

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2012A-B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Bond Counsel is of the further opinion that interest on the Series 2012A-B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2012A-B Bonds is exempt from all taxation of the District of Columbia, except estate, inheritance and gift taxes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2012A-B Bonds. See "TAX MATTERS" herein.

\$314,110,000
DISTRICT OF COLUMBIA
(Washington, D.C.)



\$258,110,000
Income Tax Secured Revenue Refunding Bonds,
Series 2012A

\$56,000,000
Income Tax Secured Revenue Refunding Bonds,
Series 2012B

Dated: Date of delivery

Due: December 1, as shown on the inside cover page

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

The District of Columbia Income Tax Secured Revenue Refunding Bonds, Series 2012A (the "Series 2012A Bonds") and the District of Columbia Income Tax Secured Revenue Refunding Bonds, Series 2012B (the "Series 2012B Bonds," and together with the Series 2012A Bonds, the "Series 2012A-B Bonds") are issued as Senior Bonds pursuant to (i) the Income Tax Secured Bond Authorization Act of 2008, effective October 22, 2008 (D.C. Law 17-254; D.C. Official Code §§ 47-340.26-36) (the "Income Tax Secured Bond Authorization Act of 2008"), as amended by the Income Tax Secured Bond Authorization Act of 2011, effective November 16, 2011 (D.C. Law 19-39) (together with the Income Tax Secured Bond Authorization Act of 2008, the "Act"), (ii) a Master Indenture of Trust between the District of Columbia (the "District") and Wells Fargo Bank, N.A., as trustee (the "Trustee"), dated as of March 1, 2009, as amended and supplemented (the "Master Indenture"), and (iii) a Fifteenth Supplemental Indenture of Trust between the same parties dated as of May 1, 2012 (the "Fifteenth Supplemental Indenture," and, together with the Master Indenture, the "Indenture"), executed pursuant to the Act.

The proceeds of the Series 2012A-B Bonds will be used, together with other funds of the District, to (i) current or advance refund, as applicable, the Refunded Bonds (as defined herein) and (ii) pay the costs and expenses of issuing and delivering the Series 2012A-B Bonds.

The Series 2012A-B Bonds, the Outstanding Bonds and any Additional Bonds issued under the terms of the Indenture (collectively, the "Bonds"), will be payable from and equally and ratably secured by a security interest in and a statutory lien on the Trust Estate, consisting primarily of the Revenues (including all Available Tax Revenues received or to be received by the Collection Agent, as agent for the Trustee, the Trustee or the District). Available Tax Revenues means the sum of Available Business Franchise Tax Revenues and Available Income Tax Revenues generated and to be generated in any fiscal year of the District.

The Series 2012A-B Bonds are issuable as registered bonds without coupons in denominations of \$5,000 and integral multiples thereof. Interest on the Series 2012A-B Bonds will accrue from their date of issuance at the annual rates described on the inside cover page and will be payable semi-annually on each June 1 and December 1, commencing on December 1, 2012.

The Series 2012A-B Bonds are subject to optional redemption prior to maturity as set forth herein.

Pursuant to the Act, the Bonds are special obligations of the District payable solely from the Trust Estate pledged under the Indenture. The Bonds are without recourse to the District, and are not a pledge of, and do not involve, the faith and credit or the taxing power of the District (other than the pledge of the Revenues made by the Indenture and the Act), do not constitute a debt of the District, and do not constitute lending of the public credit for private undertakings as prohibited by District law.

The Series 2012A-B Bonds are offered when, as and if issued by the District, subject to receipt of the approving legal opinion of Orrick Herrington & Sutcliffe LLP, Washington, D.C., Bond Counsel to the District. The Office of the Attorney General of the District of Columbia will deliver an opinion as to certain legal matters pertaining to the District. Hawkins Delafield & Wood LLP, Washington, D.C., Disclosure Counsel to the District, will deliver an opinion regarding certain matters to the District and the Underwriters. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Bryant Miller Olive P.C., Washington, D.C., and McKenzie & Associates, Washington, D.C. It is anticipated that the Series 2012A-B Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York on or about May 16, 2012.

Barclays

Ramirez & Co., Inc.

RBC Capital Markets

BofA Merrill Lynch

Citigroup*

Fidelity Capital Markets

Jefferies

Loop Capital Markets

Rice Financial Products Company

May 3, 2012

* Citigroup is an Underwriter solely with respect to the Series 2012A Bonds.

MATURITY DATES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS, AND PRICES

\$258,110,000 Income Tax Secured Revenue Refunding Bonds, Series 2012A

<u>Maturity (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP**</u>
2012	\$14,015,000	2.00%	0.170%	100.990%	25477GJD8
2013	\$3,040,000	3.00%	0.300%	104.149%	25477GJE6
2014	\$1,580,000	3.00%	0.500%	106.305%	25477GJF3
2015	\$1,630,000	3.00%	0.710%	107.995%	25477GJG1
2016	\$3,000,000	4.00%	0.860%	113.956%	25477GJH9
2016	\$9,795,000	5.00%	0.860%	118.400%	25477GJS5
2017	\$5,000,000	4.00%	1.070%	115.723%	25477GJJ5
2017	\$21,465,000	5.00%	1.070%	121.090%	25477GJT3
2018	\$915,000	3.00%	1.330%	110.429%	25477GJK2
2018	\$21,985,000	5.00%	1.330%	122.919%	25477GJU0
2019	\$3,900,000	4.00%	1.560%	117.296%	25477GJL0
2019	\$10,445,000	5.00%	1.560%	124.385%	25477GJV8
2020	\$4,365,000	4.00%	1.840%	117.000%	25477GJM8
2020	\$20,855,000	5.00%	1.840%	124.871%	25477GJW6
2021	\$210,000	3.00%	2.050%	108.194%	25477GJN6
2021	\$5,335,000	4.00%	2.050%	116.820%	25477GKE4
2021	\$20,925,000	5.00%	2.050%	125.447%	25477GJX4
2022	\$5,000,000	4.00%	2.200%	116.852%	25477GJP1
2022	\$22,765,000	5.00%	2.200%	126.214%	25477GJY2
2023	\$710,000	4.00%	2.350%*	115.326%*	25477GJQ9
2023	\$28,450,000	5.00%	2.350%*	124.615%*	25477GJZ9
2024	\$1,580,000	3.00%	2.520%*	104.418%*	25477GJR7
2024	\$29,050,000	5.00%	2.470%*	123.353%*	25477GKA2
2025	\$13,525,000	5.00%	2.590%*	122.106%*	25477GKB0
2026	\$4,300,000	5.00%	2.690%*	121.079%*	25477GKC8
2027	\$4,270,000	5.00%	2.780%*	120.163%*	25477GKD6

\$56,000,000 Income Tax Secured Revenue Refunding Bonds, Series 2012B

<u>Maturity (December 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP**</u>
2025	\$18,660,000	5.00%	2.440%*	123.667%*	25477GKF1
2026	\$25,045,000	5.00%	2.540%*	122.624%*	25477GKG9
2027	\$12,295,000	5.00%	2.630%*	121.694%*	25477GKH7

* Yield and price to the first par call date of December 1, 2022.

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DISTRICT OF COLUMBIA

Vincent C. Gray
Mayor

EXECUTIVE OFFICERS

Allen Y. Lew	City Administrator
De'Shawn Wright	Deputy Mayor for Education
Victor L. Hoskins	Deputy Mayor for Planning and Economic Development
Beatriz Otero	Deputy Mayor for Health and Human Services
Paul Quander	Deputy Mayor for Public Safety and Justice
Irvin B. Nathan	Attorney General
Natwar M. Gandhi	Chief Financial Officer
Lasana K. Mack	Deputy Chief Financial Officer and Treasurer
Fitzroy A. Lee	Deputy Chief Financial Officer for Revenue Analysis
Stephen M. Cordi	Deputy Chief Financial Officer for Tax and Revenue
Anthony Pompa	Deputy Chief Financial Officer for Financial Operations and Systems
Gordon McDonald	Deputy Chief Financial Officer for Budget and Planning

COUNCIL OF THE DISTRICT OF COLUMBIA

Kwame R. Brown, Chairman

David A. Catania	At Large	Mary M. Cheh	Ward 3
Phil Mendelson	At Large	Muriel Bowser	Ward 4
Michael A. Brown	At Large	Vacant	Ward 5
Vincent Orange	At Large	Tommy Wells	Ward 6
Jim Graham	Ward 1	Yvette M. Alexander	Ward 7
Jack Evans	Ward 2	Marion Barry, Jr.	Ward 8

BOND COUNSEL

Orrick Herrington & Sutcliffe LLP
Washington, D.C.

DISCLOSURE COUNSEL

Hawkins Delafield & Wood LLP
Washington, D.C.

FINANCIAL ADVISORS

Phoenix Capital Partners, LLP
Philadelphia, Pennsylvania

Public Resources Advisory Group, Inc.
New York, New York

INVESTOR RELATIONS

Lasana K. Mack
Deputy Chief Financial Officer and Treasurer
Office of Finance and Treasury
1101 Fourth Street, S.W., Suite 850
Washington, D.C. 20024
phone: (202) 727-6055
fax: (202) 727-6963
e-mail: dcinvestorrelations@dc.gov

No dealer, broker, salesperson or other person has been authorized by the District to give any information or to make representations, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District. 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 2012A-B Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been furnished by the District and includes information obtained from other sources, all of which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party.

The order and placement of materials in this Official Statement, including the appendices, are not to be deemed a determination of relevance, materiality or importance, and this Official Statement, including the appendices, must be considered in its entirety. The captions and headings in this Official Statement are for convenience only and in no way define, limit or describe the scope or intent, or affect the meaning or construction, of any provisions or sections of this Official Statement. The offering of the Series 2012A-B Bonds is made only by means of this entire Official Statement.

The statements contained in this Official Statement and appendices hereto and in any other information provided by the District and other parties to the transactions described herein that are not purely historical are forward-looking statements. Such forward-looking statements can be identified, in some cases, by terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “illustrate,” “example,” and “continue,” or the singular, plural, negative or other derivations of these or other comparable terms. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to such parties on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including, but not limited to, risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in various important factors. Accordingly, actual results may vary from the projections, forecasts and estimates contained in this Official Statement and such variations may be material, which could affect the ability to fulfill some or all of the obligations under the Series 2012A-B Bonds.

The Underwriters (as defined herein) have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

In connection with the offering of the Series 2012A-B Bonds, the Underwriters may overallot or effect transactions which stabilize or maintain the market price of such Bonds at levels above those which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM (“ORIGINAL BOUND FORMAT”) OR IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: [HTTP://WWW.MUNIOS.COM](http://www.munios.com). THIS OFFICIAL STATEMENT MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR IF IT IS PRINTED IN FULL DIRECTLY FROM SUCH WEBSITE.

Summary

The following summary is subject in all respects to more complete information contained elsewhere in this Official Statement. Capitalized terms used herein and not otherwise defined have the meanings given such terms in APPENDIX B.

Issuer:	District of Columbia
Issue:	\$258,110,000 aggregate principal amount of District of Columbia Income Tax Secured Revenue Refunding Bonds, Series 2012A (the “Series 2012A Bonds”) and \$56,000,000 aggregate principal amount of District of Columbia Income Tax Secured Revenue Refunding Bonds, Series 2012B (the “Series 2012B Bonds,” and together with the Series 2012A Bonds, the “Series 2012A-B Bonds”)
Dated Date:	Date of Delivery
Denominations:	\$5,000 and integral multiples thereof
Interest:	The Series 2012A-B Bonds will bear interest at the rates set forth on the inside cover page hereof, payable semiannually each June 1 and December 1, commencing December 1, 2012.
Redemption:	The Series 2012A-B Bonds are subject to optional redemption prior to maturity as described under “THE SERIES 2012A-B BONDS - Redemption” herein.
Certain Key Definitions:	<p>“<i>Act</i>” means the Income Tax Secured Bond Authorization Act of 2008, effective October 22, 2008 (D.C. Law 17-254; D.C. Official Code §§ 47-340.26-36), as amended by the Income Tax Secured Bond Authorization Act of 2011, effective November 16, 2011 (D.C. Law 19-39).</p> <p>“<i>Available Business Franchise Tax Revenues</i>” means the revenues resulting from the imposition of the Business Franchise Tax, including penalty and interest charges.</p> <p>“<i>Available Income Tax Revenues</i>” means the revenues resulting from the imposition of the Income Tax, including penalty and interest charges.</p> <p>“<i>Available Tax Revenues</i>” means the sum of the Available Business Franchise Tax Revenues and the Available Income Tax Revenues generated and to be generated in any fiscal year of the District.</p> <p>“<i>Available Withholding Tax Revenues</i>” means, for each Fiscal Year, the amount of the withholding portion of the Available Income Tax Revenues, which amount is collected by the Collection Agent pursuant to the Collection Agreement.</p> <p>“<i>Business Franchise Tax</i>” means the franchise tax imposed by the District on corporations and unincorporated businesses pursuant to sections 47-1807.02, 47-1808.03 and 47-1817.06 of the D.C. Official Code.</p> <p>“<i>Collection Account</i>” means the account or accounts established and held by the Collection Agent pursuant to the Collection Agreement for the benefit of the Bondholders, into which the Collection Agent, on behalf of the Trustee, deposits the Available Tax Revenues in accordance with the provisions of the Act, and maintained as an Account within the Income Tax Secured Bond Fund pursuant to the Master Indenture.</p>

“Collection Agent” means the financial institution or institutions selected by the Chief Financial Officer as agent for the Trustee to receive Available Tax Revenues for deposit into the Collection Account of the District of Columbia Income Tax Secured Bond Fund in accordance with the Act and the Collection Agreement. The Collection Agent is Wells Fargo Bank, N.A.

“Collection Agreement” means the Collection Agreement by and between the Trustee and the Collection Agent relating to the Collection Account maintained by the Collection Agent on behalf of the Trustee pursuant to the Act.

“Income Tax” means the income tax imposed on individuals by the District pursuant to section 47-1806.03 of the D.C. Official Code.

“Income Tax Secured Bond Fund” means the fund established pursuant to section 47-340.27 of the D.C. Official Code and the Act, and maintained under the Indenture, which includes a Collection Account and a Revenue Account.

“Revenues” means the following, collectively, except as otherwise may be provided with respect to a Series of Bonds by the Supplemental Indenture authorizing such Series:

- (i) All Available Tax Revenues received by the Collection Agent, the Trustee or the District.
- (ii) With respect to any particular Bonds, the proceeds of any draw on or payment under any Credit Facility which is intended for the payment of such Bonds, but only for purposes of such payment and not for purposes of the additional Bonds test or other purposes of the Indenture.
- (iii) Any amounts received by the District pursuant to a Qualified Hedge after giving effect to any netting of amounts payable by the parties thereunder.
- (iv) Income and interest earned and gains realized in excess of losses suffered by any Fund (other than the Rebate Fund), Account (other than any Account in the Rebate Fund) or Subaccount held by the Trustee under the terms of the Indenture.
- (v) Any other revenues, fees, charges, surcharges, rents, proceeds or other income and receipts received by or on behalf of the District or by the Trustee, lawfully available for the purposes of the Indenture in accordance with the Act and deposited by or on behalf of the District or by the Trustee in any Fund (other than the Rebate Fund), Account (other than the Costs of Issuance Account and the Bond Proceeds Account) or Subaccount (other than any Subaccount in the Costs of Issuance Account and the Bond Proceeds Account) held by the Trustee under the terms of the Indenture, including any payments or collections received pursuant to enforcement actions, received from bankruptcy trustees or through the Bankruptcy Courts, received as a result of garnished wages, received as collections of tax levies, including the release of liens at real estate closings, received as a result of closures of estates, received as a result of the sales of businesses or involving business licenses, and other collection activities as shall be collected by the Chief Financial Officer and forwarded to the Collection Agent or deposited in the Income Tax Secured Bond Fund upon reconciliation of accounts.

“Trust Estate” means the following property:

- (i) All Revenues pledged pursuant to the Master Indenture.
- (ii) All right, title and interest of the District in and to Revenues, and all rights to receive the same by the Act including all of its right, title, and interest now owned or later acquired in and to the Available Tax Revenues, whether received or to be received, or held at the time, by a Collection Agent, custodian, or escrow agent or by District officials.
- (iii) Amounts on deposit from time to time, and any investment earnings thereon, in the Income Tax Secured Bond Fund, Funds (other than the Rebate Fund), Accounts (other than the Costs of Issuance Account and the Bond Proceeds Account) or Subaccounts (other than any Subaccount in the Costs of Issuance Account and the Bond Proceeds Account), held by the Trustee, and moneys and securities from time to time held by the Trustee under the terms of the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.
- (iv) All right, title and interest of the District owned or acquired in and to proceeds from the sale of Bonds issued under the Master Indenture and required to be deposited in the Capitalized Interest Account (but excluding the Bond Proceeds Account of the Bond Proceeds Fund and the Costs of Issuance Account and the Capital Project Fund held by the District) pursuant to the provisions of the Indenture (except as limited as provided in the Master Indenture) and all right, title, and interest in and to the investments held in such funds (except as limited as provided in the Master Indenture) pursuant to the provisions of the Indenture.
- (v) Any and all other property of any kind from time to time by delivery or by writing specifically conveyed, pledged, assigned or transferred, as and for additional security for the Bonds and the Obligations, by the District or by anyone on its behalf or with its written consent in favor of the Trustee, which is authorized by the Indenture 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.
- (vi) Any and all cash and non-cash proceeds, products, rents, and profits from any of the Trust Estate described in paragraphs (i) through (v) above, including, without limitation, those from the sale, exchange, transfer, collection, loss, damage, disposition, substitution or replacement of any of the foregoing.

Security:

The Indenture pledges the Trust Estate to the Trustee as security for the payment of the Bonds. The Trust Estate includes, among other things, all Revenues, consisting primarily of Available Income Tax Revenues and Available Business Franchise Tax Revenues received or to be received by the Collection Agent, the Trustee or the District.

The Act creates a statutory lien, by providing that a “security interest created in respect of the bonds or pursuant to any related Financing Document shall be valid, binding, and perfected from the time the security interest is created, with or without physical delivery of any funds or any property and with or without any further action.” The Act further provides that “the holders of the bonds shall have a first lien on and pledge of the Available Tax Revenues superior to that of any other person, including holders of general obligation bonds or notes secured by the full faith and credit of the District.”

Collection Agreement: Pursuant to a collection agreement between the Collection Agent and the District, the Collection Agent collects and receives the Available Tax Revenues. Pursuant to the Indenture and the Act, the Collection Agent entered into an agreement with the Trustee to act as the Trustee's agent and fiduciary to deposit the Available Tax Revenues upon receipt into the Collection Account created under the Indenture for the benefit of bondholders, maintained by and held with the Collection Agent. Each business day, the Collection Agent transfers the Available Tax Revenues from the Collection Account to the Revenue Account held by the Trustee under the Indenture. The Trustee, as described below under "Retention Procedures," retains such funds to pay debt service on the Bonds. Amounts not required to pay debt service are transferred to the District.

Retention Procedures: Each Business Day, all Available Tax Revenues received from the Collection Agent are deposited by the Trustee into the Revenue Account held under the Income Tax Secured Bond Fund. Amounts on deposit in the Revenue Account are withdrawn and transferred on a daily basis to the Accumulation Account established for the Senior Bonds and Senior Obligations, as follows, until the amounts on deposit in all such accounts related to all Senior Bonds and Senior Obligations equals: (A) commencing on April 1 of each Fiscal Year and on each day thereafter in such month until 1/3 of the amounts set forth in the following clauses (i) and (ii) for the next ensuing Fiscal Year are on deposit therein, 1/3 of the amounts set forth in the following clauses (i) and (ii) for the next ensuing Fiscal Year, (B) commencing on May 1 of each Fiscal Year and on each day thereafter in such month until 2/3 of the amounts set forth in the following clauses (i) and (ii) for the next ensuing Fiscal Year are on deposit therein, 2/3 of the amounts set forth in the following clauses (i) and (ii) for the next ensuing Fiscal Year, and (C) commencing on June 1 of each Fiscal Year and on each day thereafter in such month and, if necessary, in each succeeding month until 100% of the amounts set forth in the following clauses (i) and (ii) for the next ensuing Fiscal Year are on deposit in the Accumulation Account, 100% of the amounts set forth in the following clauses (i) and (ii) for the next ensuing Fiscal Year (and to the extent necessary, until the amounts on deposit equal any debt service requirements relating to Senior Bonds and Senior Obligations for a prior Fiscal Year that have not been satisfied): (i) the aggregate of the Principal Installments of such Senior Bonds, and principal component of Senior Obligations, due during the next ensuing Fiscal Year, plus (ii) the aggregate interest due on such Senior Bonds and the interest component of Senior Obligations, due during the next ensuing Fiscal Year (for Adjustable Rate Bonds, based on the Assumed Interest Rate).

Unless otherwise set forth in a Supplemental Indenture, sixty (60) days prior to (A) June 1, moneys on deposit in the Accumulation Account shall be transferred from the Accumulation Account to the Interest Account, related to a series of Senior Bonds or Senior Obligations representing interest payable on such Senior Bonds or Senior Obligations on the June 1 date, and (B) December 1, moneys on deposit in the Accumulation Account shall be transferred from the Accumulation Account to the Principal Account and the Interest Account, allocated on a pro rata basis to the Principal Account and the Interest Account, related to a series of Senior Bonds or Senior Obligations representing principal and interest payable on such Senior Bonds or Senior Obligations on the December 1 date.

Pursuant to the Fifteenth Supplemental Indenture and utilizing the retention mechanism described above, the District expects that, not later than June 30, 2012, it will set aside funds sufficient to pay principal of and interest on the Series 2012A-B Bonds through June 1, 2013.

**Non-Impairment
Covenant:**

The District pledges and covenants and agrees with the holders of the Bonds that, subject to the provisions of the Financing Documents, the District will not:

- (i) Limit or alter the revenues pledged to secure the Bonds or the basis on which such revenues are collected or allocated, in a manner that would generate Available Tax Revenues below the levels required to pay or secure the payment of the Bonds;
- (ii) Impair the contractual obligations of the District to fulfill the terms of any agreement made with the holders of the Bonds, provided, however, that the District may modify the District Income Tax rates or the income subject to those rates only if the modification, if in effect, would not have reduced the ratio of (A) District Income Tax generated by Available Withholding Tax Revenues for any 12 consecutive month period during the 15 month period immediately preceding the calculation to (B) the Maximum Annual Debt Service on the Senior Bonds then outstanding below 2.0;
- (iii) In any way impair the rights or remedies of the holders of the Bonds; and
- (iv) If Bonds are issued as Tax-Exempt Bonds, modify in any way the exemptions from taxation provided for in subsection (e) of § 47-340.29 of the D.C. Official Code and the Act until the Bonds, together with interest thereon, and all costs and expenses in connection with any suit, action or proceeding by or on behalf of the holders of the Bonds, are fully met and discharged.

Pursuant to the Act, the pledge and agreement of the District in the Indenture that is summarized above is included as part of the contract with the holders of the Bonds.

Additional Bonds:

The Indenture permits the issuance of Additional Bonds with a parity claim on the Trust Estate with the Outstanding Bonds and the Series 2012A-B Bonds upon the District's filing of a certificate of the Chief Financial Officer with the Trustee certifying (i) the Available Withholding Tax Revenues for a 12 consecutive month period of the immediately prior 15 months applicable to the Fiscal Year in which such Additional Bonds are to be issued or Senior Obligations are to be incurred, (ii) the Available Tax Revenues for the same 12 consecutive month period of the immediately prior 15 months that is used to calculate the Available Withholding Tax Revenues, and (iii) the Maximum Annual Debt Service that will be due on the Senior Bonds, including such Additional Bonds and the Senior Obligations, in any subsequent Fiscal Year, and showing that the amount in clause (i) at least equals 2 times the amount in clause (iii), and the amount in clause (ii) at least equals 3 times the amount in clause (iii).

The District may issue Subordinate Bonds or incur Subordinate Obligations at any time following receipt of written confirmation from each Rating Agency that its Rating on the Senior Bonds and Senior Obligations (to the extent that such obligations are rated) will not be lower than the Rating in effect prior to the issuance of the proposed Subordinate Bonds or Subordinate Obligations as a direct result of such issuance.

Ratings:

S&P, Moody's and Fitch have assigned ratings of "AAA," "Aa1," and "AA+," respectively, to the Series 2012A-B Bonds, and the outlook for each such rating is "stable." See "RATINGS" herein.

**TABLE OF CONTENTS
FOR
PART 1**

	<u>Page</u>
INTRODUCTION	1-1
GENERAL DESCRIPTION OF THE BONDS	1-2
AUTHORIZATION	1-2
PURPOSE OF THE ISSUE	1-2
SOURCES AND USES OF FUNDS	1-3
BOOK-ENTRY-ONLY SYSTEM.....	1-3
THE SERIES 2012A-B BONDS	1-4
GENERAL.....	1-4
REDEMPTION	1-4
Optional Redemption	1-4
Selection of Bonds to be Redeemed in Partial Redemption.....	1-4
ANNUAL DEBT SERVICE SCHEDULE.....	1-5
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS	1-6
LIMITED OBLIGATION.....	1-6
PLEGGED TAXES.....	1-7
Income Tax	1-7
Business Franchise Tax.....	1-9
Historical and Projected Collections of Pledged Taxes	1-10
Historical Available Tax Revenues.....	1-12
Table 9 Assumptions.....	1-13
COLLECTION AGREEMENT.....	1-16
RETENTION PROCEDURES.....	1-18
NON-IMPAIRMENT COVENANT	1-19
ADDITIONAL BONDS.....	1-19
STATUTORY DEBT LIMITATION	1-20
LITIGATION	1-20
TAX MATTERS.....	1-21
FINANCIAL ADVISORS.....	1-23
LEGAL INVESTMENT IN DISTRICT OBLIGATIONS.....	1-23
LEGAL MATTERS	1-23
CONTINUING DISCLOSURE.....	1-24
VERIFICATION OF MATHEMATICAL COMPUTATIONS.....	1-24
RATINGS.....	1-24
UNDERWRITING	1-25
EXECUTION OF OFFICIAL STATEMENT	1-26
APPENDIX A – FORM OF APPROVING OPINION OF BOND COUNSEL	A-1
APPENDIX B – SUMMARY OF CERTAIN DEFINITIONS AND PROVISIONS OF THE INDENTURE.....	B-1
APPENDIX C – BOOK-ENTRY-ONLY SYSTEM.....	C-1
APPENDIX D – FORM OF CONTINUING DISCLOSURE AGREEMENT.....	D-1
APPENDIX E – REFUNDED BONDS	E-1

**TABLE OF CONTENTS
FOR PART 2**

	PAGE
THE DISTRICT OF COLUMBIA.....	2-3
CREATION AND CHARTER.....	2-3
ORGANIZATION OF THE DISTRICT GOVERNMENT	2-3
CONGRESSIONAL AUTHORITY	2-6
FEDERAL FUNDING.....	2-6
THE AUTHORITY.....	2-8
DISTRICT TAXES.....	2-9
CERTAIN DISTRICT FINANCIAL INFORMATION	2-10
FINANCIAL STATEMENTS.....	2-10
REVENUES AND EXPENDITURES	2-11
CAPITAL BUDGETING AND FINANCING	2-13
CASH RESERVES	2-15
INDEBTEDNESS	2-19
Summary of Statutory Debt Provisions.....	2-19
Long-Term Obligations.....	2-20
Other Capital Funding.....	2-27
Short-Term Obligations	2-27
THE DISTRICT’S ECONOMIC RESOURCES.....	2-28
Population	2-29
Employment and Industry	2-29

**Part 1
of the
Official Statement
of the
DISTRICT OF COLUMBIA
(Washington, D.C.)
relating to**

**\$314,110,000
DISTRICT OF COLUMBIA
(Washington, D.C.)**

**\$258,110,000
Income Tax Secured Revenue Refunding Bonds,
Series 2012A**

**\$56,000,000
Income Tax Secured Revenue Refunding Bonds,
Series 2012B**

INTRODUCTION

The District of Columbia (the “District”) has prepared this Official Statement in connection with the issuance and sale of \$258,110,000 aggregate principal amount of its Income Tax Secured Revenue Refunding Bonds, Series 2012A (the “Series 2012A Bonds”) and \$56,000,000 aggregate principal amount of its Income Tax Secured Revenue Refunding Bonds, Series 2012B (the “Series 2012B Bonds,” and together with the Series 2012A Bonds, the “Series 2012A-B Bonds”).

This Official Statement consists of the cover page, the inside cover page, the Tables of Contents, this Part 1, including the Appendices to this Part 1 (all of the foregoing are referred to collectively as “Part 1”) and the attached Part 2 (“Part 2”). Both this Part 1 and Part 2 are dated as of the date set forth on the cover page. Both Part 1 and Part 2 should be read in their entirety. Part 1 of this Official Statement contains information relating principally to the Series 2012A-B Bonds. Part 2 of this Official Statement contains information relating principally to the government and economic resources of the District, and includes certain financial and other information supplementing the most recent basic financial statements of the District, which can be found in the District’s Comprehensive Annual Financial Report (“CAFR”) for fiscal year 2011. The following portion of the CAFR for fiscal year 2011 is incorporated herein by reference: the information under the heading “Financial Section,” from pages 19-139, inclusive (collectively, the “FY 2011 Financial Statements”). The District’s CAFR for fiscal year 2011 and the FY 2011 Financial Statements can be found on the District’s website at http://cfo.dc.gov/cfo/frames.asp?doc=/cfo/lib/cfo/cafr/2011/cafr_2011.pdf or by registering with and logging onto the website of Digital Assurance Certification, L.L.C. (“DAC”) at www.dacbond.com. DAC is the disclosure dissemination agent for the District.

References herein to the “District” refer to the District of Columbia as a municipal corporation and references to the “District of Columbia” refer to the District of Columbia as a geographical location.

Investor Relations. Investor information, including the District’s CAFRs, may be requested in writing from the Treasurer, Office of Finance and Treasury, 1101 Fourth Street, S.W., Suite 850, Washington, D.C. 20024, by phone at (202) 727-6055, by e-mail at dcinvestorrelations@dc.gov, or by fax at (202) 727-6963. As disclosure dissemination agent for the District, DAC has agreed to promptly file with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system, upon receipt from the District, the District’s annual financial information and notices of events that are required by the Continuing Disclosure Agreement. See “CONTINUING DISCLOSURE.” Certain financial information with respect to the District may be obtained through the website of DAC at www.dacbond.com. Any such information speaks strictly as of its date and the District has undertaken no obligation to update such information.

GENERAL DESCRIPTION OF THE BONDS

Authorization

The Income Tax Secured Bond Authorization Act of 2008, effective October 22, 2008 (D.C. Law 17-254; D.C. Official Code §§ 47-340.26-36) (the “Income Tax Secured Bond Authorization Act of 2008”), as amended by the Income Tax Secured Bond Authorization Act of 2011, effective November 16, 2011 (D.C. Law 19-39) (together with the Income Tax Secured Bond Authorization Act of 2008, the “Act”) authorizes the issuance of (i) the Series 2012A-B Bonds, (ii) additional bonds with a parity claim issued in satisfaction of the tests for additional bonds under the Indenture (“Additional Bonds”) and (iii) Subordinate Bonds (collectively, together with all Outstanding Bonds, the “Bonds”). The Act currently authorizes the issuance of Bonds in an amount not to exceed \$5,180,985,000 and, upon the issuance of the Series 2012A-B Bonds, approximately \$1.3 billion of such authorization will remain.

The issuance of the Series 2012A-B Bonds is authorized pursuant to (i) the Act and proceedings under the Act, (ii) a Master Indenture of Trust between the District and Wells Fargo Bank, N.A., as trustee (the “Trustee”), dated as of March 1, 2009, as amended and supplemented (the “Master Indenture”), and (iii) a Fifteenth Supplemental Indenture of Trust between the same parties dated as of May 1, 2012 (the “Fifteenth Supplemental Indenture,” and, together with the Master Indenture, the “Indenture”).

The Series 2012A-B Bonds are being issued as Senior Bonds under the Indenture. Upon the issuance of the Series 2012A-B Bonds, the District will have approximately \$3.8 billion of Senior Bonds outstanding. The District has not issued any Subordinate Bonds.

Purpose of the Issue

The proceeds of the Series 2012A-B Bonds will be used, together with other funds of the District, to (i) current or advance refund, as applicable, a portion of the District’s outstanding General Obligation Bonds as set forth in APPENDIX E (collectively, the “Refunded Bonds”), and (ii) pay the costs and expenses of issuing and delivering the Series 2012A-B Bonds.

Sources and Uses of Funds

The sources and uses of the proceeds of the Series 2012A-B Bonds are set forth below:

Sources:

Principal Amount of Series 2012A-B Bonds	\$314,110,000.00
Original Issue Premium	\$66,835,619.05
Other District Funds	<u>\$8,390,750.00</u>
Total Sources:	<u>\$389,336,369.05</u>

Uses:

Deposit to the Series 2012A-B Refunded Bonds Redemption Fund ⁽¹⁾	\$387,116,462.36
Underwriters' Discount	\$1,638,254.21
Deposit to Costs of Issuance Account ⁽²⁾	<u>\$581,652.48</u>
Total Uses:	<u>\$389,336,369.05</u>

1. Pursuant to the Fifteenth Supplemental Indenture, the amount deposited in the Series 2012A-B Refunded Bonds Redemption Fund will be transferred by the Trustee to the Series 2012A-B Escrow Fund established under the Defeasance Escrow Agreement and will be used by the Defeasance Escrow Agent to current or advance refund, as applicable, the Refunded Bonds in accordance with the terms of the Defeasance Escrow Agreement. If any amounts remain in the Series 2012A-B Refunded Bonds Redemption Fund after the transfer of the funds to the Series 2012A-B Escrow Fund under the Defeasance Escrow Agreement, such amounts will be transferred to the Series 2012A-B Interest Subaccount.
2. Includes, among other items, Trustee fees, legal fees (including Bond Counsel and Disclosure Counsel fees), Financial Advisory fees, rating agency fees, verification agent fees, and printing costs.

Book-Entry-Only System

The Series 2012A-B Bonds will be issued as fully registered bonds, registered in the name of Cede & Co., as Registered Bondholder and nominee for The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership interests in the Series 2012A-B Bonds will be available in book-entry-only form. Purchasers of beneficial ownership interests in the Series 2012A-B Bonds will not receive certificates representing their interests in the Series 2012A-B Bonds purchased. For more information on DTC and the Book-Entry-Only System, see "APPENDIX C – Book-Entry-Only System."

Principal of, premium, if any, and interest on the Series 2012A-B Bonds are payable, so long as the Series 2012A-B Bonds are in book-entry form, through a securities depository as described in APPENDIX C.

None of the District, the Underwriters, or the Trustee has any responsibility or obligation to any Beneficial Owner (as defined in APPENDIX C) with respect to (i) the accuracy of any records maintained by DTC or any DTC participant, (ii) the distribution by DTC or any DTC participant of any notice that is permitted or required to be given to the owners of the Series 2012A-B Bonds, (iii) the payment by DTC or any DTC participant of any amount received with respect to the Series 2012A-B Bonds, (iv) any consent given or other action taken by DTC or its nominee as the owner of the Series 2012A-B Bonds or (v) any other related matter.

THE SERIES 2012A-B BONDS

General

The Series 2012A-B Bonds will be dated the date of their delivery, and bear interest at the rates set forth on the inside cover pages hereof, payable semiannually on June 1 and December 1, commencing December 1, 2012, until their final payment or maturity. Interest shall be computed on the basis of a three hundred sixty (360) day year consisting of twelve (12) months of thirty (30) days each. The Series 2012A-B Bonds shall be issuable only as fully registered bonds in denominations of \$5,000 and multiples thereof.

Principal of and premium, if any, on the Series 2012A-B Bonds shall be payable to the registered owners upon the surrender of Series 2012A-B Bonds at the principal corporate trust office of the Trustee. Interest on the Series 2012A-B Bonds shall be payable by check or draft of the Trustee mailed to the respective Bondholders at their addresses as they appear on the Record Date on the registration books kept by the Trustee; provided, however, that in the case of a Securities Depository or Bondholder of \$1,000,000 or more in aggregate principal amount of Series 2012A-B Bonds, upon the written request of such Bondholder to the Trustee, received on or prior to a Record Date, specifying the account or accounts to which such payment shall be made, payment of interest when due shall be made by wire transfer of immediately available funds to the bank account number on file with the Registrar. Any such request shall remain in effect until revoked or revised by such Bondholder by an instrument in writing delivered to the Trustee. Principal, premium, if any, and interest on the Series 2012A-B Bonds shall be payable in lawful money of the United States of America.

If the date for payment of the principal of, premium, if any, or interest on any of the Series 2012A-B Bonds shall be other than a Business Day, then the date for such payment shall be the next succeeding day which is a Business Day, and payment on such day shall have the same force and effect as if made on the nominal date of payment.

Redemption

Optional Redemption

The Series 2012A-B Bonds are not subject to optional redemption prior to December 1, 2022. The Series 2012A-B Bonds maturing on or after December 1, 2023, shall be subject to optional redemption prior to maturity, in whole or in part in any authorized denomination on any date on or after December 1, 2022, at the option of the District, at the redemption price of 100% of the principal amount thereof, together with accrued interest to the redemption date.

Selection of Bonds to be Redeemed in Partial Redemption

If less than all of the Outstanding Bonds of a particular Series and maturity are to be redeemed, the Trustee shall assign to each such Outstanding Bond a distinctive number for each amount representing the lowest authorized denomination of the principal amount of such Bond and shall select by lot, using such method of lottery selection as it shall deem proper in its discretion, as many numbers as shall equal the principal amount of such Bonds to be redeemed. For purposes of this process, Bonds or portions thereof which have theretofore been selected by lot for redemption shall not be deemed to be Outstanding.

ANNUAL DEBT SERVICE SCHEDULE

The table below sets forth the debt service requirements for the District’s Income Tax Secured Revenue Bonds currently Outstanding under the Indenture, the debt service requirements for the Series 2012A-B Bonds and total debt service on all of the foregoing.

District of Columbia Income Tax Secured Revenue Bonds⁽¹⁾

Fiscal Year Ending (Sept. 30)	Debt Service on Currently Outstanding Bonds ⁽²⁾	Debt Service on Currently Outstanding Bonds (Net of Federal Subsidies) ^{(2),(3)}	Debt Service on Series 2012A-B Bonds	Total Debt Service on Bonds Outstanding Following Issuance of Series 2012A-B Bonds (Net of Federal Subsidies) ^{(2),(3)}
2012	\$249,192,562	\$231,687,578	\$ 0	\$231,687,578
2013	272,397,653	254,892,669	29,325,735	284,218,404
2014	291,953,593	274,448,609	17,546,950	291,995,559
2015	260,899,584	243,394,600	16,017,650	259,412,250
2016	223,827,191	206,322,207	16,019,500	222,341,707
2017	223,948,252	206,443,268	26,855,175	233,298,443
2018	255,188,311	237,683,326	39,583,675	277,267,001
2019	268,691,695	251,353,688	34,818,700	286,172,388
2020	253,717,660	236,725,239	25,361,225	262,086,464
2021	249,865,948	233,242,676	35,288,425	268,531,101
2022	256,386,403	240,155,230	35,296,775	275,452,005
2023	288,631,900	272,943,032	35,289,675	308,232,707
2024	291,731,822	276,780,835	35,290,100	312,070,935
2025	292,849,468	278,724,313	35,284,700	314,009,013
2026	291,892,567	278,670,367	35,285,125	313,955,492
2027	288,710,938	277,281,595	30,906,875	308,188,470
2028	264,841,185	255,252,114	16,979,125	272,231,239
2029	273,933,213	265,406,800	0	265,406,800
2030	243,439,394	236,012,395	0	236,012,395
2031	208,326,633	202,039,769	0	202,039,769
2032	198,653,471	193,551,532	0	193,551,532
2033	154,721,823	150,848,612	0	150,848,612
2034	153,292,481	150,693,512	0	150,693,512
2035	144,839,079	143,561,527	0	143,561,527
2036	69,190,494	68,888,061	0	68,888,061
2037	37,364,700	37,364,700	0	37,364,700
Total	\$6,008,488,022	\$5,704,368,255	\$465,149,410	\$6,169,517,665

1. Amounts may not total due to rounding.
2. These debt service amounts include: (a) sinking fund installments for the District’s Income Tax Secured Revenue Bonds, Series 2010D (Federally Taxable – Qualified School Construction Bonds – Direct Pay to Issuer) (the “Series 2010D Bonds”); and (b) estimated debt service on the unrefunded portion of the District’s Income Tax Secured Revenue Refunding Bonds, Series 2010E Bonds (Adjusted SIFMA Rate) (the “Series 2010E Bonds”) and the District’s Income Tax Secured Revenue Refunding Bonds, Series 2011B-C-D-E Bonds (Adjusted SIFMA Rate)(together with the Series 2010E Bonds, the “SIFMA Bonds”) in accordance with the principal amortization schedules established in the respective supplemental indentures for the SIFMA Bonds, at an assumed interest rate of 3%.
3. These debt service amounts are net of federal subsidies, including BABs direct subsidy payments and QSCBs direct subsidy payments, anticipated to be paid to the District by the United States Treasury in connection with Bonds issued as BABs and QSCBs. “BABs” means Build America Bonds and “QSCBs” means Qualified School Construction Bonds.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

Limited Obligation

Pursuant to the Act, the Bonds are special obligations of the District payable solely from the Trust Estate pledged under the Indenture.

The Bonds are without recourse to the District, and are not a pledge of, and do not involve, the faith and credit or the taxing power of the District (other than the pledge of the Available Tax Revenues made by the Indenture and the Act), do not constitute a debt of the District, and do not constitute lending of the public credit for private undertakings as prohibited by District law.

Pursuant to the Master Indenture, the District has pledged the Trust Estate to the Trustee for the payment and as security for the payment of the Principal Installments and Redemption Price of and interest on the Bonds and payments due under any Credit Facilities, Liquidity Facilities and/or Qualified Hedges to the extent provided by a Supplemental Indenture, in each case in accordance with their terms and the provisions of the Master Indenture and subject to the provisions of the Master Indenture permitting the application of the Trust Estate for the purposes and on the terms and conditions set forth in the Master Indenture, and in each case subject to the provisions regarding priority of payment as between Senior Bonds and Senior Obligations, and Subordinate Bonds and Subordinate Obligations. With respect to Bonds issued under the Master Indenture, the District does not, as of the date hereof, have any outstanding Credit Facilities, Liquidity Facilities or Qualified Hedges.

The Act creates a statutory lien, by providing that a “security interest created in respect of the bonds or pursuant to any related Financing Document shall be valid, binding, and perfected from the time the security interest is created, with or without physical delivery of any funds or any property and with or without any further action.” The Act further provides that “the holders of the bonds shall have a first lien on and pledge of the Available Tax Revenues superior to that of any other person, including holders of general obligation bonds or notes secured by the full faith and credit of the District.” The Act and the Indenture pledge to the Trustee and grant a security interest in Available Tax Revenues “whether received or to be received, or held at the time, by the Collection Agent, the Trustee, a custodian, or escrow agent or by District officials.”

In the opinion of Bond Counsel, the Indenture creates the valid pledge that it purports to create.

Thus, the Trustee will have for the benefit of bondholders a security interest in and a statutory lien on the Available Tax Revenues received or to be received by the Collection Agent, the Trustee, or the District regardless of where the Available Tax Revenues are held at any moment in time.

The full faith and credit of the United States is not pledged for the payment of the principal of or interest on the Bonds, nor is the United States responsible or liable for the payment thereof.

See also “-Non-Impairment Covenant” and “-Additional Bonds” below.

Pledged Taxes

The District levies two major types of income taxes: the Income Tax (individual) and the Business Franchise Tax (collectively, the “Pledged Taxes”). The Pledged Taxes are the two sources of the Available Tax Revenues pledged as part of the Trust Estate.

Income Tax

The District imposes the Income Tax on individuals domiciled within the District of Columbia at any time during a tax year or who maintain a place of abode within the District of Columbia for an aggregate of 183 days or more during a tax year.

The Income Tax rate is 4% on taxable income (less certain personal exemptions) less than \$10,000, 6% on taxable income from \$10,000 to \$40,000 and 8.5% on taxable income in excess of \$40,000. As of January 1, 2012, taxable income in excess of \$350,000 became subject to an Income Tax rate of 8.95%. Without further action by the Council, this 8.95% Income Tax rate will expire on December 31, 2015.

Taxpayers may receive tax credits, including for tax paid on income to another state or political subdivision and, in certain circumstances, for some amounts paid as real property taxes to the District.

Employers in the District of Columbia are required to withhold for each payroll period a portion of each District of Columbia resident employee’s income (for those employees who do not otherwise make estimated tax payments) and pay it directly to the District as an estimated prepayment of the Income Tax that such employee is expected to owe at the end of the year. Amounts withheld by employers are referred to in the following tables as “withholding” amounts. The Income Taxes paid directly by District resident employees to the District are referred to herein as “non-withholding.”

The tables below illustrate the growth and decline of various District of Columbia employment sectors over time, the unemployment rate over time for the District of Columbia, the distribution of Income Tax collections by income level, and the sources of income of District of Columbia residents.

Table 1. Employment in the District of Columbia By Industry
(Annual Average Data)^{(1), (2), (3)}
(In Thousands)

<u>Calendar Year</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Federal Government	190.8	193.8	200.2	210.6	212.6
District Government	36.3	37.2	36.3	32.5	31.3
Public Transportation	3.9	3.8	3.8	3.8	3.8
Trade, Trans. & Utilities	27.7	27.9	26.8	27.3	27.2
Financial Activities	29.2	28.2	26.9	26.7	26.8
Professional & Business Services	152.8	152.4	147.6	147.7	150.1
Other private	253.1	260.5	260.1	263.3	276.1
Total Service-Providing	679.4	689.4	688.7	700.2	714.8
Total Goods-Producing	14.4	14.5	12.9	11.7	13.0
Total Non-Farm	<u>693.8</u>	<u>703.9</u>	<u>701.6</u>	<u>711.9</u>	<u>727.8</u>

1. Not seasonally adjusted. Data may not equal totals due to independent rounding. Industry classification is based on the North American Industry Classification System (NAICS).
2. Data includes all full-time and part-time employees who received pay for any part of the pay period that includes the 12th of the month.
3. Proprietors, self-employed individuals, unpaid family and volunteer workers, military personnel, internationally stationed workers, and private household workers are excluded.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Table 2. Unemployment Rates⁽¹⁾

<u>Year</u>	<u>District</u>	<u>U.S.</u>
2007	5.5%	4.6%
2008	6.6%	5.8%
2009	9.7%	9.3%
2010	10.1%	9.6%
2011	10.2%	8.9%
March 2011	10.1% ⁽²⁾	9.2% ⁽²⁾
March 2012	9.9% ^{(3),(4)}	8.4% ⁽³⁾

1. Not seasonally adjusted. Annual rates are an average of monthly rates for the given year.
2. Monthly rate for March 2011.
3. Monthly rate for March 2012.
4. Preliminary.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Table 3. District Individual Income Tax Filers and Liability by Income Level (2011)

<u>Income Level</u>	<u>Number of Filers</u>	<u>Percentage of Total Filers</u>	<u>Percentage of Total Income Taxes</u>
\$100,001 and higher	51,407	15.48%	71.10%
\$75,001 - \$100,000	24,515	7.38	8.72
\$50,001- \$75,000	43,709	13.17	9.63
\$25,001- \$50,000	79,131	23.84	8.29
\$10,001 - \$25,000	67,304	20.27	2.09
\$10,000 and lower	65,921	19.86	0.17
	331,987	100.00%	100.00%

Source: District's Fiscal Year 2011 CAFR; Statistical Section (unaudited), Exhibit S-2H.

Table 4. Sources of Income of District Residents⁽¹⁾

<u>Source of Income</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net earnings	73.57%	72.83%	74.00%	73.82%	73.96%
Dividends, interest, and rents	15.78%	16.70%	14.00%	13.46%	13.49%
Transfer payments ⁽²⁾	10.65%	10.47%	12.00%	12.72%	12.54%

1. Data last updated by the U.S. Department of Commerce, Bureau of Economic Analysis on March 28, 2012. Figures include new estimates for 2011 and revised estimates for 2008-2010.
2. Transfer payments consist largely of government benefits received by individuals, including retirement and disability insurance benefits (e.g., workers' compensation), medical benefits (e.g., Medicare), income maintenance benefits (e.g., Supplemental Security Income benefits, family assistance payments and food stamps) and unemployment insurance compensation.

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

Business Franchise Tax

The Business Franchise Tax consists of two taxes: the corporate franchise tax and the unincorporated business franchise tax.

The District imposes a corporate franchise tax on income derived by corporations (including trusts, associations, and partnerships classed as corporations for purposes of federal income taxation) from sources within the District of Columbia at a rate of 9.975%, less certain tax credits.

For other nonexempt businesses having a gross income in excess of \$12,000, the District imposes an unincorporated business franchise tax on income from sources within the District of Columbia, less a \$5,000 annual deduction. Excluded businesses include those (i) that by law, customs, or ethics cannot be incorporated or can be incorporated only as a professional corporation under District law, (ii) in which more than 80% of the gross income is derived from the personal services actually rendered by the individuals or the members of the partnership or other entity in the conducting or the carrying on of a trade or a business and in which capital is not a material income-producing factor, (iii) that are engaged in by a blind person, and (iv) certain qualified high technology companies, which are instead taxed at a rate of 6%.

Historical and Projected Collections of Pledged Taxes

The following table sets forth information relating to the Pledged Taxes collected in fiscal years 1992 through 2011.

Table 5. Pledged Taxes Collections⁽¹⁾
Fiscal Years 1992 - 2011
(cash basis of accounting, \$ in millions)

	Total Annual Personal Income⁽²⁾	Pledged Taxes Collections⁽³⁾						
		Income Tax⁽⁴⁾				Business Franchise	% of Total	Total Taxes
		Withholding	% of Total	Non- Withholding	% of Total			
1992	\$16,976	\$509	70%	\$94	13%	\$119	17%	\$723
1993	\$17,663	\$519	70%	\$100	14%	\$118	16%	\$737
1994	\$18,043	\$544	69%	\$101	13%	\$146	18%	\$790
1995	\$18,222	\$526	66%	\$116	15%	\$156	20%	\$797
1996	\$18,649	\$553	65%	\$141	16%	\$163	19%	\$858
1997	\$19,609	\$618	66%	\$130	14%	\$194	21%	\$943
1998	\$20,299	\$652	59%	\$210	19%	\$238	22%	\$1,099
1999	\$21,130	\$699	60%	\$246	21%	\$223	19%	\$1,168
2000	\$22,564	\$780	58%	\$298	22%	\$271	20%	\$1,348
2001	\$25,375	\$791	56%	\$287	20%	\$324	23%	\$1,401
2002	\$26,434	\$804	69%	\$173	15%	\$186	16%	\$1,163
2003	\$27,208	\$816	71%	\$126	11%	\$211	18%	\$1,153
2004	\$29,083	\$876	68%	\$178	14%	\$242	19%	\$1,296
2005	\$31,485	\$919	63%	\$229	16%	\$317	22%	\$1,465
2006	\$34,066	\$971	61%	\$262	16%	\$360	23%	\$1,593
2007	\$36,818	\$975	56%	\$338	20%	\$417	24%	\$1,730
2008	\$40,349	\$1,004	57%	\$349	20%	\$419	24%	\$1,772
2009	\$40,320	\$995	67%	\$141	10%	\$342	23%	\$1,478
2010	\$41,595	\$1,074	74%	\$37	3%	\$324	23%	\$1,434
2011	\$44,060	\$1,221	71%	\$127	7%	\$372	22%	\$1,720

1. All data in this table is on a fiscal year basis. The differences between the cash basis of accounting and the modified accrual basis of accounting used for budgetary purposes explain the differences between the "Total Taxes" column in this table and the "Actual" column in Table 7 - "Pledged Taxes Collections - Approved Budget to Actual." The reconciliation between such amounts for each fiscal year is set forth in the CAFR for the respective fiscal year.
2. The source for the "Total Annual Personal Income" data contained in this column is the Federal Bureau of Economic Analysis.
3. Amounts and percentages may not total due to rounding.
4. The components of Income Tax are unaudited.

Source: District of Columbia Office of the Chief Financial Officer.

The following table sets forth information relating to the Pledged Taxes rates in fiscal years 1992 through 2011.

Table 6. Pledged Taxes Rates
Fiscal Years 1992 - 2011

	Income Tax Rates⁽¹⁾					Business Franchise Tax Rates	
	\$0- \$10,000	\$10,001- \$20,000	\$20,001- \$30,000	\$30,001- \$40,000	\$40,000+	Corporation	Unincorporated
1992	6.00%	8.00%	9.50%	9.50%	9.50%	10.000%	10.000%
1993	6.00%	8.00%	9.50%	9.50%	9.50%	10.000%	10.000%
1994	6.00%	8.00%	9.50%	9.50%	9.50%	9.500%	9.500%
1995	6.00%	8.00%	9.50%	9.50%	9.50%	9.500%	9.500%
1996	6.00%	8.00%	9.50%	9.50%	9.50%	9.500%	9.500%
1997	6.00%	8.00%	9.50%	9.50%	9.50%	9.500%	9.500%
1998	6.00%	8.00%	9.50%	9.50%	9.50%	9.500%	9.500%
1999	6.00%	8.00%	9.50%	9.50%	9.50%	9.500%	9.500%
2000	5.00%	7.50%	9.50%	9.50%	9.50%	9.500%	9.500%
2001	5.00%	7.50%	7.50%	9.30%	9.30%	9.500%	9.500%
2002	5.00%	7.50%	7.50%	9.30%	9.30%	9.500%	9.500%
2003	5.00%	7.50%	7.50%	9.30%	9.30%	9.975%	9.975%
2004	5.00%	7.50%	7.50%	9.30%	9.30%	9.975%	9.975%
2005	5.00%	7.50%	7.50%	9.00%	9.00%	9.975%	9.975%
2006	4.50%	7.00%	7.00%	7.00%	8.70%	9.975%	9.975%
2007	4.00%	6.00%	6.00%	6.00%	8.50%	9.975%	9.975%
2008	4.00%	6.00%	6.00%	6.00%	8.50%	9.975%	9.975%
2009	4.00%	6.00%	6.00%	6.00%	8.50%	9.975%	9.975%
2010	4.00%	6.00%	6.00%	6.00%	8.50%	9.975%	9.975%
2011	4.00%	6.00%	6.00%	6.00%	8.50%	9.975%	9.975%

1. As of January 1, 2012, taxable income in excess of \$350,000 became subject to an Income Tax rate of 8.95%. Without further action by the Council, this 8.95% Income Tax rate will expire on December 31, 2015.

Source: District of Columbia Office of the Chief Financial Officer.

Historical Available Tax Revenues

The table below shows, for the two sources of Available Tax Revenues pledged, a comparison of actual and original approved budget amounts for the last ten fiscal years.

Table 7. Pledged Taxes Collections - Approved Budget to Actual
(modified accrual basis of accounting, \$000s)

<u>Fiscal Year</u>	<u>Approved Budget</u>	<u>Actual</u>	<u>Difference</u>	<u>% Difference</u>
2002	\$1,361,077	\$1,160,423	(\$200,654) ⁽¹⁾	-14.7%
2003	\$1,158,393	\$1,167,452	\$9,059	0.8%
2004	\$1,176,419	\$1,299,009	\$122,590	10.4%
2005	\$1,284,753	\$1,472,432	\$187,679	14.6%
2006	\$1,391,345	\$1,591,483	\$200,138	14.4%
2007	\$1,593,814	\$1,736,361	\$142,547	8.9%
2008	\$1,740,816	\$1,755,894	\$15,078	0.9%
2009	\$1,615,218	\$1,478,068	(\$137,150) ⁽²⁾	-8.5%
2010	\$1,463,177	\$1,434,131	(\$29,046)	-2.0%
2011	\$1,568,883	\$1,656,282	\$87,399	5.6%

1. The variance for fiscal year 2002 is explained by the recession of 2001 (income tax receipts for fiscal year 2002 are based in part on income earned in calendar year 2001) and the September 11, 2001, attacks, which disrupted income tax payment flows that year.
2. The variance for fiscal year 2009 is explained by the recession of 2008 (income tax receipts for fiscal year 2009 are based in part on income earned in calendar year 2008).

Source: District of Columbia Office of Tax and Revenue.

The Home Rule Act requires the Chief Financial Officer (the “CFO”) to submit quarterly estimates of all revenues of the District to the Mayor and Council. On February 29, 2012, the CFO submitted an estimate for fiscal years 2012 through 2016 (the “February Revenue Estimate”).

The February Revenue Estimate projected an increase in Available Tax Revenues for fiscal year 2012 to \$1.834 billion compared to \$1.656 billion in actual Available Tax Revenues for fiscal year 2011. The February Revenue Estimate uses certain key variables to estimate the performance of the District’s economy for the forecast period of fiscal year 2012 through fiscal year 2016. Some of these key variables and estimates for fiscal years 2012 and 2013 are highlighted below:

- Increases in District of Columbia resident employment of 1.1% in fiscal year 2012 and 0.5% in fiscal year 2013.
- Increases in District of Columbia resident wages of 4.5% in fiscal year 2012 and 2.6% in fiscal year 2013.
- Increases in District of Columbia personal income of 3.3% in fiscal year 2012 and 2.1% in fiscal year 2013.
- No increase or decrease in the S&P 500 from the fourth quarter of calendar year 2011 to the fourth quarter of calendar year 2012, then an increase of 3.9% from the fourth quarter of calendar year 2012 to the fourth quarter of calendar year 2013.

In preparing the February Revenue Estimate, the CFO revisited the potential impact of federal sequestration on the District’s revenues. The Budget Control Act of 2011 (Pub. L. 112-25) was signed into law by the President on August 2, 2011, and contains a unique budgetary feature, known as sequestration, whereby, if no further legislative action is taken by Congress, automatic cuts to federal spending will occur. As of the date hereof, sequestration is scheduled to be implemented beginning on January 2, 2013, and would result in federal spending cuts of approximately \$1.2 trillion, spread evenly over fiscal years 2013 through 2021. There

are no details on exactly which parts of the federal budget will be cut. However, sequestration could adversely affect, among other things, the number of federal government jobs located in the District, employment of District residents, and the ability to attract certain businesses to the District, which, in turn, could have an impact on Available Tax Revenues. The February Revenue Estimate reflects that federal sequestration could reduce Available Tax Revenues by \$18.02 million, \$38.96 million, \$39.59 million and \$40.42 million in fiscal years 2013-2016, respectively.

Based on the February Revenue Estimate, the District currently estimates that the following amounts of Available Tax Revenues will be collected by the Collection Agent in the fiscal years shown below:

**Table 8. Projected Available Tax Revenues
(\$000s)**

Available Tax Revenues					
Available Income Tax Revenues					
Fiscal Year	Withholding Only	Non-Withholding	Total	Available Business Franchise Tax Revenues	Total Available Tax Revenues
2012	\$1,303,632	\$142,818	\$1,446,449	\$387,938	\$1,834,387
2013	\$1,336,287	\$69,898	\$1,406,185	\$400,090	\$1,806,275
2014	\$1,358,133	\$77,678	\$1,435,811	\$406,980	\$1,842,791
2015	\$1,401,081	\$92,735	\$1,493,816	\$425,857	\$1,919,673
2016	\$1,423,751	\$107,120	\$1,530,871	\$437,482	\$1,968,353

Source: Estimates of Available Tax Revenues are based on the revenue estimates of the District's CFO dated February 29, 2012. Amounts may not total due to rounding.

Table 9 Assumptions

The information included in Table 9 is based on a number of key assumptions, which are set forth as follows:

- Debt service for the Series 2012A-B Bonds is calculated using a principal amount of \$314,110,000 and the maturity schedules and interest rates on the inside cover of this Official Statement.
- Debt service amounts in the columns titled "Debt Service for All Outstanding Bonds," "Total Debt Service for All Outstanding Bonds and Series 2012A-B Bonds," and "Debt Service for Total Bonds in District CIP through 2016" include interest amounts that are net of BABs direct subsidy payments and QSCBs direct subsidy payments anticipated to be paid to the District by the United States Treasury in connection with the District's Income Tax Secured Revenue Bonds, Series 2009E and the Income Tax Secured Revenue Bonds, Series 2010F, which were issued as BABs, and the Series 2010D Bonds, which were issued as QSCBs.
- Debt service amounts in the columns referenced in the preceding bullet also include: (a) sinking fund installments for the Series 2010D Bonds, and (b) estimated debt service on the SIFMA Bonds in accordance with the principal amortization schedules established in the respective supplemental indentures for the SIFMA Bonds, at an assumed interest rate of 3%. See footnote 2 to the Annual Debt Service Schedule included herein for a description of the SIFMA Bonds.

- Debt service amounts in the column titled “Debt Service for Total Bonds in District CIP through 2016” were calculated using actual rates for outstanding fixed rate Bonds, actual interest rates (as set forth on the inside cover of this Official Statement) for the Series 2012A-B Bonds, and an assumed interest rate of 5% for all other Future CIP Bonds (as hereinafter defined), which accounts for estimated debt service on the Bonds proposed to be issued to finance the District’s Capital Improvements Plan through fiscal year 2016 (as set forth in District’s proposed fiscal year 2013 budget and financial plan as of March 2012) (the “Future CIP Bonds”) (approximately \$841.1 million in fiscal year 2013, \$766.3 million in fiscal year 2014, \$692.6 million in fiscal year 2015, and \$567.1 million in fiscal year 2016). For fiscal year 2013, the District will borrow an additional \$25 million above such year’s capital budget allotments to reimburse the General Fund for advances made to the capital fund, and such additional amount is included in the total of Future CIP Bonds for such fiscal year.
- Debt service coverage for maximum annual debt service (“MADS”) is based on the preceding assumptions, debt service in fiscal year 2025, the projected Available Withholding Tax Revenues in fiscal year 2025 (\$1,557,135.50), and projected Total Available Tax Revenues in fiscal year 2025 (\$2,152,758.69), which assume a relatively conservative 1% annual growth rate.

**Table 9. Projected Debt Service Coverage
(\$000s)**

Outstanding Bonds Debt Service Coverage⁽¹⁾				Series 2012A-B Bonds Debt Service Coverage⁽¹⁾				All Bonds Debt Service Coverage⁽¹⁾		
Fiscal Year	Debt Service for All Outstanding Bonds	Withholding Only⁽²⁾	Total Available Tax Revenues⁽³⁾	Debt Service for Series 2012A-B Bonds	Total Debt Service for All Outstanding Bonds and Series 2012A-B Bonds	Withholding Only⁽²⁾	Total Available Tax Revenues⁽³⁾	Debt Service for Total Bonds in District CIP through 2016	Withholding Only⁽²⁾	Total Available Tax Revenues⁽³⁾
2012	\$231,688	5.63x	7.92x	\$0	\$231,688	5.63x	7.92x	\$231,688	5.63x	7.92x
2013	\$254,893	5.24x	7.09x	\$29,326	\$284,218	4.70x	6.36x	\$305,364	4.38x	5.92x
2014	\$274,449	4.95x	6.71x	\$17,547	\$291,996	4.65x	6.31x	\$370,199	3.67x	4.98x
2015	\$243,395	5.76x	7.89x	\$16,018	\$259,412	5.40x	7.40x	\$389,461	3.60x	4.93x
2016	\$206,322	6.90x	9.54x	\$16,020	\$222,342	6.40x	8.85x	\$397,769	3.58x	4.95x
MADS ⁽⁴⁾	\$278,724	5.59x	7.72x	\$39,584	\$314,009	4.96x	6.86x	\$514,915	3.02x	4.18x

Source: The figures in this table are based on the data in Table 8 above and the revenue estimates of the District’s CFO dated February 29, 2012. Amounts may not total due to rounding.

1. The debt service coverage ratios shown are calculated based on projected Available Income Tax Revenues that are net of income tax revenues refunded. The pledge of Available Tax Revenues made by the Act and the Indenture are of all such tax revenues collected. Refunds of taxes are paid when due by the District from its General Fund.
2. The debt service coverage ratio shown here is the ratio of Available Withholding Tax Revenues to debt service.
3. See Table 8 above.
4. MADS under the column heading “Debt Service for Series 2012A-B Bonds” occurs in fiscal year 2018, while MADS under the column headings “Debt Service for All Outstanding Bonds,” “Total Debt Service for All Outstanding Bonds and Series 2012A-B Bonds,” and “Debt Service for Total Bonds in District CIP through 2016” occurs in fiscal year 2025.

Collection Agreement

Pursuant to a collection agreement between the Collection Agent and the District, the Collection Agent collects and receives Available Tax Revenues as well as certain other miscellaneous Revenues. Pursuant to the Indenture and the Act, the Collection Agent entered into the Income Tax and Business Franchise Tax Collection Agreement, dated as of March 1, 2009 (the "Collection Agreement"), with the Trustee to act as the Trustee's fiduciary and agent to deposit the Available Tax Revenues plus certain other miscellaneous Revenues upon receipt into one or more Collection Accounts created under the Indenture and maintained by and held with the Collection Agent. Each business day, the Collection Agent transfers the Available Tax Revenues plus certain other miscellaneous Revenues from the Collection Account to the Revenue Account held by the Trustee under the Indenture. The Trustee, in accordance with the retention procedures described below, applies such funds to pay debt service on the Bonds. Amounts not required to pay debt service are transferred to the District.

The Collection Agent directly receives payment of Available Tax Revenues either by direct electronic transfer or receipt of uncashed checks resulting from (i) withholding of individual income taxes by employers (which constitutes approximately 60.9% of Available Tax Revenues collected in fiscal year 2012 through February 29, 2012, as shown in the table below) and (ii) estimated quarterly tax payments made by individuals (approximately 13.0% of Available Tax Revenues collected in fiscal year 2012 through February 29, 2012), corporations (approximately 10.5% of Available Tax Revenues collected in fiscal year 2012 through February 29, 2012) and unincorporated businesses (approximately 5.6% of Available Tax Revenues collected in fiscal year 2012 through February 29, 2012).

Available Tax Revenues received by the District accompanying annual income and franchise tax returns (in the form of uncashed checks) are transferred to the Collection Agent upon receipt for deposit in the Collection Account. Such payments constituted approximately 10.0% of Available Tax Revenues collected in fiscal year 2012 through February 29, 2012. Any delinquent Available Tax Revenues collected by the District, as well as certain other miscellaneous Revenues, are required to be transferred to the Collection Agent as well.

Available Tax Revenues received in the form of cash were a very small portion of Available Tax Revenues in fiscal year 2011 and the District anticipates that Available Tax Revenues received in the form of cash will represent a similarly small portion of Available Tax Revenues in fiscal year 2012.

The following table shows the amount of Available Tax Revenues collected in the last two fiscal years by the District and the Collection Agent, as well as the amount of Available Tax Revenues collected through February 29, 2012 for fiscal year 2012.

Table 10. Pledged Taxes Collections, as received by Collection Agent and by District^{(1), (2)}
 Fiscal Years 2010 – 2012
 (cash basis of accounting, \$ in millions)

	FY 2010		FY 2011		FY 2012⁽³⁾	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
<u>Received Directly by the Collection Agent</u>						
Withholding (including ACH)	\$ 963	55.1%	\$1,100	54.5%	\$446	60.9%
Individual Estimated	169	9.7	330	16.4	95	13.0
Corporate Estimated	166	9.5	246	12.2	77	10.5
Unincorporated Estimated	100	5.7	144	7.1	41	5.6
Total	\$1,398	80.0%	\$1,820	90.2%	\$659	90.0%
<u>Received Initially by the District</u>						
Withholding (D.C. Resident Employees) ⁽⁴⁾	\$ 46	2.7%	\$ 44	2.2%	\$ 19	2.7%
Withholding	61	3.5	48	2.4	23	3.2
Individual payments with returns	141	8.1	53	2.6	15	2.0
Corporate payments with returns	64	3.6	33	1.7	12	1.6
Unincorporated payments with returns	36	2.1	20	1.0	4	0.5
Total	\$ 348	20.0%	\$ 198	9.9%	\$ 73	10.0%
All payments	\$1,746	100%	\$2,018	100%	\$732	100%
Collections transferred to Trustee	\$1,749⁽⁵⁾		\$2,026⁽⁶⁾		\$762⁽⁷⁾	

1. The differences between the “All Payments” row in this Table 10 and the corresponding amounts in the “Actual” column in Table 7 - “Pledged Taxes Collections - Approved Budget to Actual,” and the “Total Taxes” column in Table 5 - “Pledged Taxes Collections,” are principally attributable to the netting out of refunded amounts in Table 5 and Table 7 and, to a lesser extent, to cash versus modified accrual accounting.
2. Amounts may not total due to rounding.
3. All fiscal year 2012 data is for the period closing February 29, 2012.
4. Since the withholding liability for resident D.C. employees is owed to the District itself, the liability has been customarily paid via accounting transactions that do not require the use of cash, i.e., the District has not issued a disbursement check to itself. In fiscal year 2011, the District manually transferred these withholding amounts to the Collection Agent. In fiscal year 2013, the District will automate this transfer.
5. The variance is primarily due to District revenues misclassified and transferred to the Collection Agent, offset by resident D.C. employees’ withholding not transferred to the Collection Agent, combined with other reconciling items.
6. The variance is primarily attributable to pledged revenues misclassified in fiscal year 2010 and fiscal year 2011 but transferred to the Collection Agent in fiscal year 2011.
7. The variance is primarily due to a conversion of the data reporting systems used by the Collection Agent. Such conversion has caused delays in the posting of some revenues, even though such revenues have been received in the secured bank accounts. The District is working with the Collection Agent to correct this delay in data reporting.

Source: District of Columbia Office of Tax and Revenue.

The District has an automated integrated tax system that identifies delinquent payments of District taxes as the result of tax returns filed with a balance due, audit adjustments or the Office of Tax and Revenue (“OTR”) discovery process. The system automatically generates bills to be sent to the delinquent taxpayer, which results in a voluntary payment by the taxpayer, payment obtained by OTR compliance activities, or payments arranged by third party vendors sent to the District by the taxpayer. Such payments are received as checks, money orders, or electronic payments, with cash payments amounting to less than 0.5% of amounts received.

Retention Procedures

Each Business Day, all Available Tax Revenues received from the Collection Agent are deposited by the Trustee into the Revenue Account held under the Income Tax Secured Bond Fund. Amounts on deposit in the Revenue Account are withdrawn and transferred on a daily basis to the Accumulation Account established for the Senior Bonds and Senior Obligations, as follows, until the amounts on deposit in all such accounts related to all Senior Bonds and Senior Obligations equals: (A) commencing on April 1 of each Fiscal Year and on each day thereafter in such month until 1/3 of the amounts set forth in the following clauses (i) and (ii) for the next ensuing Fiscal Year are on deposit therein, 1/3 of the amounts set forth in the following clauses (i) and (ii) for the next ensuing Fiscal Year, (B) commencing on May 1 of each Fiscal Year and on each day thereafter in such month until 2/3 of the amounts set forth in the following clauses (i) and (ii) for the next ensuing Fiscal Year are on deposit therein, 2/3 of the amounts set forth in the following clauses (i) and (ii) for the next ensuing Fiscal Year, and (C) commencing on June 1 of each Fiscal Year and on each day thereafter in such month and, if necessary, in each succeeding month until 100% of the amounts set forth in the following clauses (i) and (ii) for the next ensuing Fiscal Year are on deposit in the Accumulation Account, 100% of the amounts set forth in the following clauses (i) and (ii) for the next ensuing Fiscal Year (and to the extent necessary, until the amounts on deposit equal any debt service requirements relating to Senior Bonds and Senior Obligations for a prior Fiscal Year that have not been satisfied): (i) the aggregate of the Principal Installments of such Senior Bonds, and principal component of Senior Obligations, due during the next ensuing Fiscal Year, plus (ii) the aggregate interest due on such Senior Bonds and the interest component of Senior Obligations, due during the next ensuing Fiscal Year (for Adjustable Rate Bonds, based on the Assumed Interest Rate).

Unless otherwise set forth in a Supplemental Indenture, sixty (60) days prior to (A) June 1, moneys on deposit in the Accumulation Account shall be transferred from the Accumulation Account to the Interest Account, related to a series of Senior Bonds or Senior Obligations representing interest payable on such Senior Bonds or Senior Obligations on the June 1 date, and (B) December 1, moneys on deposit in the Accumulation Account shall be transferred from the Accumulation Account to the Principal Account and the Interest Account, allocated on a pro rata basis to the Principal Account and the Interest Account, related to a series of Senior Bonds or Senior Obligations representing principal and interest payable on such Senior Bonds or Senior Obligations on the December 1 date.

Pursuant to the Fifteenth Supplemental Indenture and utilizing the retention mechanism described above, the District expects that, not later than June 30, 2012, it will set aside funds sufficient to pay principal of and interest on the Series 2012A-B Bonds through June 1, 2013.

Non-Impairment Covenant

Pursuant to the Act and the Indenture, the District has pledged and covenanted and agreed with the holders of the Bonds that the District will not:

(i) limit or alter the revenues pledged to secure the Bonds or the basis on which such revenues are collected or allocated, in a manner that would generate Available Tax Revenues below the levels required to pay or secure the payment of the Bonds;

(ii) impair the contractual obligations of the District to fulfill the terms of any agreement made with the holders of the Bonds, provided, however, that the District may modify the District Income Tax rates or the income subject to those rates only if the modification, if in effect, would not have reduced the ratio of (A) District Income Tax generated by Available Withholding Tax Revenues for any 12 consecutive month period during the 15 month period immediately preceding the calculation to (B) the Maximum Annual Debt Service on the Senior Bonds then outstanding below 2.0;

(iii) in any way impair the rights or remedies of the holders of the Bonds; and

(iv) if Bonds are issued as Tax-Exempt Bonds, modify in any way the exemptions from taxation provided for in subsection (e) of § 47-340.29 of the D.C. Official Code and the Act until the Bonds, together with interest thereon, and all costs and expenses in connection with any suit, action or proceeding by or on behalf of the holders of the Bonds, are fully met and discharged.

Pursuant to the Act, the pledge and agreement of the District in the Indenture that is summarized above is included as part of the contract with the holders of the Bonds.

Additional Bonds

The District may issue additional Bonds in the future. The Indenture permits the issuance of additional Senior Bonds with a parity claim with the Series 2012A-B Bonds and the Outstanding Bonds on the Trust Estate upon the District's filing of a certificate of the CFO with the Trustee certifying (i) the Available Withholding Tax Revenues for a 12 consecutive month period of the immediately prior 15 months applicable to the Fiscal Year in which such Additional Bonds are to be issued or Senior Obligations are to be incurred, (ii) the Available Tax Revenues for the same 12 consecutive month period of the immediately prior 15 months that is used to calculate the Available Withholding Tax Revenues, and (iii) the Maximum Annual Debt Service that will be due on the Senior Bonds, including such Additional Bonds and the Senior Obligations, in any subsequent Fiscal Year, and showing that the amount in clause (i) at least equals 2 times the amount in clause (iii), and the amount in clause (ii) at least equals 3 times the amount in clause (iii). The satisfaction of the preceding conditions is referred to herein as the "Additional Bonds Test."

In addition, additional Bonds may only be issued upon receipt by the Trustee of a certificate of the CFO certifying that the Series of Bonds to be issued does not create a violation of the Debt Ceiling Act (as defined below) or Section 603(b) of the Home Rule Act, treating the Bonds, including that Series, as outstanding general obligation bonds solely for the purpose of determining whether Section 603(b) is violated. See "-Statutory Debt Limitations" below.

The District may issue Subordinate Bonds or incur Subordinate Obligations at any time following receipt of written confirmation from each Rating Agency that its Rating on the Senior Bonds and Senior Obligations (to the extent that such obligations are rated) will not be lower than the Rating in effect prior

to the issuance of the proposed Subordinate Bonds or Subordinate Obligations as a direct result of such issuance. Pursuant to the Act and the Indenture, the payment of debt service on Subordinate Bonds and Subordinate Obligations is subordinate to the payment of debt service on Senior Bonds and Senior Obligations. Subordinate Bonds and Subordinate Obligations are not equally and ratably secured with Senior Bonds and Senior Obligations by the Trust Estate.

Statutory Debt Limitation

In 2009, the District passed an act (the “Debt Ceiling Act”) imposing a limit on the issuance of any District general obligation bonds, Treasury capital-project loans, tax-supported revenue bonds, notes or other debt instruments secured by revenues derived from taxes, fees, or other general revenues of the District, or its agencies and authorities, pursuant to the District’s power to tax and impose fees, including TIF Bonds and PILOT Notes (as hereinafter defined), certificates of participation and lease purchase financing obligations (collectively, with the exceptions noted in the Debt Ceiling Act, “Tax-Supported Debt”), but excluding revenue bonds, notes, or other debt instruments issued for the purpose of funding water and sewer facilities, as described in section 490(a) of the Home Rule Act, and bonds, notes, or other debt instruments paid or secured by revenues from the Master Settlement Agreement with tobacco companies, federal grants, or revenues from the operation of public enterprises, so long as those enterprises are fully self-supporting, if such issuance would result in total debt service in the fiscal year of issuance, or any of the five succeeding fiscal years, on all outstanding Tax-Supported Debt exceeding 12% of annual District General Fund expenditures and transfers in any applicable fiscal year, as contained in the most recently enacted District budget (the “Debt Ceiling”).

Following the issuance of the Series 2012A-B Bonds, the District will have approximately \$8.2 billion of Tax-Supported Debt outstanding, the debt service on which would produce Debt Ceiling percentages that comply with the Debt Ceiling Act. The Debt Ceiling percentage will be approximately 9.75% in fiscal year 2012 following the issuance of such bonds.

LITIGATION

There is no litigation pending in any court or, to the knowledge of the Office of the Attorney General of the District of Columbia, threatened, which may have the effect of restraining or enjoining the issuance, delivery or payment of the Series 2012A-B Bonds or the performance of the obligations of the District or the Mayor under the Indenture, the Series 2012A-B Bonds or the Act or which in any way contests or may call into question the validity or enforceability of (a) the Series 2012A-B Bonds or the pledge of the Trust Estate for their payment or (b) the Act or the obligations of the District or the Mayor thereunder.

The District annually estimates the litigation obligations that it expects will be incurred during a fiscal year, and provides for such estimated amount in developing its budget for such fiscal year. There is no litigation pending in any court, or to the knowledge of the Office of the Attorney General of the District of Columbia, threatened, which would have a material adverse impact on the District’s ability to repay the Series 2012A-B Bonds or the District’s long term financial condition.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2012A-B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Series 2012A-B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel is also of the opinion that interest on the Series 2012A-B Bonds is exempt from all taxation of the District of Columbia, except estate, inheritance and gift taxes. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX A hereto.

To the extent the issue price of any maturity of the Series 2012A-B Bonds is less than the amount to be paid at maturity of such Series 2012A-B Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2012A-B Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2012A-B Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Series 2012A-B Bonds is the first price at which a substantial amount of such maturity of the Series 2012A-B Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2012A-B Bonds accrues daily over the term to maturity of such Series 2012A-B Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2012A-B Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2012A-B Bonds. Beneficial Owners of the Series 2012A-B Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2012A-B Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2012A-B Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2012A-B Bonds is sold to the public.

Series 2012A-B Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2012A-B Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2012A-B Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2012A-B Bonds being included in gross income for federal

income tax purposes, possibly from the date of original issuance of the Series 2012A-B Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Series 2012A-B Bonds may adversely affect the value of, or the tax status of interest on, the Series 2012A-B Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2012A-B Bonds is excluded from gross income for federal income tax purposes and is exempt from all taxation of the District, except estate, inheritance, and gift taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2012A-B Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2012A-B Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. As one example, the Obama Administration recently announced a legislative proposal which, for tax years beginning on or after January 1, 2013, generally would limit the exclusion from gross income of interest on obligations like the Series 2012A-B Bonds to some extent for taxpayers who are individuals and whose income is subject to higher marginal income tax rates. Other proposals have been made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Series 2012A-B Bonds. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2012A-B Bonds. Prospective purchasers of the Series 2012A-B Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2012A-B Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2012A-B Bonds ends with the issuance of the Series 2012A-B Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Series 2012A-B Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2012A-B Bonds for audit, or the course or result of such audit, or an

audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2012A-B Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

FINANCIAL ADVISORS

Phoenix Capital Partners, LLP, Philadelphia, Pennsylvania and Public Resources Advisory Group, Inc., New York, New York (collectively, the “Financial Advisors”), serve as financial advisors to the District for debt management and certain other financial matters. The Financial Advisors have provided certain services to the District in connection with the issuance of the Series 2012A-B Bonds and have assisted in the preparation of this Official Statement. The Financial Advisors are independent advisory firms and are not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

The Financial Advisors have not undertaken to make an independent verification of, or to assume responsibility for, the accuracy, completeness or fairness of the information contained in the Official Statement.

LEGAL INVESTMENT IN DISTRICT OBLIGATIONS

Section 486 of the Home Rule Act (D.C. Official Code § 1-204.86) provides that, notwithstanding any restriction on the investment of funds by fiduciaries contained in any other District law, domestic insurance associations, executors, administrators, guardians, trustees and other fiduciaries within the District of Columbia may legally invest any sinking funds, moneys, trust funds or other funds belonging to them or under or within their control in any bond issued in accordance with the Home Rule Act. Section 486 of the Home Rule Act also provides that all federal building and loan associations and federal savings and loan associations and banks, trust companies, building and loan associations and savings and loan associations, domiciled in the District of Columbia, may purchase, sell, underwrite, and deal in, for their own account or for the account of others, all bonds issued in accordance with the Home Rule Act.

LEGAL MATTERS

The validity of the Series 2012A-B Bonds and certain other legal matters are subject to the approving opinion of Orrick Herrington & Sutcliffe LLP, Washington, D.C., Bond Counsel to the District. A complete copy of the proposed form of Bond Counsel opinion is set forth as APPENDIX A hereto.

Certain legal matters will be passed on for the District by the Office of the Attorney General of the District of Columbia. Hawkins Delafield & Wood LLP, Washington, D.C., Disclosure Counsel to the District, will deliver an opinion regarding certain matters to the District and the Underwriters. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Bryant Miller Olive P.C., Washington, D.C., and McKenzie & Associates, Washington, D.C.

CONTINUING DISCLOSURE

The District will undertake in a Continuing Disclosure Agreement to assist the Underwriters in complying with the provisions of Rule 15c2-12 (the “Rule”), promulgated by the Securities and Exchange Commission (the “SEC”) and as in effect on the date hereof, by providing annual financial information, operating data and material event notices required by the Rule. As described in APPENDIX D, such undertaking requires the District to provide only limited information at specified times. DAC is disclosure dissemination agent for the District.

The District is required to provide, by no later than five months after the end of its fiscal year (i.e., by March 1), financial information and operating data on an annual basis pursuant to continuing disclosure agreements entered into in connection with prior issuances of Bonds and general obligation bonds. That financial information and operating data is contained in the CAFR, and accordingly the District satisfies its continuing disclosure agreement by filing its annual CAFR. The fiscal year 2007 CAFR was not released until March 31, 2008, and was provided to the national repositories at that time. The District had notified the national repositories prior to March 1 that the annual filing of the fiscal year 2007 CAFR would be delayed. As of the date hereof, the District is in compliance with all continuing disclosure obligations related to its outstanding bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the Underwriters (as hereinafter defined) on behalf of the District relating to the forecasted receipts of principal and interest on the escrow securities to pay the principal and interest on the Refunded Bonds to their redemption dates, was examined by Samuel Klein and Company, Certified Public Accountants. Such computations were based solely upon assumptions and information supplied by the Underwriters.

RATINGS

Standard & Poor’s Ratings Services (“S&P”), Moody’s Investors Service, Inc. (“Moody’s”) and Fitch Ratings, Inc. (“Fitch”) have assigned ratings of “AAA,” “Aa1,” and “AA+,” respectively, to the Series 2012A-B Bonds, and the outlook for each such rating is “stable.” A rating, including any related outlook with respect to potential changes in such rating, reflects only the view of the rating agency assigning such rating and is not a recommendation to buy, sell or hold the Series 2012A-B Bonds. An explanation of the procedure and methodology used by each rating agency and the significance of the ratings may be obtained from Standard & Poor’s Ratings Services, 55 Water Street, New York, New York; Moody’s Investors Service, Inc., 7 World Trade Center, New York, New York; and Fitch Ratings, Inc., One State Street Plaza, New York, New York. Such ratings may be changed at any time and no assurance can be given that they will not be revised, downgraded or withdrawn entirely by any such rating agencies. Any such downgrade, revision or withdrawal of a rating may have an effect on the market price of or market for the Series 2012A-B Bonds.

UNDERWRITING

The underwriters identified on the cover of this Official Statement (the “Underwriters”) have agreed to purchase the Series 2012A-B Bonds from the District at an aggregate price of \$379,307,364.84, reflecting the aggregate principal amount of the Series 2012A-B Bonds of \$314,110,000 plus the original issue premium of \$66,835,619.05 less the Underwriters’ discount of \$1,638,254.21. The obligations of the Underwriters to purchase the Series 2012A-B Bonds are subject to certain terms and conditions set forth in the Bond Purchase Agreement relating to the Series 2012A-B Bonds dated May 3, 2012, between the District and the Underwriters. The Series 2012A-B Bonds may be offered and sold to certain dealers, banks and others at prices lower than the initial public offering price, and such initial offering price may be changed from time to time, by the Underwriters.

Citigroup Inc., parent company of Citigroup Global Markets Inc., one of the Underwriters of the Series 2012A Bonds, has entered into a retail brokerage joint venture with Morgan Stanley. As part of the joint venture, Citigroup Global Markets Inc. will distribute municipal securities to retail investors through the financial advisor network of a new broker-dealer, Morgan Stanley Smith Barney LLC. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Citigroup Global Markets Inc. will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2012A Bonds.

Loop Capital Markets LLC (“Loop Capital”) has entered into an agreement (the “Distribution Agreement”) with UBS Financial Services Inc. (“UBS”) for the retail distribution of certain municipal securities offerings, including the Series 2012A-B Bonds, at the original issue prices. Pursuant to the Distribution Agreement, Loop Capital may share a portion of its underwriting compensation, with respect to the Series 2012A-B Bonds, with UBS.

APPENDIX A

FORM OF APPROVING OPINION OF BOND COUNSEL

May 16, 2012

District of Columbia
John A. Wilson Building
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

\$314,110,000
DISTRICT OF COLUMBIA
(Washington, D.C.)

\$258,110,000
Income Tax Secured Revenue Refunding Bonds,
Series 2012A

\$56,000,000
Income Tax Secured Revenue Refunding Bonds,
Series 2012B

Ladies and Gentlemen:

We have acted as bond counsel to the District of Columbia (the "District") in connection with the issuance by the District of its Income Tax Secured Revenue Refunding Bonds in the aggregate principal amount of \$314,110,000, consisting of the \$258,110,000 Income Tax Secured Revenue Refunding Bonds, Series 2012A (the "Series 2012A Bonds") and the \$56,000,000 Income Tax Secured Revenue Refunding Bonds, Series 2012B (the "Series 2012B Bonds," and together with the Series 2012A Bonds, the "Series 2012A-B Bonds"), pursuant to the District of Columbia Home Rule Act, as amended (the "Home Rule Act"), the Income Tax Secured Bond Authorization Act of 2008, D.C. Law 17-254, effective October 22, 2008 (the "Income Tax Secured Bond Authorization Act of 2008"), as amended by the Income Tax Secured Bond Authorization Act of 2011, D.C. Law 19-39, effective November 16, 2011 (the "Income Tax Secured Bond Authorization Act of 2011" and together with the Income Tax Secured Bond Authorization Act of 2008, the "Authorization Acts"), the Master Indenture of Trust, dated as of March 1, 2009 (the "Master Indenture"), as previously amended and supplemented, and as further supplemented by the Fifteenth Supplemental Indenture of Trust dated as of May 1, 2012 (the "Fifteenth Supplemental Indenture" and together with the Master Indenture, the "Indenture"), each by and between the District and Wells Fargo Bank, N.A., as trustee (the "Trustee"). Terms used but not defined herein are defined in the Indenture.

In such connection, we have reviewed the Indenture, the Tax Certificate of the District, dated the date hereof (the "Tax Certificate"), certificates of the District, the Trustee and others, opinions of counsel to the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or

any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Authorization Acts, the Indenture and the Tax Certificate, including, without limitation, covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series 2012A-B Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series 2012A-B Bonds, the Indenture and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against corporate bodies in the District of Columbia. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the documents described in the second paragraph hereof. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series 2012A-B Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2012A-B Bonds have been duly authorized, constitute the valid and binding limited obligations of the District and are enforceable in accordance with their terms. The Series 2012A-B Bonds are payable as to principal of and interest thereon solely from the revenues and receipts pledged thereto, including the Available Tax Revenues, pursuant to the Indenture.

2. The Indenture has been duly authorized, executed and delivered by, and constitutes the valid and binding obligation of the District. The Indenture creates a valid pledge, to secure the payment of the principal and interest on the Series 2012A-B Bonds, of the Available Tax Revenues and any other amounts held by the Trustee in any fund or account established pursuant to the Indenture (except the Rebate Fund, the Costs of Issuance Account and the Bond Proceeds Account), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

3. Interest on the Series 2012A-B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from District of Columbia taxation, except estate, inheritance and gift taxes. Interest on the Series 2012A-B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. We express no opinion related other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2012A-B Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX B

SUMMARY OF CERTAIN DEFINITIONS AND PROVISIONS OF THE INDENTURE

Summary of Certain Definitions

The following terms shall have the following meanings in the Indenture and for all purposes of this Official Statement.

Account or Accounts means any account or accounts, as the case may be, established and created pursuant to the Indenture, but does not include any escrow or other fund or account established or created pursuant to the provisions of the Indenture relating to the defeasance of Bonds.

Accumulation Account means the Accumulation Account established in the Debt Service Fund by the Indenture.

Act means the Income Tax Secured Bond Authorization Act of 2008, effective October 22, 2008 (D.C. Law 17-254; D.C. Official Code §§ 47-340.26-36), as amended by the Income Tax Secured Bond Authorization Act of 2011, effective November 16, 2011 (D.C. Law 19-39).

Additional Bonds means additional Senior Bonds issued pursuant to the Indenture.

Adjustable Rate means a variable, adjustable or similar interest rate or rates to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds, for which the method of computing such variable interest rate is specified in the Supplemental Indenture authorizing such Bonds; provided, that the related Supplemental Indenture shall specify (i) whether a Qualified Hedge is to be applicable to such Adjustable Rate Bonds and, if not, or to the extent not so applicable, a Contractual Maximum Interest Rate, and (ii) the method or methods for determining the Adjustable Rate and the frequency of change thereof; provided further, that the method or methods for determining the Adjustable Rate may include the selection of such rate by an indexing agent or remarketing agent as provided in an agreement between the District and such agent, the utilization of an index or indices as described in the related Supplemental Indenture, the utilization of an auction as described in the related Supplemental Indenture, or such other standard or standards set forth by the District in the related Supplemental Indenture or any combination of the foregoing; and provided further, that the Adjustable Rate may never exceed any Contractual Maximum Interest Rate related thereto or, if none, the Legal Maximum Interest Rate (the “rate cap”), but, if the District so elects in the applicable Financing Documents, the excess of interest on any Adjustable Rate Bond calculated at the rate (the “stated rate”) set forth for such Adjustable Rate Bond (without the limitation of the rate cap) over interest on the Adjustable Rate Bond calculated at the rate cap shall constitute a debt of the District owed to the owner of the related Adjustable Rate Bond but solely during periods when the rate cap shall exceed the stated rate.

Adjustable Rate Bond means any Bond which bears an Adjustable Rate, provided that a Bond the interest rate on which shall have been fixed for the remainder of the term thereof shall no longer be an Adjustable Rate Bond.

Amortized Value, when used with respect to Investment Obligations purchased at a premium above or a discount below par, means the value at any given date, as calculated by the District, obtained by dividing the total premium or discount at which such Investment Obligations were purchased by the number of interest payment dates remaining to maturity on such Investment Obligations after such purchase and by multiplying the amount so calculated by the number of interest payment dates having passed since the date of such purchase; and (i) in the case of Investment Obligations purchased at a premium, by deducting the product thus obtained from the purchase price, and (ii) in the case of

Investment Obligations purchased at a discount, by adding the product thus obtained to the purchase price.

Ancillary Bond Facility means, collectively, each Credit Facility, each Liquidity Facility, and each Qualified Hedge.

Ancillary Facility Providers means, collectively, each Credit Facility Provider, each Liquidity Facility Provider, and each Qualified Hedge Provider.

Annual Debt Service means the amount of payments required to be made for principal of and interest on all Bonds, including mandatory sinking fund redemptions, and on all Obligations and to be made by the District, in each case to the extent secured by the Indenture, scheduled to come due within a specified Fiscal Year, computed as follows:

(a) In determining the amount of principal to be funded in each year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on Outstanding Bonds (other than Short-Term/Demand Obligations) in accordance with any amortization schedule established by the governing documents setting forth the terms of such Bonds, including, as a principal payment, the Compounded Amounts of any Capital Appreciation Bonds or Convertible Capital Appreciation Bonds maturing or scheduled for redemption in such year; and in determining the amount of interest to be funded in each year, (i) interest payable at a fixed rate shall (except to the extent any other subsection of this definition applies) be assumed to be made at such fixed rate and on the required funding dates, and (ii) such amount of interest shall not include interest to the extent it is to be paid from a direct subsidy payment expected to be received from the United States Treasury relating to “Build America Bonds” issued pursuant to 54AA of the Code, or any other interest subsidy or similar payments made by the Federal government.

(b) Adjustable Rate Bonds shall be deemed to bear interest at the Assumed Rate.

(c) If all or any portion of an Outstanding Series of Bonds constitute Balloon Maturities, unissued Program Bonds or Short-Term/Demand Obligations, then, for purposes of determining Annual Debt Service, each maturity that constitutes a Balloon Maturity, unissued Program Bonds or Short-Term/Demand Obligations shall, unless otherwise provided in the Supplemental Indenture pursuant to which such Bonds are authorized or unless provision (d) of this definition then applies to such maturity, be treated as if it were to be amortized over a term of not more than 30 years and with substantially level annual debt service funding payments commencing not later than the year following the year in which such Balloon Maturity, unissued Program Bonds or Short-Term/Demand Obligations were issued, and extending not later than 30 years from the date such Balloon Maturity, unissued Program Bonds or Short-Term/Demand Obligations were originally issued; the interest rate used for such computation shall be that rate quoted in The Bond Buyer 25-Revenue Bond Index for the last week of the month preceding the date of calculation as published by The Bond Buyer, or if that index is no longer published, another similar index designated by the Chief Financial Officer, taking into consideration whether such Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to any Series of Bonds only a portion of which constitutes Balloon Maturities, unissued Program Bonds or Short-Term/Demand Obligations, the remaining portion shall be treated as described in (a) above or such other provision of this definition as shall be applicable, and with respect to that portion of a Series that constitutes Balloon Maturities, all funding requirements of principal and interest becoming due in any year other than the stated maturity of the Balloon Indebtedness shall be treated as described in (a) above or such other provision of this definition as shall be applicable.

(d) Any maturity of Bonds that constitutes a Balloon Maturity as described in provision (d) of this definition and for which the stated maturity date occurs within 12 months from the

date such calculation of Annual Debt Service is made, shall be assumed to become due and payable on the stated maturity date, and provision (c) above shall not apply thereto, unless there is delivered to the entity making the calculation of Annual Debt Service a certificate of the Chief Financial Officer stating (i) that the District intends to refinance such maturity, (ii) the probable terms of such refinancing and (iii) that the debt capacity of the District is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Maturity shall be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms shall be used for purposes of calculating Annual Debt Service; provided that such assumption shall not result in an interest rate lower than that which would be assumed under provision (c) above and shall be amortized over a term of not more than 30 years from the expected date of refinancing.

(e) In any computation relating to the issuance of additional Bonds required by the Indenture, there shall be excluded from the computation of Annual Debt Service principal of and interest on indebtedness for which funds are, or are reasonably expected to be, available for and which are irrevocably committed and deposited to make such payments, including without limitation any such funds in an escrow account or any such funds constituting capitalized interest held in any fund or account created by the Indenture.

Assumed Interest Rate means, for Adjustable Rate Bonds, (i) a fixed rate payable by the District under a related Qualified Hedge plus the fixed component of interest on the related Bonds, if any, not included in the payments to be made under the Qualified Hedge by the Qualified Hedge Provider, (ii) for any Qualified Hedge that shall provide for payments from the District that result in a capped rate on the Adjustable Rate Bonds, such capped rate, or (iii) for any Adjustable Rate Bonds that shall not be the subject of a Qualified Hedge, the greater of (1) 125% of The Bond Buyer 20-Year Bond Index as published on the first business day of the current deposit month in the most recent edition of The Bond Buyer, or (2) the average rate on such bonds for the three preceding calendar months, provided, however, that such rate does not exceed the lesser of the Contractual Maximum Interest Rate established therefor and the Legal Maximum Interest Rate.

Authorized Delegate means the Chief Financial Officer, the Treasurer, or any Deputy Mayor in the executive office of the Mayor to whom the Mayor has delegated any of the Mayor's functions under the Act pursuant to § 1-204.22(6) of the D.C. Official Code.

Authorized Representative means the Chief Financial Officer or his designee.

Available Business Franchise Tax Revenues means the revenues resulting from the imposition of the Business Franchise Tax, including penalty and interest charges.

Available Income Tax Revenues means the revenues resulting from the imposition of the Income Tax, including penalty and interest charges.

Available Tax Revenues means the sum of the Available Business Franchise Tax Revenues and the Available Income Tax Revenues generated and to be generated in any Fiscal Year of the District.

Available Withholding Tax Revenues means, for each Fiscal Year, the amount of the withholding portion of the Available Income Tax Revenues, which amount is collected by the Collection Agent pursuant to the Collection Agreement.

BABs Direct Subsidy Payments means the direct subsidy payments received by the District from the United States Treasury (or the Federal Government) in an amount equal to a percentage of the interest paid on Build America Bonds.

Build America Bond or **BABs** means any taxable bond issued by the District pursuant to Section 54AA of the Code, or any successor thereto, for which either (1) the District receives direct subsidy payments in an amount equal to a percentage of the interest paid on such bond, or (2) the holder of such bond receives a tax credit in an amount equal to a percentage of the interest paid on such bond.

Balloon Maturities means, with respect to any Series of Bonds 50% or more of the principal of which matures on the same date or within a Fiscal Year, that portion of such Series which matures on such date or within such Fiscal Year. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such Bonds scheduled to be amortized by prepayment or redemption prior to their stated maturity date. Commercial paper, bond anticipation notes, Option Bonds, Fixed Tender Bonds and other Short Term/Demand Obligations shall not constitute Balloon Maturities.

Beneficiaries means (i) Bondholders, (ii) Credit Facility Providers and Liquidity Facility Providers as to which there are Senior Obligations or Subordinate Obligations outstanding, and (iii) Qualified Hedge Providers as to which there are Qualified Hedges outstanding.

Bond or **Bonds** means, collectively, Senior Bonds, Subordinate Bonds, and any other Bonds, notes, or other obligations, including refunding bonds, notes, bond anticipation notes, commercial paper and other obligations, in one or more series, issued pursuant to the Indenture.

Bondholder means any person who shall be the registered owner of any Outstanding Bond or Bonds.

Bond Payment Date means each date on which Principal Installments of and/or interest on Bonds are due and payable by the District.

Bond Proceeds Fund means the Fund by that name established by the Indenture.

Bond Year means a twelve-month period commencing on the first day of December in any calendar year and ending on the last day of November in the immediately succeeding calendar year.

Business Day means any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions in Washington, D.C., New York, New York, or any city in which the principal office of the Trustee, any Credit Facility Provider (if applicable) or any Liquidity Facility Provider (if applicable) is located are authorized or required by law or executive order to remain closed, or (iii) during any period that a Qualified Hedge is applicable to the Bonds, a day on which commercial banks and foreign exchange markets are not open for business (including dealings in foreign exchange and foreign currency deposits) in Washington, D.C., or New York, New York and do not settle payments.

Business Franchise Tax means the franchise tax imposed on corporations and unincorporated businesses pursuant to Sections 47-1807.02, 47-1808.03 and 47-1817.06 of the D.C. Official Code, as amended.

Capital Appreciation Bonds means the Bonds of any Series so designated in a Supplemental Indenture and including all Convertible Capital Appreciation Bonds; provided, however, that the term "Capital Appreciation Bonds" shall only be used with respect to Bonds the interest on which is payable only at maturity (with respect to Convertible Capital Appreciation Bonds, on the related Current Interest Commencement Date rather than at maturity) or earlier redemption or acceleration of maturity in amounts determined by reference to the Compounded Amount of each Bond.

Capitalized Interest Account means the Capitalized Interest Account within the Bond Proceeds Fund established pursuant to the Indenture.

Capital Project Fund means the fund by that name maintained by the District, separate and apart from the General Fund.

Capital Projects means the payment of the cost of acquiring, undertaking, or financing capital projects authorized by § 1-204.90 of the D.C. Official Code for general governmental and enterprise purposes, including reimbursing amounts temporarily advanced from the General Fund of the District, any enterprise fund, or other fund or account of the District.

Chief Financial Officer means the Chief Financial Officer of the District.

Closing Date means the date of delivery of the Series 2012A-B Bonds, which is anticipated to be on or about May 16, 2012.

Closing Documents means all documents and agreements other than Financing Documents that may be necessary or appropriate to issue, sell, and deliver the Bonds contemplated thereby, and includes agreements, certificates, letters, opinions, forms, receipts, and other similar instruments.

Code means the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.

Collection Account means the account or accounts established and held by the Collection Agent pursuant to the Collection Agreement for the benefit of the Bondholders, into which the Collection Agent, on behalf of the Trustee, shall deposit the Available Tax Revenues in accordance with the provisions of the Act, and maintained as an Account within the Income Tax Secured Bond Fund pursuant to the Indenture.

Collection Agent means the financial institution or institutions acting as agent for the Trustee and selected by the Chief Financial Officer to receive Available Tax Revenues for deposit into the Collection Account of the District of Columbia Income Tax Secured Bond Fund in accordance with Section 47-340.27(c) of the D.C. Official Code and the Collection Agreement; the Collection Agent also may serve as Trustee.

Collection Agreement means the Collection Agreement by and between the Trustee and the Collection Agent relating to the Collection Account maintained by the Collection Agent on behalf of the Trustee pursuant to the Act.

Compounded Amount means, on any date and with respect to any particular Capital Appreciation Bond or Convertible Capital Appreciation Bond, the initial principal amount at issuance of such Bond plus accretion of principal, based on compounding on each Compounding Date to the date of maturity thereof (with respect to a Capital Appreciation Bond) or to the Current Interest Commencement Date (with respect to a Convertible Capital Appreciation Bond) at the same interest rate as shall produce a compound amount on such date of maturity or Current Interest Commencement Date, as applicable, equal to the principal amount thereof on such date; provided, that Compounded Amount on any day which is not a Compounding Date shall be determined on the assumption that the Compounded Amount accrues in equal daily amounts between Compounding Dates.

Compounding Date means the date on which interest on a Capital Appreciation Bond or Convertible Capital Appreciation Bond is compounded and added to principal in the form of Compounded Amount, as set forth in the related Supplemental Indenture.

Contractual Maximum Interest Rate means, with respect to any particular Adjustable Rate Bond, a numerical rate of interest, which shall be set forth in the Supplemental Indenture authorizing such

Bond, that as a matter of contract shall be the maximum rate at which such Bond may bear interest at any time; provided, that the Contractual Maximum Interest Rate may not exceed the Legal Maximum Interest Rate.

Convertible Capital Appreciation Bonds means Bonds which, on or prior to the Current Interest Commencement Date, have the characteristics of Capital Appreciation Bonds and, after the Current Interest Commencement Date, have the characteristics of Current Interest Bonds, in each case with such further terms and conditions as may be designated therefor in the Supplemental Indenture authorizing such Bonds.

Corporate Trust Office means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, or such other address as the Trustee may designate from time to time by notice to the District, or the principal corporate trust office of any successor Trustee (or such other address as such successor Trustee may designate from time to time by notice to the District).

Costs of Issuance means any item of expense directly or indirectly payable or reimbursable by the District and related to the authorization, sale, or issuance of Bonds, including, but not limited to, underwriting fees, discounts and expenses, rating agency fees, legal fees, accounting fees, financial advisory fees, trustee and paying agent fees, collection agent fees, bond insurance and other credit enhancement fees, liquidity enhancement fees, printing costs and expenses.

Costs of Issuance Account means the Costs of Issuance Account established pursuant to the Indenture.

Council means the Council of the District of Columbia.

Credit Facility means each irrevocable letter of credit, bond insurance policy, surety bond, loan agreement, or other agreement, facility or insurance or guaranty arrangement issued or extended by a bank, a trust company, a national banking association, a state chartered bank, or any other entity approved by the District, pursuant to which the District is entitled to obtain moneys to pay, in the Currency in which the Bonds of such Series are payable, the principal or Redemption Price of Bonds due in accordance with their terms plus accrued interest thereon to the date of payment thereof in accordance herewith and with the Supplemental Indenture authorizing such Bonds, whether or not the District is in default under the Indenture; provided, that use of a Credit Facility shall not result, at the time of delivery of the Credit Facility, in a reduction in the Rating of any Bonds Outstanding; and provided further, that a substitute Credit Facility may be obtained from time to time (i) which shall contain the same material terms as set forth in the Credit Facility for which substitution is made, and (ii) will not, in and of itself, result in a Rating of the related Bonds lower than those which then prevailed.

Credit Facility Provider means the Person that has executed a Credit Facility with the District, or otherwise has provided a Credit Facility at the request of the District, for the benefit of any of the Bonds.

Currency means Dollars or Foreign Currency or Currency Unit.

Currency Unit means a composite currency or currency unit the value of which is determined by reference to the value of the currencies of any group of countries.

Current Interest Bonds means Bonds that bear interest which is not compounded but is payable on a current basis on established dates prior to maturity.

Current Interest Commencement Date means the date established prior to the issuance of each Series of Convertible Capital Appreciation Bonds, on which the semiannual compounding of interest ceases and on and after such date interest is payable currently on the Compounded Amounts on the next ensuing interest payment dates.

Debt means, collectively, Senior Debt and Subordinate Debt.

Debt Service Fund means the Fund by that name established by the Indenture.

Defeasance Escrow Agent means Wells Fargo Bank, N.A.

Defeasance Escrow Agreement means the Defeasance Escrow Agreement by and between the District and the Defeasance Escrow Agent, dated May 16, 2012, relating to the refunding of the Refunded Bonds.

Defeasance Obligations means any of the following which are not callable or redeemable at the option of the issuer thereof, if and to the extent the same are at the time legal for the investment of the District's funds:

- (i) Government Obligations; and
- (ii) Defeased Municipal Obligations.

Defeased Municipal Obligations means any bonds or other obligations of any state or territory of the United States of America, of the District, or of any agency, instrumentality or local governmental unit of any such state or territory or District which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

- (i) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest Rating category of any Rating Agency; or

- (ii) (a) which are fully secured as to principal, interest and redemption premium, if any, by an escrow consisting only of cash or Government Obligations, which escrow may be applied only to the payment of such principal and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (b) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, or other nationally recognized verification agent, to pay principal and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

District means the District of Columbia.

Dollar means a dollar or other equivalent unit in such coin or currency of the United States as at the time of payment is legal tender for the payment of public and private debts.

Event of Default shall have the meaning described in the Summary of Certain Provisions of the Indenture under the heading "Events of Default" below.

Federal Agency Obligations means bonds, notes, debentures, or other obligations or securities issued by an “AAA” (or equivalent) rated federal government agency or instrumentality.

Financing Costs means, with respect to any Bonds, all Costs of Issuance and any other fees, discounts, expenses and costs related to structuring, issuing, securing, marketing and maintaining the Bonds, including, without limitation, capitalized interest, all costs incurred by the District with respect to the Financing Documents, not otherwise provided for payment thereof under the Indenture, redemption premiums and other costs of redemption.

Financing Documents means the documents other than Closing Documents that relate to the financing or refinancing of transactions to be effected through the issuance, sale, and delivery of any Series of the Bonds, including contracts or agreements for an escrow agent, Trustee, Collection Agent, registrar, paying agent, underwriting, legal services, accounting, financial advisory services, bond insurance or other credit enhancement or liquidity agreements, printing, or placement of any investment or obligation or program of investment, including any offering document, contract based on interest rate, currency, cash flow, or other basis, including Qualified Hedges, and any required supplements to any such documents.

Fiscal Year means the fiscal year of the District beginning October 1 of each calendar year.

Fitch means Fitch Ratings, and its successors and assigns.

Fixed Tender Bond means any Bond, not constituting an Adjustable Rate Bond, which by its terms must be tendered by the Bondholder thereof for purchase by or for the account of the District prior to the stated maturity thereof or for purchase thereof.

Foreign Currency means a currency issued by the government of any country other than the United States or a composite currency or currency unit the value of which is determined by reference to the values of the currencies of any group of countries.

Fund or **Funds** means the Income Tax Secured Bond Fund established by the Act and any fund or funds, as the case may be, established and created pursuant to the Indenture or account or accounts thereof, but does not include any escrow or other fund or account established or created pursuant to the provisions of the Indenture relating to the defeasance of Bonds.

General Fund means that fund of the District created by §450 of the Home Rule Act.

Government Obligations means direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America and which are entitled to the full faith and credit thereof.

Home Rule Act means the District of Columbia Home Rule Act, approved as of December 24, 1973, as amended (P.L. 93-198; 87 Stat. 774; D.C. Official Code §§ 1-201.01 *et seq.*).

Income Tax means the income tax imposed on individuals pursuant to Section 47-1806.03 of the D.C. Official Code, as amended.

Income Tax Secured Bond Fund means the fund established pursuant to Section 47-340.27 of the D.C. Official Code and the Act, and maintained under the Indenture, which includes a Collection Account and a Revenue Account.

Indenture means the Master Indenture of Trust, dated as of March 1, 2009, by and between the District and Wells Fargo Bank, N.A., as Trustee, as amended or supplemented from time to time.

Interest Account means the Interest Account established in the Debt Service Fund by the Indenture.

Interest Payment Date means each June 1 and December 1.

Investment Obligations means and includes any of the following securities, if and to the extent the same are at the time legal for investment of District funds:

- (i) Government Obligations;
- (ii) Federal Agency Obligations;
- (iii) Defeased Municipal Obligations;
- (iv) Municipal Obligations;
- (v) Prime commercial paper of a corporation incorporated under the laws of any state of the United States of America, rated “P-1”, “A-1” or “F1” by at least two of Moody’s, Standard & Poor’s and Fitch, respectively;
- (vi) Banker’s acceptances issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, rated “P 1”, “A 1” or “F1” by Moody’s, Standard & Poor’s or Fitch, respectively;
- (vii) Shares in diversified open-end, no load investment funds, provided such funds are registered under the Investment Company Act of 1940, which is a money market mutual fund, which has been rated “AAAm” or “AAAm-G” or the equivalent by Moody’s, Standard & Poor’s or Fitch, and such fund cannot hold investments not permitted pursuant to the District’s Investment Policy;
- (viii) Federally insured or collateralized certificates of deposit issued by banks (which may include the Trustee) which are state chartered banks, federally chartered banks or foreign banks with domestic offices. Collateralized certificates of deposit shall be collateralized by obligations described in clause (i) or (ii) above, which such obligations at all times have a market value (exclusive of accrued interest) at least equal to a minimum of one hundred and two percent (102%) of such bank deposits so secured, including interest;
- (ix) Repurchase agreements relating to securities of the type specified in clauses (i) and (ii) above, provided that such securities in an amount at least equal to a market value at all times of at least one hundred and two percent (102%) of the amount of the agreements shall be delivered as security for such agreements to the account of the Trustee to be held therein during the term of the agreements; and
- (x) Any other obligations conforming to any District guidelines for investment, including its Investment Policy, so long as such obligations are rated at least in the two highest Rating Categories of each of the Rating Agencies.

Investment Policy means such policy adopted by the Chief Financial Officer and the Treasurer, as such policy may be modified from time to time.

Legal Maximum Interest Rate means the highest rate of interest or highest true interest cost that by law may be borne by any Bonds.

Liquidity Facility means an irrevocable letter of credit, surety bond, loan agreement, Standby Purchase Agreement, line of credit or other agreement or arrangement issued or extended by a bank, a trust company, a national banking association, state chartered bank or other entity approved by the District, pursuant to which the District is entitled to obtain moneys upon the terms and conditions contained therein for the purchase or redemption of Bonds tendered for purchase or redemption in accordance with the terms hereof and of the Supplemental Indenture authorizing such Bond; provided, that the use of the Liquidity Facility shall not result, at the time of delivery of the Liquidity Facility, in a reduction in the Rating of any Bonds Outstanding; and provided further that a substitute Liquidity Facility (A) may be obtained from time to time (i) which shall contain the same material terms as set forth in the Liquidity Facility for which substitution is made, and (ii) will not, in and of itself, result in a Rating of the related Bonds lower than those which then prevailed, and (B) such a substitute Liquidity Facility must be obtained at any time to replace the then existing Liquidity Facility in the event that the Rating of the related Bonds is or is expected, at the sole determination of the Chief Financial Officer of the District, to be reduced as a result of rating activity related to the existing Liquidity Facility.

Liquidity Facility Provider means the Person that has executed a Liquidity Facility with the District, or otherwise has provided a Liquidity Facility at the request of the District, for the benefit of any of the Bonds.

Maturity Amount means the Compounded Amount of any Capital Appreciation Bond as of the stated maturity thereof.

Maximum Annual Debt Service means the maximum Annual Debt Service with respect to any specified indebtedness for any Fiscal Year during the term of such indebtedness.

Moody's means Moody's Investors Service, and its successors and assigns.

Municipal Obligations means bonds, notes and other indebtedness of any state or local government which are rated in either of the two highest rating categories (without regard to gradation) by Moody's, Standard & Poor's or Fitch, respectively.

Obligations means all Senior Obligations and all Subordinate Obligations.

Opinion of Bond Counsel means an opinion signed by a firm or firms of attorneys of recognized standing in the field of law relating to municipal bonds designated as bond counsel from time to time by the Chief Financial Officer and satisfactory to the Trustee.

Opinion of Counsel means an opinion signed by an attorney or firm of attorneys of recognized standing (who may be counsel to the District) selected by the District.

Option Bond means any Bond which by its terms may be tendered by and, at the option of the Bondholder thereof, for redemption by the District prior to the stated maturity thereof or for purchase thereof, or the maturity of which may be extended by and at the option of the Bondholder thereof.

Original Principal Amount means the Compounded Amount of any Capital Appreciation Bond as of the date of original issuance, as set forth in the applicable Supplemental Indenture.

Outstanding, when used with reference to the Bonds as a whole or the Bonds of a Series, means, as of any date, the Bonds or Bonds of such Series, as the case may be, theretofore or thereupon being delivered and issued under the provisions of the Indenture, except:

(i) any Bonds canceled by or surrendered for cancellation to the Trustee at or prior to such date;

(ii) Bonds for the payment or redemption of which moneys or Defeasance Obligations equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held by the Trustee in trust (whether at or prior to the maturity or redemption date), provided that if such Bonds are to be redeemed, notice of such redemption shall have been given as provided in the Indenture or provision shall have been made for the giving of such notice, and provided further that if such notice is conditional, it is no longer subject to rescission;

(iii) Bonds deemed to have been paid as provided in the Section of the Indenture relating to defeasance of Bonds;

(iv) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture;

(v) Option Bonds tendered or deemed tendered in accordance with the provisions of the Supplemental Indenture authorizing such Bonds on the applicable tender date, if the purchase price thereof and interest thereon shall have been paid or amounts are available and set aside for such payment as provided in such Supplemental Indenture, except to the extent such tendered Option Bonds are held by the District or a Credit Facility Provider or a Liquidity Facility Provider and/or thereafter may be resold pursuant to the terms thereof and of such Supplemental Indenture; and

(vi) as may be provided with respect to such Bonds by the Supplemental Indenture authorizing such Bonds;

provided, however, that in determining whether the Bondholders of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver, Bonds owned by the District shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which an authorized representative of the Trustee actually knows to be so owned shall be so disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes the pledgee's right so to act with respect to such Bonds and that the pledgee is not the District.

In determining whether Bondholders of the requisite principal amount of Outstanding Bonds have given any requisite demand, authorization, direction, notice, consent or waiver hereunder, the principal amount of a Convertible Capital Appreciation Bond or a Capital Appreciation Bond that shall be deemed Outstanding for such purposes shall be the Compounded Amount thereof except as otherwise provided in the Indenture.

Outstanding Debt means any tax-supported indebtedness of the District outstanding at any time, including any outstanding general obligation bonds and bond anticipation notes issued by the District, and certificates of participation issued on behalf of the District, but, unless expressly authorized by Council resolution, the term "Outstanding Debt" shall not include tax increment financing, payment in lieu of taxation debt, nor shall such term include revenue anticipation notes.

Paying Agent means any paying agent for the Bonds of any Series, and its successor or successors and any other corporation which may be substituted in its place pursuant to the Indenture.

Person or Persons means an individual, partnership, limited liability partnership, corporation, limited liability company, trust, unincorporated organization, a government or agency or political subdivision or branch thereof.

Principal Account means the Principal Account established in the Debt Service Fund by the Indenture.

Principal Installment means, as of any date with respect to any Series, so long as any Bonds of such Series are Outstanding, the sum of (i) the principal amount and Compounded Amount (but only at the maturity of such Bonds unless otherwise provided in the Indenture) of Bonds of such Series (including the principal amount of Option Bonds tendered for payment and not purchased) due (or so tendered for payment and not purchased) on such date for which no Sinking Fund Installments have been established, and (ii) the unsatisfied balance (determined as provided in the Indenture) of any Sinking Fund Installments due on such date for Bonds of such Series, together with the premiums, if any, payable upon the redemption of such Bonds by application of such Sinking Fund Installments.

Program means a financing program identified in a Supplemental Indenture, including but not limited to a bond anticipation note or commercial paper program, (a) which is authorized and the terms thereof approved by a resolution adopted by the District and the items required under the Indenture have been filed with the Trustee, (b) wherein the District has authorized the issuance, from time to time, of notes, commercial paper or other indebtedness in an authorized amount, and (c) the authorized amount of which has met the additional Bonds test set forth in the Indenture and the Outstanding amount of which may vary from time to time, but not exceed the authorized amount.

Qualified Hedge means, if and to the extent from time to time permitted by law, (A) (i) any financial arrangement (a) which is entered into by the District with an entity that is a Qualified Hedge Provider at the time the arrangement is entered into, (b) which is a cap, floor or collar, forward rate, future rate, swap (such swap may be based on an amount equal either to the principal amount of such Bonds as may be designated or a notional principal amount relating to all or a portion of the principal amount of such Bonds), asset, index, Currency, price or market-linked transaction or agreement, other exchange or rate protection transaction agreement, other similar transaction (however designated), or any combination thereof, or any option with respect to any of the foregoing, executed by the District, and (c) which has been designated as a Qualified Hedge with respect to such Bonds in a written determination signed by an Authorized Representative and delivered to the Trustee, and (ii) any Liquidity Facility, including any letter of credit, line of credit, policy of insurance, surety bond, guarantee or similar instrument securing the obligations of the District under any financial arrangement described in clause (i) above; and (B) or any Qualified Hedge entered into to replace the then existing Qualified Hedge in the event that the Rating of the related Bonds is or is expected, at the sole determination of the Chief Financial Officer of the District, to be reduced as a result of credit rating activity related to the existing Qualified Hedge.

Qualified Hedge Provider means (i) a Person whose long-term obligations, other unsecured long-term obligations, financial program rating, counterparty rating, or claims paying ability are rated, or whose payment obligations under an interest rate exchange agreement are guaranteed by an entity whose long-term debt obligations, other unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated, at the time of the execution of such Qualified Hedge, either (a) at least as high as the third highest Rating Category of each Rating Agency, but in no event lower than any Rating Category designated by any such Rating Agency for the Bonds, subject to such Qualified Hedge (without reference to bond insurance, if any), or (b) any such lower Rating Categories which each such Rating Agency indicates in writing to the District and the Trustee will not, by itself, result in a

reduction or withdrawal of its Rating (without reference to bond insurance, if any) on the Outstanding Bonds, and (ii) a Person whose payment obligations under an interest rate exchange agreement are subject to collateralization requirements that, as evidenced in writing to the District and the Trustee by each Rating Agency, will not, by itself, result in a reduction or withdrawal of its Rating (without reference to bond insurance, if any) on the Outstanding Bonds.

Rating means a rating published by a Rating Agency with respect to any or all Bonds. Any provision of the Indenture that specifies that an action may not be taken if it shall result in a reduction, suspension or withdrawal of the Rating of the Bonds, with respect to any Bonds that are the subject of a Credit Facility, means the Rating of such Bonds without taking into account the credit enhancement provided by such Credit Facility.

Rating Agency means each nationally recognized statistical rating organization then maintaining a rating on the Bonds at the request of the District.

Rating Category means one of the generic rating categories of any Rating Agency without regard to any refinement or gradation of such rating by a numerical modifier or otherwise.

Rebate Account means the Rebate Account of the Rebate Fund established pursuant to the Indenture.

Rebate Amount means, with respect to a Series of Bonds, the amount computed as described in the Tax Certificate.

Rebate Fund means the Fund by that name established by the Indenture.

Redemption Account means the Redemption Account of the Redemption Fund established pursuant to the Indenture.

Redemption Fund means the Fund by that name established by the Indenture.

Redemption Price means, when used with respect to a Bond (other than a Convertible Capital Appreciation Bond or a Capital Appreciation Bond), or a portion thereof to be redeemed, the principal amount of such Bond or such portion thereof plus the applicable premium, if any, payable upon redemption thereof, pursuant to the Indenture and the applicable Supplemental Indenture, but, when used with respect to a Convertible Capital Appreciation Bond or a Capital Appreciation Bond, "Redemption Price" means the Compounded Amount on the date of redemption of such Bond or portion thereof plus the applicable premium, if any.

Refunded Bonds means a portion of the District's outstanding General Obligation Bonds as set forth in APPENDIX E.

Refunding Bonds means all Bonds authenticated and delivered on original issuance pursuant to the Indenture or thereafter authenticated and delivered in lieu of or in substitution for any such Bonds issued pursuant to the Indenture and the applicable Supplemental Indenture.

Registrar means the District or any bank, trust company, or national banking association designated to serve in this capacity by the Chief Financial Officer, and may be the Trustee.

Resolution means a resolution of the Council authorizing the issuance of one or more Series of Bonds.

Revenue Account means the Revenue Account of the Income Tax Secured Bond Fund established by the Indenture.

Revenues means the following, collectively, except as otherwise may be provided with respect to a Series of Bonds by the Supplemental Indenture authorizing such Series:

1. All Available Tax Revenues received by the Collection Agent, the Trustee or the District.

2. With respect to any particular Bonds, the proceeds of any draw on or payment under any Credit Facility which is intended for the payment of such Bonds, but only for purposes of such payment and not for purposes of the additional Bonds test or other purposes of the Indenture.

3. Any amounts received by the District pursuant to a Qualified Hedge after giving effect to any netting of amounts payable by the parties thereunder.

4. Income and interest earned and gains realized in excess of losses suffered by any Fund (other than the Rebate Fund), Account (other than any Account in the Rebate Fund) or Subaccount held by the Trustee under the terms of the Indenture.

5. Any other revenues, fees, charges, surcharges, rents, proceeds or other income and receipts received by or on behalf of the District or by the Trustee, lawfully available for the purposes of the Indenture in accordance with the Act and deposited by or on behalf of the District or by the Trustee in any Fund (other than the Rebate Fund), Account (other than the Costs of Issuance Account and the Bond Proceeds Account) or Subaccount (other than any Subaccount in the Costs of Issuance Account and the Bond Proceeds Account) held by the Trustee under the terms of the Indenture, including any payments or collections received pursuant to enforcement actions, received from bankruptcy trustees or through the Bankruptcy Courts, received as a result of garnished wages, received as collections of tax levies, including the release of liens at real estate closings, received as a result of closures of estates, received as a result of the sales of businesses or involving business licenses, and other collection activities as shall be collected by the Chief Financial Officer and forwarded to the Collection Agent or deposited in the Income Tax Secured Bond Fund upon reconciliation of accounts.

Senior Bonds means the Bonds, Additional Bonds, notes, or other obligations, including refunding bonds, notes, bond anticipation notes, commercial paper and other obligations, in one or more series, issued pursuant to the Indenture and designated as such. Senior Bonds constitute “Parity Bonds” as defined in the Act.

Senior Debt means Senior Bonds and Senior Obligations.

Senior Hedge Obligations means, as allocated to each Series of Senior Bonds pursuant to the terms of the related Supplemental Indenture, fixed and scheduled payments by the District under Qualified Hedges. Senior Hedge Obligations shall not include, among other things, any costs, indemnities, termination payments or similar non-recurring amounts, or any amortization of any thereof.

Senior Obligations means, collectively, all Senior Reimbursement Obligations and Senior Hedge Obligations.

Senior Reimbursement Obligations means, as allocated to each Series of Senior Bonds pursuant to the terms of the related Supplemental Indenture, fixed and scheduled payments due from the District to any Credit Facility Provider or any Liquidity Facility Provider, as provided by the Indenture. Senior Reimbursement Obligations may include, among other things, reimbursements of direct-pay letters of credit to be drawn on each principal and/or interest payment date.

Serial Bonds means Bonds which have no Sinking Fund Installments.

Series means all of the Bonds authenticated and delivered on original issuance identified pursuant to the Supplemental Indenture as a separate series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution therefor pursuant to the Indenture, regardless of variations in maturities, principal amount, interest rate or other provisions.

Series 2012A-B Bonds means the District's Income Tax Secured Revenue Refunding Bonds, Series 2012A and Income Tax Secured Revenue Refunding Bonds, Series 2012B authorized to be issued pursuant to the Fifteenth Supplemental Indenture.

Series 2012A-B Escrow Fund means the Series 2012A-B Escrow Fund established pursuant to the Defeasance Escrow Agreement.

Series 2012A-B Interest Subaccount means the Series 2012A-B Interest Subaccount in the Interest Account of the Debt Service Fund established pursuant to the Fifteenth Supplemental Indenture.

Series 2012A-B Refunded Bonds Redemption Fund means the Series 2012A-B Refunded Bonds Redemption Fund established for the Refunded Bonds pursuant to the Fifteenth Supplemental Indenture.

Short Term/Demand Obligations means Option Bonds, Fixed Tender Bonds, bond anticipation notes, and commercial paper, or any other Series of Bonds issued pursuant to the Indenture, the payment of principal of which is either (a) payable on demand by or at the option of the Holder at a time sooner than a date on which such principal is deemed to be payable for purposes of computing Annual Debt Service, or (b) scheduled to be payable within one year from the date of issuance and is contemplated to be refinanced for a specified period or term either (i) through the issuance of additional Short-Term/Demand Obligations pursuant to a commercial paper, auction Bond or other similar Program, or (ii) through the issuance of long-term Bonds pursuant to a bond anticipation note or similar Program.

Sinking Fund Installment means, when used with respect to any Series of Bonds, the amount of principal or Compounded Amount, as the case may be, due prior to maturity on Bonds of a given maturity on any particular due date as specified in the Supplemental Indenture pursuant to which such Series was issued.

Standard & Poor's means Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and its successors and assigns.

Standby Purchase Agreement means an agreement by and between the District and another Person pursuant to which such Person is obligated to purchase Option Bonds or Fixed Tender Bonds tendered for purchase.

Standby Purchase Agreement Provider means that party that has entered into a Standby Purchase Agreement with the District.

Subaccount or **Subaccounts** means any subaccount or subaccounts, as the case may be, established or created pursuant to the Indenture, including but not limited to any subaccount of a subaccount, that does not include any escrow or other fund or account established or created pursuant to the provisions of the Indenture relating to the defeasance of Bonds.

Subordinate Bonds means Bonds, notes, or other obligations, including refunding bonds, notes, bond anticipation notes, commercial paper and other obligations, in one or more series, issued pursuant to the Indenture and designated as such.

Subordinate Debt means Subordinate Bonds and Subordinate Obligations.

Subordinate Obligations means, collectively, all Subordinate Reimbursement Obligations and Subordinate Hedge Obligations.

Subordinate Hedge Obligations means fixed and scheduled payments by the District under Qualified Hedges. Subordinate Hedge Obligations shall not include, among other things, any costs, indemnities, termination payments or similar non recurring amounts, or any amortization of any thereof, as allocated to each Series of Subordinate Bonds pursuant to the terms of the related Supplemental Indenture.

Subordinate Reimbursement Obligations means, as allocated to each Series of Subordinate Bonds pursuant to the terms of the related Supplemental Indenture, fixed and scheduled payments due from the District to any Credit Facility Provider or any Liquidity Facility Provider, as provided by the Indenture. Subordinate Reimbursement Obligations shall include, among other things, reimbursements of direct-pay letters of credit to be drawn on each principal and/or interest payment date.

Supplemental Indenture means any indenture supplemental to or amendatory of the Indenture or any Supplemental Indenture in accordance with the Indenture.

Taxable Bonds means Bonds of a Series the interest on which is included in gross income for federal income tax purposes.

Tax Certificate means the document executed by the District with respect to each Series of Bonds containing representations and certifications to support the exclusion of the interest on such Bonds under the Code.

Tax Exempt Bonds means Bonds of a Series the interest on which, in the opinion of Bond Counsel, on the date of original issuance thereof, is excluded from gross income for federal income tax purposes.

Term Bonds means Bonds having a single stated maturity date for which Sinking Fund Installments are specified in a Supplemental Indenture.

Treasurer means the Treasurer of the District of Columbia.

Trust Estate means the following property:

- (i) All Revenues pledged pursuant to the Indenture.
- (ii) All right, title and interest of the District in and to Revenues, and all rights to receive the same by the Act including all of its right, title, and interest now owned or later acquired in and to the Available Tax Revenues, whether received or to be received, or held at the time, by a Collection Agent, custodian, or escrow agent or by District officials.

(iii) Amounts on deposit from time to time, and any investment earnings thereon, in the Income Tax Secured Bond Fund, Funds (other than the Rebate Fund), Accounts (other than the Costs of Issuance Account and the Bond Proceeds Account) or Subaccounts (other than any Subaccount in the Costs of Issuance Account and the Bond Proceeds Account), held by the Trustee, and moneys and securities from time to time held by the Trustee under the terms of the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

(iv) All right, title and interest of the District owned or hereafter acquired in and to proceeds from the sale of Bonds issued under the Indenture and required to be deposited in the Capitalized Interest Account (but excluding the Bond Proceeds Account of the Bond Proceeds Fund and the Costs of Issuance Account and the Capital Project Fund held by the District) pursuant to the provisions of the Indenture (except as limited as provided in the Indenture) and all right, title, and interest in and to the investments held in such funds (except as limited as provided in the Indenture) pursuant to the provisions of the Indenture.

(v) Any and all other property of any kind from time to time hereafter by delivery or by writing specifically conveyed, pledged, assigned or transferred, as and for additional security hereunder for the Bonds and the Obligations, by the District or by anyone on its behalf or with its written consent in favor of the Trustee, which is authorized by the Indenture 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.

(vi) Any and all cash and non-cash proceeds, products, rents, and profits from any of the Trust Estate described in paragraphs (i) through (v) above, including, without limitation, those from the sale, exchange, transfer, collection, loss, damage, disposition, substitution or replacement of any of the foregoing.

Trustee means the bank, trust company or national banking association appointed by the Chief Financial Officer pursuant to the Indenture to act as trustee thereunder, and its successor or successors and any other bank, trust company or national banking association which may at any time be substituted in its place pursuant to the provisions of the Indenture.

Summary of Certain Provisions of the Indenture

The following is a general summary of certain provisions of the Indenture as presently in effect. The summary does not purport to be comprehensive or definitive and is subject to all of the terms and provisions of the Indenture, to which reference is hereby made.

The Pledge

The Trust Estate, subject to the Section of the Indenture relating to compensating the Trustee, is pledged to the Trustee for the payment and as security for the payment of the Principal Installments and Redemption Price of and interest on the Bonds and payments due under any Credit Facilities, Liquidity Facilities and/or Qualified Hedges to the extent provided by a Supplemental Indenture, in each case in accordance with their terms and the provisions of the Indenture and subject to the provisions of the Indenture permitting the application of the Trust Estate for the purposes and on the terms and conditions set forth in the Indenture and in each case subject to the provisions regarding priority of payment as between Senior Bonds and Senior Obligations and Subordinate Bonds and Subordinate Obligations. Nothing contained in the Indenture shall prevent (i) a Credit Facility, Liquidity Facility, or Qualified Hedge from being provided with respect to any particular Bonds and not others, (ii) different reserves being provided with respect to Bonds and other Bonds or with respect to particular Bonds than are provided for other Bonds, or (iii) different reserves being provided with respect to particular Senior Obligations than are provided for other Senior Obligations, or being provided with respect to particular Subordinate Obligations than are provided for other Subordinate Obligations. To the fullest extent provided by the Act and other applicable law, this pledge shall be valid and binding, and the Trust Estate shall immediately be subject to the lien of this pledge, without any physical delivery thereof or further act, the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the District without regard to whether such parties have notice thereof, and a security interest in the Trust Estate shall be valid, binding and perfected whether or not any statement, document, or instrument relating to the security interest is recorded or filed.

Pursuant to the Act, the Available Tax Revenues shall constitute “dedicated taxes and fees” and “available revenues” within the meaning of section 490(n) of the Home Rule Act. As such, the holders of the Bonds shall have a first lien on and pledge of the Available Tax Revenues superior to that of any other person, including holders of general obligation bonds or notes secured by the full faith and credit of the District pursuant to section 482 of the Home Rule Act.

Establishment of Fund and Accounts

The Act creates the Income Tax Secured Bond Fund as a non-lapsing special fund separate and apart from the General Fund of the District, which shall be held and administered by the Trustee, except for the Collection Account which shall be held and administered by the Collection Agent as agent for the Trustee. In addition, the following Funds and Accounts which shall be held and administered by the Trustee are established:

- (i) Bond Proceeds Fund which shall include:
 - (a) Costs of Issuance Account;
 - (b) Capitalized Interest Account; and
 - (c) Bond Proceeds Account.

- (ii) Income Tax Secured Bond Fund which shall include:
 - (a) Collection Account; and
 - (b) Revenue Account.
- (iii) Debt Service Fund which shall include:
 - (a) Accumulation Account, which shall contain therein a Subaccount for each Series of Bonds;
 - (b) Principal Account, which shall contain therein a Subaccount for each Series of Bonds; and
 - (c) Interest Account, which shall contain therein a Subaccount for each Series of Bonds.
- (iv) Redemption Fund, which shall include a Redemption Account for each Series of Bonds.
- (v) Rebate Fund, which shall include a Rebate Account for each Series of Bonds or for more than one Series of Bonds that are treated as a single issue of bonds under the Code as specified in the applicable Tax Certificate.

The District may establish and create such other Accounts in the Funds, or such other Subaccounts in any Account, as may be authorized pursuant to any Supplemental Indenture, including a Supplemental Indenture authorizing a Series of Bonds, and deposit therein such amounts as may from time to time be held for the credit of any Account or Subaccount.

Amounts held by the Trustee at any time in the Funds or any Accounts and Subaccounts established pursuant to the Indenture, as the case may be, shall be held in trust in separate accounts and subaccounts of the District and shall be applied only in accordance with the provisions of the Indenture, the Resolution and the Act.

Bond Proceeds Fund

Costs of Issuance Account

If determined by the District in connection with the issuance of a Series of Bonds, there shall be deposited in the Costs of Issuance Account amounts, if any, determined to be deposited therein pursuant to a Supplemental Indenture. If the District shall not have determined, as evidenced by written direction to the Trustee, to deposit amounts in a Costs of Issuance Account, such amounts if any, determined to be disbursed for Costs of Issuance pursuant to a Supplemental Indenture shall be disbursed upon issuance of a Series of Bonds to such Persons as directed in writing to the Trustee by the District.

Amounts on deposit in the Costs of Issuance Account or any Subaccount thereof, shall be applied to the payment of Costs of Issuance of Bonds, upon written certification by an Authorized Representative:

(i) setting forth the amount to be paid, the person or persons to whom such payment is to be made (which may be or include the District) and, in reasonable detail, the purpose of such withdrawal; and

(ii) stating that the amount to be withdrawn from the Costs of Issuance Account or any Subaccount thereof is a proper charge thereon and that such charge has not been the basis of any previous withdrawal.

Any amounts on deposit in the Costs of Issuance Account or any Subaccount thereof and determined to be no longer required, to pay Costs of Issuance of a Series of Bonds shall be transferred to the District for deposit into the Capital Project Fund.

Capitalized Interest Account

There shall be deposited in the Capitalized Interest Account amounts, if any, determined to be deposited therein pursuant to the requirements of a Supplemental Indenture authorizing the issuance of a Series of Bonds containing the information required to be set forth by the Indenture.

Amounts on deposit in the Capitalized Interest Account or any Subaccount thereof shall be transferred to the Interest Account in the Debt Service Fund on or prior to the Business Day preceding each Interest Payment Date in accordance with the requirements of the Supplemental Indenture or Supplemental Indentures authorizing such deposits to be made and providing for the application of such deposits.

Any amounts on deposit in the Capitalized Interest Account or any Subaccount thereof and no longer required, to pay interest on a Series of Bonds, shall be transferred to the District for deposit in the Capital Project Fund.

In the event of the refunding of any Bonds, the District may withdraw from the Capitalized Interest Account related to the Bonds to be refunded all or any portion of amounts accumulated therein with respect to the Bonds to be refunded and deposit such amounts as provided in a written direction from the District; provided, however, that such withdrawal shall not be made unless immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to the Indenture.

Bond Proceeds Account

There shall be deposited in the Bond Proceeds Account the amount of bond proceeds which are required to be deposited therein pursuant to the Indenture, any Supplemental Indenture, and any other amounts available therefor under the Indenture and determined by the District to be deposited therein from time to time, all of which amounts shall be immediately transferred to the District for deposit in the Capital Project Fund.

Any amount remaining in the Bond Proceeds Account and not required for application in accordance with the applicable Supplemental Indenture shall be deposited in (A) the Debt Service Fund and/or (B) the Redemption Fund, in each case as shall be directed in writing by the District; provided, however, in the case of proceeds of a Series of Tax Exempt Bonds, that prior to any deposit to the Debt Service Fund or the Redemption Fund, the District and the Trustee shall have received an Opinion of Bond Counsel to the effect that such deposit is authorized or permitted to be made pursuant to the Indenture and that such deposit will not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes.

Income Tax Secured Bond Fund

All Available Tax Revenues shall be deposited upon receipt in the Collection Account maintained by the Collection Agent.

Each Business Day, all Available Tax Revenues received from the Collection Agent shall be deposited by the Trustee into the Revenue Account held under the Income Tax Secured Bond Fund. All other Revenues, upon receipt by the Trustee, shall be deposited into the Revenue Account; provided, however, that the proceeds of any draw on or payment under any Credit Facility which is intended for the payment of a Bond may be applied directly to such payment or deposited directly to the Debt Service Fund for such purpose. In addition, there shall be deposited in the Revenue Account all other amounts required by the Indenture to be so deposited. Amounts on deposit from time to time in the Revenue Account shall be withdrawn and transferred on a daily basis in the following order of priority:

FIRST: Unless a Supplemental Indenture related to a Series of Bonds provides otherwise with respect to the Series of Bonds, to the Accumulation Account established for the Senior Bonds and Senior Obligations all amounts, as follows, until the amounts on deposit in all such accounts related to all Senior Bonds and Senior Obligations shall equal: (A) commencing on April 1 of each Fiscal Year and on each day thereafter in such month until 1/3 of the amounts set forth in the following clauses (i) and (ii) for the next ensuing Fiscal Year are on deposit therein, 1/3 of the amounts set forth in the following clauses (i) and (ii) for the next ensuing Fiscal Year, (B) commencing on May 1 of each Fiscal Year and on each day thereafter in such month until 2/3 of the amounts set forth in the following clauses (i) and (ii) for the next ensuing Fiscal Year are on deposit therein, 2/3 of the amounts set forth in the following clauses (i) and (ii) for the next ensuing Fiscal Year, and (C) commencing on June 1 of each Fiscal Year and on each day thereafter in such month and, if necessary, in each succeeding month until 100% of the amounts set forth in the following clauses (i) and (ii) for the next ensuing Fiscal Year are on deposit in the Accumulation Account, 100% of the amounts set forth in the following clauses (i) and (ii) for the next ensuing Fiscal Year (and to the extent necessary, until the amounts on deposit equal any debt service requirements relating to Senior Bonds and Senior Obligations for a prior Fiscal Year that have not been satisfied): (i) the aggregate of the Principal Installments of such Senior Bonds, and principal component of Senior Obligations, due during the next ensuing Fiscal Year, plus (ii) the aggregate interest due on such Senior Bonds and the interest component of Senior Obligations, due during the next ensuing Fiscal Year, and, for Adjustable Rate Bonds on a parity with Senior Bonds, based on the Assumed Interest Rate.

SECOND: To pay or provide for the payment of amounts due and payable under Credit Facilities, Liquidity Facilities and Qualified Hedges not otherwise required to be funded pursuant to paragraph FIRST above, until such amounts shall be fully paid or otherwise provided for from this or any other source.

THIRD: To the payment of Subordinate Bonds and Subordinate Obligations, if any, the terms of which shall be set forth in a Supplemental Indenture

FOURTH: Upon the written direction by the District, the Trustee, may transfer:

- (i) to the Redemption Fund, amounts to be used to redeem Bonds; or
- (ii) to the Redemption Fund, or the appropriate Fund or Account established pursuant to a Supplemental Indenture, amounts to be used to purchase Bonds in accordance with the Indenture or as provided pursuant to a Supplemental Indenture.

FIFTH: As soon as practicable, released to the District for deposit to the unrestricted balance of the General Fund of the District, free and clear of the lien of the Indenture, to be applied for any lawful purpose of the District.

Purchases of Bonds with amounts in the Revenue Account shall be made upon the written direction of an Authorized Representative, with or without advertisement and with or without notice to other Bondholders. Such purchases shall be made at such price or prices as determined by such written instructions. If Sinking Fund Installments have been established for the maturities of Bonds purchased by the District, then the Trustee, upon written instructions from an Authorized Representative, shall credit the principal amount purchased against future Sinking Fund Installments in direct chronological order, unless instructed otherwise in writing by an Authorized Representative at the time of such purchase.

Debt Service Fund

There shall be transferred from the Revenue Account to the Accumulation Account of the Debt Service Fund, the amounts required to be so transferred pursuant to paragraph FIRST above.

Unless otherwise set forth in a Supplemental Indenture, sixty (60) days prior to (A) June 1, moneys on deposit in the Accumulation Account shall be transferred from the Accumulation Account to the Interest Account, related to a series of Senior Bonds or Senior Obligations representing interest payable on such Senior Bonds or Senior Obligations on the June 1 date, and (B) December 1, moneys on deposit in the Accumulation Account shall be transferred from the Accumulation Account to the Principal Account and the Interest Account, allocated on a pro rata basis to the Principal Account and the Interest Account, related to a series of Senior Bonds or Senior Obligations representing interest payable on such Senior Bonds or Senior Obligations on the December 1 date.

There shall be transferred from the Accumulation Account to the Interest Account of the Debt Service Fund, the amounts required to be so transferred described above.

There also shall be deposited into the Interest Account of the Debt Service Fund, if necessary, the following:

(A) Such amount determined by the applicable Supplemental Indenture representing accrued interest received upon the sale of a Series of Bonds.

(B) Amounts transferred from the Capitalized Interest Account for the payment of interest on the Bonds of such Series.

(C) BABs Direct Subsidy Payments.

The Trustee shall pay from the Interest Account, to the Persons entitled thereto, (i) the interest on Senior Bonds as and when due and payable, in the Currency in which the Bonds of such Series are payable, and (ii) the interest component of Senior Obligations at the times, in the manner and on the other terms and conditions as determined by the District and set forth in written directions of an Authorized Representative delivered to the Trustee; provided, however, that amounts deposited to the Interest Account described above shall not be used to pay the interest component of Senior Obligations; and provided further, however, that if the amount available shall not be sufficient to pay in full all such interest due on the same date, then from such available amount the Trustee shall make such payments under Senior Bonds and Senior Obligations ratably, according to the amounts due on such date, without any discrimination or preference. With respect to Adjustable Rate Bonds, upon payment of interest thereon, any difference between the Assumed Interest Rate and the Adjustable Rate, shall be transferred from the respective Interest Account to the Revenue Account and applied in accordance with the Indenture.

There shall be transferred from the Accumulation Account to the Principal Account of the Debt Service Fund, the amounts required to be so transferred described above.

There also shall be deposited into the Principal Account of the Debt Service Fund, if necessary, amounts transferred from the Redemption Fund for the payment of Principal Installments of any Senior Bonds.

The Trustee shall pay from the Principal Account, to the Persons entitled thereto, (A) each Principal Installment for the Senior Bonds (including the Redemption Price payable upon mandatory redemption from Sinking Fund Installments) as and when due and payable, in the Currency in which the Senior Bonds of such Series are payable, and (B) the principal component of Senior Obligations at the times, in the manner and on the other terms and conditions as determined by the District and set forth in written directions of an Authorized Representative delivered to the Trustee; and provided that if the amount available shall not be sufficient to pay in full all such Principal Installments and principal due on the same date, then from such available amount the Trustee shall make such payments under Senior Bonds and Senior Obligations ratably, as determined by an Authorized Representative as evidenced in a written instrument delivered to the Trustee, according to the amounts due on such date, without any discrimination or preference.

Funds for the payment of debt service of any Senior Bonds shall be on deposit in the Principal Account, the Interest Account, the Capitalized Interest Account and the Accumulation Account, at least two (2) months prior to each payment date related to such Bonds.

In the event of the refunding of any Bonds, the Trustee shall, upon the written direction of an Authorized Representative delivered to the Trustee, withdraw from the Debt Service Fund all or any portion of amounts accumulated therein with respect to the Bonds to be refunded and deposit such amounts as provided in such written direction; provided, however, that such withdrawal shall not be made

unless immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to the Indenture.

Redemption Fund

Any amounts transferred from the Bond Proceeds Account as provided in the Indenture upon receipt thereof shall be deposited into the Redemption Fund.

Subject to the limitations contained in the final paragraph of this Section, if, sixty (60) days preceding any interest payment date for Bonds, any Principal Installment due date for Bonds, or due date of interest or principal components of Senior Obligations, the amount on deposit in the Debt Service Fund shall be less than the interest on Bonds due on such interest payment date, the Principal Installment for Bonds due on such Principal Installment due date, or the interest or principal components of Senior Obligations due on the due date thereof, then the Trustee, upon written direction of an Authorized Representative, shall transfer from the Redemption Fund to the Debt Service Fund an amount (or all of the moneys in the Redemption Fund if less than the amount required) which will be sufficient to make up such deficiency in the Debt Service Fund.

To the extent not required to make up a deficiency as required in the second paragraph of this Section, amounts in the Redemption Fund shall be applied by the Trustee, as promptly as practicable after delivery to it of written instructions from an Authorized Representative, to the purchase or redemption (including the payment of redemption premium, if any) of Bonds. Interest on Bonds so purchased or redeemed shall be paid from the Debt Service Fund and all expenses in connection with such purchase or redemption shall be paid by the District from moneys held in the Revenue Account pursuant to the FOURTH paragraph of the Section entitled "Revenue Account" above.

The transfers required by the second paragraph of this Section shall be made from amounts in the Redemption Fund only to the extent that such amounts are not then required to be applied to the redemption of Bonds for which notice of redemption shall have been given pursuant to the Indenture, unless such notice is conditioned upon the availability of moneys on deposit in the Redemption Fund.

Rebate Fund

The Rebate Fund and the amounts deposited therein shall not be subject to a security interest, pledge, assignment, lien or charge in favor of the Trustee, any Bondholder of any Bond, any other Beneficiary or any other Person.

The Trustee shall deposit in the Rebate Fund such amounts and at such times as shall be specified in written instructions from an Authorized Representative delivered to the Trustee.

The Trustee shall withdraw from the Rebate Fund such amounts and at such times, and deposit such amounts in the Revenue Account, as shall be specified in written instructions from an Authorized Representative delivered to the Trustee.

The Trustee shall have no responsibility or liability for the calculation of amounts required to be deposited in the Rebate Fund under federal tax law.

Investment of Funds, Accounts and Subaccounts Held by the Trustee

Moneys in any Fund, Account or Subaccount (except the Rebate Fund) held by the Trustee shall be continuously invested and reinvested or deposited and redeposited by the Trustee upon the written direction of an Authorized Representative. The District shall direct the Trustee to invest and reinvest the moneys in any Fund, Account or Subaccount held by the Trustee in Investment Obligations so that the maturity date or date of redemption at the option of the holders shall coincide as nearly as practicable with the times at which moneys are anticipated to be needed to be expended. The Investment Obligations purchased by the Trustee shall be held by it, or for its account as Trustee. The Trustee, at the written direction of the District as to specific investments, shall sell, or present for redemption, any Investment Obligations purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment from such Fund, Account or Subaccount. The Trustee shall have no obligation to invest, reinvest, deposit, redeposit or sell investments contemplated by the Indenture except upon the written direction of an Authorized Representative as to specific investments. The Trustee shall have no liability for interest on any money received by it hereunder (except as otherwise agreed in writing with the District and except that the Trustee shall invest such money as required pursuant to written direction of an Authorized Representative) and no responsibility for any loss (after giving effect to any interest or other income thereon except to the extent theretofore paid to the District) incurred on the sale of such investments. The Trustee shall advise the District in writing on or before the 20th day of each calendar month of all investments held for the credit of each Fund, Account or Subaccount in its custody under the provisions of the Indenture as of the end of the preceding month.

Investment Obligations purchased under the provisions of the Indenture as an investment of moneys in any Fund, Account or Subaccount, whether held by the Trustee, shall be deemed at all times to be a part of such Fund, Account or Subaccount but, unless otherwise expressly provided in the Indenture or any Supplemental Indenture, (i) the income or interest earned and gains realized in excess of losses suffered by any Fund (other than the Rebate Fund) or Account (other than any Account in the Rebate Fund) due to the investment thereof shall be deposited, upon written direction from an Authorized Representative to the Trustee, in the Rebate Fund and if not required to be so deposited in the Rebate Fund, because no such written direction was received, shall be deposited in the Bond Proceeds Account so long as there are moneys on deposit in the Capitalized Interest Account and, at any time that there are no moneys on deposit in the Capitalized Interest Account, shall be transferred for deposit in the Revenue Account, and (ii) all such income and interest received from any Investment Obligation on deposit in the Rebate Fund shall remain in such Account. The Trustee shall keep a record of all such amounts deposited in the Revenue Account to indicate the source of the income or earnings.

The Trustee shall sell, or present for redemption or exchange, any Investment Obligation purchased by it pursuant to the Indenture or any Supplemental Indenture whenever it shall be requested in writing by an Authorized Representative to do so or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Fund, Account or Subaccount for which such investment was made, except that any Investment Obligation may be credited to more than one Fund, Account or Subaccount based upon the portions thereof purchased by or allocable to each such Fund, Account or Subaccount and need not be sold in order to provide for the transfer of amounts from one Fund, Account or Subaccount to another. The Trustee shall advise the District in writing, on or before the twentieth day of each calendar month, of all investments held for the credit of each Fund, Account or Subaccount in its custody under the provisions of the Indenture as of the end of the preceding month.

Nothing in the Indenture shall prevent any Investment Obligations acquired as investments of or security for Funds, Accounts or Subaccounts held under the Indenture from being issued or held in book-entry form on the books of the District, the Treasury of the United States or any national securities depository.

In the event that the Trustee has not, prior to 11:00 a.m. on any Business Day, received investment instructions as provided in the Indenture as to any investment proceeds received hereunder, the Trustee shall invest the same in Investment Obligations having the shortest available maturity, in accordance with standing instructions received from an Authorized Representative.

Special Provisions for Refunding Bonds

Bonds of one or more Series may be authenticated and delivered upon original issuance, subject to the provisions and limitations of the Indenture, as Refunding Bonds, including for the purposes of creating economic savings, restructuring debt service, modifying Indenture covenants, and providing for more favorable debt terms, or any of the foregoing or any other valid governmental purpose of the District. Each Supplemental Indenture authorizing a Series of Refunding Bonds shall set forth the purposes for which such Series is issued and shall include the payment or redemption of all or any part of the Bonds of any one or more Series then Outstanding.

The Refunding Bonds of such Series shall be authenticated and delivered by the Trustee only upon receipt by the Trustee (in addition to the general provisions set forth in the Indenture for the issuance of Bonds) of:

(i) irrevocable instructions to the Trustee to give due notice of the payment or redemption of all the Bonds so to be refunded on a payment or redemption date specified in such instructions and the payment or redemption dates, if any, upon which such Bonds are to be paid or redeemed;

(ii) if the Bonds of a Series to be refunded are to be paid or redeemed subsequent to the forty-fifth day next succeeding the date of authentication, irrevocable instructions to the Trustee, to provide notice in the manner provided in the Section entitled “Defeasance” below, with respect to the payment of such Bonds pursuant to such Section;

(iii) either (A) moneys or (B) Defeasance Obligations as shall be necessary to comply with the provisions of the second paragraph of the Section entitled “Defeasance,” which moneys and Defeasance Obligations shall be held in trust and used only as provided in said paragraph; and

(iv) a certificate of an independent certified public accountant, or other nationally recognized verification agent, that the amounts described in paragraph (iii) above are sufficient to pay or redeem all of the Bonds to be refunded.

Refunding Bonds may be issued upon compliance with the Section entitled “Issuance of Additional Bonds,” below, in lieu of compliance with the second paragraph above.

Additional Bonds

The Indenture permits the issuance of Additional Bonds upon the District's filing of a certificate of the Chief Financial Officer with the Trustee certifying (i) the Available Withholding Tax Revenues for a 12 consecutive month period of the immediately prior 15 months applicable to the Fiscal Year in which such Additional Bonds are to be issued or Senior Obligations are to be incurred, (ii) the Available Tax Revenues for the same 12 consecutive month period of the immediately prior 15 months that is used to calculate the Available Withholding Tax Revenues, and (iii) the Maximum Annual Debt Service that will be due on the Senior Bonds, including such Additional Bonds and the Senior Obligations, in any subsequent Fiscal Year, and showing that the amount in clause (i) at least equals 2 times the amount in clause (iii), and the amount in clause (ii) at least equals 3 times the amount in clause (iii).

In addition, Additional Bonds may only be issued upon receipt by the Trustee of a certificate of the Chief Financial Officer certifying that the Series of Bonds to be issued does not create a violation of Section 603(b) of the Home Rule Act or the Debt Ceiling Act, treating the Bonds, including that Series, as Outstanding general obligation bonds solely for the purpose of determining whether Section 603(b) or the Debt Ceiling Act is violated.

The District may issue Subordinate Bonds or incur Subordinate Obligations at any time following receipt of written confirmation from each Rating Agency that its Rating on the Senior Bonds and Senior Obligations (to the extent that such obligations are rated) will not be lower than the Rating in effect prior to the issuance of the proposed Subordinate Bonds or Subordinate Obligations as a direct result of such issuance. Pursuant to the Act and the Indenture, the payment of debt service on Subordinate Bonds and Subordinate Obligations is subordinate to the payment of debt service on Senior Bonds and Senior Obligations. Subordinate Bonds and Subordinate Obligations are not equally and ratably secured with Senior Bonds and Senior Obligations by the Trust Estate.

Credit and Liquidity Facilities; Rights of Credit Facility Providers

In connection with any Bonds, the District may obtain or cause to be obtained one or more Credit Facilities or Liquidity Facilities and agree with the Credit Facility Provider or Liquidity Facility Provider to reimburse such provider directly for amounts paid under the terms of such Credit Facility or Liquidity Facility, together with interest thereon; provided, however, that no obligation to reimburse a Credit Facility Provider or Liquidity Facility Provider shall be created, for purposes of the Indenture, until amounts are paid under such Credit Facility or Liquidity Facility.

Any Supplemental Indenture may provide that (i) so long as a Credit Facility providing security is in full force and effect, and payment on the Credit Facility is not in default and the Credit Facility Provider is qualified to do business in the District, the Credit Facility Provider shall be deemed to be the sole Bondholder of the Outstanding Bonds the payment of which such Credit Facility secures when the approval, consent or action of such Bondholders is required or may be exercised under the Indenture, or, in the alternative, that the approval, consent or action of the Credit Facility Provider shall be required in addition to the approval, consent or action of the applicable percentage of the Bondholders required by the Section entitled "Powers of Amendment" below and following an Event of Default, provided that no such approval, consent or action of a Credit Facility Provider may be made or taken without the approval, consent or action of the Bondholder of each Bond affected if such approval, consent or action of such Bondholder otherwise would be required by the second sentence of the Section entitled "Powers of Amendment," and (ii) in the event that the principal, Sinking Fund Installments, if any, and Redemption Price, if applicable, and interest due on any Outstanding Bonds shall be paid under the provisions of a Credit Facility, all covenants, agreements and other obligations of the District to such Bondholders shall continue to exist and such Bonds shall be deemed to remain Outstanding, and such Credit Facility

Provider shall be subrogated to the rights of such Bondholders in accordance with the terms of such Credit Facility.

Qualified Hedges

The District may enter into one or more Qualified Hedges in connection with any Bonds (i) at the time of issuance of such Bonds, (ii) prior to the issuance of such Bonds, in anticipation of the issuance thereof, provided such Bonds have been authorized by the District and payments by the District under the Qualified Hedges do not commence until the date such Bonds are expected to be issued or (iii) after the issuance of such Bonds.

Purchase in Lieu of Remarketing

Notwithstanding anything in the Indenture to the contrary and subject to an opinion of Bond Counsel provided to the Trustee and the District that such action will not adversely affect the tax-exempt status of the Bonds, at any time during which the Bonds are subject to remarketing pursuant to the provisions of any Supplemental Indenture, any Bonds to be remarketed may be purchased by the Trustee (for the account of the District) on the date which would be the remarketing date at the direction of and with the prior written consent of the District (which direction shall be given at least one (1) Business Day prior to the remarketing date), at a purchase price equal to the remarketing price which would have been applicable to such Bonds on the remarketing date. The Bonds shall be purchased in lieu of remarketing only from amounts provided by the District which shall be deposited by the Trustee to a Remarketing Account established pursuant to the Supplemental Indenture relating to such Bonds. In the event the Trustee is so directed to purchase Bonds in lieu of remarketing, no notice to the Holders of the Bonds to be so purchased (other than any notice of remarketing otherwise required under the applicable Supplemental Indenture) shall be required, and the Trustee shall be authorized to apply the funds deposited in the Remarketing Account for such purpose. Such Bonds so purchased for the account of the District shall be remarketed by a remarketing agent in accordance with the provisions of the applicable Supplemental Indenture. Such Bonds, if not remarketed or transferred as provided therein, shall be redeemed and cancelled automatically by the Trustee on the date approved by Bond Counsel. Any such purchase of Bonds is not intended as an extinguishment of debt represented by the Bonds.

Particular Covenants of the District

Payment of Obligations

The District shall duly and punctually pay or cause to be paid the principal and premium, if any, on every Bond and the interest thereon, and all Senior Obligations and Subordinate Obligations, at the date(s) and place(s) and in the manner mentioned in the Indenture, the applicable Supplemental Indenture, the Bonds, and applicable Credit Facilities, Liquidity Facilities, and Qualified Hedges according to the true intent and meaning thereof, and shall duly and punctually satisfy when due all Sinking Fund Installments which may be established for any Series, subject to the provisions of the Indenture.

Extension of Payment of Bonds

The District shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or claims for interest by the purchase or funding of such Bonds or by any other arrangement. Nothing shall be deemed to limit the right of the District (i) to issue Option Bonds or Refunding Bonds as provided herein and such issuance shall not be deemed to constitute an extension of maturity of Bonds or (ii) to apply any amount in the Debt Service Fund or the Redemption Fund to the purchase or redemption of Bonds as provided in the Indenture.

Non-Impairment

The District pledges and covenants and agrees with the holders of the Bonds that, subject to the provisions of the Financing Documents, the District will not:

(i) Limit or alter the revenues pledged to secure the Bonds or the basis on which such revenues are collected or allocated, in a manner that would generate Available Tax Revenues below the levels required to pay or secure the payment of the Bonds;

(ii) Impair the contractual obligations of the District to fulfill the terms of any agreement made with the holders of the Bonds, provided, however, that the District may modify the District Income Tax rates or the income subject to those rates only if the modification, if in effect, would not have reduced the ratio of (A) District Income Tax generated by Available Withholding Tax Revenues for any 12 consecutive month period during the 15 month period immediately preceding the calculation to (B) the Maximum Annual Debt Service on the Senior Bonds then outstanding below 2.00;

(iii) In any way impair the rights or remedies of the holders of the Bonds; and

(iv) If Bonds are issued as Tax-Exempt Bonds, modify in any way the exemptions from taxation provided for in subsection (e) of Section 47-340.29 of the D.C. Official Code and the Act until the Bonds, together with interest thereon, and all costs and expenses in connection with any suit, action or proceeding by or on behalf of the holders of the Bonds, are fully met and discharged.

Pursuant to Section 47-340.29(g) of the D.C. Official Code, this pledge and agreement of the District is included as part of the contract with the holders of the Bonds.

Creation of Liens

Until the pledge created by the Indenture shall be fully satisfied and discharged as described under “Defeasance” below, the District shall not (i) issue any bonds or other evidences of indebtedness secured by a pledge of the Trust Estate held or set aside by the District or by the Trustee under the Indenture, nor create or cause to be created any lien or charge on the Trust Estate, other than as permitted by the Act and the Indenture, (ii) at any time when the District is in default in making any payment required to be made under the Indenture or maintaining the balance in any Fund, Account or Subaccount required to be maintained in the amount required therefor by the Indenture, set apart or appropriate and pay any amount in any Fund, Account or Subaccount except as required by the Indenture, nor (iii) issue any bonds or other evidences of indebtedness, other than the Bonds, secured by a pledge of any revenues, rates, fees, charges, rentals or other earned income or receipts, as derived in cash by or for the account of the District, pledged under the Indenture. The District may not issue Bonds with a payment priority or claim against the Trust Estate that is senior to that of the Senior Bonds. The District, in its discretion, may determine to execute and deliver Subordinate Bonds and incur Subordinate Obligations and payment priorities which are subordinate to the payment priorities accorded to the Senior Bonds under the Indenture.

Tax Matters

The covenants of this Section are made solely for the benefit of the Bondholders of, and shall be applicable solely to, all Bonds except Bonds to which the District determines in a Supplemental Indenture that this Section shall not apply.

The District will not make, or give its consent to the Trustee or any other Person to make, any use of the proceeds of the Bonds or of any moneys which may be deemed to be the proceeds of the Bonds

pursuant to Section 148 of the Code which, if reasonably expected to have been so used on the date of issuance of the Bonds would have caused any of the Bonds to have been “arbitrage bonds” within the meaning of said Section 148 and the regulations in effect thereunder at the time of such use and applicable to obligations issued on the date of issuance of the Bonds.

The District shall at all times do and perform all acts and things necessary or desirable and within its power in order to assure that interest paid on the Tax Exempt Bonds shall be excluded from gross income for Federal income tax purposes.

Notwithstanding any other provision of the Indenture, including in particular those summarized in the Section entitled “Defeasance” below, the obligation to comply with the requirements of the Indenture summarized in this Section shall survive the defeasance or payment in full of the Bonds.

Resignation of Trustee

The Trustee may at any time resign and be discharged of the duties and obligations created by the Indenture by giving not less than 30 days’ written notice to the District (which shall give prompt written notice to each Beneficiary), specifying the date when such resignation shall take effect, and such resignation shall take effect upon the day specified in such notice unless (i) no successor shall have been appointed by such date in which case such resignation shall become effective upon the appointment of a successor, or (ii) previously a successor shall have been appointed by the District or the Bondholders as provided in the Section entitled “Appointment of Successor Trustee” below, in which event such resignation shall take effect immediately on the appointment of such successor.

Removal of Trustee

The Trustee may be removed at any time, with or without cause, by an instrument or concurrent instruments in writing, delivered to the Trustee, and signed by the Bondholders of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the District, or, so long as no Event of Default or event which with the giving of notice or the passage of time would constitute an Event of Default has occurred and is continuing, by an instrument in writing delivered to the Trustee and signed by an Authorized Representative; provided, however, that in each case that a successor Trustee shall be simultaneously appointed with the filing of such instrument.

Appointment of Successor Trustee

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged 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, a successor may be appointed by the Bondholders of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the District, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the District and the predecessor Trustee; provided, nevertheless, that unless a successor Trustee shall have been appointed by the Bondholders as aforesaid, the District by a duly executed written instrument signed by an Authorized Representative shall forthwith appoint a Trustee to fill such vacancy until a successor Trustee shall be appointed by the Bondholders. The Trustee shall mail a copy of the notice of any such appointment, postage prepaid, to the Bondholders of any Bonds, at their last addresses appearing on the registry books. Any successor Trustee appointed by the District shall, immediately and without further act, be superseded by a Trustee appointed by the Bondholders.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions within 30 days after the Trustee shall have given to the District written notice as provided in the Section entitled "Removal of Trustee" above or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act or its removal, the Trustee or the Bondholder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any Trustee appointed as described above in succession to the Trustee shall be a bank or trust company organized under the laws of a state of the United States of America or of the District, or a national banking association, and having a capital and surplus aggregating at least \$50,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Indenture.

Supplemental Indentures

Supplemental Indentures Effective upon Filing with the Trustee

For any one or more of the following purposes and at any time or from time to time, the District may adopt a Supplemental Indenture which, upon the filing with the Trustee of a copy thereof certified by an Authorized Representative, shall be fully effective in accordance with its terms:

- (i) to close the Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture on, the authentication and delivery of the Bonds or the issuance of other evidences of indebtedness;
- (ii) to add to the covenants and agreements of the District in the Indenture, other covenants and agreements to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect;
- (iii) to add to the limitations and restrictions in the Indenture, other limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Indenture as theretofore in effect;
- (iv) to surrender any right, power or privilege reserved to or conferred upon the District by the Indenture to the extent such surrender is for the benefit of the Bondholders of the Bonds;
- (v) to authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in the Section of the Indenture relating to the general provisions for the issuance of Bonds, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with the Indenture as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds;
- (vi) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture, of the Trust Estate or of any other moneys, securities, funds or accounts;

(vii) to modify any of the provisions of the Indenture as may be necessary or desirable to provide for the issuance of Bonds in book-entry form pursuant to the Indenture;

(viii) to cure any ambiguity, defect or inconsistent provision in the Indenture;

(ix) to provide such provisions with respect to Subordinate Bonds as are necessary and desirable, provided, that no such provisions shall adversely affect the payment priorities under the Indenture of any Bonds then Outstanding;

(x) to accommodate the technical, operational and structural features of Bonds which are issued or are proposed to be issued or of a Program which has been authorized or is proposed to be authorized, including, but not limited to, changes needed to accommodate bond anticipation notes, commercial paper, auction Bonds, Qualified Hedges, Option Bonds, Fixed Tender Bonds, other Short-Term/Demand Obligation, and other variable rate or Adjustable Rate Bonds, Capital Appreciation Bonds and other discounted or compound interest Bonds or other forms of indebtedness which the District from time to time deems appropriate to incur;

(xi) to provide for a pledge of Trust Estate for the payment and as security for Liquidity Facilities, Credit Facilities and Qualified Hedges as permitted by the Section entitled "Pledge" above;

(xii) to amend or modify any Supplemental Indenture authorizing Bonds of a Series to reflect the substitution of a new Credit Facility or Liquidity Facility for the Credit Facility or Liquidity Facility then in effect or of a new Qualified Hedge for a Qualified Hedge then in effect on termination of a Qualified Hedge;

(xiii) to add to the Indenture any provisions required by law to preserve the exclusion from gross income for Federal income tax purposes of interest received on the Bonds then Outstanding or to be issued or the exemption of interest received on such Bonds from District income taxation;

(xiv) to add requirements the compliance with which is required by a Rating Agency in connection with issuing a rating with respect to any Series of Bonds;

(xv) to implement or modify any primary and secondary market disclosure requirements.

(xvi) to remove the Trustee or appoint a successor Trustee in accordance with the Indenture;

(xvii) to modify any of the provisions of the Indenture or any previously adopted Supplemental Indenture in any respect whatsoever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Indenture shall cease to be Outstanding and (ii) such Supplemental Indenture shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof;

(xviii) to insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture as theretofore in effect; or

(xix) to make any other modification or amendment of the Indenture which the Trustee shall in its sole discretion determine will not have a material adverse affect on the interest of Bondholders.

Supplemental Indentures Effective with Consent of Bondholders

At any time or from time to time, the District may adopt a Supplemental Indenture subject to consent by Bondholders in accordance with and subject to the provisions of the Indenture relating to the amendment of the Indenture, which Supplemental Indenture, upon the delivery to the Trustee of a copy thereof certified by an Authorized Representative, and upon compliance with the provisions of the Section of the Indenture relating to amendment of the Indenture, shall become fully effective in accordance with its terms as provided in said Section.

General Provisions

The Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of the Indenture relating to Supplemental Indentures and to amendment of the Indenture. Nothing in the Indenture relating to Supplemental Indentures and to amendment of the Indenture shall affect or limit the right or obligation of the District to make, execute, acknowledge or deliver any instrument pursuant to the provisions of the Section entitled “Further Assurance” in the Indenture or the right or obligation of the District to execute and deliver to the Trustee any instrument which elsewhere in the Indenture it is provided shall be delivered to the Trustee.

Any Supplemental Indenture referred to and permitted or authorized as described under “Supplemental Indentures Effective Upon Filing with the Trustee” may be adopted by the District without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Indenture when delivered to the Trustee shall be accompanied by an Opinion of Bond Counsel stating that such Supplemental Indenture has been duly and lawfully adopted in accordance with the provisions of the Indenture, is authorized or permitted by the Indenture, and is valid and binding upon the District and enforceable in accordance with its terms.

The Trustee is authorized to accept the delivery of a certified copy of any Supplemental Indenture referred to and permitted or authorized by the Indenture and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action in good faith, shall be fully protected in relying on an Opinion of Bond Counsel that such Supplemental Indenture is authorized or permitted by the provisions of the Indenture.

No Supplemental Indenture shall change or modify any of the rights or obligations of the Trustee without its written assent thereto.

Powers of Amendment

In addition to amendments and modifications to the Indenture permitted without the consent of the Bondholders, any modification or amendment of the Indenture and of the rights and obligations of the District and of the Bondholders may be made by a Supplemental Indenture, with the written consent given as provided in the Indenture, (i) of the Bondholders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given, and (ii) in case less than all of the several Series of

Bonds then Outstanding are affected by the modification or amendment, of the Bondholders of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Bondholders shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal (or Compounded Amount, if applicable) of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount (or Compounded Amount, if applicable) or the Redemption Price thereof or in the rate of interest thereon without the consent of each Bondholder affected thereby, or shall reduce the percentage of the aggregate principal amount (or Compounded Amount, if applicable) of Bonds or otherwise affect classes of Bonds the consent of the Bondholders of which is required to effect any such modification or amendment without the consent of all Bondholders, or shall change or modify any of the rights or obligations of the Trustee without its written assent thereto, or shall change or modify any of the rights of the providers of Qualified Hedges, Credit Facilities or Liquidity Facilities regarding source of and security for payments due to such Persons, or amount and timing of payments due, without the prior written consent of such Persons. For the purposes of the provisions of the Indenture summarized in this Section, a Series shall be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the Bondholders of such Series. The Trustee may in its discretion determine whether or not in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Indenture and any such determination if reasonable and in good faith shall be binding and conclusive on the District and all Bondholders.

Consent of Bondholders

The District may at any time adopt a Supplemental Indenture making a modification or amendment permitted by the Indenture, to take effect when and as provided in this Section. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto in form approved by the Trustee) together with a request to Bondholders for their consent thereto in form satisfactory to the Trustee, shall be mailed by the District to Bondholders. Such Supplemental Indenture shall not be effective unless and until (i) there shall have been delivered to the Trustee (a) the written consents of Bondholders of the percentage of the aggregate principal amount of Outstanding Bonds specified in the Indenture and (b) an Opinion of Bond Counsel stating that such Supplemental Indenture has been duly and lawfully adopted and filed by the District in accordance with the provisions of the Indenture, is authorized or permitted by the Indenture, and is valid and binding upon the District and enforceable in accordance with its terms, and (ii) notice shall have been given as provided in the Indenture. Ownership of Bonds shall be conclusively presumed by the registration books of the District. Any such consent shall be binding upon the Bondholder of the Bonds giving such consent and, anything in the Indenture to the contrary notwithstanding, upon any subsequent Bondholder of such Bonds and of any Bonds issued upon registration of transfer thereof or in exchange therefor (whether or not such subsequent Bondholder thereof has notice thereof), unless such consent is revoked in writing by the Bondholder of such Bonds giving such consent or a subsequent Bondholder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee provided for in the Indenture is filed. At any time after the Bondholders of the required percentages of Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the District a written statement that the Bondholders of such required percentage of the aggregate principal amount of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter, notice, stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture adopted by the District on a stated date, a copy of which is on file with the Trustee) has been consented to by the Bondholders of the required percentage of the aggregate principal amount of Bonds and will be effective as provided in this Section, shall be given to Bondholders by the District by mailing

such notice to Bondholders. The District shall file with the Trustee proof of the mailing of such notice. A record, consisting of the papers required or permitted by this Section to be delivered to the Trustee, shall be proof of the matters therein stated.

Modification by Unanimous Consent

The terms and provisions of the Indenture and the rights and obligations of the District and of the Bondholders may be modified or amended in any respect upon the adoption and filing by the District with the Trustee of a Supplemental Indenture and the consent of the Bondholders of all of the Bonds then Outstanding, such consent to be given as provided in the Indenture except that no notice to Bondholders shall be required.

Events of Default and Remedies

Events of Default

Each of the following events shall constitute an Event of Default under the Indenture:

(i) There shall occur a default in the payment of principal or Redemption Price of or interest on any Bond or payments due to any Senior Obligation related thereto after the same shall have become due, whether at maturity or upon call for redemption or otherwise.

(ii) There shall occur a failure to observe, or a refusal to comply with, the terms of the Indenture or the Bonds, other than a failure or refusal constituting an event specified in paragraph (i) of this subsection; provided, however, that with respect to any failure to observe or refusal to comply with the covenants and agreements set forth in the Indenture, such failure or refusal shall have continued for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, is given to the District by the Trustee or any Beneficiary; unless the Trustee shall agree in writing to an extension of such period prior to its expiration, provided, however, that the Trustee shall be deemed to have agreed to an extension of such period if corrective action is initiated by the District within such period and is being diligently pursued;

Unless otherwise prohibited by the Act or the Indenture, the exercise by the District of its right to amend, modify, repeal or otherwise alter statutes imposing or relating to the Income Tax (as defined in § 47-1806.03 of the D.C. Official Code), including the revenues generated by such tax or the rates imposed by such tax, shall not constitute a default or Event of Default under the Indenture.

In the event that the District shall issue Subordinate Bonds, or execute Subordinate Obligations, the related Supplemental Indenture shall provide for the determination of Events of Default, and the imposition of remedies contained in the Indenture, in accordance with the provision that all Senior Bonds and all Senior Obligations related thereto shall be accorded senior status such that no Event of Default may be declared for any default related to such Subordinate Bonds or Subordinate Obligations, and no remedy may be invoked for any such default on Subordinate Bonds or Subordinate Obligations, until the Senior Bonds and all Senior Obligations related thereto are fully retired or are defeased in accordance with the provisions of the Indenture.

Remedies

The Trustee may, and, upon the written request of the Bondholders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds, shall, proceed to protect and enforce its rights and the rights of the Bondholders by such of the following remedies, as the Trustee being advised by counsel, shall deem most effectual to protect and enforce such rights subject to the provisions of the Indenture:

- (i) by suit, action or proceeding to enforce all rights of the Bondholders, including the right to collect or require the District to collect Revenues adequate to carry out the covenants, agreements and pledges with respect thereto contained in the Indenture and to require the District to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;
- (ii) by suit upon the Bonds limited, upon recovery thereunder, to the Trust Estate pledged under the Indenture;
- (iii) by action or suit in equity, to require the District to account as if it were the trustee of an express trust for the Bondholders, for the Trust Estate and assets pledged under the Indenture as shall be within its control; and
- (iv) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders or the Beneficiaries.

In the enforcement of any remedy under the Indenture, but subject to the Sections entitled "Authorization of Bonds," "The Pledge" and "No Personal Liability," the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the District for principal, Redemption Price, interest or otherwise for Bonds under any provision of the Indenture or any Supplemental Indenture or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings under the Indenture and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce judgment or decree against the District for any portion of such amounts remaining unpaid, with interest, costs and expenses of collection, in any manner provided by law, the moneys adjudged or decreed to be payable.

There shall be no rights of acceleration with respect to the Bonds.

Priority of Payments After Event of Default

Subject to the provisions of the Indenture relating to Trustee compensation, in the event that the funds held by the Trustee or the Paying Agent shall be insufficient for the payment of interest and principal or Compounded Amount or Redemption Price then due on the Bonds and other amounts payable as described in clauses FIRST through FOURTH below, such funds (excluding funds held for the payment or redemption of particular Bonds which have theretofore become due at maturity or by call for redemption) and any other moneys received or collected by the Trustee and any moneys or other property distributable in respect of the District's obligations under the Indenture after the occurrence of an Event of Default, shall be applied as follows:

FIRST: to the payment to the Persons entitled thereto of all installments of interest on the Bonds and the interest component of Senior Obligations then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment due on the same date, then to the payment thereof ratably, according to the amounts due on such date, without any discrimination or preference;

SECOND: to the payment to the Persons entitled thereto of the unpaid principal or Redemption Price of the Bonds and the unpaid principal component of Senior Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amount available shall not be sufficient to pay in full all the Bonds and the principal component of Senior Obligations due on the same date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price due on such date, without any discrimination or preference;

THIRD: to the payment to the Persons entitled thereto of amounts reimbursable or payable by the District under each Credit Facility for draws or payments thereunder to pay principal of or interest on Bonds, whether such reimbursements or payments are made to the Ancillary Facility Provider as a Bondholder, as a subrogee or otherwise, and regularly scheduled fees payable under each Credit Facility and Liquidity Facility; and

FOURTH: to the payment to the Persons entitled thereto of amounts payable by the District under each Credit Facility, Liquidity Facility and Qualified Hedge not constituting Senior Obligations nor payable pursuant to clause THIRD above.

The provisions of the Indenture summarized above are in all respects subject to the provisions of the Indenture relating to extending the payment of Bonds.

Whenever moneys are to be applied by the Trustee as described above, such moneys shall be applied by the Trustee at such times, and from time to time, as provided above. The deposit of such moneys with the Trustee, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee and the Trustee shall incur no liability whatsoever to the District, to any Bondholder to any Beneficiary or to any other Person for any delay in applying any such moneys, so long as the Trustee acts without negligence or willful misconduct. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an interest payment date 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 (or Compounded Amount, if any) to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee or the Paying Agent shall not be required to make payment to the Bondholder of any Bond unless such Bond shall be presented to the Trustee or the Paying Agent for appropriate endorsement or for cancellation if fully paid.

Termination of Proceedings

In case any proceeding taken by the Trustee on account of any Event of Default has been discontinued or abandoned for any reason, then in every such case the District, the Trustee, the Beneficiaries and the Bondholders 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 other such proceeding had been taken.

Bondholders' Direction of Proceedings

Anything in the Indenture to the contrary notwithstanding, the Bondholders of a majority in principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method 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 or 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 Bondholders not parties to such direction or would involve the Trustee in personal liability.

Limitation on Rights of Bondholders

No Bondholder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Indenture, or for the protection or enforcement of any right under the Indenture, unless such Bondholder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Bondholders of not less than 25% in principal amount of the Bonds then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Indenture or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses (including legal fees and 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; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under the Indenture or for any other remedy provided under the Indenture or by law. It is understood and intended that no one or more Bondholders or other Beneficiary secured by the Indenture shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right under the Indenture or under law with respect to the Bonds, or the Indenture, except in the manner provided in the Indenture, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Indenture and for the benefit of all Bondholders of the Outstanding Bonds. Nothing contained in the Indenture relating to defaults and remedies shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on such Bondholder's Bonds or the obligation of the District to pay the principal of (or Compounded Amount, if any) and interest on each Bond issued under the Indenture to the Bondholder thereof at the time and place in said Bond expressed.

Anything to the contrary in any provision of the Indenture notwithstanding, each Bondholder of any Bond by such Bondholder's acceptance thereof, shall be deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under the Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including, reasonable pre-trial, trial and appellate attorneys' fees,

against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder or group of Bondholders holding at least 25% in principal amount of the Bonds Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of any Bond on or after the respective due date thereof expressed in such Bond.

Possession of Bonds by Trustee Not Required

All rights of action under the Indenture or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof on 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 of such Bondholders, subject to the provisions of the Indenture.

Remedies Not Exclusive

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

No Waiver of Default

No delay or omission of the Trustee, the Beneficiaries or of any Bondholder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein and every power and remedy given by the Indenture to the Trustee and the owners of the Bonds or such Beneficiaries, respectively, may be exercised from time to time and as often as may be deemed expedient.

Notice of Event of Default

The Trustee shall give to the Bondholders and the Beneficiaries notice of each Event of Default under the Indenture known to the Trustee within ninety (90) days after actual knowledge by an authorized representative of the Trustee of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice. Each such notice of Event of Default shall be given by the Trustee by mailing written notice thereof: (i) to all Bondholders, as the names and addresses of such Bondholders appear upon the books for registration and transfer of Bonds as kept by the Trustee, and (ii) to each of the Rating Agencies.

Defeasance

Bonds which are denominated and payable only in Dollars may be defeased pursuant to the Indenture. Bonds denominated in a Foreign Currency or Currencies may be defeased pursuant to the provisions contained in the Indenture, as affected by the provisions of the related Supplemental Indenture. The District shall pay any tax, fee or other charge imposed on or assessed against the Defeasance Obligations deposited as described in the Indenture or the principal and interest received in respect thereof other than any such tax, fee or other charge which by law is for the account of the Bondholders.

If the District shall pay or cause to be paid, or there shall otherwise be paid, to all Bondholders, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then, at the option of the District, expressed in an instrument in writing signed by an Authorized Representative and delivered to the Trustee, the covenants,

agreements and other obligations of the District to the Bondholders shall be discharged and satisfied. In such event, and provided that all amounts owing to the Trustee and all Beneficiaries shall have been fully paid, the Trustee shall, upon the request of the District, execute and deliver to the District such instruments as may be desirable to evidence such discharge and satisfaction and the Trustee shall pay over or deliver to the District all money, securities and funds held by them pursuant to the Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Bonds or any portion thereof for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit by the District of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the Indenture. Any Outstanding Bonds of any Series or any maturity within a Series or portion thereof shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the Indenture if (a) in case any of said Bonds are to be redeemed on any date prior to their maturity, the District shall have given to the Trustee irrevocable instructions to give, as provided in the Indenture, notice of redemption on said date of such Bonds, (b) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Defeasance Obligations the principal of and interest on which when due and without reinvestment, except as provided below, will provide moneys which, together with the moneys, if any deposited with the Trustee at the same time, shall be sufficient to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be, and (c) in the event said Bonds (or portions thereof) are not by their terms subject to redemption or maturity within the next succeeding 60 days, the District shall have given the Trustee irrevocable instructions to mail, not less than seven (7) days after receipt of such instructions, a notice to the Bondholders (or portion thereof) which are to be deemed to have been paid under the Indenture that the deposit required by (b) above has been made with the Trustee and that said Bonds or portion thereof are deemed to have been paid in accordance with the Indenture and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds or portion thereof, including the interest accrued thereon. Such notice shall be mailed, postage prepaid, to such Bondholders or portion thereof at their last mailing address, if any, appearing on the registry books, but such mailing shall not be a condition precedent to the deemed payment of such Bonds and failure so to mail, or failure by any Bondholder to receive, any such notice shall not affect the validity of the defeasance of such Bonds.

Neither Defeasance Obligations nor moneys deposited with the Trustee, nor principal or interest payments on any such Defeasance Obligations, shall be withdrawn or used for any purpose other than, and such Defeasance Obligations and moneys shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested by the Trustee at the written direction of the District in Defeasance Obligations maturing at the time or times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be. Any income or interest earned by, or increment to, the investment of any such moneys so deposited, in excess of the amounts required to pay the principal of, Redemption Price, if applicable, and interest on such Bonds, as realized, shall be deposited by the Trustee in the Revenue Account. To the extent required by the provider of a Credit Facility, the Bonds which are the subject of the enhancement of such Credit Facility shall not be deemed paid under the Indenture unless there shall have been delivered to the Trustee and the provider of such Credit Facility (a) a verification report of a firm of independent accountants verifying the sufficiency of the escrow created hereunder to timely make full payment of principal or Redemption Price, if applicable, and interest on such Bonds to the dates scheduled for such payment, and (b) an

opinion of Bond Counsel to the effect that, based upon the assumptions stated in such opinion, such Bonds are deemed defeased under the provisions of the Indenture.

For purposes of determining whether Adjustable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Investment Obligations and moneys, if any, in accordance with the Indenture, the interest to come due on such Adjustable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the Contractual Maximum Interest Rate permitted by the terms thereof, provided, however, that if on any date, as a result of such Adjustable Rate Bonds having borne interest at less than such Contractual Maximum Interest Rate for any period, the total amount of moneys and Investment Obligations on deposit with the Trustee for the payment of interest on such Adjustable Rate Bonds is in excess of the total amount which would have been required to be deposited with the Trustee on such date in respect of such Adjustable Rate Bonds in order to satisfy the requirements of the Indenture, the Trustee shall pay the amount of such excess to the District free and clear of any trust, pledge, lien, encumbrance or security interest created by the Indenture.

Option Bonds shall be deemed to have been paid in accordance with the Indenture only if, in addition to satisfying the other requirements of the Indenture, there shall have been deposited with the Trustee moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and premium, if any, and interest on such Bonds which could become payable to such Bondholders upon the exercise of any options provided to the Bondholders; provided, however, that if, at the time a deposit is made with the Trustee pursuant to the Indenture, the options originally exercisable by the Bondholder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond. If any portion of the moneys deposited with the Trustee for the payment of the principal and premium, if any, and interest on Option Bonds is not required for such purpose, the Trustee shall pay the amount of such excess to the District free and clear of any trust, pledge, lien, encumbrance or security interest created by the Indenture.

Anything in the Indenture to the contrary notwithstanding, but subject to any applicable law to the contrary, any moneys held by the Trustee in trust for the payment of the principal of or premium, if any, or interest on any of the Bonds which remain unclaimed for five (5) years after the date when such principal, premium, if any, or interest, as the case may be, has become due and payable, either at their stated maturity dates or by call for earlier redemption or otherwise, if such moneys were held by the Trustee at such date, or for five (5) years after the date of deposit of such moneys if deposited with the Trustee after the said date when such principal, premium, if any, or interest, as the case may be, became due and payable, shall be repaid by the Trustee to the District, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the District for the payment of such principal, premium, if any, or interest, as the case may be.

No Personal Liability

No person, including any Bondholder, shall have any claims against the District or any of its elected or appointed officials, officers, employees, or agents for monetary damages suffered as a result of the failure of the District to perform any covenant, undertaking or obligation under the Act, the Financing Documents, or the Closing Documents, or as a result of the incorrectness of any representation in or omission from the Financing Documents or the Closing Documents, unless the District or its elected or appointed officials, officers, employees, or agents have acted in a willful and fraudulent manner.

Except as otherwise provided in Section 47-340.33 of the D.C. Official Code and the Act, the elected or appointed officials, officers, employees, or agents of the District shall not be liable personally for the payment of the Bonds or an Ancillary Bond Facility nor be subject to any personal liability by

reason of the issuance or execution and delivery of the Bonds or an Ancillary Bond Facility, or for any representations, warranties, covenants, obligations, or agreement of the District contained in the Act, the Bonds, an Ancillary Bond Facility, the Financing Documents, or the Closing Documents.

Governing Law

The Indenture shall be governed by, and construed and enforced in accordance with, the laws of the District.

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

The information contained in this Appendix has been extracted from a document prepared by DTC, entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING DTC AND BOOK-ENTRY-ONLY ISSUANCE."

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount thereof, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

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. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration

in the name of Cede & Co., or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

Redemption proceeds, distributions and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to the Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Agent. Under such circumstances, in the event that a successor depository is not obtained, definitive Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this Appendix C concerning DTC and DTC's book-entry system has been obtained from sources that the District and the Underwriters believe to be reliable, but the District and the Underwriters take no responsibility for the accuracy thereof.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Agreement”) dated as of May 1, 2012, is executed and delivered by the District of Columbia (the “Issuer”) in connection with the issuance and sale of the Issuer’s \$258,110,000 Income Tax Secured Revenue Refunding Bonds, Series 2012A (the “Series 2012A Bonds”) and \$56,000,000 Income Tax Secured Revenue Refunding Bonds, Series 2012B (the “Series 2012B Bonds,” and together with the Series 2012A Bonds, the “Bonds”), issued pursuant to the Act and the Indenture (as defined in the Official Statement). Capitalized terms used in this Agreement which are not otherwise defined in the Indenture shall have the respective meanings specified above or in Article IV hereof.

ARTICLE I

The Undertaking

Section 1.1. Purpose. This Agreement is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. (a) The Issuer shall provide Annual Financial Information with respect to each fiscal year of the Issuer, commencing with fiscal year ending September 30, 2012, by no later than five (5) months after the end of the respective fiscal year, to the MSRB.

(b) The Issuer shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any failure of the Issuer to provide the Annual Financial Information by the date specified in subsection (a) above to the MSRB.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof because not available, the Issuer shall provide Audited Financial Statements, when and if available, to the MSRB.

Section 1.4. Notice Events. (a) If a Notice Event occurs, the Issuer shall provide, in a timely manner not in excess of ten (10) business days after the occurrence of such Notice Event, notice of such Notice Event to (i) the MSRB and (ii) the Trustee.

(b) Any notice of a defeasance of Bonds shall state whether the Bonds have been escrowed to maturity or to an earlier redemption date and the timing of such maturity or redemption.

(c) Each Notice Event notice relating to the Bonds shall include the CUSIP numbers of the Bonds to which such Notice Event notice relates or, if the Notice Event notice relates to all bond issues of the Issuer including the Bonds, such Notice Event notice need only include the CUSIP number of the Issuer.

Section 1.5. Additional Information. Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Notice Event hereunder, in addition to that which is required by this Agreement. If the Issuer chooses to include any information in any Annual Financial Information or Notice Event notice in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Notice Event hereunder.

Section 1.6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer and that, under some circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Issuer under such laws.

Section 1.7. Previous Non-Compliance. The Issuer represents that, except as disclosed in the Official Statement, in the previous five years it has not failed to comply in all material respects with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

ARTICLE II

Operating Rules

Section 2.1. Reference to Other Filed Documents. It shall be sufficient for purposes of Section 1.2 hereof if the Issuer provides Annual Financial Information by specific reference to documents (i) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (ii) filed with the SEC. The provisions of this Section shall not apply to notices of Notice Events pursuant to Section 1.4 hereof.

Section 2.2. Submission of Information. Annual Financial Information may be set forth or provided in one document or a set of documents, and at one time or in part from time to time.

Section 2.3. Notice Events. Each notice of a Notice Event hereunder shall be captioned “Notice Event” and shall prominently state the title, date and CUSIP numbers of the Bonds.

Section 2.4. Dissemination Agents. The Issuer may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required of the Issuer under this Agreement, and revoke or modify any such designation.

Section 2.5. Transmission of Notices, Documents and Information. (a) Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the MSRB’s Electronic Municipal Markets Access (EMMA) system, the current Internet Web address of which is www.emma.msrb.org.

(b) All notices, documents and information provided to the MSRB shall be provided in an electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 2.6. Fiscal Year. (a) The Issuer's current fiscal year begins October 1 and ends on September 30, and the Issuer shall promptly notify (i) the MSRB and (ii) the Trustee of each change in its fiscal year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than 12 calendar months.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date; Termination. (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The Issuer's obligations under this Agreement shall terminate upon a legal defeasance, prior redemption or payment in full of all of the Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that the Issuer (1) receives an opinion of Counsel to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments to or interpretations of the Rule, as well as any change in circumstances, (3) the Issuer shall have received an opinion of Counsel to the same effect as set forth in clause (2) above, (4) either (i) the Issuer shall have received an opinion of Counsel or a determination by an entity, in each case unaffiliated with the Issuer (such as bond counsel or the Trustee), to the effect that the amendment does not materially impair the interests of the holders of the Bonds, or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of holders of Bonds pursuant to the terms of the Indenture as in effect at the time of the amendment, and (5) the Issuer shall have delivered copies of such opinion(s) and amendment to the MSRB.

(b) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the Issuer shall have received an opinion of Counsel to the effect that performance by the Issuer under this Agreement as so amended will not result in a violation of the Rule and (3) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

(c) This Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) the Issuer shall have received an opinion of Counsel to the effect that the amendment is permitted by rule, order or other official pronouncement, or is consistent with any interpretive advice or no-action positions of Staff, of the SEC, and (2) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

(d) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(e) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the Issuer in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3 Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the Issuer to comply with the provisions of this Agreement shall be enforceable by any holder of Outstanding Bonds. The holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Issuer's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of Bonds for purposes of this subsection (b).

(c) Any failure by the Issuer to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Indenture, and the rights and remedies provided by the Indenture upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the District of Columbia, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the District of Columbia; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) “Annual Financial Information” means, collectively, (i) updated versions of the following financial information and operating data contained in the Official Statement, for each fiscal year of the Issuer, as follows:

A. (i) Audited Financial Statements, if available, or Unaudited Financial Statements for the immediately preceding fiscal year; and

(ii) the Issuer’s Comprehensive Annual Financial Report, if any is prepared, for the immediately preceding fiscal year, and if not prepared, such annual financial information as the Issuer is advised by disclosure counsel or bond counsel would satisfy the definition of “annual financial information” in the Rule; and

B. the tables in the Official Statement entitled (a) Table 5 - Pledged Tax Collections, Fiscal Years 1992-2011, (b) Table 6 - Pledged Taxes Rates, Fiscal Years 1992-2011, (c) Table 7 - Pledged Taxes Collections, Approved Budget to Actual, (d) Table 8 - Projected Available Tax Revenues, (e) Table 9 - Projected Debt Service Coverage, and (f) Table 10 - Pledged Tax Collections, as received by Collection Agent and by District, Fiscal Years 2010-2012; and

(ii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(d) and (e) of this Agreement.

Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in Section 4.1(1) hereof of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information. Any Annual Financial Information containing modified financial information or operating data shall explain, in narrative form, the reasons for the modification and the impact of the modification on the type of financial information or operating data being provided.

(2) “Audited Financial Statements” means the annual financial statements, if any, of the Issuer, audited by such auditor as selected by the Inspector General or as shall otherwise then be required or permitted by District of Columbia or federal law or the Indenture. Audited Financial Statements shall be prepared in accordance with GAAP; provided, however, that pursuant to Sections 3.2(a) and (e) hereof, the Issuer may from time to time, if required by federal or District of Columbia legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(a) hereof shall include a reference to the specific federal or District of Columbia law or regulation describing such accounting principles, or other description thereof.

(3) “Counsel” means any nationally recognized bond counsel or counsel expert in federal securities laws.

(4) “GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board, the Financial Accounting Standards Board, or any successor to the duties and responsibilities of either of them.

(5) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(6) “Notice Event” means any of the following events with respect to the Bonds, whether relating to the Issuer or otherwise:

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

(7) “Official Statement” means the Official Statement dated May 3, 2012, of the Issuer relating to the Bonds.

(8) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(9) “SEC” means the United States Securities and Exchange Commission.

(10) “Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

DISTRICT OF COLUMBIA

By:

Lasana K. Mack
Deputy Chief Financial Officer and Treasurer

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APPENDIX E
REFUNDED BONDS

District of Columbia General Obligation Bonds

Bond	Principal Amount	Maturity Date	Interest Rate	CUSIP	Redemption Date
Series 2002C	\$ 12,570,000	June 1, 2013	5.25%	25476AY94	June 1, 2012
	1,455,000	June 1, 2014	5.25%	25476AZ28	June 1, 2012
	<u>\$14,025,000</u>				
Series 2004A	\$ 10,835,000	June 1, 2017	5.00%	25476A5M7	June 1, 2015
	11,380,000	June 1, 2018	5.00%	25476A5N5	June 1, 2015
	11,945,000	June 1, 2019	5.00%	25476A5P0	June 1, 2015
	3,085,000	June 1, 2020	5.00%	25476A5Q8	June 1, 2015
	13,170,000	June 1, 2021	5.00%	25476A5R6	June 1, 2015
	13,830,000	June 1, 2022	5.00%	25476A5S4	June 1, 2015
	14,520,000	June 1, 2023	5.00%	25476A5T2	June 1, 2015
	15,245,000	June 1, 2024	5.00%	25476A5U9	June 1, 2015
	16,005,000	June 1, 2025	5.00%	25476A5V7	June 1, 2015
	16,805,000	June 1, 2026	5.00%	25476A5W5	June 1, 2015
	12,745,000	June 1, 2027	5.00%	25476A5X3	June 1, 2015
	525,000	June 1, 2027	4.75%	25476A5Y1	June 1, 2015
	<u>\$140,090,000</u>				
Series 2005A	\$12,730,000	June 1, 2018	5.00%	25476A7D5	June 1, 2015
	13,365,000	June 1, 2019	5.00%	25476A7E3	June 1, 2015
	14,035,000	June 1, 2020	5.00%	25476A7F0	June 1, 2015
	14,735,000	June 1, 2021	5.00%	25476A7G8	June 1, 2015
	15,475,000	June 1, 2022	5.00%	25476A7H6	June 1, 2015
	16,245,000	June 1, 2023	5.00%	25476A7J2	June 1, 2015
	17,060,000	June 1, 2024	5.00%	25476A7K9	June 1, 2015
	17,910,000	June 1, 2025	5.00%	25476A7L7	June 1, 2015
	18,805,000	June 1, 2026	5.00%	25476A7M5	June 1, 2015
	19,745,000	June 1, 2027	5.00%	25476A7N3	June 1, 2015
<u>20,735,000</u>	June 1, 2028	5.00%	25476A7P8	June 1, 2015	
<u>\$180,840,000</u>					

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PART 2

of the

OFFICIAL STATEMENT

of the

DISTRICT OF COLUMBIA

relating to its

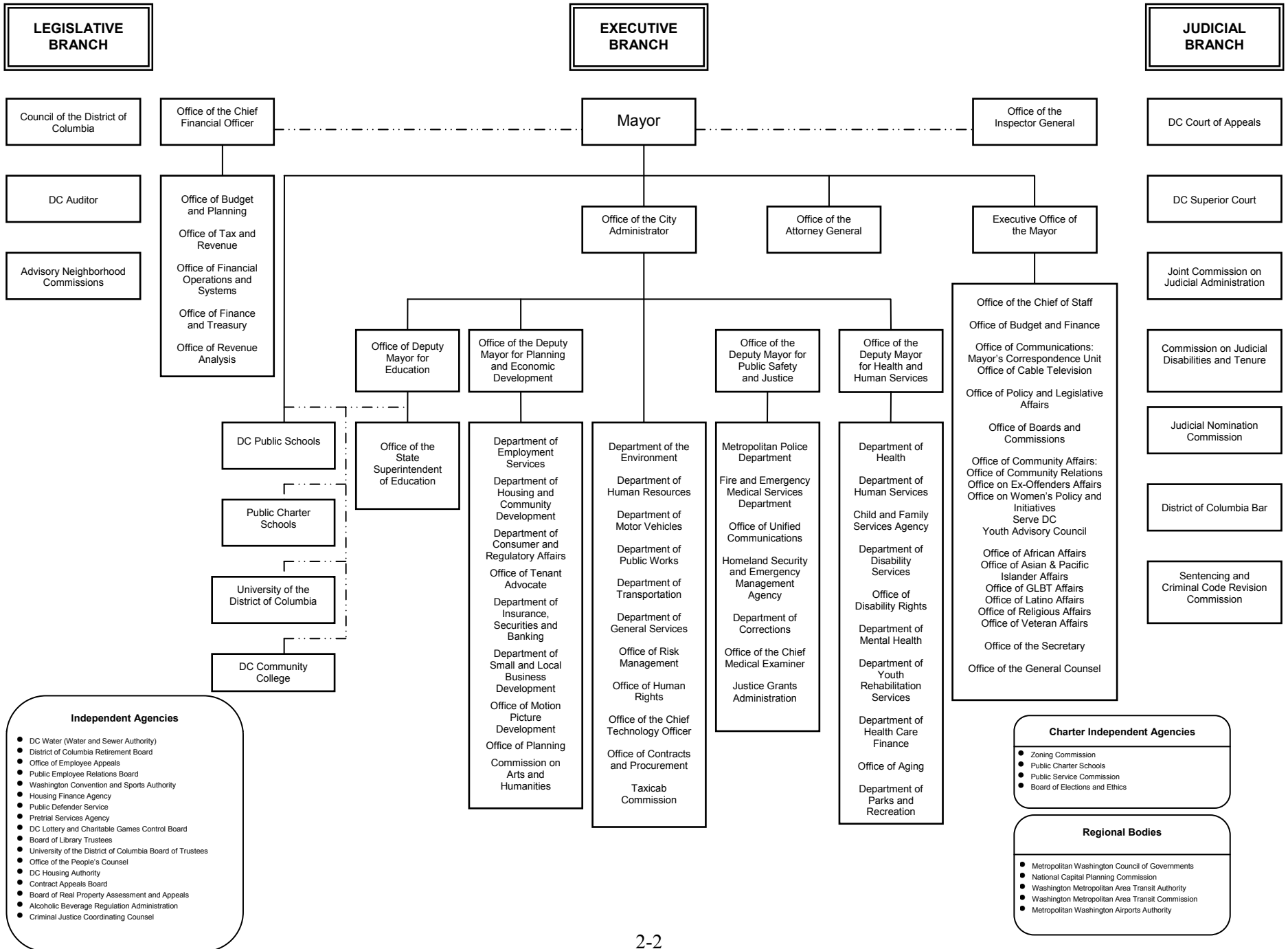
INCOME TAX SECURED REVENUE REFUNDING BONDS,

SERIES 2012A-B

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**TABLE OF CONTENTS
FOR PART 2**

	PAGE
THE DISTRICT OF COLUMBIA.....	2-3
CREATION AND CHARTER.....	2-3
ORGANIZATION OF THE DISTRICT GOVERNMENT	2-3
CONGRESSIONAL AUTHORITY	2-6
FEDERAL FUNDING.....	2-6
THE AUTHORITY.....	2-8
DISTRICT TAXES.....	2-9
CERTAIN DISTRICT FINANCIAL INFORMATION	2-10
FINANCIAL STATEMENTS.....	2-10
REVENUES AND EXPENDITURES	2-11
CAPITAL BUDGETING AND FINANCING	2-13
CASH RESERVES	2-15
INDEBTEDNESS	2-19
Summary of Statutory Debt Provisions.....	2-19
Long-Term Obligations.....	2-20
Other Capital Funding.....	2-27
Short-Term Obligations	2-27
THE DISTRICT’S ECONOMIC RESOURCES.....	2-28
Population	2-29
Employment and Industry	2-29



THE DISTRICT OF COLUMBIA

Creation and Charter

The District of Columbia was created in 1791 by act of the United States Congress (the “Congress”) and Presidential proclamation and has served as the capital of the United States of America since 1800. Under Article I, Section 8 of the United States Constitution, Congress has exclusive legislative authority over the District as the Nation’s Capital. Since January 2, 1975, the District has been governed in accordance with the District of Columbia Home Rule Act, Pub. L. 93-198, an Act of Congress signed by the President of the United States (the “President”) on December 24, 1973, as amended (the “Home Rule Act”). Under the Home Rule Act, the District is governed by an elected Mayor and an elected Council. With limited exceptions, including the payment of debt service, the District may not obligate or expend funds absent annual Congressional appropriation.

The District is a unique governmental entity, combining state, county, and municipal characteristics. Functions performed by the District government include public safety, police, fire, corrections, consumer and business regulatory affairs, public works (highways, streets and traffic control, and sanitation), human services (health, welfare, and employment assistance), leisure services (recreation and libraries), economic development (planning, zoning, urban renewal, and housing), public education, and general administration. The District and its instrumentalities also operate a university, a stadium and armory complex, a convention center, a water and sewer system and a lottery.

Organization of the District Government

Legislative Branch. The legislative powers granted to the District by the Home Rule Act are vested in the Council of the District of Columbia (the “Council”), which consists of 13 members elected on a staggered basis for four-year terms. The Chairman of the Council and four members are elected on an “at-large” basis, and each of the eight wards of the District elects one member.

The legislative powers granted to the Council by the Home Rule Act extend to all rightful subjects of legislation within the District consistent with the United States Constitution and the Home Rule Act, and include the authority to pass laws, create and abolish any office (subject to certain protections applicable to the Office of the Chief Financial Officer pursuant to the Home Rule Act), agency, or instrumentality of the District, define the duties of such offices, agencies, and instrumentalities, and conduct investigations into matters relating to the affairs of the District. Acts of the Council are subject to approval by the Mayor. In the event of a Mayoral veto, the Council may override the veto by a two-thirds vote. Except for emergency legislation, acts authorizing general obligation revenue anticipation notes, and acts authorizing the renewal or refunding of bond anticipation notes, all acts of the Council are subject to a period of Congressional review before they take effect.

The power of the Council to enact certain taxes or pass other legislation is subject to certain limitations set forth in the Home Rule Act. For instance, the Council cannot enact legislation that would tax, directly or at the source, the income of any individual who is not a resident of the District, or would permit the building of structures within the District higher than the dome of the United States Capitol.

Judicial Branch. The judicial power of the District is vested in a Superior Court and a Court of Appeals (the “Courts”). The Superior Court has jurisdiction of any civil action or other matter (at law or in equity) brought in the District of Columbia and of any criminal case under any law applicable exclusively to the District. The Superior Court has no jurisdiction over any civil or criminal matter over which a United States court has exclusive jurisdiction pursuant to an Act of Congress. The Court of Appeals has jurisdiction of appeals from the Superior Court and, to the extent provided by law, to review

orders and decisions of the Mayor, the Council, or any agency of the District. Generally, the President nominates judges of the Courts from a list of candidates recommended by the District of Columbia Judicial Nomination Commission, and, with the advice and consent of the United States Senate, the President appoints the judges of the Courts. The federal government funds the operating and capital costs of the Courts; however, the Courts manage themselves.

Executive Branch. The Mayor, as the chief executive officer of the District under the Home Rule Act, is responsible for the proper execution of laws and administration of the District's affairs. Executive functions include supervision and direction of the District's administrative boards, offices, and agencies, administration of the District's financial affairs through appointment of the Chief Financial Officer (the "CFO"), administration of personnel matters, central municipal planning, making legislative proposals to the Council, and similar matters. The Mayor also has the authority to veto legislation adopted by the Council. The Mayor is assisted in these duties by a City Administrator, who serves as the chief administrative officer of the District. The City Administrator is appointed by the Mayor and serves at the pleasure of the Mayor.

In addition to the City Administrator, the Mayor is assisted by a Deputy Mayor for Planning and Economic Development, a Deputy Mayor for Education, a Deputy Mayor for Health and Human Services, and a Deputy Mayor for Public Safety and Justice.

The Home Rule Act requires the Mayor to prepare and submit to the Council an annual budget, including, among other things, the budget for the forthcoming fiscal year, a multiyear plan for all agencies and all sources of funding, a multiyear capital improvement plan, a performance report comparing actual performance to goals, an issue analysis statement, and a summary of the budget for public distribution. Once the Council has approved the budget, the Mayor forwards the budget to the President for submission to Congress.

The Mayor is elected to a four-year term. If there is a vacancy in the office of the Mayor, the Chairman of the Council serves as Acting Mayor until a special election for a new Mayor is held.

Office of the Chief Financial Officer. The CFO has primary responsibility for oversight of the District's budgetary and financial records, activities, and transactions, including the supervision and administration of all borrowing programs of the District for the issuance of long-term and short-term indebtedness.

The CFO is responsible for supervising the activities of the District Treasurer, supervising and administering the District's borrowing, administering cash management, administering the District's payroll and retirement systems, governing the District's accounting policies and systems, preparing certain reports on the District's accounting and financial operations, preparing a comprehensive financial management policy for the District, and preparing the financial statements and reports on the District's activities required by the Home Rule Act. The CFO also must prepare annual estimates of all revenues of the District for use in the District's budget and quarterly re-estimates of revenues, supervise and assume responsibility for financial transactions to ensure adequate control of revenues and resources and that appropriations are not exceeded, maintain systems of accounting and internal control, supervise and assume responsibility for levying and collecting all taxes, fees and other revenues, maintain custody of all public funds and all investments and invested funds, and assist the Inspector General of the District of Columbia (the "Inspector General") in developing internal audits of accounts, operations and records of the District. In addition, the CFO is required to prepare and submit to the Mayor, for inclusion in the annual budget of the District, annual estimates of expenditures and appropriations necessary for the operation of the Office of the CFO. The Mayor is required to forward all such estimates to the Council without revision, but the Mayor may attach his or her recommendations. The Council may comment

upon or make further recommendations concerning such estimates, but it has no authority to revise those estimates.

The CFO oversees the Office of Finance and Treasury, the Office of Financial Operations and Systems, the Office of Budget and Planning, the Office of Tax and Revenue, the Office of Finance and Resource Management, the Office of Revenue Analysis and the District of Columbia Lottery and Charitable Games Control Board. Moreover, personnel performing financial functions in the District's various agencies that carry out the government's operating and management functions report to the CFO.

The Mayor, with the advice and consent of the Council, appoints the CFO. Upon confirmation by the Council, the appointment is submitted to the Committees on Appropriations of the Senate and the House of Representatives (the "House"), the Committee on Governmental Affairs of the Senate, and the Committee on Government Reform of the House for a 30-day period of review and comment before the appointment takes effect. The CFO may be dismissed from office for cause by the Mayor and approval of that dismissal by a two-thirds vote of the Council. Upon approval of that dismissal by the Council, notice of the dismissal must be submitted to the Committees on Appropriations of the Senate and the House, the Committee on Governmental Affairs of the Senate, and the Committee on Government Reform of the House for a 30-day period of review and comment before the dismissal takes effect.

Inspector General. The Inspector General is charged with conducting independent fiscal and management audits of District government operations, among other duties. The Inspector General must contract for an outside audit of the complete financial statements and report on the activities of the District for each fiscal year, and establish an annual plan for audits of District programs during the fiscal year. The Inspector General may issue subpoenas relating to any matter under investigation and has the right to access all necessary District records relating to an investigation. Whenever the Inspector General has reasonable grounds to believe that there has been a violation of federal or District criminal law, he or she is required to report the matter expeditiously to the Attorney General of the United States.

The Mayor appoints the Inspector General with the advice and consent of the Council for a six-year term. The Inspector General is subject to removal only for cause by the Mayor with the advice and consent of the Council. Neither the Mayor nor the Council may revise the proposed budget for the Office of the Inspector General ("OIG"), but they may make recommendations to Congress regarding the proposed budget.

District Auditor. The District of Columbia Auditor (the "District Auditor") is appointed for a term of six years and is responsible for an annual audit of the District's accounts and operations. The District Auditor is appointed by the Chairman of the Council, subject to the approval of a majority of the Council. The District Auditor is required to submit audit reports and recommendations to the Council, the Mayor and the Congress. The District Auditor has access to all books, accounts, records, reports, findings and all other papers, things, or property belonging to or in use by any department, agency, or other instrumentality of the District government and necessary to facilitate the audit. The Mayor is required to state in writing to the Council what action he or she has taken to effectuate the recommendations made in the District Auditor's reports.

Congressional Authority

Notwithstanding the Home Rule Act's delegation to the District of authority for self-government, Congress reserves the right to exercise its Constitutional authority as the legislature for the District by enacting legislation on any subject, whether within or without the scope of legislative power granted to the Council by the Home Rule Act, including legislation to amend or repeal any law in force in the District prior to or after enactment of the Home Rule Act and any act passed by the Council. Such legislative authority is subject to Constitutional limitations on the powers of the United States government.

The Home Rule Act provides, with exceptions for emergency legislation, acts authorizing general obligation revenue anticipation notes, and acts authorizing the renewal or refunding of bond anticipation notes, that no act passed by the Council and approved either by the Mayor or through veto override by the Council shall take effect until the expiration of a period of 30 legislative days (for acts on civil matters) or 60 legislative days (for acts on criminal matters) after transmittal to Congress. During such periods, Congress and the President may disapprove an act of the Council by enacting a joint resolution of Congress approved by the President, in which event the act will not become effective. Congress, from time to time, at the request of the District, has enacted legislation waiving the legislative layover period for certain District legislation.

Disapproval of an act of the Council by Congress has occurred infrequently. Congress has made revisions to the District's budget as adopted by the Council, and generally has conditioned its approval of the District's budget on compliance by the District with a variety of Congressional mandates.

Federal Funding

The federal government assumes the costs of certain District state-like functions, such as the Courts, that do not appear in the District's budget. The federal government also provides revenues to the District for other functions and for certain programs, such as Medicaid, school improvement and the Tuition Assistance Grant program, which do appear in the District's budget. In fiscal year 2011, the District directly received federal revenues in the total aggregate amount of approximately \$3.3 billion. See Table 1 below and Exhibits 2-b and 2-d and Notes 9 and 13 to the FY 2011 Financial Statements.

The federal government also provides many services required for its own operations within the District of Columbia or for the benefit of visitors to the Nation's Capital. The federal government operates and maintains its own buildings, national monuments and parks, and it provides financial support to visitor attractions such as the National Gallery of Art, the Smithsonian Institution, and the National Zoo. The federal government also maintains special police forces and guard services to protect the White House, the Capitol, the Supreme Court, other federal facilities and foreign embassies and missions.

Federal funding received by the District could be adversely affected by implementation of certain provisions of the Budget Control Act of 2011 (Pub. L. 112-25) (the "Budget Control Act"), which was signed into law by the President on August 2, 2011. As a result of the failure of the Joint Select Committee on Deficit Reduction to reach an agreement on the deficit reduction actions as required by the Budget Control Act, sequestration - a unique budgetary feature of the Budget Control Act - has been triggered. If no legislative action is taken by Congress, sequestration would be implemented beginning on January 2, 2013, and would result in automatic cuts to federal spending in designated agencies and programs of \$1.2 trillion. These federal spending cuts would be spread evenly over fiscal years 2013 through 2021. Sequestration could adversely affect the availability of certain federal funds typically received annually by the District. The District does not know at this time if sequestration will, in fact, be

implemented and, if implemented, what impact, if any, it may have on federal funds received by the District.

Table 1. Federal Revenues, by Category
Fiscal Year 2011
(\$000)

Recovery Act (ARRA), Stabilization ⁽¹⁾		Operating, Budget	\$ 92,785
Pension Contributions ⁽²⁾			491,690
Federal Payments in the District's Budget, Operating			126,155
Federal Payments in the District's Budget, Capital			<u>0</u>
Federal Payments (non-ARRA):			617,845
Federal Operating Grants (not including ARRA budget stabilization)			2,389,749
Federal Capital Grants (ARRA and non-ARRA)			<u>172,964</u>
Total			<u>\$3,273,343</u>

1. This portion of ARRA revenues consists of State Fiscal Stabilization Funds and the revenue associated with the enhanced Federal Medicaid Assistance Percentage and the enhanced Title IV match. Other ARRA grant revenues are included in the line labeled "Federal Operating Grants (not including ARRA budget stabilization)."
2. Pension contributions do not pass through the District's budget. Pension contributions are for Police, Firefighter, and Teacher Retirement Funds, for liabilities the federal government assumed through the National Capital Revitalization and Self-Government Improvement Act of 1997, Pub. L. 105-33.

Sources: District's Fiscal Year 2011 CAFR and reports from the District's financial system.

American Recovery and Reinvestment Act of 2009. On February 17, 2009, the President signed into law the American Recovery and Reinvestment Act of 2009 ("ARRA"), a national economic stimulus bill. For fiscal years 2009 through 2011, the District estimates that it has benefitted directly and indirectly from approximately \$1.26 billion of net federal ARRA expenditures. Included in this total are amounts from State Fiscal Stabilization Funds ("SFSF"), Medicaid Federal Medical Assistance Percentage ("FMAP") increases, federal operating grants, federal capital grants, unemployment trust funds, and funding for the District of Columbia Water and Sewer Authority ("DC Water"), the Washington Metropolitan Area Transit Authority and the District of Columbia Housing Authority.

In fiscal year 2009, the District received approximately \$178 million of ARRA-related contributions to its operating and capital funds. The District received approximately \$446 million in ARRA-related awards in fiscal year 2010 and approximately \$215 million in ARRA-related awards in fiscal year 2011.

Federal Payments. The federal government provides the District with federal payments to pay for certain specified purposes, such as school improvements and the Tuition Assistance Grant program. The District received federal payment revenues in the amount of approximately \$173 million in fiscal year 2009, \$151 million in fiscal year 2010, and \$126 million in fiscal year 2011. In addition to this amount, the federal government contributed approximately \$400 million for certain retirement programs

for District employees in fiscal year 2009, \$519 million in fiscal year 2010, and \$492 million in fiscal year 2011, which amounts were paid directly by the federal government and were not part of the District's budget.

Federal Grants. The District, similar to most states, participates in a number of federal programs that are funded through formula and project grants, direct payments for specified and unrestricted use, food stamps and other pass-through grants and direct and guaranteed loans. The federal government provided federal operating grants to the District (other than the SFSF and FMAP increases within ARRA) in the amount of approximately \$2.1 billion in fiscal year 2009, \$2.2 billion in fiscal year 2010, and \$2.4 billion in fiscal year 2011. Capital grants to the District, which are used to purchase or construct fixed assets, such as land, utility plants, buildings and equipment, totaled approximately \$152.6 million for fiscal year 2009, \$244.3 million in fiscal year 2010, and \$173.0 million in fiscal year 2011, nearly all of which were United States Highway Trust Fund moneys provided for public infrastructure improvements.

The Authority

Pursuant to the District of Columbia Financial Responsibility and Management Assistance Act of 1995, Pub. L. 104-8, as amended (the "Authority Act"), the District of Columbia Financial Responsibility and Management Assistance Authority (the "Authority") was established. Without repealing the District's Mayor/Council government structure, the Authority Act granted the Authority substantial powers over the financial activities and management operations of the District government during any "Control Period" and "Control Year" as defined in the Authority Act. The Authority Act defined the initial Control Period as commencing in 1995 on the effective date of the Authority Act and terminating only upon specific statutory findings of the Authority regarding the financial condition of the District. The initial Control Period terminated on February 14, 2001, upon certification by the Authority on that date, and the Authority, pursuant to law, suspended its activities on September 30, 2001. Under the provisions of the Authority Act, a new Control Period will be initiated if: (i) the Mayor seeks a U.S. Treasury advance; (ii) the District defaults with respect to any loan, bond, note, or other form of borrowing; (iii) the District fails to meet its payroll for any pay period; (iv) at the end of any quarter of any fiscal year, a cash deficit exists that exceeds the difference between the estimated District revenues and estimated District expenditures during the remainder of that fiscal year or the remainder of that fiscal year together with the first six months of the succeeding fiscal year; (v) the District fails to make required payments relating to pensions and benefits for current and former District government employees; or (vi) the District fails to make payments to any entity under an interstate compact to which the District is a signatory. If a new Control Period were to be initiated under the existing Authority Act, the Authority would be reconstituted and resume its full statutory powers.

DISTRICT TAXES

The following tables describe the rates of the major taxes of the District, including the Pledged Taxes (as defined in Part 1), and the amounts collected for the fiscal years shown.

Table 2. Major Tax Rates
Fiscal Years 2008-2012

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Property⁽¹⁾					
Real					
Class 1	0.85	0.85	0.85	0.85	0.85
Class 2	1.85	1.65/1.85 ⁽²⁾	1.65/1.85 ⁽²⁾	1.65/1.85 ⁽²⁾	1.65/1.85 ⁽²⁾
Class 3	5.00	10.00	10.00	5.00	5.00
Class 4	n/a	n/a	n/a	10.00	10.00
Personal	3.40	3.40	3.40	3.40	3.40
Sales and Use⁽³⁾					
General⁽⁴⁾	0.0575	0.0575	0.06	0.06	0.06
Selective					
Cigarettes⁽⁵⁾	1.00	2.00	2.50	2.50	2.86 ⁽⁶⁾
Motor Fuel⁽⁷⁾	0.20	0.20	0.235	0.235	0.235
Income and Receipts⁽⁸⁾					
Individual	.04-.085	.04-.085	.04-.085	.04-.085	.04-.0895
Business	0.09975	0.09975	0.09975	0.09975	0.09975
Gross Receipts					
Public Utility⁽⁹⁾					
Residential Customers⁽¹⁰⁾	0.10	0.10	0.10	0.10	0.10
Non-Residential Customers⁽¹¹⁾	0.11	0.11	0.11	0.11	0.11
Public Utility (Electrical)⁽¹²⁾					
Residential Customers	0.0070	0.0070	0.0070	0.0070	0.0070
Non-Residential Customers	0.0077 ⁽¹³⁾	0.0077 ⁽¹³⁾	0.0077 ⁽¹³⁾	0.0077 ⁽¹³⁾	0.0077 ⁽¹³⁾
Ballpark Fee⁽¹⁴⁾	\$5,500-16,500	\$5,500-16,500	\$5,500-16,500	\$5,500-16,500	\$5,500-16,500

1. Per \$100 of assessed value. Property Tax rates represent the aggregate of the Real Property Tax rate and the Special Real Property Tax rate. For the purpose of levying taxes on real property in the District of Columbia, the Council may establish different classes of real property. For fiscal years 2011 and 2012, Class 1 is comprised of residential real property that is improved and whose legal use (or in the absence of use, its highest and best permitted legal use) is for nontransient residential dwelling purposes; Class 2 is comprised of all real property that is not classified as Class 1, Class 3 or Class 4 property (being principally commercial real property); Class 3 is comprised of all improved real property that appears on the list of registered vacant properties submitted semiannually by the Mayor to the Office of Tax and Revenue; and Class 4 is comprised of all improved real property that appears on the list of blighted vacant properties submitted semiannually by the Mayor to the Office of Tax and Revenue.
2. \$1.65 for each \$100 of assessed value for the first \$3 million of assessed value, and \$1.85 for the portion of assessed value exceeding \$3 million.
3. A portion of sales and use taxes on restaurant meals and hotel accommodations is dedicated to paying debt service on revenue bonds issued by the Washington Convention and Sports Authority ("WCSA") and its predecessor, the Washington Convention Center Authority, to finance the Walter E. Washington Convention Center and a hotel in connection with the Convention Center, and to paying operating expenses of WCSA.
4. Per \$1 of general sales. Does not include the additional 4.25% Ballpark Sales Tax or taxes on lodging, restaurants, parking or tangible personal property or services by legitimate theaters, or by entertainment venues with 10,000 or more seats.
5. Per pack.
6. Beginning in 2012, a wholesale surcharge of \$0.36 per pack will be added to the retail tax on cigarettes.
7. Per gallon.
8. Per \$1 of taxable income.
9. Per \$1 of gross receipts. Applies to companies selling natural gas, landline telephone service, toll telecommunications service, mobile telecommunications service, heating oil and artificial gas.
10. Each gas company that provides distribution services to customers in the District of Columbia is required to pay a tax of \$0.0707 for each therm of natural gas delivered to end-users in the District of Columbia, and each person who delivers heating oil to an end-user in the District of Columbia is required to pay a tax of \$0.17 for each gallon of home heating oil delivered to end-users in the District of Columbia for the preceding billing period.
11. One-eleventh of the non-residential tax is deposited into the District's Ballpark Revenue Fund (as defined below) to be used for debt service on bonds issued by the District (the "Ballpark Bonds") to fund the construction of a baseball stadium. In addition, each gas company that provides distribution services to customers in the District of Columbia is required to pay a tax of \$0.0777 for each therm of natural gas delivered to non-residential end-users in the District of Columbia, of which \$0.00707 for each therm is required to be deposited into the District's Ballpark Revenue Fund. Each person who delivers heating oil to an end-user in the District of Columbia is required to pay a tax of \$0.187 for each gallon of home heating oil delivered to nonresidential end-users in the District, of which \$0.017 for each gallon is required to be deposited into the District's Ballpark Revenue Fund.

12. Per Kilowatt-hour of electricity delivered.
13. \$0.0007 of the tax collected for every kilowatt-hour of electricity delivered to non-residential end-users in the District of Columbia is deposited in the Ballpark Fund to be used for debt service on the Ballpark Bonds.
14. The Ballpark Fee is a gross receipts fee that is levied on businesses within the District of Columbia with \$5 million or more in annual District gross receipts and are either subject to filing franchise tax returns (whether corporate or unincorporated) or are employers required to make unemployment insurance contributions, in accordance with the following schedule: for gross receipts totaling \$5,000,000 to \$8,000,000, the required fee is \$5,500; for gross receipts totaling \$8,000,001 to \$12,000,000, the required fee is \$10,800; for gross receipts totaling \$12,000,001 to \$16,000,000, the required fee is \$14,000; and for gross receipts greater than \$16,000,001, the fee is \$16,500.

Table 3. Tax Revenues by Source, Governmental Funds
Fiscal Years 2002-2011
(modified accrual basis of accounting, \$000s)

Fiscal Year	Property Tax			Sales and Use	Income and Franchise	Gross Receipts	Other Taxes	Total
	Real	Personal	Rental					
2002	\$726,014	\$65,208	\$13,172	\$750,060	\$1,160,423	\$231,786	\$283,146	\$3,229,809
2003	\$822,845	\$67,294	\$11,749	\$779,920	\$1,167,452	\$261,643	\$273,191	\$3,384,094
2004	\$947,690	\$63,558	\$16,840	\$828,391	\$1,299,009	\$271,897	\$379,521	\$3,806,906
2005	\$1,058,100	\$72,068	\$18,165	\$957,394	\$1,472,432	\$295,819	\$377,213	\$4,251,191
2006	\$1,163,598	\$55,548	\$22,336	\$970,885	\$1,591,483	\$278,453	\$390,542	\$4,472,845
2007	\$1,452,267	\$67,394	\$32,239	\$1,056,780	\$1,736,361	\$302,768	\$498,198	\$5,146,007
2008	\$1,666,315	\$59,690	\$33,086	\$1,101,859	\$1,755,894	\$302,873	\$413,401	\$5,333,118
2009	\$1,832,748	\$69,163	\$32,612	\$1,052,011	\$1,478,068	\$315,976	\$261,909	\$5,042,487
2010	\$1,790,519	\$56,501 ⁽¹⁾	\$34,264 ⁽²⁾	\$1,081,005	\$1,434,131	\$295,531	\$264,959	\$4,956,910
2011	\$1,715,069	\$52,696	\$32,980	\$1,121,257	\$1,656,283	\$279,002	\$403,199	\$5,260,486

1. Due to the District's policy change on the recognition of personal property tax revenues, fiscal year 2010 information has been adjusted (see note 1Y on page 73 of the FY 2011 Financial Statements).

2. Corrected to reflect proper classification.

Source: District's Fiscal Year 2011 CAFR; Statistical Section (unaudited), Exhibit S-1E.

CERTAIN DISTRICT FINANCIAL INFORMATION

Financial Statements

KPMG LLP audited the District's Fiscal Year 2011 Basic Financial Statements, encompassing pages 41-54 of the FY 2011 Financial Statements. KPMG was appointed as independent auditor in fiscal year 2010 pursuant to a one-year contract, which is subject to four annual renewal options at the option of the District. District law provides that an audit contract cannot be extended past five years.

As noted in Part 1, the FY 2011 Financial Statements have been incorporated herein by reference. The District's CAFR for fiscal year 2011 and the FY 2011 Financial Statements can be found on the District's website at http://cfo.dc.gov/cfo/frames.asp?doc=/cfo/lib/cfo/cafr/2011/cafr_2011.pdf and by registering with and logging onto the website of Digital Assurance Certification, L.L.C. ("DAC") at www.dacbond.com. DAC is the disclosure dissemination agent for the District. Copies of the District's CAFRs also may be obtained by written request submitted to the Treasurer of the District of Columbia, Office of Finance and Treasury, 1101 Fourth Street, S.W., Suite 850, Washington, D.C. 20024, or by email at dcinvestorrelations@dc.gov. The independent auditors did not review this Official Statement. In addition, the District did not request the independent auditors' consent to incorporate by reference herein the FY 2011 Financial Statements. Accordingly, the independent auditors did not perform any procedures relating to any of the information in this Official Statement.

Revenues and Expenditures

The District began fiscal year 2011 (October 1, 2010) with a General Fund fund balance (“Fund Balance”) of \$930.8 million. The Fund Balance at the end of fiscal year 2011 (September 30, 2011) was \$1,104.9 million. Based upon generally accepted accounting principles (GAAP basis), the District ended fiscal year 2011 with an excess of revenues over expenditures of approximately \$135.3 million in the General Fund, which, when combined with other financing sources and uses in the General Fund of \$38.8 million for fiscal year 2011, resulted in a net change of \$174.1 million in Fund Balance. See Exhibit 2-b in the FY 2011 Financial Statements.

The table below summarizes, on a budgetary basis, District General Fund revenues and expenditures for fiscal year 2011. The difference between the \$174.1 million referred to in the preceding paragraph and the approximately \$239.7 million excess of revenues over expenditures in the table below is accounted for by the difference between a presentation using a GAAP basis and that using a budgetary basis. See Section X in Note 1 in the FY 2011 Financial Statements.

Table 4. General Fund - Schedule of Budgetary Basis Revenues and Expenditures
 Fiscal Year Ended September 30, 2011
 (\$000s)

	General Fund			
	Budget		Actual	Variance
	Original	Revised		Positive (Negative)
Revenues and Sources:				
Taxes:				
Property taxes	\$ 1,653,786	\$ 1,733,188	\$ 1,753,246	\$ 20,058
Sales and use taxes	1,096,616	1,109,902	1,108,126	(1,776)
Income and franchise taxes	1,568,883	1,559,201	1,656,282	97,081
Other taxes	<u>550,522</u>	<u>651,865</u>	<u>685,514</u>	<u>33,649</u>
Total taxes	4,869,807	5,054,156	5,203,168	149,012
Licenses and permits	64,276	59,948	76,020	16,072
Fines and forfeits	166,425	131,261	126,251	(5,010)
Charges for services	43,587	51,505	75,540	24,035
Miscellaneous	173,813	142,559	145,101	2,542
Other sources	410,456	411,276	476,584	65,308
General obligation bonds	15,000	15,000	6,320	(8,680)
Fund balance released from restrictions	114,704	105,530	55,805	(49,725)
Interfund transfer-from lottery and games	68,500	63,257	62,175	(1,082)
Interfund transfer-others	<u>189,550</u>	<u>183,622</u>	<u>79,242</u>	<u>(104,380)</u>
Total revenues and other sources	<u>6,116,118</u>	<u>6,218,114</u>	<u>6,306,206</u>	<u>88,092</u>
Expenditures and Other Uses:				
Governmental direction and support	464,046	455,607	440,427	15,180
Economic development and regulation	256,883	283,509	255,399	28,110
Public safety and justice	976,197	1,010,151	993,786	16,365
Public education system	1,485,844	1,394,754	1,371,079	23,675
Public education AY 12 expenditure	-	126,560	126,560	-
Human support services	1,453,131	1,500,534	1,466,639	33,895
Public works	540,669	547,708	538,837	8,871
Wilson building	3,598	3,598	3,566	32
Repay bonds and interest	410,909	406,067	404,768	1,299
Repay revenue bonds and interest	7,574	7,574	4,782	2,792
Bond fiscal charge	15,000	15,000	5,885	9,115
Interest on short term borrowing	3,000	3,000	2,841	159
Certificates of participation	33,045	33,045	32,244	801
Settlements and judgments fund	21,477	21,477	21,477	-
Baseball tax transfer	29,582	30,336	30,336	-
Convention center transfer	101,696	96,844	96,844	-
Highway trust transfer	37,678	31,273	30,001	1,272
TIF and pilot transfer	61,304	58,254	58,254	-
Equipment lease operating	49,804	48,819	48,247	572
Emergency and contingency reserve	3,000	3,000	-	3,000
Pay-go capital	12,071	31,726	31,726	-
Schools modernization fund	8,613	8,613	8,613	-
District retiree health contribution	98,700	98,700	94,200	4,500
Cash reserve	40,000	161	-	161
Non-departmental agency	<u>973</u>	<u>973</u>	<u>-</u>	<u>973</u>
Total expenditures and other uses	<u>6,114,794</u>	<u>6,217,283</u>	<u>6,066,511</u>	<u>150,772</u>
Excess of Revenues and Other Sources Over				
Expenditures and Other Uses - Budgetary Basis	<u>\$ 1,324</u>	<u>\$ 831</u>	<u>\$ 239,695</u>	<u>\$ 238,864</u>

Source: District's Fiscal Year 2011 CAFR; Financial Section; Budgetary Comparison Statement, Exhibit 2-d.

The Home Rule Act requires the District to have an annual budget that includes, among other things, the budget for the forthcoming fiscal year, a multiyear plan for all agencies and all sources of funding, a multiyear capital improvement plan, a performance report comparing actual performance to goals, an issue analysis statement, and a summary of the budget for public distribution. The multiyear plan includes the actual experience of the immediately preceding three fiscal years, the approved current fiscal year budget, and estimates for at least the four succeeding fiscal years.

For each fiscal year, the Mayor is required by the Home Rule Act to submit a budget, prepared on the basis that proposed expenditures do not exceed resources, to the Council at such time as the Council directs. Upon approval by Council, the budget is transmitted by the Mayor to the President, for transmission by the President to Congress. After the submission of the District's proposed budget to Congress, the District's budget is subject to the Congressional appropriations process. Congress is free to alter the budget as it sees fit. If Congress fails to enact the District's appropriations act by the start of the new fiscal year on October 1, Congress must enact a continuing resolution in order for the District to expend its revenues and operate the government. The District cannot spend money, including locally generated funds, without Congressional approval, except for certain designated purposes, including, among other things, the payment of debt service on income tax secured revenue bonds.

In addition, District officers and employees are subject to disciplinary action or termination of employment under the District's Anti-Deficiency Act of 2002 (D.C. Law 14-285; D.C. Official Code §47-355.01-.08), as well as prosecution under the federal Anti-Deficiency Act, 31 U.S.C. §1341, for exceeding spending limitations.

Capital Budgeting and Financing

The Mayor submitted his fiscal year 2012 proposed budget and financial plan, including both the operating and capital budgets, to the Council on April 1, 2011. The Mayor submitted the proposed fiscal year 2012 budget to the President on August 4, 2011, who submitted it to Congress on August 10, 2011.

The District's fiscal year 2012 budget was approved by Congress on December 23, 2011, as part of the "Consolidated Appropriations Act, 2012" (Pub. L. 112-74) (the "Consolidated Appropriations Act"). Title IV of the Consolidated Appropriations Act is entitled the "District of Columbia Appropriations Act, 2012" and provides the District's fiscal year 2012 spending authority for both the operating and capital budgets.

On March 23, 2012, the Mayor submitted his fiscal year 2013 proposed budget and financial plan, including both the operating and capital budgets, to the Council (the "Mayor's Proposed Fiscal Year 2013 Budget"). The Council must hold a public hearing (or hearings) on the Mayor's Proposed Fiscal Year 2013 Budget and, within 56 calendar days from March 23, 2012, adopt a budget by act. The budget adopted by the Council may vary considerably from the Mayor's Proposed Fiscal Year 2013 Budget.

The following describes the District's proposed six-year capital improvements plan (for fiscal years 2013-2018) as set forth in the Mayor's Proposed Fiscal Year 2013 Budget.

The District's proposed six-year capital improvements plan (for fiscal years 2013-2018) in the Mayor's Proposed Fiscal Year 2013 Budget anticipates funding from various sources, including long-term income tax secured revenue bonds and/or general obligation bonds, long-term grant anticipation revenue vehicles ("GARVEE") bonds, pay-as-you-go transfers from the General Fund, equipment lease/purchase financing, federal grants, a local match to the grants from the Federal Highway Administration, sales of assets, and local transportation fund revenue, totaling \$5.16 billion of capital funds over the course of the six-year period, as set forth in Table 5 below.

The proposed six-year capital improvements plan includes approximately \$816 million of income tax secured revenue bonds and/or general obligation bonds being issued to fund the District's capital improvements plan during fiscal year 2013, and approximately \$3.47 billion of income tax secured revenue bonds and/or general obligation bonds being issued to fund the District's capital improvements plan over the course of the six-year period from 2013 through 2018, as set forth in the table below.

The actual amount of capital projects financed with income tax secured revenue bonds or general obligation bonds each year will be re-evaluated in each annual budget development process and prior to each issuance, and will depend on capital project priorities and the progress of such projects over their development life cycles, constrained by the District’s intent to moderate its borrowing levels in order to prudently manage its debt ratios and debt burden. The District is implementing new systems and controls to better monitor planned and actual spending on approved capital projects. Based on this information, the District will determine the extent to which planned borrowing will be supplemented with other sources, such as General Fund revenue in the form of pay-as-you-go capital, to the extent that such other sources are available.

The table below summarizes the District’s capital improvements plan for fiscal years 2013 through 2018, as set forth in the Mayor’s Proposed Fiscal Year 2013 Budget. References to the issuance of bonds to fund the capital improvements plan may refer to either income tax secured revenue bonds issued under the Master Indenture (as defined in Part 1) or to general obligation bonds, either of which may be issued by the District for such purpose.

**Table 5. Fiscal Years 2013-2018 Capital Improvements Plan Funding
(Budgetary Basis)
(\$000s)**

FY 2013 - FY 2018 Planned Funding Sources

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 13-FY 18 Total</u>
General Obligation/Income Tax Bonds	\$816,149	\$766,292	\$692,628	\$567,144	\$361,016	\$263,217	\$3,466,446
Master Equipment Lease/Purchase	26,500	16,000	14,406	27,425	16,338	16,338	117,007
Pay-As-You-Go	0	3,000	5,500	42,400	77,929	117,422	246,251
Sale of Assets	0	0	0	0	5,950	22,020	27,970
Local Transportation Fund Revenue ⁽¹⁾	31,533	33,283	35,033	33,783	36,533	41,283	211,447
GARVEE Bonds	50,000	0	0	0	0	0	50,000
Local Highway Trust Fund ⁽²⁾	36,487	34,487	32,487	33,487	30,487	25,487	192,923
Federal Grants	140,000	147,000	140,000	140,000	140,000	140,000	847,000
Total Funding	<u>\$1,100,669</u>	<u>\$1,000,062</u>	<u>\$920,054</u>	<u>\$844,239</u>	<u>\$668,253</u>	<u>\$625,767</u>	<u>\$5,159,044</u>

1. Includes local revenues from utility marking service fees, public inconvenience fees, and a portion of rights-of-way occupancy fees.

2. Includes local revenues from motor fuel taxes and a portion of rights-of-way fees.

The table above does not include the issuance of TIF Bonds, PILOT Notes or refunding bonds, all of which the District may issue from time to time. See “- Indebtedness - Tax Increment Financings and PILOT Financings” herein.

The Fiscal Year 2011 Budget Support Act of 2010 (D.C. Law 18-223, effective September 24, 2010) (the “Fiscal Year 2011 Budget Support Act”) created a Pay-as-you-go Capital Account beginning in fiscal year 2012, which will be used for the purpose of reducing future District borrowing for capital purposes by using the funds in the Pay-as-you-go Capital Account in lieu of borrowing. The annual amount of local funds deposited in the Pay-as-you-go Capital Account is to equal the projected local funds revenue of each year, minus the fiscal year 2011 local funds revenue in the budget and financial plan approved May 26, 2010, multiplied by 25%. Subtitle B of Title VII of the Fiscal Year 2012 Budget Support Act of 2011 (D.C. Law 19-0021, effective September 14, 2011) updated the base year to be the fiscal year 2012 local funds revenue in the budget and financial plan approved May 24, 2011, or \$5.627 billion, and made fiscal year 2013 the first year the requirement would take effect. Funding of the Pay-as-you-go Capital Account would not be required if the debt service expenditures on all General Fund tax-

supported debt equals or is less than 5% of General Fund expenditures. The Mayor's Proposed Fiscal Year 2013 Budget updates the base year for the Pay-as-you-go Capital Account requirement to be the fiscal year 2015 local funds revenue, and it makes fiscal year 2016 the first year the requirement would take effect.

Cash Reserves

Descriptions of certain cash reserves of the District follow. Income tax secured revenue bonds are not general obligations of the District and the full faith and credit of the District is not pledged for the payment of such bonds. Holders of income tax secured revenue bonds have no legal recourse to the cash reserves described below for payment of such bonds, which are secured solely by the Trust Estate (as defined in Part 1).

The District is required by federal law to maintain the Emergency Reserve Fund and the Contingency Reserve Fund, and is required by District law to maintain the Fiscal Stabilization Reserve Account and the Cash Flow Reserve Account. The Fiscal Year 2011 Budget Support Act directed the CFO to create the Fiscal Stabilization Reserve Account and the Cash Flow Reserve Account as segregated nonlapsing accounts within the cumulative Fund Balance. These two accounts were established with the goal of replenishing and augmenting the spendable portion of the District's Fund Balance to a level that, together with the Emergency Reserve Fund and the Contingency Reserve Fund, equals approximately two months of operating expenditures (16.67%). The Cash Flow Reserve Account, Fiscal Stabilization Reserve Account, the Emergency Reserve Fund, and the Contingency Reserve Fund are collectively referred to herein as the "Cash Reserves."

Emergency Reserve Fund. The District is required by federal law to maintain an Emergency Reserve Fund, which is a separate account within the General Fund. The District is required to deposit not later than October 1 of each fiscal year into the Emergency Reserve Fund that amount in cash necessary to bring the balance in such fund to 2% of the actual operating expenditures paid from local funds for the immediately preceding fiscal year, after deducting from such expenditures those amounts attributed to debt service payments for which a debt service reserve or escrow fund is already established.

The CFO, in consultation with the Mayor, developed a policy to govern the use of such funds, which is limited by law to unanticipated and nonrecurring extraordinary needs of an emergency nature. Accordingly, the Emergency Reserve Fund may not be used to fund any department, agency, or office of the District that is administered by a receiver, shortfalls in any projected expenditure reductions that are included in the budget proposed by the District, or settlements and judgments made by or against the District. Funds may be allocated from the Emergency Reserve Fund only after the CFO has prepared an analysis regarding the non-availability of other sources of funding to carry out the purposes of the allocation and the impact of such allocation on the balance and integrity of the Emergency Reserve Fund.

The District must replenish any expenditures from the Emergency Reserve Fund so that not less than 50% of such expenditures or the amount needed to restore the 2% balance, whichever is less, is replenished by the end of the first fiscal year following the year in which the expenditure was made, with the balance being restored by the end of the second fiscal year. If funds in the Emergency Reserve Fund are expended, the Mayor and the Council must notify the Committees on Appropriation of the Senate and the House in writing not more than 30 days after such expenditure.

Contingency Reserve Fund. The District is required by federal law to maintain a Contingency Reserve Fund, which is a separate account within the General Fund. The District is required to deposit not later than October 1 of each fiscal year into the Contingency Reserve Fund that amount in cash necessary to bring the balance in such fund to 4% of the actual operating expenditures paid from local

funds for the immediately preceding fiscal year, after deducting from such expenditures those amounts attributed to debt service payments for which a debt service reserve or escrow fund is already established.

The CFO, in consultation with the Mayor, developed a policy to govern the use of such funds, which is limited to nonrecurring or unforeseen needs that arise during the fiscal year, including natural disasters, unforeseen weather conditions, unexpected obligations created by federal law, new public safety or health needs or opportunities to achieve cost savings. The Contingency Reserve Fund also may be used to cover revenue shortfalls that continue for three consecutive months (based on a two month rolling average) that are 5% or more below the budget forecast.

The District must replenish any expenditures from the Contingency Reserve Fund so that not less than 50% of such expenditures or the amount needed to restore the 4% balance, whichever is less, is replenished by the end of the first fiscal year following the year in which the expenditure was made, with the balance being restored by the end of the second fiscal year.

In addition, the District has the authority to allocate and use amounts in the Emergency Reserve Fund and Contingency Reserve Fund for cash flow management purposes. Such allocations may not exceed 50% of the balance of the applicable reserve fund at the time such allocation is made. The aggregate amount allocated from a reserve fund during a fiscal year may not exceed 50% of the balance of such fund as of the first day of such fiscal year. Following any allocation, the District is required to fully replenish the amounts allocated from a reserve fund not later than the earlier of (i) nine months after the allocation or (ii) the last day of the fiscal year. In addition, following any allocation from a reserve fund for cash flow management purposes, if the District makes any other allocation from such fund during a fiscal year the result of which is that the balance of the reserve fund is reduced to an amount that is less than 50% of the balance of the reserve fund on the first day of such fiscal year, the District must replenish the balance of such fund within 60 days to an amount equal to 50% of the balance of the reserve fund on the first day of such fiscal year. Nothing precludes the District from using such funds for cash flow management purposes more than once during a fiscal year, subject to the provisions regarding replenishment.

Fiscal Stabilization Reserve Account and Cash Flow Reserve Account. The Fiscal Stabilization Reserve Account may be used by the Mayor for those purposes for which the Contingency Reserve Fund may be used as discussed above (except for cash flow management purposes), as certified by the CFO, with approval of the Council by act. At full funding, the Fiscal Stabilization Reserve Account will equal 2.34% of the District's General Fund operating expenditures for each fiscal year.

The Cash Flow Reserve Account may be used by the CFO to cover cash-flow needs provided that any amounts used must be replenished to the Cash Flow Reserve Account in the same fiscal year. At full funding, the Cash Flow Reserve Account will equal 8.33% of the General Fund operating budget for each fiscal year.

If either of the Fiscal Stabilization Reserve Account or the Cash Flow Reserve Account are below full funding, immediately upon issue of the District's CAFR, the CFO is required to deposit 50% of the undesignated end-of-year Fund Balance into each account, or 100% of the undesignated end-of-year Fund Balance into the account that has not reached capacity, to fully fund these accounts to the extent that the undesignated end-of-year Fund Balance allows. If amounts required to satisfy the reserve requirements for the Emergency Reserve Fund or the Contingency Reserve Fund are reduced, the amount required to be deposited in Fiscal Stabilization Reserve Account is required to be increased by a like amount.

Historical Use of Cash Reserves. In fiscal year 2009, the District drew down on the Contingency Reserve Fund, in advance of the availability of ARRA funds that were planned for fiscal year 2009 but could not be used until the following fiscal year, to fund \$15.8 million for charter school expenses and \$11.4 million for District of Columbia Public School expenses. The District also drew down approximately \$20.3 million for expenditures for non-public tuition costs. These draws were fully replenished in fiscal year 2010. Earlier in fiscal year 2009, the District drew \$16.4 million to fund inauguration expenses until such expenses could be reimbursed by federal funds. Such draw was replenished in August 2009. The District drew \$102.3 million for advance funding to DC Charter Schools; \$93.0 million of that draw was replenished at year-end and \$9.3 million was replenished in fiscal year 2010. Finally, the District drew \$8.4 million for short-term funding of capital projects for the Office of Public Education Facilities Modernization, which draw was replenished at year-end.

In fiscal year 2009, the District used and replenished, in incremental amounts, a total of \$50 million from the Emergency Reserve Fund and \$50 million from the Contingency Reserve Fund for cash flow management purposes. These allocations and replenishments were consistent with statutory requirements.

In fiscal year 2010, the District used and replenished, in incremental amounts, a total of \$100 million from the Emergency Reserve Fund and a total of \$210 million from the Contingency Reserve Fund for cash flow management purposes. These allocations and replenishments were consistent with statutory requirements.

In late fiscal year 2010, the District drew \$26 million from the Contingency Reserve Fund to cover expenditures associated with the Not-for-Profit Hospital Corporation, which directs operations of the United Medical Center. The funds allowed the District to make expenditures to operate United Medical Center through the end of fiscal year 2010, as Congress had not provided budget authority for those expenditures. The District repaid \$20 million of the draw during the fiscal year 2010 year-end closing process and the remainder during the fiscal year 2011 year-end closing process. Finally, a \$5.8 million deposit was made early in the year to increase the Emergency Reserve Fund to its fiscal year 2010 required minimum level.

In fiscal year 2011, the District used and replenished, in incremental amounts, a total of \$100 million from the Contingency Reserve Fund for cash flow management purposes. These allocations and replenishments were consistent with statutory requirements.

In July 2011, the District drew \$126.1 million from the Contingency Reserve Fund for the District of Columbia Public Schools and DC Charter Schools as advances on their fiscal year 2012 school budgets to prepare for their upcoming school openings, which was consistent with the Fiscal Year 2012 Budget Request Act as submitted to Congress. The funds were replenished in August upon transmission of the proposed fiscal year 2012 budget to Congress. A total of \$700,000 was drawn in August 2011 for the Department of Corrections and the Department of Health to fund urgently needed medical supplies and drugs. The budgetary use was replenished in September 2011. In addition, a \$10.0 million cash withdrawal was made in September 2011 for inspection and repair of District facilities after the 5.8 magnitude earthquake experienced by the District of Columbia on August 23, 2011. The full amount was replenished in the year-end closing process.

For fiscal year 2012, the District projects that it will draw \$6 million for earthquake repairs. In fiscal year 2013, \$3.0 million is to be replenished, with the remaining \$3.0 million to be replenished in fiscal year 2014. The Federal Emergency Management Agency is expected to reimburse 75% of the costs, or \$2.25 million of each year's replenishment, and local funds will cover the remaining \$0.75 million of each year's replenishment. In December 2011, the District drew \$1.3 million to fund the non-

recurring and unforeseen costs required to continue the ticket collection contract of the Department of Motor Vehicles. This contract expired on December 31, 2011, and if it were not renewed immediately, the Department would not have been able to continue to collect revenue related to all tickets processed through the current vendor. The full amount is projected to be replenished by year-end. In April 2012, the District drew \$7.0 million for D.C. Public Charter Schools and \$3.5 million for the Unemployment Compensation Fund. Both agencies received increased budget authority as part of a supplemental budget enacted by the Council and Mayor, but both faced immediate spending needs before the 30-day layover period in Congress would expire. The Contingency Reserve draw will be repaid once the supplemental budget becomes law and the District has received its increased budget authority.

Cash Reserves Balances. The following table shows the balances (as defined in the respective footnotes) of the District’s Cash Reserves from fiscal year 2009 through fiscal year 2013.

Table 6. Cash Reserve Fund Balances⁽¹⁾
(\$ in millions)

<u>Fiscal Year</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Emergency Reserve Fund ⁽²⁾	\$104	\$110	\$110	\$110	\$110
Contingency Reserve Fund ⁽²⁾	\$180	\$228	\$228	\$223	\$227
Operating Cash Reserve ⁽³⁾	\$ 46	\$ 0	\$ 40	\$ 0	\$ 0
Cash Flow Reserve Account ⁽⁴⁾	N/A	N/A	\$152	\$180	\$180
Fiscal Stabilization Reserve Account ⁽⁴⁾	N/A	N/A	\$42	\$ 43	\$ 43

1. N/A means not applicable.

2. The amounts listed for fiscal years 2009-2011 reflect the actual reserve balances reported in the District’s CAFR for such fiscal years, while the CAFR basis amounts for fiscal year 2012 and 2013 balances are set forth in the Mayor’s Proposed Fiscal Year 2013 Budget.

3. The District’s fiscal year 2009 budget and financial plan uses the phrase “Cash Reserve (Budgeted Contingency)” to describe funds appropriated for an operating cash reserve. The amounts listed for a particular fiscal year reflect the appropriations in the approved budget for such fiscal year.

4. The amounts listed for fiscal year 2011 are taken from the District’s Fiscal Year 2011 CAFR, Note 11. Fiscal year 2012 and fiscal year 2013 data is taken from the Mayor’s Proposed Fiscal Year 2013 Budget.

As of September 30, 2009, the cash components of the Emergency Reserve Fund and the Contingency Reserve Fund balances were \$103.8 million and \$207.7 million respectively, totaling \$311.5 million. In addition, the Contingency Reserve Fund included a \$20.3 million receivable. Receivables are included in determining whether the 4% requirement is satisfied. The total Contingency Reserve Fund balance (cash and receivables), including the \$20.3 million receivable, was \$228.0 million, producing a total combined Emergency and Contingency Reserve Fund balance of \$331.8 million. The \$20.3 million receivable to the Contingency Reserve Fund was used to support the District’s non-public tuition program and was replenished in fiscal year 2010.

As of September 30, 2010, the cash components of the Emergency Reserve Fund and the Contingency Reserve Fund balances were \$109.7 million and \$202.2 million, respectively. The September 30, 2010, cash balance of the Contingency Reserve Fund differs from the fiscal year 2010 ending balance for such Fund reflected in Table 6 above because (i) the District deposited the \$20 million of the fiscal year 2010 Not-for-Profit Hospital Corporation draw described above after September 30, 2010, during the fiscal year 2010 year-end closing process, and (ii) the fiscal year 2010 ending balance reflected in Table 6 includes a \$6 million receivable for the Not-for-Profit Hospital Corporation draw.

As of September 30, 2011, the cash components of the Emergency Reserve Fund and the Contingency Reserve Fund balances were \$109.9 million and \$212.7 million respectively. These

balances reflect the \$10 million cash draw related to the August 2011 earthquake and \$6 million of the draw related to the United Medical Center that were outstanding as of that date.

As of September 30, 2012, the Emergency Reserve Fund and the Contingency Reserve Fund balances, on a CAFR basis, are projected to be \$110.0 million and \$223.2 million respectively, totaling \$333.2 million. The Contingency Reserve Fund projected balance reflects a \$6 million draw for earthquake repairs; the District projects that \$3 million will be replenished in fiscal year 2013 and \$3 million will be replenished in fiscal year 2014.

Indebtedness

Summary of Statutory Debt Provisions

The Home Rule Act authorizes the issuance of short-term and long-term general obligation debt of the District. Short-term debt may be issued in the form of (i) revenue anticipation notes, in anticipation of the collection or receipt of revenues for a fiscal year or (ii) bond anticipation notes, in anticipation of the issuance of general obligation bonds.

The total amount of revenue anticipation notes outstanding at any time during a fiscal year may not exceed 20% of the total anticipated revenue of the District for such fiscal year and such notes must mature within the fiscal year in which they are issued. Not more than 15 days before the issuance of any revenue anticipation notes, the Mayor must certify the total anticipated revenue of the District for such fiscal year.

Bond anticipation notes must be paid no later than the last day of the third fiscal year following the fiscal year of issuance. The act of Council authorizing the notes must set forth an estimated maximum annual debt service amount for the general obligation bonds in anticipation of which the notes are issued, and such debt service must be included in the 17% maximum debt service calculation described below.

The District also may issue long-term debt in the form of general obligation bonds to finance capital projects and to refund indebtedness of the District. Any general obligation bond issuances are not permitted during any fiscal year if total debt service in any fiscal year will exceed 17% of District revenues (as described in section 603(b) of the Home Rule Act, D.C. Official Code §1-206.03(b)(1)) during the fiscal year in which such issuances are made. For fiscal year 2011, total debt service on the District's outstanding general obligation indebtedness was approximately 5% of District revenues. General obligation bonds are secured by the full faith and credit of the District and may be secured additionally by a security interest in specified District revenues, including a special real property tax.

In 2009, the District passed an act (the "Debt Ceiling Act") imposing a further limit on the issuance of any District general obligation bonds, Treasury capital-project loans, tax-supported revenue bonds, notes or other debt instruments secured by revenues derived from taxes, fees, or other general revenues of the District, or its agencies and authorities, pursuant to the District's power to tax and impose fees, including TIF Bonds and PILOT Notes (as hereinafter defined), certificates of participation and lease purchase financing obligations (collectively, with the exceptions noted in the Debt Ceiling Act, "Tax-Supported Debt"), but excluding revenue bonds, notes, or other debt instruments issued for the purpose of funding water and sewer facilities, as described in section 490(a) of the Home Rule Act, and bonds, notes, or other debt instruments paid or secured by revenues from the Master Settlement Agreement with tobacco companies, federal grants, or revenues from the operation of public enterprises, so long as those enterprises are fully self-supporting, if such issuance would result in total debt service in the fiscal year of issuance, or any of the five succeeding fiscal years, on all outstanding Tax-Supported

Debt exceeding 12% of annual District General Fund expenditures and transfers in any applicable fiscal year, as contained in the most recently enacted District budget (the “Debt Ceiling”).

Debt service on the District’s \$8.2 billion of Tax-Supported Debt currently outstanding produces a Debt Ceiling percentage of approximately 9.75% in fiscal year 2012 (in relation to the 12% limit).

The Council may authorize the issuance of revenue bonds, notes, or other obligations (including refunding bonds, notes, or other obligations) to borrow money to finance governmental purposes authorized for financing by general obligation bonds or notes by creating a security interest in any District revenues. Such bonds, notes, or other obligations, if issued, are to be secured by a pledge of the revenues realized from the property, facilities, developments, and improvements financed by the issuance of such bonds, notes, or other obligations or by the mortgage of real property or the creation of a security interest in available revenues, assets, or other property. Such bonds, notes, or other obligations will not be general obligations of the District and will not constitute a debt of the District nor lending of the public credit. The District has issued, and expects to issue, revenue debt on behalf of various for-profit and non-profit undertakings, the proceeds of which are used for public purposes beneficial to the District.

All debt of the District must be authorized and issued pursuant to an act of Council and, in the case of general obligation bonds, the Council may require a voter referendum. The issuance of income tax secured revenue bonds or general obligation bonds for capital project purposes also is subject to prior approval by Council. Acts authorizing the issuance of general obligation revenue anticipation notes take effect on the date of enactment of such acts. Acts authorizing the issuance of any borrowings of the District, except those authorized as emergency legislation, acts authorizing the renewal or refunding of bond anticipation notes, and acts authorizing general obligation revenue anticipation notes, are subject, unless waived, to a 30-legislative day Congressional review period and possible disapproval by Congress and the President.

Long-Term Obligations

General Obligation Bonds

The District currently has approximately \$2.7 billion of general obligation bonds outstanding, including certain general obligation bonds issued for water and sewer purposes as described below. With the exception of approximately \$173.7 million of variable-rate debt, all other general obligation bonds have been issued on a fixed-rate basis, synthetically converted to fixed-rate obligations or otherwise hedged by a floating-to-fixed rate swap to hedge against interest rate fluctuations.

Income Tax Secured Revenue Bonds

Following the issuance of the Series 2012A-B Bonds, the District will have approximately \$3.8 billion of Senior Bonds (as defined in Part 1) outstanding, including \$273.7 million of variable-rate bonds.

Other Long-Term Obligations

In addition to the general obligation bonds and income tax secured revenue bonds, the District has payment obligations with respect to approximately (i) \$15 million of outstanding Certificates of Participation with a final maturity of 2013, issued to finance the acquisition of real property at 441 Fourth Street, NW, in the District, (ii) \$52 million of outstanding Certificates of Participation with a final maturity of 2023 issued to finance a portion of the cost of a public safety and emergency preparedness command center and telecommunications network and (iii) \$178 million of outstanding Certificates of Participation with a final maturity of 2026, issued to finance a portion of the cost of designing,

constructing and equipping a new psychiatric hospital facility on District-owned land on the campus of St. Elizabeths Hospital and to fund a portion of the cost of the acquisition and rehabilitation of a facility for the Department of Motor Vehicles. In each case, the Certificates are not debt of the District and the District's payment obligations are subject to and dependent upon both inclusion of sufficient funds in annual District budgets and annual appropriations being made by the Council and the United States Congress for such purpose.

DC Water (formerly known as the District of Columbia Water and Sewer Authority) was created in 1996 and is statutorily required to transfer to the District amounts equal to the debt service payments on District general obligation bonds issued to finance certain capital expenditures made by the District for water and sewer purposes. The amount of such debt currently outstanding is approximately \$245,000. The Home Rule Act and the Debt Ceiling Act exclude this debt from their respective debt limitation provisions, discussed above.

The Mayor proposed and the Council approved bonds issued in 2007 (in the initial aggregate principal amount of \$34.1 million) and 2010 (in the initial aggregate principal amount of \$53.2 million) to finance a portion of the District's New Communities Initiative, which is a large scale and comprehensive plan that provides housing infrastructure with a special focus on public housing, provides critical social support services, decreases the concentration of poverty and crime, enhances access to education, and provides training and employment education to neighborhoods where crime, unemployment, and truancy converge to create intractable physical and social conditions. Such bonds are revenue bonds secured by that portion of the District's deed recordation tax and real property transfer tax revenues that is deposited into the District's Housing Production Trust Fund and are currently outstanding in the principal amount of approximately \$84.3 million.

In fiscal year 2011, the District issued GARVEE bonds in the aggregate principal amount of \$82.6 million to finance a portion of the East Washington Traffic Initiative (11th Street SE Bridge). GARVEE bonds are secured by and payable from certain transportation grants received from the federal government. The District plans to issue approximately \$50 million of additional GARVEE bonds for the 11th Street SE Bridge project in fiscal year 2013. The Home Rule Act and the Debt Ceiling Act exclude GARVEE bonds from their respective debt limitation provisions, as discussed above.

In addition to the standard fixed-rate general obligation bonds and income tax secured revenue bonds, the District uses variable-rate bonds, synthetic fixed-rate bonds (through interest rate swaps), revenue bonds (including TIF Bonds and PILOT Notes (as hereinafter defined)) for special projects, certificates of participation and a master equipment lease/purchase program to diversify its debt portfolio, minimize debt service costs, and efficiently manage its capital assets and liabilities.

Interest Rate Swap Agreements

The District has used interest rate swaps as part of prudent fiscal management to lower its overall cost of borrowing. The District's swap agreements, subject to one exception relating to a floating-to-floating interest rate swap, were entered into in conjunction with the issuance of floating-rate general obligation bonds. At the time each such swap agreement was executed, the fixed rate paid by the District pursuant to the floating-to-fixed interest swap agreement was less than the fixed rate that would have been payable on fixed rate bonds. To manage its exposure to counterparty risk, the District has entered into agreements only with counterparties that have a rating of at least "A." To manage its exposure to basis risk, the floating rate index selected at the time of execution of each agreement was that which, in the District's judgment, would approximate the rate on the related variable-rate bond series.

The District or a counterparty may terminate a swap if the other party fails to perform under the terms of the contract. In addition, the Schedules to the International Swaps and Derivatives Association Master Agreement define an "additional termination event," which provides that the swap may be terminated if the counterparty, the counterparty's credit support provider, if any, or the District has triggered such event. See "Interest Rate Swaps – Summary Information" below for specific termination trigger events.

The following chart provides a brief description of the principal features of each interest rate swap agreement to which the District is a party. For a description of the underlying obligations to which the swap agreements described below relate, see Note 8 to the FY 2011 Financial Statements.

Table 7. Interest Rate Swaps - Summary Information⁽¹⁾

1.	Related Bond Series	Series 2001C, 2001D	Series 2004B	Series 2008C ⁽³⁾
2.	Initial Notional Amount	\$278,080,000	\$38,250,000	\$224,300,000
3.	Current Notional Amount as of April 25, 2012	\$222,510,000	\$38,250,000	\$224,300,000
4.	Termination Date	June 1, 2029	a portion terminates, tied to bond maturities, on June 1, 2014, 2015, 2016 and 2020	June 1, 2027
5.	Type of Swap	Floating-to-Floating	Floating-to-Fixed	Floating-to-Fixed
6.	Rate Paid by Counterparty	60 to 90% of LIBOR, based on LIBOR rate on reset date	varies, from 1.55% to 1.81% plus CPI-U rate	to 12/1/04, BMA* Index; 12/1/04 to Termination Date, 67% of LIBOR
7.	Rate Paid by District	67% of LIBOR	varies, from 4.598% to 5.121%	3.615%
8.	Counterparty	JP Morgan Chase Bank, N.A.	Bear Stearns Capital Markets Inc. ⁽²⁾	Morgan Stanley Capital Services Inc.
9.	Counterparty Rating (S&P/Moody's/Fitch) ⁽⁴⁾	A+/Aa1/AA-	A/Aa3/AA-	A-/A2/A
10.	Collateral/Credit Support	None	FSA insurance for swap payments by District; Guarantee of counterparty by parent	None
11.	Priority of Payments			
	a. interest payments	general obligation of the District	general obligation of the District	general obligation of the District
	b. termination payments	general funds of the District, subject to appropriation	general funds of the District, subject to appropriation	general funds of the District, subject to appropriation
12.	Additional Termination Events	Senior unsecured debt rating falls below BBB- or Baa3	Senior unsecured debt rating falls below BBB- or Baa3	Senior unsecured debt rating falls below BBB- or Baa3

* Following the merger of the Securities Industry Association and the Bond Market Association ("BMA"), the BMA is now the Securities Industry and Financial Markets Association ("SIFMA").

1. **AWC Agreement.** In addition to the swaps summarized in this table, in connection with the issuance of the AWC Bonds (as hereinafter defined), AWC entered into a floating-to-fixed interest rate swap with Wachovia Bank, N.A., under which AWC pays a fixed rate and receives a variable-rate that matches the rate on the AWC Bonds. The notional amount of such agreement is equal to the principal amount of the AWC Bonds. Since the issuance of such AWC Bonds, the District has, pursuant to statute, abolished AWC and assumed its assets and obligations, including the payment of the AWC Bonds, but only from the specific revenue streams pledged as security for such bonds.

2. **Bear Stearns Merger.** Although Bear, Stearns & Co. Inc., parent of the counterparty, was acquired by JPMorgan Chase & Co., the counterparty continues to exist and act in the same role under the related interest rate swap agreement. JP Morgan Chase & Co., also serves as guarantor to Bear Stearns Capital Markets, Inc. as is reflected in the current ratings.

3. **The Series 2008C Bonds.** The Series 2008C Bonds were issued to refund the District's Series 2002B Bonds. The swap agreement entered into by the District in connection with the Series 2002B Bonds (the "2002 Swap") was, for federal tax purposes, identified on the District's books with the Series 2002B Bonds. While the issuance of the Series 2008C bonds resulted in the deemed termination of the 2002 Swap for federal tax purposes, the 2002 Swap has not actually been terminated by the District and remains in effect for the Series 2008C Bonds.

4. **Counterparty Ratings.** On February 15, 2012, Moody's placed each of the counterparties on a negative watch for a rating downgrade.

Tax Increment Financings and PILOT Financings

The District finances a portion of the costs of certain projects through the issuance of tax increment bonds or notes (“TIF Bonds”) pursuant to the District’s Tax Increment Financing (“TIF”) Program established pursuant to the Tax Increment Financing Authorization Act of 1998, as amended (the “TIF Act”). The Downtown TIF Area is located substantially in the northwest quadrant of the District of Columbia and covers a substantial portion of the downtown area of the District of Columbia (the “Downtown TIF Area”). It includes the National Mall and the White House and is located very near the District of Columbia’s geographical center. TIF Bonds are generally payable from incremental increases in certain dedicated real property and sales tax revenues generated from the respective project TIF Areas. Some TIF Bonds are additionally secured by the Downtown TIF Area. TIF Bonds are not general obligation debt of the District, and do not involve a pledge of the full faith and credit of the District. The District’s eight projects financed by TIF Bonds under the TIF Act had an aggregate project cost of approximately \$941 million; approximately \$210 million of TIF Bonds were issued to finance a portion of the cost of such projects. Of such TIF Bonds, approximately \$120 million remain outstanding.

Allocation on Parity with Certain Other Projects. The allocation of available increment from the Downtown TIF Area (after satisfying the requirements of certain prior lien projects, including Gallery Place and the Mandarin Hotel) is on a parity with the allocations of the available increment from the Downtown TIF Area previously made in connection with the financing for the Shakespeare Theatre, Verizon Center, Arena Stage, Capper/Carrollsborg, Rhode Island Metro Plaza, Howard Theatre, Southwest Waterfront, and City Market at O Street projects (the “TIF Parity Projects”). For Southwest Waterfront, the District is authorized to issue \$198 million in debt, but no such debt has been issued to date.

In June 2012, the District expects to issue its Tax Increment Refunding Revenue Bonds (Gallery Place Project), Series 2012 (the “Gallery Place Refunding Bonds”). The District expects to use the proceeds from the Gallery Place Refunding Bonds to current or advance refund, as applicable, the District of Columbia Gallery Place Project Tax Increment Revenue Bonds, Series 2002 and pay the costs and expenses of issuing and delivering the Gallery Place Refunding Bonds. The Gallery Place Refunding Bonds are expected to be secured by real property and sales tax increments generated by the Gallery Place project and have a lien on tax increments in the Downtown TIF Area on a parity with the TIF Parity Projects.

Pursuant to the Retail Incentive Act of 2004, as amended by the Fiscal Year 2007 Budget Support Act of 2006 (as further amended from time to time, the “Retail Incentive Act”), the District may issue “Retail TIF Bonds” to fund a portion of the costs of retail development projects in certain designated “Retail Priority Areas,” including a designated portion of the downtown area of the District and such other areas as the Mayor may designate. Thus far, the District has issued nine series of Retail TIF Bonds totaling approximately \$34 million, of which approximately \$29 million remains outstanding. The District also has authorized the issuance of an additional approximately \$116 million of Retail TIF Bonds.

The aggregate of TIF Bonds and Retail TIF Bonds may not exceed \$500 million (the “TIF Cap”). After taking into consideration bonds outstanding and authorized, approximately \$164 million of authority is available under the TIF Cap (subject also to the limitations of the Debt Ceiling Act), the majority of which is undesignated.

In addition to debt authorized under the TIF Act and the Retail Incentive Act, the District issued a \$50 million taxable financing note to finance upgrades at the Verizon Center. The note is a special limited obligation of the District secured by a portion of the taxes on certain on-site personal property, services and public ticket sales at Verizon Center. In the event such taxes are not sufficient, the note is

further secured from incremental real property and sales tax revenues from the Downtown TIF Area, subordinate to the pledge of such revenues to the TIF Bonds that were issued to finance Gallery Place and the Mandarin Oriental Hotel. In addition, in November 2011, the District issued \$38.65 million of TIF Bonds for the City Market at O Street Project. Net proceeds of the O Street Project TIF Bonds will be contributed to the project developer for the costs of a mixed-use development in the District's northwest quadrant. The O Street Project TIF Bonds are secured by real property and sales tax increments generated by the project and have a lien on tax increments in the Downtown TIF Area on a parity with the TIF Parity Projects.

The Payments In Lieu of Taxes Act of 2004 (the "PILOT Act"), as amended in December 2006, authorizes PILOT revenue bonds and notes ("PILOT Notes"), subject to a cap of \$500 million (the "PILOT Cap"). As provided in the PILOT Act, payments of the principal of and interest on PILOT Notes are payable solely from certain payments in lieu of taxes to be paid by private property owners and/or leasehold owners. In 2007, the District completed its first such issuance of a tax-exempt PILOT Revenue Note Department of Transportation Project Series 2007, in the principal amount of \$111.55 million (the "Anacostia Waterfront PILOT Note"). The purpose of the Anacostia Waterfront PILOT Note is to finance and refinance the costs of various public improvements to the Anacostia Waterfront.

In March 2010, the District issued its PILOT Revenue Note (Rhode Island Metro Plaza Project) Series 2010 (the "Rhode Island Station PILOT Note") in the principal amount of \$7.2 million and its PILOT Revenue Bond Anticipation Notes (Arthur Capper/Carrollsbury Public Improvements Issue), Series 2010, in the principal amount of \$29 million (the "Arthur Capper/Carrollsbury PILOT Notes"). The purpose of the Rhode Island Station PILOT Note is to finance certain development costs of constructing a parking garage at the Rhode Island Avenue Metro station. In August 2011, the District reissued the Rhode Island Station PILOT Note in the same principal amount as the original PILOT Note to add the available increment from the Downtown TIF Area as a secondary source of payment of debt service. The purpose of the Arthur Capper/Carrollsbury PILOT Notes is to refinance certain outstanding indebtedness of the District of Columbia Housing Authority and to finance the construction of various public infrastructure improvements in the Capper/Carrollsbury PILOT Area, a senior citizens housing development.

In August 2010, the District issued its first PILOT Revenue Note for the Southeast Federal Center Project ("Southeast Federal Center PILOT Note") in the principal amount of \$5.66 million. The purpose of the Southeast Federal Center PILOT note is to finance the construction of various public infrastructure improvements in the area known as the Yards at Southeast Federal Center.

The District also has authorized but not yet issued approximately \$110 million of additional PILOT Notes, which if issued would leave approximately \$236 million of authority available under the PILOT Cap.

The District also has authorized the issuance of approximately \$206 million of tax increment and PILOT bonds that are not subject to the TIF Cap or PILOT Cap, and has issued a TIF note in the amount of approximately \$176 million (which is a portion of the total Washington Convention Center hotel project financing) in connection with the Washington Convention Center headquarters hotel development, which note is not subject to the TIF Cap.

The National Capital Revitalization Corporation ("NCRC"), formerly an independent instrumentality of the District, issued \$46.9 million of variable-rate revenue bonds (the "NCRC Bonds") in February 2006 payable in part from a \$42 million TIF Note issued to NCRC by the District for the DC-USA parking garage. Similarly, the Anacostia Waterfront Corporation ("AWC"), formerly an independent instrumentality of the District, issued \$111.55 million of PILOT revenue bonds (the "AWC

Bonds”) in September 2007 payable from the Anacostia Waterfront PILOT Note issued to AWC by the District and described above. In connection with the issuance of the AWC Bonds, the AWC entered into a swap agreement with Wachovia Bank, N.A. which has a current notional amount of \$87,445,000 and provides for a fixed interest rate payment by the District at 4.463%. Subsequent to the issuance of such bonds, the District, pursuant to statute, abolished the NCRC and AWC and assumed their assets and obligations, including the payment of the NCRC Bonds and the AWC Bonds and the obligations under the related interest rate swaps. See footnote 1 to Table 7, “Interest Rate Swaps - Summary Information” above.

Ballpark Financing

The Ballpark Omnibus Financing and Revenue Act of 2004 (the “Ballpark Financing Act”) provided public financing for (i) the construction of a baseball stadium in the District (the “Ballpark”), to be owned by the District and leased (the “Stadium Lease”) to the owners of the Washington Nationals, and (ii) the renovation of Robert F. Kennedy Memorial Stadium (“RFK”) (collectively, the “Ballpark Project”). The Ballpark Financing Act provided for the creation of a Ballpark Revenue Fund (the “Ballpark Revenue Fund”) within the General Fund, into which all receipts are deposited from the following (collectively, “Ballpark Revenues”): (i) taxes on ticket sales, parking and concessions of food, beverages and merchandise at the Ballpark and RFK (during baseball games) (the “Ballpark Sales Tax”), (ii) a gross receipts tax on certain businesses within the District in accordance with the schedule described in footnote 14 to Table 2 (the “Ballpark Fee”), (iii) the Ballpark Utilities Tax (described below), and (iv) rent payments under the Stadium Lease.

The Ballpark Revenue Fund is pledged as the source of payment for the District’s Ballpark Revenue Bonds, which were issued in the amount of \$534.8 million in May 2006, to fund the Ballpark Project. The Ballpark Revenue Bonds were originally issued as Taxable Series 2006A-1, Taxable Series 2006A-2, Series 2006B-1 and Series 2006B-2 (Auction Rate Certificates) (collectively, the “Ballpark Bonds”). In May 2008, the Series 2006B-2 Bonds were converted to variable-rate demand obligations with credit enhancement in the form of a direct-pay letter of credit provided by Bank of America, N.A. In July 2011, a portion of the Series 2006B-2 Bonds, totaling approximately \$22,725,000, was privately placed with PNC Bank, N.A. at a variable rate of interest for a term of three years.

The District collects a tax of 11% of the gross receipts from sales to non-residential customers by companies selling natural gas, landline telephone service, toll telecommunications service, mobile telecommunications service, heating oil and artificial gas. The “Ballpark Utilities Tax” is equal to: (i) one-eleventh of the aforementioned 11% gross receipts tax, and (ii) a tax of \$0.0007 per kilowatt-hour of electricity delivered to non-residential end-users in the District of Columbia.

Other Capital Funding

The District began a Master Equipment Lease/Purchase Program (the “Program”) in 1998 to provide tax-exempt financing for projects with short-term to intermediate-term useful lives. As a result, rolling stock such as police, emergency, and public works vehicles has been acquired on a relatively short-term lease/purchase basis rather than with the proceeds of long-term bonds. This Program has enabled the District to improve its asset/liability management by matching the useful life of the asset being financed to the amortization of the liability (5 to 10 years).

As of March 16, 2012, the District had financed approximately \$406 million of its capital equipment needs through the Program since its inception, and there was approximately \$133 million in principal outstanding. Lease payment obligations are payable subject to appropriation and are neither debt nor general obligations of the District; however, such obligations are subject to the Debt Ceiling.

Short-Term Obligations

The District from time to time issues short-term tax revenue anticipation notes, which must be repaid by the end of the applicable fiscal year, in order to finance its seasonal cash flow needs. The District issued tax revenue anticipation notes in fiscal years 2008-2012, as shown below. The tax revenue anticipation notes issued in fiscal years 2008-2011 were repaid at the end of each respective fiscal year. The District expects to repay the tax revenue anticipation notes issued in fiscal year 2012 by the end of September 2012.

Table 8. General Obligation Tax Revenue Anticipation Notes
Fiscal Years 2008-2012
(\$ in millions)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Notes Issued	\$300	\$400	\$500	\$700	\$820
Total Notes Issued as a Percentage of General Fund Revenues ⁽¹⁾	4.91%	6.78%	8.83%	11.68%	14.37%

1. The total amount of tax revenue anticipation notes outstanding at any time during a fiscal year may not exceed 20% of the total anticipated tax revenue of the District for such fiscal year. Such notes must mature within the fiscal year in which they are issued.

Sources: Exhibit A-2 General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance, District’s CAFRs for fiscal years 2008-2011. The percentage for fiscal year 2012 is based on the District’s February 2012 Revenue Estimate.

The following table indicates the District's Tax-Supported Debt per capita for fiscal years 2007-2011.

Table 9. Tax-Supported Debt Per Capita
Fiscal Years 2007 - 2011
(\$000s, except per capita)

Fiscal Year	Tax-Supported Debt ⁽¹⁾	Tax-Supported Debt Per Capita ⁽²⁾
2007	\$5,635,917	\$ 9,611
2008	\$6,221,813	\$10,544
2009	\$6,414,393	\$10,697
2010	\$6,955,944	\$11,499
2011	\$7,624,392	\$12,337

1. As described under “ - Indebtedness - Summary of Statutory Debt Provisions,” Tax-Supported Debt includes general obligation bonds, income tax secured revenue bonds, tax increment financing bonds and notes, qualified zone academy bonds, certificates of participation, capital leases, Ballpark Bonds, housing production trust fund bonds, PILOT revenue bonds and Convention Center bonds, but excludes revenue bonds, notes, or other debt instruments issued for the purpose of funding water and sewer facilities, as described in section 490(a) of the Home Rule Act, and bonds, notes, or other debt instruments paid or secured by revenues from the Master Settlement Agreement with tobacco companies, federal grants, or revenues from the operation of public enterprises, so long as those enterprises are fully self-supporting.

2. The prior per capita amounts have been updated to reflect revised Census population estimates.

Sources: District's Fiscal Year 2011 CAFR; Statistical Section (unaudited); Convention Center debt was obtained from the District's Notes to Financial Statements from prior fiscal year CAFRs.

The District's Economic Resources

Although the District is primarily known as the Nation's Capital, it is also an international city, a cultural center, and the central city of the seventh largest metropolitan area in the United States. The District covers approximately 61 square miles and had a resident population of 617,996 as of July 1, 2011 according to U.S. Census Bureau estimates. The Washington primary metropolitan statistical area (the “PMSA”) encompasses 20 jurisdictions in Maryland, Virginia and West Virginia, as well as the District.

As the Nation's Capital, the District is the seat of the three branches of the federal government and headquarters for most federal departments and agencies. In addition, the District is host to 206 foreign embassies and other recognized diplomatic missions. A number of international organizations, such as the International Monetary Fund, the World Bank, the World Health Organization, and the Organization of American States, have their headquarters in the District.

In 2010, approximately 15.54 million domestic visitors and 1.74 million international visitors traveled to the District. The District was the seventh most visited destination in the U.S. for international travelers in 2010. Visitors are attracted not only by the need to do business with the federal government and regional businesses but also by the national monuments, 350 historic sites, more than 50 museums, and other major cultural attractions. The John F. Kennedy Center for the Performing Arts, the National Gallery of Art, the Smithsonian Institution, and the Library of Congress are among the cultural institutions of international renown located in the District.

The Washington area has developed into a diverse economic region with federal government employment providing a base for significant expansions in services, aerospace, high technology, and communications, and as a site for corporate headquarters. The District is served by three airports (Ronald Reagan Washington National Airport, primarily for domestic flights, and Washington Dulles International

Airport and Baltimore-Washington Thurgood Marshall International Airport for domestic and international flights), as well as passenger and freight rail networks and passenger buses.

Population

The U.S. Census Bureau estimated that the District of Columbia’s population was 604,912 on July 1, 2010. The U.S. Census Bureau estimated that, as of July 1, 2011, the population of the District was 617,996. This represents a 2.2% increase in the population of the District over that one-year period.

Per capita personal income in the District consistently has been higher than all of the 50 States. In 2011, per capita personal income in the District was \$73,105, compared to \$41,663 for the United States as a whole, based on estimates by the U.S. Bureau of Economic Analysis. Based upon data collected by the U.S. Census Bureau from 2006 through 2010, median household income over that period for District residents was \$58,526, compared to \$51,914 nationwide. The high per capita and household incomes in the District result from a combination of factors, including multiple-earner households, small household size (average of 2.12 persons based upon data collected by the U.S. Census Bureau from 2010), and a large percentage of college graduates employed in highly-skilled occupations. The District has a significant number of lower-income residents, with an average of 18.7% of the population below the poverty line in 2010. Based upon data collected by the U.S. Census Bureau from 2006 through 2010, an average of 86.5% of District residents age 25 or older are high school graduates, compared to 85.0% nationwide; 49.2% of District residents in the same age group had earned a bachelor’s degree (or higher), compared to 27.9% nationwide.

Table 10. Demographic Statistics

<u>Year</u>	<u>Population</u>	<u>Median Age</u>	<u>Per Capita Personal Income</u>		
	<u>D.C.</u>	<u>D.C.</u>	<u>D.C.</u>	<u>U.S.</u>	<u>% of D.C. to U.S.</u>
2007	574,404	34.6	\$65,329	\$39,506	165%
2008	580,236	34.3	\$70,686	\$40,947	173%
2009	592,228	34.0	\$68,357	\$38,846	176%
2010	604,912	33.8	\$70,710	\$39,937	177%
2011	617,996	N/A ⁽¹⁾	\$73,105	\$41,663	175%

Sources: U.S. Department of Commerce, U.S. Census Bureau; U.S. Department of Commerce, Bureau of Economic Analysis.

1. As of the date hereof, median age information for 2011 has not been released.

Employment and Industry

Employment. The following statistics are based on estimates by the U.S. Bureau of Labor Statistics and are not seasonally adjusted. In February 2012, total resident employment in the PMSA was 3,005,399, and total resident employment in the District was 312,948, which is 10.4% of the PMSA total.

The District’s large service sector accounted for 717,700 jobs located in the District as of February 2012. Public sector employment in the District, which stabilized District employment during the U.S. economic recession that began in December 2007, increased to an annual average of 247,700 jobs in fiscal year 2011. As of February 2012, public sector employment in the District had declined to 242,500 jobs.

Tourism. The convention and tourism industry that services the business traveler, conventioner and tourist is one of the District’s core industries and is a major source of jobs and sales tax revenue.

The Convention Center opened in 2003 with the goal of increasing the District’s desirability as a destination for business meetings and conventions. The Convention Center is approximately three times as large as the former convention center with approximately 2.3 million total square feet divided among exhibit space, meeting space, retail space and a ballroom. The Convention Center has 725,000 square feet of exhibit space, 210,000 square feet for meeting space divisible into 66 rooms, and 44,000 square feet for retail space and street-level restaurants. The meeting space includes a 52,000 square foot ballroom which is one of the largest on the East Coast.

In October 2010, the WCSA issued approximately \$250 million in bonds to assist with the financing of the Washington Convention Center headquarters hotel development, which includes the acquisition, development, construction and equipping of a hotel with approximately 1,170 rooms and suites, together with ancillary facilities customarily found in convention center hotels.

Universities. More than a dozen colleges and universities are located in the District of Columbia, including Georgetown University, The George Washington University, Howard University, The Catholic University of America, Gallaudet University, American University and the University of the District of Columbia. Other major universities in the PMSA include George Mason University and the University of Maryland.

Real Estate. In the month of February 2012, there were 254 single family home sales (completed contracts) (11.9% more than the year before) with an average price of \$551,546 (12.3% higher than one year before) and 160 condo/co-op sales (completed contracts) (12.7% more than one year before) with an average price of \$422,972 (0.2% lower than one year before) in the District of Columbia. For the first quarter of fiscal year 2012, the commercial office space vacancy rate in the District of Columbia was 8.4% (including sublet space).

Table 11. Principal Employers in the District⁽¹⁾
(2010)

Georgetown University
The George Washington University
Washington Hospital Center
Children’s National Medical Center
Georgetown University Hospital
American University
Howard University
Fannie Mae
The Catholic University of America
Providence Hospital

1. Table 11 does not include the federal and local government as employers. Ranked by size of workforce. With the exception of Fannie Mae, all of the employers listed above are not-for-profit entities.

Source: District’s Fiscal Year 2011 CAFR; Statistical Section (unaudited), Exhibit S-4B.

**Table 12. Employment and Unemployment in the Civilian Labor Force
Washington, D.C., Washington PMSA and the United States**
(Annual Average Data; Not Seasonally Adjusted)

Washington, D.C.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Labor Force	325,714	334,023	333,935	343,379	344,333
Number Employed	307,920	312,117	301,506	308,689	309,060
Number Unemployed	17,794	21,906	32,429	34,690	35,273
Unemployment Rate	5.5%	6.6%	9.7%	10.1%	10.2%

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Washington, PMSA

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Labor Force	2,973,242	3,037,839	3,077,157	3,133,388	3,172,532
Number Employed	2,885,656	2,925,311	2,887,283	2,934,926	2,988,595
Number Unemployed	87,586	112,528	189,874	198,462	183,937
Unemployment Rate	2.9%	3.7%	6.2%	6.3%	5.8%

Source: U.S. Department of Labor, Bureau of Labor Statistics.

United States

(In Thousands)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Labor Force	153,124	154,287	154,142	153,889	153,617
Number Employed	146,047	145,362	139,877	139,064	139,869
Number Unemployed	7,078	8,924	14,265	14,825	13,747
Unemployment Rate	4.6%	5.8%	9.3%	9.6%	8.9%

Source: U.S. Department of Labor, Bureau of Labor Statistics.

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