

NEW ISSUE— DTC Book-Entry Only

See “RATINGS” herein.

In the opinion of McKennon Shelton & Henn LLP (“Bond Counsel to the Administration”) (i) under existing law, the Series 2015 Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit made in the sale or transfer thereof, shall at all times be exempt from taxation of every kind and nature whatsoever by the State of Maryland or by any of its political subdivisions, municipal corporations or public agencies of any kind, but no opinion is expressed as to estate or inheritance taxes, or any other taxes not levied or assessed directly on the Series 2015 Bonds, their transfer or the interest thereon; and (ii) assuming compliance with certain covenants described herein, interest on the Series 2015 Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions. Interest on the Series 2015 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. As described herein under “TAX MATTERS,” interest earned on the Series 2015 Bonds, for federal income tax purposes, may be included in the calculation of a corporation’s alternative minimum taxable income and will be subject to the branch profits tax imposed on foreign corporations engaged in a trade or business in the United States.



\$180,000,000*

MARYLAND WATER QUALITY FINANCING ADMINISTRATION
Bay Restoration Fund Revenue Bonds
Series 2015

The proceeds of the Series 2015 Bonds, together with other available moneys of the Maryland Water Quality Financing Administration (the “Administration”), will be used by the Administration to make grants to local governments in the State of Maryland to provide funding for upgrades to wastewater facilities to achieve Enhanced Nutrient Removal and to pay associated costs of issuance. The Series 2015 Bonds are secured solely by a pledge of Pledged Revenues as herein described and amounts available under the Indenture, as more fully described herein.

The Series 2015 Bonds will be dated the date of delivery, are issuable as fully registered bonds and, when issued, will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, to which principal and interest payments on the Series 2015 Bonds will be made so long as DTC or its nominee is the registered owner of the Series 2015 Bonds. Individual purchases of the Series 2015 Bonds will be made only in book-entry form, in denominations of \$5,000 or any integral multiple thereof. See “Book-Only Entry System” in Appendix F.

The Series 2015 Bonds bear interest from their date of delivery, payable on September 1, 2016, and semiannually thereafter on each March 1 and September 1 until maturity or earlier redemption. The Series 2015 Bonds are subject to redemption prior to maturity as described herein under “The Series 2015 Bonds – Redemption Provisions.”

**FOR AMOUNTS, MATURITIES, INTEREST RATES, PRICES OR YIELDS
AND CUSIPS, SEE INSIDE COVER**

Neither the State of Maryland, any political subdivision thereof, the Department of the Environment of the State of Maryland (the “Department”) nor the Administration shall be obligated to pay any of the Series 2015 Bonds or the interest thereon except from the Pledged Revenues (as defined herein), and neither the faith and credit nor the taxing power of the State of Maryland, any political subdivision thereof, the Department or the Administration is pledged to the payment of any of the Series 2015 Bonds. The issuance of the Series 2015 Bonds does not directly or indirectly or contingently obligate, morally or otherwise, the State of Maryland, any political subdivision thereof, the Department or the Administration to levy or pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Department and the Administration have no taxing powers.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to making an informed decision.

The Series 2015 Bonds are offered for delivery when, as and if issued by the Administration, subject to the approval of their validity by McKennon Shelton & Henn LLP, Baltimore, Maryland, as Bond Counsel to the Administration, and other conditions specified in the official Notice of Sale for the Series 2015 Bonds, a copy of which is attached as Appendix C. Certain legal matters will be passed upon for the Administration by Helen E. Akparanta, Esquire, Assistant Attorney General and Senior Counsel to the Administration. It is anticipated that the Series 2015 Bonds will be available for delivery on or about December 3, 2015.

* Preliminary, subject to change.

AMOUNTS, MATURITIES, INTEREST RATES AND PRICES OR YIELDS

\$180,000,000* Bay Restoration Fund Revenue Bonds, Series 2015

<u>Due</u> <u>March 1</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>No.</u>	<u>Due</u> <u>March 1</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>No.</u>
2018	\$10,160,000				2025	\$14,300,000			
2019	10,670,000				2026	15,015,000			
2020	11,205,000				2027	15,765,000			
2021	11,765,000				2028	16,550,000			
2022	12,350,000				2029	17,380,000			
2023	12,970,000				2030	18,250,000			
2024	13,620,000								

*Preliminary, subject to change.

The rates shown above are the interest rates payable by the Administration resulting from the successful bid for Series 2015 Bonds at public sale on November 17, 2015. The yields or prices shown above were furnished by the successful bidder. Any additional information concerning the reoffering of the Series 2015 Bonds should be obtained from the successful bidder and not from the Administration.

The above CUSIP (Committee on Uniform Securities Identification Procedures) numbers have been assigned by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. that is not affiliated with the Administration, and the Administration is not responsible for the selection, accuracy 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 the Series 2015 Bonds may be changed during the term of such Series 2015 Bonds based on a number of factors including, but not limited to, the refunding or defeasance of such Series 2015 Bonds or the use of secondary market financial products. The Administration 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 CUSIP numbers are copyright 2015 by the American Bankers Association. CUSIP numbers are not intended to create a database and do not serve in any way as a substitute for the CUSIP Service Bureau.



STATE OF MARYLAND
Lawrence J. Hogan, Jr., Governor
Boyd Rutherford, Lt. Governor

MARYLAND WATER QUALITY FINANCING ADMINISTRATION
DEPARTMENT OF THE ENVIRONMENT OF THE
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Hunt Valley, Maryland

TRUSTEE
Manufacturers and Traders Trust Company
Buffalo, New York

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No dealer, broker, sales representative or other person has been authorized by the Administration to give any information or to make any representation other than as contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the Administration.

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 their 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 opinions, and not as representations of fact. The information and expressions of opinion herein are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Series 2015 Bonds shall under any circumstances create any implication that there has been no change in the affairs of the Administration or the Department or in the matters described herein since the date hereof.

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 Series 2015 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is not to be construed as a contract or agreement between the Administration and the purchasers or holders of any of the Series 2015 Bonds. Furthermore, this Official Statement does not contain any investment advice for purchasers or holders of any of the Series 2015 Bonds. Such persons should consult their own financial advisors regarding possible financial consequences of ownership of the Series 2015 Bonds.

THE SERIES 2015 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE (AS DEFINED HEREIN) BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE SERIES 2015 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.

**CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING
STATEMENTS IN THIS OFFICIAL STATEMENT**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “intend,” “project,” “budget” or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Administration does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

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OFFICIAL STATEMENT
relating to
\$180,000,000*
Maryland Water Quality Financing Administration
Bay Restoration Fund Revenue Bonds, Series 2015

INTRODUCTORY STATEMENT

General

The purpose of this Official Statement, including the cover page and appendices, is to provide certain information for use in connection with the sale by the Maryland Water Quality Financing Administration (the “*Administration*”) of its \$180,000,000* Bay Restoration Fund Revenue Bonds, Series 2015 (the “*Series 2015 Bonds*”). The Administration is authorized to issue the Series 2015 Bonds pursuant to Sections 9-1601 through 9-1622, inclusive, of the Environment Article of the Annotated Code of Maryland, as amended (the “*Act*”), certain proceedings of the Administration, and a Master Trust Indenture dated as of June 1, 2008 between the Administration and Manufacturers and Traders Trust Company, as trustee (the “*Trustee*”), as supplemented (as so supplemented and as may be further amended and supplemented from time to time, the “*Indenture*”). Pursuant to the Act and the Indenture, the Administration has previously issued its Bay Restoration Fund Revenue Bonds, Series 2008 (the “*Series 2008 Bonds*”) and its Bay Restoration Fund Revenue Bonds, Series 2014 (the “*Series 2014 Bonds*”) to finance the making of grants to Local Governments and the owners of Major Wastewater Facilities to provide funding to upgrade Major Wastewater Facilities (as defined below). As of the date of issuance of the Series 2015 Bonds, the Series 2008 Bonds and the Series 2014 Bonds in the principal amounts of \$29,980,000 and \$100,000,000 will remain outstanding, respectively. The Series 2015 Bonds will constitute Senior Obligations under the Indenture and will be secured equally and ratably on parity with the Series 2008 Bonds, the Series 2014 Bonds and any other Senior Obligations issued under the Indenture. The Series 2008 Bonds, the Series 2014 Bonds and the Series 2015 Bonds and any additional Senior Obligations issued under the Indenture are referred to herein collectively as the “*Bonds*.” For the definitions of certain other words and terms used in this Official Statement, see “*Definitions of Certain Terms*” in Appendix A.

The State of Maryland (the “*State*”) has determined that nitrogen pollution is a serious problem facing the Chesapeake Bay (the “*Chesapeake Bay*” or the “*Bay*”). Each year, roughly 300 million pounds of nitrogen reach the Bay. Nitrogen pollution results in excessive algae growth that clouds water, depletes oxygen, and impacts bay grasses, fish, and crabs. As part of the *Chesapeake 2000 Agreement* (the “*2000 Agreement*”), the State, the Commonwealth of Virginia, the Commonwealth of Pennsylvania, and the District of Columbia committed to reduce nitrogen to levels that will remove the Chesapeake Bay from the federal impaired waters list.

Discharges from Major Wastewater Facilities account for about 20% of the nutrient pollution reaching the Chesapeake Bay. The State has concluded that upgrades of the 67 largest wastewater facilities serving the State of Maryland (the “*Major Wastewater Facilities*”) will reduce nitrogen loading to the Bay and its tributaries by approximately 7.5 million pounds annually, approximately one-third of the additional reduction needed for the State to meet its commitments under the 2000 Agreement. Although there are about 272 wastewater (sewage) facilities with National Pollution Discharge Elimination System (“*NPDES*”) permits in the State, 195 of which are publicly owned, the upgrades to the 67 Major Wastewater Facilities (all of which have NPDES permits and are publicly owned) would cover over 95% of the discharge to the Chesapeake Bay. The Major Wastewater Facilities and the status of the Major Wastewater Facilities are provided under the caption “*Major Waster Facilities*” herein.

Purpose

The proceeds of the Series 2015 Bonds, together with other available moneys of the Administration, are expected to be used by the Administration to make grants to Local Governments and other owners of Major Wastewater Facilities in the State of Maryland to provide funding for upgrades to those Major Wastewater Facilities

*Preliminary, subject to change.

in order to achieve Enhanced Nutrient Removal (“ENR”) to reduce nitrogen pollution in the Chesapeake Bay and to pay costs of issuance of the Series 2015 Bonds. As used herein, the term “*Local Government*” means a county, municipal corporation, sanitary district, or other State or local public entity which has authority to own or operate a Wastewater Facility, or any combination of any two or more of the foregoing when acting jointly to construct or operate a Wastewater Facility.

Security for Series 2015 Bonds

The Series 2015 Bonds and all other Obligations (as defined herein) issued under the Indenture are and will be secured by a pledge of Pledged Revenues (as defined herein) and by a pledge of certain amounts available under the Indenture. The Administration is permitted to release certain excess funds from the Pledged Revenues Fund on or after the first Business Day following each Interest Payment Date, provided no Event of Default has occurred and is continuing under the Indenture and the most recent Projected Revenue Certificate on file with the Trustee evidences Debt Service Coverage (as defined herein) of at least 110%. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS -- BAY RESTORATION REVENUES AND PLEDGED REVENUES.”

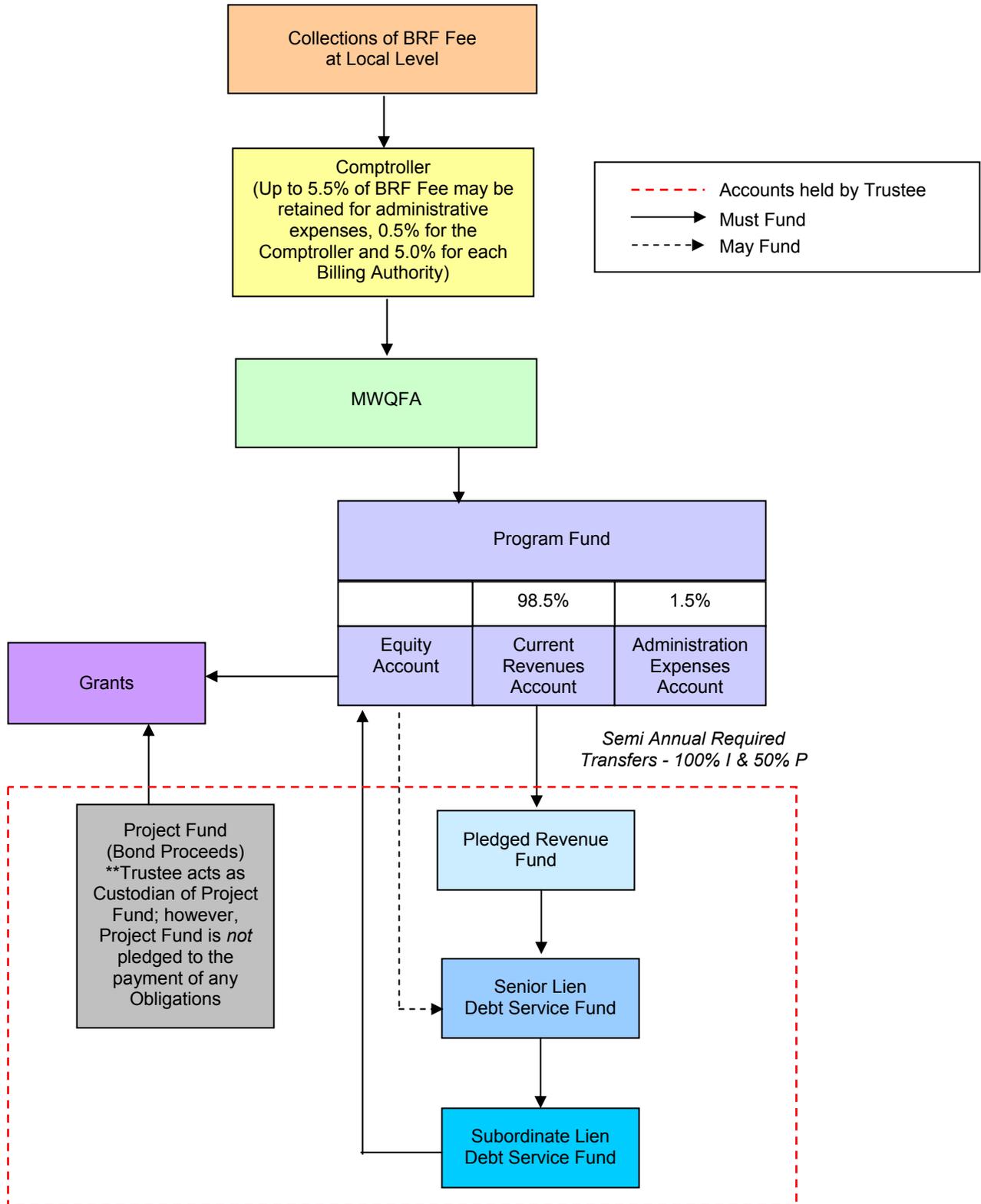
Continuing Disclosure

In order to enable participating underwriters (as defined in SEC Rule 15c2-12, as defined below) to comply with the requirements of paragraph (b)(5) of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (“*SEC Rule 15c2-12*”), the Administration will execute and deliver a continuing disclosure agreement (the “*Continuing Disclosure Agreement*”) on or before the date of issuance and delivery of the Series 2015 Bonds. The form of the Continuing Disclosure Agreement is included in Appendix E of this Official Statement. The definition of Reportable Events in Section 4(a) of the Continuing Disclosure Agreement is intended to include all of the fourteen events for purposes of compliance with SEC Rule 15c2-12, but several of these events are not currently relevant for the Series 2015 Bonds. Those events relate to debt service reserves, credit enhancements, liquidity providers and property or other collateral. For a further discussion of the Administration’s continuing disclosure undertakings, see “CONTINUING DISCLOSURE” herein.

PLAN OF FINANCE AND FLOW OF FUNDS

The proceeds of the Series 2015 Bonds, together with other available moneys of the Administration, are expected to be used by the Administration to make grants to Local Governments in the State to provide funding for ENR upgrades to Major Wastewater Facilities and to pay costs of issuance of the Series 2015 Bonds, as described in the flow of funds as follows.

Flow of Funds



ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds, including proceeds of the Series 2015 Bonds and incidental costs related thereto, are as follows:

Sources of funds:

Series 2015 Bonds Par Amount.....	\$
Net Original Issue Premium.....	_____
Total sources of funds.....	<u><u>\$</u></u>

Uses of funds:

Deposit to Project Fund.....	\$
Costs of Issuance ⁽¹⁾	_____
Total uses of funds.....	<u><u>\$</u></u>

⁽¹⁾ Includes the underwriter’s discount, the fees and expenses of the financial advisors to the Administration, the fees and expenses of bond counsel to the Administration, the fees of the rating agencies and certain other costs of issuance.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2015 BONDS

General

The Bonds and any other Senior Obligations issued under the Indenture are limited obligations of the Administration payable solely from (i) the Pledged Revenues and (ii) to the extent provided in the Indenture, certain amounts on deposit in the funds and accounts maintained under the Indenture. All Pledged Revenues are pledged equally and ratably by the Administration to secure the payment of the Bonds and any other Senior Obligations issued under the Indenture.

Neither the State of Maryland, any political subdivision thereof, the Department of Environment of the State of Maryland nor the Administration shall be obligated to pay the principal of or interest on any of the Series 2015 Bonds except from the Pledged Revenues and neither the faith and credit nor the taxing power of the State of Maryland, any political subdivision thereof, the Department or the Administration is pledged to the payment of any of the Series 2015 Bonds. The issuance of the Series 2015 Bonds does not directly or indirectly or contingently obligate, morally or otherwise, the State of Maryland or any political subdivision thereof, the Department or the Administration to levy or to pledge any form of taxation whatever or to make any appropriation for their payment. The Department and the Administration have no taxing powers. See “STATE NOT LIABLE ON SERIES 2015 BONDS.”

The Bay Restoration Fund and the Program Fund

In 2004 the State of Maryland amended the Act (such amendment being referred to as the “*Bay Restoration Act*”) to establish the Bay Restoration Fund (hereinafter defined) codified at Section 9-1605.2 of the Environment Article of the Annotated Code of Maryland, as amended, as a special, continuing, nonlapsing fund to be administered by the Administration. The main goal of the Bay Restoration Fund is to provide grants to Local Governments and other owners of Major Wastewater Facilities and other wastewater facilities to reduce nutrient pollution, first, to the Chesapeake Bay and, secondarily to the Atlantic Bays of Maryland. As a revenue source for the Bay Restoration Fund, the Bay Restoration Act established a bay restoration fee (the “*Bay Restoration Fee*”) for Users (hereinafter defined) of Wastewater Facilities, septic systems, and sewage holding tanks. The Comptroller of the State of Maryland (the “*Comptroller*”) (i) receives all Bay Restoration Fees collected by Local Governments and other billing authorities, (ii) pays to each Local Government or other billing authority an amount not exceeding 5% of related Bay Restoration Fees for its reasonable and actual incremental billing and collection expenses, (iii) retains an administrative fee of up to 0.5% of the Bay Restoration Fees collected, and (iv) deposits the entire remaining balance of Bay Restoration Fee collections into the Bay Restoration Fund. Such balance of the Bay Restoration

Fees from Users of Wastewater Facilities (but not Bay Restoration Fees from Users of septic systems and sewage holding tanks) are funding and will fund ENR improvements to the Major Treatment Plants and other permitted uses and are and will be deposited in a separate account within the Bay Restoration Fund (the “*Program Fund*”). The portion of Bay Restoration Fees deposited in the Program Fund is hereinafter referred to as the “*Bay Restoration Revenues*.”

Funds and Accounts under Indenture

The Pledged Revenues Fund, Debt Service Fund and Redemption Fund shall be held by the Trustee under the Indenture. Pending the application of amounts on deposit in the Pledged Revenues Fund, the Debt Service Fund and the Redemption Fund in accordance with the Indenture, such amounts are pledged to the payment of all Outstanding Senior Obligations, except as otherwise provided in any Supplemental Indenture authorizing the issuance of any additional Senior Obligations in accordance with the Indenture. The Rebate Fund shall be held by the Trustee and is not pledged to the payment of the Series 2008 Bonds, the Series 2014 Bonds, the Series 2015 Bonds or any future Bonds, other Senior Obligations or any Subordinate Obligations (collectively, the “*Obligations*”).

The Project Fund and the Program Fund are created under the Indenture but shall be held by the Administration. The Administration shall initially deposit the Project Fund moneys with the Trustee, which shall act as custodian of the Project Fund. The Project Fund and the Program Fund are not pledged to the payment of any Obligations.

Program Fund

The Program Fund will be held by the Administration. The Administration will cause (i) up to 1.5% of the Bay Restoration Revenues, upon receipt, to be deposited into the Administration Expenses Account of the Program Fund to be used to pay Administrative Fees, and (ii) the remainder of such Bay Restoration Revenues to be deposited into the Current Revenues Account of the Program Fund and transferred to the Pledged Revenues Fund or the Equity Account of the Program Fund, each to the extent and as provided in the Indenture, as described below. The Program Fund shall be held separate and apart from all other funds and accounts of the Administration, but amounts therein are not pledged to the repayment of any Obligations.

Bay Restoration Revenues and Pledged Revenues

On or before each February 15 and August 15, the Administration will cause Bay Restoration Revenues to be transferred from the Current Revenues Account of the Program Fund to the Pledged Revenues Fund in an amount necessary to pay (i) one-half of the principal due on the Series 2008 Bonds, the Series 2014 Bonds, the Series 2015 Bonds and all other outstanding Obligations on the next succeeding March 1; and (ii) (A) in the case of a payment due on or before each February 15, all of the interest expected to be payable on each Interest Payment Date occurring from the next succeeding March 1 through but excluding the next succeeding September 1, and (B) in the case of a payment due on or before each August 15, all of the interest expected to be payable on each Interest Payment Date occurring from the next succeeding September 1 through but excluding the next succeeding March 1.

Following each transfer described in the foregoing paragraph or, if applicable, as described below under “Debt Service Coverage and Projected Revenue Certificate,” on the first Business Day following each March 1 or September 1 (or as soon as practicable thereafter), the Administration shall transfer all amounts remaining on deposit in the Current Revenues Account of the Program Fund to the Equity Account of the Program Fund; provided, however, that the Administration shall only make such transfer if (a) no Event of Default shall have occurred and be continuing under the Indenture, and (b) the most recent Projected Revenue Certificate on file with the Trustee evidences Debt Service Coverage of at least 110%. Amounts on deposit in the Equity Account of the Program Fund have been and are expected to be used by the Administration to fund grants to Local Governments for ENR upgrades to Major Wastewater Facilities and other permitted uses authorized under the Act.

Pledged Revenues Fund

Upon the transfer of Bay Restoration Revenues from the Current Revenues Account to the Pledged Revenue Funds as described above, such Bay Restoration Revenues shall become Pledged Revenues and the Trustee shall transfer such Pledged Revenues from the Pledged Revenues Fund as follows and in the following order of priority:

FIRST: on or before each Interest Payment Date, the Trustee shall transfer from amounts on deposit in the Pledged Revenues Fund to the Debt Service Fund the amount, if any, necessary to make the amount on deposit therein equal to the principal of and interest on the Bonds and all other outstanding Senior Obligations becoming due on such Interest Payment Date. Notwithstanding the foregoing, if any Supplemental Indenture provides for the establishment of separate funds and accounts for any Senior Obligations and the amount available to be transferred from the Pledged Revenues Fund on any date shall not be sufficient to make all deposits to the Debt Service Funds required to be made on such date, the amount then on deposit in the Pledged Revenues Fund shall be allocated *pro rata* among the Debt Service Funds of such Senior Obligations on the basis of the respective amounts required to be deposited in such Debt Service Funds on such date;

SECOND: immediately following any transfers described in clause FIRST above for any Interest Payment Date occurring from September 1 to but excluding March 1 of each year, the Trustee shall transfer amounts on deposit in the Pledged Revenues Fund to the Principal Account of the Debt Service Fund until the amount transferred pursuant to this clause SECOND is equal to one-half of the principal of all Bonds and any outstanding Senior Obligations becoming due on the immediately succeeding March 1; and

THIRD: provided (a) no Event of Default shall have occurred and be continuing and (b) the most recent Projected Revenue Certificate on file with the Trustee evidences Debt Service Coverage of at least 110%, on the first Business Day following each Interest Payment Date (as established in the Supplemental Indentures authorizing such outstanding Obligations) or as soon as practicable thereafter, unless the Administration shall otherwise direct, all remaining amounts on deposit in the Pledged Revenues Fund shall be transferred to the Equity Account of the Program Fund held by the Administration.

There will *not* be a debt service reserve fund for the Series 2015 Bonds. However, if the Supplemental Indenture for any future Obligations establishes a debt service reserve fund for such future Obligations and the Trustee notifies the Administration that a deficiency exists in any such debt service reserve fund, then (a) on each February 15 and August 15 after the receipt of such notice, the amount of Bay Restoration Fees transferred at the direction of the Administration from the Current Revenues Account of the Program Fund to the Pledged Revenues Fund, as described in the second preceding paragraph, shall be increased by an amount equal to, in the first case, at least one-half (1/2) of the deficiency and, in the second case, the balance of the deficiency; and (b) the Administration shall not transfer any amount remaining on deposit on the Pledged Revenues Fund to the Equity Account of the Program Fund, as described in the immediately preceding paragraph, until such deficiency has been reduced to zero.

No Debt Service Reserve Fund

The Series 2015 Bonds will *not* be secured by a debt service reserve fund.

Debt Service Coverage and Projected Revenue Certification

The Indenture requires that a financial advisor having a national reputation in the field of municipal finance employed by the Administration (a "*Financial Advisor*") file a Projected Revenue Certificate with the Trustee (i) annually, not later than October 31 of each year, evidencing Debt Service Coverage of at least 110% as a condition for the Administration to make certain semi-annual transfers from the Current Revenues Account of the Program Fund to the Equity Account of the Program Fund and (ii) as a condition to the issuance of any Senior Obligations under the Indenture, which includes the Series 2015 Bonds, showing projected Debt Service Coverage that satisfies the Additional Bonds Test (as defined below).

As used herein and in the Indenture, the term “*Projected Revenue Certificate*” means a Certificate of a Financial Advisor employed by the Administration setting forth, as of any particular date, (a) a schedule of estimated amounts available in the current and each future Fiscal Year for the payment of outstanding Senior Obligations setting forth (i) the projected amount of Bay Restoration Revenues to be deposited into the Current Revenues Account of the Program Fund; and (ii) the estimated income to be received from the investment of amounts from time to time held in the funds and accounts maintained with the Trustee under the Indenture, less the portion, if any, of such income (A) received from moneys on deposit in the Project Fund and (B) that is expected to be transferred to the Rebate Fund; (b) a schedule of the Debt Service Requirements of Outstanding Bonds and scheduled payments becoming due under any other Senior Obligations in the current and each future Fiscal Year; and (c) the ratio of (i) the sum of the amounts described in clause (a) above for the current and each future Fiscal Year to (ii) the amount described in clause (b) above for each such Fiscal Year (the “*Debt Service Coverage*”).

In projecting the foregoing, (A) for the purposes of each annual Projected Revenue Certificate, the amount described in clause (a)(i) of the definition of Projected Revenue Certificate in the preceding paragraph shall be deemed to equal the amount deposited into the Current Revenues Account of the Program Fund over the course of the most recent Fiscal Year as reflected in the audited financial statements of the Administration for the most recent Fiscal Year ended June 30; (B) for the purposes of each Projected Revenue Certificate required to be delivered in connection with the issuance of additional Senior Obligations (the “*Additional Bonds Test*”), (I) the amount described in clause (a)(i) of the definition of Projected Revenue Certificate in the preceding paragraph shall be deemed to be the amount deposited into the Current Revenues Account of the Program Fund over the course of the most recent prior Fiscal Year (or any twelve consecutive calendar month period ending not more than ninety days prior to the date of issuance of the Senior Obligations being issued in connection with the delivery of such Projected Revenue Certificate) (the “*Program Fund Deposit*”), and (II) the schedule of Debt Service Requirements described in clause (b) of the definition of Projected Revenue Certificate in the preceding paragraph shall include only the Debt Service Requirements of Outstanding Bonds and the scheduled payments becoming due under any other Senior Obligations which are Outstanding on the date of issuance of the Senior Obligations being issued in connection with the delivery of such Projected Revenue Certificate after giving effect to the issuance of such Senior Obligations; and (C) invested funds shall be assumed to yield an investment return equal to no more than the actual return at the time of projection, and shall be assumed to be invested until such time as they are expected to be applied to the purpose for which they are accumulated.

In connection with the issuance of the Series 2015 Bonds, a Projected Revenue Certificate will be delivered by a Financial Advisor as required under the Indenture and as described in the preceding paragraph which will include the calculations described above with respect to the Additional Bonds Test that will demonstrate Debt Service Coverage of at least 1.10. The Program Fund Deposit details to be included in such Projected Revenue Certificate shall include the amount deposited into the Current Revenues Account of the Program Fund over the course of the most recent Fiscal Year and the amount so deposited for the twelve month period from September 30, 2014 through September 30, 2015.

Project Fund

The proceeds of the Series 2015 Bonds and all other Obligations deposited in the Project Fund shall be applied to fund the Projects. All interest earned and other income received from the investment of moneys on deposit in the Project Fund shall remain in the Project Fund and be used to fund the Projects. Amounts in the Project Fund are not Pledged Revenues.

Debt Service Fund

Except as provided in any Supplemental Indenture authorizing any additional Senior Obligations with respect to any Debt Service Fund maintained for such Obligations, amounts on deposit in the Debt Service Fund shall be applied as described below.

(a) On each Interest Payment Date, the Trustee shall make available to the Paying Agent from the Debt Service Fund the amount required to pay the interest due on the Outstanding Senior Obligations, including the Bonds, on such date, which amount shall be applied by the Paying Agent to the payment of the interest due on such Obligations.

(b) On each date on which the principal of any Outstanding Senior Obligations becomes due, including the Bonds, the Trustee shall make available to the Paying Agent from the Debt Service Fund the amount required to pay the principal due on such date, which amount shall be applied by the Paying Agent to the payment of such principal.

(c) Not later than five days prior to each Interest Payment Date, the Trustee shall determine whether the aggregate amount in the Pledged Revenues Fund and the Debt Service Fund, when added to the amount expected to be received in or credited to the Debt Service Fund prior to such Interest Payment Date, will be sufficient to pay the interest and principal, if any, then due and payable, and shall determine the amount of any deficiency. If such a deficiency exists, the Trustee shall notify the Administration immediately and the Administration shall transfer from (i) first, the Current Revenues Account of the Program Fund, (ii) second, from the Equity Account of the Program Fund and (iii) third, from the Project Fund, such moneys as are necessary to cure such deficiency; provided that the Administration shall make such transfers from the Current Revenues Account or the Equity Account of the Program Fund or the Project Fund only if and to the extent that there are available and uncommitted funds in such accounts to make such transfers.

No Acceleration

Neither the Bonds nor any other Obligations of the Administration under the Indenture are subject to acceleration prior to maturity.

THE SERIES 2015 BONDS

General

The Series 2015 Bonds mature on each March 1 as set forth on the inside cover of this Official Statement, and interest is payable on each September 1 and March 1 (each September 1 and March 1 being referred to herein as an “*Interest Payment Date*”), commencing September 1, 2016. The Series 2015 Bonds are dated as of their date of issuance and bear interest from that date, at the rates set forth on the inside cover of this Official Statement.

The Series 2015 Bonds will be issued only as fully registered bonds. The Series 2015 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. So long as the Series 2015 Bonds are maintained in book-entry form, payments of the principal or Redemption Price of and the interest on the Series 2015 Bonds will be made as described in Appendix F. At any other time, interest on the Series 2015 Bonds will be payable by check mailed by the Trustee to the persons in whose names the Series 2015 Bonds are registered as of the fifteenth day of the month preceding each Interest Payment Date (or such other day as shall be established by the Trustee as described under “DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE -- Definitions of Certain Terms -- Record Date” in Appendix A) at the address shown on the registration books maintained by the Trustee, which is registrar and paying agent for the Series 2015 Bonds, and the principal or Redemption Price of Series 2015 Bonds will be payable only upon presentation and surrender of such Bonds at the principal corporate trust office of the Trustee.

Optional Redemption

The Series 2015 Bonds maturing on or after March 1, 2025 will be subject to redemption prior to maturity on or after March 1, 2024, at the option the Administration, as a whole or in part at any time, at par plus accrued interest to the date set for redemption.

If fewer than all of the Series 2015 Bonds are to be redeemed, the particular maturities of the Series 2015 Bonds to be redeemed shall be selected by the Administration in its discretion. If fewer than all of the Series 2015 Bonds of any one maturity shall be called for redemption the Trustee shall select the particular Series 2015 Bonds of such maturity to be redeemed as shall be directed by the Administration or, in the absence of such direction, from such maturity by lot or in such other manner as the Trustee in its discretion may deem proper. So long as the Series 2015 Bonds are maintained in book-entry form, the selection of individual ownership interests in the Series 2015 Bonds to be credited with any such partial redemption shall be made through DTC as described in Appendix F under the caption “BOOK-ENTRY ONLY SYSTEM -- Payments on and Redemption or Purchase of Series 2015 Bonds.”

Notice of Redemption

So long as the Series 2015 Bonds are maintained under a book-entry system, notice of the call for any redemption of the Series 2015 Bonds shall be given to Direct Participants as described under “BOOK-ENTRY ONLY SYSTEM -- Payments on and Redemption or Purchase of Series 2015 Bonds” in Appendix F. Notice of any redemption shall be given at least 20 days before the redemption date to the registered owner of each Series 2015 Bond or portion of a Series 2015 Bond to be redeemed at the address appearing on the registration books maintained by the Trustee as Registrar.

The Series 2015 Bonds so called for redemption will cease to bear interest on the specified redemption date and shall no longer be secured by the Indenture, provided that funds for such redemption are on deposit at the time with the Trustee. Any notice of redemption may state that such redemption or purchase is conditioned upon any circumstance set forth in such notice; and notwithstanding the giving of any notice of redemption of the Series 2015 Bonds, if on any date fixed for the redemption or purchase of any Series 2015 Bonds there shall not be on deposit with the Trustee or any Paying Agent sufficient funds for the payment of the Redemption Price of such Series 2015 Bonds, such redemption will be cancelled and the notice thereof rescinded, and the Trustee immediately will give notice thereof to the holders of all of the Series 2015 Bonds so called for redemption.

Book-Entry Only System

For a discussion respecting the book-entry only system for the Series 2015 Bonds, see Appendix F, “BOOK-ONLY ENTRY SYSTEM.”

The Annual Debt Service Requirements on Outstanding Bonds

The following table sets forth for each fiscal year the amount required for the payment of debt service for the Series 2008 Bonds, the Series 2014 Bonds and the Series 2015 Bonds and the total debt service requirements.

BAY RESTORATION FUND ANNUAL DEBT SERVICE REQUIREMENTS FOR EXISTING BONDS AND SERIES 2015 BONDS

Fiscal Year Ending June 30	Series 2008 Debt Service	Series 2014 Debt Service	Series 2015 Debt Service ⁽¹⁾	Total Projected Debt Service ⁽¹⁾
2016	\$ 4,614,381	\$ 9,715,575	\$ -	\$ 14,329,956
2017	4,584,681	9,717,575	11,200,000	25,502,256
2018	4,543,931	9,716,575	19,160,000	33,420,506
2019	4,501,931	9,717,075	19,162,000	33,381,006
2020	4,614,131	9,713,325	19,163,500	33,490,956
2021	4,615,181	9,714,825	19,163,250	33,493,256
2022	4,611,738	9,715,575	19,160,000	33,487,313
2023	4,611,488	9,714,825	19,162,500	33,488,813
2024		9,716,825	19,164,000	28,880,825
2025		9,715,575	19,163,000	28,878,575
2026		9,635,325	19,163,000	28,798,325
2027		9,469,075	19,162,250	28,631,325
2028		9,556,825	19,159,000	28,715,825
2029		9,599,625	19,161,500	28,761,125
2030		-	19,162,500	19,162,500
	<u>\$ 36,697,462</u>	<u>\$ 135,418,600</u>	<u>\$ 260,306,500</u>	<u>\$ 432,422,562</u>

(1) Preliminary, subject to change. Interest for the Series 2015 Bonds calculated at assumed rates for purposes of illustration only.

Source: The Administration.

PROJECTED DEBT SERVICE COVERAGE FOR OUTSTANDING BONDS

The table below sets out the projections of the Financial Advisor, as of the date of this Official Statement, calculating the projected Debt Service Coverage for the Outstanding Bonds on a cash basis for fiscal years 2016 through 2030. *This table is a projection only and is subject to change.* No assurance can be given that the projected debt service coverage will be achieved or maintained. See “ANTICIPATED FUTURE ISSUANCES OF BONDS.”

BAY RESTORATION REVENUES PROJECTED CASH FLOW AND DEBT SERVICE COVERAGE SCHEDULE FOR FISCAL YEARS 2016 – 2030

Fiscal Year Ending June 30	Annual Net Revenues ⁽¹⁾	Series 2008 Debt Service	Series 2014 Debt Service	Series 2015 Debt Service ⁽²⁾	Projected Series 2017 Debt Service ⁽³⁾	Total Projected Debt Service	Coverage after All Debt Service	Excess Annual Net Revenues
2016	\$ 108,149,466	\$ 4,614,381	\$ 9,715,575	\$ -	-	\$ 14,329,956	7.55 x	\$ 93,819,510
2017	108,149,466	4,584,681	9,717,575	11,200,000	-	25,502,256	4.24 x	82,647,210
2018	108,149,466	4,543,931	9,716,575	19,160,000	\$ 10,015,000	43,435,506	2.49 x	64,713,960
2019	108,149,466	4,501,931	9,717,075	19,162,000	10,014,400	43,395,406	2.49 x	64,754,060
2020	108,149,466	4,614,131	9,713,325	19,163,500	10,014,200	43,505,156	2.49 x	64,644,310
2021	108,149,466	4,615,181	9,714,825	19,163,250	10,014,000	43,507,256	2.49 x	64,642,210
2022	108,149,466	4,611,738	9,715,575	19,160,000	10,013,400	43,500,713	2.49 x	64,648,753
2023	108,149,466	4,611,488	9,714,825	19,162,500	10,012,000	43,500,813	2.49 x	64,648,653
2024	108,149,466	-	9,716,825	19,164,000	10,014,400	38,895,225	2.78 x	69,254,241
2025	108,149,466	-	9,715,575	19,163,000	10,015,000	38,893,575	2.78 x	69,255,891
2026	108,149,466	-	9,635,325	19,163,000	10,013,400	38,811,725	2.79 x	69,337,741
2027	108,149,466	-	9,469,075	19,162,250	10,014,200	38,645,525	2.80 x	69,503,941
2028	108,149,466	-	9,556,825	19,159,000	10,016,800	38,732,625	2.79 x	69,416,841
2029	108,149,466	-	9,599,625	19,161,500	10,015,600	38,776,725	2.79 x	69,372,741
2030	108,149,466	-	-	19,162,500	10,015,200	29,177,700	3.71 x	78,971,766
		<u>\$ 36,697,462</u>	<u>\$ 135,418,600</u>	<u>\$ 260,306,500</u>	<u>\$ 130,187,600</u>	<u>\$ 562,610,162</u>		<u>\$ 1,059,631,828</u>

- (1) Revenues are net of 1.5% available to the MWQFA for administrative expenses.
(2) Preliminary, subject to change. Interest calculated at assumed rates for purposes of illustration only.
(3) Preliminary, subject to change. Interest calculated at a true interest cost of 4.00% for purposes of illustration only.

ANTICIPATED FUTURE ISSUANCES OF BONDS

The Administration currently anticipates that it will issue approximately \$100 million of additional Bonds during fiscal year 2017. Such additional Bonds will be on parity with the Outstanding Bonds and any other Senior Obligations issued under the Indenture.

THE DEPARTMENT OF THE ENVIRONMENT OF THE STATE OF MARYLAND

The Department of Environment of the State of Maryland (the “Department”) is responsible for all major environmental programs in Maryland. The Department directs regulatory, enforcement and voluntary programs for air quality control of stationary and mobile sources, hazardous and solid waste management and cleanup, oil control, lead paint risk reduction, wastewater treatment, public drinking water supply, wetlands protection, surface and ground water quality, mining, dam safety, risk assessment, and loan and grant programs for wastewater, water supply and environmental restoration projects. The Department has a diverse staff of some 1,000 scientists, engineers, and professionals with other technical and administrative expertise. The Department’s FY 2016 combined operating and capital budget is approximately \$400 million.

The Department, through the Administration, is responsible for receiving the Bay Restoration Fees collected by the Comptroller and the Administration is responsible for administering the Bay Restoration Fund. The

State Treasurer assists the Administration by procuring its auditor, underwriters, trustee, and other financial services required in connection with the Administration's financings. In addition, the Treasurer oversees the investment of the Administration's funds. The Comptroller is responsible for maintaining accounts for funds of the Administration not held by the Trustee. Actual day-to-day accounting activities are performed by the Administration.

Benjamin H. Grumbles was appointed as Secretary of the Department by Governor Larry Hogan on March 6, 2015. Prior to that, he was president of the U.S. Water Alliance, a Washington-based environmental nonprofit organization that educates the public on the value of water and the need for integrated and innovative solutions. Mr. Grumbles has served as the Assistant Administrator for Water at the U.S. Environmental Protection Agency, as the Director of Arizona's Department of Environmental Quality and as Environmental Counsel and Senior Staff Member on the Transportation and Infrastructure Committee and the Science Committee in the U.S. House of Representatives. Mr. Grumbles has broad experience in energy, climate, air, waste and agricultural policy and regulation. He is a member of the National Academy of Science's Water Science and Technology Board and a frequent lecturer and analyst on environmental law and policy. He has a master's degree in environmental law from George Washington University, a law degree from Emory University School of Law and a bachelor's degree from Wake Forest University.

THE MARYLAND WATER QUALITY FINANCING ADMINISTRATION

The Administration is a validly created and existing body politic and corporate and public instrumentality of the State of Maryland and is a unit within the Department. The Administration was established to assist Local Governments in financing wastewater facilities through the use of the Maryland Water Quality Revolving Loan Fund (the "*Clean Water Revolving Loan Fund*") and in financing drinking water supply systems projects through the use of the Drinking Water Revolving Loan Fund (the "*Drinking Water Revolving Loan Fund*"). The Act provides that the Administration shall continue until terminated by law, but no such law shall take effect so long as the Administration has bonds outstanding, unless adequate provision has been made for the payment thereof.

During the 2004 legislative session of the Maryland General Assembly, the Act was amended to create the Bay Restoration Fund program, which is managed by the Administration. The Bay Restoration Fund program is a separate and independent program from the Clean Water Program and the Drinking Water Program and funds received under the Clean Water Program and the Drinking Water Program will not be pledged to or available to pay the debt service on the Outstanding Bonds or any other Obligations issued under the Indenture. During the 2012 legislative session, the Maryland General Assembly amended the Bay Restoration Fund statute and increased the fee schedule for most residents of the State, which is detailed below under "BAY RESTORATION FUND."

Jag Khuman is the current Director of the Administration. Mr. Khuman was appointed as Director in March 2004. Prior to his appointment as Director, Mr. Khuman served as the Program Administrator. Mr. Khuman is responsible for the day to day operations of the Administration. Mr. Khuman holds an MBA degree and an M.S. degree in Engineering Management, both from the University of Southwestern Louisiana. Mr. Khuman also holds a B.S. in Chemical Engineering from the University of Mysore, India. Mr. Khuman joined the Department in 1989 and has extensive experience in the financial management of the Bay Restoration Fund, the Clean Water Revolving Loan Fund, the Drinking Water Revolving Loan Fund and other State grant programs. Mr. Khuman is an Authorized Officer of the Administration.

Richard T. Pencek, Sr., is the current Program Administrator for the Administration. Mr. Pencek was appointed as Program Administrator for the Administration on December 14, 2014, and is responsible for assisting the Director with the Bay Restoration Fund and managing the day-to-day operations and program compliance of the Water Quality and Drinking Water Revolving Loan Funds. Mr. Pencek started with the Administration in 2008 as the Chief of the Capital Program Contract Division, and since September 2011 and prior to his appointment as Program Administrator, served as the Chief Fiscal Officer and as Acting Program Administrator. Mr. Pencek has over 40 years of accounting experience, including over 33 years in the private sector. He is responsible for overseeing accounting of all transactions and preparation of the Administration's audited financial statements. Mr. Pencek holds a B.S. degree with High Honors from the University of Maryland, and is a licensed Certified Public Accountant in the State of Maryland.

Cathy Lowenkron is the current Chief Fiscal Officer of the Administration. Ms. Lowenkron was appointed as the Chief Fiscal Officer on June 10, 2015. Since 2009, and prior to her appointment as the Chief Fiscal Officer, Ms. Lowenkron served as the Accounting Supervisor and as the Acting Chief Fiscal Officer within the Administration. Ms. Lowenkron has over 25 years of accounting experience. She is responsible for overseeing accounting of all transactions and preparation of the Administration's audited financial statements. Ms. Lowenkron holds a B.S. degree in Accounting from the University of Baltimore.

Operating Costs

The Administration relies primarily on administrative fees of 1.5% of Bay Restoration Revenues for the payment of its operating expenses related to the Bay Restoration Fund Program.

BAY RESTORATION FUND

In 2004 the State enacted the Bay Restoration Act to establish the Bay Restoration Fund as a special, continuing, nonlapsing fund to be administered by the Administration. The main goal of the Bay Restoration Fund is to provide grants to Local Governments and other owners of Wastewater Facilities to fund improvements to the Major Wastewater Facilities and other wastewater facilities in order to reduce nutrient pollution, first, to the Chesapeake Bay and, secondarily, to the Atlantic Bays of Maryland. As a revenue source for the Bay Restoration Fund, the Bay Restoration Act established the Bay Restoration Fee for Users of Wastewater Facilities, septic systems, and sewage holding tanks. The Bay Restoration Fees from Users of Wastewater Facilities ("*Wastewater Facility Users*") (i.e. the Bay Restoration Revenues) are and will be deposited in the Program Fund. Conversely, the Bay Restoration Fees collected from Users of septic systems and sewage holding tanks are not part of the Bay Restoration Revenues and are not available for the repayment of the Outstanding Bonds or any other Obligations issued under the Indenture.

In 2012, the Maryland General Assembly amended the Bay Restoration Act and doubled the fee schedule for most Maryland residents effective July 1, 2012, as follows:

- For a residential dwelling that receives an individual sewer bill, where the wastewater generated by the dwelling is treated at a wastewater treatment facility that discharges into the Maryland Chesapeake Bay or Coastal Bays watershed the fee is \$5.00 per month (or \$60.00 annually);
- For a Wastewater Facility User that owns a building or group of buildings under a single ownership or management arrangement that receives a sewer bill that encompasses multiple residential dwellings that do not receive individual sewer bills, or for a nonresidential user of Wastewater Facilities, where the wastewater generated is treated at a wastewater treatment facility that discharges into the Maryland Chesapeake Bay or Coastal Bays watershed the fee is \$5.00 per month per EDU (as defined below) for the first 2,000 EDUs, up to a maximum of \$120,000 annually;
- For a residential dwelling that receives an individual sewer bill, where the wastewater generated by the dwelling is treated at a wastewater treatment facility that does not discharge into the Maryland Chesapeake Bay or Coastal Bays watershed the fee is \$2.50 per month (or \$30 annually); and
- For Wastewater Facility Users that own a building or group of buildings under a single ownership or management arrangement that receive a sewer bill and that encompasses multiple residential dwellings that do not receive individual sewer bills, or for a nonresidential user of Wastewater Facilities, where the wastewater generated is treated at a wastewater treatment facility that does not discharge into the Maryland Chesapeake Bay or Coastal Bays watershed the fee is \$2.50 per month per EDU for the first 2,000 EDUs, up to a maximum of \$120,000 annually.
- The Bay Restoration Act was also amended, effective July 1, 2012, to provide that the Bay Restoration Fee may not be reduced as long as any bonds are outstanding and that any change in the manner of determining the Bay Restoration Fee may not reduce the amount of funds available for the payment of outstanding bonds.

Pursuant to the Bay Restoration Act, the fee schedule reverts back to a lower rate effective July 1, 2030, as follows:

- For a residential dwelling that receives an individual sewer bill and each user of an onsite sewage disposal system or a holding tank that receives a water bill, the fee will be \$2.50 per month (or \$30 annually); and
- For Wastewater Facility Users that own a building or group of buildings under a single ownership or management arrangement that receive a sewer bill and that encompasses multiple residential dwellings that do not receive individual sewer bills, or for a nonresidential user of Wastewater Facilities, the fee will be: (a) \$2.50 per month for an amount of EDUs not exceeding 3,000; (b) for each EDU exceeding 3,000 and not exceeding 5,000, \$1.25 per month and in each such case in an amount not to exceed \$120,000 annually; and (c) for each EDU exceeding 5,000, zero.

As used herein, the term “EDU” means an “*equivalent dwelling unit*” and is generally calculated as equivalent to 250 gallons of wastewater effluent generated daily.

The Bay Restoration Act exempts certain users, including Local Governments, but not the State or the federal government, from the Bay Restoration Fee. Subject to approval by the Administration, the Bay Restoration Act also requires all Local Governments or a billing authority for a water facility or Wastewater Facility to establish a program to exempt as a User, the owner of a residential dwelling able to demonstrate substantial financial hardship. The local billing authorities have financial hardship exemption plans approved by the Administration. To date, a nominal number of eligible Users have qualified under the financial hardship exemption.

The Department executed a Memorandum of Understanding with the United States Department of Defense (the “DOD”) on July 19, 2006, under which the DOD will not pay the Bay Restoration Fee and will upgrade its wastewater treatment plant(s) with ENR at federal expense as required by their NPDES permits. No other Federal entity has been exempted from the Bay Restoration Fee. On August 21, 2015, the United States Social Security Administration (the “SSA”), through their Office of General Counsel, sent a letter to the Department’s Office of the Attorney General objecting to the collection of the Bay Restoration Fee from SSA facilities in Baltimore and Frederick Counties under sovereign immunity principles. SSA further requested that the State provide reimbursement for previously paid fees. By letter dated October 23, 2015, the State, through the Office of the Attorney General of the State of Maryland, responded to the letter from the SSA challenging the position taken by the SSA. The State has not yet received a response from the SSA with respect to its October 23, 2015 letter.

The Bay Restoration Fees are and will be collected by the Local Government or the billing authority for the water facility or the Wastewater Facility, as appropriate, on behalf of the State. For those entities receiving water or sewer bills, the fee will be itemized in a separate line on the water or sewer bill. For a Wastewater Facility without a billing authority, the Comptroller collects the fee from the facility owner.

Bay Restoration Fees must be remitted to the Comptroller, who is authorized to adopt regulations to administer, collect, and enforce the Bay Restoration Fee. After (i) paying to each Local Government or other billing authority an amount not exceeding 5% of the Bay Restoration Fees for its reasonable and actual incremental billing and collection expenses and (ii) retaining an administrative fee of up to 0.5% of the Bay Restoration Fees collected, the Comptroller must deposit the entire remaining balance of Bay Restoration Fee collections into the Bay Restoration Fund. Such deposits will initially be held in the Current Revenues Account of the Program Fund. Bay Restoration Fees are scheduled to be collected and deposited in the Current Revenues Account of the Program Fund as described in the table below.

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Bay Restoration Fee Deposit Schedule

Bay Restoration Fees Collected by Billing Authority From Wastewater Facility Users (Calendar Quarter)	Bay Restoration Fees Deposited by Billing Authority to State Comptroller (By Statute)	Bay Restoration Fees (net operating allowances) Deposited by Comptroller In Bay Restoration Fund (By Policy)
January – March	April 20	May 10
April – June	July 20	August 10
July – September	October 20	November 10
October – December	January 20	February 10

The Program Fund will consist of revenue generated from the Bay Restoration Fees and any interest earnings thereon. Pursuant to the Act, money in the Bay Restoration Fund may not revert or be transferred to the general fund or a special fund of the State. Notwithstanding the foregoing, a legislative amendment was made to the Act pursuant to the Budget and Reconciliation and Financing Acts of 2010, 2011 and 2012 (collectively, the “Budget Acts”) under which \$290,000,000 in the aggregate was transferred from the Bay Restoration Fund to the State’s General Fund which such funds were not needed by the Administration to pay for the then-current debt service on its outstanding Obligations. The Budget Acts required that the State restore such transferred funds to the Bay Restoration Fund with a portion of the proceeds of the State’s general obligation bonds. Accordingly, the aggregate amount of \$290,000,000 that was transferred to the State’s general fund has been replenished to the Bay Restoration Fund.

The Bay Restoration Act requires that priority for funding a Wastewater Facility upgrade (each, a “Project”) must be given to ENR upgrades at Wastewater Facilities with a design capacity of 500,000 gallons per day or more, which includes all of the Major Wastewater Facilities. The eligibility and priority ranking of a Project is determined by the Department. Bay Restoration Revenues shall only be used: (1) to award grants for up to 100% of eligible costs of Projects relating to planning, design, construction, and upgrade of a Wastewater Facility for flows up to the design capacity of the Wastewater Facility to achieve ENR; (2) for a portion of the operation and maintenance costs related to ENR technology (provided that such portion shall not exceed 10% of the Bay Restoration Fees collected in the applicable fiscal year); (3) as a source of revenue or security for the payment of principal and interest on Outstanding Bonds issued by the Administration under the Indenture; (4) to earn interest on accounts in the Bay Restoration Fund accounts; (5) for the Administration’s reasonable costs of administering the Bay Restoration Fund, which may not exceed 1.5% of the total Bay Restoration Revenues; (6) for the reasonable and actual incremental administrative costs incurred by a Local Government or billing authority, not to exceed 5% of the total fees collected by the Local Government or billing authority; (7) for future upgrades of Wastewater Facilities to achieve additional nutrient removal or water quality improvement; (8) for costs associated with issuing bonds; (9) for the costs associated with any alternate compliance programs undertaken by a charitable nonprofit group or an organization exempt from federal income taxation under the Internal Revenue Code of 1986, as amended, which demonstrates financial hardship to implement such alternative compliance programs in lieu of paying a stormwater remediation fee and (10) beginning in Fiscal Year 2018 and thereafter, after payment of Outstanding Bonds and any other Outstanding Obligations and following the allocation of funds to other required uses of the Bay Restoration Fund, in the following priority order:

1. Funding an upgrade of a wastewater facility to enhance nutrient removal at wastewater facilities with a design capacity of 500,000 gallons or more per day;
2. Funding for the most cost-effective enhanced nutrient removal upgrades at wastewater facilities with a design capacity of less than 500,000 gallons per day; and

3. Funding any of the following types of projects selected based on water quality and public health benefits, as determined by the Department:
 - (i) combined sewer overflow abatement, rehabilitation of existing sewers, and upgrading conveyance systems, including pumping stations;
 - (ii) nitrogen reduction from onsite sewage disposal systems/septic systems; and
 - (iii) stormwater projects being undertaken by local governments who have implemented a system of charges.

**History of Bay Restoration Fee Deposits
(Wastewater Users)
Deposits to the Administration by Comptroller (Accrual Basis)
Program Fund**

The table below sets forth (i) for the fiscal years 2009 through 2015, the net proceeds of the Bay Restoration Fees deposited to the Program Fund for each such fiscal year. There can be no assurance that Bay Restoration Fees received by the Administration in the future will be similar to historical results. Such future receipts may vary from historical results and such variations may be material.

<u>Fiscal Year</u>	<u>Total⁽¹⁾</u>
2008	\$53,875,471
2009	52,539,372
2010	53,582,117
2011	54,629,882
2012	55,131,486
2013 (2)	100,613,176
2014 (2)	109,028,454
2015 (2)	108,149,466

- (1) Net of (i) the 1.5% of total deposits made available to the Administration for operating expenses, and (ii) up to 5.5% of total collections available to the billing authority and Comptroller for their expenses.
- (2) Higher revenue resulting from a fee increase in Fiscal Year 2013. See “BAY RESTORATION FUND” herein.

Source: The Administration.

MAJOR WASTEWATER FACILITIES

The table on the following page shows the 67 Major Wastewater Facilities, and for each Major Wastewater Facility, its location, ENR design capacity based upon the basis of a million gallons daily (“MGD”), estimated ENR capital cost, the ENR grant award from the Program Fund and ENR Project status, in each case estimated as of June 30, 2015. As illustrated below, the estimated ENR capital costs for the 67 Major Wastewater Facilities is approximately \$1.215 billion. As of June 30, 2015, the Administration has awarded over \$1.088 billion in ENR grants and disbursed approximately \$799.7 million consisting of approximately \$165.7 million of proceeds from the Series 2008 Bonds and the Series 2014 Bonds and approximately \$634 million of equity.

**MAJOR WASTEWATER FACILITIES ENR STATUS
AS OF JUNE 30, 2015***

<u>MAJOR WWTP/NAME</u>	<u>ESTIMATED ENR CAPITAL COST</u>	<u>LOCATION/ COUNTY</u>	<u>ENR DESIGN CAPACITY (MGD)</u>	<u>ENR GRANT AWARDS</u>	<u>ENR PROJECT STATUS</u>
ABERDEEN	\$ 14,982,000	HARFORD	4.00	\$14,982,000	Operational
APG-ABERDEEN (FEDERAL FUNDS)	-	HARFORD	2.80	-	Operational
BOWIE	8,668,492	PRINCE GEORGE'S	3.30	8,668,492	Operational
BROADNECK	7,851,000	ANNE ARUNDEL	6.00	7,851,000	Operational
BRUNSWICK	8,263,000	FREDERICK	1.40	8,263,000	Operational
CAMBRIDGE	8,944,000	DORCHESTER	8.10	8,944,000	Operational
CELANESE	2,333,382	ALLEGANY	2.00	2,333,382	Operational
CENTREVILLE (Meeting ENR)	-	QUEEN ANNE'S	0.50	-	Operational
CHESTERTOWN	1,490,854	KENT	1.50	1,490,854	Operational
CRISFIELD	4,230,766	SOMERSET	1.00	4,230,766	Operational
CUMBERLAND	25,654,866	ALLEGANY	15.00	25,654,866	Operational
DAMASCUS	5,235,000	MONTGOMERY	1.50	5,235,000	Operational
DELMAR	2,369,464	WICOMICO	0.85	2,369,464	Operational
DENTON	4,405,615	CAROLINE	0.80	4,405,615	Operational
DORSEY RUN (meeting ENR)	47,986	ANNE ARUNDEL	2.00	47,986	Operational
EASTON	7,788,021	TALBOT	4.00	7,788,021	Operational
ELKTON	7,403,154	CECIL	3.05	7,403,154	Operational
FEDERALSBURG	2,900,000	CAROLINE	0.75	2,900,000	Operational
GEORGES CREEK	9,875,136	ALLEGANY	0.60	9,875,136	Operational
HAGERSTOWN	10,191,836	WASHINGTON	8.00	10,191,836	Operational
HAVRE DE GRACE	10,474,820	HARFORD	2.28	10,474,820	Operational
HURLOCK	941,148	DORCHESTER	1.65	941,148	Operational
INDIAN HEAD	5,822,098	CHARLES	0.50	5,822,098	Operational
JOPPATOWNE	3,399,778	HARFORD	0.95	3,399,778	Operational
KENT NARROWS (KNSG)	6,380,645	QUEEN ANNE'S	3.00	6,380,645	Operational
LA PLATA	9,367,610	CHARLES	1.50	9,367,610	Operational
LITTLE PATUXENT	35,493,172	HOWARD	25.00	35,493,172	Operational
MARYLAND CITY	3,473,000	ANNE ARUNDEL	2.50	3,473,000	Operational
MATTAWOMAN (Meeting ENR)	-	CHARLES	1.60	-	Operational
MT AIRY	3,354,144	CARROLL	1.20	3,354,144	Operational
PARKWAY	14,271,803	PRINCE GEORGE'S	7.50	14,271,803	Operational
PATUXENT	3,713,000	ANNE ARUNDEL	7.50	3,713,000	Operational
PERRYVILLE	3,888,168	CECIL	1.65	3,888,168	Operational
PISCATAWAY	6,324,000	PRINCE GEORGE'S	30.00	6,324,000	Operational
POCOMOKE CITY	3,214,878	WORCESTER	1.47	3,214,878	Operational
POOLESVILLE	223,132	MONTGOMERY	0.75	223,132	Operational
SNOW HILL	3,275,455	WORCESTER	0.50	3,275,455	Operational
SOD RUN	37,781,000	HARFORD	20.00	37,781,000	Operational
SWAN POINT (LOCAL FUNDS)	-	CHARLES	0.60	-	Operational
TALBOT CO. REGION II (ST. MICHAELS)	1,978,699	TALBOT	0.66	1,978,699	Operational
THURMONT	6,680,679	FREDERICK	1.00	6,680,679	Operational
ANNAPOLIS	14,700,000	ANNE ARUNDEL	13.00	14,700,000	Construction
BACK RIVER	295,164,000	BALTIMORE CITY	180.00	215,156,867	Construction
BALLENGER CREEK	31,000,000	FREDERICK	6.00	31,000,000	Construction
BLUE PLAINS (MD/WSSC PORTION)	138,036,769	DISTRICT OF COLUMBIA	169.60	138,036,769	Construction
BROADWATER	6,050,000	ANNE ARUNDEL	2.00	6,050,000	Construction
CHESAPEAKE BEACH	7,080,000	CALVERT	1.50	7,080,000	Construction
COX CREEK	88,600,000	ANNE ARUNDEL	15.00	88,600,000	Construction
EMMITSBURG	5,581,000	FREDERICK	0.75	5,581,000	Construction
FREDERICK CITY	16,060,521	FREDERICK	8.00	16,060,521	Construction
FREEDOM DISTRICT - MES	7,716,359	CARROLL	3.50	7,716,359	Construction

FRUITLAND	4,809,000	WICOMICO	0.80	4,809,000	Construction
LEONARDTOWN	8,996,527	ST MARY'S	0.68	8,996,527	Construction
MARLAY TAYLOR	9,896,000	ST MARY'S	6.00	9,896,000	Construction
NORTHEAST RIVER	10,977,120	CECIL	2.00	10,977,120	Construction
PATAPSCO	158,922,000	BALTIMORE CITY	73.00	158,922,000	Construction
SALISBURY (corrective action)	16,644,767	WICOMICO	8.50	16,644,767	Construction
SENECA CREEK	6,221,000	MONTGOMERY	20.00	6,221,000	Construction
TANEYTOWN	5,566,494	CARROLL	1.10	5,566,494	Construction
WESTERN BRANCH	39,109,000	PRINCE GEORGE'S	30.00	39,109,000	Construction
WINEBRENNER	3,059,028	WASHINGTON	1.00	3,059,028	Construction
CONOCOCHIEGUE	15,000,000	WASHINGTON	4.10	-	Design
MAYO LARGE COMMUNAL	5,350,000	ANNE ARUNDEL	20.00	-	Design
MD CORRECTIONAL INSTITUTE - STATE	5,810,000	WASHINGTON	0.82	318,000	Design
WESTMINSTER	15,100,000	CARROLL	5.00	1,020,000	Design
HAMPSTEAD	3,000,000	CARROLL	0.90	-	Planning
PRINCESS ANNE	4,000,000	SOMERSET	1.26	-	Planning
TOTAL ENR - MAJOR WWTP	\$1,215,141,386		753.47	\$1,088,212,253	

*The Administration has initiated ENR grant funding to minor wastewater facilities (design capacity of less than 500,000 gallons per day), which are not included on the table above. The Administration intends to use its equity to finance these projects rather than using bond proceeds.

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TAX MATTERS

State of Maryland Taxation

McKennon Shelton & Henn LLP, Bond Counsel to the Administration, is of the opinion that, by the terms of the Act, the Series 2015 Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized in the sale or exchange thereof, shall at all times be exempt from taxation of every kind and nature whatsoever by the State of Maryland or by any of its political subdivisions, municipal corporations or public agencies of any kind, but no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the Series 2015 Bonds, their transfer or the interest thereon.

Interest on the Series 2015 Bonds may be subject to state or local income taxes in jurisdictions other than the State of Maryland under applicable state or local tax laws. Holders or prospective purchasers of the Series 2015 Bonds should consult their own tax advisors with respect to the taxable status of the Series 2015 Bonds in jurisdictions other than the State of Maryland.

Federal Income Taxation

McKennon Shelton & Henn LLP, Bond Counsel to the Administration, is of the opinion that, assuming compliance with certain covenants described herein, the interest on the Series 2015 Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions.

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 Series 2015 Bonds, including restrictions that must be complied with throughout the term of the Series 2015 Bonds. These include a requirement that certain investment earnings received from the investment of the proceeds of the Series 2015 Bonds be rebated to the United States of America under certain circumstances (or that certain payments in lieu of rebate be made) and other requirements applicable to the investment of the proceeds of the Series 2015 Bonds and the use of the proceeds of such Series 2015 Bonds and the facilities financed with such proceeds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Series 2015 Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The Administration has made certain covenants regarding actions as may be required to maintain the excludability from gross income for federal income tax purposes of interest on the Series 2015 Bonds.

Further, under existing statutes, regulations and decisions, Bond Counsel is of the opinion that under existing statutes, regulations and decisions, interest on the Series 2015 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 seventy-five percent (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 Series 2015 Bonds. In addition, interest income on the Series 2015 Bonds will be subject to the branch profits tax imposed by the Code on foreign corporations engaged in trade or business in the United States.

In rendering its opinion, McKennon Shelton & Henn LLP will rely without investigation on the Administration’s Tax and Section 148 Certificate with respect to certain material facts within the knowledge of the Administration relevant to the tax-exempt status of interest on the Series 2015 Bonds.

See Appendix D hereto for the proposed form of opinion of Bond Counsel to the Administration.

Tax Accounting Treatment of Discount Bonds

Certain maturities of the Series 2015 Bonds may be issued at an initial public offering price which is less than the amount payable on such Series 2015 Bonds at maturity (the “Discount Bonds”). The difference between the initial offering price (including accrued interest, if any) at which a substantial amount of the Discount Bonds of

each maturity was sold and the principal amount of such Discount Bonds payable at maturity constitutes original issue discount. In the case of any holder of Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to such Discount Bonds is added to the original cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, early redemption or 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 any Discount Bonds in accordance with a constant rate of interest accrual method. The yield to maturity of the Discount Bonds of each maturity is determined using permissible compounding periods. In general, the length of a permissible compounding period cannot exceed the length of the interval between debt service payments on the Discount Bonds and must begin or end on the date of such payments. Such yield then is used to determine an amount of accrued interest for each permissible compounding period. For this purpose, interest is treated as compounding periodically at the end of each applicable compounding period. The amount of original issue discount which is treated as having accrued in respect of a Discount Bond for any particular compounding period is equal to the excess of (a) the product of (i) the yield for the Discount Bond (adjusted as necessary for an initial short period) divided by the number of compounding periods in a year multiplied by (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 the 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 public offering 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 applicable tax regulations, the yield and maturity of a Discount Bond is determined without regard to commercially reasonable sinking fund payments and any original issue discount remaining unaccrued at the time that a Discount Bond is redeemed or purchased in advance of stated maturity will be treated as taxable gain. Moreover, tax regulations prescribe special conventions for determining the yield and maturity of certain debt instruments that provide for alternative payment schedules applicable upon the occurrence of certain contingencies.

The yields (and related prices) furnished by the Successful Bidder for the Series 2015 Bonds and shown on the inside cover of this Official Statement may not reflect the initial issue prices for purposes of determining the original issue discount for federal income tax purposes.

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

Additional Federal Income Tax Considerations

Certain Federal Tax Consequences of Ownership

There are other federal income tax consequences of ownership of obligations such as the Series 2015 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 Series 2015 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 Series 2015 Bonds must be taken into account when computing the 3.8% Medicare tax with respect to investment income imposed on certain higher income individuals and specified trusts and estates.

Purchase, Sale and Retirement of Series 2015 Bonds

Except as noted below in the case of accrued market discount, the sale or other disposition of a Series 2015 Bond will normally result in capital gain or loss to its holder. A holder's initial tax basis in a Series 2015 Bond will be its cost. Upon the sale or retirement of a Series 2015 Bond, for federal income tax purposes a holder will recognize capital gain or loss upon the disposition of such Series 2015 Bond (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 Series 2015 Bond, determined by adding to the original cost basis in such Series 2015 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 Series 2015 Bond has been held for more than one year. Present law taxes both long and short-term capital gains of corporations at the rate 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.

If a holder acquires a Series 2015 Bond after its original issuance at a discount below its principal amount (or in the case of a Series 2015 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 Series 2015 Bond was first issued), the holder will be deemed to have acquired the Series 2015 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 Series 2015 Bond with market discount subsequently realizes a gain upon the disposition of the Series 2015 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 Series 2015 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 Series 2015 Bond not issued at an original issue discount, market discount will be *de minimis* if the excess of such Series 2015 Bond's stated redemption price at maturity over the holder's cost of acquiring such Series 2015 Bond is less than 0.25% of the stated redemption or purchase price at maturity multiplied by the number of complete years between the date the holder acquires such Series 2015 Bond and its maturity date. In the case of a Series 2015 Bond issued with original issue discount, market discount will be *de minimis* if the excess of such Series 2015 Bond's revised issue price over the holder's cost of acquiring such Series 2015 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 Series 2015 Bond and its stated maturity date. For this purpose, a Series 2015 Bond's "revised issue price" is the sum of (i) its original issue price and (ii) the aggregate amount of original issue discount that is treated

as having accrued with respect to such Series 2015 Bond during the period between its original issue date and the date of acquisition by the holder.

Amortizable Bond Premium

A Series 2015 Bond will be considered to have been issued at a premium if, and to the extent that, the holder's tax basis in such Series 2015 Bond exceeds the amount payable at maturity (or, in the case of a Series 2015 Bond callable prior to maturity, the amount payable on the earlier call date). Under regulations applicable to the Series 2015 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 the Series 2015 Bond. The holder will be required to reduce his tax basis in the Series 2015 Bond for purposes of determining gain or loss upon disposition of such Series 2015 Bond by the amount of amortizable bond premium that accrues, determined in the manner prescribed in the regulations. Generally, no deduction (or other tax benefit) is allocable in respect of any amount of amortizable bond premium on the Series 2015 Bonds.

The foregoing is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof and does not discuss all aspects of federal income taxation that may be relevant to a particular holder of Series 2015 Bonds in light of such holder's particular circumstances and income tax situation. Each holder of Series 2015 Bonds should consult such holder's tax advisor as to the specific tax consequences to such holder of the ownership and disposition of the Series 2015 Bonds, including the application of state, local, foreign and other tax laws.

Legislative Developments

Legislative proposals currently under consideration or proposed after issuance and delivery of the Series 2015 Bonds could adversely affect the market value of the Series 2015 Bonds. Further, if enacted into law, any such proposal could cause the interest on the Series 2015 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 Series 2015 Bonds should consult with their own tax advisors as to the status and potential effect of proposed legislative proposals, as to which Bond Counsel expresses no opinion.

CONTINUING DISCLOSURE

In order to enable participating underwriters (as defined in SEC Rule 15c2-12) to comply with the requirements of paragraph (b)(5) of SEC Rule 15c2-12, the Administration will execute and deliver the Continuing Disclosure Agreement (the "*Continuing Disclosure Agreement*") on or before the date of issuance and delivery of the Series 2015 Bonds. The form of the Continuing Disclosure Agreement is included in Appendix E of this Official Statement. The definition of Reportable Events in Section 4(a) of the Continuing Disclosure Agreement is intended to include all of the fourteen events for purposes of compliance with SEC Rule 15c2-12, but several of these events are not currently relevant for the Series 2015 Bonds. Those events relate to debt service reserves, credit enhancements, liquidity providers and property or other collateral.

Except as otherwise set forth herein, during the prior five years, the Administration has not failed to comply, in any material respect, with any continuing disclosure undertaking which it entered into in connection with its issuance of any of its outstanding revenue bonds in order to comply with the requirements of Rule 15c2-12. Although the Administration has timely filed complete information required by its continuing disclosure undertakings, in the past the Administration had not associated the relevant CUSIP numbers with all of its filings. The Administration has remedied the foregoing.

FINANCIAL ADVISORS

First Southwest Company is employed as Financial Advisor to the Administration in connection with the issuance of the Series 2015 Bonds and has prepared cash flow analyses related to the Series 2015 Bonds, assisted with the preparation of this Official Statement and assisted with other matters relating to the planning, structuring, rating and issuance of the Series 2015 Bonds. First Southwest Company's fee for services rendered with respect to

the sale of the Series 2015 Bonds is contingent upon the issuance and delivery of the Series 2015 Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Series 2015 Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

First Southwest Company has provided the following sentence for inclusion in this Official Statement. First Southwest Company has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the Administration and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but First Southwest Company does not guarantee the accuracy or completeness of such information.

Municipal Resource Advisors, LLC ("Municipal Resource Advisors"), Baltimore, Maryland has been engaged by the Administration to provide financial advisory services for the development and implementation of the financing plan leading to the sale of the Series 2015 Bonds. Municipal Resource Advisors is not obligated to undertake, and has not undertaken, to make an independent verification or to assume responsibility for the accuracy or completeness of the information contained in this Official Statement and the appendices hereto. Municipal Resource Advisors is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing securities or other public securities.

INDEPENDENT AUDITOR

The financial statements of the Administration as of and for the fiscal years ended June 30, 2015 and June 30, 2014 are included in this Official Statement in Appendix B. These financial statements have been audited by SB & Company, LLC, independent auditors, as stated in its report appearing therein.

RATINGS

Moody's Investors Service, Inc. and Standard & Poor's Ratings Services (each, a "Rating Agency" and together, the "Rating Agencies") have assigned the Series 2015 Bonds ratings of "Aa2" and "AA," respectively. An explanation of the significance of such ratings may be obtained only from each Rating Agency. The Administration furnished to the Rating Agencies the information contained in a preliminary form of this Official Statement and other materials and information pertaining to the Series 2015 Bonds. Generally, the Rating Agencies base their ratings on such material and information, as well as their own investigations, studies and assumptions. The ratings given the Series 2015 Bonds may be changed at any time and no assurance can be given that any such ratings will not be revised downward or withdrawn by any of the Rating Agencies if, in their judgment, circumstances should warrant such action. Any such downward revision or withdrawal of any rating may have an adverse effect on market prices for the Series 2015 Bonds.

LEGALITY OF SERIES 2015 BONDS FOR INVESTMENT AND DEPOSIT

The Act provides that the Series 2015 Bonds are securities in which all public officers and public bodies of the State of Maryland and its political subdivisions, and all banks, trust companies, savings and loan associations, investment companies and others carrying on a banking business, all insurance companies and insurance associations and others carrying on an insurance business, all personal representatives, executors, administrators, guardians, trustees and other fiduciaries, and all other persons may legally and properly invest funds.

Under the Act, the Series 2015 Bonds may be deposited with and received by any State or municipal officer or any agency or political subdivision of the State of Maryland for any purpose for which the deposit of bonds or obligations of the State of Maryland is or may be authorized by law.

STATE NOT LIABLE ON SERIES 2015 BONDS

The Series 2015 Bonds are special obligations of the Administration payable solely from the Pledged Revenues, and neither the faith and credit nor the taxing power of the State of Maryland, any political subdivision thereof, the Department or the Administration is pledged to the payment of the principal or Redemption Price of or interest on the Series 2015 Bonds.

The sources of revenues or moneys of the Administration are limited to those provided by the Act, and the issuance of the Series 2015 Bonds is not directly or indirectly or contingently an obligation, moral or other, of the State of Maryland, any political subdivision thereof, the Department or the Administration to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Department and the Administration have no taxing powers.

CONTINUED EXISTENCE OF THE ADMINISTRATION

The Act states that the Administration shall continue until terminated by law, provided that no such law shall take effect so long as the Administration shall have bonds, notes or other evidences of obligations outstanding, unless adequate provision has been made for the payment thereof. Upon termination of the existence of the Administration, all of its rights and properties shall pass to and be vested in the State of Maryland.

LEGAL MATTERS

Legal matters incident to the authorization and issuance of the Series 2015 Bonds will be passed upon by McKennon Shelton & Henn LLP, Baltimore, Maryland, Bond Counsel to the Administration, in connection with the issuance of the Series 2015 Bonds. The approving opinion of Bond Counsel to the Administration is expected to be in substantially the form attached hereto as Appendix D. Certain legal matters will be passed upon for the Administration by Helen E. Akparanta, Esquire, Assistant Attorney General and Senior Counsel to the Administration.

NO LITIGATION

As of the date hereof, there is no litigation pending, or to the knowledge of the Administration, threatened against the Administration.

MISCELLANEOUS

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

The information contained in this Official Statement has been compiled or prepared from sources deemed to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct as of the date shown on the cover page. Any statements involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

It is anticipated that CUSIP identification numbers will be printed on the Series 2015 Bonds, but neither the failure to print such number on any Series 2015 Bond nor any error in the printing of such number shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Series 2015 Bond.

The attached Appendices are integral parts of this Official Statement and must be read in their entirety together with all of the foregoing information.

The execution and delivery of this Official Statement have been duly authorized by the Administration.

Maryland Water Quality Financing Administration

By: _____
Jag Khuman, Director

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APPENDIX A

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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Definitions of Certain Terms

In addition to terms defined elsewhere in this Official Statement, the following are definitions of certain terms contained in this Official Statement. Terms used but not defined herein shall have the meanings set forth in the Indenture.

“Administrative Expenses” means the expenses incurred by the Administration related to the administration of the Bay Restoration Fund and other related costs in accordance with the Act.

“Administrative Fees” means the amounts deposited into the Administration Expenses Account under the terms of the Act and provided by the provision of the Master Indenture described below under the caption “Deposits to Program Fund”.

“Agency Obligations” means direct obligations, including bonds, debentures, notes, participation certificates or similar obligations of, or obligations the timely payment of the principal of and the interest on which are unconditionally guaranteed by any agency or instrumentality of the United States of America or their successors, including (without limitation) obligations of the Export-Import Bank of the United States, the Federal Housing Administration, the Government National Mortgage Association, the Farmers Home Administration, the Federal Financing Bank, the Department of Housing and Urban Development, the Federal Home Loan Bank System, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association and the Student Loan Marketing Association.

“Authorized Denomination” means \$5,000 or any integral multiple thereof, except as otherwise provided in any Supplemental Indenture with respect to Obligations issued thereunder.

“Balloon Debt” means Indebtedness 25% or more of the principal amount of which matures in the same 12-month period, which portion of such principal amount is not required to be amortized by redemption prior to such period. Optional Tender Debt shall not be deemed to constitute Balloon Debt solely by reason of the option of the holder thereof to require the redemption or purchase thereof or any required purchase or redemption thereof in connection with any termination of any Credit Facility securing such Indebtedness or any conversion of the interest rate on such Indebtedness prior to the stated maturity thereof.

“Bay Restoration Fund” means the “Bay Restoration Fund” established pursuant to Section 9-1605.2 of the Act. The Program Fund, the Project Fund and the Pledged Revenues Fund created under the Indenture shall be deemed to be a part of the Bay Restoration Fund.

“Bay Restoration Revenues” means the amounts collected and transferred by the State to the Administration for deposit in the Bay Restoration Fund pursuant to Section 9-1605.2(b)(1)(i) of the Act (but only those fees collected pursuant to such subsection from a residential dwelling that receives an individual sewer bill) and Section 9-1605.2(b)(1)(4) of the Act.

“Bond Counsel” means an attorney or firm of attorneys having a national reputation in the field of municipal law whose legal opinions are generally accepted by purchasers of municipal bonds designated by the Administration as its bond counsel from time to time.

“Bonds” means any bonds constituting Obligations issued under the Indenture.

“Business Day” means a day other than a Saturday, Sunday or legal holiday in the State or a day on which banking institutions in the State or in the city in which the Designated Office of the Trustee is located are authorized or obligated to remain closed.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, or any successor federal income tax statute or code, and the applicable regulations thereunder.

“Credit Facility” means any letter of credit, bond insurance policy, bond purchase agreement, guaranty, line of credit, surety bond or similar credit or liquidity facility securing any Obligation or held to the credit of any fund or account created by the Indenture. When used with reference to or in connection with any Obligations, “Credit Facility” means any Credit Facility securing such Obligations.

“Credit Facility Agreement” means the agreement, if any, pursuant to which any Credit Facility is issued. When used with reference to or in connection with any Obligations, “Credit Facility Agreement” means the Credit Facility Agreement under which any Credit Facility securing such Obligations shall have been issued.

“Credit Facility Provider” means the issuer of any Credit Facility then in effect. When used with reference to or in connection with any Obligations, “Credit Facility Provider” means the provider of any Credit Facility securing such Obligations.

“Debt Service Coverage” has the meaning assigned in the definition of Projected Revenue Certificate.

“Debt Service Requirements” means, when used with respect to any Long-Term Indebtedness for any Fiscal Year, as of any particular date of calculation, the amount required to pay the sum of (a) the interest on such Long-Term Indebtedness payable during the period from the second day of such Fiscal Year through the first day of the immediately succeeding Fiscal Year, and (b) the principal of and any other amount required to effect any mandatory redemption of such Long-Term Indebtedness, if any, during the period from the second day of such Fiscal Year through the first day of the immediately succeeding Fiscal Year, less any amount of such interest or principal for the payment of which moneys or Permitted Investments, the principal of and interest on which when due will provide for such payment, are held in trust, including (without limitation) any accrued interest and capitalized interest on deposit in any fund or account maintained under the Indenture. In addition, any payments received by the Administration under a Hedging Transaction shall be deducted from the sum of (a) and (b) above and any payments made by the Administration under a Hedging Transaction (including any termination payment) shall be added to the sum of (a) and (b). For the purpose of calculating the Debt Service Requirements:

(i) with respect to any Variable Rate Indebtedness:

(A) for the purpose of calculating the principal amount of any such Indebtedness constituting Balloon Debt payable in any Fiscal Year described in clause (ii) below, such Indebtedness shall be deemed to bear interest at the fixed rate that, in the judgment of the Administration, it would have borne had it been issued at a fixed rate for the term thereof; and

(B) for all other purposes of the Indenture, such Indebtedness shall be deemed to bear interest at an annual rate equal to (1) in the case of any period during which such Indebtedness shall have been outstanding, the weighted average interest rate per annum borne by such Indebtedness during such period and (2) in any other case, the higher of (a) the weighted average interest rate per annum borne by such Indebtedness during a 12-month period ending not more than 45 days prior to the date of calculation (or, in the case of any Indebtedness issued during the immediately preceding 12-month period, the weighted average interest rate per annum borne by other outstanding indebtedness having comparable terms and of comparable creditworthiness during a 12-month period ending not more than 45 days prior to the calculation date) and (b) the interest rate per annum borne by such Indebtedness on the date of calculation;

(ii) with respect to any Balloon Debt, the principal amount of such Indebtedness payable in each Fiscal Year may be deemed to be the amount that would payable during such Fiscal Year if such Indebtedness were required to be amortized in full from the date of its issuance in substantially equal annual installments of principal (such principal to be rounded to the nearest \$5,000) and interest over a term equal to the shorter of (A) 30 years and (B) 120% of the weighted average economic life of the facilities financed or refinanced thereby;

(iii) with respect to any Optional Tender Debt, the option of the holder thereof to tender such Indebtedness for purchase or redemption prior to maturity and any requirement that such Indebtedness be purchased or redeemed in connection with any termination of any Credit Facility securing such Indebtedness or any conversion of the interest rate thereon shall be disregarded; and

(iv) with respect to any Credit Facility Agreement, so long as no demand for payment under the Credit Facility issued under such Credit Facility Agreement shall have been made, the debt service requirements of such Credit Facility Agreement shall be excluded from such calculation.

“Department” means Maryland Department of the Environment, an agency of the State, and its successors and assigns.

“Designated Office” means, when used with respect to the Trustee or any Registrar or Paying Agent, the corporate trust office designated as such by the Trustee or such Registrar or Paying Agent, respectively.

“Favorable Opinion of Bond Counsel” means, when used with respect to or in connection with any action, a written opinion of Bond Counsel to the effect that such action will not adversely affect the excludability from gross income of interest paid on any Tax-Exempt Obligation for federal income tax purposes.

“Financial Advisor” means a financial advisor having a national reputation in the field of municipal finance employed by the Administration from time to time to pass upon those matters required by the Indenture to be passed upon by a Financial Advisor.

“Fiscal Year” means the period of 12 consecutive months beginning on July 1 in any calendar year and ending on June 30 of the succeeding calendar year, or such other period of 12 months as the Administration shall establish as its fiscal year.

“Fixed Rate Indebtedness” means, as of any particular date, any Indebtedness the interest rate on which is established at a fixed rate or rates for the remaining term thereof.

“Government Obligations” means direct obligations of, or obligations that are unconditionally guaranteed by, the United States of America, including (without limitation) obligations of Resolution Funding Corporation.

“Hedging Transaction” means an agreement entered into in order to hedge the interest payable on or manage interest cost on all or a portion of any Indebtedness, any asset or any other derivative arrangement then in effect, including, without limitation, an interest rate swap, a forward or futures contract or an option (e.g., a call, put, cap, floor or collar).

“Indebtedness” means any indebtedness or liability for borrowed money, any installment sale obligation or any obligation under any lease that is capitalized under Generally Accepted Accounting Principles, to the extent that any of the foregoing is payable from the Pledged Revenues.

“Indenture” means the Master Trust Indenture, as amended, modified or supplemented from time to time by Supplemental Indentures.

“Interest Payment Date” shall mean March 1 and September 1 of each year or such other dates as may be established as Interest Payment Dates in a Supplemental Indenture.

“Long-Term Indebtedness” means all of the following Indebtedness incurred or assumed by the Administration and payable under any circumstances from the Pledged Revenues:

- (i) any obligation for the payment of principal and interest with respect to money borrowed for an original term, or renewable at the option of the Administration for a period from the date originally incurred, longer than one year;
- (ii) any obligation for the payment of money under leases that are required to be capitalized under Generally Accepted Accounting Principles; and
- (iii) any obligation for the payment of money under installment purchase contracts having an original term in excess of one year.

“Maximum Annual Debt Service” means, when used with reference to any Long-Term Indebtedness for any Fiscal Year, as of any particular date of computation, the greatest amount required in the then-current or any future Fiscal Year to pay the Debt Service Requirements of such Long-Term Indebtedness.

“Obligation” or **“Obligations”** means any Senior Obligations and Subordinate Obligations, collectively.

“Optional Tender Debt” means any Indebtedness that is subject to optional or mandatory tender by the holder thereof (including, without limitation, any mandatory tender in connection with the expiration of any Credit Facility securing such Indebtedness or any conversion of the interest rate on such Indebtedness) for purchase or redemption prior to the stated maturity date thereof if the purchase or redemption price of such Indebtedness is under any circumstances payable from the Pledged Revenues.

“Outstanding” or **“outstanding”** means, when used with reference to Obligations as of any particular date, all Obligations authenticated and delivered under the Indenture except (i) any Obligation cancelled by the Registrar or the Trustee (or delivered to the Registrar or the Trustee for cancellation) at or before such date, (ii) any Obligation for the payment of which provision shall have been made as provided under the heading “Defeasance” herein and (iii) any Obligation in lieu of or in substitution for which a new Obligation shall have been authenticated and delivered pursuant to the Indenture.

“Permitted Investment” means each of the following investments to the extent that the amounts to be invested therein are then permitted to be invested in such investments under applicable law:

(a) Government Obligations;

(b) Agency Obligations;

(c) interest bearing time deposits, certificates of deposit or similar arrangements (“Deposits”) with any commercial bank, trust company or savings and loan association (including, without limitation, the Trustee), *provided* that, to the extent such Deposits are not fully insured by the Federal Deposit Insurance Corporation, the outstanding unsecured long-term indebtedness of such commercial bank, trust company or savings and loan association (or its holding company), at the date of purchase of such Deposits, is rated by a Rating Agency in one of its two highest Rating Categories, and such Deposits are continuously secured by lodging with a bank or trust company, as collateral security, obligations described in clause (a), (b), (e) or (f) below, having a market value, calculated no less frequently than weekly, not less than 102% of the amount of such Deposit;

(d) repurchase agreements for obligations described in clause (a) or (b) above, *provided* that (i) such obligations shall be (A) delivered to the Administration or the Trustee (as the case may be) or supported by a safekeeping receipt issued by a depository satisfactory to the Administration or the Trustee (as the case may be) if issued in certificated form, or (B) supported by a receipt or other confirmatory documentation satisfactory to the Administration or the Trustee (as the case may be) if issued in book-entry form, (ii) the Administration or the Trustee (as the case may be) shall have a perfected security interest in such obligations, (iii) such obligations shall be free and clear of any other liens or encumbrances, and (iv) such repurchase agreements shall provide that the value of the underlying obligations shall be continuously maintained at a current market value, calculated no less frequently than weekly, of not less than 102% of the purchase price;

(e) obligations issued by or on behalf of any state of the United States of America or any political subdivision thereof for the payment of the principal or redemption price of and interest on which there shall have been irrevocably deposited Government Obligations maturing as to principal and interest at times and in amounts sufficient to provide such payment;

(f) any other obligations issued by or on behalf of any state of the United States of America or any political subdivision thereof *provided* that such obligations, or other obligations of the issuer thereof that are secured equally and ratably with such obligations, shall be rated by a Rating Agency in its highest short-term Rating Category or one of its two highest long-term Rating Categories;

(g) banker's acceptances issued by any commercial bank, trust company or savings and loan association (including, without limitation, the Trustee), the outstanding unsecured long-term indebtedness of which, at the time of purchase, is rated by a Rating Agency in one of its two highest Rating Categories;

(h) commercial paper or finance company paper rated, at the time of purchase, by a Rating Agency in its highest short-term Rating Category;

(i) investment agreements, *provided that* (i) the outstanding unsecured long-term indebtedness of the provider or guarantor of which (or its parent holding company) is rated by a Rating Agency in one of its two highest Rating Categories, (ii) such investment agreements are continuously secured by obligations described in clause (a), (b), (c), (e), (f), (g) or (h) above, (iii) the Administration or the Trustee (as the case may be) shall have a perfected security interest in such obligations, (iv) such obligations shall be free and clear of any other liens or encumbrances, and (v) such investment agreements shall provide that the value of the underlying obligations shall be maintained at a current market value, calculated no less frequently than weekly, of not less than 102% of the amount deposited thereunder;

(j) shares in investment companies that invest only in the obligations described in clauses (a), (b), (c), (d), (e), (f), (g), (h) and (i) above (including any proprietary mutual fund, money market fund or short term investment fund maintained by the Trustee and for which the Trustee or an affiliate is investment advisor, or provides other services, and receives reasonable compensation for such services); and

(k) with respect to investments held in any fund or account created by the Indenture solely for Obligations secured by a Credit Facility, such other investments as shall be approved in writing by the Credit Facility Provider with respect to such Obligations.

“Pledged Revenues” means the portion of the Bay Restoration Revenues deposited into the Pledged Revenues Fund established under the Indenture.

“Project” shall mean those projects or portions thereof relating to the planning, design, construction and upgrades of wastewater facilities to achieve enhanced nutrient removal which are financed with the proceeds of Obligations acquired in whole or in part with amounts on deposit in the Project Fund. The term “Project” may also include any such other projects authorized to be financed in accordance with the Act.

“Projected Revenue Certificate” means a Certificate of a Financial Advisor setting forth, as of any particular date:

(a) a schedule of estimated amounts available in the current and each future Fiscal Year for the payment of outstanding Senior Obligations setting forth (i) the projected amount of Bay Restoration Revenues to be deposited into the Current Revenues Account of the Program Fund; and (ii) the estimated income to be received from the investment of amounts from time to time held in the funds and accounts maintained with the Trustee under the Indenture, less the portion, if any, of such income (A) received from moneys on deposit in the Project Fund and (B) that is expected to be transferred to the Rebate Fund.

(b) a schedule of the Debt Service Requirements of Outstanding Bonds and scheduled payments becoming due under any other Senior Obligations in the current and each future Fiscal Year; and

(c) the ratio of (i) the sum of the amounts described in clause (a) above for the current and each future Fiscal Year to (ii) the amount described in clause (b) above for each such Fiscal Year (the “Debt Service Coverage”).

In projecting the foregoing, (A) for the purposes of any Projected Revenue Certificate delivered pursuant to the requirements of the Master Indenture with respect to the issuance of Senior Obligations thereunder, (1) the amount described in clause (a)(i) above shall be deemed to be the amount deposited into

the Current Revenues Account of the Program Fund over the course of the most recent prior Fiscal Year (or any twelve consecutive calendar month period ending not more than ninety days prior to the date of issuance of the Senior Obligations being issued in connection with the delivery of such Projected Revenue Certificate), and (2) the schedule of Debt Service Requirements described in clause (b) above shall include only the Debt Service Requirements of Bonds and the scheduled payments becoming due under any other Senior Obligations which are Outstanding on the date of issuance of the Senior Obligations being issued in connection with the delivery of such Projected Revenue Certificate after giving effect to the issuance of such Senior Obligations; (B) for the purposes of any Projected Revenue Certificate delivered pursuant to the requirements of the Master Indenture described below under the heading “Projected Revenue Certificates”, the amount described in clause (a)(i) of the definition of Projected Revenue Certificate shall be deemed to equal the amount deposited into the Current Revenues Account of the Program Fund over the course of the most recent Fiscal Year as reflected in the audited financial statements of the Administration for the most recent Fiscal Year ended June 30; and (C) invested funds shall be assumed to yield an investment return equal to no more than the actual return at the time of projection, and shall be assumed to be invested until such time as they are expected to be applied to the purpose for which they are accumulated.

“Rating Category” means one of the general rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

“Record Date” means, except as otherwise provided in any Supplemental Indenture authorizing the issuance of any additional Obligations with respect to such Obligations, the fifteenth day of the calendar month preceding each Interest Payment Date and, if there is a default in the payment of the interest due on the Obligations on any Interest Payment Date, then any special record date established by the Trustee, which shall be at least 10 and not more than 15 days before the date set for payment of the defaulted interest, notice of which shall be mailed by the Trustee to the registered owners of such Obligations not fewer than 10 days before such special record date.

“Redemption Price” means, when used with respect to any Obligation or portion thereof, the principal amount of such Obligation or such portion thereof plus the applicable premium, if any, payable upon redemption thereof.

“Registrar” means the Trustee, except as otherwise provided in any Supplemental Indenture.

“Supplemental Indenture” means any instrument between the Administration and the Trustee amending, modifying or supplementing the Indenture, any Supplemental Indenture or any Obligation delivered and becoming effective in accordance with the terms of the Indenture.

“Tax-Exempt Obligation” means any Obligation with respect to which there shall have been delivered to the Administration an opinion of Bond Counsel to the effect that the interest on such Obligation is excludable from gross income for federal income tax purposes.

“Trust Estate” means all property, rights and other assets that from time to time may be pledged and assigned to the Trustee under the Granting Clauses of the Indenture as summarized below.

“Unsecured Indebtedness” means any Indebtedness of the Administration which is not secured by a lien on the Trust Estate.

“Variable Rate Indebtedness” means, as of any particular date, any Indebtedness the interest rate on which is not established at a fixed rate or rates for the remaining term thereof.

Summary of Certain Provisions of the Indenture

The following is a summary of certain provisions of the Indenture. This is not a complete recital of the terms of the Indenture and reference should be made to the Indenture for a complete statement of its terms. Words

and terms used in this summary shall have the same meanings herein as in the Indenture except where otherwise noted.

Granting Clauses

Pursuant to the Indenture, the Administration grants to the Trustee and its successors a security interest in, the following, subject to the provisions of the Indenture in order to secure the payment of the principal or Redemption Price (defined herein) of and interest on, and the purchase price of, the Obligations, for the benefit of the holders thereof and their respective successors and assigns:

- (a) all of the right, title and interest of the Administration in and to the Pledged Revenues; and
- (b) all of the right, title and interest of the Administration in and to any moneys and securities from time to time on deposit in any fund or account established and maintained under the Indenture (other than the Rebate Fund and the Project Fund) and any and all other real or personal property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, mortgaged, pledged, assigned or transferred, as and for additional security under the Indenture by the Administration or by anyone on its behalf, or with its written consent, to the Trustee, which is authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms of the Indenture.

The Indenture provides that each Senior Obligation shall be on parity with, and shall be entitled to the same benefit and security of the Indenture as any other Senior Obligations that may be issued from time to time and the pledge and assignment made to the Trustee under the Indenture for the benefit of holders of any Subordinate Obligations shall be junior and subordinate to the pledge and assignment made under the Indenture for the benefit of the holders of outstanding Senior Obligations.

Senior Obligations *(Section 2.03)*

The Administration is authorized to issue, from time to time, Senior Obligations under and secured by the Indenture and any Supplemental Indenture, subject to the conditions summarized below, for any purpose for which obligations may be incurred by the Administration under the Act.

Each Senior Obligation shall be on parity with, and shall be entitled to the same benefit and security of the Indenture as any other Senior Obligations that may be issued from time to time, to the extent provided below.

The Supplemental Indenture authorizing the issuance of any Senior Obligations shall specify the principal amount, maturities and redemption provisions, if any, of such Obligations, the form and denominations thereof and other details of such Obligations. Without limiting the generality of the foregoing, Senior Obligations may constitute Variable Rate Indebtedness, Optional Tender Debt, Balloon Debt or Fixed Rate Indebtedness, as shall be determined by the Administration, in its discretion.

The Administration may provide for the creation of a separate Project Fund, Debt Service Fund or Redemption Fund and other funds and accounts for any Senior Obligations, as shall be deemed advisable by the Administration. Amounts on deposit in the funds and accounts created for particular Obligations shall be applied solely to the payment of the principal or Redemption Price of and interest on, or the purchase price of, such Obligations or to the reimbursement of the issuer of any Credit Facility securing such Obligations and shall not be available to satisfy the claims of Holders of any other Obligations or the issuer of any Credit Facility securing any other Obligations.

The Supplemental Indenture authorizing the issuance of any Senior Obligations may provide that proceeds realized under any Credit Facility securing the payment of such Obligations shall not be available to pay the principal or Redemption Price of or interest on, or the purchase price of, any other Senior Obligations.

The Supplemental Indenture authorizing the issuance of any Senior Obligations may provide that such Obligations shall be secured by a debt service reserve fund (a "Debt Service Reserve Fund"), in which case such

Supplemental Indenture shall (i) establish the amount required to be deposited in such Debt Service Reserve Fund, (ii) provide the period during which any deficiency therein shall be cured, (iii) contain provisions with respect to the issuance of any other Obligations secured by such Debt Service Reserve Fund, (iv) provide such terms with respect to the valuation of such Debt Service Reserve Fund, the application of any earnings on or surpluses in such Debt Service Reserve Fund and (v) provide that such Debt Service Reserve Fund may be funded through the use of a Credit Facility, as the Administration shall deem appropriate, any other provision of the Indenture to the contrary notwithstanding.

If any Supplemental Indenture authorizing the issuance of any Series of Senior Obligations provides that such Senior Obligations shall be secured by a Debt Service Reserve Fund already maintained for a Series of Bonds, such Supplemental Indenture shall provide for the deposit in such Debt Service Reserve Fund on the date of issuance of such Senior Obligations of the amount, if any, necessary to make the amount on deposit therein equal to the Debt Service Reserve Fund Requirement, after giving effect to the issuance of such Senior Obligations. Such Supplemental Indenture may provide that the amounts on deposit in any Debt Service Reserve Fund may be applied to the final payments of the principal or Redemption Price of such Senior Obligations. The Series 2015 Bonds will *not* be secured by a debt service reserve fund.

Senior Obligations shall be executed by the Administration and delivered to the Trustee, whereupon the Trustee shall authenticate and deliver such Senior Obligations upon the order of the Administration, but only upon receipt by the Trustee of the purchase price of such Senior Obligations, if any, and each of the following:

(a) a counterpart of the applicable Supplemental Indenture authorizing such Obligations, executed by the parties thereto;

(b) a written order of the Administration directing the authentication and delivery of such Obligations, stating the purchase price, if any, of such Obligations and stating that all items required by the Indenture are therewith delivered to the Trustee in form and substance satisfactory to the Administration;

(c) an opinion of Bond Counsel to the effect that (i) the Supplemental Indenture authorizing such Obligations has been duly authorized, executed and delivered by the Administration and, assuming the due authorization, execution and delivery thereof by the other parties thereto, constitutes the valid and binding obligation of the Administration; (ii) the Administration is duly authorized and entitled to execute and deliver such Obligations, and Obligations executed, authenticated and delivered as provided in the Indenture and such Supplemental Indenture have been duly and validly issued and constitute valid and binding limited obligations of the Administration; and (iii) the execution and delivery of such Obligations will not adversely affect the excludability from gross income, for federal income tax purposes, of interest paid on any Tax-Exempt Obligation theretofore issued;

(d) a Certificate of the Administration to the effect that, upon the authentication and delivery of such Obligations, no Event of Default shall exist under the Indenture; and

(e) a Projected Revenue Certificate demonstrating Debt Service Coverage equal to at least 1.10 to 1.00.

Limitations on Indebtedness *(Section 2.04)*

The Administration shall not create or incur any Indebtedness payable in whole or in part from any portion of the Trust Estate, except: (a) any additional Senior Obligations issued in accordance with the provisions set forth above under the caption "Senior Obligations"; (b) Subordinate Obligations and (c) any Unsecured Indebtedness.

The Administration is authorized to issue, from time to time, Subordinate Obligations under and secured by the Indenture and any Supplemental Indenture for any purpose for which obligations may be incurred by the

Administration under the Act. Each Subordinate Obligation shall be issued pursuant to a Supplemental Indenture, which shall specify the terms thereof.

No payments shall be made from the Trust Estate with respect to the principal of or interest on any Subordinate Obligation or any Unsecured Indebtedness during any period in which any Event of Default shall have occurred and be continuing. During any other period, the Administration may pay or prepay the principal of and interest on any Subordinate Obligation or any Unsecured Indebtedness and no recourse shall be had by the Trustee or any Holder against the person to whom any such payment shall have been made unless such person shall have had, at the time of receipt of such payment, actual knowledge of the occurrence of an Event of Default.

Creation of Funds *(Section 4.01)*

The following funds are created under the Indenture for the benefit of the holders of the Outstanding Senior Obligations, except as otherwise provided in any Supplemental Indenture entered into in connection with the issuance of any additional Senior Obligations:

Program Fund;
Equity Account;
Current Revenues Account; and
Administration Expenses Account;
Pledged Revenues Fund;
Project Fund;
Debt Service Fund;
Redemption Fund; and
Rebate Fund.

The Pledged Revenues Fund, Debt Service Fund and Redemption Fund shall be held by the Trustee under the Indenture. Pending the application of amounts on deposit in the Pledged Revenues Fund, the Debt Service Fund and the Redemption Fund in accordance with the Indenture, such amounts are hereby pledged to the payment of all Outstanding Senior Obligations, except as otherwise provided in any Supplemental Indenture authorizing the issuance of any additional Senior Obligations. The Rebate Fund shall be held by the Trustee and is not pledged to the payment of any Obligations.

The Project Fund and the Program Fund (including Administrative Expenses Account, Equity Account and the Current Revenues Account) shall be held by the Administration. The Administration shall initially deposit the Project Fund moneys with the Trustee, which shall act as custodian of the Project Fund. The Program Fund (including Administrative Expenses Account, Equity Account and the Current Revenues Account) and the Project Fund are not pledged to the payment of Outstanding Senior Obligations under the Indenture. The Administration and the Trustee may agree that the Trustee perform duties of a routine or administrative nature on behalf of the Administration in connection with the Administration's establishment and maintenance of the Project Fund.

Deposits to Program Fund *(Section 4.03)*

The Administration shall cause the Bay Restoration Revenues, upon receipt, to be deposited as follows: (a) 1.5% of such Bay Restoration Revenues shall be deposited into the Administration Expenses Account and be used to pay Administrative Fees; and (b) 98.5% of such Bay Restoration Revenues shall be deposited into the Current Revenues Account of the Program Fund and transferred as set forth below under "Deposits to Pledged Revenue Fund." The Program Fund shall be held separate and apart from all other funds and accounts of the Administration.

Deposits to Pledged Revenues Fund *(Section 4.04)*

On or before each February 15 and August 15, the Administration will cause Bay Restoration Revenues to be transferred from the Current Revenues Account of the Program Fund to the Pledged Revenues Fund in an amount necessary to pay:

(i) one-half of the principal due on outstanding Obligations on the next succeeding March 1; and

(ii) (A) in the case of the payment due pursuant to this paragraph on or before each February 15, all of the interest expected to be payable on each Interest Payment Date occurring from the next succeeding March 1 through but excluding the next succeeding September 1, and (B) in the case of the payment due pursuant to this paragraph on or before each August 15, all of the interest expected to be payable on each Interest Payment Date occurring from the next succeeding September 1 through but excluding the next succeeding March 1.

In addition, on the first February 15 and August 15 immediately succeeding any month in which the Administration receives notice of any deficiency in any Debt Service Reserve Fund established by any Supplemental Indenture, the Administration will cause Bay Restoration Revenues to be transferred from the Current Revenues Account of the Program Fund to the Pledged Revenues Fund, in an amount necessary to pay, in the first case, at least one-half (1/2) of the amount of such deficiency and, in the second case, the balance of such deficiency.

Following the transfers required by the foregoing paragraphs, on the first Business Day following each Interest Payment Date (or as soon as practicable thereafter), the Administration shall transfer all amounts remaining on deposit in the Current Revenues Account of the Program Fund to the Equity Account of the Program Fund; provided, however, that the Administration shall only make such transfer if (i) no Event of Default shall have occurred and be continuing; and (ii) the most recent Projected Revenue Certificate on file with the Trustee evidences Debt Service Coverage of at least 110%.

The Administration shall also cause Bay Restoration Revenues to be transferred from the Program Fund (other than from amounts on deposit in the Administrative Expenses Account) to the Rebate Fund in an amount required rebated to the United States of America in accordance with the Indenture.

Transfer of Amounts on Deposit in Pledged Revenues Fund (*Section 4.05*)

Upon deposit of the Bay Restoration Revenues as provided by below, the Trustee shall transfer the Bay Restoration Revenues as follows and in the following order of priority:

FIRST: on or before each Interest Payment Date, the Trustee shall transfer from amounts on deposit in the Pledged Revenues Fund to the Debt Service Fund the amount, if any, necessary to make the amount on deposit therein equal to the principal of and interest on the outstanding Senior Obligations becoming due on such Interest Payment Date. Notwithstanding the foregoing, if any Supplemental Indenture provides for the establishment of separate funds and accounts for any Senior Obligations and the amount available to be transferred from the Pledged Revenues Fund on any date shall not be sufficient to make all deposits to the Debt Service Funds required to be made on such date, the amount then on deposit in the Pledged Revenues Fund shall be allocated *pro rata* among the Debt Service Funds of such Senior Obligations on the basis of the respective amounts required to be deposited in such Debt Service Funds on such date;

SECOND: immediately following any transfers described in clause FIRST above for any Interest Payment Date occurring from September 1 to but excluding March 1 of each year, the Trustee shall transfer amounts on deposit in the Pledged Revenues Fund to the Principal Account of the Debt Service Fund until the amount transferred pursuant to this clause SECOND is equal to one-half of the principal of all outstanding Senior Obligations becoming due on the immediately succeeding March 1; and

THIRD: provided (a) no Event of Default shall have occurred and be continuing, (b) the most recent Projected Revenue Certificate on file with the Trustee evidences Debt Service Coverage of at least 110% and (c) no deficiency exists in any Debt Service Reserve Fund established pursuant to any Supplemental Indenture, on the first Business Day following each Interest Payment Date as established in the Supplemental Indentures authorizing such outstanding Obligations (or as soon as practicable thereafter),

unless the Administration shall otherwise direct, the remaining amounts on deposit in the Pledged Revenues Fund shall be transferred to the Equity Account of the Program Fund held by the Administration.

Project Fund *(Section 4.06)*

The proceeds of Obligations deposited in the Project Fund shall be applied to fund the Projects. All interest earned and other income received from the investment of moneys on deposit in the Project Fund shall remain in the Project Fund and be used to fund the Projects.

Debt Service Fund *(Section 4.07)*

Except as provided in any Supplemental Indenture authorizing any additional Senior Obligations with respect to any Debt Service Fund maintained for such Obligations, amounts on deposit in the Debt Service Fund shall be applied as follows.

(a) On each Interest Payment Date, the Trustee shall make available to the Paying Agent from the Debt Service Fund the amount required to pay the interest due on the Outstanding Senior Obligations, on such date, which amount shall be applied by the Paying Agent to the payment of the interest due on such Obligations.

(b) On each date on which the principal of any Outstanding Senior Obligations becomes due, the Trustee shall make available to the Paying Agent from the Debt Service Fund the amount required to pay the principal due on such date, which amount shall be applied by the Paying Agent to the payment of such principal.

(c) Not later than five days prior to each Interest Payment Date, the Trustee shall determine whether the aggregate amount in the Pledged Revenues Fund and the Debt Service Fund, when added to the amount expected to be received in or credited to the Debt Service Fund prior to such Interest Payment Date, will be sufficient to pay the interest and principal, if any, then due and payable, and shall determine the amount of any deficiency. If such a deficiency exists, the Trustee shall notify the Administration immediately and the Administration shall transfer from (i) first, the Current Revenues Account of the Program Fund, (ii) second, from the Equity Account of the Program Fund and (iii) third, from the Project Fund, such moneys as are necessary to cure such deficiency only if and to the extent that there are available and uncommitted funds in such accounts to make such transfers. In the event there are insufficient funds in either the Current Revenues Account or Equity Account of the Program Fund or the Project Fund to cure such deficiency, the Trustee shall be required to transfer amounts from any Debt Service Reserve Fund established under a Supplemental Indenture, first, to pay interest on Senior Obligations secured thereby, and second, to pay any principal due on Senior Obligations secured thereby, in each case, to the extent necessary to make good any deficiency. The Series 2015 Bonds will *not* be secured by a debt service reserve fund.

Redemption Fund *(Section 4.08)*

The Trustee shall deposit in the Redemption Fund any amounts paid to the Trustee for the redemption or prepayment of Senior Obligations.

Subject to certain provisions of the Indenture, available moneys in the Redemption Fund shall be applied by the Trustee to the purchase, redemption or prepayment of such Senior Obligations as the Administration shall direct in writing. At the written direction of the Administration, the Trustee shall endeavor to purchase such Obligations at the most advantageous price obtainable with reasonable diligence.

Investments *(Section 4.09)*

Moneys in any of the funds and accounts established by the Indenture may be invested, but only in Permitted Investments maturing or redeemable at the option of the holder in such amounts and on such dates as may be necessary to provide moneys to meet the payments from such funds and accounts.

Unless otherwise provided by the Indenture or any Supplemental Indenture, interest earned, profits realized and losses suffered by reason of any investment of any amounts held by the Trustee under the Indenture shall be credited or charged, as the case may be, to the fund or account for which such investment shall have been made.

The Trustee may sell or redeem any obligations in which moneys shall have been invested to the extent necessary to provide cash in the respective funds or accounts to make any payments required to be made therefrom or to facilitate the transfers of moneys between various funds and accounts as may be required or permitted from time to time pursuant to the provisions of the Indenture. The proceeds from the sale of any investment shall be paid into the fund or account for which the sale thereof was made.

In determining the value of the assets of the funds and accounts created by the Indenture (i) investments and accrued interest thereon shall be deemed a part thereof, and (ii) investments shall be valued at the current market value thereof.

Neither the Administration nor the Trustee shall be liable for any depreciation in the value of any obligations in which moneys of the funds or accounts created by the Indenture shall be invested in accordance with the Indenture, or for any loss arising from any investment permitted therein.

Application of Moneys in Certain Funds for Retirement of Obligations *(Section 4.10)*

Notwithstanding any other provision of the Indenture, if at any time the Administration shall determine to provide for the payment of Outstanding Senior Obligations, upon the direction of the Administration, the Trustee shall apply any moneys on deposit in the funds and accounts maintained for such Obligations available for the payment of the principal or Redemption Price of and interest on such Obligations to the payment or redemption of such Obligations in the manner provided under the caption “Defeasance” set forth below.

Rebate Fund *(Section 4.11)*

The Administration and the Trustee shall hold and invest Bond Proceeds within their control (if such Bond Proceeds are invested), in accordance with the expectations of the Administration set forth in the Section 148 Certificates. The Administration shall (i) direct the Trustee to transfer amounts on deposit in any fund or account created by the Indenture to the Rebate Fund and (ii) deposit Pledged Revenues with the Trustee for deposit to the Rebate Fund or otherwise make Pledged Revenues available for the payment of rebates or payments in lieu thereof to the United States of America, all in accordance with the expectations of the Administration set forth in the Section 148 Certificate.

Upon the direction of the Administration, the Trustee shall transfer amounts on deposit in any fund or account created by the Indenture to the Rebate Fund, any other provision of the Indenture to the contrary notwithstanding. Amounts on deposit in the Rebate Fund from time to time required to be paid to the United States of America pursuant to Section 148 as a rebate, or payment in lieu thereof, shall be made available by the Trustee to the Administration for such payments upon the direction of the Administration and shall not be pledged to the payment of the principal or Redemption Price of or interest on any Obligations.

Upon the direction of the Administration, the Trustee shall transfer amounts on deposit in the Rebate Fund to any other fund or account created by the Indenture.

Payment and Performance of Obligations *(Section 5.01)*

The Administration shall pay or cause to be paid the principal or Redemption Price of and interest on, and the purchase price of, every Obligation on the date and at the place and in the manner provided in the Indenture and in the Obligations, according to the true intent and meaning thereof; provided, however, that the Administration shall be required to pay and perform its obligations under the Indenture only to the extent that Trust Estate provides amounts sufficient for the payment or performance thereof.

Neither the State, nor the Department, nor any political subdivision of the State nor the Administration shall be obligated to pay the Obligations or the interest thereon except from the Trust Estate available for the payment thereof and from other sources as provided in the Indenture, and neither the faith and credit nor the taxing power of the State, the Department, any political subdivision of the State or the Administration is pledged to the payment of the Obligations or the interest thereon. The Obligations and the interest thereon shall not be payable from the general funds of the Administration and shall not constitute a legal or equitable pledge of, or lien or encumbrance upon, any of the assets or property of the Administration or upon any of its income, receipts or revenues, except as provided in the Indenture. The issuance of the Obligations shall not directly or indirectly or contingently obligate the State, the Department or any political subdivision of the State to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. Neither the Department nor the Administration has any taxing powers.

Projected Revenue Certificates *(Section 5.04)*

The Administration shall cause a Projected Revenue Certificate to be filed with the Trustee not later than October 31 of each year.

Concerning the Trustee

Responsibilities of the Trustee (Section 6.03)

The Trustee makes no representations as to the validity or sufficiency of the Indenture or with respect to the security afforded by the Indenture or the due execution thereof by the Administration, and the Trustee shall incur no liability with respect thereto. Except as otherwise expressly provided in the Indenture, the Trustee shall have no responsibility or duty with respect to: (i) the issuance of the Obligations for value, (ii) the application of the proceeds thereof, except to the extent that such proceeds are received by it in its capacity as Trustee, or (iii) the application of any moneys paid to the Administration or others in accordance with the Indenture except as to the application of any moneys paid to it in its capacity as Trustee.

The duties and obligations of the Trustee shall be determined by the express provisions of the Indenture and no implied covenant or obligation shall be read into the Indenture against the Trustee, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Indenture.

The Trustee shall not be liable for any action taken or omitted by it in the performance of its duties under the Indenture except for its own negligence, willful misconduct or its default of the Indenture.

In case an Event of Default shall have occurred and be continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise under the circumstances in the conduct of his or her own affairs subject to receiving any indemnity it may request as set forth in the Indenture.

The Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless it shall be proved that the Trustee was negligent, acted with willful misconduct or in default of the Indenture.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith and in the absence of any negligence, willful misconduct or in default of the Indenture in accordance with the direction of the Holders of a majority of the Obligations relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture.

No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its own duties under the Indenture, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Trustee shall not be deemed to have notice of any default or Event of Default unless a Responsible Officer of the Trustee has actual knowledge thereof or unless written notice of any event which is in fact such default is received by the Trustee at the Designated Office of the Trustee, and such notice references the Obligations and the Indenture.

The rights, privileges, protections, immunities and benefits given to the Trustee, including (without limitation) its rights to be indemnified, are extended to, and shall be enforceable by the Trustee in each of its capacities under the Indenture.

Trustee Protected in Relying on Certain Documents (Section 6.05)

The Trustee may rely upon any resolution, order, notice, request, consent, waiver, certificate, statement, affidavit, requisition, bond or other document provided to the Trustee in accordance with the terms of the Indenture that it shall in good faith reasonably believe to be genuine and to have been adopted or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of the Indenture, or upon the written opinion of any counsel, architect, engineer, insurance consultant, management consultant or accountant believed by the Trustee to be qualified in relation to the subject matter, and the Trustee shall be under no duty to make any investigation or inquiry into any statements contained or matters referred to in any such instrument. The Trustee may consult with counsel, who may or may not be Bond Counsel or counsel to the Administration, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it in good faith and in accordance therewith.

Whenever the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Indenture, such matter may be deemed to be conclusively proved and established by a Certificate of the Administration, unless other evidence in respect thereof be hereby specifically prescribed. Such certificate shall be full warrant for any action taken or suffered in good faith under the provisions hereof, but in its discretion the Trustee may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable.

Compensation (Section 6.06)

Unless otherwise provided by contract with the Trustee, the Administration shall pay to the Trustee from the Pledged Revenues or other moneys of the Administration from time to time reasonable compensation as the Trustee and the Administration shall from time to time agree in writing for all services rendered by it under the Indenture, including its services as Registrar and Paying Agent, together with all its reasonable expenses, charges and other disbursements and those of its counsel, agents and employees, incurred in and about the administration and execution of the trusts hereby created and the exercise of its powers and the performance of its duties under the Indenture.

The Administration agrees to indemnify the Trustee and to hold it harmless against any and all loss, damage, claims, liability or expense, including taxes (other than taxes based upon, measured by or determined by the income of the Trustee), arising out of or in connection with the acceptance and administration of the Trust Estate, including the costs and expenses of defending itself against any claim (whether asserted by the Administration or any Holder) or liability in connection with enforcing the provisions of this Section, except to the extent that such loss, damage, claim, liability or expense is due to the Trustee's negligence, willful misconduct, bad faith or its default of the Indenture. Any amounts payable under this Section shall be payable solely from the Pledged Revenues.

The provisions of this Section shall survive the termination of the Indenture.

Permitted Acts (Section 6.07)

The Trustee and its directors, officers, employees or agents may become the owner of or may in good faith buy, sell, own, hold and deal in Obligations and may join in any action that any Holder of Obligations may be entitled to take as fully and with the same rights as if it were not the Trustee. The Trustee may act as depository,

and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, the Administration or any committee formed to protect the rights of the Holders or to effect or aid in any reorganization growing out of the enforcement of the Obligations or the Indenture.

Resignation of the Trustee (Section 6.08)

The Trustee may at any time resign and be discharged of its duties and obligations under the Indenture by giving not fewer than 90 days' written notice, specifying the date when such resignation shall take effect, to the Administration and each Holder. Such resignation shall take effect upon the appointment of a successor Trustee and the acceptance of such appointment by such successor.

Removal of Trustee (Section 6.09)

The Trustee may be removed by the Administration so long as no Event of Default has occurred and is continuing or, if any Event of Default has occurred and is continuing, by a majority of the Holders by an instrument or concurrent instruments in writing signed and acknowledged by such Holders or by their attorneys-in-fact, duly authorized and delivered to the Administration. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Administration or of not less than ten percent of the Holders.

Successor Trustee (Section 6.10)

If the Trustee shall resign, be removed, be dissolved or become incapable of acting, or shall be adjudged as bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, the position of the Trustee under the Indenture shall thereupon become vacant.

If the position of Trustee shall become vacant for any of the foregoing reasons or for any other reason, a successor Trustee shall be appointed (i) by the Administration, so long as no Event of Default has occurred and is continuing, or (ii) if an Event of Default has occurred and is continuing, by a majority of the Holders, by an instrument or concurrent instruments in writing signed and acknowledged by such Holders or their attorneys-in-fact, duly authorized and delivered to such successor Trustee, with notification thereof being given to the predecessor Trustee and the Administration.

If in a proper case no appointment of a successor Trustee shall be made within 60 days after the giving by any Trustee of any written notice of resignation in accordance the Indenture or after the occurrence of any other event requiring or authorizing such appointment, the Trustee or any Holder may apply to any court of competent jurisdiction for the appointment of such a successor, and the court may thereupon, after such notice, if any, as the court may deem proper, appoint such successor.

Any successor Trustee appointed under the provisions of the Indenture shall be a commercial bank or trust company or national banking association having a capital and surplus aggregating at least \$100,000,000, if there be such a commercial bank or trust company or national banking association willing and able to accept the appointment on reasonable and customary terms, and authorized by law to perform all the duties of the Trustee required by the Indenture.

Transfer of Rights and Property to Successor Trustee (Section 6.11)

Any successor Trustee appointed under the Indenture shall execute, acknowledge and deliver to its predecessor and the Administration an instrument in writing accepting such appointment, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, immunities, powers, duties, obligations and trusts of its predecessor under the Indenture, with like effect as if originally appointed as Trustee. However, the Trustee then ceasing to act shall nevertheless, on request of the Administration or of such successor, execute, acknowledge and deliver such instruments of conveyance and

further assurance and do such other things as may reasonably be required for more fully and certainly vesting and confirming in such successor all the rights, immunities, powers and trusts of such Trustee and all the right, title and interest of such Trustee in and to the Trust Estate, and shall pay over, assign and deliver to such successor any moneys or other properties subject to the trusts and conditions set forth in the Indenture. Should any deed, conveyance or instrument in writing from the Administration be required by such successor for more fully and certainly vesting in and confirming to it any such moneys, estates, properties, rights, powers, duties or obligations, any and all such deeds, conveyances and instruments in writing, on request and so far as may be authorized by law, shall be executed, acknowledged and delivered by the Administration.

Merger, Conversion or Consolidation of Trustee (Section 6.12)

Any company into which the Trustee may be merged or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business shall be the successor to such Trustee under the Indenture, without any further act, deed or conveyance, provided that such company shall be a commercial bank or trust company or national banking association qualified to be a successor to such Trustee under the Indenture.

Events of Defaults and Remedies

Events of Default (Section 7.01)

Each of the following events is hereby declared to constitute an event of default under the Indenture (an “Event of Default”):

(a) the principal of any Obligation shall not have been paid when the same shall have become due and payable, either at maturity or by proceedings for redemption or otherwise;

(b) the interest on any Obligation shall not have been paid when the same shall have become due and payable; or

(c) the Administration shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in any Obligation or in the Indenture on the part of the Administration to be performed (other than as described in clause (a) or (b) above), which default shall continue for 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Administration by the Trustee, *provided* that, if the Administration shall proceed to take any curative action which, if begun and prosecuted with due diligence, cannot be completed within a period of 30 days, then such period shall be increased to such extent as shall be necessary to enable the Administration to complete such curative action through the exercise of due diligence.

A default under the Indenture with respect to the Obligations shall not be or constitute a default under any other trust agreement entered into by the Administration or with respect to any other indebtedness of the Administration, and no default under any other trust agreement entered into by the Administration or with respect to any other indebtedness of the Administration shall be or constitute a default under the Indenture.

No Acceleration (Section 7.02)

The obligations of the Administration for payment of principal of and interest on the Obligations are *not* subject to acceleration prior to maturity.

Enforcement (Section 7.03)

Upon the happening and continuance of any Event of Default, then and in every such case the Trustee may proceed, and upon the written request of not less than 25% of the Holders shall proceed, to protect and enforce its rights and the rights of the Holders under the laws of the State and under the Indenture and any Credit Facility by

such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant contained therein, or in aid or execution of any power therein granted, or for an accounting against the Administration as if the Administration were the trustee of an express trust or for the enforcement of any proper legal or equitable remedy as the Trustee shall deem most effectual to protect and enforce such rights.

In the enforcement of any remedy upon the occurrence of an Event of Default under the Indenture, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amounts then or during any default becoming, and at any time remaining, due from the Administration, for principal of or interest on the Obligations, or otherwise under any of the provisions of the Indenture or of any Obligations, with interest on overdue payments of principal at the rate or rates of interest specified in the Obligations, together with any and all costs and expenses of collection and of all proceedings under the Indenture and under the Obligations, without prejudice to any other right or remedy of the Trustee or of the Holders, and to recover and enforce judgment or decree against the Administration, but solely as provided in the Indenture and in the Obligations and from the sources and moneys provided in the Indenture and in the Obligations, for any portion of such amounts remaining unpaid and to collect in any manner provided by law the moneys adjudged or decreed to be payable.

Priority of Payments Following Default (Section 7.04)

If at any time there shall have occurred and be continuing an Event of Default, after payment of all amounts owing to the Trustee under the Indenture, amounts held by the Trustee under the Indenture, together with any moneys thereafter becoming available for such purpose, whether through exercise of the remedies provided in the Indenture or otherwise, shall be applied as follows:

FIRST: to the payment to the persons entitled thereto of all installments of interest then due on the Obligations Senior Outstanding, in the order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment of such installment, ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference, except as to any difference in the respective rates of interest specified in such Obligations;

SECOND: to the payment to the persons entitled thereto of the unpaid principal of any Outstanding Senior Obligations that shall have become due and payable, in the order of their due dates, with interest upon the principal amount of such Obligations from the respective dates upon which they shall have become due and payable and, if the amount available shall not be sufficient to pay in full the principal of such Obligations due and payable on any particular date, together with such interest, then first to the payment of such interest, ratably, according to the amount of interest due on such date, and then to the payment of such principal, ratably, according to the amount of principal due on such date, to the persons entitled thereto, without any discrimination or preference, except as to any difference in the respective rates of interest specified in such Obligations;

THIRD: to the payment of the interest on and the principal of the Senior Obligations outstanding as the same become due and payable; and

FOURTH: to the payment of any outstanding Subordinate Obligations in accordance with the Supplemental Indenture authorizing such Obligations.

If payment for all Obligations have been made in accordance with the provisions under the caption "Defeasance" as set forth below, any balance remaining in the funds and accounts established under the Indenture shall be paid to the Administration.

The setting aside of such moneys in trust for the benefit of all Holders shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to the Administration, to any Holder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Indenture as

may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date for the Obligations unless the Trustee shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the amounts of principal of the Obligations to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date. The provisions of this paragraph shall be subject in all respects to the provisions of the Obligations with respect to the payment of defaulted interest on the Obligations. The Trustee shall not be required to make payment to the Holder of any Obligation unless such Obligation shall be presented to the Trustee for appropriate endorsement.

Discontinuance of Proceedings (Section 7.05)

In case any proceedings taken by the Trustee or the Holders on account of any default with respect to the Obligations shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or such Holders, then and in every such case the Administration, the Trustee and the Holders shall be restored to their former positions and rights under the Indenture, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Majority of the Holders May Control Proceedings (Section 7.06)

Anything in the Indenture to the contrary notwithstanding, a majority of the Holders shall have the right, by an instrument in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Indenture, *provided* that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which, in the opinion of the Trustee, would be unjustly prejudicial to Holders not parties to such direction.

Restrictions Upon Action by Individual Holders (Section 7.07)

No Holder of any Obligation shall have any right to institute any suit, action or proceeding in equity or at law on any Obligation for the execution of any trust under the Indenture or for any other remedy under the Indenture unless (i) such Holder previously shall have given to the Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted, (ii) not less than 25% of Holders shall have made written request to the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted by the Indenture or to institute such action, suit or proceeding in its or their name, and (iii) there shall have been offered to the Trustee security and indemnity reasonably satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Indenture or to any other remedy under the Indenture. Notwithstanding the foregoing and without complying therewith, 25% or more of the Holders may institute any such suit, action or proceeding in their own names for the benefit of all Holders.

It is understood and intended that, except as otherwise provided above, no one or more Holders shall have any right in any manner whatever to affect, disturb or prejudice the security of the Indenture or to enforce any right under the Indenture except in the manner provided in the Indenture, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided in the Indenture and for the benefit of all Holders and that any individual right of action or other right given by law to one or more of such Holders is restricted by the Indenture to the rights and remedies provided in the Indenture.

Actions by Trustee (Section 7.08)

All rights of action under the Indenture or under any Obligation may be enforced by the Trustee without the possession of any Obligation or the production thereof at the trial or other proceeding relative thereto, and any such

suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all Holders, all subject to the provisions of the Indenture.

No Remedy Exclusive (Section 7.09)

No remedy conferred in the Indenture upon or reserved to the Trustee or to the Holders is intended to be exclusive of any other remedy and each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or now or hereafter existing at law or in equity or by statute.

Waiver of Default (Section 7.10)

The Trustee may, and upon written request of not less than 25% of the Holders shall, waive any default with respect to Obligations which in its opinion shall have been remedied before the entry of final judgment or decree in any suit, action or proceeding instituted by it under the provisions of the Indenture or before the completion of the enforcement of any other remedy under the Indenture; but no such waiver shall extend to or affect any other existing or any subsequent default or impair any rights or remedies consequent thereon.

Notice of Default (Section 7.11)

A Responsible Officer of the Trustee shall mail to all Holders written notice of the occurrence of any Event of Default of which the Trustee shall have knowledge within five days after such Event of Default shall have occurred and be known to it. The Trustee shall not be subject to any liability to any Holder by reason of its failure to mail any notice required by the foregoing sentence.

Modification or Amendment of Trust Agreement

Modification or Amendment of Indenture Without Consent (Section 8.01)

Without notice to, or the consent of, the Holders, the Administration and the Trustee may enter into a Supplemental Indenture supplementing, modifying or amending the Indenture or any Supplemental Indenture at any time or from time to time for one or more of the following purposes:

(a) to grant to or confer upon the Trustee for the benefit of the Holders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Trustee for the benefit of the Holders;

(b) to add to the covenants and agreements of the Administration contained in the Indenture, other covenants and agreements thereafter to be observed relative to the acquisition, construction, equipping, operation, maintenance, development or administration of the Projects, or the application, custody, use or disposition of the proceeds of Obligations;

(c) to surrender to the Trustee any right, power or privilege reserved to or conferred upon the Administration by the Indenture;

(d) to confirm, as further assurance, any pledge under, and the subjection to any lien on, or claim or pledge of (whether created or to be created by the Indenture) the Trust Estate;

(e) to cure any ambiguity or to cure or correct any defect or inconsistent provisions contained in the Indenture or to make such provisions in regard to matters or questions arising under the Indenture as may be necessary or desirable and not contrary to or inconsistent with the Indenture;

(f) to provide for the issuance of additional Obligations, including (without limitation) any modifications or amendments required to grant to or otherwise secure for the Holders of such Obligations a parity interest in the security granted to the holders of any then Outstanding Senior Obligations or to authorize any Subordinate Obligations;

(g) to permit the qualification of the Indenture or any Supplemental Indenture under any federal statute now or hereafter in effect or under any state blue sky law and, in connection therewith, to add to the Indenture or any Supplemental Indenture such other terms, conditions and provisions as may be permitted or required by such federal statute or state blue sky law;

(h) to obtain or to maintain any ratings on any Obligations from any nationally recognized securities rating agency;

(i) to provide for the issuance of any Obligations in coupon form or in book entry form, to change any Securities Depository or to discontinue any book-entry system, *provided* that, prior to the effective date of any such amendment that provides for the issuance of any Tax-Exempt Obligations in coupon form, there shall be delivered to the Administration a Favorable Opinion of Bond Counsel;

(j) to preserve the excludability from gross income for federal income tax purposes of the interest paid on any Tax-Exempt Obligations theretofore issued;

(k) to make any other change, *provided* that the Trustee shall have received evidence satisfactory to it that such change will not, in and of itself, cause any withdrawal or reduction in the ratings then borne by any outstanding Obligations; or

(l) to make any other change in the Indenture that the Trustee determines shall not prejudice in any material respect the rights of the Holders of the Obligations Outstanding at the date as of which such change shall become effective.

Supplemental Indentures Requiring Consent of Holders (Section 8.02)

In addition to Supplemental Indentures permitted without the consent of the Holders of Outstanding Obligations, with the prior written consent of a the Holders of majority of the Obligations affected thereby, the Administration and the Trustee may enter into at any time and from time to time Supplemental Indentures amending or supplementing the Indenture, any Supplemental Indenture or any Obligation to modify any of the provisions thereof or to release the Administration from any of the obligations, covenants, agreements, limitations, conditions or restrictions therein contained, provided that nothing contained herein shall permit (i) except as otherwise provided in any Supplemental Indenture authorizing any Obligations with respect to such Obligations, a change in any terms of redemption or purchase of any Obligation, the due date for the payment of the principal of or interest on any Obligation or any reduction in the principal, Redemption Price or purchase price of or interest rate on any Obligation without the consent of the Holder of such Obligation, or (ii) the creation of a claim or lien upon, or a pledge of, the Trust Estate ranking prior to or on parity with the claim, lien and pledge created by the Indenture as security for any Senior Obligations issued within the limitations of the Indenture, a preference or priority of any Obligation over any other Senior Obligation or a reduction in the percentage of Senior Obligations the consent of the Holders of which is required for any modification of the Indenture without the unanimous consent of the Holders.

Defeasance *(Section 9.01)*

If the Administration shall pay or cause to be paid the principal or Redemption Price of and interest on all Obligations at the times and in the manner stipulated in the Indenture and in any Supplemental Indenture authorizing the issuance of any additional Obligations, then the pledge of the Trust Estate to the Trustee for the benefit of the Holders and all other rights granted hereby to the Trustee or the Holders, other than rights which by their terms survive the termination of the Indenture, shall be discharged and satisfied. In such event, upon the written request of the Administration, the Trustee shall execute and deliver to the Administration all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee shall pay or deliver to the Administration, or to such officer, board or body as may then be entitled by law to receive the same, all property held by it pursuant to the Indenture (other than any moneys and securities required for the payment or redemption of Obligations not theretofore surrendered for such payment or redemption).

An Obligation, except as otherwise provided in any Supplemental Indenture authorizing the issuance thereof, shall be deemed to have been paid within the meaning of the Indenture if (i) money for the payment or redemption of such Obligation shall be held by the Trustee (through deposit by the Administration of moneys for such payment or redemption or otherwise, regardless of the source of such moneys), whether at or prior to the maturity or the redemption date of such Obligation, or (ii) if the maturity or redemption date of such Obligation shall not have arrived, provision shall have been made by the Administration for the payment of the principal or Redemption Price of and interest on such Obligation on the due dates for such payments by deposit with the Trustee (or other method satisfactory to the Trustee) of Government Obligations, the principal of and the interest on which when due will provide for such payment, provided that, if such Obligation is to be redeemed prior to the maturity thereof, the Administration shall have taken all action necessary to redeem such Obligation and notice of such redemption shall have been duly and irrevocably given or provisions satisfactory to the Trustee shall have been made for the giving of such notice.

No Recourse Against Officers, Employees and Agents of the Administration *(Section 10.05)*

No recourse shall be had for the payment of the principal or Redemption Price of and interest on the Obligations or for any claims based thereon or on the Indenture against any officer, employee, or agent of the Administration, all such liability, if any, being expressly waived and released by every Holder of Obligations by the acceptance of such Obligations.

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APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE ADMINISTRATION

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**MARYLAND WATER QUALITY
FINANCING ADMINISTRATION**

**Financial Statements and Supplemental Schedules
Together with Report of Independent Public Accountants**

For the Years Ended June 30, 2015 and 2014



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JUNE 30, 2015 AND 2014

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Director of
Maryland Water Quality Financing Administration

Report on the Financial Statements

We have audited the accompanying statements of net position of the Maryland Water Quality Financing Administration (the Administration), an enterprise fund of the State of Maryland, as of June 30, 2015 and 2014, and the related statements of revenue, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Administration's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Administration's 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 opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Administration as of June 30, 2015 and 2014, and its changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 12 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 audits 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.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Administration's basic financial statements. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2015 on our consideration of the Administration's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Administration's internal control over financial reporting and compliance.

Hunt Valley, Maryland
September 18, 2015

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2015 and 2014

The Maryland Water Quality Financing Administration (MWQFA or Administration) was established in 1987 by an act of the Maryland State Legislature under Title 9, Subtitle 16 of the Environmental Article, Annotated Code of Maryland.

The legislation created the Maryland Water Quality Revolving Loan Fund (WQRLF) consistent with the requirements under the Federal Clean Water Act. The purpose of the WQRLF is to make below market interest rate loans to local governments and eligible private entities for construction of water quality infrastructure. Starting in fiscal year 2010, the WQRLF can also provide loan forgiveness, grants, and negative interest rate loans. MWQFA receives capitalization grants from the Federal government, which are matched with a 20% State of Maryland (State) contribution.

Legislative amendments to the MWQFA Act in 1997 established the Maryland Drinking Water Revolving Loan Fund (DWRLF) consistent with the requirements under the Federal Safe Drinking Water Act. The purpose of the DWRLF is to provide below market interest rate loans to local governments and eligible private entities for certain drinking water capital projects. The DWRLF also allows for extended term loans (up to 30 years) and loan principal forgiveness, grants, and negative interest rate loans for disadvantaged communities and eligible green projects. MWQFA receives capitalization grants from the Federal government, which are matched with a 20% State contribution. At least 69% of the Federal funds must be used for the capital program, while the remaining can be used for program set-asides.

A Legislative amendment to the MWQFA Act in 2004 established the Bay Restoration Fund (BRF). The BRF is financed by two sources. First, a monthly flat fee of \$2.50 (\$30 per year) effective January 1, 2005 through June 30, 2012, from each household and business (\$2.50 per month per equivalent dwelling unit) served by a wastewater treatment plant (wastewater fund). The wastewater funds are managed by the Maryland Department of the Environment (MDE) for the key purpose of providing grants for upgrade of major wastewater treatment plants in Maryland with enhanced nutrient removal technologies. Second, an annual fee of \$30 from each user/household served by an onsite well and septic system (septic fund) effective October 1, 2005 through June 30, 2012, of which 60% is allocated to MDE for the purpose of providing grants for the upgrade of onsite septic disposal systems with nitrogen removal technology. Forty percent of the BRF septic funds are allocated to the Maryland Department of Agriculture (MDA) for the purpose of implementing the cover crop program. The MWQFA is responsible for the financial management of the fees transferred to MDE by the State Comptroller's office under the BRF. During the 2012 legislative session, the State Legislature amended the BRF statute (HB 446) that doubled the BRF fee to \$5.00 per month (\$60 per year) for most users, effective July 1, 2012 (FY 2013). The fee remained unchanged for users that do not discharge wastewater into the Chesapeake or Atlantic Bays Watershed.

A Legislative amendment to the MWQFA was made through the Budget Reconciliation and Financing Acts (BRFA) of 2010, 2011 and 2012 resulting in the unexpended balance in the BRF being reduced by a total of \$290,000,000. Those funds were not needed to pay for current debt service obligations on Revenue Bonds issued by MWQFA. The \$290,000,000 of BRF funds transferred out was replenished back with \$290,000,000 of State General Obligation (GO) bonds. As of June 30, 2013, MWQFA has fully drawn down the \$290,000,000 of State GO bonds against capital project expenditures.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2015 and 2014

A Legislative amendment to the MWQFA Act in 2008 established the Chesapeake and Atlantic Coastal Bays Non-point Source (NPS) Fund. This amendment provides financial assistance for the implementation of non-point source pollution control projects to achieve the State's tributary strategy. Source of funding for the NPS Fund are transfers made from the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund, which is managed by the State's Department of Natural Resources (DNR). The MWQFA was responsible for the financial management of funds transferred by DNR for the NPS Trust Fund until the program was closed in June 2014.

The WQRLF, DWRLF, BRF, and NPS Fund program activities are considered proprietary activities and are accounted for in a manner similar to a private sector business operation. Sources of funding for these programs include Federal grants, State match to Federal funds (20% requirement), State GO bonds, revenue bonds, special fees and other revolving type revenue. The total net position of these programs represents the accumulated earnings since their inception and are generally restricted for program purposes.

This section of the MWQFA annual financial report presents management's discussion and analysis of the MWQFA financial performance during the fiscal years that ended on June 30, 2015 and 2014, with the year ended June 30, 2013, presented for comparative purposes. Please read it in conjunction with the MWQFA's financial statements, which follow this section.

Financial Highlights

The financial highlights include an analysis of any change from the prior year's balance sheet greater than \$3,000,000 and greater than five percent of any individual balance sheet item.

Statements of Net Position

The statement of net position is a financial statement that reports the assets, liabilities, and net position of the Administration at a given point in time.

As of June 30, 2015:

The unrestricted current asset of cash and cash equivalents decreased by \$126.3 million. This decrease was primarily a result of the FY2015 BRF-wastewater grant disbursements of \$205M which were funded with unrestricted cash. In FY 2014, the majority of the BRF wastewater grant disbursements were funded with restricted cash from bond proceeds from the sale of \$100 million of BRF series 2014 Revenue bonds.

The current unrestricted loans receivable increased by \$18.0 million due to recent direct loans which are now scheduled to begin their principal repayments as well as increased direct new loan activity in both the WQRLF and DWRLF programs.

The current restricted loans receivable decreased by \$6.3 million as a result of decreased principal payments on older pledged loans becoming fully paid off.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2015 and 2014

Statements of Net Position (continued)

The non-current investment asset decreased by \$4.6 million as a result of \$4.0 million of Farm Credit bonds being reclassified to a current investment due to their maturity dates.

The non-current unrestricted loans receivable increased by \$127.2 million from new WQRLF and DWRLF direct loans. The non-current restricted loans receivable decreased by \$65.9 million as a result of decreased principal payments on older pledged loans becoming fully paid off.

The current revenue bonds payable liability increased by \$5.8 million. The increase is attributed to the start of principal payments for BRF series 2014 bonds.

The non-current liability revenue bonds payable decreased by \$12.4 million. This decrease is the result of the reclassification of current principal payments into the current liability account.

The net position, restricted for debt service decreased by \$64.7 million. This decrease is primarily due to the liquidation of WQRLF loans receivable for loans pledged against bond indentures and downsizing of the 2005A Debt Service Reserve. There was a net decrease of \$66.8 million and \$3.0 million, respectively, for the WQRLF 2008A and 2005A indentures.

As of June 30, 2014:

The unrestricted current asset of cash and cash equivalents increased by \$81.4 million. This increase was primarily a result of the sale of \$100 million of BRF Revenue bonds. The bond proceeds funded the majority of the FY 2014 BRF grant disbursements, leaving much of the new FY 2014 BRF fee revenue available as cash.

The current unrestricted loans receivable increased by \$6.8 million due to recent direct loans which are now scheduled to begin their principal repayments as well as increased direct new loan activity in both the WQRLF and DWRLF programs.

The non-current unrestricted loans receivable increased by \$99.5 million from new WQRLF and DWRLF direct loans. The non-current restricted loans receivable decreased by \$49 million as a result of decreased principal payments on older pledged loans becoming fully paid off.

The non-current restricted investment balance decreased by \$4.0 million. This is primarily due to the downsizing of the Guaranteed Investment Contracts required for debt service reserve. Furthermore, the Guaranteed Investment Contracts are now classified as current investments based upon their original maturity date.

The current revenue bonds payable liability decreased by \$6.9 million. The decrease is attributed to a reduction of principal payments due in the next year for existing bonds.

The non-current liability revenue bonds payable increased by \$93.5 million. This increase is the result of the sale of \$100 million of BRF series 2014 revenue bonds.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2015 and 2014

Statements of Net Position (continued)

The non-current bonds premium payable increased by \$13.9 million. This increase is attributed to the \$14.3 million premium received with the BRF 2014 series \$100 million bond sale.

The total net position, restricted for debt service decreased by \$154.1 million. This decrease is primarily due to the increased liability from the BRF Bond sale of \$100 million and associated \$14.3 million premium payable. Furthermore, this decrease is also impacted by the liquidation of WQLF loans receivable for loans pledged against bond indentures and downsizing of the 2005A Debt Service Reserve. There was a net decrease of \$37.3 million and \$7.3 million, respectively, for the WQLF 2008A and 2005A indentures.

The total unrestricted net position increased by \$187.2 million. This change is the result of increased cash, interest income, investment income, and increased loan activity. The WQLF and DWRLF had increases in net position of \$93.2 million and \$8.8 million, respectively. The BRF had an increase in unrestricted net position of \$86.2 million resulting from the sale of BRF revenue bonds which funded the majority of grant disbursements. Also, the NPS Trust Fund net position decreased by \$1.0 million.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2015 and 2014

Statements of Net Position (continued)

The following condensed statements of net position show a summary of changes between fiscal years:

Comparative Condensed Statements of Net Position June 30, 2015, 2014, and 2013 (Millions of Dollars)

	6/30/2015	6/30/2014	6/30/2013	\$ Increase/(Decrease)	
				Difference FY 15 - 14	Difference FY 14 - 13
Current Assets					
Cash and cash equivalents	\$ 347.7	\$ 474.0	\$ 392.6	\$ (126.3)	\$ 81.4
Investments	4.0	2.0	1.0	2.0	1.0
Receivables:					
Loans	46.7	28.7	21.9	18.0	6.8
BRF fees	1.8	1.6	1.5	0.2	0.1
Other	8.7	7.6	6.6	1.1	1.0
Current Restricted Assets					
Cash and cash equivalents	25.3	23.1	23.3	2.2	(0.2)
Investments	7.4	10.3	11.3	(2.9)	(1.0)
Receivables:					
BRF fees	22.4	24.4	22.2	(2.0)	2.2
Loans	42.8	49.1	50.2	(6.3)	(1.1)
Other	2.2	2.6	3.1	(0.4)	(0.5)
Total Current Assets	509.0	623.4	533.7	(114.4)	89.7
Non-current Assets					
Investments	7.3	11.9	14.2	(4.6)	(2.3)
Loans receivable	672.8	545.6	446.1	127.2	99.5
Non-current Restricted Assets					
Investments	0.8	-	4.0	0.8	(4.0)
Loans receivable	312.3	378.2	427.2	(65.9)	(49.0)
Total Non-current Assets	993.2	935.7	891.5	57.5	44.2
Total Assets	1,502.2	1,559.1	1,425.2	(56.9)	133.9

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2015 and 2014

Statements of Net Position (continued)

Comparative Condensed Statements of Net Position June 30, 2015, 2014, and 2013 (Millions of Dollars)

	6/30/2015	6/30/2014	6/30/2013	\$ Increase/(Decrease)	
				Difference FY 15 - 14	Difference FY 14 - 13
Current Liabilities					
Accounts payable	\$ 0.5	\$ 0.5	\$ 0.4	\$ -	\$ 0.1
Current liabilities payable from restricted assets:					
Revenue bonds payable	12.4	6.6	13.5	5.8	(6.9)
Accrued interest on bonds	1.7	1.2	1.1	0.5	0.1
Arbitrage rebate	-	1.3	-	(1.3)	1.3
Total Current Liabilities	14.6	9.6	15.0	5.0	(5.4)
Non-current Liabilities					
Other	0.4	0.2	0.2	0.2	-
Non-current liabilities payable from restricted assets:					
Revenue bonds payable	150.8	163.2	69.7	(12.4)	93.5
Bonds premium	13.5	15.9	2.0	(2.4)	13.9
Arbitrage rebate	-	-	1.2	-	(1.2)
Total Non-current Liabilities	164.7	179.3	73.1	(14.6)	106.2
Total Liabilities	179.3	188.9	88.1	(9.6)	100.8
Net Position					
Net investment in capital assets	-	-	-	-	-
Restricted for debt service	234.8	299.5	453.6	(64.7)	(154.1)
Unrestricted	1,088.1	1,070.7	883.5	17.4	187.2
Total Net Position	\$ 1,322.9	\$ 1,370.2	\$ 1,337.1	\$ (47.3)	\$ 33.1

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2015 and 2014

Statements of Revenue, Expenses and Changes in Net Position

The statement of revenue, expenses and changes in net position is a financial statement that reports the activity of the Administration during the fiscal year.

For fiscal year ended June 30, 2015:

There was an increase of \$74.5 million in capital grant disbursements. BRF grant disbursements increased by \$77.0 million. This increase is primarily due to several large BRF ENR projects in construction as well as fluctuations in construction project draws.

The contributions received from Federal and state governments for WQRLF and DWRLF decreased by \$4.5 million. This is primarily due to a decrease in the Federal Grant award from EPA along with the associated required state match. The WQRLF program had a net decrease in contributions of \$3.0 million. The DWRLF program also had a net decrease in contributions of \$1.5 million.

For fiscal year ended June 30, 2014:

There was an increase of \$9.3 million in fee revenue, primarily due to growth and the full phase in of the doubling of the BRF fee in fiscal year 2014 over 2013. Timing of this billing increase did not take full effect until the second quarter of FY2013.

There was a decrease of \$33.7 million in capital grant disbursements. This included an increase of \$0.3 million in DWRLF grant disbursements, offset by decreases of \$31.6 million in BRF grant disbursements, \$2.1 million in WQRLF grant disbursements, and \$0.3 million in 2010 Trust Fund grant disbursements. This decrease is due to fluctuations in construction project draws.

The contributions received from Federal grants and the State match of WQRLF and DWRLF decreased by \$58.4 million. This is primarily due to decreased availability of Federal Grant and State match funding. All grants are used in the current fiscal year resulting in no carry forward funding. The WQRLF program had a net decrease of contributions of \$58.0 million. The DWRLF program had a net decrease of contributions of \$0.4 million.

The transfers from State GO bonds back to the BRF decreased by \$99.3 million. These transactions are all part of the overall \$290 million BRFA transfer to the State's general fund for State GO bond proceeds as previously discussed. All transfers were complete as of FY 2013.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2015 and 2014

Statements of Revenue, Expenses and Changes in Net Position (continued)

The following Statement of Revenue, Expenses and Changes in Net Position shows a summary of changes between fiscal years:

	6/30/2015	6/30/2014	6/30/2013	\$ Increase/(Decrease)	
				Difference FY 15 -14	Difference FY 14 -13
Operating Revenue					
Interest on loans	\$ 11.2	\$ 10.6	\$ 9.9	\$ 0.6	\$ 0.7
Loan fees	5.0	4.7	4.5	0.3	0.2
Fee revenue	127.3	127.4	118.1	(0.1)	9.3
Grant revenue (set-a-sides only)	4.2	4.1	4.7	0.1	(0.6)
Other grant revenue and other	1.6	1.6	1.6	-	-
Total Operating Revenue	149.3	148.4	138.8	0.9	9.6
Operating Expenses					
Salaries and related benefits	6.7	5.5	4.9	1.2	0.6
Transfers-out (set-a-sides)	4.2	4.1	4.7	0.1	(0.6)
Capital grant disbursements	233.6	159.1	192.8	74.5	(33.7)
General and other costs	2.3	2.0	2.3	0.3	(0.3)
Total Operating Expenses	246.8	170.7	204.7	76.1	(34.0)
Operating Loss	(97.5)	(22.3)	(65.9)	(75.2)	43.6
Non-operating Revenue & Expenses					
Investment income	5.4	5.1	4.7	0.3	0.4
Cost of issuance & arbitrage rebate exp	-	(0.5)	(0.9)	0.5	0.4
Interest on bonds	(4.8)	(3.3)	(3.6)	(1.5)	0.3
FMV investment adjustment	(0.1)	(0.1)	(0.1)	-	-
Total Non-operating Revenue	0.5	1.2	0.1	(0.7)	1.1
Loss Before Contributions	(97.0)	(21.1)	(65.8)	(75.9)	44.7
Contributions from Federal and State governments	49.7	54.2	112.6	(4.5)	(58.4)
Transfers from State GO Bonds	-	-	99.3	-	(99.3)
Changes in Net Position	(47.3)	33.1	146.1	(80.4)	(113.0)
Net Position, Beginning of Year	1,370.2	1,337.1	1,191.0	33.1	146.1
Net Position, End of Year	\$ 1,322.9	\$ 1,370.2	\$ 1,337.1	\$ (47.3)	\$ 33.1

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2015 and 2014

Economic Environment

The MWQFA is subject to the present economic environment that exists in the State of Maryland as well as factors relating to national issues. Currently, MWQFA receives Federal funding for the WQRLF and DWRLF from the U.S. Environmental Protection Agency. Those funds are subject to economic factors, which may result in increases or decreases of Federal funding for these programs from year to year. MWQFA has a steady stream of special fund revenues resulting from revolving loan fund repayments.

The loans are primarily supported by water and sewer revenue of the borrowers and backed by the general obligation pledge. MWQFA does not foresee economic factors that would significantly impact its operation. However, a natural disaster in Maryland could result in delayed loan repayments or loan defaults by local jurisdictions. MWQFA has a debt service reserve equal to one-year debt service on the series 2005A WQRLF bonds that could be used during severe economic conditions, while the WQRLF Series 2008A bonds are highly over-collateralized with pledged loans.

The BRF is subject to citizens and businesses paying fees for upgrading wastewater treatment plants and septic systems in Maryland. The MWQFA does not have the authority to raise the fees. However, MWQFA continues to have sufficient cash flows from fees to satisfy current debt service requirements related to both the BRF Series 2008 and Series 2014 bonds. Also, MWQFA continues to meet current capital disbursements for those activities. As noted above, a natural disaster in Maryland could result in a reduction of fees related to the BRF that may lead to a temporary suspension or delay of capital disbursements.

American Recovery and Reinvestment Act (ARRA)

The U.S. Environmental Protection Agency awarded \$121.6 million in Federal ARRA funds through the WQRLF and DWRLF programs for infrastructure projects to create jobs, protect public health, improve the environment, and help clean the waterways. MWQFA began drawing those funds during fiscal year 2010.

The WQRLF was awarded \$92.8 million for water pollution reduction projects, including wastewater treatment improvements, sewer upgrades, storm water runoff controls, and green non-point source controls as well as \$2 million for administrative expenses. In fiscal year 2010, MWQFA approved \$36,049,115 in direct loans, awarded loan forgiveness and non-green grants of \$34,847,060, and awarded \$21,888,425 in green grants. During fiscal year 2013, the WQRLF disbursed \$3,335,628 for ARRA projects. Cumulative WQRLF ARRA disbursements through June 30, 2013 total \$92,784,600. All WQRLF ARRA funds are fully expended.

The DWRLF was awarded \$26.4 million for improvements to drinking water treatment, water storage, wells, and green water efficiency projects as well as \$0.4 million for administrative expenses. In fiscal year 2010, MWQFA approved \$11,309,825 in direct loans, awarded loan forgiveness and non-green grants of \$7,674,375, and awarded \$7,447,800 in green grants. During fiscal year 2012, the DWRLF disbursed \$4,562,578 for ARRA projects. Cumulative DWRLF ARRA disbursements through June 30, 2012 total \$26,832,000, and all DWRLF ARRA funds are fully expended.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Management's Discussion and Analysis June 30, 2015 and 2014

New Pronouncements

In June 2012, the Governmental Accounting Standards Board (GASB) issued Statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,*" effective for fiscal years beginning after June 15, 2014. The Administration has reviewed GASB Statement No. 68, and is not required to record a net unfunded pension liability as this will be recorded at the State level.

Contact Maryland Water Quality Financing Administration Management

This financial report is designed to provide our fellow citizens, customers, investors, and creditors with a general overview of MWQFA finances, and to show MWQFA's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact by writing to Jag Khuman, Director, Maryland Water Quality Financing Administration, 1800 Washington Boulevard, Baltimore, Maryland 21230.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Statements of Net Position As of June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 347,649,358	\$ 473,984,309
Investments	4,027,950	1,999,980
Receivables:		
Investment interest	188,401	197,300
Loans	46,736,013	28,658,783
Loan interest	3,479,011	2,694,459
BRF fee	1,808,983	1,618,274
Administrative fee	4,998,539	4,735,822
Current Restricted Assets		
Cash and cash equivalents	25,307,137	23,074,550
Investments	7,359,282	10,358,930
Receivables:		
Investment interest	9,505	66,680
BRF fee	22,421,804	24,380,413
Loans	42,799,328	49,076,769
Loan interest	2,136,820	2,553,809
Total Current Assets	<u>508,922,131</u>	<u>623,400,078</u>
Non-current Assets		
Investments	7,342,727	11,938,742
Loans receivable	672,785,766	545,577,460
Fixed assets, net	54,134	35,861
Non-current Restricted Assets		
Investments	785,341	-
Loans receivable	312,289,069	378,156,379
Total Non-current Assets	<u>993,257,037</u>	<u>935,708,442</u>
Total Assets	<u>1,502,179,168</u>	<u>1,559,108,520</u>

The accompanying notes are an integral part of these financial statements

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Statements of Net Position
As of June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 495,159	\$ 469,566
Current liabilities payable from restricted assets:		
Revenue bonds payable	12,345,000	6,560,000
Accrued interest on bonds payable	1,701,401	1,215,832
Arbitrage rebate payable	49,582	1,295,959
Total Current Liabilities	<u>14,591,142</u>	<u>9,541,357</u>
Non-current Liabilities		
Other liabilities	430,877	249,595
Non-current liabilities payable from restricted assets:		
Revenue bonds payable	150,820,000	163,165,000
Bonds premium	13,448,793	15,910,599
Total Non-current Liabilities	<u>164,699,670</u>	<u>179,325,194</u>
Total Liabilities	<u>179,290,812</u>	<u>188,866,551</u>
NET POSITION		
Net investment in capital assets	54,134	35,861
Restricted for debt service	234,743,510	299,520,140
Unrestricted	1,088,090,712	1,070,685,968
Total Net Position	<u>\$ 1,322,888,356</u>	<u>\$ 1,370,241,969</u>

The accompanying notes are an integral part of these financial statements

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Statements of Revenue, Expenses and Changes in Net Position
For the Years Ended June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Operating Revenue		
Interest on loans	\$ 11,157,778	\$ 10,577,122
Loan administration fee	5,008,033	4,737,742
Fees	127,253,210	127,377,750
Grants and other	5,815,416	5,693,265
Total Operating Revenue	<u>149,234,437</u>	<u>148,385,879</u>
Operating Expenses		
Salaries and related benefits	6,730,738	5,554,146
General	2,221,903	1,962,574
Capital grants disbursements	233,587,788	159,067,223
Other	4,248,026	4,117,462
Total Operating Expenses	<u>246,788,455</u>	<u>170,701,405</u>
Operating Loss	(97,554,018)	(22,315,526)
Non-operating Revenue (Expenses)		
Investment income	5,404,745	5,106,588
Cost of debt issuance and amortization	(57,968)	(398,379)
Interest on bonds	(4,847,693)	(3,387,299)
Arbitrage rebate	93,992	(78,604)
Net unrealized loss on investments	(47,420)	(64,800)
Net Non-operating Revenue	<u>545,656</u>	<u>1,177,506</u>
Loss Before Contributions	(97,008,362)	(21,138,020)
Contributions received from:		
Federal government	40,581,749	44,597,086
State of MD-required match for Federal grant	9,073,000	9,672,000
Changes in Net Position	<u>(47,353,613)</u>	<u>33,131,066</u>
Net Position, Beginning of Year	<u>1,370,241,969</u>	<u>1,337,110,903</u>
Net Position, End of Year	<u>\$1,322,888,356</u>	<u>\$ 1,370,241,969</u>

The accompanying notes are an integral part of these financial statements

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014**

	2015	2014
Cash Flows from Operating Activities:		
Loan repayments	\$ 79,377,141	\$ 72,220,833
Interest and fees received from borrowers	15,535,530	14,659,359
BRF fee and other receipts	134,836,526	130,757,687
Loan disbursements	(152,517,924)	(128,217,625)
Grant disbursements	(233,587,788)	(159,067,223)
Salaries and benefits paid	(6,730,738)	(5,554,146)
General and other expenses paid	(6,248,968)	(5,901,625)
Net Cash from Operating Activities	(169,336,221)	(81,102,740)
Cash Flows from Non-capital Financing Activities:		
Federal government grants	40,581,749	44,597,086
State of MD-required match to Federal grant	9,073,000	9,672,000
Proceeds from sale of bonds	-	114,383,974
Repayment of bonds	(6,560,000)	(13,470,000)
Cost of issuance/underwriters discount	(57,968)	(398,379)
Interest on bonds	(6,823,929)	(3,760,362)
Payment of arbitrage rebate-bonds	(1,152,385)	-
Net Cash from Non-capital Financing Activities	35,060,467	151,024,319
Cash Flows from Capital and Related Financing Activities:		
Purchase of equipment	(32,359)	(24,913)
Net Cash from Capital Financing Activities	(32,359)	(24,913)
Cash Flows from Investing Activities:		
Purchase of investments	(11,220,356)	(7,082,030)
Interest on investments securities	5,470,818	5,141,519
Proceeds from sales and maturities of investments	15,955,287	13,196,062
Net Cash from Investing Activities	10,205,749	11,255,551
Net (Decrease) Increase	(124,102,364)	81,152,217
Cash and Cash Equivalents, Beginning of Year	497,058,859	415,906,642
Cash and Cash Equivalents, End of Year	\$ 372,956,495	\$ 497,058,859

The accompanying notes are an integral part of these financial statements

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Statements of Cash Flows (continued) For the Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Reconciliation of operating loss to net cash from operating activities:		
Operating loss	\$ (97,554,018)	\$ (22,315,526)
Depreciation	14,086	3,586
Effect of changes in non-cash operating assets and liabilities:		
Loan disbursements	(152,517,924)	(128,217,625)
Loan repayments	79,377,141	72,220,833
Loan interest receivable	(367,564)	(397,335)
Administrative fee and BRF fee receivables	1,505,183	(2,571,498)
Accounts payable and other liabilities	206,875	174,825
Net Cash Used in Operating Activities	<u>\$ (169,336,221)</u>	<u>\$ (81,102,740)</u>

The accompanying notes are an integral part of these financial statements

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Maryland Water Quality Financing Administration (the Administration) was created during the 1987 session of the Maryland General Assembly as an enterprise fund of the State of Maryland (State). The Administration's purpose is to provide financing of capital infrastructure for wastewater and drinking water projects pursuant to the Federal Clean Water Act of 1987, the Federal Safe Drinking Water Act and Amendments of 1996, the State of Maryland Bay Restoration Fund Act of 2004, and the Chesapeake and Atlantic Coastal Bays 2010 Trust Fund Act of 2008. The Administration is empowered to issue bonds subject to the approval of the State Board of Public Works and Secretary of the Maryland Department of the Environment (MDE). Bonds issued by the Administration do not constitute a debt or pledge of the full faith and credit of the State or any political subdivision thereof, other than the Administration.

Basis of Accounting

The Administration utilizes the enterprise fund accounting method, which is the accrual basis of accounting in preparing its financial statements, wherein revenue is recognized when earned and expenses are recognized when incurred. As an enterprise fund, operating revenue and expenses are distinguished from non-operating items. Operating revenues and expenses result from the Administration providing loan and grant financing of capital wastewater and drinking water projects. Operating expenses include administrative expenses and grant or loan forgiveness expenditures in support of these projects. All revenue and expenses not meeting these criteria are reported as non-operating revenues and expenses. In preparing its financial statements, the Administration has adopted Governmental Accounting Standards Board (GASB) Statement No. 65 "*Items Previously Reported as Assets and Liabilities*", for debt issuance costs. In Fiscal Year 2013, the Administration wrote-off the remaining unamortized balance of debt issuance costs carried on the Statement of Net Position as Non-current Restricted Assets, since these costs are no longer considered either assets or deferred outflows of resources and are required to be expensed in the year of incurrence. In Fiscal Year 2014, the Administration expended debt issuance costs related to the BRF 2014 bond sale. The implementation of GASB Statement No. 65 has no material effect on its financial statements.

The Administration has reviewed GASB Statement No. 68 "*Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27,*" and has determined that it is not required to record a net unfunded pension liability because the Administration is allocated a charge for employees from MDE and has no liability for those employees or their benefits beyond what MDE allocates to the Administration for those MDE employees providing services to the Administration.

The WQRLF and the BRF record their activity in the general accounts, capital reserve accounts and bond funds. The DWRLF records activity in the general accounts and capital reserve accounts, as no DWRLF revenue bonds have been issued to date.

The general accounts are used to record transactions relating to general administrative functions performed by the Administration, and other MDE units or State agencies on its behalf.

The capital reserve accounts are used to record transactions of the funds, which are executed by the Administration through the State treasury. The bond funds held by trustee accounts are used to record transactions in trust accounts established in connection with bonds issued by the Administration. As of June 30, 2015, there have been no bonds issued in the DWRLF.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenue, expenses, gains and losses during the reporting periods. Actual results could differ from these estimates.

Restricted Assets

In December 2004, GASB issued Statement No. 46 "*Net Assets Restricted by Enabling Legislation an amendment of GASB Statement No. 34.*" The WQLF, DWRLF, and the BRF are special, continuing, non-lapsing funds that were enacted by separate legislation, and the money in those funds may not be reverted to the General Fund of the State of Maryland. As of June 30, 2015, the Maryland General Assembly did not enact enabling legislation regarding the Administration's restricted use of those funds other than for specific purposes. As such, the restricted assets as reported on the Administration's statements of net position are restricted to payment of debt service on the bonds and are not available for new loans or to pay the general operating expenses of the Administration.

Cash and Cash Equivalents

Cash and cash equivalents include bank deposits and highly liquid investments readily convertible to cash, which have original maturities of three months or less when acquired. The cash reported on the accompanying statements of net position is listed as restricted and non-restricted amounts. The non-restricted cash is used primarily for disbursements related to direct loans (loans not pledged for payment of bond debt service) and administrative operations. The restricted cash is used primarily for pledged loan disbursements or repayment of debt service requirements.

Investments

Investments are stated at fair value. The change in fair value is recognized as an increase or decrease from the original cost of the investment. The investments reported on the accompanying statements of net position are listed as restricted and non-restricted amounts. The non-restricted investments are used primarily for future disbursements related to direct loans and administrative operations. They are the result of surplus funds that are invested to earn additional revenue until such time as they are needed. The restricted investments are used primarily for pledged loan disbursements or repayment of debt service requirements.

Allowance for Loan Losses

Management periodically reviews loans receivable for possible uncollectible amounts. In the event management determines a specific need for an allowance, a provision for loss is provided. No allowance for loan losses was provided as of June 30, 2015 and 2014.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed Assets

Fixed assets are carried at cost and include only vehicles. They are depreciated over their estimated useful service life of 5 years using the straight-line method.

Revenue Bonds Payable

The Administration issues revenue bonds to fund WQRLF capital projects and BRF construction grants. The bonds payable obligations include indenture series 2005A and 2008A for WQRLF capital project loans and series 2008 and 2014 for BRF capital project grants.

The bond indenture is a document that outlines the terms and conditions under which revenue bonds are issued.

Contributions and Revenue

Amounts received from EPA and the State for distribution as loans to local governments were recorded as contributions and were restricted for the purposes identified above.

The portion of the State deposit designated to match Federal grant revenue is disbursed proportionate to Federal disbursements.

Interest on investments is recorded as earned in the respective accounts. Loan administration fees, which equal up to 5% of annual loan debt service payments on loans, are recorded as fee revenue in the general accounts. Interest income on certain loans receivable is restricted to pay the debt service related to the fund's bonds payable to the extent required by the indenture and is recorded in the bond funds held by trustee accounts. Under the bond indentures, certain funds held by trustees in the bond accounts may be transferred to the capital reserve accounts after payment of bond debt service, pursuant to the Administration's cash flow projection that it will meet certain debt service requirements in all future years.

Fringe

The Administration is allocated a fringe rate as designated by the State of Maryland, which includes various employee benefit items, including but not limited to pension related liabilities.

Pension Benefits

Eligible employees of the Administration and support staff, as employees of the State, are covered under the retirement plans of the State Retirement and Pension System of Maryland (the System) and are also entitled to certain pension and healthcare benefits upon retirement. This system is a cost sharing multiple-employer defined benefit pension plan administered by the System Board of Trustees in accordance with the State Personnel and Pensions Article. Eligible employees are required to contribute a fixed percentage of their regular salaries and wages that exceed the Social Security wage base to the System. The Administration is required to make contributions to the System based on actuarial valuations, which is funded through the fringe allocation as directed by the State.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2015 and 2014

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension Benefits (continued)

The contribution requirements of eligible employees and the Administration are established and may be amended by the System Board of Trustees. The Administration's only liability for retirement and post employment benefits is its required contribution, which is funded through the fringe allocation as directed by the State. The Administration has reviewed GASB Statement No. 68, and is not required to record a net unfunded pension liability as this will be recorded at the State level. If you need more information, please contact them by writing to the Maryland State Retirement and Pension System, 120 East Baltimore Street, Baltimore, Maryland, 21202.

Loan Forgiveness/Grant

Starting Fiscal Year 2010 with ARRA and the subsequent Federal Appropriation Acts, the Administration, in addition to providing WQRLF and DWRLF loans, may also provide loan forgiveness, grants, and negative interest rate loans based on certain financial hardship criteria. Those amounts for which the loan principal is forgiven are excluded from the loans receivable balance, as the amount forgiven is recorded at the time funds are disbursed. This is an expansion of the loan forgiveness provision that previously was only permitted under DWRLF.

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS

The following is a summary of the components of cash and cash equivalents as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Cash held by the State's treasury office	\$ 372,956,435	\$ 496,989,250
Cash in trust accounts	<u>60</u>	<u>69,609</u>
Total Cash and Cash Equivalents	<u>\$ 372,956,495</u>	<u>\$ 497,058,859</u>

Cash held by the State's treasury office is invested by the State Treasurer as a pool of funds from various State agencies.

Deposits and investments held that relate to the indenture are not available to pay the general operating expenses of the Administration. Generally, the indenture authorizes the Administration or its trustee bank to invest assets related to the indenture in obligations of the United States of America, any Federal agency, repurchase agreements collateralized by direct obligations of the United States government, high quality commercial paper or money market funds that invest in government securities. Investments in the bond funds are held in safekeeping in trustee bank accounts in accordance with the requirements of the related indenture. The Administration is authorized to otherwise invest in securities as allowed under the Maryland State Code.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Notes to the Financial Statements
June 30, 2015 and 2014**

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

Investments as of June 30, 2015 and 2014, were \$19,515,300 and \$24,297,652, respectively. The amounts relating to GASB Statement No. 40 “*Deposit and Investment Risk Disclosures*,” were certificates of deposit for linked deposit investments of \$3,374,112 and \$3,894,737, as of June 30, 2015 and 2014, respectively.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Administration relies on the State Treasurer’s Office to invest its funds in securities as allowed by Maryland State Code and their policies and procedures. The cash flow needs of the Administration are a factor in determining the length of investment maturities.

As of June 30, 2015, the Administration had the following investments and maturities:

Investment Types	Fair Value	Investment Maturities (In Years)		
		Less than 1	1 to 5	6 to 10
Linked Deposits-Farm Credit AG Bonds	\$ 7,996,565	\$ 4,027,950	\$ 3,968,615	\$ -
Treasury Bills	7,359,062	7,359,062	-	-
Treasury Note	785,315	-	785,315	-
Restricted Money Market	246	220	26	-
Subtotal	<u>16,141,188</u>	<u>11,387,232</u>	<u>4,753,956</u>	-
Certificates of Deposit- Linked Deposits	<u>3,374,112</u>	-	<u>16,253</u>	<u>3,357,859</u>
Total Investments	<u>\$ 19,515,300</u>	<u>\$ 11,387,232</u>	<u>\$ 4,770,209</u>	<u>\$ 3,357,859</u>

In addition, the Administration’s investments had the following quality ratings as of June 30, 2015:

Investment Types	Fair Value	Concentration¹	Rating	Rating Organization
Linked Deposits-Farm Credit AG Bonds	\$ 7,996,565	41%	Aaa	Moody's
Treasury Bills	7,359,062	38%	Aaa	Moody's
Treasury Note	785,315	4%	Aaa	Moody's
Restricted Money Market	246	0%		
Certificates of Deposit- Linked Deposits	<u>3,374,112</u>	<u>17%</u>		
Total Investments	<u>\$ 19,515,300</u>	<u>100%</u>		

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Notes to the Financial Statements
June 30, 2015 and 2014**

2. CASH AND CASH EQUIVALENTS AND INVESTMENTS (continued)

As of June 30, 2014, the Administration had the following investments and maturities:

Investment Types	Fair Value	Investment Maturities (In Years)		
		Less than 1	1 to 5	6 to 10
Guaranteed Investment Contracts:				
Debt Service Reserve	\$ 3,276,900	\$ 3,276,900	\$ -	\$ -
Linked Deposits-Farm Credit AG Bond:	10,043,985	1,999,980	8,044,005	-
Treasury Bills	7,082,030	7,082,030	-	-
Subtotal	<u>20,402,915</u>	<u>12,358,910</u>	<u>8,044,005</u>	<u>-</u>
Certificates of Deposit- Linked Deposits	<u>3,894,737</u>	-	124,018	3,770,719
Total Investments	<u>\$24,297,652</u>	<u>\$ 12,358,910</u>	<u>\$ 8,168,023</u>	<u>\$ 3,770,719</u>

In addition, the Administration’s investments had the following quality ratings as of June 30, 2014:

Investment Types	Fair Value	Concentration¹	Rating	Rating Organization
Guaranteed Investment Contracts:				
Debt Service Reserve	\$ 3,276,900	14%	A3	Moody's
Linked Deposits-Farm Credit AG Bond:	10,043,985	41%	Aaa	Moody's
Treasury Bills	7,082,030	29%	Aaa	Moody's
Certificates of Deposit - Linked Deposits	<u>3,894,737</u>	<u>16%</u>		
Total Investments	<u>\$24,297,652</u>	<u>100%</u>		

1. Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The Administration places no limit on the amount it may invest in any one issuer. For fiscal years 2015 and 2014, the Administration’s investments were not in obligations of the Federal Home Loan Mortgage Corporation – FHLMC and the Federal National Mortgage Association – FNMA or any other agency funds. The investment portfolio was in Guaranteed Investment Contracts, Linked Deposits, and U.S. Treasury Bills.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2015 and 2014

3. LOANS RECEIVABLE

The Administration makes low interest rate loans to various local governments and other entities in the State. These loans are secured by a pledge of the revenue from the ownership or operation of the wastewater and/or drinking water systems and certain other funds of the entities. Certain loans are additionally secured by the full faith and credit of the borrowing entities.

The WQRLF loans included in bond funds held by trustee accounts are pledged under the indenture. The loans included in the capital reserve accounts represent loans made under Federal and State regulations, which are not pledged under the indenture. The Administration may, at its option, pledge these loans to support future bond issues, at which time the loans and related fund equity will be transferred to bond funds held by trustee accounts.

As of June 30, 2015 and 2014, the Administration's lending commitments and outstanding balances under the WQRLF to specific governmental entities within the State are detailed as follows:

WQRLF Borrower	2015			2014		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2015	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2014
Aberdeen , City of	\$ 9,329,266	\$ -	\$ 7,337,052	\$ 9,329,266	\$ -	\$ 7,786,285
Allegany County	22,597,480	44,082	12,873,630	22,597,480	275,954	13,739,442
Annapolis, City of	1,591,479	-	-	1,591,479	-	106,112
Anne Arundel County	113,834,931	17,022,948	52,102,492	113,834,931	27,817,063	44,233,690
Ashton Park Comm. Assoc.	408,470	-	313,870	408,470	-	333,170
Baltimore City	386,312,560	126,920,114	136,799,291	294,513,560	66,773,435	116,704,055
Baltimore County	166,298,918	14,854,389	69,152,492	166,298,918	21,359,811	70,992,481
Bel Air, Town of	101,686	-	-	101,686	-	-
Berlin , Town of	3,207,000	-	3,049,090	3,207,000	274,828	2,932,172
Betterton, Town of	93,559	-	44,819	93,559	-	50,322
Boonsboro, Town of	2,127,984	-	1,599,316	2,127,984	-	1,607,042
Bowie, City of	4,014,466	-	2,218,455	4,014,466	-	2,427,141
Brunswick, City of	1,690,570	-	291,812	1,690,570	-	333,327
Calvert County	18,343,759	876,817	4,520,348	18,343,759	1,549,014	4,531,875
Cambridge, City of	12,468,077	84,908	4,659,314	12,468,077	84,908	5,333,946
Canton Crossing	3,711,142	-	2,161,142	3,711,142	-	2,361,142
Carroll County	12,074,030	-	188,125	12,074,030	-	216,757
Cecil County	44,370,811	11,885,668	21,506,835	44,370,811	19,866,000	14,754,732
Centreville, Town of	3,878,064	-	1,283,871	3,878,064	-	1,427,753
Charles County	23,358,722	-	8,556,099	23,358,722	-	9,279,687
Chesapeake Beach, Town of	9,491,864	1,776,700	5,797,847	5,541,864	-	3,921,351
Chestertown, Town of	3,955,893	-	1,949,405	3,955,893	-	2,120,254
Clear Spring, Town of	72,705	-	-	72,705	-	-
Crisfield, City of	1,201,338	192,236	665,435	1,201,338	318,213	577,504
Cumberland, City of	10,166,906	-	4,799,619	10,198,288	40,169	5,290,176
Delmar, Town of	276,040	-	81,725	276,040	-	96,938
Denton, Town of	2,386,077	-	1,116,530	2,386,077	-	1,235,831

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2015 and 2014

3. LOANS RECEIVABLE (continued)

WQRLF Borrower	2015			2014		
	Total	Commitment	Outstanding	Total	Commitment	Outstanding
	Commitment	Outstanding	Balance * June 30, 2015	Commitment	Outstanding	Balance * June 30, 2014
Easton, Town of	\$ 22,112,191	\$ 310,383	\$ 15,490,915	\$ 22,112,191	\$ 1,490,443	\$ 15,306,242
Elkton, Town of	21,395,474	-	13,972,689	21,395,474	-	15,051,263
Emmitsburg, Town of	600,000	-	212,040	600,000	-	252,951
Federalsburg, Town of	3,479,097	-	2,501,267	3,500,715	325,000	2,369,730
Frederick, City of	52,462,000	27,496,770	20,031,016	24,320,000	2,941,977	17,609,699
Frederick County	114,454,864	2,720,008	68,582,650	114,454,864	5,688,110	70,104,840
Frostburg, City of	739,788	23,773	484,656	739,788	94,120	448,154
Fruitland, City of	4,935,438	775,768	2,219,648	3,570,438	-	1,819,208
Funkstown, Town of	1,875,221	-	1,097,706	1,875,221	-	1,209,969
Galena, Town of	112,219	-	-	112,219	-	-
Garrett County	1,970,000	-	260,365	1,970,000	-	384,325
Garrett County San. Distr	2,635,641	-	573,562	2,635,641	-	703,853
Grantsville, Town of	16,891	-	-	16,891	-	-
Greensboro, Town of	443,345	-	29,465	443,345	-	58,008
Hagerstown, City of	22,102,169	-	12,306,045	22,102,169	-	13,485,090
Hancock, Town of	797,062	-	287,736	797,062	-	332,145
Harford County	69,535,228	-	2,043,938	69,535,228	-	3,109,362
Havre De Grace, City of	28,996,682	-	21,752,553	28,996,682	-	23,180,988
Hebron, Town of	195,729	-	136,204	195,729	-	148,109
Howard County	91,534,729	-	30,153,611	91,534,729	-	33,760,315
Hurlock, Town of	3,626,240	-	1,879,410	3,626,240	-	2,041,841
Indian Head, Town of	4,603,656	-	1,518,226	4,603,656	-	1,696,373
Kent County	7,394,107	-	3,996,946	7,394,107	-	4,337,148
La Plata, Town of	12,972,019	-	7,717,322	12,972,019	380,007	7,997,115
Leonardtown, Town of	1,582,233	-	300,390	1,582,233	-	398,154
Md. Envir Services	6,014,121	-	5,119,762	6,014,121	-	5,741,292
Middletown, Town of	3,970,639	-	1,077,040	3,970,639	-	1,277,841
Millington, Town of	42,000	-	-	42,000	-	-
Mountain Lake Park, Town of	770,287	-	266,730	770,287	-	310,677
Mount Airy, Town of	3,523,087	-	894,740	3,523,087	-	1,101,155
Myersville, Town of	1,259,983	-	314,314	1,259,983	-	388,325
New Windsor, Town of	3,858,474	-	1,518,643	3,858,474	-	1,613,559
North Beach, Town of	3,686,922	1,028,529	1,366,961	3,686,922	1,447,583	1,025,643
Oakland, Town of	892,046	-	128,986	892,046	-	140,434
Oxford, Town of	45,402	-	7,767	45,402	-	10,360
Perryville, Town of	5,923,965	-	4,471,870	5,923,965	-	4,768,474
Pocomoke City, City of	851,579	-	430,560	851,579	-	473,838
Poolesville, Town of	5,658,051	-	3,275,945	5,905,073	1,717,060	2,049,365
Prince George's County	23,238,580	-	1,750,000	23,238,580	-	4,380,998
Queen Anne's County	27,651,411	-	11,369,255	27,651,411	-	12,513,844
Ridgely, Town of	1,598,297	-	1,186,030	1,598,297	-	1,293,780
Rising Sun, Town of	1,010,437	-	-	1,010,437	-	-
Rockville, Town of	2,300,633	-	1,461,610	2,300,633	-	1,580,977
Salisbury, Town of	84,511,299	34,611,375	30,327,880	49,966,299	66,375	32,702,117

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements
June 30, 2015 and 2014

3. LOANS RECEIVABLE (continued)

WQRLF Borrower	2015			2014		
	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2015	Total Commitment	Commitment Outstanding	Outstanding Balance * June 30, 2014
Sharptown	\$ 170,925	\$ -	\$ 160,723	\$ 189,000	\$ 26,622	\$ 162,379
Snow Hill, Town of	1,108,123	-	455,750	1,108,123	-	478,984
Somerset County	2,151,215	-	768,205	2,151,215	-	887,598
Somerset County San. Distr.	187,031	-	-	187,031	-	12,695
St. Mary's County	7,447,625	-	1,344,219	7,447,625	-	1,917,223
St. Mary's METCOM	43,055,774	14,289,854	19,830,933	43,055,774	24,640,201	10,197,321
Talbot County	9,975,333	-	5,987,716	9,975,333	-	6,493,160
Taneytown, City of	6,477,722	-	1,353,860	6,477,722	-	1,708,345
Thurmont , Town of	8,270,174	307,716	4,544,874	8,270,174	1,664,855	3,535,391
Union Bridge, Town of	142,000	-	57,183	142,000	-	64,634
Washington County	40,321,948	1,800,397	16,492,938	37,768,948	-	17,979,156
Washington Co Sanitary Dist.	20,387,427	-	-	20,387,427	-	-
Westernport , Town of	1,030,992	-	197,117	1,030,992	-	223,957
Westminster, City of	1,711,580	-	-	1,711,580	-	-
Wicomico County	2,929,876	-	-	2,929,876	-	-
Willards, Town of	433,599	-	285,761	433,599	-	307,134
Williamsport, Town of	684,538	-	504,689	684,538	-	549,651
Wash. Suburban San. Comm.	353,095,592	-	247,879,292	353,095,592	53,960,170	201,601,520
Worcester County	11,134,755	-	4,519,388	11,134,755	-	5,198,745
Loan Totals	\$2,015,459,262	\$ 257,022,435	\$ 919,967,715	\$1,853,423,359	\$ 232,801,918	\$ 850,888,639
Grant /Loan Forgiveness	81,207,160			77,848,857		
Total Commitment	\$2,096,666,422			\$1,931,272,216		

* Net of repayments

The current portion of WQRLF loans receivable as of June 30, 2015 and 2014, was \$80,206,465 and \$68,813,559, respectively. Also, the outstanding balance of loans receivable is made up of \$3,622,954 pledged loans (2005 indenture), \$351,465,443 pledged loans (2008 indenture), and \$564,879,318 non-pledged loans (direct). During fiscal years 2015 and 2014, there were no defaults or delinquencies.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2015 and 2014

3. LOANS RECEIVABLE (continued)

As of June 30, 2015 and 2014, the Administration's lending commitments under the DWRLF to specific governmental entities within the State are detailed as follows:

DWRLF Borrower	2015			2014		
	Total	Commitment	Outstanding	Total	Commitment	Outstanding
	Commitment	Outstanding	Balance * June 30, 2015	Commitment	Outstanding	Balance * June 30, 2014
Allegany County	\$ 138,582	\$ -	\$ 125,431	\$ 138,582	\$ -	\$ 129,645
Annapolis, City of	28,500,000	23,104,947	5,395,053	28,500,000	27,461,326	1,038,674
Anne Arundel County	6,985,468	913,364	4,653,313	6,985,468	2,344,013	3,446,842
Baltimore City	30,984,771	-	26,764,032	30,984,771	-	27,828,629
Baltimore County	31,899,374	-	25,555,721	31,899,374	-	27,165,934
Beaches Water Co.	464,713	69,682	340,885	85,000	-	35,393
Betterton, Town of	43,483	-	20,830	43,483	-	23,388
Boonsboro, Town of	1,662,639	-	235,949	1,662,639	-	253,638
Bowie, City of	1,677,500	-	592,712	1,677,500	-	683,238
Brunswick, City of	359,975	-	221,528	359,975	-	241,814
Cecilton, Town of	968,323	-	689,903	968,323	-	721,334
Centreville, Town of	912,870	-	348,357	912,870	-	463,313
Chesapeake City, Town of	125,955	-	114,146	127,000	9,957	111,162
Chestertown, Town of	1,765,422	-	929,260	1,765,422	-	1,023,544
Clear Spring, Town of	1,260,531	-	750,767	1,260,531	-	802,664
Cumberland, City of	9,256,475	-	6,050,168	9,256,475	-	6,394,208
Dorchester County	52,777	-	-	52,777	-	-
East New Market	368,150	-	348,949	368,150	-	368,150
Emmitsburg, Town of	1,582,762	-	731,571	1,582,762	-	816,780
Fahrney Keedy	500,000	-	-	500,000	-	-
Federalsburg, Town of	1,830,881	-	1,110,342	1,831,673	12,375	1,190,576
Frederick County	10,831,167	-	2,952,870	10,903,427	53,827	3,630,586
Frostburg, City of	337,500	17,018	320,482	-	-	-
Garrett County	388,653	-	247,917	388,653	-	265,777
Grantsville, Town of	224,283	-	81,656	224,283	-	94,138
Hagerstown, City of	27,807,895	1,087,461	21,117,974	27,807,895	6,087,913	16,985,482
Hampstead, Town of	722,587	-	267,226	722,587	-	307,898
Independence Village	44,902	-	3,899	44,902	-	7,625
La Plata, Town of	499,150	-	437,294	500,000	130,629	328,584
Lonaconing, Town of	187,500	-	178,985	187,500	98,618	88,882
Manchester	400,000	-	177,233	400,000	-	198,412
Martingham Utilities Coop	594,700	-	457,448	594,700	-	476,617
Myersville, Town of	467,842	-	122,799	467,842	-	151,149
New Windsor, Town of	1,927,731	-	1,252,303	1,927,731	-	1,337,329
North East, Town of	19,048,711	-	13,223,022	19,048,711	-	14,998,388
Oakland, Town of	972,415	-	680,168	972,415	-	715,780
Oxford, Town of	810,770	-	533,168	810,770	-	583,018
Perryville, Town of	11,534,299	-	9,152,788	11,534,299	-	9,553,510
Pittsville, Town of	86,166	-	78,030	86,166	-	82,114
Pocomoke City	17,214	-	15,569	17,688	14,154	2,715
Port Deposit, Town of	291,760	-	-	291,760	-	-
Queenstown, Town of	489,139	-	450,279	489,139	186,200	286,833

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements
June 30, 2015 and 2014

3. LOANS RECEIVABLE (continued)

DWRLF Borrower	2015			2014		
	Total	Commitment	Outstanding	Total	Commitment	Outstanding
	Commitment	Outstanding	Balance * June 30, 2015	Commitment	Outstanding	Balance * June 30, 2014
Rising Sun, Town of	\$ 1,698,717		\$ 1,048,243	\$ 1,698,717		\$ 1,108,863
Rock Hall, Town of	1,020,183	-	715,416	1,020,183	-	749,709
Rockville, City of	8,122,000	-	2,907,865	8,122,000	-	3,365,154
Salisbury, City of	1,513,160	-	1,417,532	1,513,160	-	1,465,560
Secretary, Town of	149,408	-	80,848	149,408	-	88,833
Sharptown, Town of	168,452	103,009	65,443	-	-	-
Somerset County	32,000	-	21,333	32,000	-	22,400
St. Mary's Co Metcom	7,582,096	1,323,604	4,962,185	7,582,096	3,328,678	3,107,246
St. Michaels, Town of	1,179,912	-	878,953	1,179,912	-	917,101
Taneytown, City of	4,011,000	-	3,226,464	4,011,000	-	3,413,866
Thurmont, Town of	2,243,740	-	-	2,243,740	-	788,429
Union Bridge, Town of	775,499	-	487,300	775,499	-	514,026
Westernport, Town of	1,675,861	131,426	1,485,099	1,675,861	912,131	733,960
Westminister, City of	15,535,902	-	10,264,294	15,535,902	-	11,100,389
Worcester County	367,063	-	276,981	367,063	-	295,190
WSSC	166,000	86,751	74,477	166,000	89,737	76,263
Loan Total	\$ 245,266,028	\$ 26,837,262	\$ 154,642,460	\$ 244,455,784	\$ 40,729,558	\$ 150,580,752
Grant /Loan Forgiveness	48,892,196			48,288,519		
Total Commitment	\$ 294,158,224			\$ 292,744,303		

* Net of repayments

The current portion of DWRLF loans receivable as of June 30, 2015 and 2014, was \$9,328,876 and \$8,921,993, respectively. During fiscal years 2015 and 2014, there were no defaults or delinquencies.

The Administration is not required to disclose the market value of the loans. The Administration believes that the calculated market value of the loans at any given date would be less than their nominal amounts primarily because of their below market interest rates. The Administration currently plans to hold the loans to maturity and will continue to reflect them in the accompanying financial statements at cost.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Notes to the Financial Statements
June 30, 2015 and 2014**

4. FIXED ASSETS

Fixed assets represent vehicles, net of accumulated depreciation. The activity for the years ended June 30, 2015 and 2014, follows:

	Balance June 30, 2014	For the Year Ended June 30, 2015				Balance June 30, 2015
		Increases	Decreases	Transfers	Depreciation	
Cost	\$ 215,970	\$32,359	\$ -	\$ -	\$ -	\$ 248,329
Accumulated depreciation	<u>180,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,086</u>	<u>194,195</u>
Net	<u>\$ 35,861</u>	<u>\$32,359</u>	<u>-</u>	<u>-</u>	<u>\$ 14,086</u>	<u>\$ 54,134</u>

	Balance June 30, 2013	For the Year Ended June 30, 2014				Balance June 30, 2014
		Increases	Decreases	Transfers	Depreciation	
Cost	\$ 191,057	\$ 24,913	\$ -	\$ -	\$ -	\$ 215,970
Accumulated depreciation	<u>176,523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,586</u>	<u>180,109</u>
Net	<u>\$ 14,534</u>	<u>24,913</u>	<u>-</u>	<u>-</u>	<u>\$ 3,586</u>	<u>\$ 35,861</u>

Note: Depreciation is charged to business activities.

5. DRINKING WATER STATE REVOLVING SOURCE WATER PROTECTION

The transaction below is part of the DWRLF 15% set-aside grant and the loan information below is not included in the DWRLF capital program financial statements. The DWRLF 15% set-aside work plans approved by EPA allow use of Federal funds to make loans to purchase land, for source water and wellhead protection. One loan is outstanding with an original principal balance of \$310,000 with the Town of Boonsboro. This loan is at a 0% interest rate and has a 20-year term. Information on this loan as of June 30, 2015, is summarized below:

	Loan Amount	ITD Principal Payments	Principal Balance	Annual Repayment
Town of Boonsboro	\$ 310,000	\$ 170,500	\$ 139,500	\$ 15,500

Accumulated interest and principal payments have been transferred to the Drinking Water Capital Reserve Account.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Notes to the Financial Statements
June 30, 2015 and 2014**

6. REVENUE BONDS PAYABLE

The Administration had the following outstanding debt as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Water Quality RLF		
2005 Series A, Current Refunding Revenue Bonds, dated July 28, 2005, with a true interest rate of 3.31% due serially from September 1, 2006 to September 1, 2015.	\$ 2,930,000	\$ 5,940,000
2008 Series A, Revenue Bonds, dated April 29, 2008, with an all-in true interest rate of 4.10% due serially from March 1, 2009, to March 1, 2025.	30,255,000	30,730,000
Total amount payable for Clean Water RLF	<u>33,185,000</u>	<u>36,670,000</u>
Bay Restoration Fund		
2008 Series BRF Revenue Bonds, dated June 25, 2008, with an all-in true interest rate of 4.09% due serially from March 1, 2009 to March 1, 2023.	29,980,000	33,055,000
2014 Series BRF Revenue Bonds, dated May 14, 2014, with an all-in true interest rate of 2.58% due serially from March 1, 2016 to March 1, 2029.	100,000,000	100,000,000
Total amount payable for BRF	<u>129,980,000</u>	<u>133,055,000</u>
Total amount payable for all indentured series	<u>\$ 163,165,000</u>	<u>\$ 169,725,000</u>
Less: Current portion payable	<u>12,345,000</u>	<u>6,560,000</u>
Non-current bonds payable	<u>\$ 150,820,000</u>	<u>\$ 163,165,000</u>

As of June 30, 2015, there are four series of Serial Bonds as follows:

Water Quality RLF Series	Current Bonds Payable				Final Payment Date Due
	Debt Service Due	Non-Current Bonds Payable	Years Remaining		
	Sept. 1, 2015 & March 1, 2016				
2008A	\$ 1,050,000	\$ 29,205,000	10		March 1, 2025
2005A	2,930,000	-	0		September 1, 2015
Total WQRLF	<u>\$ 3,980,000</u>	<u>\$ 29,205,000</u>			

Bay Restoration Fund Series	Current Bonds Payable				Final Payment Date Due
	Debt Service Due	Non-Current Bonds Payable	Years Remaining		
	March 1, 2016				
2014	\$ 5,160,000	\$ 94,840,000	14		March 1, 2029
2008	3,205,000	26,775,000	8		March 1, 2023
Total BRF	<u>\$ 8,365,000</u>	<u>\$ 121,615,000</u>			

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Notes to the Financial Statements
June 30, 2015 and 2014**

6. REVENUE BONDS PAYABLE (continued)

The WQRLF bonds are payable solely from, and secured by, a pledge of the loan principal and interest payments required to be made by the local and other governmental entity borrowers and a pledge of all bond funds to the Administration identified by the two indentures (March 1, 1990 & April 1, 2008). Similarly, the BRF bonds are payable solely from the revenue derived from collections from the Bay Restoration wastewater fees.

The principal and interest payment obligations related to WQRLF and BRF as of June 30, 2015, were as follows:

Water Quality RLF			
Years Ended June 30,	Interest	Principal	Total
2016	\$ 1,500,677	\$ 3,980,000	\$ 5,480,677
2017	1,385,428	1,235,000	2,620,428
2018	1,336,028	4,330,000	5,666,028
2019	1,136,927	2,900,000	4,036,927
2020	999,928	3,035,000	4,034,928
2021-2025	2,620,600	17,705,000	20,325,600
Total WQRLF	\$ 8,979,588	\$ 33,185,000	\$ 42,164,588

Bay Restoration Fund			
Years Ended June 30,	Interest	Principal	Total
2016	\$ 5,964,956	\$ 8,365,000	\$ 14,329,956
2017	5,567,256	8,735,000	14,302,256
2018	5,130,507	9,130,000	14,260,507
2019	4,674,006	9,545,000	14,219,006
2020	4,232,456	10,095,000	14,327,456
2021-2025	13,401,032	49,015,000	62,416,032
2026-2029	3,165,850	35,095,000	38,260,850
Total BRF	\$ 42,136,063	\$ 129,980,000	\$ 172,116,063

Total Interest & Bonds Payable for all series	\$ 51,115,651	\$ 163,165,000	\$ 214,280,651
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As of June 30, 2015 and 2014, the Administration's management believes that it is in compliance with all significant requirements of the indentures.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Notes to the Financial Statements
June 30, 2015 and 2014**

7. SCHEDULES OF CHANGES IN BONDS PAYABLE AND COMPENSATED ABSENCES

Changes in business-type activities long-term debt for the year ended June 30, 2015, were as follows:

Bond Series & Program	Beginning Balance 6/30/2014	Additions	Reductions	Ending Balance 6/30/2015	Amounts Due Within One Year
<u>1990 - 2005 & 2008A Water Quality RLF</u>					
Arbitrage Rebate Liability	\$ 1,295,959	\$ (93,992)	\$ 1,152,385	\$ 49,582	\$ 49,582
Unamortized Premium	844,414	-	171,392	673,022	-
Revenue Bonds Payable	36,670,000	-	3,485,000	33,185,000	3,980,000
Total WQ: 1990-2005 & 2008A Series	38,810,373	(93,992)	4,808,777	33,907,604	4,029,582
<u>2008 & 2014 Bay Restoration Fund</u>					
Unamortized Premium	15,066,185	-	2,290,414	12,775,771	-
Revenue Bonds Payable	133,055,000	-	3,075,000	129,980,000	8,365,000
Total BRF: 2008 & 2014 Series	148,121,185	-	5,365,414	142,755,771	8,365,000
Total All Bond Series & Programs	186,931,558	(93,992)	10,174,191	176,663,375	12,394,582
<u>Compensated Absences</u>					
Water Quality	408,805	322,587	115,027	616,365	322,587
Drinking Water	80,636	47,221	52,052	75,805	47,221
BRF - Wastewater	141,099	67,212	75,474	132,837	67,212
BRF - Septics	72,070	41,498	29,180	84,388	41,498
Total Compensated Absences	702,610	478,518	271,733	909,395	478,518
Total	\$ 187,634,168	\$ 384,526	\$ 10,445,924	\$ 177,572,770	\$ 12,873,100

Changes in business-type activities long-term debt for the year ended June 30, 2014, were as follows:

Bond Series & Program	Beginning Balance 6/30/2013	Additions	Reductions	Ending Balance 6/30/2014	Amounts Due Within One Year
<u>1990 - 2005 & 2008A Water Quality RLF</u>					
Arbitrage Rebate Liability	\$ 1,217,355	\$ 78,604	\$ -	\$ 1,295,959	\$ 1,295,959
Unamortized Premium	1,121,181	-	276,767	844,414	-
Revenue Bonds Payable	47,200,000	-	10,530,000	36,670,000	3,485,000
Total WQ: 1990-2005 & 2008A Series	49,538,536	78,604	10,806,767	38,810,373	4,780,959
<u>2008 & 2014 Bay Restoration Fund</u>					
Unamortized Premium	869,299	14,383,974	187,088	15,066,185	-
Revenue Bonds Payable	35,995,000	100,000,000	2,940,000	133,055,000	3,075,000
Total BRF: 2008 & 2014 Series	36,864,299	114,383,974	3,127,088	148,121,185	3,075,000
Total All Bond Series & Programs	86,402,835	114,462,578	13,933,855	186,931,558	7,855,959
<u>Compensated Absences</u>					
Water Quality	261,329	269,881	122,405	408,805	269,881
Drinking Water	74,930	52,686	46,980	80,636	52,686
BRF - Wastewater	122,403	86,667	67,971	141,099	86,667
BRF - Septics	70,324	43,781	42,035	72,070	43,781
Total Compensated Absences	528,986	453,015	279,391	702,610	453,015
Total	\$ 86,931,821	\$ 114,915,593	\$ 14,213,246	\$ 187,634,168	\$ 8,308,974

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements June 30, 2015 and 2014

The Administration had no pending workers' compensation claims as of June 30, 2015 and 2014.

8. CHESAPEAKE AND ATLANTIC COASTAL BAYS NPS FUND (2010 TRUST FUND)

MWQFA received no new funds from the Maryland Department of Natural Resources (DNR) during fiscal year ended June 30, 2014 to make grants, as DNR will manage the Fund in the future. The unobligated balance of \$112,384, that was not needed for projects was returned back to DNR during FY 2014. There were grant disbursements of \$841,833 in fiscal year 2014. This program was closed as of June 30, 2014.

9. LOAN FORGIVENESS/GRANTS AND RELATED PARTY TRANSACTIONS

In accordance with the provisions of the WQRLF and DWRLF Capitalization Grants awarded by the Environmental Protection Agency to the Administration, loan principal forgiveness is allowed under certain circumstances. Related party loan forgiveness was granted to Maryland Environmental Services (MES). In fiscal year 2011, MES was awarded two WQRLF loans with partial loan forgiveness. MES did not receive any loan forgiveness or grant disbursements under the SRF program for the fiscal years ended 2015 and 2014.

MES was also awarded grants under the BRF program. MES received BRF grant disbursements totaling \$177,588 and \$272,572, for the fiscal years ended 2015 and 2014, respectively.

10. BAY RESTORATION FUND ACTIVITY

Bay Restoration Fund (BRF) includes Wastewater Fund and Septic Fund. BRF fee revenue is collected by the State Comptroller's office and transferred to MWQFA for the purpose of providing grants for upgrade of major wastewater treatment plants in Maryland with enhanced nutrient removal technologies (Wastewater Fund) and for the purpose of providing grants for the upgrade of onsite septic disposal systems with nitrogen removal technology (Septic Fund). The revenue is recorded as earned. During the fiscal year ending June 30, 2015, the Wastewater Fund received cash deposits from the Maryland Comptroller's Office totaling \$111,784,847, which earned investment interest of \$1,187,925 for capital projects and \$135 for the 2008 indenture. Similarly, the Septic Fund (60.0% of septic fees) received cash deposits of \$17,236,263, which earned investment interest of \$72,776. The 40.0% of septic fee revenue transferred by the State Comptroller's office to the MDA is not recorded or accounted for in the accompanying financial statements of the Administration. The Board of Public Works approves grant awards, which are implemented through signed agreements. Also, capital disbursements of funds were made totaling \$205,840,253 for the wastewater treatment plant and sewer upgrades and \$18,338,144 for septic system projects for FY 2015. Wastewater Fund and Septic Fund fee revenue receivable as of June 30, 2015 and 2014, was \$22,763,253 and \$1,467,534, and \$24,751,688 and \$1,246,999, respectively.

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

**Notes to the Financial Statements
June 30, 2015 and 2014**

10. BAY RESTORATION FUND ACTIVITY (continued)

Below is a summary of grant activity as of June 30, 2015 and June 30, 2014:

BRF Wastewater Fund	2015			2014		
	BRF Grant Award	Cumulative Grant Disbursements	Remaining Grant Balance @ 6/30/15	BRF Grant Award	Cumulative Grant Disbursements	Remaining Grant Balance @ 6/30/14
ENR Grants:						
Aberdeen, Town of	\$ 14,982,000	\$ 14,259,961	\$ 722,039	\$ 14,982,000	\$ 14,259,961	\$ 722,039
Allegany County	12,208,518	12,208,518	-	12,208,518	12,208,518	-
Anne Arundel County	124,387,000	85,917,238	38,469,762	124,387,000	49,954,877	74,432,123
Baltimore City	374,078,867	254,448,776	119,630,091	299,922,000	144,933,958	154,988,042
Bowie, City of	8,668,492	8,668,492	-	8,668,492	8,668,492	-
Brunswick, City of	8,263,000	8,263,000	-	8,263,000	8,263,000	-
Cambridge, City of	8,944,000	8,321,280	622,720	8,944,000	8,321,280	622,720
Cecil County	10,977,120	4,990,102	5,987,018	10,977,120	693,000	10,284,120
Chesapeake Beach	7,080,000	4,541,851	2,538,149	7,080,000	1,625,699	5,454,301
Chestertown, Town of	1,490,854	1,490,854	-	1,490,854	1,490,854	-
Crisfield, City of	4,230,766	4,230,766	-	4,230,766	4,230,766	-
Cumberland, City of	25,654,866	25,654,866	-	25,654,866	25,654,866	-
Delmar, Town of	2,369,464	2,369,464	-	2,369,464	2,369,464	-
Denton, Town of	4,405,615	4,405,615	-	4,405,615	4,405,615	-
Easton, Town of	7,788,021	7,788,021	-	7,788,021	7,788,021	-
Elkton, Town of	7,403,154	7,403,154	-	7,403,154	7,403,154	-
Emmitsburg, Town of	5,581,000	5,071,187	509,813	5,581,000	3,198,913	2,382,087
Federsburg, Town of	2,900,000	2,900,000	-	2,900,000	2,900,000	-
Frederick, City of	16,060,521	1,346,282	14,714,239	1,458,000	379,756	1,078,244
Frederick County	31,000,000	30,124,616	875,384	31,000,000	28,868,175	2,131,825
Fruitland, City of	4,809,000	2,057,427	2,751,573	4,809,000	213,395	4,595,605
Hagerstown, City of	10,191,836	10,191,836	-	10,191,836	10,191,836	-
Harford County	41,180,778	39,903,026	1,277,752	41,315,000	33,425,666	7,889,334
Havre de Grace, City of	10,474,820	10,474,820	-	10,474,820	10,474,820	-
Howard County	35,493,172	35,493,172	-	35,493,172	35,493,172	-
Hurlock, Town of	941,148	941,148	-	941,148	941,148	-
Indian Head, Town of	5,822,098	5,822,098	-	5,822,098	5,822,098	-
La Plata, Town of	9,367,610	9,367,610	-	9,378,000	8,643,736	734,264
Leonardtown, Town of	8,996,527	468,671	8,527,856	510,000	-	510,000
MD Environmental Serv.	8,082,345	580,189	7,502,156	713,000	462,601	250,399
Mount Airy, Town of	3,354,144	3,354,144	-	3,354,144	3,354,144	-
Perryville, Town of	3,888,168	3,888,168	-	3,888,168	3,888,168	-
Pocomoke, City of	3,214,878	3,214,878	-	3,214,878	3,214,878	-
Poolesville, Town of	223,132	223,132	-	223,132	223,132	-
Queen Anne's County	6,380,645	6,380,645	-	6,380,645	6,380,645	-
Queenstown, Town of	880,929	310,597	570,332	880,929	-	880,929
Rising Sun, Town of	1,099,268	240,899	858,369	-	-	-
Salisbury, City of	16,644,767	2,733,838	13,910,929	3,406,877	2,733,838	673,039
Secretary, Town of	50,000	49,041	959	50,000	-	50,000
Snow Hill, Town of	3,275,455	3,275,455	-	3,416,000	3,142,386	273,614
St. Mary's County	9,896,000	5,046,138	4,849,862	9,896,000	1,690,240	8,205,760
Sudlersville, Town of	2,364,420	892,195	1,472,225	-	-	-
Talbot County	1,978,699	1,978,699	-	1,978,699	1,978,699	-
Taneytown, City of	5,566,494	1,321,387	4,245,107	580,000	184,125	395,875
Thumont, Town of	6,680,679	6,680,679	-	6,889,000	6,680,679	208,321
Washington County	3,059,028	632,467	2,426,561	350,000	308,123	41,877
Westminster, City of	1,020,000	641,687	378,313	1,020,000	598,319	421,681
WSSC	209,197,572	149,141,088	60,056,484	177,160,803	118,766,458	58,394,345
ENR Total	1,092,606,870	799,709,177	292,897,693	932,051,219	596,430,675	335,620,544
Sewer Grants-Statewide	19,711,306	19,711,306	-	19,711,306	19,711,306	-
O&M Grants-Statewide	5,522,310	5,522,310	-	2,960,560	2,960,560	-
Total ENR, Sewer & O&M Grants	\$1,117,840,486	\$ 824,942,793	\$ 292,897,693	\$ 954,723,085	\$ 619,102,541	\$ 335,620,544

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Notes to the Financial Statements
June 30, 2015 and 2014

10. BAY RESTORATION FUND ACTIVITY (continued)

BRF Septic Fund	2015			2014		
	BRF Grant	Cumulative	Remaining	BRF Grant	Cumulative	Remaining
	Award	Grant	Grant Balance	Award	Grant	Grant Balance
		Disbursements	@ 6/30/15		Disbursements	@ 6/30/14
Septic Capital Grants:						
Allegany Co.	\$ 246,792	\$ 168,438	\$ 78,354	\$ 174,166	\$ 103,162	\$ 71,004
Anne Arundel Co.	14,610,686	13,376,823	1,233,863	11,908,040	9,764,004	2,144,036
Baltimore Co.	1,770,954	1,641,951	129,003	1,100,065	846,723	253,342
Calvert Co.	7,882,546	7,638,225	244,321	6,539,546	6,388,718	150,828
Caroline Co.	2,284,699	2,240,634	44,065	1,855,699	1,775,721	79,978
Carroll Co.	906,248	806,172	100,076	428,698	300,155	128,543
Cecil Co.	4,144,680	3,742,127	402,553	3,113,001	2,911,141	201,860
Charles Co.	2,286,293	2,148,398	137,895	2,046,885	1,689,813	357,072
Dorchester Co.	4,574,470	4,155,892	418,578	3,787,098	3,359,805	427,293
Frederick Co.	2,455,994	2,354,347	101,647	2,016,835	1,782,740	234,095
Garrett Co.	571,417	556,214	15,203	427,060	368,074	58,986
Harford Co.	2,081,288	1,760,848	320,440	1,582,895	1,190,053	392,842
Howard Co.	643,586	627,586	16,000	444,982	393,490	51,492
Kent Co.	3,829,092	3,720,289	108,803	3,294,377	3,052,803	241,574
Montgomery Co.	862,083	726,399	135,684	754,638	256,261	498,377
Prince George's Co.	172,200	4,200	168,000	180,200	4,200	176,000
Queen Anne's Co.	5,019,773	4,408,898	610,875	3,934,051	3,300,623	633,428
Somerset Co.	1,716,776	1,547,170	169,606	1,424,259	1,222,259	202,000
St. Mary's Co.	6,318,913	6,201,076	117,837	4,766,110	4,210,827	555,283
Talbot Co.	4,602,589	4,391,905	210,684	3,840,992	3,055,919	785,073
Washington Co.	2,428,439	2,248,873	179,566	2,125,700	1,990,418	135,282
Wicomico Co.	4,886,017	4,514,748	371,269	4,226,278	3,964,303	261,975
Worcester Co.	2,318,730	1,916,730	402,000	2,066,587	1,663,587	403,000
Individual Septic Grants	17,725,267	17,725,267	-	17,725,267	17,725,267	-
Total Septic -Capital	94,339,532	88,623,210	5,716,322	79,763,429	71,320,066	8,443,363
HB12 Grants (statewide)	1,035,000	1,035,000	-	-	-	-
Total BRF Septic Grants	\$ 95,374,532	\$ 89,658,210	\$ 5,716,322	\$ 79,763,429	\$ 71,320,066	\$ 8,443,363

SUPPLEMENTAL INFORMATION

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Combining Statements of Net Position – Schedule 1 As of June 30, 2015 and 2014

	2015					2014				
	Funds held by Administration					Funds held by Administration				
	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Total	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Total
ASSETS										
Current Assets:										
Cash and cash equivalents	\$ 294,343,481	\$ 42,950,644	\$ 10,355,233	\$ -	\$ 347,649,358	\$ 318,385,513	\$ 38,543,941	\$ 117,054,855	\$ -	\$ 473,984,309
Investments	4,027,950	-	-	-	4,027,950	1,999,980	-	-	-	1,999,980
Receivables:										
Investment interest	188,401	-	-	-	188,401	197,300	-	-	-	197,300
Loans	37,407,137	9,328,876	-	-	46,736,013	19,736,790	8,921,993	-	-	28,658,783
Loan interest	2,733,781	745,230	-	-	3,479,011	1,911,759	782,700	-	-	2,694,459
BRF fee	-	-	1,808,983	-	1,808,983	-	-	1,618,274	-	1,618,274
Administrative fee	4,488,773	509,766	-	-	4,998,539	4,213,454	522,368	-	-	4,735,822
Current Restricted Assets:										
Cash and cash equivalents	21	-	25,307,116	-	25,307,137	9	-	23,074,541	-	23,074,550
Investments	7,359,282	-	-	-	7,359,282	10,358,930	-	-	-	10,358,930
Receivables:										
Investment interest	9,505	-	-	-	9,505	66,659	-	21	-	66,680
BRF fee	-	-	22,421,804	-	22,421,804	-	-	24,380,413	-	24,380,413
Loans	42,799,328	-	-	-	42,799,328	49,076,769	-	-	-	49,076,769
Loan interest	2,136,820	-	-	-	2,136,820	2,553,809	-	-	-	2,553,809
Total Current Assets	395,494,479	53,534,516	59,893,136	-	508,922,131	408,500,972	48,771,002	166,128,104	-	623,400,078
Non-current Assets:										
Investments	7,342,727	-	-	-	7,342,727	11,938,742	-	-	-	11,938,742
Loans receivable	527,472,182	145,313,584	-	-	672,785,766	403,918,701	141,658,759	-	-	545,577,460
Fixed assets, net	45,942	-	8,192	-	54,134	24,498	-	11,363	-	35,861
Non-current Restricted Assets:										
Investments	785,341	-	-	-	785,341	-	-	-	-	-
Loans receivable	312,289,069	-	-	-	312,289,069	378,156,379	-	-	-	378,156,379
Total Non-current Assets	847,935,261	145,313,584	8,192	-	993,257,037	794,038,320	141,658,759	11,363	-	935,708,442
Total Assets	1,243,429,740	198,848,100	59,901,328	\$ -	1,502,179,168	1,202,539,292	190,429,761	166,139,467	-	1,559,108,520

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Combining Statements of Net Position – Schedule 1 (continued) As of June 30, 2015 and 2014

	2015					2014				
	Funds held by Administration					Funds held by Administration				
	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Total	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Total
LIABILITIES AND NET POSITION										
LIABILITIES										
Current Liabilities:										
Accounts payable	\$ 330,908	\$ 49,417	\$ 114,834	\$ -	\$ 495,159	\$ 278,156	\$ 54,869	\$ 136,541	\$ -	\$ 469,566
Current liabilities payable from restricted assets:										
Revenue bonds payable	3,980,000	-	8,365,000	-	12,345,000	3,485,000	-	3,075,000	-	6,560,000
Accrued interest bonds payable	469,877	-	1,231,524	-	1,701,401	511,167	-	704,665	-	1,215,832
Arbitrage rebate	49,582	-	-	-	49,582	1,295,959	-	-	-	1,295,959
Total Current Liabilities	4,830,367	49,417	9,711,358	-	14,591,142	5,570,282	54,869	3,916,206	-	9,541,357
Non-current Liabilities:										
Other liabilities	293,778	28,584	108,515	-	430,877	138,924	27,950	82,721	-	249,595
Non-current liabilities payable from restricted assets:										
Revenue bonds payable	29,205,000	-	121,615,000	-	150,820,000	33,185,000	-	129,980,000	-	163,165,000
Bonds premium	673,022	-	12,775,771	-	13,448,793	844,414	-	15,066,185	-	15,910,599
Total Non-current Liabilities	30,171,800	28,584	134,499,286	-	164,699,670	34,168,338	27,950	145,128,906	-	179,325,194
Total Liabilities	35,002,167	78,001	144,210,644	-	179,290,812	39,738,620	82,819	149,045,112	-	188,866,551
NET POSITION										
Net investment in capital assets	45,942	-	8,192	-	54,134	24,498	-	11,363	-	35,861
Restricted for debt service	331,001,885	-	(96,258,375)	-	234,743,510	400,891,015	-	(101,370,875)	-	299,520,140
Unrestricted	877,379,746	198,770,099	11,940,867	-	1,088,090,712	761,885,159	190,346,942	118,453,867	-	1,070,685,968
Total Net Position	\$ 1,208,427,573	\$ 198,770,099	\$ (84,309,316)	\$ -	\$ 1,322,888,356	\$ 1,162,800,672	\$ 190,346,942	\$ 17,094,355	\$ -	\$ 1,370,241,969

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Combining Statements of Revenue, Expenses and Changes in Net Position – Schedule 2 For the Years Ended June 30, 2015 and 2014

	2015					2014				
	Funds held by Administration					Funds held by Administration				
	Clean Water RLF	Drinking Water RLF	Restoration Fund	2010 NPS Trust Fund	Total	Clean Water RLF	Drinking Water RLF	Restoration Fund	2010 NPS Trust Fund	Total
Operating Revenue:										
Interest on loans	\$ 9,629,910	\$ 1,527,868	\$ -	\$ -	\$ 11,157,778	\$ 9,058,201	\$ 1,518,921	\$ -	\$ -	\$ 10,577,122
Loan administration fees	4,489,779	518,254	-	-	5,008,033	4,214,284	523,458	-	-	4,737,742
Fee revenue	-	-	127,253,210	-	127,253,210	-	-	127,490,134	(112,384)	127,377,750
Grant revenue	1,049,213	488,228	-	-	1,537,441	1,045,944	511,706	-	-	1,557,650
Grant revenue (Set-Asides 2%,10%, & 15%)	-	4,248,026	-	-	4,248,026	-	4,117,462	-	-	4,117,462
Miscellaneous	14,449	15,500	-	-	29,949	2,651	15,502	-	-	18,153
Total Operating Revenue	15,183,351	6,797,876	127,253,210	-	149,234,437	14,321,080	6,687,049	127,490,134	(112,384)	148,385,879
Operating Expenses:										
Salaries and related benefits	4,155,437	769,576	1,805,725	-	6,730,738	3,088,400	668,512	1,797,234	-	5,554,146
General	1,551,090	204,808	466,005	-	2,221,903	1,304,801	244,537	413,236	-	1,962,574
Capital grant disbursements	4,211,018	5,198,373	224,178,397	-	233,587,788	4,583,265	6,465,118	147,177,007	841,833	159,067,223
Transfers-out (Set-Asides 2%,10%, & 15%)	-	4,248,026	-	-	4,248,026	-	4,117,462	-	-	4,117,462
Total Operating Expenses	9,917,545	10,420,783	226,450,127	-	246,788,455	8,976,466	11,495,629	149,387,477	841,833	170,701,405
Operating Income (Loss)	5,265,806	(3,622,907)	(99,196,917)	-	(97,554,018)	5,344,614	(4,808,580)	(21,897,343)	(954,217)	(22,315,526)
Non-operating Revenue (Expenses):										
Investment income	3,727,385	416,524	1,260,836	-	5,404,745	4,008,674	377,546	720,368	-	5,106,588
Cost of issuance expense	-	-	(57,968)	-	(57,968)	-	-	(398,379)	-	(398,379)
Arbitrage rebate expense	93,992	-	-	-	93,992	(78,604)	-	-	-	(78,604)
Interest expense on bonds	(1,438,071)	-	(3,409,622)	-	(4,847,693)	(1,691,287)	-	(1,696,012)	-	(3,387,299)
Net change in fair value of investments	(47,420)	-	-	-	(47,420)	(64,800)	-	-	-	(64,800)
Total Non-operating Revenue (Expenses)	2,335,886	416,524	(2,206,754)	-	545,656	2,173,983	377,546	(1,374,023)	-	1,177,506
Income (Loss) Before Contributions	7,601,692	(3,206,383)	(101,403,671)	-	(97,008,362)	7,518,597	(4,431,034)	(23,271,366)	(954,217)	(21,138,020)
Contributions received from:										
Federal government	31,566,209	9,015,540	-	-	40,581,749	34,200,000	10,397,086	-	-	44,597,086
State of MD-required match to Federal grant	6,459,000	2,614,000	-	-	9,073,000	6,840,000	2,832,000	-	-	9,672,000
Change in Net Position	45,626,901	8,423,157	(101,403,671)	-	(47,353,613)	48,558,597	8,798,052	(23,271,366)	(954,217)	33,131,066
Net Position, Beginning of Year	1,162,800,672	190,346,942	17,094,355	-	1,370,241,969	1,114,242,075	181,548,890	40,365,721	954,217	1,337,110,903
Net Position, End of Year	\$ 1,208,427,573	\$ 198,770,099	\$ (84,309,316)	\$ -	\$ 1,322,888,356	\$ 1,162,800,672	\$ 190,346,942	\$ 17,094,355	\$ -	\$ 1,370,241,969

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Combining Statements of Cash Flows – Schedule 3 For the Years Ended June 30, 2015 and 2014

	2015					2014				
	Funds held by Administration					Funds held by Administration				
	Clean Water RLF	Drinking Water RLF	Restoration Fund	2010 NPS Trust Fund	Total	Clean Water RLF	Drinking Water RLF	Restoration Fund	2010 NPS Trust Fund	Total
Cash Flows from Operating Activities:										
Loan repayments	\$ 68,736,309	\$ 10,640,832	\$ -	\$ -	\$ 79,377,141	\$ 65,275,706	\$ 6,945,127	\$ -	\$ -	\$ 72,220,833
Interest and fees received from borrowers	13,439,336	2,096,194	-	-	15,535,530	12,715,422	1,943,937	-	-	14,659,359
BRF Fee and other receipts	1,063,662	4,751,754	129,021,110	-	134,836,526	1,048,595	4,644,670	125,176,806	(112,384)	130,757,687
Loan disbursements	(137,815,384)	(14,702,540)	-	-	(152,517,924)	(117,113,415)	(11,104,210)	-	-	(128,217,625)
Capital grant disbursements	(4,211,018)	(5,198,373)	(224,178,397)	-	(233,587,788)	(4,583,265)	(6,465,118)	(147,177,007)	(841,833)	(159,067,223)
Salaries and benefits paid	(4,155,437)	(769,576)	(1,805,725)	-	(6,730,738)	(3,088,400)	(668,512)	(1,797,234)	-	(5,554,146)
General expenses paid	(1,332,569)	(4,457,652)	(458,747)	-	(6,248,968)	(1,156,610)	(4,356,203)	(388,812)	-	(5,901,625)
Net Cash from Operating Activities	(64,275,101)	(7,639,361)	(97,421,759)	-	(169,336,221)	(46,901,967)	(9,060,309)	(24,186,247)	(954,217)	(81,102,740)
Cash Flows from Non-capital Financing Activities:										
Contributions received from:										
Federal government	31,566,209	9,015,540	-	-	40,581,749	34,200,000	10,397,086	-	-	44,597,086
State of MD-required match to Federal grant	6,459,000	2,614,000	-	-	9,073,000	6,840,000	2,832,000	-	-	9,672,000
Proceeds from sale of bonds	-	-	-	-	-	-	-	114,383,974	-	114,383,974
Repayment of bonds	(3,485,000)	-	(3,075,000)	-	(6,560,000)	(10,530,000)	-	(2,940,000)	-	(13,470,000)
Cost of issuance/underwriters discount	-	-	(57,968)	-	(57,968)	-	-	(398,379)	-	(398,379)
Interest on bonds	(1,650,752)	-	(5,173,177)	-	(6,823,929)	(2,086,253)	-	(1,674,109)	-	(3,760,362)
Arbitrage Liability-Bonds	(1,152,385)	-	-	-	(1,152,385)	-	-	-	-	-
Net Cash from Non-capital Financing Activities	31,737,072	11,629,540	(8,306,145)	-	35,060,467	28,423,747	13,229,086	109,371,486	-	151,024,319
Cash Flows from Capital and Related Financing Activities:										
Financing Activities:										
Purchase of equipment	(32,359)	-	-	-	(32,359)	(24,913)	-	-	-	(24,913)
Net Cash from Capital and Related Financing Activities	(32,359)	-	-	-	(32,359)	(24,913)	-	-	-	(24,913)
Cash Flows from Investing Activities:										
Purchase of investments	(11,220,356)	-	-	-	(11,220,356)	(7,082,030)	-	-	-	(7,082,030)
Interest on investment securities	3,793,437	416,524	1,260,857	-	5,470,818	4,043,626	377,546	720,347	-	5,141,519
Proceeds from sale of investments	15,955,287	-	-	-	15,955,287	13,196,062	-	-	-	13,196,062
Net Cash from Investing Activities	8,528,368	416,524	1,260,857	-	10,205,749	10,157,658	377,546	720,347	-	11,255,551
Net Increase/(Decr) in Cash and Cash Equivalents	(24,042,020)	4,406,703	(104,467,047)	-	(124,102,364)	(8,345,475)	4,546,323	85,905,586	(954,217)	81,152,217
Cash & Cash Equivalents, Beginning of Year	318,385,522	38,543,941	140,129,396	-	497,058,859	326,730,997	33,997,618	54,223,810	954,217	415,906,642
Cash & Cash Equivalents, End of Year	\$ 294,343,502	\$ 42,950,644	\$ 35,662,349	\$ -	\$ 372,956,495	\$ 318,385,522	\$ 38,543,941	\$ 140,129,396	\$ -	\$ 497,058,859

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

Combining Statements of Cash Flows – Schedule 3 (continued) For the Years Ended June 30, 2015 and 2014

	2015					2014				
	Funds held by Administration					Funds held by Administration				
	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Total	Clean Water RLF	Drinking Water RLF	Bay Restoration Fund	2010 NPS Trust Fund	Total
Reconciliation of operating income (loss) to net cash from operating activities:										
Operating income (loss)	\$ 5,265,806	\$ (3,622,907)	\$ (99,196,917)	\$ -	\$ (97,554,018)	\$ 5,344,614	\$ (4,808,580)	\$ (21,897,343)	\$ (954,217)	\$ (22,315,526)
Depreciation of fixed assets	10,915	-	3,171	-	14,086	415	-	3,171	-	3,586
Adjustments to reconcile operating income to net cash from operating activities:										
Loan disbursements	(137,815,384)	(14,702,540)	-	-	(152,517,924)	(117,113,415)	(11,104,210)	-	-	(128,217,625)
Loan repayments	68,736,309	10,640,832	-	-	79,377,141	65,275,706	6,945,127	-	-	72,220,833
Decrease/(incr) in loan interest receivable	(405,034)	37,470	-	-	(367,564)	(321,582)	(75,753)	-	-	(397,335)
Decrease/(incr) in administrative fee receivable and BRF fee receivable	(275,319)	12,602	1,767,900	-	1,505,183	(235,481)	(22,689)	(2,313,328)	-	(2,571,498)
Increase/(decr) in accounts payable and other liabilities	207,606	(4,818)	4,087	-	206,875	147,776	5,796	21,253	-	174,825
Net Cash from Operating Activities	\$ (64,275,101)	\$ (7,639,361)	\$ (97,421,759)	\$ -	\$ (169,336,221)	\$ (46,901,967)	\$ (9,060,309)	\$ (24,186,247)	\$ (954,217)	\$ (81,102,740)

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

CLEAN WATER STATE REVOLVING LOAN FUND

Combining Statements of Net Position – Schedule 4

As of June 30, 2015 and 2014

	2015					2014				
	Funds held by Administration					Funds held by Administration				
	General Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total	General Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total
ASSETS										
Current Assets:										
Cash and cash equivalents	\$ 1,065,428	\$ 293,278,053	\$ -	\$ -	\$ 294,343,481	\$ 1,322,120	\$ 317,063,393	\$ -	\$ -	\$ 318,385,513
Investments	-	4,027,950	-	-	4,027,950	-	1,999,980	-	-	1,999,980
Receivables:										
Investment interest	-	188,401	-	-	188,401	-	197,300	-	-	197,300
Loans	-	37,407,137	-	-	37,407,137	-	19,736,790	-	-	19,736,790
Loan interest	-	2,733,781	-	-	2,733,781	-	1,911,759	-	-	1,911,759
Administrative fee	4,488,773	-	-	-	4,488,773	4,213,454	-	-	-	4,213,454
Current Restricted Assets:										
Cash and cash equivalents	-	-	13	8	21	-	-	-	9	9
Investments	-	-	-	7,359,282	7,359,282	-	-	-	10,358,930	10,358,930
Receivables:										
Investment interest	-	-	8,213	1,292	9,505	-	-	-	66,659	66,659
Loans	-	-	40,763,488	2,035,840	42,799,328	-	-	44,837,177	4,239,592	49,076,769
Loan interest	-	-	2,085,013	51,807	2,136,820	-	-	2,437,389	116,420	2,553,809
Total Current Assets	5,554,201	337,635,322	42,856,727	9,448,229	395,494,479	5,535,574	340,909,222	47,274,566	14,781,610	408,500,972
Non-current Assets:										
Investments	-	7,342,727	-	-	7,342,727	-	11,938,742	-	-	11,938,742
Loans receivable	-	527,472,182	-	-	527,472,182	-	403,918,701	-	-	403,918,701
Fixed assets, net	45,942	-	-	-	45,942	24,498	-	-	-	24,498
Non-current Restricted Assets:										
Investments	-	-	785,341	-	785,341	-	-	-	-	-
Loans receivable	-	-	310,701,955	1,587,114	312,289,069	-	-	374,533,425	3,622,954	378,156,379
Total Non-current Assets	45,942	534,814,909	311,487,296	1,587,114	847,935,261	24,498	415,857,443	374,533,425	3,622,954	794,038,320
Total Assets	5,600,143	872,450,231	354,344,023	11,035,343	1,243,429,740	5,560,072	756,766,665	421,807,991	18,404,564	1,202,539,292

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

CLEAN WATER STATE REVOLVING LOAN FUND

Combining Statements of Net Position – Schedule 4 (continued)

As of June 30, 2015 and 2014

	2015					2014				
	Funds held by Administration					Funds held by Administration				
	General Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total	General Accounts	Capital Reserve Accounts	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total
LIABILITIES AND NET POSITION										
LIABILITIES										
Current Liabilities:										
Accounts payable	\$ 330,908	\$ -	\$ -	\$ -	\$ 330,908	\$ 278,156	\$ -	\$ -	\$ -	\$ 278,156
Current liabilities payable from restricted assets:										
Revenue bonds payable	-	-	1,050,000	2,930,000	3,980,000	-	-	475,000	3,010,000	3,485,000
Accrued interest bonds payable	-	-	432,436	37,441	469,877	-	-	437,634	73,533	511,167
Arbitrage rebate	-	-	-	49,582	49,582	-	-	-	1,295,959	1,295,959
Total Current Liabilities	330,908	-	1,482,436	3,017,023	4,830,367	278,156	-	912,634	4,379,492	5,570,282
Non-current Liabilities:										
Other liabilities	293,778	-	-	-	293,778	138,924	-	-	-	138,924
Non-current liabilities payable from restricted assets:										
Revenue bonds payable	-	-	29,205,000	-	29,205,000	-	-	30,255,000	2,930,000	33,185,000
Bond premium	-	-	655,933	17,089	673,022	-	-	787,085	57,329	844,414
Total Non-current Liabilities	293,778	-	29,860,933	17,089	30,171,800	138,924	-	31,042,085	2,987,329	34,168,338
Total Liabilities	624,686	-	31,343,369	3,034,112	35,002,167	417,080	-	31,954,719	7,366,821	39,738,620
NET POSITION										
Net investment in capital assets	45,942	-	-	-	45,942	24,498	-	-	-	24,498
Restricted for debt service	-	-	323,000,654	8,001,231	331,001,885	-	-	389,853,272	11,037,743	400,891,015
Unrestricted	4,929,515	872,450,231	-	-	877,379,746	5,118,494	756,766,665	-	-	761,885,159
Total Net Position	\$ 4,975,457	\$ 872,450,231	\$ 323,000,654	\$ 8,001,231	\$ 1,208,427,573	\$ 5,142,992	\$ 756,766,665	\$ 389,853,272	\$ 11,037,743	\$ 1,162,800,672

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

CLEAN WATER STATE REVOLVING LOAN FUND

Combining Statements of Revenue, Expenses and Changes in Net Position – Schedule 5 For the Years Ended June 30, 2015 and 2014

	2015					2014				
	Funds held by Administration					Funds held by Administration				
	General Accounts	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total	General Accounts	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Total
Operating Revenues:										
Interest on loans	\$ -	\$ 4,939,539	\$ 4,522,142	\$ 168,229	\$ 9,629,910	\$ -	\$ 3,558,289	\$ 5,158,677	\$ 341,235	\$ 9,058,201
Loan administration fees	4,489,779	-	-	-	4,489,779	4,214,284	-	-	-	4,214,284
Grant revenue	1,049,213	-	-	-	1,049,213	1,045,944	-	-	-	1,045,944
Miscellaneous income	-	14,449	-	-	14,449	-	2,651	-	-	2,651
Total Operating Revenue	5,538,992	4,953,988	4,522,142	168,229	15,183,351	5,260,228	3,560,940	5,158,677	341,235	14,321,080
Operating Expenses:										
Salaries and related benefits	4,155,437	-	-	-	4,155,437	3,088,400	-	-	-	3,088,400
General	1,551,090	-	-	-	1,551,090	1,304,801	-	-	-	1,304,801
Capital grant disbursements	-	4,211,018	-	-	4,211,018	-	4,583,265	-	-	4,583,265
Total Operating Expenses	5,706,527	4,211,018	-	-	9,917,545	4,393,201	4,583,265	-	-	8,976,466
Operating Income (Loss)	(167,535)	742,970	4,522,142	168,229	5,265,806	867,027	(1,022,325)	5,158,677	341,235	5,344,614
Non-operating Revenue (Expenses)										
Investment income	300	3,712,350	8,629	6,106	3,727,385	231	3,810,796	397	197,250	4,008,674
Arbitrage rebate expense	-	-	-	93,992	93,992	-	-	-	(78,604)	(78,604)
Interest expense on bonds	-	-	(1,307,703)	(130,368)	(1,438,071)	-	-	(1,444,486)	(246,801)	(1,691,287)
Net change in fair value of investments	-	(47,420)	-	-	(47,420)	-	(64,800)	-	-	(64,800)
Total Non-operating Revenue (Expenses)	300	3,664,930	(1,299,074)	(30,270)	2,335,886	231	3,745,996	(1,444,089)	(128,155)	2,173,983
Income (Loss) Before Contributions	(167,235)	4,407,900	3,223,068	137,959	7,601,692	867,258	2,723,671	3,714,588	213,080	7,518,597
Contributions received from:										
Federal government	-	31,566,209	-	-	31,566,209	-	34,200,000	-	-	34,200,000
State of MD-required match to federal grant	-	6,459,000	-	-	6,459,000	-	6,840,000	-	-	6,840,000
Interfund transfers	(300)	73,250,457	(70,075,686)	(3,174,471)	-	(231)	48,583,430	(41,027,329)	(7,555,870)	-
Change in Net Position	(167,535)	115,683,566	(66,852,618)	(3,036,512)	45,626,901	867,027	92,347,101	(37,312,741)	(7,342,790)	48,558,597
Net Position, Beginning of Year	5,142,992	756,766,665	389,853,272	11,037,743	1,162,800,672	4,275,965	664,419,564	427,166,013	18,380,533	1,114,242,075
Net Position, End of Year	\$ 4,975,457	\$ 872,450,231	\$ 323,000,654	\$ 8,001,231	\$ 1,208,427,573	\$ 5,142,992	\$ 756,766,665	\$ 389,853,272	\$ 11,037,743	\$ 1,162,800,672

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

CLEAN WATER STATE REVOLVING LOAN FUND

Combining Statements of Cash Flow – Schedule 6

For the Years Ended June 30, 2015 and 2014

	2015					2014				
	Funds held by Administration					Funds held by Administration				
	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Totals	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Totals
Cash Flows from Operating Activities:										
Loan repayments	\$ -	\$ 19,659,540	\$ 44,837,177	\$ 4,239,592	\$ 68,736,309	\$ -	\$ 15,085,354	\$ 43,293,907	\$ 6,896,445	\$ 65,275,706
Interest and fees received from borrowers	4,214,460	4,117,517	4,874,517	232,842	13,439,336	3,978,803	2,844,413	5,442,578	449,628	12,715,422
Other receipts	1,049,213	14,449	-	-	1,063,662	1,045,944	2,651	-	-	1,048,595
Loan disbursements	-	(137,815,384)	-	-	(137,815,384)	-	(117,113,415)	-	-	(117,113,415)
Capital grant disbursements	-	(4,211,018)	-	-	(4,211,018)	-	(4,583,265)	-	-	(4,583,265)
Salaries and benefits paid	(4,155,437)	-	-	-	(4,155,437)	(3,088,400)	-	-	-	(3,088,400)
General expenses paid	(1,332,569)	-	-	-	(1,332,569)	(1,156,610)	-	-	-	(1,156,610)
Net Cash from Operating Activities	(224,333)	(118,234,896)	49,711,694	4,472,434	(64,275,101)	779,737	(103,764,262)	48,736,485	7,346,073	(46,901,967)
Cash Flows from Non-capital Financing Activities:										
Contributions received from:										
Federal government	-	31,566,209	-	-	31,566,209	-	34,200,000	-	-	34,200,000
State of MD-required match to Federal grant	-	6,459,000	-	-	6,459,000	-	6,840,000	-	-	6,840,000
Interfund transfers	(300)	50,182,475	(47,007,704)	(3,174,471)	-	(231)	48,583,430	(41,027,329)	(7,555,870)	-
Proceeds from sale of bonds	-	-	-	-	-	-	-	-	-	-
Repayment of bonds	-	-	(475,000)	(3,010,000)	(3,485,000)	-	-	(5,970,000)	(4,560,000)	(10,530,000)
Interest on bonds	-	-	(1,444,052)	(206,700)	(1,650,752)	-	-	(1,739,553)	(346,700)	(2,086,253)
Arbitrage liability paid	-	-	-	(1,152,385)	(1,152,385)	-	-	-	-	-
Net Cash from Non-capital Financing Activities	(300)	88,207,684	(48,926,756)	(7,543,556)	31,737,072	(231)	89,623,430	(48,736,882)	(12,462,570)	28,423,747
Cash Flows from Capital and Related Financing Activities:										
Purchase of equipment	(32,359)	-	-	-	(32,359)	(24,913)	-	-	-	(24,913)
Net Cash from Capital and Related Financing Activities	(32,359)	-	-	-	(32,359)	(24,913)	-	-	-	(24,913)
Cash Flows from Investing Activities:										
Purchase of investments	-	-	(785,341)	(10,435,015)	(11,220,356)	-	-	-	(7,082,030)	(7,082,030)
Interest on investment securities	300	3,721,248	416	71,473	3,793,437	231	3,829,338	397	213,660	4,043,626
Proceeds from sale of investments	-	2,520,624	-	13,434,663	15,955,287	-	1,227,311	-	11,968,751	13,196,062
Net Cash from Investing Activities	300	6,241,872	(784,925)	3,071,121	8,528,368	231	5,056,649	397	5,100,381	10,157,658
Net Increase/(Decr) in Cash and Cash Equivalents	(256,692)	(23,785,340)	13	(1)	(24,042,020)	754,824	(9,084,183)	-	(16,116)	(8,345,475)
Cash & Cash Equivalents, Beginning of Year	1,322,120	317,063,393	-	9	318,385,522	567,296	326,147,576	-	16,125	326,730,997
Cash & Cash Equivalents, End of Year	\$ 1,065,428	\$ 293,278,053	\$ 13	\$ 8	\$ 294,343,502	\$ 1,322,120	\$ 317,063,393	\$ -	\$ 9	\$ 318,385,522

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

CLEAN WATER STATE REVOLVING LOAN FUND

Combining Statements of Cash Flow – Schedule 6 (continued)

For the Years Ended June 30, 2015 and 2014

	2015					2014				
	Funds held by Administration					Funds held by Administration				
	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Totals	General Account	Capital Reserve Account	Bond Funds 2008 Indenture	Bond Funds 1990 Indenture	Totals
Reconciliation of operating income (loss) to net cash from operating activities:										
Operating income (loss)	\$ (167,535)	\$ 742,970	\$ 4,522,142	\$ 168,229	\$ 5,265,806	\$ 867,027	\$ (1,022,325)	\$ 5,158,677	\$ 341,235	\$ 5,344,614
Depreciation of fixed assets	10,915	-	-	-	10,915	415	-	-	-	415
Adjustments to reconcile operating income to net cash from operating activities:										
Loan disbursements	-	(137,815,384)	-	-	(137,815,384)	-	(117,113,415)	-	-	(117,113,415)
Loan repayments	-	19,659,540	44,837,177	4,239,592	68,736,309	-	15,085,354	43,293,907	6,896,445	65,275,706
Decrease (incr) in loan interest receivable	-	(822,022)	352,375	64,613	(405,034)	-	(713,876)	283,901	108,393	(321,582)
Decrease/(incr) in administrative fee receivable	(275,319)	-	-	-	(275,319)	(235,481)	-	-	-	(235,481)
Increase/(decr) in accounts payable and other liabilities	207,606	-	-	-	207,606	147,776	-	-	-	147,776
Net Cash from Operating Activities	\$ (224,333)	\$ (118,234,896)	\$ 49,711,694	\$ 4,472,434	\$ (64,275,101)	\$ 779,737	\$ (103,764,262)	\$ 48,736,485	\$ 7,346,073	\$ (46,901,967)

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

DRINKING WATER STATE REVOLVING LOAN FUND

Combining Statements of Net Position – Schedule 7

As of June 30, 2015 and 2014

	2015			2014		
	Funds held by Administration			Funds held by Administration		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 242,049	\$ 42,708,595	\$ 42,950,644	\$ 197,449	\$ 38,346,492	\$ 38,543,941
Investments	-	-	-	-	-	-
Receivables:						
Investment interest	-	-	-	-	-	-
Loans	-	9,328,876	9,328,876	-	8,921,993	8,921,993
Loan interest	-	745,230	745,230	-	782,700	782,700
Administrative fee	509,766	-	509,766	522,368	-	522,368
Total Current Assets	751,815	52,782,701	53,534,516	719,817	48,051,185	48,771,002
Non-current Assets:						
Receivables:						
Loans	-	145,313,584	145,313,584	-	141,658,759	141,658,759
Total Non-current Assets	-	145,313,584	145,313,584	-	141,658,759	141,658,759
Total Assets	\$ 751,815	\$ 198,096,285	\$ 198,848,100	\$ 719,817	\$ 189,709,944	\$ 190,429,761
LIABILITIES AND NET POSITION						
LIABILITIES						
Current Liabilities:						
Accounts payable	\$ 49,417	\$ -	\$ 49,417	\$ 54,869	\$ -	\$ 54,869
Total Current Liabilities	49,417	-	49,417	54,869	-	54,869
Non-current Liabilities:						
Other liabilities	28,584	-	28,584	27,950	-	27,950
Total Non-current Liabilities	28,584	-	28,584	27,950	-	27,950
Total Liabilities	78,001	-	78,001	82,819	-	82,819
NET POSITION						
Net investment in capital assets	-	-	-	-	-	-
Unrestricted	673,814	198,096,285	198,770,099	636,998	189,709,944	190,346,942
Total Net Position	\$ 673,814	\$ 198,096,285	\$ 198,770,099	\$ 636,998	\$ 189,709,944	\$ 190,346,942

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

DRINKING WATER STATE REVOLVING LOAN FUND

**Combining Statements of Revenue, Expenses and Changes in Net Position – Schedule 8
For the Years Ended June 30, 2015 and 2014**

	2015			2014		
	Funds held by Administration			Funds held by Administration		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
Operating Revenues:						
Interest on loans	\$ -	\$ 1,527,868	\$ 1,527,868	\$ -	\$ 1,518,921	\$ 1,518,921
Loan administration fees	518,254	-	518,254	523,458	-	523,458
Grant revenue	488,228	-	488,228	511,706	-	511,706
Grant revenue (Set-Asides 2%,10%, 15%)	4,248,026	-	4,248,026	4,117,462	-	4,117,462
Miscellaneous income	-	15,500	15,500	-	15,502	15,502
Total Operating Revenue	5,254,508	1,543,368	6,797,876	5,152,626	1,534,423	6,687,049
Operating Expenses:						
Salaries and related benefits	769,576	-	769,576	668,512	-	668,512
General	204,808	-	204,808	244,537	-	244,537
Capital grant disbursements	-	5,198,373	5,198,373	-	6,465,118	6,465,118
Transfers-out (Set-Asides 2%,10%,15%)	4,248,026	-	4,248,026	4,117,462	-	4,117,462
Total Operating Expenses	5,222,410	5,198,373	10,420,783	5,030,511	6,465,118	11,495,629
Operating Income (Loss)	32,098	(3,655,005)	(3,622,907)	122,115	(4,930,695)	(4,808,580)
Non-operating Revenue (Expenses)						
Investment income	4,718	411,806	416,524	3,229	374,317	377,546
Net change in fair value of investments	-	-	-	-	-	-
Total Non-operating Revenue (Expenses)	4,718	411,806	416,524	3,229	374,317	377,546
Income (Loss) Before Contributions	36,816	(3,243,199)	(3,206,383)	125,344	(4,556,378)	(4,431,034)
Contributions received from:						
Federal government	-	9,015,540	9,015,540	-	10,397,086	10,397,086
State of MD-required match for federal grant	-	2,614,000	2,614,000	-	2,832,000	2,832,000
Change in Net Position	36,816	8,386,341	8,423,157	125,344	8,672,708	8,798,052
Net Position, Beginning of Year	636,998	189,709,944	190,346,942	511,654	181,037,236	181,548,890
Net Position, End of Year	\$ 673,814	\$ 198,096,285	\$ 198,770,099	\$ 636,998	\$ 189,709,944	\$ 190,346,942

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

DRINKING WATER STATE REVOLVING LOAN FUND

Combining Statements of Cash Flows – Schedule 9

For the Years Ended June 30, 2015 and 2014

	2015			2014		
	Funds held by Administration			Funds held by Administration		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
Cash Flows from Operating Activities:						
Loan repayments	\$ -	\$ 10,640,832	\$ 10,640,832	\$ -	\$ 6,945,127	\$ 6,945,127
Interest and fees received from borrowers	530,856	1,565,338	2,096,194	500,769	1,443,168	1,943,937
Other receipts	4,736,254	15,500	4,751,754	4,629,168	15,502	4,644,670
Loan disbursements	-	(14,702,540)	(14,702,540)	-	(11,104,210)	(11,104,210)
Capital grant disbursements	-	(5,198,373)	(5,198,373)	-	(6,465,118)	(6,465,118)
Salaries and benefits paid	(769,576)	-	(769,576)	(668,512)	-	(668,512)
General expenses paid	(4,457,652)	-	(4,457,652)	(4,356,203)	-	(4,356,203)
Net Cash from Operating Activities	39,882	(7,679,243)	(7,639,361)	105,222	(9,165,531)	(9,060,309)
Cash Flows from Non-capital Financing Activities:						
Contributions received from:						
Federal government	-	9,015,540	9,015,540	-	10,397,086	10,397,086
State of MD-required match to federal grant	-	2,614,000	2,614,000	-	2,832,000	2,832,000
Net Cash from Non-capital Financing Activities	-	11,629,540	11,629,540	-	13,229,086	13,229,086
Cash Flows from Capital and Related Financing Activities:						
Purchase of equipment	-	-	-	-	-	-
Net Cash from Capital and Related Financing Activities	-	-	-	-	-	-
Cash Flows from Investing Activities:						
Purchase of investment securities	-	-	-	-	-	-
Interest on investments securities	4,718	411,806	416,524	3,229	374,317	377,546
Proceeds from sale of investments	-	-	-	-	-	-
Net Cash from Investing Activities	4,718	411,806	416,524	3,229	374,317	377,546
Net Increase/(Deer) in Cash and Cash Equivalents	44,600	4,362,103	4,406,703	108,451	4,437,872	4,546,323
Cash and Cash Equivalents, Beginning of Year	197,449	38,346,492	38,543,941	88,998	33,908,620	33,997,618
Cash and Cash Equivalents, End of Year	\$ 242,049	\$ 42,708,595	\$ 42,950,644	\$ 197,449	\$ 38,346,492	\$ 38,543,941

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

DRINKING WATER STATE REVOLVING LOAN FUND
Combining Statements of Cash Flows – Schedule 9 (continued)
For the Years Ended June 30, 2015 and 2014

	2015			2014		
	Funds held by Administration			Funds held by Administration		
	General Accounts	Capital Reserve Accounts	Total	General Accounts	Capital Reserve Accounts	Total
Reconciliation of operating income (loss) to net cash from operating activities:						
Operating income (loss)	\$ 32,098	\$ (3,655,005)	\$ (3,622,907)	\$ 122,115	\$ (4,930,695)	\$ (4,808,580)
Depreciation of fixed assets	-	-	-	-	-	-
Adjustments to reconcile operating income to net cash from operating activities:						
Loan disbursements	-	(14,702,540)	(14,702,540)	-	(11,104,210)	(11,104,210)
Loan repayments	-	10,640,832	10,640,832	-	6,945,127	6,945,127
Decr/(incr) in loan interest receivable	-	37,470	37,470	-	(75,753)	(75,753)
Decrease/(incr) in administrative fee receivable	12,602	-	12,602	(22,689)	-	(22,689)
Increase/(decr) in accounts payable and other liabilities	(4,818)	-	(4,818)	5,796	-	5,796
Net Cash from Operating Activities	\$ 39,882	\$ (7,679,243)	\$ (7,639,361)	\$ 105,222	\$ (9,165,531)	\$ (9,060,309)

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND

Combining Statement of Net Position – Schedule 10

As of June 30, 2015

	2015					
	Funds held by Administration					
	BAY RESTORATION FUND-WASTEWATER			BAY RESTORATION FUND-SEPTICS		
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	Total
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 1,059,857	\$ 2,515,078	\$ -	\$ 2,421,164	\$ 4,359,134	\$ 10,355,233
Receivables:						
Investment interest	-	-	-	-	-	-
BRF fee	341,449	-	-	117,403	1,350,131	1,808,983
Current Restricted Assets:						
Cash and cash equivalents	-	25,307,077	39	-	-	25,307,116
Receivables:						
Investment interest	-	-	-	-	-	-
BRF fee	-	22,421,804	-	-	-	22,421,804
Total Current Assets	1,401,306	50,243,959	39	2,538,567	5,709,265	59,893,136
Non-current Assets:						
Fixed assets, net	-	-	-	8,192	-	8,192
Total Non-current Assets	-	-	-	8,192	-	8,192
Total Assets	\$ 1,401,306	\$ 50,243,959	\$ 39	\$ 2,546,759	\$ 5,709,265	\$ 59,901,328
LIABILITIES AND NET POSITION						
LIABILITIES						
Current Liabilities:						
Accounts payable	\$ 71,872	\$ -	\$ -	\$ 42,962	\$ -	\$ 114,834
Current liabilities payable from restricted assets:						
Revenue bonds payable	-	-	8,365,000	-	-	8,365,000
Accrued bond interest	-	-	1,231,524	-	-	1,231,524
Total Current Liabilities	71,872	-	9,596,524	42,962	-	9,711,358
Non-current Liabilities:						
Other liabilities	65,625	-	-	42,890	-	108,515
Non-current liabilities payable from restricted assets:						
Revenue bonds payable	-	-	121,615,000	-	-	121,615,000
Bond premium	-	-	12,775,771	-	-	12,775,771
Total Non-current Liabilities	65,625	-	134,390,771	42,890	-	134,499,286
Total Liabilities	137,497	-	143,987,295	85,852	-	144,210,644
NET POSITION						
Net investment in capital assets	-	-	-	8,192	-	8,192
Restricted for debt service	-	47,728,881	(143,987,256)	-	-	(96,258,375)
Unrestricted	1,263,809	2,515,078	-	2,452,715	5,709,265	11,940,867
Total Net Position	\$ 1,263,809	\$ 50,243,959	\$ (143,987,256)	\$ 2,460,907	\$ 5,709,265	\$ (84,309,316)

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND

Combining Statement of Net Position – Schedule 10 (continued)

As of June 30, 2014

	2014					
	Funds held by Administration					
	BAY RESTORATION FUND-WASTEWATER			BAY RESTORATION FUND-SEPTICS		Total
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	
ASSETS						
Current Assets:						
Cash and cash equivalents	\$ 803,035	\$ 107,597,895	\$ -	\$ 1,886,785	\$ 6,767,140	\$ 117,054,855
Receivables:						
Investment interest	-	-	-	-	-	-
BRF fee	371,275	-	-	99,760	1,147,239	1,618,274
Current Restricted Assets:						
Cash and cash equivalents	-	23,004,941	69,600	-	-	23,074,541
Receivables:						
Investment interest	-	-	21	-	-	21
BRF fee	-	24,380,413	-	-	-	24,380,413
Total Current Assets	1,174,310	154,983,249	69,621	1,986,545	7,914,379	166,128,104
Non-current Assets:						
Fixed assets, net	-	-	-	11,363	-	11,363
Total Non-current Assets	-	-	-	11,363	-	11,363
Total Assets	1,174,310	154,983,249	69,621	1,997,908	7,914,379	166,139,467
LIABILITIES AND NET POSITION						
LIABILITIES						
Current Liabilities:						
Accounts payable	\$ 91,305	\$ -	\$ -	\$ 45,236	\$ -	\$ 136,541
Current liabilities payable from restricted assets:						
Revenue bonds payable	-	-	3,075,000	-	-	3,075,000
Accrued bond interest	-	-	704,665	-	-	704,665
Total Current Liabilities	91,305	-	3,779,665	45,236	-	3,916,206
Non-current Liabilities:						
Other liabilities	54,432	-	-	28,289	-	82,721
Non-current liabilities payable from restricted assets:						
Revenue bonds payable	-	-	129,980,000	-	-	129,980,000
Bond premium	-	-	15,066,185	-	-	15,066,185
Total Non-current Liabilities	54,432	-	145,046,185	28,289	-	145,128,906
Total Liabilities	145,737	-	148,825,850	73,525	-	149,045,112
NET POSITION						
Net investment in capital assets	-	-	-	11,363	-	11,363
Restricted for debt service	-	47,385,354	(148,756,229)	-	-	(101,370,875)
Unrestricted	1,028,573	107,597,895	-	1,913,020	7,914,379	118,453,867
Total Net Position	\$ 1,028,573	\$ 154,983,249	\$ (148,756,229)	\$ 1,924,383	\$ 7,914,379	\$ 17,094,355

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND
Combining Statement of Revenue, Expenses and Changes in Net Position – Schedule 11
For the Year Ended June 30, 2015

	2015					TOTAL
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		
Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts		
Operating Revenues:						
Fee revenue	\$ 1,646,946	\$ 108,149,466	\$ -	\$ 1,396,544	\$ 16,060,254	\$ 127,253,210
Miscellaneous income						-
Total Operating Revenue	1,646,946	108,149,466	-	1,396,544	16,060,254	127,253,210
Operating Expenses:						
Salaries and related benefits	1,092,169	-	-	713,556	-	1,805,725
General admin expenses	319,541	-	-	146,464	-	466,005
Capital grant disbursements		205,840,253	-	-	18,338,144	224,178,397
Total Operating Expenses	1,411,710	205,840,253	-	860,020	18,338,144	226,450,127
Operating Income (Loss)	235,236	(97,690,787)	-	536,524	(2,277,890)	(99,196,917)
Non-operating Revenue (Expenses):						
Investment income	-	1,187,925	135	-	72,776	1,260,836
Cost of issuance expense	-	-	(57,968)	-	-	(57,968)
Interest on bonds	-	-	(3,409,622)	-	-	(3,409,622)
Net change in fair value of investments						-
Total Non-operating Revenue (Expenses)	-	1,187,925	(3,467,455)	-	72,776	(2,206,754)
Income (Loss) Before Contributions	235,236	(96,502,862)	(3,467,455)	536,524	(2,205,114)	(101,403,671)
Contributions:						
Interfund equity transfer	-	(8,236,428)	8,236,428	-	-	-
Change in Net Position	235,236	(104,739,290)	4,768,973	536,524	(2,205,114)	(101,403,671)
Net Position, Beginning of Year	1,028,573	154,983,249	(148,756,229)	1,924,383	7,914,379	17,094,355
Net Position, End of Year	\$ 1,263,809	\$ 50,243,959	\$ (143,987,256)	\$ 2,460,907	\$ 5,709,265	\$ (84,309,316)

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND

Combining Statement of Revenue, Expenses and Changes in Net Position – Schedule 11 (continued)

For the Year Ended June 30, 2014

	2014					
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		TOTAL
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	
Operating Revenues:						
Fee revenue	\$ 1,660,331	\$ 109,028,454	\$ -	\$ 1,344,108	\$ 15,457,241	\$ 127,490,134
Miscellaneous income						-
Total Operating Revenue	<u>1,660,331</u>	<u>109,028,454</u>	<u>-</u>	<u>1,344,108</u>	<u>15,457,241</u>	<u>127,490,134</u>
Operating Expenses:						
Salaries and related benefits	1,235,794	-	-	561,440	-	1,797,234
General admin expenses	290,106	-	-	123,130	-	413,236
Capital grant disbursements		18,135,730	113,916,063	-	15,125,214	147,177,007
Total Operating Expenses	<u>1,525,900</u>	<u>18,135,730</u>	<u>113,916,063</u>	<u>684,570</u>	<u>15,125,214</u>	<u>149,387,477</u>
Operating Income (Loss)	134,431	90,892,724	(113,916,063)	659,538	332,027	(21,897,343)
Non-operating Revenue (Expenses):						
Investment income	-	634,139	176	-	86,053	720,368
Cost of issuance expense	-	-	(398,379)	-	-	(398,379)
Interest on bonds	-	-	(1,696,012)	-	-	(1,696,012)
Net change in fair value of investments						-
Total Non-operating Revenue (Expenses)	<u>-</u>	<u>634,139</u>	<u>(2,094,215)</u>	<u>-</u>	<u>86,053</u>	<u>(1,374,023)</u>
Income (Loss) Before Contributions	134,431	91,526,863	(116,010,278)	659,538	418,080	(23,271,366)
Contributions:						
Transfer from State GO Bonds	-	-	-	-	-	-
Interfund equity transfer	-	(4,613,993)	4,613,993	-	-	-
Change in Net Position	134,431	86,912,870	(111,396,285)	659,538	418,080	(23,271,366)
Net Position, Beginning of Year	894,142	68,070,379	(37,359,944)	1,264,845	7,496,299	40,365,721
Net Position, End of Year	<u>\$ 1,028,573</u>	<u>\$ 154,983,249</u>	<u>\$ (148,756,229)</u>	<u>\$ 1,924,383</u>	<u>\$ 7,914,379</u>	<u>\$ 17,094,355</u>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND

Combining Statement of Cash Flow – Schedule 12

For the Year Ended June 30, 2015

	2015					
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		Total
Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts		
Cash Flows from Operating Activities:						
BRF fee and other receipts	\$ 1,676,772	\$ 110,108,075	\$ -	\$ 1,378,901	\$ 15,857,362	\$ 129,021,110
Capital grant disbursements	-	(205,840,253)	-	-	(18,338,144)	(224,178,397)
Salaries and benefits paid	(1,092,169)	-	-	(713,556)	-	(1,805,725)
General expenses paid	(327,781)	-	-	(130,966)	-	(458,747)
Net Cash from Operating Activities	256,822	(95,732,178)	-	534,379	(2,480,782)	(97,421,759)
Cash Flows from Non-capital Financing Activities:						
Interfund equity transfers	-	(8,236,428)	8,236,428	-	-	-
Repayment of bonds	-	-	(3,075,000)	-	-	(3,075,000)
Cost of issuance/underwriters discount	-	-	(57,968)	-	-	(57,968)
Interest on bonds	-	-	(5,173,177)	-	-	(5,173,177)
Net Cash from Non-capital Financing Activities	-	(8,236,428)	(69,717)	-	-	(8,306,145)
Cash Flows from Investing Activities:						
Interest on investment securities	-	1,187,925	156	-	72,776	1,260,857
Net Increase/(Decr) in Cash and Cash Equivalents	256,822	(102,780,681)	(69,561)	534,379	(2,408,006)	(104,467,047)
Cash and Cash Equivalents, Beginning of Year	803,035	130,602,836	69,600	1,886,785	6,767,140	140,129,396
Cash and Cash Equivalents, End of Year	\$ 1,059,857	\$ 27,822,155	\$ 39	\$ 2,421,164	\$ 4,359,134	\$ 35,662,349

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND

Combining Statement of Cash Flow – Schedule 12 (continued)

For the Year Ended June 30, 2015

	2015					
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		Total
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	
Reconciliation of operating income (loss) to net cash from operating activities:						
Operating income (loss)	\$ 235,236	\$ (97,690,787)	\$ -	\$ 536,524	\$ (2,277,890)	\$ (99,196,917)
Depreciation of fixed assets	-	-	-	3,171	-	3,171
Adjustments to reconcile operating income to net cash from operating activities:						
Decrease/(Incr) in BRF fee receivable	29,826	1,958,609	-	(17,643)	(202,892)	1,767,900
Increase (decr) in accounts payable and other liabilities	(8,240)	-	-	12,327	-	4,087
Net Cash from Operating Activities	\$ 256,822	\$ (95,732,178)	\$ -	\$ 534,379	\$ (2,480,782)	\$ (97,421,759)

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND

Combining Statement of Cash Flow – Schedule 12 (continued)

For the Year Ended June 30, 2014

	2014					
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		Total
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	
Cash Flows from Operating Activities:						
BRF fee and other receipts	\$ 1,626,995	\$ 106,839,340	\$ -	\$ 1,336,838	\$ 15,373,633	\$ 125,176,806
Capital grant disbursements	-	(18,135,730)	(113,916,063)	-	(15,125,214)	(147,177,007)
Salaries and benefits paid	(1,235,794)	-	-	(561,440)	-	(1,797,234)
General expenses paid	(270,659)	-	-	(118,153)	-	(388,812)
Net Cash from Operating Activities	<u>120,542</u>	<u>88,703,610</u>	<u>(113,916,063)</u>	<u>657,245</u>	<u>248,419</u>	<u>(24,186,247)</u>
Cash Flows from Non-capital Financing Activities:						
Interfund equity transfers	-	(4,613,993)	4,613,993	-	-	-
Proceeds from sale of bonds	-	-	114,383,974	-	-	114,383,974
Repayment of bonds	-	-	(2,940,000)	-	-	(2,940,000)
Cost of issuance/underwriters discount	-	-	(398,379)	-	-	(398,379)
Interest on bonds	-	-	(1,674,109)	-	-	(1,674,109)
Net Cash from Non-capital Financing Activities	<u>-</u>	<u>(4,613,993)</u>	<u>113,985,479</u>	<u>-</u>	<u>-</u>	<u>109,371,486</u>
Cash Flows from Investing Activities:						
Interest on investment securities	-	634,139	155	-	86,053	720,347
Net Increase/(Decr) in Cash and Cash Equivalents	120,542	84,723,756	69,571	657,245	334,472	85,905,586
Cash and Cash Equivalents, Beginning of Year	<u>682,493</u>	<u>45,879,080</u>	<u>29</u>	<u>1,229,540</u>	<u>6,432,668</u>	<u>54,223,810</u>
Cash and Cash Equivalents, End of Year	<u>\$ 803,035</u>	<u>\$ 130,602,836</u>	<u>\$ 69,600</u>	<u>\$ 1,886,785</u>	<u>\$ 6,767,140</u>	<u>\$ 140,129,396</u>

MARYLAND WATER QUALITY FINANCING ADMINISTRATION

BAY RESTORATION FUND – WASTEWATER FUND AND SEPTIC FUND

Combining Statement of Cash Flow – Schedule 12 (continued)

For the Year Ended June 30, 2014

	2014					
	Funds held by Administration					
	Bay Restoration Fund-Wastewater			Bay Restoration Fund-Septics		Total
	Admin Accounts	Capital Accounts	Bond Funds 2008 Indenture	Admin Accounts	Capital Accounts	
Reconciliation of operating income (loss) to net cash from operating activities:						
Operating income (loss)	\$ 134,431	\$ 90,892,724	\$ (113,916,063)	\$ 659,538	\$ 332,027	\$ (21,897,343)
Depreciation of fixed assets	-	-	-	3,171	-	3,171
Adjustments to reconcile operating income to net cash from operating activities:						
Decrease/(Incr) in BRF fee receivable	(33,336)	(2,189,114)	-	(7,270)	(83,608)	(2,313,328)
Increase (decr) in accounts payable and other liabilities	19,447	-	-	1,806	-	21,253
Net Cash from Operating Activities	<u>\$ 120,542</u>	<u>\$ 88,703,610</u>	<u>\$ (113,916,063)</u>	<u>\$ 657,245</u>	<u>\$ 248,419</u>	<u>\$ (24,186,247)</u>



S B & C O M P A N Y, L L C
KNOWLEDGE • QUALITY • CLIENT SERVICE

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

To the Director of
Maryland Water Quality Financing Administration

We have audited the basic financial statements of the Maryland Water Quality Financing Administration (the Administration), an enterprise fund of the State of Maryland, as of and for the year ended June 30, 2015, and have issued our report thereon dated September 18, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Administration's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Administration's internal control. Accordingly, we do not express an opinion on the effectiveness of the Administration's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Administration's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Administration's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Administration's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hunt Valley, Maryland
September 18, 2015

S B & Company, LLC

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OFFICIAL NOTICE OF SALE**\$180,000,000*****MARYLAND WATER QUALITY FINANCING ADMINISTRATION
Bay Restoration Fund Revenue Bonds
Series 2015**

NOTICE IS HEREBY GIVEN that electronic bids will be received on the date and up to the time specified below:

SALE DATE: **Tuesday, November 17, 2015**

SALE TIME: **11:00 a.m. Local Baltimore, Maryland Time**

ELECTRONIC BIDS: Must be submitted through **PARITY®** as described below.
No other form of bid or provider of electronic bidding services will be accepted.

Pursuant to a resolution (the "Resolution") of the Maryland Water Quality Financing Administration (the "Administration"), bids will be received for the purchase of all, but not less than all, of the Bay Restoration Fund Revenue Bonds, Series 2015 (the "Bonds") to be issued by the Administration. The Bonds are more particularly described in the Preliminary Official Statement dated November 4, 2015 relating to the Bonds, available at the Department of the Environment's website at <http://www.mde.state.md.us/wqfa> and also available at www.MuniOS.com.

Consideration of the bids and the award will be made by the Administration on the Sale Date as set forth herein. The Administration also reserves the right to make certain adjustments to the aggregate principal amount and the principal amounts of each maturity of the Bonds being offered, to eliminate maturities, to change the terms of the Bonds, to postpone the sale of the Bonds to a later date, or to cancel the sale of the Bonds as further described herein. See "Adjustment of Amounts and Maturities" and "Change or Cancellation of Sale Date and/or Date of Delivery and/or Other Revised Terms."

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**I-DEAL/PARITY® (ELECTRONIC BIDDING
PLATFORM)****Client Services**

Phone: (212) 849-5024
Email: parity@i-deal.com

*Preliminary, subject to change.

Bidding Parameters Table*

INTEREST		PRICING	
Dated Date:	Date of Delivery	Max. Aggregate Bid Price:	Unlimited
Anticipated Date of Delivery:	December 3, 2015	Min. Aggregate Bid Price:	98.5%
Interest Payment Dates:	March 1 and September 1		
First Interest Payment Date:	September 1, 2016	Max. Reoffering Price (each maturity):	Unlimited
Coupon Multiples:	1/8, 1/20 or 1/100 of 1%	Min. Reoffering Price (each maturity):	98.5%
Maximum Coupon:	N/A		
Minimum Coupon:	N/A		
Maximum TIC:	N/A		
Maximum Difference Between Coupons:	4%		
No Zero Coupon may be specified			
PRINCIPAL		PROCEDURAL	
Optional Redemption:	Bonds maturing on or after March 1, 2025 are subject to redemption at par at any time on or after March 1, 2024 as a whole or in part at any time thereafter.	Sale Date:	November 17, 2015
		Sale Time:	11 a.m., Local Baltimore, Maryland Time
Post-bid Principal Increases		Bid Submission:	Electronic bids through PARITY only
Each Maturity:	Unlimited		
Aggregate:	15%		
Post-bid Principal Reductions		All or None?	Yes
Each Maturity:	Unlimited		
Aggregate:	15%		
Term Bonds:	No more than two consecutive annual principal maturities may be designated as term bonds that mature on the maturity dates of the last annual principal payments of the sequence.	Bid Award Method:	Lowest True Interest Cost (as defined herein)
		Bid Confirmation:	Notification from Administration
		Awarding of Bid:	On the Sale Date by the Administration
		Good Faith Deposit:	\$1,800,000; as more fully described herein. See "Good Faith Deposit."

* If numerical or date references contained in the body of this Official Notice of Sale conflict with the Bidding Parameters Table, the Bidding Parameters Table of this Official Notice of Sale shall control. Consult the body of this Official Notice of Sale for a detailed explanation of the items contained in the Bidding Parameters Table, including interpretation of such items and methodologies used to determine such items.

Bond Amortization Schedule*

The Bonds will be issued in serial or term bond form as designated by the successful bidder for the Bonds in its proposal, as described below. The principal of the Bonds shall be payable in installments on the dates in the following years and in the following amounts:

\$180,000,000* Bay Restoration Fund Revenue Bonds, Series 2015

Maturing	Principal	Maturing	Principal
<u>March 1</u>	<u>Amount*</u>	<u>March 1</u>	<u>Amount*</u>
2018	\$10,160,000	2025	14,300,000
2019	10,670,000	2026	15,015,000
2020	11,205,000	2027	15,765,000
2021	11,765,000	2028	16,550,000
2022	12,350,000	2029	17,380,000
2023	12,970,000	2030	18,250,000
2024	13,620,000		

The Bonds

Security and Authorization

The Bonds will be issued pursuant to the Resolution, Sections 9-1601 through 9-1622, inclusive, of the Environment Article of the Annotated Code of Maryland, as amended (the “Act”), and a Master Trust Indenture dated as of June 1, 2008 between the Administration and Manufacturers and Traders Trust Company, as trustee (the “Trustee”), as amended and supplemented (as so amended and supplemented, the “Indenture”). The Bonds and any future Senior Obligations (as defined in the Indenture) will be secured by a pledge of Pledged Revenues (as defined in the Indenture) and by a pledge of certain amount available under the Indenture.

Use of Proceeds

The proceeds of the Bonds, together with other available moneys of the Administration, are expected to be used by the Administration to make grants to Local Governments and other owners of Major Wastewater Facilities, as described in the Preliminary Official Statement, in the State of Maryland (the “State”) to provide funding for upgrades to those Major Wastewater Facilities in order to achieve Enhanced Nutrient Removal to reduce nitrogen pollution in the Chesapeake Bay and to pay costs of issuance of the Bonds. As used herein, the term “Local Government” means a county, municipal corporation, sanitary district, or other State or local public entity which has authority to own or operate a Wastewater Facility, or any combination of any two or more of the foregoing when acting jointly to construct or operate a Wastewater Facility.

Ratings

The Bonds have been assigned a rating of “Aa2” by Moody’s Investors Service, Inc. and a rating of “AA” by Standard & Poor’s Ratings Services.

Description of the Bonds

General. The Bonds will be dated as of the Date of Delivery (“Dated Date”), expected to be on or about December 3, 2015, and will be in fully registered form in denominations of \$5,000 each or any integral multiple thereof.

*Preliminary, subject to change.

Interest on the Bonds will accrue from the Dated Date, and will be payable September 1, 2016 and semiannually thereafter on each March 1 and September 1 until maturity or earlier redemption. The Bonds will mature on March 1 of each year as specified in the Bond Amortization Schedule above.

Term Bond Option. Bidders may designate in their proposal no more than two consecutive annual principal maturities as term bonds. Any term bond so designated shall be subject to mandatory sinking fund redemption in each year on the principal payment date and in the entire principal amount for each annual principal maturity designated for inclusion in such term bond.

The Trustee shall also serve as the Bond Registrar and Paying Agent for the Bonds. All payments of the principal of and interest on the Bonds shall be in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

Optional Redemption

Bonds maturing on or after March 1, 2025 are subject to redemption prior to maturity at par at any time on or after March 1, 2024 at the option of the Administration, as a whole or in part at any time on at least 20 days' notice and, if in part, in any order of maturity at the option of the Administration, at the redemption price of par, plus accrued interest, if any, to the redemption date.

Selection of Bonds for Redemption

If fewer than all of the Bonds are to be redeemed, the particular maturities of the Bonds to be redeemed shall be selected by the Administration in its discretion. If fewer than all of the Bonds of any one maturity shall be called for redemption, the Trustee shall select the particular Bonds of such maturity to be redeemed as shall be directed by the Administration or, in the absence of such direction, from such maturity by lot or in such other manner as the Trustee in its discretion may deem proper. So long as the Bonds are maintained in book-entry form, the selection of individual ownership interests in the Bonds to be credited with any such partial redemption shall be made by DTC.

Adjustment of Amounts and Maturities

Prior to Sale Date

Prior to the Sale Date, the Administration may adjust the preliminary aggregate principal amount of the Bonds and the preliminary principal amount and maturity of each serial installment of the Bonds as set forth in this Official Notice of Sale (the "Preliminary Aggregate Principal Amount" and the "Preliminary Principal Amount", and collectively the "Preliminary Amounts"). **ANY SUCH REVISIONS MADE PRIOR TO THE OPENING OF THE BIDS (the "Aggregate Principal Amount" and the "Principal Amount", and collectively the "Amounts") WILL BE PUBLISHED ON THOMPSON MUNICIPAL MARKET MONITOR ("TM3") (www.tm3.com) AND PARITY NOT LATER THAN 4:00 P.M., LOCAL BALTIMORE, MARYLAND TIME, ON THE BUSINESS DAY IMMEDIATELY PRIOR TO THE SALE DATE FOR THE BONDS.**

In the event that no such revisions are made prior to the opening of the bids, the Preliminary Amounts will constitute the Amounts. Bidders shall submit bids based on the Amounts, and the Amounts will be used to compare bids and select a winning bidder.

On Sale Date

After the opening of the bids, the Administration may further adjust the Amounts of the Bonds. Changes to be made will be communicated to the successful bidder not later than three (3) hours after the bids have been received and opened and in no case will such changes reduce or increase the Aggregate Principal Amount of the Bonds by more than 15 percent. The dollar amount bid for principal by the successful bidder will be adjusted to reflect any reduction or increase in the Aggregate Principal Amount of the Bonds, but the interest rates specified by the successful bidder for all maturities will not change. The successful bidder may not withdraw its bid as a result of any changes within these limits. The "Underwriter's Discount" shall be defined as the difference between the

purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid. The dollar amount bid by the successful bidder will be adjusted to reflect any adjustments in the Aggregate Principal Amount and Principal Amounts of the Bonds. Such adjusted bid price will reflect changes in the dollar amount of the Underwriter's Discount and original issue discount/premium, if any, but will not change the Underwriter's Discount, per \$1,000 of par amount of the Bonds from the Underwriter's Discount that would have been received based on the purchase price in the winning bid and the initial public offering prices.

Change or Cancellation of Sale Date and/or Date of Delivery and/or Other Terms

The Administration may cancel or postpone the sale of the Bonds prior to the Sale Date. Notice of a cancellation or postponement will be announced via the TM3 wire at www.tm3.com and PARITY. Notice of any new date and time of sale will be announced at least 24 hours prior to the time bids are to be submitted and will specify changes in the principal amount or other features, if any.

The Administration may change the scheduled delivery date, the dates of the semiannual interest payments and annual principal payments, or the optional redemption date or revise any other terms for the Bonds by notice given in the same manner as that set forth above.

Preliminary Official Statement; Continuing Disclosure

The Administration has deemed the Preliminary Official Statement to be final as of its date for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for the omission of certain information permitted to be omitted by said Rule. As soon as practicable after the Sale Date, the Administration will publish a complete final Official Statement (the "Official Statement") that will contain this information. The Administration agrees to deliver to the successful bidder for its receipt no later than seven business days after the Sale Date such quantities of the Official Statement as the successful bidder shall request, provided, that the Administration shall deliver up to 100 copies of such Official Statement without charge to the successful bidder.

The Administration 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). Such covenants are described in the Preliminary Official Statement.

Electronic Bidding

Bidders may only submit bids via PARITY.

A prospective bidder may only bid electronically for the Bonds via PARITY pursuant to this Official Notice of Sale. By submitting its bid for the Bonds, a prospective bidder represents and warrants to the Administration that such bidder's bid for the purchase of the Bonds is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of the Bonds.

Additional information concerning bidding through the system may be directed to the PARITY Help Desk at (212) 849-5021.

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 the Official Notice of Sale. Neither the Administration 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 any qualified prospective bidder, and neither the Administration 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 Administration is using PARITY as a communication mechanism, and not as the Administration's agent, to conduct the electronic bidding for the Bonds. The Administration is not bound by any advice and determination of PARITY to the effect that any particular bid complies with the terms of this Official

Notice of Sale and in particular the “Bid Submissions” hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via PARITY are the sole responsibility of the bidders; and the Administration is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in registering to bid or submitting, modifying or withdrawing a bid for the Bonds, such bidder should telephone PARITY New Issues Desk at (212) 849-5021 and notify the Administration by facsimile at (410) 537-3968.

Electronic Bidding Procedures. Electronic bids must be submitted for the purchase of the Bonds (all or none) via PARITY. Bids will be communicated electronically to the Administration at **11:00 a.m.** local Baltimore, Maryland time, on Tuesday, November 17, 2015. 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 Administration 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. For information purposes only, bidders are requested to state in their bids the true interest cost to the Administration, as described under “Award of Bid” below, represented by the rate or rates of interest and the bid price specified in their respective bids.

Bid Submissions

Each bid must be in conformity with this Official Notice of Sale.

All bids must be delivered to the Administration via PARITY, before **11:00 a.m.**, local Baltimore, Maryland time, on Tuesday, November 17, 2015, at which time they will be received by the Administration. As described above, the Administration reserves the right to postpone the date for receipt of bids.

Minority Business Enterprise Participation

THE ADMINISTRATION STRONGLY ENCOURAGES EACH BIDDER FOR THE BONDS TO MAKE A GOOD FAITH EFFORT TO INCLUDE MINORITY BUSINESS ENTERPRISES IN THE SYNDICATE PURCHASING THE BONDS. THE SUCCESSFUL BIDDER WILL BE REQUESTED TO PROVIDE A LIST OF SYNDICATE MEMBERS WHICH IDENTIFIES THE MINORITY BUSINESS ENTERPRISE MEMBERS AND INDICATES THEIR PERCENTAGES OF PARTICIPATION.

Right of Rejection

The Administration expressly reserves the right (i) to waive any informalities, (ii) to reject all bids, any incomplete bid or any bid not fully complying with all of the requirements set forth herein, and (iii) to solicit new bids or proposals for the sale of the Bonds or otherwise provide for the public sale of the Bonds if all bids are rejected or the winning bidder defaults, including, without limitation, sale of the Bonds to one or more of the losing or rejected bidders without regard to their original bid or its relationship to any other bid.

Preliminary Award; Reoffering Prices and Certificate

As promptly as reasonably practicable after the bids are received and reviewed, but not later than **2:00 p.m.** local Baltimore, Maryland time on the Sale Date (unless bids have been postponed), the Administration will notify the apparently successful bidder of the Preliminary Award of the Bonds. The successful bidder shall make a bona fide public offering of all of the Bonds and shall represent to the Administration that such offering is in compliance with all applicable securities laws of the jurisdictions in which such Bonds are offered. **Within 30 minutes after being notified of the Preliminary Award of the Bonds, the successful bidder shall advise the Administration in writing (via facsimile or e-mail transmission) to Anne Burger Entrekin at anne.burgerentrekin@firstsw.com, of such reoffering prices of the Bonds (the “Reoffering Prices”).**

The apparent successful bidder will also be required to wire to the Administration a Good Faith Deposit as further described herein. Timely notification of the Final Award is subject to the Administration’s receipt of the Good Faith Deposit.

SIMULTANEOUSLY WITH OR BEFORE DELIVERY OF THE BONDS, THE SUCCESSFUL BIDDER SHALL FURNISH TO THE ADMINISTRATION A CERTIFICATE ACCEPTABLE TO BOND COUNSEL TO THE EFFECT THAT (I) THE SUCCESSFUL BIDDER HAS MADE A BONA FIDE PUBLIC OFFERING OF EACH MATURITY OF THE BONDS AT THE REOFFERING PRICES, (II) AS OF THE DATE OF THE SALE OF THE BONDS, THE SUCCESSFUL BIDDER REASONABLY EXPECTED TO SELL A SUBSTANTIAL AMOUNT OF EACH MATURITY OF THE BONDS TO THE PUBLIC (EXCLUDING BOND HOUSES, BROKERS AND OTHER INTERMEDIARIES) AT THEIR RESPECTIVE REOFFERING PRICES, AND (III) A SUBSTANTIAL AMOUNT OF EACH MATURITY OF THE BONDS WAS SOLD TO THE PUBLIC (EXCLUDING BOND HOUSES, BROKERS AND OTHER INTERMEDIARIES) AT THEIR RESPECTIVE 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 each maturity of the Bonds at the 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.

Award of Bid

Award of Bid

The Administration expects to make its award of the Bonds to the winning bidder on the Sale Date. It is anticipated that all bids will be reviewed by the Administration at the time stated above and will be acted on following the opening, tabulation and verification of the bids received. The decision by the Administration as to the award of the Bonds will be final. Bids may not be withdrawn prior to the award.

All bids shall be on an "All or None" basis for cash on delivery and shall be based on an offering to pay not less than 98.5% of the par value of the Bonds. Each bidder shall indicate in its bid the rate of interest to be paid on the Bonds of each maturity. All bids for Bonds of any maturity must be greater than or equal to 98.5%. Each rate of interest shall be a multiple of 1/8, 1/20 or 1/100 of one percent, but all Bonds of any one maturity must bear interest at the same rate. Any rate named may be repeated. The difference between the maximum and minimum interest rates may not be greater than 4%. A zero rate may not be named.

The Bonds will be awarded by the Administration on the Sale Date to the bidder whose bid complies with this Official Notice of Sale and results in the lowest true interest cost ("TIC") to the Administration. The lowest TIC will be determined by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments from the payment dates to the Date of Delivery of the Bonds and to the aggregate amount bid for the Bonds. If two or more responsible bidders have made bids resulting in the same lowest TIC to the Administration, the Bonds shall be awarded by lot to one of these bidders.

Good Faith Deposit

A Good Faith Deposit in the amount of \$1,800,000 is required only of the winning bidder for the Bonds. The winning bidder for the Bonds is required to submit such Good Faith Deposit payable to the order of the Administration in the form of a wire transfer in federal funds as instructed by the Administration's Financial Advisors, First Southwest Company and Municipal Resource Advisors, LLC. The winning bidder shall submit the Good Faith Deposit not later than 2:00 p.m. (local Baltimore, Maryland time) on the Sale Date. The winning bidder should provide as quickly as it is available, evidence of wire transfer by providing the Administration the federal funds reference number. If the Good Faith Deposit is not received in the time allotted, the bid of the winning bidder may be rejected and the Administration may direct the next lowest bidder to submit a Good Faith Deposit and thereafter may award the sale of the Bonds to the same. If the winning bidder fails to comply with the Good Faith Deposit requirement as described herein, that bidder is nonetheless obligated to pay to the Administration the sum of \$1,800,000 as liquidated damages due to the failure of the winning bidder to timely deposit the Good Faith Deposit.

Submission of a bid to purchase the Bonds serves as acknowledgement and acceptance of the terms of the Good Faith Deposit requirement

The Good Faith Deposit so wired will be retained by the Administration until the delivery of the Bonds, at which time the Good Faith Deposit will be applied against the purchase price of the Bonds or the Good Faith Deposit will be retained by the Administration as partial liquidated damages in the event of the failure of the successful bidder to take up and pay for such Bonds in compliance with the terms of this Official Notice of Sale and of its bid. No interest on the Good Faith Deposit will be paid by the Administration. The balance of the purchase price must be wired in federal funds to the account detailed in the closing memorandum, simultaneously with delivery of the Bonds.

Delivery and Payment

Delivery of the Bonds will be made by the Administration to DTC in book-entry only form, in New York, New York on or about the anticipated Date of Delivery, or on or about such other date as may be agreed on by the Administration and the successful bidder.

At the time of delivery of the Bonds, payment of the amount due for the Bonds must be made by the successful bidder to the order of the Administration in immediately available federal funds or other funds immediately available to the Administration, or by such other means as may be acceptable to the Administration. Any expense incurred in providing immediately available funds, whether by transfer of federal funds or otherwise, shall be borne by the successful bidder.

CUSIP Numbers; Expenses of the Bidder

It is anticipated that CUSIP numbers will be assigned to each of the Bonds, but neither the failure to type or print such numbers on any of the Bonds nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds. The policies of the CUSIP Service Bureau will govern the assignment of specific numbers to the Bonds. The successful bidder will be responsible for applying for and obtaining, subject to the CUSIP Service Bureau policy and procedures, CUSIP numbers for the Bonds promptly upon award of the bid. All expenses of typing or printing CUSIP numbers for the Bonds will be paid for by the Administration; provided the CUSIP Service Bureau charges for the assignment of the numbers shall be the responsibility of and shall be paid for by the successful bidder.

All charges of DTC and all other expenses of the successful bidder will be the responsibility of the successful bidder for the Bonds.

Tax Status, Legal Opinions, Closing Documents and No Litigation

It shall be a condition to the obligation of the successful bidder to accept delivery of and pay for the Bonds that, simultaneously with or before delivery and payment for the Bonds, the bidder without cost shall be furnished with (1) the approving opinion of McKennon Shelton & Henn LLP, Baltimore, Maryland, Bond Counsel, dated as of the Date of Delivery of the Bonds, substantially in the form included as Appendix D to the Preliminary Official Statement; (2) a certificate of the Assistant Attorney General dated as of the Dated Date of the Bonds to the effect that there is no litigation pending or, to the best of her knowledge, threatened, that in any manner will affect the validity of the Act under which the Bonds are being issued; (3) a copy of the Official Statement relating to the Bonds dated as of the Sale Date of the Bonds; (4) a certificate or certificates of an authorized officer of the Administration to the effect that, to the best of their knowledge and belief (except for the reoffering information provided by the bidder and information regarding DTC and DTC's book-entry system provided by DTC, as to which no view will be expressed): (a) the Official Statement as of the Sale Date did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (b) between the Sale Date and the Date of Delivery of the Bonds, there has been no material adverse change in the financial condition or financial affairs of the Administration except as may have been disclosed in or contemplated by the Official Statement as of the Sale Date; and (5) the Continuing Disclosure Agreement substantially in the form included as Appendix E to the Preliminary Official Statement.

The opinion of Bond Counsel will be delivered, upon request, to the purchaser of the Bonds, without charge. A bidder may make the legality and validity of the Bonds one of the terms of the bid by making the bid “subject to legality,” or using any equivalent form of expression, which shall be deemed to refer to the opinion of Bond Counsel referred to above, but no bid should purport to leave this question to the decision of the bidder or its counsel. All bids conditioned upon the approval of the bidder or its counsel, whether named or unnamed, will be treated as conditional bids and will be rejected unless the condition is waived by the bidder to the satisfaction of the Administration before the award has been made.

Financial Advisors

First Southwest Company and Municipal Resource Advisors, LLC are employed as Financial Advisors to the Administration in connection with the issuance of the Bonds. The fees of the Financial Advisors for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds. The Financial Advisors have performed a professional review of the Preliminary Official Statement in accordance with industry standards, and, as part of their responsibilities to the Administration and, as applicable, to the investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisors do not guarantee the accuracy or completeness of the information. First Southwest Company and Municipal Resource Advisors, LLC, in their capacity as Financial Advisors, do not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

Additional Information

This Official Notice of Sale is not a summary of the terms of the Bonds. Reference is made to the Preliminary Official Statement for a further description of the Bonds and the Administration. Prospective investors or bidders for the Bonds must read the entire Preliminary Official Statement to obtain information essential to making an informed investment decision. The Preliminary Official Statement is deemed final by the Administration as of its date for purposes of the Rule but is subject to revision, amendment and completion in a final Official Statement. Additional information concerning the matters discussed in this Official Notice of Sale and copies of the Preliminary Official Statement may be obtained online or by request from Jag Khuman, Director of the Administration, at (410) 537-3119 or from Anne Burger Entrekin or Jay Redd at, respectively, anne.burgerentrekin@firstsw.com or (210) 308-2200, or jredd@municipalresourceadvisors.com or (410) 486-1060.

JAG KHUMAN

Director

Maryland Water Quality
Financing Administration

Baltimore, Maryland
November 4, 2015

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PROPOSED FORM OF OPINION OF BOND COUNSEL

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(Closing Date)

Maryland Water Quality
Financing Administration
Baltimore, Maryland

Ladies and Gentlemen:

In connection with the issuance of the \$ _____ Maryland Water Quality Financing Administration Bay Restoration Fund Revenue Bonds, Series 2015, dated as of December 3, 2015 (the "Series 2015 Bonds"), as special obligations of the Maryland Water Quality Financing Administration (the "Administration"), we have examined:

(i) Subtitle 16 of Title 9 of the Environment Article of the Annotated Code of Maryland (2014 Replacement Volume and 2015 Supplement) (the "Act");

(ii) the Master Trust Indenture dated as of June 1, 2008, as supplemented by the First Supplemental Master Trust Indenture dated as of June 1, 2008, the Second Supplemental Master Trust Indenture dated as of May 1, 2014 and the Third Supplemental Master Trust Indenture dated as of December 1, 2015, each between the Administration and Manufacturers and Traders Trust Company, as master trustee (as so amended and supplemented, the "Indenture");

(iii) a resolution adopted by the Director of the Administration (the "Director") on October 30, 2015, as supplemented (as so supplemented, the "Resolution") authorizing the issuance of the Series 2015 Bonds;

(iv) a specimen Series 2015 Bond;

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

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

(vii) other proofs submitted to us relative to the issuance and sale of the Series 2015 Bonds.

The Series 2015 Bonds bear interest, mature and are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth therein and in the Indenture. The Series 2015 Bonds are issuable in fully registered form in the denominations authorized by the Indenture.

In rendering this opinion, we have relied without investigation on the Administration's Tax and Section 148 Certificate dated this date made on behalf of the Administration by officers thereof with respect to certain material facts within the knowledge of the Administration, without investigation.

We have made no investigation of, and are rendering no opinion regarding title to, liens on or security interests in real or personal property.

With respect to the executed and authenticated Series 2015 Bonds that we have examined, and Series 2015 Bonds similarly executed and authenticated and identical thereto in form, except for numbers, interest rates, denominations, option of redemption and maturities, and under existing statutes, regulations, and decisions, we are of the opinion that:

(a) The Administration is a validly created and existing body politic and corporate and public instrumentality of the State of Maryland.

(b) The Resolution has been duly and lawfully adopted by the Director.

(c) The Indenture has been duly authorized, executed and delivered by the Administration and, assuming the due authorization, execution and delivery thereof by the other party thereto, the Indenture constitutes the valid and binding obligation of the Administration.

(d) The Administration is duly authorized and entitled to issue the Series 2015 Bonds. The Series 2015 Bonds executed and authenticated as provided in the Indenture have been duly and validly issued and constitute valid and binding special obligations of the Administration payable, together with other Senior Obligations (as defined in the Indenture), from the Pledged Revenues (as defined in the Indenture) and other amounts pledged to such payment under the Indenture (the "Trust Estate"). The Series 2015 Bonds are entitled to the benefit and security of the Indenture to the extent provided therein.

(e) The Indenture and the Series 2015 Bonds are subject to bankruptcy, insolvency, moratorium, reorganization and other state and federal laws affecting the enforcement of creditors' rights and to general principles of equity.

(f) By the terms of the Act and the Indenture, the Series 2015 Bonds do not constitute a debt, liability, or a pledge of the faith and credit of the State of Maryland, of any political subdivision thereof, or of the Administration. The Series 2015 Bonds shall be payable solely from the Trust Estate, and neither the State of Maryland, nor any political subdivision thereof nor the Administration shall be obligated to pay the Series 2015 Bonds or the interest thereon except from the Trust Estate. The issuance of the Series 2015 Bonds is not directly or indirectly or contingently an obligation, moral or other, of the State of Maryland, of any political subdivision thereof, or of the Administration, to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Administration has no taxing power.

(g) By the terms of the Act, the Series 2015 Bonds, their transfer, the interest payable thereon, and any income derived therefrom, including any profit realized in the sale or exchange thereof, shall at all times be exempt from taxation of every kind and nature whatsoever by the State of Maryland or by any of its political subdivisions, municipal corporations, or public agencies of any kind. No opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the Series 2015 Bonds, their transfer, or the interest thereon.

(h) Assuming compliance with certain covenants described herein, interest on the Series 2015 Bonds is 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 Series 2015 Bonds, including restrictions that must be complied with throughout the term of the Series 2015 Bonds. These include a requirement that certain earnings received from the investment of the proceeds of the Series 2015 Bonds be rebated to the United States of America under certain circumstances (or that certain payments in lieu of rebate be made) and other requirements applicable to the investment of the proceeds of the Series 2015 Bonds and the facilities financed with the proceeds of the Series 2015 Bonds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Series 2015 Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The Administration has covenanted to regulate the investment of the proceeds of the Series 2015 Bonds and take such other actions as may be required to maintain the excludability from gross income for federal income tax purposes of interest on the Series 2015 Bonds. It is our opinion that, assuming compliance with such covenants, the interest on the Series 2015 Bonds will remain excludable from gross income for federal income tax purposes under the provisions of the Code.

(i) Interest on the Series 2015 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 will be required to increase its alternative minimum taxable income by seventy-five percent (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 Series 2015 Bonds. In addition, interest income on the Series 2015 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,

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APPENDIX E

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “*Disclosure Agreement*”) is executed and delivered by and between the Maryland Water Quality Financing Administration (the “*Administration*”) and Manufacturers and Traders Trust Company, Buffalo, New York, a corporation organized under the banking laws of the State of New York, as trustee (the “*Trustee*”) in connection with the issuance of \$ _____ of bonds designated as “Maryland Water Quality Financing Administration Bay Restoration Fund Revenue Bonds, Series 2015 (the “*Series 2015 Bonds*”). The Series 2015 Bonds are being issued pursuant to a Master Trust Indenture dated as of June 1, 2008 between the Administration and the Trustee, as amended and supplemented from time to time (collectively, the “*Indenture*”).

The Administration and the Trustee covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Administration and the Trustee for the benefit of the holders and Beneficial Owners of the Series 2015 Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“*Annual Disclosure Document*” shall mean any document prepared by the Administration pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“*Beneficial Owner*” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2015 Bonds (including persons holding Series 2015 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2015 Bonds for federal income tax purposes.

“*Listed Events*” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

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

“*Official Statement*” shall mean the official statement of the Administration prepared and distributed in connection with the offer and sale of the Series 2015 Bonds.

“*Participating Underwriter*” shall mean any of the original underwriters of the Series 2015 Bonds required to comply with the Rule in connection with the offering of the Series 2015 Bonds.

“*Repository*” shall mean each National Repository and each State Repository, if any.

“*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.

Section 3. Provision of Annual Disclosure Document Operating Data and Audited Information.

(a) The Administration shall, not later than April 1 of each year, commencing April 1, 2016, provide to the MSRB and the Trustee an Annual Disclosure Document which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Disclosure Document may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that audited financial statements may be submitted separately from the balance

of the Annual Disclosure Document, if and when they become available. Furthermore, if such audited financial statements are not available by such date, the Administration may submit unaudited financial statements of the Administration for such fiscal year to be replaced subsequently by audited financial statements of the Administration to be delivered if and when available. If the Annual Disclosure Document consists of more than a single document, the Administration shall assemble such documents (other than financial statements that are not available as of the date specified above) and submit such documents to the Trustee as a package along with a statement to the effect that such documents, in the aggregate, constitute the Annual Disclosure Document.

(b) If the Administration is unable to provide the annual financial information and operating data within the applicable time period specified in (a) above, the Administration shall send in a timely manner a notice of such failure in an electronic format as prescribed by the MSRB.

Section 4. Content of Annual Disclosure Document.

(a) Administration Information. The Administration's Annual Disclosure Document shall contain or include by reference the Administration's audited financial statements for the prior fiscal year, prepared in accordance with generally accepted accounting principles for governmental units as prescribed by the Governmental Accounting Standards Board, and financial information and operating data of the Administration (as of June 30 of each year) including but not limited to:

- (1) Bay Restoration Revenues from Wastewater Facility Users deposited in the Current Revenues Account of the Program Fund;
- (2) summary of transfers from the Current Revenues Accounts to the Pledged Revenue Account and the Equity Account;
- (3) the outstanding indebtedness of the Administration payable from Bay Restoration Revenues;
- (4) the most recent Projected Revenue Certificate of the Administration; and
- (5) copies of or information regarding any notices given pursuant to Section 5(c) hereof, or any other notice or filing by the Trustee pursuant to this Disclosure Agreement, since the period covered by the previous Annual Disclosure Document.

(b) Inclusion by Reference. Any or all of the items listed in subsection (a) of this Section 4 may be included by specific reference to other documents, including official statements of debt issues or other filings of the Administration or any related public entity, which have been submitted to the MSRB. If any document included by reference is a final official statement or audited financial statements, it must be available from the MSRB. The Administration shall clearly identify each such other document so included by reference.

(c) The Trustee shall have no duty or obligation to review or examine the Annual Disclosure Document, or to determine the sufficiency or adequacy thereof under this Disclosure Agreement, the Rule or for any other purpose. The Trustee shall have no liability with respect to the Annual Disclosure Document, or with respect to any statement therein or omission therefrom.

Section 5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the Administration shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2015 Bonds:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;

- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, 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 Series 2015 Bonds or other material events affecting the tax status of the Series 2015 Bonds;
- (7) modifications to rights of the Bond holders, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Series 2015 Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Administration;
- (13) the consummation of a merger, consolidation, or acquisition involving the Administration or the sale of all or substantially all of the assets of the Administration, 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
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) The Trustee shall, within one (1) Business Day of obtaining actual knowledge of the occurrence of any of the Listed Events, inform the Administration of such event.

(c) Whenever the Administration obtains knowledge of the occurrence of a Listed Event, from the Trustee or otherwise, the Administration shall in a timely manner, not in excess of ten business days after the occurrence of an event listed in Section 5(a), file a notice of such occurrence with the MSRB.

(d) Notice of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the date notice (if any) of the underlying event is given to holders of affected Series 2015 Bonds pursuant to the Indenture.

Section 6. Termination of Reporting Obligation. The Administration's obligations and the Trustee's under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2015 Bonds, or upon the receipt by the Trustee of an opinion of counsel that is an expert in federal securities laws, acceptable to both the Administration and the Trustee, to the effect that compliance with this Disclosure Agreement is no longer required by the Rule or other applicable law. If such termination occurs prior to the final maturity of the Series 2015 Bonds, the Administration shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 7. 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 8. Amendment: Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Administration and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the Administration, provided that no such amendment imposes on the Trustee additional

duties or obligations, or eliminates or reduces any right the Trustee may have under this Disclosure Agreement, the Indenture or otherwise), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) The 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 Administration, or the type of business conducted;

(b) This Disclosure Agreement, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2015 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2015 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2015 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Administration shall describe such amendment in the next Annual Disclosure Document, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, in the presentation) of financial information or operating data being presented by the Administration.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Administration from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Disclosure Document or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Administration chooses to include any information in any Annual Disclosure Document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Administration shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Disclosure Document or notice of occurrence of a Listed Event.

Section 10. Limitation on Remedies. In the event of a failure of the Administration to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% of the aggregate principal amount of Outstanding Series 2015 Bonds, shall), or any Holder or Beneficial Owner of the Series 2015 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Administration to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Administration or the Trustee to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties of Trustee. The Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement.

Section 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Administration: Director
Maryland Water Quality Financing Administration
1800 Washington Boulevard
Baltimore, MD 21230

To the Trustee: Corporate Trust and Agency Services
Manufacturers and Traders Trust Company
One M&T Plaza
Buffalo, NY 14240

Any person may, by written notice to the other parties listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Administration, the Trustee, the Participating Underwriters, and Holders and Beneficial Owners from time to time of the Series 2015 Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

DATE: December __, 2015

**MARYLAND WATER QUALITY FINANCING
ADMINISTRATION**

By _____
Jag Khuman, Director

**MANUFACTURERS AND TRADERS
TRUST COMPANY, as Trustee**

By _____

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BOOK-ONLY ENTRY SYSTEM

The information in this Appendix has been obtained from sources that the Maryland Water Quality Financing Administration (the “Administration”) believes to be reliable, but the Administration does not take any responsibility for the accuracy thereof. Capitalized terms used in this Appendix and not defined herein shall have the meaning set forth in the Official Statement unless the context requires otherwise.

The Depository Trust Company

The Depository Trust Company, New York, New York (“DTC” or, together with any successor securities depository for the Series 2015 Bonds, the “Securities Depository”), will act as securities depository for the Series 2015 Bonds. The Series 2015 Bonds will be issued as fully-registered securities registered in the name of Cede & Co., DTC’s partnership nominee, or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate of Series 2015 Bonds will be issued for each maturity of the Series 2015 Bonds in principal amount equal to the aggregate principal amount of the Series 2015 Bonds of such maturity and will be deposited with DTC or its agent.

DTC, the world’s largest securities 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, as amended. DTC holds and provides asset servicing for over 3.5 million issues of United States and non-United States 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 United States and non-United States 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 (the “Indirect Participants”). The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission (the “SEC”). More information about DTC can be found at www.dtcc.com.

Ownership of Series 2015 Bonds

Purchases of the Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2015 Bond (the "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 Participants through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the Series 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. *Beneficial Owners will not receive certificates representing their ownership interests in the Series 2015 Bonds except in the event that use of the book-entry only system for the Series 2015 Bonds is discontinued under the circumstances described below under "Discontinuance of Book-Entry Only System."*

To facilitate subsequent transfers, all Series 2015 Bonds deposited by Direct and Indirect 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 Series 2015 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 Series 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015 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 Series 2015 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2015 Bonds, such as redemptions, tenders, defaults and proposed amendments to the security documents. For example, Beneficial Owners of Series 2015 Bonds may wish to ascertain that the nominee holding the Series 2015 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 Trustee and request that copies of the notices be provided directly to them.

So long as a nominee of DTC is the registered owner of the Series 2015 Bonds, references herein to the Bondholders or the holders or owners of the Series 2015 Bonds shall mean DTC and shall not mean the Beneficial Owners of the Series 2015 Bonds. The Administration and the Trustee will recognize DTC or its nominee as the holder of all of the Series 2015 Bonds for all purposes, including the payment of the principal or Redemption Price of and interest on, and the purchase price of, the Series 2015 Bonds, as well as the giving of notices and any consent or direction required or permitted to be given to or on behalf of the Bondholders under the Indenture. Neither the Administration nor the Trustee will have any responsibility or obligation to Direct or Indirect Participants or Beneficial Owners with respect to payments or notices to Direct or Indirect Participants or Beneficial Owners.

Payments on and Redemption or Purchase of Series 2015 Bonds

So long as the Series 2015 Bonds are held by DTC under a book-entry system, principal and interest payments on the Series 2015 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding information from the Trustee on the applicable payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC, the Trustee or the Administration, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Administration or the Trustee, 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.

So long as the Series 2015 Bonds are held by DTC under a book-entry only system, the Trustee will send any notice of redemption or purchase with respect to the Series 2015 Bonds only to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. Any failure of DTC to advise any Direct Participant, or of any Direct Participant to notify any Indirect Participant or of any Direct or Indirect Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of the proceedings for the redemption or purchase of the Series 2015 Bonds or of any other action premised on such notice. If fewer than all of the Series 2015 Bonds of any one maturity are selected for redemption or purchase, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed or purchased, except as otherwise directed by the Administration.

Neither the Administration nor the Trustee can give any assurances that DTC or the Direct or Indirect Participants will distribute payments of the principal or Redemption Price of and interest on or the purchase price of, the Series 2015 Bonds paid to DTC or its nominee, as the registered owner of the Series 2015 Bonds, or any redemption, purchase 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.

Discontinuance of Book-Entry Only System

DTC may discontinue its services as a securities depository for the Series 2015 Bonds at any time by giving reasonable notice to the Administration and the Trustee, or the Administration may discontinue use of the system of book-entry transfers through DTC. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2015 Bonds are required to be printed and delivered in fully certificated form to the Participants shown on the records of DTC provided to the Trustee or, to the extent requested by any Participant, to the Beneficial Owners of the Series 2015 Bonds shown on the records of such Participant provided to the Trustee.

Registration and Exchange of Series 2015 Bonds

So long as the Series 2015 Bonds are maintained under a book-entry system, transfers of ownership interests in the Series 2015 Bonds will be made as described above under "Book-Entry Only System." If the book-entry only system is discontinued, any Series 2015 Bond may be exchanged for an equal aggregate principal amount of Series 2015 Bonds maturing on the same date and bearing interest at the same rate of other authorized denominations, and the transfer of any Series 2015 Bond may be registered, upon presentation and surrender of such Series 2015 Bond at the designated office of the Trustee, together with an assignment duly executed by the registered owner or his attorney or legal representative. The Administration and the Trustee may require the person requesting any such exchange or transfer to reimburse them for any tax or other governmental charge payable in connection therewith. Neither the Administration or the Trustee shall be required to register the transfer of any Series 2015 Bond or make any such exchange of any Series 2015 Bond (1) during the 15 days preceding the date of mailing of any notice of redemption of Series 2015 Bonds of the same maturity or (2) after a notice of redemption of such Series 2015 Bond or any portion thereof has been mailed.

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