	89,565,928………	7.1………
Harford County …………………………………	105,466,009………	116,582,026………	10.5………
Howard County …………………………………	155,411,141………	166,888,009………	7.4………

Source: State of Maryland, Comptroller of the Treasury, Revenue Accounting Division (accessed on February 2012)

Housing

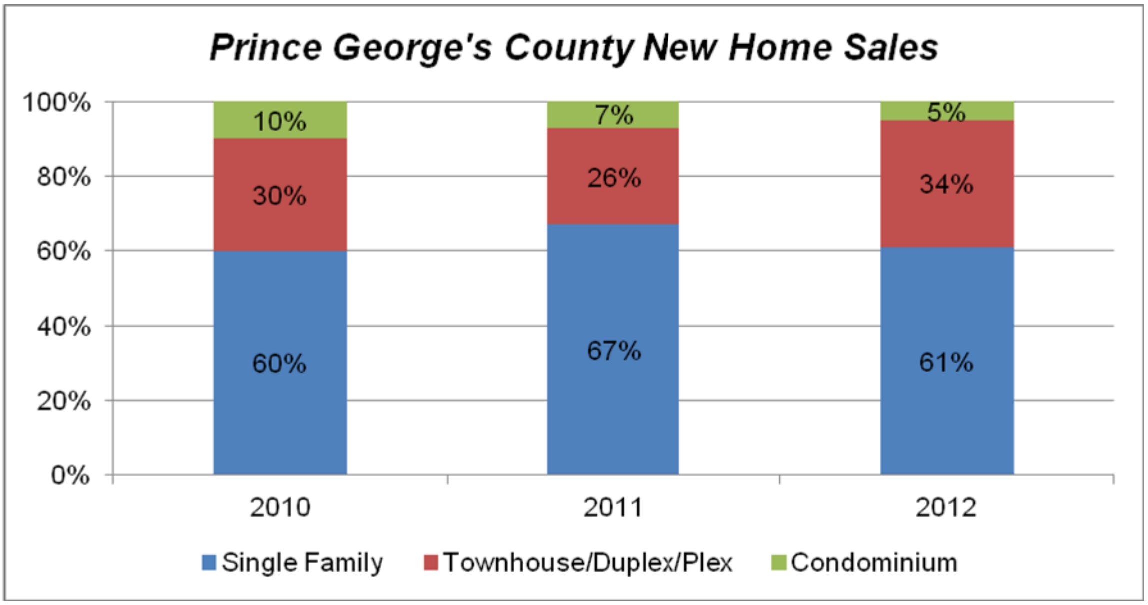
The composition of Prince George's County's housing market is displayed in the following table. Between 2007 and 2011, total housing units increased slightly by 0.7 percent (an increase of approximately 2,224 units). During this time period, single family and multi-family homes increased from 0.3 percent and 1.5 percent, respectively.

Housing Units by Type of Structure

	2007	2008	2009	2010	2011
Single Family					
Number of Units	222,999	223,982	220,615	220,247	223,621
Percent of Market	68.1%	67.2%	67.5%	67.1%	67.8%
Multi-Family					
Number of Units	104,632	109,452	106,226	108,150	106,234
Percent of Market	31.9%	32.8%	32.5%	32.9%	32.2%
Total Units	327,631	333,434	326,841	328,397	329,855

Source: U.S. Census Bureau, American Community Survey 1 Year Estimates (July 2013).

Historically, single family detached homes have made up a majority of new home sales in Prince George's County. Single family detached homes have remained at or above 60 percent of new total sales from 2010 to 2012.



Source: Hanley Wood Market Intelligence, (Accessed March 13, 2013)

Median residential sales in Prince George's County have increased by 11.2% comparing the first quarter of 2012 to 2013. The median value of owner-occupied residential properties in Prince George's County has also increased during this time period from $201,500 in 2012 to $224,000 in 2013.

The following table shows the number of residences distributed within certain housing value ranges. During 2011, the majority of residences were valued between $200,000 and $499,999. In addition, between 2010 and 2011, there were increases in homes valued between $300,000 and more than $1,000,000.

Estimated Market Value of Owner-Occupied Residential Property

	2010		2011		Increase (Decrease)
Value Range	Number of Residences	Share of Residences	Number of Residences	Share of Residences	Number of Residences
Less than $50,000	3,378	1.8%	3,471	1.8%	93
$50,000 to $99,999	2,994	1.6%	2,662	1.4%	(332)
$100,000 to $149,999	9,381	5.0%	7,524	3.9%	(1,857)
$150,000 to $199,999	22,281	11.8%	17,488	9.0%	(4,793)
$200,000 to $299,999	66,508	35.1%	58,357	30.2%	(8,151)
$300,000 to $499,999	69,932	36.9%	82,394	42.6%	12,462
$500,000 to $999,999	13,971	7.4%	20,337	10.5%	6,366
$1,000,000 or more	885	0.5%	1,318	0.7%	433
Total Owner-Occupied Units	189,330		193,551		4,221

Source: U.S. Census Bureau, American Community Survey, 1-Year Estimates (Accessed December 2012).

Note: Due to rounding, percentages may not total 100 percent.

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 2003 and 2012, the value of new residential construction within Prince George's County has averaged approximately $344.6 million annually. The housing market has declined in the United States. Non-residential construction has averaged approximately $176.8 million per year. The value of new residential construction within Prince George's County in 2012 was $191.5 million as compared to $223.9 million in 2011. The value of new non-residential construction within Prince George's County in 2012 was $239.4 million as compared to $107.9 million in 2011.

Building Permits

	Residential Construction			Non-Residential Construction			Total	
Calendar Year	Permits Issued	Total Valuation (1)	Annual Valuation(1)	Permits Issued	Total Valuation(1)	Average Valuation(1)	Total Permits Issued	Total Valuation(1)
2003	2,716	$450,316	$166	55	$269,306	$4,896	2,771	$719,622
2004	2,312	402,355	174	52	106,500	2,048	2,364	508,855
2005	3,647	636,860	175	39	161,359	4,137	3,686	798,219
2006	3,625	700,079	193	59	178,648	3,028	3,684	878,727
2007	2,987	487,868	163	105	477,541	4,548	3,092	965,409
2008	1,879	231,129	123	77	103,904	1,463	1,956	335,033
2009	2,058	260,898	127	40	187,584	4,690	2,098	448,482
2010	1,405	205,443	146	398	112,701	283	1,803	318,144
2011	1,412	223,875	159	301	107,905	358	1,713	331,780
2012	1,255	191,489	153	321	239,357	746	1,576	430,846
Total	23,296	$3,790,312	$1,579	1,447	$1,944,805	$26,197	24,743	$5,735,117
Annual Average	2,330	$379,031	$158	145	$194,481	$2,620	2,474	$573,512
2013 (Jan.-June)	865	$139,413	$161	146	$88,049	$603	1,011	$227,462

(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 Permitting, Inspections and Enforcement.

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During 2010, approximately 3.4 million square feet of new commercial space was started. The total square footage of commercial non-residential construction started by structure type during calendar years 2006 through 2010 is shown below:

Commercial Non-Residential Construction Started, by Type

Area in Square Feet

Structure Type	2006	2007	2008	2009	2010
Office	387,250	987,587	260,677	539,435	307,215
Mixed Use	959,046	2,156,701	2,051,977	252,000	396,757
Retail	518,590	722,767	233,138	216,620	1,490,018
Educational/Medical	396,368	136,621	1,176,525	263,728	1,238,043
Research & Development	310,726	-	-	-	-
Total Square Footage	2,571,980	4,003,676	3,722,317	1,271,783	3,432,033
Metropolitan Area	7.60%	12.20%	10.00%	8.20%	17.00%

Source: Metropolitan Washington Council of Governments (MWCOG), Commercial Construction Indicators (published 9/14/2011).

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

Economic Activity

One of the largest real estate transactions that occurred during the year was the sale of the Ammendale Business Campus South in Beltsville. This 221,000 square foot industrial building sold for $27 million, or $122.17 per square foot.

The vacancy rate of the overall commercial real estate sector has remained relatively flat since 2010, with industrial space still showing the strongest absorption rate through the second quarter of 2013. Delivered during the second quarter was 273,690 square feet of industrial space, with another 445,544 square feet under construction. The four largest industrial leases signed in the Greater Washington Region during this time period were all in Prince George's County: Veolia Transportation—Washington Commerce Center, Lanham (93,700 sf); White Cap Construction Supply—Steeplechase I-95, Capitol Heights (92,153 sf); NPL Construction Inc.—Lanham/Landover/Bowie submarket (79,110 sf); and Uni-Select USA—Lincoln 495, Forestville (77,285 sf). Retail construction is also picking up, with the 340,000 square foot Tanger Outlets at National Harbor set to deliver in the fourth quarter of 2013. An additional 48,198 square feet of retail space is also currently under construction *(Source: Costar).*

Contracting opportunities with government, research, technology, and defense industry anchors contributed to the maintenance of a relatively stable market. The federal government and Prince George's County's mixed commercial base cushion the impact of economic downturns, but also moderate the rate of recovery.

There are nearly a dozen federal agencies mostly with research-focused activities within Prince George's County. These agencies attract technology companies as partners/contractors for their operations. The NASA Goddard Space Flight Center, the USDA Beltsville Agricultural Research Center, the Army Research Laboratory, the Institute for Defense Analysis, the Internal Revenue Service, and the U.S. Census Bureau Supercomputer Center all support the local technology business base. The University of Maryland at College Park is building several new facilities, some for national security-related tenants, on its 100-acre Enterprise Campus research park. The completion of the NOAA Center for Weather and Climate Control at the Enterprise Campus was delivered in mid-2012 and involved a $76.5 million capital expenditure.

Below is additional information about certain significant retail, commercial, and/or entertainment projects that are pending or have been completed recently:

- Prince George's County negotiated a $30 million grant from the Maryland Department of Transportation that will allow for the construction of the major access road serving the proposed Konterra Development, a major economic development project in the northern portion of Prince George's County that is expected to create jobs and strengthen Prince George's County's commercial tax base. The access road will connect Konterra to the new Contee Road Interchange at I-95, as well as to the new Intercounty Connector (MD Route 200) interchange at Virginia Manor Road. The realignment and reconstruction of the roadway will provide access to undeveloped and currently inaccessible areas in northern Prince George's County. The proposed Konterra Town Center development adjacent to the new road has the ability to accommodate about two million square feet of commercial space and 2,000 residential units.

- In March 2013, Konterra Realty Trust inked a deal to build a new headquarters for ASRC Federal Holding Co. at its Konterra Business Campus. ASRC has signed a lease for 50,000 square feet at 7000 Muirkirk Meadows Drive, near the Intercounty Connector.

- Solar City relocated 12 jobs and added another 88 new positions in this consolidation of locations formerly in Montgomery County and Anne Arundel County. Solar City is #10 on "Fast Company's" List of 50 most innovative companies in the world.

- Dynamic Concepts, a $10 million information technology company, relocated 25 employees to Brentwood, Maryland from the District of Columbia.

- Greenberg Gibbons Commercial has partnered with Somera Capital to completely redevelop the Laurel Mall. The new facility at 560,000 square feet will include a grocer, movie theatre, and about 425 residential units. After a delay, construction of the redeveloped center began in mid-2012.

- In July 2012, the United States Department of Veterans Affairs opened a new Southern Prince George's County Community-based Outpatient Clinic at 5801 Allentown Road in Camp Springs across from the Joint Base Andrews National Naval Air Station. The new clinic offers a variety of health care services including: primary and preventative care, comprehensive women's health care, audiology and mental health services, and dental care.

- Nash Finch, a food distribution business from Minneapolis, executed a fifteen-year lease on a 530,000 square foot property located at 6304 Sheriff Road in Landover. This $12 million project for fit out and equipment is home to 36 relocated positions with at least 136 additional full-time jobs projected. A $200,000 Conditional Loan from the County's Economic Development Incentive Fund leveraged $200,000 in State funds for the project.

Prince George's County Economic Development Corporation

The County contracts with the Prince George's County Economic Development Corporation (EDC) to promote economic development. The EDC works in the following areas:

- Market the County as a great business location – regionally and globally
- Retain, expand and grow existing businesses
- Attract new businesses
- Promote the growth and development of small, minority and disadvantaged businesses
- Operate a business incubator to nurture advanced technology and life sciences firms
- Promote strategic retail development
- Serve as the "front door" for applications to the $50M Economic Development Incentive Fund
- Promote international trade and investment in targeted BRICS nations and Africa
- Secure funds necessary to implement economic development strategies, FTZ, and life sciences "graduate" incubator
- Provide workforce services and training to County businesses, job seekers and residents

- 2U, an education technology company, shifted its headquarters from New York to Landover and has grown to 318 employees. Five hundred additional jobs are projected by December 2014, with an average full-time salary of $68,380. 2U occupies a 50,000 square foot building in New Carrollton.

- Accenture Federal Services, a computer systems design service company, invested $500,000 in a 7,000 square foot office facility in the Metro East Business Campus in Hyattsville.

- Aquilent of Laurel, which provides integration and customization of web-based software, created 56 new jobs and is planning to lease additional office space in adjacent buildings in the 95 Office Center Business Park in 2014 to accommodate future job growth of approximately 200 IT professionals.

- Fitness4less opened a 22,000 square foot fitness facility in Bowie, which was its fifth location in the Washington D.C. / Baltimore region.

- G&G Outfitters, a screen-printed promotional products manufacturer, invested $4.7 million in a 68,000 square foot facility in Capitol Heights.

- Guernsey Office Products, an office products retailer, expanded a 10,000 square foot distribution facility in Beltsville.

- Intelligent Decisions, a federal government contractor for information technology solutions, invested $4.1 million and purchased a 41,000 square foot building in Laurel.

- Kaiser Permanente Largo Medical Center constructed a new 106,000 square foot addition and renovated its 130,000 square foot Medical Office Building, as well as adding a parking garage to the complex.

- Metropolitan Equipment Group, a plumbing and HVAC equipment wholesaler, expanded its business by investing $400,000 in a 16,000 square foot facility in Beltsville.

- Office Movers, which provides office-moving services, expanded a 68,000 square foot facility in Hyattsville.

- Southern Maryland Hospital Center in Clinton expanded, creating 350 new jobs.

- Villa Rosa Nursing Home added 50 new jobs as a result of its expansion in Mitchellville.

- SemaConnect, a developer and producer of electric vehicle charging stations and software, is located at the Melford Business Park in Bowie. They invested $200,000 and hired 12 new employees.

- Man and Machine expanded in Landover by 7,000 square feet and is expected to create 19 new jobs by 2015.

- Vocus of Beltsville continues to expand, having leased an additional 25,000 square feet during the latter part of 2012. Employment at Vocus is expected to top 600 by 2015.

- Inovalon (formerly MedAssurant) also continues to expand, with the addition of another 30,000 square feet at Melford in Bowie. Inovalon added 197 new employees during 2012-2013.

- IMS, an IT company from Montgomery County, moved to Beltsville, bringing 150 jobs and a $20 million payroll.

- New to the region, the Neibauer Dental Chain opened locations in Oxon Hill, Bowie and Greenbelt. Each location employs 8-10 individuals.

- Strayer University is expanding its location at the entrance to the Branch Avenue Metro Station in Camp Springs, investing $9.5 million in a 38,000 square foot building.

- Alperstein Furniture Company relocated from Washington, D.C. to Landover, bringing 13 full time employees to a newly leased 26,000 square foot building. Four additional jobs are projected by 2014.

- The Food Authority, a wholesale food distributor and processor for the airline and restaurant industries headquartered in New York, completed its first out-of-state expansion to Hyattsville in 2012. The company leased 25,000 square feet and reserved another 15,000 square feet for future expansion. One hundred new employees have been hired since the move to Prince George’s County.

- Creative Lipi Webtech Pvt. Ltd., based in India, will become the first out of five information technology companies from India to establish a US presence at the Technology Assistance Center (TAC) in Largo. TAC is a program operated by the Prince George’s County Economic Development Corporation.

- Buzzuto & Associates, Inc. has relocated to retain the company's headquarters in Greenbelt. The real estate development and management company has leased more than 74,000 square feet of office space in the Capital Office Park and is investing approximately $5 million in building improvements.

- Euro Restaurant Solutions, Inc. (dba Marra Forni), a brick oven manufacturer, is expanding their operations in Beltsville. The expansion includes renovation of their 10,000 square foot facility to include a remodel of the showroom, purchase of additional equipment, and working capital. The company currently employs 10 people and projects an additional 40 full-time positions will be added within the next three years.

- Pot Hole Repair relocated to Prince George's County from Virginia in June 2013. The company purchased an existing building and land in Upper Marlboro. They currently have 15 employees and will hire an additional 10 by 2014. The project cost was $650,000.

- Howard University Hospital in Washington, D.C. is relocating its patient billing, call center, and customer service offices to Landover, Maryland. The company has signed a lease for 21,000 square foot of space near the New Carrollton Metro Station. They will be hiring approximately 105-115 new employees with a payroll of approximately $5 million. Total project cost will be $1.7 million.

- Westphalia Town Center is a planned mixed use town center in Upper Marlboro that will offer, during Phase One, 347 townhomes, over 400 apartments, a 150-room hotel and 500,000 square feet of retail shopping on 479 acres. The project broke ground in June 2013. At completion, the development will have 15,000 homes, 1 million square feet of retail, 4 million square feet of office space and three hotels—making it one of the largest developments in Prince George's County.

- Forestville Plaza is a strip mall that is being redeveloped by Commerce Properties. They have approximately 218,000 square feet of new retail and office/flex space. The discount retailer, Roses, has signed a long term lease for space in the Center, employing about 75 people in benefits-paying positions.

- Jigsaw Foods is a manufacturer and supplier of marinades and sauces to national restaurants such as Nando's. The company is headquartered in the UK, but has a long-term commitment to the US Market. Jigsaw has just signed a long-term lease for space in Lanham to manufacture and distribute their products in the Mid-Atlantic. The company plans to create 7-10 new jobs.

- Gold's Gym is opening a new location at the Boulevard at Capital Centre. They will create 25 full-time and 50 part-time jobs at the site.

- United Therapeutics signed a 30,000 square foot lease on property in Beltsville. This life sciences company will move their laboratory and distribution functions to Prince George's County from Montgomery County.

- Maryland Department of Housing and Community Development will move its 97,332 square foot headquarters to New Carrollton in 2015 from Crownsville, Maryland. The Department, employing 320 individuals, will be the anchor tenant of a mixed use, transit-oriented development at the New Carrollton Metro Station. During Phase 1 of the project, 500 residential units and 65,000 square feet of retail space also will be constructed.

- Federal Bureau of Investigation (FBI) solicited preliminary proposals throughout the Region for the relocation of the agency, now in downtown Washington, D.C. Prince George's County has put forth a site located at the Greenbelt Metro Station which received the unanimous support of the entire Maryland Congressional Delegation, as well as an endorsement by Montgomery County, which declined to submit a competing proposal. A formal Request for Proposals from the Federal Government is expected in 2014.

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- Promote strategic retail development
- Serve as the "front door" for applications to the $50M Economic Development Incentive Fund
- Promote international trade and investment in targeted BRICS nations and Africa
- Secure funds necessary to implement economic development strategies, FTZ, and life sciences "graduate" incubator

Provide workforce services and training to County businesses, job seekers and residents

Economic Development Program Initiatives

The following initiatives support economic development in Prince George's County:

- Economic Development Incentive Fund (EDIF). This is a $50 million, one-time appropriation to support expansion of Prince George's County's commercial tax base, job retention and attraction, support for small and local businesses, promotion of development and redevelopment opportunities, transit-oriented development and growth of key industry sectors. The EDIF, which launched in March 2012, has a fiscal year appropriation of $7-11 million annually. As of August 2013, nine applications for funding have been approved, with a value in excess of $6.2 million. An additional 11 projects are at various stages in the review and underwriting process; these projects have a value of over $7 million.

- The Transforming Neighborhood Initiative (TNI) is an effort by Prince George's County to focus on uplifting six neighborhoods in Prince George's County that face significant economic, health, public safety, and educational challenges. Through this initiative, Prince George's County seeks to improve the quality of life in these neighborhoods while identifying ways to improve service delivery throughout Prince George's County to all residents. The communities are East Riverdale/Bladensburg, Hillcrest Heights/Marlow Heights, Langley Park, Glassmanor/Oxon Hill, Kentland/Palmer Park, and Suitland/Coral Hills.

- Enterprise Zone. Prince George's County's Enterprise Zone continues to provide incentives for new investment and new job creation in targeted areas of Prince George's County. Thirteen (13) businesses or investment projects were certified in Fiscal Year 2013, resulting in the creation of 294 jobs, representing nearly $1.7 million in planned new investment.

- Gaming. The Maryland General Assembly approved the expansion of Governor O'Malley's Gaming Bill in August 2012. This bill, which received favorable County and statewide referendum votes in November 2012, authorizes the construction of a sixth casino in Prince George's County at a location to be determined. The construction of a high-end destination facility in Prince George's County is anticipated to result in thousands of new construction jobs and as many as 4,000 permanent positions. The operator of the Casino will be selected by the Maryland Gaming Commission by the winter of 2013, with project opening anticipated in 2016. Three proposals have been received by the Commission from would-be operators of the Casino, including MGM Grand, Penn National and Greenwood Racing, Inc.

- New County Department of Permits, Inspections and Enforcement. The new Department of Permits, Inspections and Enforcement opened July 1, 2013. The goal of this new department is to increase efficiency and improve consistency, predictability, and streamlined communications to both commercial and residential stakeholders with respect to permitting, inspections, and code enforcement, thereby resulting in a more customer-friendly process for businesses and residents. Developers have frequently cited the current lengthy, repetitive and costly permitting and review system as an impediment to investment in Prince George's County.

- International Trade. A delegation of business leaders attended the IndiaSoft Conference in India during early 2013. Interest demonstrated by Indian IT firms in doing business in the US led to the decision to open Prince George's County's TAC Incubator program to Indian companies interested in a location from which to launch their US operations. As was noted previously, five firms will establish a presence within the TAC during the third quarter of 2013. Additionally, a Trade and Investment Mission to Brazil, led by County Executive Rushern L. Baker III, is planned for late Fall of 2013.

- Hospital Memorandum of Understanding. Under this multi-party agreement, Prince George's County, the University of Maryland Medical System Corporation, and the University System of Maryland will work with Dimensions Health Corporation and State of Maryland health officials to establish an analysis of Prince George's County's health facility needs to determine the scale, cost and feasibility of constructing a new regional medical center and health sciences campus. In late August 2013, the Board of Directors of Dimensions Health Corporation approved the selection of the Largo Town Center site as the location of the new campus. A certificate of need for the selected site will be submitted to the State of Maryland, which is the next step in the process prior to final approval of the regional medical center site.

- Strengthened Minority Business Outreach and Certification. Driven in part by procurement opportunities in professional services, such as architectural and engineering services, as well as Information Technology, the number of participants currently certified as Minority Business Enterprises in Prince George's County has reached 900 firms, the highest number of minority-owned firms that have been certified in Prince George's County since the Minority Business Program was created more than 25 years ago. This program is designed to give access to procurement opportunities to the minority business community and expand competition in the procurement process. It was renamed the Supplier Development and Diversity Program in early 2013.

- Economic Development Strategy. The Maryland-National Capital Park and Planning Commission, and its consultant, Battelle Technology Partnership Practice, completed work on a targeted economic development strategy for Prince George's County in May 2013. The strategy focuses on identifying and targeting key high-growth industries that have the greatest potential to contribute to economic growth and development in Prince George's County; leveraging Prince George's County's unique assets to capture economic development opportunities; and setting forth targeted strategies and actions to maximize economic development. The high-growth industry sectors are Healthcare and Life Sciences, Business Services, ICE (Information, Communications and Electronics) and the Federal Government.

- BioPharma Task Force. The Prince George's County Economic Development Corporation has created a BioPharma Task Force to help guide it in formulating strategies to grow Prince George's County's life sciences industry sector. Comprised of volunteers from government and private industry, the Task Force has been meeting bi-monthly for approximately a year. Key recommendations, which will be incorporated into a report for public distribution in the latter part of 2013, include development of wet-lab space, creation of new incentives and financing mechanisms to support business start-ups in the sector, education and training of the technical workforce, and creation of a Prince George's Innovation and Commercialization Collaborative — also a recommendation of the Economic Development Strategy noted above.

- **Major Economic Development Projects**

Several projects, reflecting a range of commercial development in Prince George's County, are listed in the following chart. A map showing the location of the major economic development projects identified in this section follows the chart.

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Major Commercial Projects Recently Completed, Under Construction, or in Development Stage

As of June 30, 2012

	Project Name	Location Number in Map	New or Expansion	Expected Occupancy	Capital Investment ($ Millions)	Size (square feet) at full build-out	Projected Jobs (New & Retained)
A.	Projects Completed or Under Construction						
	Enterprise Campus (UMCP) 2 office buildings	5	New	Completed	25	120,000	N/A
	Woodmore Town Center (Retail phase I) Wegman, Costco, others	11	New	Completed	171	684,000	600
	Ritchie Station (BJ's Warehouse)	13	New	Completed	23.8	119,000	125
	Ritchie Station (Phase I)	13	New	2013	76.2	381,000	N/A
	Steeplechase 95 International Business Park (retail Phase I)	12	New	Completed	11.5	10,000	N/A
	Steeplechase 95 International Business Park (retail Phase II)	12	New	Jan-12	13.8	46,000	N/A
	MD Science & Tech Center	9	New	Completed	18	40,000	N/A
	NOAA	8	New	Jun-12	81	270,000	300
	Arts District Hyattsville (retail only)	16	New	Jul-11	10.8	36,000	150
	Brandywine Crossing (phase 2)	17	new	Nov-11	14.2	71,000	N/A
	Sub-Total A				$445.30	1,777,000	
B.	Projects in Development Stage						
	National Harbor Nat'l Childrens Museum	15	New	N/A	N/A	150,000	N/A
	National Harbor Tanger Outlets	15	New	Jul-13	100	350,000	N/A
	College Park Metro (Mixed-Use)	4	New	N/A	N/A	N/A	N/A
	UMD East Campus (All Phases)	4	New	N/A	N/A	1,000,000	N/A
	Enterprise Campus (UMCP)	5	New	N/A	N/A	2,000,000	N/A
	Greenbelt Metro Area (Mixed-Use)	3	New	N/A	N/A	3,000,000	4,000
	New Carrollton Metro Area (Mixed-Use)	10	New	N/A	N/A	2,000,000	3,000
	Branch Ave. Metro (office and residential)	14	New	N/A	N/A	400,000	N/A
	Konterra (town center)	1	New	N/A	N/A	5,300,000	N/A
	The Brickyard (residential, retail)	18	New	N/A	N/A	1,300,000	N/A
	Laurel Commons	2	Expansion	Jul-14	N/A	665,000	N/A
	Cafritz Property (retail)	20	New	Jan-12	N/A	370,000	463
	Andrews Federal Campus	19	New	N/A	N/A	1,000,000	N/A
	Sub-Total B				$100.00	17,535,000	
	Total (A+B)				$545.30	19,312,000	

Source: Prince George's County Economic Development Corporation/Pr. George's {Planning Department)

Transportation

Highway

Interstate 95 provides Prince George's County with 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 Prince George's County include the Baltimore-Washington Parkway (Route 295), U.S. Route 50 (access to Maryland's eastern shore) and U.S. Route 3/301 (access to Baltimore and Virginia).

Rail

Prince George's County is served by CSX Transportation, Norfolk Southern, Amtrak (including a station at New Carrollton on Amtrak's Northeast Corridor service), and the MARC (Maryland Area Regional Commuter) rail system which has two lines that run through Prince George's County, both of which provide service between Baltimore City (and surrounding areas) and Washington, D.C.'s Union Station, with 9 stations in Prince George's County.

Mass Transit

The Washington Metropolitan Area Transit Authority (WMATA) Metrorail system operates a 106.3-mile subway system. The system serves Washington, D.C. and nearby suburban areas, including four lines and 15 stations that serve Prince George's County. WMATA's local bus system has more than 70 routes serving County residents. Prince George's County supplements WMATA's bus service with "TheBus."

Truck

More than 90 freight lines serve Prince George's County. Most of Prince George's County lines lie within the Washington commercial zone as defined by the Interstate Commerce Commission.

Air

Prince George's 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 (PEPCO), Southern Maryland Electric Cooperative, Inc. (SMECO), and Allegheny Power provide Prince George's County with electricity services. County residents have the option of choosing their electric supplier.

Gas

Natural gas is supplied by Washington Gas or BGE; however, County residents have the option of buying natural gas directly from natural gas suppliers.

Water and Sewer

Washington Suburban Sanitary Commission provides the water supply to the entire Prince George's 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 Prince George's County.

Storm Water Drainage

Storm drainage for Prince George's County is provided by the Prince George's County Department of Environmental Resources.

Telecommunication

Verizon, Comcast, Level 3 Communications and others have significant fiber throughout Prince George's County. AT&T, Sprint Nextel, Cavalier, Cox, and other carriers and resellers also offer services on proprietary and leased lines.

Property Taxes

Prince George's County levies real and personal property taxes on all taxable property within its boundaries. Taxes are due in full on July 1 and become delinquent on the following October 1 with the exception of those taxes owed by small business owners for which annual property taxes do not exceed $50,000 who qualify for a semi-annual payment plan (effective July 1, 2011) and homeowners living in their properties who qualify for a semi-annual payment plan. Semi-annual taxpayers must pay one-half of the annual taxes by September 30 and the remaining one-half in a second installment by December 31 of the fiscal year. No discount is allowed for early payment. Interest at the rate of 2/3% per month and a penalty of 1% per month are charged after September 30 (December 31 for the second semi-annual payment), except that 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 May in the fiscal year taxes are due and payable. Legal action may be taken to enforce payment of both real and personal property taxes.

An independent state agency, the State Department of Assessments and Taxation ("SDAT"), assesses all real and tangible personal property on a rolling basis every three years for purposes of property taxation by State and local governmental units. Prior to tax year 2001, real property had been valued at market value and assessed in each year at 40% of phased-in market value. Beginning in tax year 2001 property tax rates are applied to 100%, instead of 40%, of the value of real property.

By law, the annual taxable assessment growth of owner-occupied residential property is capped at the lesser of the percentage of increase in the Consumer Price Index for the previous 12 months or 5% of the prior year's taxable assessment. The cap for fiscal year 2013 is set at 4% based on the Consumer Price Index (CPI) and for fiscal year 2014 is set at 2%. Maryland law also provides that certain owner occupants of residential property may receive certain property tax credits based on various criteria including their income and net worth. Prince George's County is reimbursed by the State for some of these tax credits. Certain real estate developments inside the Capital Beltway within census tracts where the median household income does not exceed 100% of the median household income for Prince George's County based on census numbers (Revitalization Tax Credit Districts) are eligible to receive tax credits. This provides tax incentives for revitalization projects, with a long-term goal of enhancing the communities and preserving the tax base.

Tangible personal property and commercial and manufacturing businesses are assessed annually at fair market value with no inflation allowance, based upon annual reports filed with SDAT. Public utility property is assessed at fair market value determined by reference to both income and property values, with the exception that power-generating personal property has been subject to a phased-in partial assessment due to the State's electricity deregulation. Prince George's County grants some personal property tax credits for research and development property, designed to stimulate economic development.

The following are exempt from property taxes: public property; property owned by religious groups or organizations used exclusively for public religious worship or used exclusively for educational purposes; cemeteries owned by persons, religious groups or companies not operated for pecuniary profit; nonprofit hospitals; property owned by nonprofit charitable, fraternal, benevolent, educational and literary organizations; licensed continuing care facilities for the aged; veterans' organizations; dwelling houses of disabled veterans and blind persons; historical societies and museums; scouts; fire companies and rescue squads; operating property owned by railroads and transportation companies; conservation property; community water systems; nonprofit housing; tangible personal property of savings institutions and commercial banks; manufacturing equipment; manufacturing and commercial inventory; vessels; aircraft and motor vehicles; farming implements; livestock; certain agricultural products and commodities; and all personal property located at a taxpayer's place of residence other than property used in connection with any business, occupation or profession.

The following tables set forth both the growth rate of and the assessed and estimated actual value of real and personal property in Prince George's County.

Annual Growth Rates

Fiscal Year	Assessed Value	Estimated Actual Value
2013 (1)	-7.3%	-8.2%
2012	-13.2%	-13.0%
2011	-1.0%	-6.0%
2010	12.6%	2.6%
2009	16.0%	20.7%
2008	19.2%	17.6%
Six-Year Average:	4.4%	2.3%

(1) Estimated for the year ended June 30, 2013.

Assessed and Estimated Actual Value of Taxable Property
($ millions)

	Real Property		Other Property		Total	
Fiscal Year	Assessed Value	Estimated Actual Value	Business Personal Property(1)	Public Utilities	Assessed Value	Estimated Actual Value
2013 (2)	$75,986.5	$76,308.6	$1,395.6	$1,364.1	$78,746.2	$79,068.3
2012	82,217.5	83,404.3	1,381.2	1,335.2	84,933.9	$86,120.7
2011	95,135.1	96,199.1	1,415.1	1,334.1	97,884.3	$98,948.3
2010	96,054.7	102,512.2	1,490.8	1,292.0	98,837.5	$105,295.0
2009	85,155.2	99,986.2	1,422.1	1,232.3	87,809.6	$102,640.6
2008	72,901.0	82,244.1	1,642.4	1,176.0	75,719.4	$85,062.5

(1) Effective Fiscal Year 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) Estimated for the year ended June 30, 2013.

Source: Maryland State Department of Assessments and Taxation.

The total General Fund property tax revenues included in Prince George's County's Proposed Operating Budget for fiscal year 2014 are $693.7 million (adjusted for tax credits, assessment abatements and deletions, allowance for municipal tax differential and un-collectable taxes). As of June 30, 2013, total property tax revenues in fiscal year 2013 were $703.4 million. The tax rates shown in the next table represent a weighted average of the unincorporated and incorporated area rates.

Real and Personal Property Taxes
(Levies and Collections)

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
2013(1)………	$78,746.2	$0.960	$703,826,505	$699,837,546	99.4%(2)	99.6
2012………	84,933.9	0.960	711,565,650	708,645,489	99.6	99.6
2011………	97,888.0	0.960	987,400,083	981,984,336	99.5	99.8
2010………	98,837.5	0.960	1,001,271,795	995,260,491	99.4	99.8
2009………	87,809.6	0.960	903,375,110	897,803,030	99.3	99.8
2008………	75,719.4	0.960	777,425,080	770,467,248	99.3	99.8

(1) Estimated for the year ended June 30, 2013.
(2) Reflects Fiscal Year 2013 year-to-date collections.

Source: Office of Finance.

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 Prince George’s County Charter. Pursuant to Section 812, Prince George’s 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.” Section 812 further provides 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, and other expenses pertaining to, stormwater management facilities. The Washington Suburban Transit Commission (WSTC) component pays for Prince George’s County’s contribution to WSTC and other related mass transit costs. The Maryland State and the Maryland-National Capital Park and Planning Commission (M-NCPPC) components identify taxes collected by Prince George’s County on behalf of those entities.

FY 2013 Property Tax Rates in Dollars/$100 of Assessed Value

PRINCE GEORGE'S COUNTY		OVERLAPPING TAXING ENTITIES		
General	Stormwater Management	WSTC	Maryland State	M-NCPPC
$0.96	$0.054	$0.026	$0.112	$0.279

Source: Office of Finance

Property Tax Levies
($ thousands)

	PRINCE GEORGE’S COUNTY		OVERLAPPING TAXING ENTITIES		
Fiscal Year	General	Stormwater Management	WSTC	Maryland State	M-NCPPC
2013[(1)]……	$706,041	$39,294	$21,463	$85,312	$220,067
2012……	826,342	42,992	23,253	92,658	238,192
2011……	939,585	47,814	26,460	106,422	270,299
2010……	952,358	48,914	26,698	107,268	273,131
2009……	859,273	44,102	23,996	95,982	245,444
2008……	739,621	37,803	20,551	80,240	210,271

(1) Estimated for the year ended June 30, 2013.

Source: Office of Finance

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The top 10 principal taxpayers within Prince George's County for fiscal year 2013 are as follows:

Principal Taxpayers
June 30, 2013

Taxpayer	Real Property Assessment	Personal Property Assessment	Total Assessment
Gaylord National LLC	$ 550,000,000		$ 550,000,000
Potomac Electric Power Company	5,128,198	464,717,740	469,845,938
Verizon-Maryland		342,892,040	342,892,040
Washington Gas Light Company		245,668,650	245,668,650
Greenbelt Homes, Incorporated	226,145,362		226,145,362
JKC Stadium (FedEx Field)	220,582,533		220,582,533
Empirian Village of Maryland, LLC	201,357,100	4,084,050	205,441,150
Baltimore Gas and Electric Company		156,648,040	156,648,040
Genon Chalk Point LLC	155,574,600		155,574,600
Petrie ELG Inglewood LLC	135,470,099		135,470,099
Total	$ 1,494,257,892	$ 1,214,010,520	$ 2,708,268,412
Percentage of Assessable Base	5.3%	4.3%	9.6%

Source: Office of Finance

Statutory Debt Limit

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

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Statutory Debt Limit

June 30, 2013

County General Obligation Bonds	$	1,413,295,000
Maryland Development Debt		121,336
Maryland CDA Infrastructure Financing Bonds		484,300
County Solid Waste Revenue Bonds		758,943
Total Debt of the County		$1,414,659,579
Less: Portion of Debt Excludable by State Law:		
County General Obligation Bonds for:		
Mass Transit Facilities	$	12,537,260
Stormwater Facilities		140,945,000
Solid Waste Projects		40,367,000
School Facilities Surcharge-Supported		294,206,241
School Facility Supported by Telecommunication Tax		25,725,000
Maryland Development Debt		121,336
Maryland CDA Infrastructure Financing Bonds		484,300
County Solid Waste Revenue Bonds		758,943
Total Excludable Debt	$	515,145,080
County Debt Subject to Statutory Debt Limitation		$899,514,499
Assessable Base of Real Property Taxation (FY2012)	$	76,633,200,500
Assessable Base of Personal Property and Operating Real Property Taxation (FY2012)		3,204,672,974
Debt Limit (a total of 6% of Real Property Assessable Base and 15% of Assessable Base of Personal Property) (FY2012)		5,078,692,976
Less: County Debt Subject to Debt Limitation		$899,514,499
County Debt Margin	$	4,179,178,477

Source: Office of Finance.

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Debt Amounts and Debt Ratios

	2008	2009	2010	2011	2012
Net Tax-Supported General Fund Debt:					
Net Direct ($ millions)	782.9	699.0	705.3	714.4	714.7
Overlapping ($ millions)	48.6	47.0	69.4	67.5	65.3
Net Direct & Overlapping ($ millions)	831.5	746.0	774.7	781.9	780.0
Gross Direct Debt ($ millions)	1,147.0	1,077.0	1,096.2	1,137.6	1,133.3
Population (thousands)	830.5	834.6	863.4	N/A	N/A
Per Capita Income	39,536.0	39,637.0	N/A	N/A	N/A
Assessed Valuation ($ millions)	75,686.9	87,780.5	98,805.1	99,574.2	99,574.2
Estimated Market Value ($ millions)	85,030.0	102,611.5	105,262.6	98,948.4	N/A
County General Fund:					
Revenue ($ millions)	1,457.6	1,454.1	1,541.7	1,552.1	1,552.1
Expenditures and Other Uses ($ millions)	1,486.5	1,474.4	1,489.0	1,509.9	1,509.9
County General Fund Annual Debt Service ($ millions)	71.0	69.9	88.8	89.8	94.9
Gross Direct Debt:					
As a Percent of Assessed Value	1.5%	1.2%	1.1%	1.1%	1.1%
As a Percent of Estimated Actual Value	1.3%	1.0%	1.0%	1.1%	N/A
Per Capita	1,381.1	1,290.4	1,269.6	N/A	N/A
Per Capita Debt as Percent of Per Capita Income	3.5%	3.3%	N/A	N/A	N/A
Net Direct Debt:					
As a Percent of Assessed Value	1.0%	0.8%	0.7%	0.7%	0.7%
As a Percent of Estimated Actual Value	0.9%	0.7%	0.7%	0.7%	N/A
Per Capita	942.7	837.5	816.9	N/A	N/A
Per Capita Debt as Percent of Per Capita Income	2.4%	2.1%	N/A	N/A	N/A
Net Direct and Overlapping Debt:					
As a Percent of Assessed Value	1.1%	0.8%	0.8%	0.8%	0.8%
As a Percent of Estimated Actual Value	1.0%	0.7%	0.7%	0.8%	N/A
Per Capita	1,001.2	893.8	897.3	N/A	N/A
Per Capita Debt as Percent of Per Capita Income	2.1%	1.9%	N/A	N/A	N/A
County General Fund Annual Debt Service as a Percent of:					
Revenue	4.9%	4.8%	5.8%	5.8%	5.8%
Expenditures and Other Uses	4.8%	4.7%	6.0%	5.9%	5.9%

Source: Office of Finance.

N/A: Data elements used in calculation are not all available.

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate, dated as of April __, 2014 (the "Disclosure Certificate"), is executed and delivered by the Washington Suburban Sanitary Commission (the "Commission") in connection with the issuance of $150,000,000 Consolidated Public Improvement Bonds of 2014 (the "Construction Bonds") and $47,395,000 Consolidated Public Improvement Refunding Bonds of 2014 (the "Refunding Bonds" and, together with the Construction Bonds, 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.

"EMMA" means the Electronic Municipal Market Access System described in 1934 Act Release No. 59062 and maintained by the MSRB for purposes of the Rule.

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

"MSRB" shall mean the Municipal Securities Rulemaking Board, and its successors.

"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.

"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, 2014, provide to the MSRB in an electronic format and accompanied by identifying information as prescribed by the MSRB 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.

If the Commission is unable to provide the annual financial information and operating data within the applicable time periods specified herein, the Commission shall send in a timely manner a notice of such failure to the MSRB.

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," 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, not in excess of 10 business days, the Commission will provide to the MSRB notice of the occurrence of any of the following events with respect to the Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations;

(vii) modifications to rights of holders of the Bonds, if material;

(viii) bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the securities, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the Commission;

(xiii) the consummation of a merger, consolidation, or acquisition involving the Commission or the sale of all or substantially all of the assets of the Commission, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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.

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

SECTION 13. *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.

Section 14. *Limitation of Forum.* Any suit or other proceedings seeking redress with regard to any claimed failure by the Commission to perform its obligations under this Disclosure Certificate must be filed in the Circuit Courts of Montgomery County, Maryland or the Circuit Court of Prince George's County, Maryland.

Section 15. *Law of Maryland*. This Disclosure Certificate and any claims made with respect to performance by the Commission of its obligations under this Disclosure Certificate shall be subject to and be construed according to the laws of the State of Maryland (without regard to provisions on conflict of laws) or federal laws.

WASHINGTON SUBURBAN
SANITARY COMMISSION

By: ________________________________
Christopher V. Cullinan
Acting Chief Financial Officer

APPENDIX D

FORMS OF OPINIONS OF BOND COUNSEL

Proposed Opinion of Bond Counsel related to Washington Suburban Sanitary District, Maryland Consolidated Public Improvement Bonds of 2014

[Closing Date]

Washington Suburban Sanitary Commission
Laurel, Maryland

Ladies and Gentlemen:

In connection with the issuance and sale of $150,000,000 Washington Suburban Sanitary District, Maryland Consolidated Public Improvement Bonds of 2014 dated April __, 2014 (the "Bonds"), maturing annually on June 1 in the years 2015 through 2044, inclusive, in the amounts set forth therein and bearing interest, payable semi-annually on June 1 and December 1 in each year, beginning December 1, 2014, we have examined:

(i) Titles 16 through 25, inclusive, of Division II of the Public Utilities Article of the Annotated Code of Maryland, as amended (herein sometimes called the "Act");

(ii) Resolution Nos. 2014-2023, 2014-2024, 2014-2025 and 2014-2026 adopted by the Washington Suburban Sanitary Commission (the "Commission") on September 18, 2013 (collectively, the "Resolution");

(iii) the form of Bond;

(iv) relevant provisions of the Internal Revenue Code of 1986, as amended (the "Code"); and

(v) other proofs submitted to us relative to the issuance and sale of the Bonds.

The terms of the Bonds are contained in the Resolution and the Bonds.

We have made no investigation of, and are rendering no opinion regarding, the title to real or personal property.

In rendering this opinion, we have relied without independent investigation on certifications provided by the Commission with respect to certain material facts within the knowledge of the Commission relevant to the tax-exempt status of interest on the Bonds.

Based upon the foregoing, we are of the opinion that, under existing statutes, regulations and decisions:

(a) The Commission is a validly created and existing public corporation of the State of Maryland.

(b) 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.

(c) Interest on the Bonds is exempt from taxation by the State of Maryland and its counties and municipalities; no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the interest on the Bonds.

(d) Assuming compliance with the covenants referred to herein, interest on the Bonds will be excludable from gross income for federal income tax purposes. It is noted that under the provisions of the Code, there are certain restrictions that must be met subsequent to the delivery of the Bonds in order for interest on the Bonds to remain excludable from gross income for federal income tax purposes, including restrictions that must be complied with throughout the term of the Bonds. These include the following: (i) a requirement that certain earnings received from the investment of the proceeds of the Bonds be rebated to the United States of America under certain circumstances (or that certain payments in lieu of rebate be made), (ii) other requirements applicable to the investment of the proceeds of the Bonds, and (iii) other requirements applicable to the use of the proceeds of the Bonds and the facilities financed or refinanced with the proceeds of the Bonds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The Commission has made certain covenants regarding actions necessary to maintain the exemption of interest on the Bonds from federal income taxation purposes of interest on the Bonds. It is our opinion that, assuming compliance with such covenants, the interest on the Bonds will remain excludable from gross income for federal income tax purposes under the provisions of the Code.

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

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

Very truly yours,

Proposed Opinion of Bond Counsel related to
Washington Suburban Sanitary District, Maryland Consolidated Public Improvement Refunding Bonds of 2014

[Closing Date]

Washington Suburban Sanitary Commission
Laurel, Maryland

Ladies and Gentlemen:

In connection with the issuance and sale of $47,395,000 Washington Suburban Sanitary District, Maryland Consolidated Public Improvement Refunding Bonds of 2014 dated April __, 2014 (the "Bonds"), maturing annually on June 1 in the years 2015 through 2022, inclusive, in the amounts set forth therein and bearing interest, payable semi-annually on June 1 and December 1 in each year, beginning December 1, 2014, we have examined:

(i) Titles 16 through 25, inclusive, of Division II of the Public Utilities Article of the Annotated Code of Maryland, as amended (herein sometimes called the "Act");

(ii) Resolution Nos. 2014-2038, 2014-2039, 2014-2040 and 2014-2041 adopted by the Washington Suburban Sanitary Commission (the "Commission") on March 19, 2014 (collectively, the "Resolution");

(iii) the form of Bond;

(iv) relevant provisions of the Internal Revenue Code of 1986, as amended (the "Code"); and

(v) other proofs submitted to us relative to the issuance and sale of the Bonds.

The terms of the Bonds are contained in the Resolution and the Bonds.

We have made no investigation of, and are rendering no opinion regarding, the title to real or personal property.

In rendering this opinion, we have relied without independent investigation on certifications provided by the Commission with respect to certain material facts within the knowledge of the Commission relevant to the tax-exempt status of interest on the Bonds.

Based upon the foregoing, we are of the opinion that, under existing statutes, regulations and decisions:

(a) The Commission is a validly created and existing public corporation of the State of Maryland.

(b) 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.

(c) Interest on the Bonds is exempt from taxation by the State of Maryland and its counties and municipalities; no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the interest on the Bonds.

(d) Assuming compliance with the covenants referred to herein, interest on the Bonds will be excludable from gross income for federal income tax purposes. It is noted that under the provisions of the Code, there are certain restrictions that must be met subsequent to the delivery of the Bonds in order for interest on the Bonds to remain excludable from gross income for federal income tax purposes, including restrictions that must be complied with throughout the term of the Bonds. These include the following: (i) a requirement that certain earnings received from the investment of the proceeds of the Bonds be rebated to the United States of America under certain circumstances (or that certain payments in lieu of rebate be made), (ii) other requirements applicable to the investment of the proceeds of the Bonds, and (iii) other requirements applicable to the use of the proceeds of the Bonds and the facilities financed or refinanced with the proceeds of the Bonds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The Commission has made certain covenants regarding actions necessary to maintain the exemption of interest on the Bonds from federal income taxation purposes of interest on the Bonds. It is our opinion that, assuming compliance with such covenants, the interest on the Bonds will remain excludable from gross income for federal income tax purposes under the provisions of the Code.

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

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

Very truly yours,

APPENDIX E

NOTICE OF SALE

WASHINGTON SUBURBAN SANITARY
DISTRICT, MARYLAND

BOND SALE

$150,000,000* CONSOLIDATED PUBLIC IMPROVEMENT BONDS OF 2014

Dated Date of Delivery

Electronic bids, via BiDCOMP/Parity Competitive Bidding System ("***PARITY***") only, will be received until **10:30 A.M., prevailing Eastern time**, on **April 15, 2014**, by the Chief Financial Officer (or, in his absence, the General Manager), or other officer of the Washington Suburban Sanitary Commission (the "**Commission**") designated by the Commission (either such officer being the "**Designated Officer**"), for the above-referenced bonds (the "**Bond**s") of the Washington Suburban Sanitary District (the "**District**").

Terms of the Bonds

The Bonds shall be dated the date of their delivery (expected to be April 29, 2014). The Bonds will mature serially June 1, in the following years and principal amounts:

Maturity June 1	Principal Amount*	Maturity June 1	Principal Amount*
2015	$5,000,000	2030	$5,000,000
2016	5,000,000	2031	5,000,000
2017	5,000,000	2032	5,000,000
2018	5,000,000	2033	5,000,000
2019	5,000,000	2034	5,000,000
2020	5,000,000	2035	5,000,000
2021	5,000,000	2036	5,000,000
2022	5,000,000	2037	5,000,000
2023	5,000,000	2038	5,000,000
2024	5,000,000	2039	5,000,000
2025	5,000,000	2040	5,000,000
2026	5,000,000	2041	5,000,000
2027	5,000,000	2042	5,000,000
2028	5,000,000	2043	5,000,000
2029	5,000,000	2044	5,000,000

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 April [8], 2014 related to the Bonds (the "**Preliminary Official Statement**"). All such Bonds are to be issued under and in full compliance with the Constitution and laws of the State of Maryland, including the Public Utilities Article of the Annotated Code of Maryland, as amended.

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* Preliminary, subject to change.

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 shall be made on June 1 and December 1, beginning December 1, 2014, and shall be made by the Bond Registrar, The Bank of New York Mellon Trust Company, N. A., Pittsburgh, Pennsylvania, 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 at the office of its affiliate, The Bank of New York Mellon, in New York, New York or Dallas, Texas, 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, 2025, 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 or in part on any date not earlier than June 1, 2024, 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 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, 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 no later than 4:00 p.m. prevailing Eastern time on April 15, 2014. All proposals shall remain firm until the time of award.

Bidders are requested to name the interest rate or rates in multiples of $^{1}/_{8}$ or $^{1}/_{20}$ of 1% and the highest rate may not exceed the lowest rate by more than 3%. For maturities from 2025 through 2044, 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 2024). 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

As promptly as reasonably possible after the bids are opened, the Designated Officer will notify the bidder to whom the Bonds will be awarded, if and when such award is made, and such bidder, upon such notice, shall advise the Designated Officer of the initial reoffering prices to the public of each maturity of the Bonds (the "**Initial Reoffering Prices**"). Such Initial Reoffering Prices, among other things, will be used by the Commission to calculate the final aggregate principal amount of the Bonds and the final principal amount of each annual payment on the Bonds (the "**Final Aggregate Principal Amount**" and the "**Final Annual Principal Amount**", respectively; collectively, the "**Final Amounts**"). The Final Amounts will be communicated to the successful bidder by 5:00 p.m. prevailing Eastern Time on the date of sale and will not reduce or increase the amount of the Bonds by more than 10% from the amount bid upon. Such changes may result in the elimination of one or more maturities of the Bonds. The dollar amount bid by the successful bidder will be adjusted proportionally to reflect any reduction or increase in the Revised Amounts of the Bonds in determining the Final Amounts. Such adjusted bid price will reflect changes in the dollar amount of the underwriters' discount and original issue discount or premium, if any, but will not change the coupon rates and the initial public offering prices specified by the successful bidder. **ALL BIDS SHALL REMAIN FIRM FOR FIVE (5) HOURS AFTER THE TIME SPECIFIED FOR THE OPENING OF THE BIDS.** An award of the bonds, if made, will be made by the Designated Officer within such five (5) hour period of time. The Final Amounts will be communicated to the successful bidder as soon as possible, but not later than 3:00 p.m. the day after awarding the bond. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE WITHIN THESE LIMITS.

The award, if made, will be made as promptly as possible after the bids are opened to the bidder naming the lowest true interest cost for all the Bonds in any legally acceptable proposal. The lowest true interest cost will be determined with respect to each proposal by doubling the semi-annual interest rate, compounded semi-annually, necessary to discount the debt service payments to the date of the Bonds and to the price bid. Each bidder shall include in its bid a statement of the true interest cost offered in its bid, but this statement shall not be deemed to be part of the bid. Where the proposals of two or more bidders result in the same lowest true interest cost, the Bonds may be apportioned between such bidders, but if this shall not be acceptable to the Commission, the Designated Officer shall have the right to award all of such bonds to one bidder. **THE RIGHT IS RESERVED TO THE DESIGNATED OFFICER TO REJECT ANY OR ALL PROPOSALS AND TO WAIVE ANY IRREGULARITIES IN ANY OF THE PROPOSALS.** The judgment of the Designated Officer shall be final and binding upon all bidders with respect to the form and adequacy of any proposal received and as to its conformity to the terms of this Notice of Sale. **THE SUCCESSFUL BIDDER SHALL MAKE A BONA FIDE PUBLIC OFFERING OF THE BONDS AT THE INITIAL REOFFERING PRICES AND SHALL PROVIDE THE RELATED CERTIFICATION DESCRIBED BELOW. THE SUCCESSFUL BIDDER MUST REASONABLY EXPECT TO SELL TO THE PUBLIC 10% OR MORE IN PAR AMOUNT OF THE BONDS FROM EACH MATURITY AT THE INITIAL REOFFERING PRICES.**

Electronic Bids

Bids will only be received electronically via ***PARITY***, in the manner described below, until 10:30 a.m., prevailing Eastern time, on April 15, 2014. Bids must be submitted electronically via ***PARITY*** pursuant to this Notice until 10:30 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 the ***PARITY*** Help Desk at 212-849-5067.

Disclaimer

Each prospective electronic bidder shall be solely responsible to register to bid via ***PARITY*** as described above. Each qualified 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 this Notice of Sale. Neither the Commission nor ***PARITY*** shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to ***PARITY*** to any qualified prospective bidder, and neither the Commission nor ***PARITY*** shall be responsible for a bidder's failure to register to bid or 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*** New Issues Desk at 212-849-5067 and notify the Commission's Financial Advisor, Public Advisory Consultants, Inc. by facsimile at 410-581-9808.

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 10:30 a.m., prevailing Eastern time, on April 15, 2014. Prior to that time, an eligible prospective bidder may (1) input 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.

No bids will be accepted in written form, by facsimile transmission or in any other medium or on any system other than via ***PARITY***. No bid will be received after the time for receiving such bids specified above.

Good Faith Deposit

After receipt of bids is closed and prior to the award, the apparent successful bidder indicated on ***PARITY*** must submit a good faith deposit of $1,500,000 to the Commission by wire transfer as instructed by the Commission or its financial advisor no later than 4:00 PM on the day of the award. The award to the apparent successful bidder is contingent upon receipt of the good faith deposit, and the Bonds will not be awarded to such bidder until the Commission has confirmation of receipt of the good faith deposit. If the good faith deposit is not received in the time allotted, the bid of the apparent successful bidder may be rejected. 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 good faith deposit may be retained as and for full liquidated damages.

Approving Legal Opinion; Closing Papers

The approving legal opinion of McKennon Shelton & Henn LLP, Bond Counsel, will be furnished to 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 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 (the "**Official Statement**") as the successful bidder shall request; provided, that the Commission shall deliver up to 200 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.

Procedures for Principal Amount Changes and Other Changes to Notice of Sale

The preliminary aggregate principal amount of the Bonds and the preliminary principal amount of each annual payment on the Bonds as set forth in this Notice of Sale (the "**Preliminary Aggregate Principal Amount**" and the "**Preliminary Annual Principal Amount**", respectively; collectively the "**Preliminary Amounts**") may be revised before the receipt and opening of the bids for their purchase. **ANY SUCH REVISIONS** made prior to the opening of the bids (the "**Revised Aggregate Principal Amount**" and the "**Revised Annual Principal Amount**", respectively; collectively, the "**Revised Amounts**") **WILL BE MADE AVAILABLE ON THE BiDCOMP/PARITY/WWW.I-DEALPROSPECTUS.COM SYSTEM OR PUBLISHED ON THOMPSON MUNICIPAL MARKET MONITOR ("TM3") (www.tm3.com) NOT LATER THAN 9:30 A.M. (PREVAILING EASTERN TIME) ON THE ANNOUNCED DATE FOR RECEIPT OF BIDS.** In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids based on the Revised Amounts and the Revised Amounts will be used to compare bids and select a winning bidder.

Delivery

The Bonds will be delivered on or about April 29, 2014, through the facilities of DTC in the City of New York, New York, against payment therefor in federal or other immediately available funds.

SIMULTANEOUSLY WITH OR BEFORE DELIVERY OF THE BONDS, THE SUCCESSFUL BIDDER SHALL FURNISH TO THE COMMISSION A CERTIFICATE ACCEPTABLE TO BOND COUNSEL TO THE EFFECT THAT (I) THE SUCCESSFUL BIDDER HAS MADE A BONA FIDE PUBLIC OFFERING OF THE BONDS AT THE INITIAL REOFFERING PRICES, (II) AS OF THE DATE OF THE SALE OF BONDS, THE SUCCESSFUL BIDDER REASONABLY EXPECTED TO SELL A SUBSTANTIAL AMOUNT OF THE BONDS THE PUBLIC (EXCLUDING BOND HOUSES, BROKERS AND OTHER INTERMEDIARIES) AT THEIR RESPECTIVE INITIAL REOFFERING PRICES, AND (III) A SUBSTANTIAL AMOUNT OF THE BONDS WAS SOLD TO THE PUBLIC (EXCLUDING BOND HOUSES, BROKERS AND OTHER INTERMEDIARIES) AT THEIR RESPECTIVE INITIAL REOFFERING PRICES OR SUCH OTHER FACTS REGARDING THE ACTUAL SALE OF THE BONDS AS BOND COUNSEL SHALL REQUEST, AS DESCRIBED BELOW. Bond Counsel advises that (i) such certificate must be made on the best knowledge, information and belief of the successful bidder, (ii) the sale to the public of 10% or more in par amount of the bonds of each maturity at the initial reoffering prices would be sufficient to certify as to the sale of a substantial amount of the bonds, and (iii) reliance on other facts as a basis for such certification would require evaluation by Bond Counsel to assure compliance with the statutory requirement to avoid the establishment of an artificial price for the Bonds.

Postponement of Sale

The Commission reserves the right to postpone the date established for the receipt of bids at any time before the bids are open. In the event of a postponement, the new date and time of sale will be announced via BiDCOMP/Parity/www.i-dealprospectus.com or TM3 at least 24 hours prior to the time proposals are to be submitted. On any such alternative sale date, bidders may submit bids for the purchase of the Bonds in conformity with the provisions of this Notice of Sale, except for any changes to this Notice of Sale, the change of the date of sale and the changes described in the next sentence. If the date fixed for receipt of bids is postponed, the expected date of delivery of Bonds also may be postponed; if the sale is postponed to a later date, then the date of the Bonds, the dates of the semiannual interest payments and annual principal payments, and the optional redemption dates also may be changed. Such changes, if any, will be announced via BiDCOMP/Parity/www.i-dealprospectus.com or TM3 at the time any alternative sale date is announced.

The Right to Reject any or all Bids or Revise Notice of Sale is Reserved.

The Commission reserves the right, on the date established for the receipt of bids, to reject any and all bids.

NOTE: The Commission may revise this Notice of Sale by written notice available to prospective bidders by publishing notice of any revisions via BiDCOMP/Parity/www.i-dealprospectus.com or TM3 at or before the time for submission of bids. Any bid submitted shall be in accordance with, and incorporate by reference, this Notice of Sale including any revisions made pursuant to this paragraph.

Miscellaneous

CUSIP identification numbers will be applied for by the Commission's Financial Advisor with respect to the Bonds, but the Commission will assume no obligation for the assignment or printing of such numbers on the Bonds or the correctness of such numbers, and neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale.

Copies of the Official Statement and the Notice of Sale for Bonds may be obtained from the undersigned at Washington Suburban Sanitary Commission, 14501 Sweitzer Lane, Laurel, Maryland 20707 (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: Christopher V. Cullinan
Acting Chief Financial Officer

NOTICE OF SALE

WASHINGTON SUBURBAN SANITARY
DISTRICT, MARYLAND

BOND SALE

$48,585,000* CONSOLIDATED PUBLIC IMPROVEMENT REFUNDING BONDS OF 2014

Dated Date of Delivery

Electronic bids, via BiDCOMP/Parity Competitive Bidding System ("***PARITY***") only, will be received until **11:00 A.M., prevailing Eastern time**, on **April 15, 2014**, by the Chief Financial Officer (or, in his absence, the General Manager), or other officer of the Washington Suburban Sanitary Commission (the "**Commission**") designated by the Commission (either such officer being the "**Designated Officer**"), for the above-referenced bonds (the "**Bonds**") of the Washington Suburban Sanitary District (the "**District**").

Terms of the Bonds

The Bonds shall be dated the date of their delivery (expected to be April 29, 2014). The Bonds will mature serially June 1, in the following years and principal amounts:

Maturity June 1	Principal Amount*	Maturity June 1	Principal Amount*
2015	$13,970,000	2019	$ 4,895,000
2016	7,865,000	2020	5,055,000
2017	4,495,000	2021	5,300,000
2018	4,645,000	2022	2,360,000

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 April [8], 2014 related to the Bonds (the "**Preliminary Official Statement**"). All such Bonds are to be issued under and in full compliance with the Constitution and laws of the State of Maryland, including the Public Utilities Article of the Annotated 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 shall be made on June 1 and December 1, beginning December 1, 2014, and shall be made by the Bond Registrar, The Bank of New York Mellon Trust Company, N. A., Pittsburgh, Pennsylvania, 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 at the office of its affiliate, The Bank of New York Mellon, in New York, New York or Dallas, Texas, and the transfer or exchange of any Bond may be registered upon said books upon surrender of the Bond to the Bond Registrar.

* Preliminary, subject to change.

Optional Redemption

The Bonds are not subject to optional redemption prior to maturity.

Book-Entry System

One bond representing each maturity 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, 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 no later than 4:00 p.m. prevailing Eastern time on April 15, 2014. All proposals shall remain firm until the time of award.

Bidders are requested to name the interest rate or rates in multiples of $^1/_8$ or $^1/_{20}$ of 1% and the highest rate may not exceed the lowest rate by more than 3%. 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

As promptly as reasonably possible after the bids are opened, the Designated Officer will notify the bidder to whom the Bonds will be awarded, if and when such award is made, and such bidder, upon such notice, shall advise the Designated Officer of the initial reoffering prices to the public of each maturity of the Bonds (the "**Initial Reoffering Prices**"). Such Initial Reoffering Prices, among other things, will be used by the Commission to calculate the final aggregate principal amount of the Bonds and the final principal amount of each annual payment on the Bonds (the "**Final Aggregate Principal Amount**" and the "**Final Annual Principal Amount**", respectively; collectively, the "**Final Amounts**"). The Final Amounts will be communicated to the successful bidder by 5:00 p.m. prevailing Eastern Time on the date of sale and will not reduce or increase the amount of the Bonds by more than 10% from the amount bid upon. Such changes may result in the elimination of one or more maturities of the Bonds. The dollar amount bid by the successful bidder will be adjusted proportionally to reflect any reduction or increase in the Revised Amounts of the Bonds in determining the Final Amounts. Such adjusted bid price will reflect changes in the dollar amount of the underwriters' discount and original issue discount or premium, if any, but will not change the coupon rates and the initial public offering prices specified by the successful bidder. **ALL BIDS SHALL REMAIN FIRM FOR FIVE (5) HOURS AFTER THE TIME SPECIFIED FOR THE OPENING OF THE BIDS.** An award of the bonds, if made, will be made by the Designated Officer within such five (5) hour period of time. The Final Amounts will be communicated to the successful bidder as soon as possible, but not later than 3:00 p.m. the day after awarding the bond. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID OR THE INITIAL REOFFERING PRICES AS A RESULT OF ANY CHANGES MADE WITHIN THESE LIMITS.

The award, if made, will be made as promptly as possible after the bids are opened to the bidder naming the lowest true interest cost for all the Bonds in any legally acceptable proposal. The lowest true interest cost will be determined with respect to each proposal by doubling the semi-annual interest rate, compounded semi-annually, necessary to discount the debt service payments to the date of the Bonds and to the price bid. Each bidder shall include in its bid a statement of the true interest cost offered in its bid, but this statement shall not be deemed to be part of the bid. Where the proposals of two or more bidders result in the same lowest true interest cost, the Bonds may be apportioned between such bidders, but if this shall not be acceptable to the Commission, the Designated Officer shall have the right to award all of such bonds to one bidder. **THE RIGHT IS RESERVED TO THE DESIGNATED OFFICER TO REJECT ANY OR ALL PROPOSALS AND TO WAIVE ANY IRREGULARITIES IN ANY OF THE PROPOSALS.** The judgment of the Designated Officer shall be final and binding upon all bidders with respect to the form and adequacy of any proposal received and as to its conformity to the terms of this Notice of Sale. **THE SUCCESSFUL BIDDER SHALL MAKE A BONA FIDE PUBLIC OFFERING OF THE BONDS AT THE INITIAL REOFFERING PRICES AND SHALL PROVIDE THE RELATED CERTIFICATION DESCRIBED**

BELOW. THE SUCCESSFUL BIDDER MUST REASONABLY EXPECT TO SELL TO THE PUBLIC 10% OR MORE IN PAR AMOUNT OF THE BONDS FROM EACH MATURITY AT THE INITIAL REOFFERING PRICES.

Electronic Bids

Bids will only be received electronically via ***PARITY***, in the manner described below, until 11:00 a.m., prevailing Eastern time, on April 15, 2014. Bids must 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 the ***PARITY*** Help Desk at 212-849-5067.

Disclaimer

Each prospective electronic bidder shall be solely responsible to register to bid via ***PARITY*** as described above. Each qualified 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 this Notice of Sale. Neither the Commission nor ***PARITY*** shall have any duty or obligation to undertake such registration to bid for any prospective bidder or to provide or assure such access to ***PARITY*** to any qualified prospective bidder, and neither the Commission nor ***PARITY*** shall be responsible for a bidder's failure to register to bid or 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*** New Issues Desk at 212-849-5067 and notify the Commission's Financial Advisor, Public Advisory Consultants, Inc. by facsimile at 410-581-9808.

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 April 15, 2014. Prior to that time, an eligible prospective bidder may (1) input 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.

No bids will be accepted in written form, by facsimile transmission or in any other medium or on any system other than via ***PARITY***. No bid will be received after the time for receiving such bids specified above.

Good Faith Deposit

After receipt of bids is closed and prior to the award, the apparent successful bidder indicated on ***PARITY*** must submit a good faith deposit of $500,000 to the Commission by wire transfer as instructed by the Commission or its financial advisor no later than 4:00 PM on the day of the award. The award to the apparent successful bidder is contingent upon receipt of the good faith deposit, and the Bonds will not be awarded to such bidder until the Commission has confirmation of receipt of the good faith deposit. If the good faith deposit is not received in the time allotted, the bid of the apparent successful bidder may be rejected. 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 good faith deposit may be retained as and for full liquidated damages.

Approving Legal Opinion; Closing Papers; Verification

The approving legal opinion of McKennon Shelton & Henn LLP, Bond Counsel, will be furnished to 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. The Bonds will be issued and sold subject to examination by The Arbitrage Group, Inc. of the arithmetical accuracy of certain computations related to escrow deposits, arbitrage yield, and compliance and satisfaction of savings requirements.

Preliminary Official Statement; Continuing Disclosure

The Commission has deemed the Preliminary Official Statement 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 (the "**Official Statement**") as the successful bidder shall request; provided, that the Commission shall deliver up to 200 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.

Procedures for Principal Amount Changes and Other Changes to Notice of Sale

The preliminary aggregate principal amount of the Bonds and the preliminary principal amount of each annual payment on the Bonds as set forth in this Notice of Sale (the "**Preliminary Aggregate Principal Amount**" and the "**Preliminary Annual Principal Amount**", respectively; collectively the "**Preliminary Amounts**") may be revised before the receipt and opening of the bids for their purchase. **ANY SUCH REVISIONS** made prior to the opening of the bids (the "**Revised Aggregate Principal Amount**" and the "**Revised Annual Principal Amount**", respectively; collectively, the "**Revised Amounts**") **WILL BE MADE AVAILABLE ON THE BiDCOMP/PARITY/WWW.I-DEALPROSPECTUS.COM SYSTEM OR PUBLISHED ON THOMPSON MUNICIPAL MARKET MONITOR ("TM3") (www.tm3.com) NOT LATER THAN 9:30 A.M. (PREVAILING EASTERN TIME) ON THE ANNOUNCED DATE FOR RECEIPT OF BIDS.** In the event that no such revisions are made, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids based on the Revised Amounts and the Revised Amounts will be used to compare bids and select a winning bidder.

Delivery

The Bonds will be delivered on or about April 29, 2014, through the facilities of DTC in the City of New York, New York, against payment therefor in federal or other immediately available funds.

SIMULTANEOUSLY WITH OR BEFORE DELIVERY OF THE BONDS, THE SUCCESSFUL BIDDER SHALL FURNISH TO THE COMMISSION A CERTIFICATE ACCEPTABLE TO BOND COUNSEL TO THE EFFECT THAT (I) THE SUCCESSFUL BIDDER HAS MADE A BONA FIDE PUBLIC OFFERING OF THE BONDS AT THE INITIAL REOFFERING PRICES, (II) AS OF THE DATE OF THE SALE OF BONDS, THE SUCCESSFUL BIDDER REASONABLY EXPECTED TO SELL A SUBSTANTIAL AMOUNT OF THE BONDS THE PUBLIC (EXCLUDING BOND HOUSES, BROKERS AND OTHER INTERMEDIARIES) AT THEIR RESPECTIVE INITIAL REOFFERING PRICES, AND (III) A SUBSTANTIAL AMOUNT OF THE BONDS WAS SOLD TO THE PUBLIC (EXCLUDING BOND HOUSES, BROKERS AND OTHER INTERMEDIARIES) AT THEIR RESPECTIVE INITIAL REOFFERING PRICES OR SUCH OTHER FACTS REGARDING THE ACTUAL SALE OF THE BONDS AS BOND COUNSEL SHALL REQUEST, AS DESCRIBED BELOW. Bond Counsel advises that (i) such certificate must be made on the best knowledge, information and belief of the successful bidder, (ii) the sale to the public of 10% or more in par amount of the bonds of each maturity at the initial reoffering prices would be sufficient to certify as to the sale of a substantial amount of the bonds, and (iii) reliance on other facts as a basis for such certification would require evaluation by Bond Counsel to assure compliance with the statutory requirement to avoid the establishment of an artificial price for the Bonds.

Postponement of Sale

The Commission reserves the right to postpone the date established for the receipt of bids at any time before the bids are open. In the event of a postponement, the new date and time of sale will be announced via BiDCOMP/Parity/www.i-dealprospectus.com or TM3 at least 24 hours prior to the time proposals are to be submitted. On any such alternative sale date, bidders may submit bids for the purchase of the Bonds in conformity with the provisions of this Notice of Sale, except for any changes to this Notice of Sale, the change of the date of sale and the changes described in the next sentence. If the date fixed for receipt of bids is postponed, the expected date of delivery of Bonds also may be postponed; if the sale is postponed to a later date, then the date of the Bonds, the dates of the semiannual interest payments and annual principal payments, and the optional redemption dates also may be changed. Such changes, if any, will be announced via BiDCOMP/Parity/www.i-dealprospectus.com or TM3 at the time any alternative sale date is announced.

The Right to Reject any or all Bids or Revise Notice of Sale is Reserved.

The Commission reserves the right, on the date established for the receipt of bids, to reject any and all bids.

NOTE: The Commission may revise this Notice of Sale by written notice available to prospective bidders by publishing notice of any revisions via BiDCOMP/Parity/www.i-dealprospectus.com or TM3 at or before the time for submission of bids. Any bid submitted shall be in accordance with, and incorporate by reference, this Notice of Sale including any revisions made pursuant to this paragraph.

Miscellaneous

CUSIP identification numbers will be applied for by the Commission's Financial Advisor with respect to the Bonds, but the Commission will assume no obligation for the assignment or printing of such numbers on the Bonds or the correctness of such numbers, and neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale.

Copies of the Official Statement and the Notice of Sale for Bonds may be obtained from the undersigned at Washington Suburban Sanitary Commission, 14501 Sweitzer Lane, Laurel, Maryland 20707 (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: Christopher V. Cullinan
Acting Chief Financial Officer

APPENDIX F

Book-Entry 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). 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. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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 Bond Registrar and 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 Bond Registrar and 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 Bond Registrar and Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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 and Paying Agent, by the registered owner thereof in person, or by an attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer in the form attached thereto and satisfactory to the Bond Registrar and Paying Agent, 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 and Paying Agent. 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 and Paying Agent. Upon any such transfer or exchange, the Commission shall execute and the Bond Registrar and Paying Agent 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 and Paying Agent may require payment by any holder of Bonds requesting exchange or transfer of Bonds of any tax, fee or other governmental charge, shipping charges and insurance 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 and Paying Agent 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 NOR THE BOND REGISTRAR AND 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.