

In the opinion of Venable LLP, Bond Counsel, under existing law, (i) assuming continuous compliance with certain covenants and the accuracy of certain representations of the District of Columbia (the "District") discussed herein under "TAX MATTERS," interest on the Series 2015A Bonds is excludable from gross income for Federal income tax purposes, and is not an item of tax preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations, provided, however, that such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations, and (ii) interest on the Series 2015A Bonds is exempt from District taxation, except estate, inheritance and gift taxes. See "TAX MATTERS" herein.

\$95,575,000
DISTRICT OF COLUMBIA
(Washington, D.C.)
Income Tax Secured Revenue Refunding Bonds, Series 2015A
(Adjusted SIFMA Rate)



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 2015A (the "Series 2015A 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), as amended (the "Act"), and (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 (the "Master Indenture"), and as supplemented by a Twentieth Supplemental Indenture of Trust between the District and the Trustee, dated as of November 1, 2015 (the "Twentieth Supplemental Indenture," and, together with the Master Indenture, the "Indenture"), executed pursuant to the Act. The proceeds of the Series 2015A Bonds will be used to (i) currently refund \$39,900,000 of the District's Income Tax Secured Revenue Refunding Bonds, Series 2011B (Adjusted SIFMA Rate) maturing on December 1, 2015 (the "Series 2011B Refunded Bonds"), (ii) currently refund \$55,220,000 of the District's Income Tax Secured Revenue Refunding Bonds, Series 2011E (Adjusted SIFMA Rate) maturing on December 1, 2015 (the "Series 2011E Refunded Bonds," and together with the Series 2011B Refunded Bonds, the "Refunded Bonds") and (iii) pay the costs and expenses of issuing and delivering the Series 2015A Bonds.

The Series 2015A Bonds, the Outstanding Bonds and any Additional Bonds issued under the terms of the Indenture (collectively, the "Bonds"), will be payable from and 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 2015A Bonds will be dated the date of initial issuance and delivery thereof, and will bear interest at a variable rate equal to the Adjusted SIFMA Rate, as further described herein. The Adjusted SIFMA Rate for the Series 2015A Bonds shall equal the SIFMA Rate, as further described herein, plus the per annum spread set forth on the inside cover page hereof. Generally, the Adjusted SIFMA Rate will be adjusted Wednesday of each week to be effective each Thursday. See "THE SERIES 2015A BONDS" herein.

The Series 2015A Bonds are issuable as registered bonds without coupons in denominations of \$5,000 and integral multiples thereof. The Series 2015A Bonds shall bear interest from and including the Closing Date at the Adjusted SIFMA Rate, payable on each Interest Payment Date, commencing January 4, 2016, until their final payment or maturity. Interest shall be computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be.

Pursuant to the Act, the Series 2015A Bonds are special obligations of the District payable solely from the Trust Estate pledged under the Indenture. The Series 2015A 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 2015A Bonds are offered when, as and if issued by the District, subject to receipt of the approving legal opinion of Venable LLP, Washington, D.C., Bond Counsel to the District. The Office of the Attorney General for the District of Columbia will deliver an opinion as to certain legal matters pertaining to the District. Bryant Miller Olive P.C., Washington, D.C., Disclosure Counsel to the District, will deliver an opinion to the District and the Underwriter regarding certain matters. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Washington, D.C. It is anticipated that the Series 2015A Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York on or about November 24, 2015.

Morgan Stanley

MATURITY DATE, PRINCIPAL AMOUNT, INTEREST RATE AND PRICE

\$95,575,000
Income Tax Secured Revenue Refunding Bonds
Series 2015A
(Adjusted SIFMA Rate)

| <u>Maturity</u> <u>(December 1)</u> | <u>Principal</u> <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Price</u> | <u>CUSIP</u> [*] |
|--|---|--|---------------------|----------------------------------|
| 2016 | \$95,575,000 | SIFMA RATE [±] plus 0.12% | 100% | 25477GNQ4 |

[±]See “the Series 2015A Bonds” herein for a description of the SIFMA Rate, the Adjusted SIFMA Rate and the determination thereof.
^{*}Copyright 2015, American Bankers Association. CUSIP data is provided by Standard & Poor’s CUSIP Service Bureau, a division of The McGraw Hill Companies Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds and neither the District nor the Underwriter make any representation with respect to such CUSIP number nor undertake any responsibility for their accuracy now or at any time in the future. The CUSIP numbers are subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the Bonds.

DISTRICT OF COLUMBIA

Muriel Bowser

Mayor

EXECUTIVE OFFICERS

| | |
|-------------------|---|
| Rashad M. Young | City Administrator |
| Jennifer C. Niles | Deputy Mayor for Education |
| Brian Kenner | Deputy Mayor for Planning and Economic Development |
| Brenda Donald | Deputy Mayor for Health and Human Services |
| Kevin Donahue | Deputy Mayor for Public Safety and Justice |
| Courtney Snowden | Deputy Mayor for Greater Economic Opportunity |
| Karl A. Racine | Attorney General |
| Jeffrey S. DeWitt | Chief Financial Officer |
| Jeffrey Barnette | 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 |
| Bill Slack | 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

Phil Mendelson, Chairman

| | | | |
|------------------------|----------|---------------------|--------|
| Anita Bonds | At Large | Mary M. Cheh | Ward 3 |
| David Grosso | At Large | Brandon T. Todd | Ward 4 |
| Vincent B. Orange, Sr. | At Large | Kenyan R. McDuffie | Ward 5 |
| Elissa Silverman | At Large | Charles Allen | Ward 6 |
| Brianne Nadeau | Ward 1 | Yvette M. Alexander | Ward 7 |
| Jack Evans | Ward 2 | LaRuby May | Ward 8 |

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Washington, D.C.

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No dealer, broker, salesperson or other person has been authorized by the District of Columbia (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 2015A 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 2015A Bonds is made only by means of this entire Official Statement.

The statements contained and incorporated by reference 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 of the District to fulfill some or all of the obligations under the Series 2015A Bonds.

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

In connection with the offering of the Series 2015A Bonds, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of such Series 2015A 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 VIA THE FOLLOWING HYPERLINKS: [HTTP://WWW.EMMA.MSRB.ORG/](http://www.emma.msrb.org/) OR AT [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 HYPERLINK.

Summary

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

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|---------------------------------|--|
| Issuer: | District of Columbia |
| Issue: | \$95,575,000 Income Tax Secured Revenue Refunding Bonds, Series 2015A (Adjusted SIFMA Rate) (the “Series 2015A Bonds”) |
| Dated Date: | Date of Delivery |
| Denominations: | \$5,000 and integral multiples thereof |
| Interest: | The Series 2015A Bonds will be dated the date of initial issuance and delivery thereof, and will bear interest at a variable rate equal to the Adjusted SIFMA Rate, as further described herein. The Adjusted SIFMA Rate shall equal the SIFMA Rate, as further described herein, plus the per annum spread set forth on the inside cover page hereof. Generally, the Adjusted SIFMA Rate will be adjusted Wednesday of each week to be effective each Thursday. Interest on the Series 2015A Bonds shall be payable on the first Business Day of each month, commencing January 4, 2016, until their final payment or maturity, and shall be computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be. |
| Redemption: | The Series 2015A Bonds are not subject to redemption prior to maturity. |
| Certain Key Definitions: | <p>“<i>Act</i>” means, collectively, 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) and the Income Tax Secured Bond Authorization Act of 2013, effective December 5, 2013 (D.C. Law 20-46).</p> <p>“<i>Adjusted SIFMA Rate</i>” means the sum of the SIFMA Rate, plus 0.12% (12 basis points).</p> <p>“<i>Adjustment Date</i>” means Wednesday of each week, or, if such day is not a U.S. Government Securities Business Day, the next succeeding Thursday or, if the SIFMA Rate is not available on any such Thursday, the next succeeding U.S. Government Securities Business Day, as the case may be.</p> <p>“<i>Annual Debt Service</i>,” as to the Series 2015A Bonds, has the meaning as provided in the Master Indenture, except that the Series 2015A Bonds (which constitute a Balloon Maturity) shall be treated as amortizing over the term and in the amounts as set forth for such Series 2015A Bonds in the Planned Amortization Schedule attached to the Twentieth Supplemental Indenture and included herein as APPENDIX E.</p> |

“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.

“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.

“Balloon Maturity” or *“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. The Series 2015A Bonds constitute a Balloon Maturity. 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.

“Business Franchise Tax” 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.

“Calculation Agent” means, initially, the Trustee, and thereafter any other Calculation Agent determined pursuant to the provisions of the Twentieth Supplemental Indenture.

“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, 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.

“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.

“*SIFMA Rate*” means for any day the level of the most recently effective index rate which is compiled from the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Bloomberg which meet specific criteria established from time to time by the Securities Industry and Financial Markets Association (SIFMA) and is issued on Wednesday of each week, or, if any Wednesday is not a U.S. Government Securities Business Day, the next succeeding Thursday or, if such index is not available on any such Thursday, the next succeeding U.S. Government Securities Business Day. If such index is no longer published or otherwise not available, the SIFMA Rate for any day will mean the level of the “S&P Weekly High Grade Index” (formerly the J.J. Kenny Index) maintained by Standard & Poor’s Securities Evaluations Inc. for a 7-day maturity as published on the

Adjustment Date or most recently published prior to the Adjustment Date. If neither such index is any longer available, the SIFMA Rate will be the prevailing rate on an Adjustment Date determined most recently on or before the effective date of such index by the Calculation Agent, in consultation with the District, for tax-exempt state and local government bonds meeting the then-current SIFMA criteria. The SIFMA Rate shall be effective on each Thursday through the following Wednesday.

“*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 and the Costs of Issuance Account of the Bond Proceeds Fund 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.

“*U.S. Government Securities Business Day*” means any day other than (a) a Saturday or a Sunday, or (b) a day on which the SIFMA recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. Government Securities, or (c) a day on which the Calculation Agent is required or permitted by law to close.

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 contract 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 the Collection 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: *The following describes the retention procedures in effect as to the Series 2015A Bonds as provided for by the Twentieth Supplemental Indenture. For a description of the general provisions of the Master Indenture governing retention procedures, see APPENDIX B hereto.*

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 Series 2015A Accumulation Subaccount, as follows, until the amount on deposit in such account equals: (A) commencing on April 1, 2016, 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, 2016, 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, 2016, 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 therein, 100% of the amounts set forth in the following clauses (i) and (ii) for the next ensuing Fiscal Year (i) the principal amount for the next ensuing Fiscal Year as set forth in the Planned Amortization Schedule set forth as APPENDIX E hereto, plus (ii) the aggregate interest due on the Series 2015A Bonds during the next ensuing Fiscal Year based on the Assumed Interest Rate; provided, however, unless, with respect to the Series 2015A Bonds, the District has either (x) previously provided written notice to the Trustee of its intent to refund the Series 2015A Bonds or (y) otherwise taken action, to the knowledge of the Trustee, to refund the Series 2015A Bonds, the Trustee shall, commencing on the 60th day preceding the maturity of the Series 2015A Bonds and continuing on each day thereafter, transfer amounts from the Revenue Account to the Series 2015A Accumulation Subaccount, until 100% of the principal maturity of the Series 2015A Bonds is on deposit therein. In addition, on each Adjustment Date, the Calculation Agent shall provide the Trustee with the new Adjusted SIFMA Rate. If

the new Adjusted SIFMA Rate are in excess of the average of the Assumed Interest Rates that were used to determine the amounts of the deposits to the Series 2015A Interest Subaccount during the applicable April, May and June collection periods described above (the “Average Assumed Interest Rate”), including the interest deposits made during April, May and June 2015 for the Fiscal Year 2016 interest payments on the Refunded Bonds, which will now be applied to the payment of interest due on the Series 2015A Bonds, then, no later than the first Business Day following the Adjustment Date, the Trustee will promptly commence collection from the Revenue Account of the amount of additional weekly interest due on the Series 2015A Bonds attributable to the difference between the Adjusted SIFMA Rate and the Average Assumed Interest Rate until the differential amount has been deposited into the Series 2015A Interest Subaccount.

Pursuant to the Twentieth Supplemental Indenture, (A) at least three days prior to the first Business Day of each month, moneys on deposit in the Series 2015A Accumulation Subaccount shall be transferred to the Series 2015A Interest Subaccount within the Interest Account of the Debt Service Fund representing interest payable on the Series 2015A Bonds on the first Business Day of each month, and (B) unless, with respect to the Series 2015A Bonds, the District has either (x) previously provided written notice to the Trustee of its intent to refund the Series 2015A Bonds or (y) otherwise taken action, to the knowledge of the Trustee, to refund the Series 2015A Bonds, the Trustee, sixty days preceding the December 1 maturity of the Series 2015A Bonds and continuing on each day thereafter, shall transfer moneys on deposit in the Series 2015A Accumulation Subaccount from the Series 2015A Accumulation Subaccount to the Series 2015A Principal Subaccount within the Principal Subaccount of the Debt Service Fund representing principal payable on the Series 2015A Bonds on the December 1 date.

**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 2015A 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 be issued only upon receipt by the Trustee of a certificate of the Chief Financial Officer certifying that the issuance of such Additional Bonds does not create a violation of the Debt Ceiling Act (as hereinafter defined) or of Section 603(b) of the Home Rule Act (as hereinafter defined). Solely for the purpose of determining whether Section 603(b) is violated, the Bonds, including the Additional Bonds to be issued, are treated as outstanding general obligation bonds.

The District may issue Subordinate Bonds or incur Subordinate Obligations pursuant to the Master Indenture 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 2015A Bonds, and the outlook for each such rating is "stable." See "RATINGS" herein.

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

relating to

**\$95,575,000
DISTRICT OF COLUMBIA
(Washington, D.C.)
Income Tax Secured Revenue Refunding Bonds, Series 2015A
(Adjusted SIFMA Rate)**

INTRODUCTION

The District of Columbia (the “District”) has prepared this Official Statement in connection with the issuance and sale of \$95,575,000 aggregate principal amount of its Income Tax Secured Revenue Refunding Bonds, Series 2015A (Adjusted SIFMA Rate) (the “Series 2015A 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 2015A 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 general purpose financial statements of the District, which can be found in the District’s Comprehensive Annual Financial Report (“CAFR”) for the fiscal year (“Fiscal Year”) ended September 30, 2014. The following portion of the CAFR for Fiscal Year 2014 is incorporated herein by reference: the information under the heading “Financial Section,” from pages 21-160, inclusive (collectively, the “Fiscal Year 2014 Financial Statements”). The District’s CAFR for Fiscal Year 2014 and the Fiscal Year 2014 Financial Statements can be found on the District’s website at <http://cfo.dc.gov/node/995122>, on the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“EMMA”) system at <http://www.emma.msrb.org/> 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. All references to financial information or results for any year after Fiscal Year 2014 contained in this Part 1 and Part 2 of this Official Statement are preliminary, unaudited and subject to change. Audited information for Fiscal Year 2015 is not yet available.

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 Deputy Chief Financial Officer and Treasurer, Office of Finance and Treasury, 1101 Fourth Street, S.W., Suite 850, Washington, D.C. 20024, by phone at (202) 727-6055, or by e-mail at

dcinvestorrelations@dc.gov. As disclosure dissemination agent for the District, DAC has agreed to promptly file with EMMA, 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 other than in accordance with its continuing disclosure undertakings and applicable law. Periodically, the District updates its investor website (www.buyDCbonds.com) with information regarding prospective financings.

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), as amended by the Income Tax Secured Bond Authorization Act of 2011, effective November 16, 2011 (D.C. Law 19-39) and the Income Tax Secured Bond Authorization Act of 2013, effective December 5, 2013 (D.C. Law 20-46) (collectively, the "Act"), authorizes the issuance of (i) the Series 2015A 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 issuance of the Series 2015A Bonds is authorized pursuant to (i) the Act and proceedings under the Act and (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 previously amended and supplemented, and as particularly amended pursuant to that certain Third Supplemental Trust Indenture, dated September 16, 2011, and Article VII of that certain Fourteenth Supplemental Indenture of Trust, dated as of December 1, 2011, each by and between the District and the Trustee (collectively, the "Master Indenture") and as further supplemented by a Twentieth Supplemental Indenture of Trust between the District and the Trustee dated as of November 1, 2015 (the "Twentieth Supplemental Indenture," and, together with the Master Indenture, the "Indenture").

The Series 2015A Bonds are being issued as Senior Bonds under the Indenture.

The Act currently authorizes the issuance of Bonds in an amount not to exceed \$9,180,985,000. To date, the District has issued approximately \$4.6 billion in Bonds (excluding refunding bonds issued to refinance outstanding Bonds). Upon the issuance of the Series 2015A Bonds, \$4.59 billion of such authorization under the Act will remain available. The District has not issued any Subordinate Bonds under the Master Indenture.

The District has approximately \$4.3 billion of Senior Bonds outstanding, including \$221.8 million of variable-rate bonds.

Purpose of the Issue

The proceeds of the Series 2015A Bonds will be used to (i) currently refund \$39,900,000 of the District's Income Tax Secured Revenue Refunding Bonds, Series 2011B (Adjusted SIFMA Rate) maturing on December 1, 2015 (the "Series 2011B Refunded Bonds"), (ii) currently refund \$55,220,000 of the District's Income Tax Secured Revenue Refunding Bonds, Series 2011E (Adjusted SIFMA Rate) maturing on December 1, 2015 (the "Series 2011E Refunded Bonds," and together with the Series 2011B Refunded Bonds, the "Refunded Bonds") and (iii) pay the costs and expenses of issuing and delivering the Series 2015A Bonds.

Sources and Uses of Funds

The sources and uses of the proceeds of the Series 2015A Bonds are set forth below:

| | <u>Total</u> |
|--|-------------------------------|
| Sources: | |
| Principal Amount of Series 2015A Bonds | <u>\$95,575,000.00</u> |
| Total Sources: | <u>\$95,575,000.00</u> |
| Uses: | |
| Deposit to Refunded Bonds Payment Fund ⁽¹⁾ | \$95,120,000.00 |
| Underwriter's Discount | 171,949.74 |
| Deposit to Costs of Issuance Subaccount ⁽²⁾ | <u>283,050.26</u> |
| Total Uses: | <u>\$95,575,000.00</u> |

⁽¹⁾ The proceeds of the Series 2015A Bonds deposited in the Refunded Bonds Payment Fund, together with available funds of the District in the amount of \$9,265,000 representing the planned amortization of principal due December 1, 2015 with respect to the Series 2011B Refunded Bonds (\$7.96 million) and the Series 2011E Refunded Bonds (\$1.305 million), will be applied by the Trustee to the payment of the principal of the Refunded Bonds due on December 1, 2015. Available funds of the District will be used to pay the interest due on the Refunded Bonds.

⁽²⁾ Includes, among other items, Trustee fees, legal fees (including Bond Counsel and Disclosure Counsel fees), Financial Advisory fees, rating agency fees and printing costs.

Expected Financings

During Fiscal Year 2016, the District expects to issue approximately \$250 million* of Fiscal Year 2016 Tax Revenue Anticipation Notes on or about December 16, 2015 to finance general governmental expenses of the District in anticipation of the collection or receipt of revenues for Fiscal Year 2016.

The District also expects to issue approximately \$1.1 billion of bonds to fund the District's capital improvements plan during Fiscal Year 2016. Such issuance is expected to consist of either Senior Bonds issued under the Indenture that would be payable from and secured by the Trust Estate and/or the District's general obligation bonds.

Book-Entry-Only System

The Series 2015A Bonds will be issued as fully registered bonds, registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. Beneficial ownership interests in the Series 2015A Bonds will be available in book-entry-only form. Purchasers of beneficial ownership interests in the Series 2015A Bonds will not receive certificates representing their interests in the Series 2015A Bonds purchased. See APPENDIX C – "Book-Entry-Only System."

Principal of and interest on the Series 2015A Bonds are payable, so long as the Series 2015A Bonds are in book-entry form, through a securities depository as described in APPENDIX C.

None of the District, the Underwriter (as defined herein), or Wells Fargo Bank, N.A., 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

*Preliminary, subject to change.

2015A Bonds, (iii) the payment by DTC or any DTC participant of any amount received with respect to the Series 2015A Bonds, (iv) any consent given or other action taken by DTC or its nominee as the owner of the Series 2015A Bonds or (v) any other related matter.

THE SERIES 2015A BONDS

General

The Series 2015A Bonds will be dated the date of their delivery, which is the Closing Date. The Series 2015A Bonds shall be issuable only as fully registered bonds in denominations of \$5,000 and multiples thereof.

Principal of the Series 2015A Bonds shall be payable to the registered owners upon the surrender of Series 2015A Bonds at the designated corporate trust office of the Trustee. Interest on the Series 2015A 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 2015A 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 and interest on the Series 2015A Bonds shall be payable in lawful money of the United States of America.

If the date for payment of the principal of or interest on any of the Series 2015A 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

The Series 2015A Bonds are not subject to redemption prior to maturity.

Adjusted SIFMA Rate

The Series 2015A Bonds shall bear interest from and including the Closing Date at the Adjusted SIFMA Rate, payable on the first Business Day of each month, commencing January 4, 2016 (as to the Series 2015A Bonds, each an "Interest Payment Date"), until final payment or maturity. Interest shall be computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be.

Except for the initial Adjusted SIFMA Rate applicable to the Series 2015A Bonds upon their issuance, which shall be determined by the Underwriter on the Closing Date, the Adjusted SIFMA Rate will be determined by the Calculation Agent in accordance with the provisions of the Indenture; provided, however, that no Adjusted SIFMA Rate shall exceed the Contractual Maximum Interest Rate. The Adjusted SIFMA Rate shall adjust on each Adjustment Date, based upon the SIFMA Rate published for such week, with the effective date for each adjustment of the Adjusted SIFMA Rate to be each Thursday. Upon determining the Adjusted SIFMA Rate for a given week, the Calculation Agent shall notify the District and the Trustee of such Adjusted SIFMA Rate by electronic mail (e-mail) or by telephone or in such other manner as may be appropriate on the date of such determination, which notice, if provided by

telephone, shall be promptly confirmed in writing. Such notice shall be provided by not later than 3:00 P.M. New York City time on the Adjustment Date.

The determination of the Adjusted SIFMA Rate (absent manifest error) shall be conclusive and binding upon the District and the holders of the Series 2015A Bonds. If for any reason the Adjusted SIFMA Rate shall not be established, the Series 2015A Bonds shall bear interest at the respective Adjusted SIFMA Rate last in effect until such time as new Adjusted SIFMA Rate shall be established pursuant to the terms of the Twentieth Supplemental Indenture.

“Adjusted SIFMA Rate” means the sum of the SIFMA Rate, plus 0.12% (12 basis points).

“Adjustment Date” means Wednesday of each week, or, if such day is not a U.S. Government Securities Business Day, the next succeeding Thursday or, if the SIFMA Rate is not available on any such Thursday, the next succeeding U.S. Government Securities Business Day, as the case may be.

“Annual Debt Service,” as to the Series 2015A Bonds, has the meaning as provided in the Master Indenture, except that the Series 2015A Bonds (which constitute a Balloon Maturity) shall be treated as amortizing over the term and in the amounts as set forth for such Series 2015A Bonds in the Planned Amortization Schedule attached to the Twentieth Supplemental Indenture and included herein as APPENDIX E (the “Planned Amortization Schedule”).

“Balloon Maturity” or “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. The Series 2015A Bonds constitute a Balloon Maturity. 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.

“Calculation Agent” means, initially, the Trustee, and thereafter any other Calculation Agent determined pursuant to the provisions of the Indenture. The Calculation Agent may at any time resign by giving sixty (60) days’ notice to the District. Such resignation shall not take effect until the appointment as provided in the Indenture of a successor Calculation Agent.

“Contractual Maximum Interest Rate” means the lesser of the Legal Maximum Interest Rate or 12% per annum.

“SIFMA Rate” means for any day the level of the most recently effective index rate which is compiled from the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Bloomberg which meet specific criteria established from time to time by the Securities Industry and Financial Markets Association (SIFMA) and is issued on Wednesday of each week, or, if any Wednesday is not a U.S. Government Securities Business Day, the next succeeding Thursday or, if such index is not available on any such Thursday, the next succeeding U.S. Government Securities Business Day. If such index is no longer published or otherwise not available, the SIFMA Rate for any day will mean the level of the “S&P Weekly High Grade Index” (formerly the J.J. Kenny Index) maintained by Standard & Poor’s Securities Evaluations Inc. for a 7-day maturity as published on the Adjustment Date or most recently published prior to the Adjustment Date. If neither such index is any longer available, the SIFMA Rate will be the prevailing rate on an Adjustment Date determined most recently on or before the effective date of such index by the Calculation Agent, in consultation with the District, for tax-exempt state and local government bonds meeting the then-current SIFMA criteria. The SIFMA Rate shall be effective on each Thursday through the following Wednesday.

“U.S. Government Securities Business Day” means any day other than (a) a Saturday, a Sunday, or (b) a day on which the SIFMA recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. Government Securities, or (c) a day on which the Calculation Agent is required or permitted by law to close.

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 2015A Bonds, and total debt service on all of the foregoing, based on the assumptions set forth in the footnotes thereto.

District of Columbia Income Tax Secured Revenue Bonds⁽¹⁾

| <u>Fiscal Year Ending (Sept. 30)</u> | <u>Debt Service on Currently Outstanding Bonds (based on Planned Amortization Schedules) ⁽²⁾</u> | <u>Net Debt Service on Currently Outstanding Bonds (based on Planned Amortization Schedules) ^{(2),(3)}</u> | <u>Debt Service on Series 2015A Bonds (based on Planned Amortization Schedules) ⁽⁴⁾</u> | <u>Total Net Debt Service on Bonds Outstanding Following Issuance of Series 2015A Bonds (based on Planned Amortization Schedules) ^{(2),(3),(4)}</u> | <u>Debt Service on Series 2015A Bonds (based on Stated Maturity) ⁽⁵⁾</u> |
|--|---|---|--|--|---|
| 2016 | \$ 297,361,503 | \$ 281,046,858 | \$ 2,210,674 | \$283,257,531 | \$ 2,210,674 |
| 2017 | 318,185,944 | 300,680,960 | 8,157,093 | 308,838,053 | 96,287,895 |
| 2018 | 352,769,678 | 335,264,694 | 7,137,669 | 342,402,363 | - |
| 2019 | 367,200,602 | 349,862,595 | 11,869,467 | 361,732,062 | - |
| 2020 | 337,050,525 | 320,058,104 | 7,158,479 | 327,216,583 | - |
| 2021 | 346,475,208 | 329,851,936 | 2,595,616 | 332,447,552 | - |
| 2022 | 364,615,357 | 348,384,184 | 2,578,915 | 350,963,099 | - |
| 2023 | 387,139,712 | 371,450,844 | 12,334,722 | 383,785,567 | - |
| 2024 | 388,490,121 | 373,539,135 | 8,273,963 | 381,813,097 | - |
| 2025 | 383,365,790 | 369,240,634 | 14,532,738 | 383,773,372 | - |
| 2026 | 388,861,302 | 375,639,101 | 8,057,256 | 383,696,357 | - |
| 2027 | 357,956,179 | 346,526,836 | 14,713,449 | 361,240,285 | - |
| 2028 | 333,654,915 | 324,065,844 | 1,160,287 | 325,226,130 | - |
| 2029 | 324,154,567 | 315,628,155 | 2,773,161 | 318,401,316 | - |
| 2030 | 293,644,699 | 286,217,700 | 2,798,214 | 289,015,913 | - |
| 2031 | 258,512,377 | 252,225,513 | 2,810,049 | 255,035,563 | - |
| 2032 | 246,160,623 | 241,058,684 | 5,497,827 | 246,556,511 | - |
| 2033 | 204,960,227 | 201,087,016 | 2,758,372 | 203,845,388 | - |
| 2034 | 203,138,186 | 200,539,217 | 3,148,373 | 203,687,590 | - |
| 2035 | 197,738,879 | 196,461,327 | - | 196,461,327 | - |
| 2036 | 122,086,469 | 121,784,036 | - | 121,784,036 | - |
| 2037 | 90,265,450 | 90,265,450 | - | 90,265,450 | - |
| 2038 | 52,896,525 | 52,896,525 | - | 52,896,525 | - |
| Total | \$6,616,684,837 | \$6,383,775,347 | \$120,566,323 | \$6,504,341,670 | \$98,498,569 |

(1) Amounts may not total due to rounding.

(2) Net of Refunded Bonds. Debt service amounts include: (a) sinking fund installments for the District’s Income Tax Secured Revenue Bonds, 2010D (Federally Taxable – Qualified School Construction Bonds – Direct Pay to Issuer) (the “Series 2010D Bonds”); (b) the debt service requirements of the District’s outstanding Income Tax Secured Revenue Refunding Bonds, Series 2011E (Adjusted SIFMA Rate) (the “Series 2011E Bonds”) and the District’s Income Tax Secured Revenue Refunding Bonds, Series 2014B Adjusted SIFMA Rate) (the “2014B Bonds” and, together with the Series 2011E Bonds, the “SIFMA Bonds”) as if such SIFMA Bonds were amortized in accordance with the Planned Amortization Schedule shown in APPENDIX E, at an assumed interest rate of 3%.

(3) These debt service amounts are net of expected federal subsidies (including direct subsidy payments with respect to the District’s Income Tax Secured Revenue Bonds, Series 2009E and Series 2010F, each issued as Build America Bonds (BABs) and its Series 2010D Bonds issued as Qualified School Construction Bonds (QSCBs), anticipated to be paid to the District by the United States Treasury in connection with Bonds issued as BABs and QSCBs. The debt service for BABs and QSCBs reflect an assumed federal government sequester reduction in the subsidy payments due to the District of 7.3% in Fiscal Year 2015.

(4) These amounts show debt service on the Series 2015A Bonds as if such Bonds were amortized in accordance with the Planned Amortization Schedule shown in APPENDIX E, at an assumed interest rate of 3%.

(5) This column shows debt service on the Series 2015A Bonds based on their stated maturity, at an assumed interest rate of 3%.

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.

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” herein.

Variable Rate Bonds

The Series 2015A Bonds are variable rate bonds, bearing interest as described herein, and are not secured by any third-party credit or liquidity support. Pursuant to the Indenture, the Series 2015A Bonds have been designated as a Balloon Maturity. As such, the District is authorized to treat, and has treated, the Series 2015A Bonds as if they amortize over approximately 18 years for purposes of meeting the Additional Bonds test. In addition, pursuant to the Indenture, the District, for purposes of deposits to the Series 2015A Accumulation Subaccount, has assumed that the Series 2015A Bonds amortize in the annual amounts set forth for such Series 2015A Bonds in APPENDIX E.

The District's current intention is to currently refund the Series 2015A Bonds at or before their maturity with the proceeds of other securities of the District. In the event for whatever reason the District determines not to currently refund the Series 2015A Bonds, the Twentieth Supplemental Indenture provides that unless, with respect to the Series 2015A Bonds, the District has either (i) previously provided written notice to the Trustee of its intent to refund the Series 2015A Bonds or (ii) otherwise taken action, to the knowledge of the Trustee, to refund the Series 2015A Bonds, the Trustee shall, commencing on the 60th day preceding December 1, 2016, and continuing on each day thereafter, transfer amounts from the Revenue Account to the Series 2015A Accumulation Subaccount and then from the Series 2015A Accumulation Subaccount to the Series 2015A Principal Subaccount of the Debt Service Fund until 100% of the principal of the Series 2015A Bonds is on deposit therein.

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.

In July 2014, the Council of the District of Columbia (the "Council") adopted legislation reducing the marginal tax rate on individual income between \$40,000 and \$60,000 from 8.5% to 7.0%, while keeping the rate of 8.5% for income between \$60,000 and \$350,000 and establishing a top marginal rate of 8.95% for taxable income in excess of \$350,000, and made further tax cuts contingent on the availability of additional recurring revenues. Effective January 1, 2015, the marginal income tax rate is 4.0% on taxable income (less certain personal exemptions) less than \$10,000, 6.0% on taxable income from \$10,000 to \$40,000, 7.0% on taxable income from \$40,000 to \$60,000, 8.5% on taxable income from \$60,000 to \$350,000 and 8.95% on taxable income in excess of \$350,000. The Council adopted legislation in June 2015 that authorized the use of recurring revenues established in the September 2015 Revenue Estimate to implement further tax reductions in tax year 2016, reducing the marginal tax rate on income between \$40,000 and \$60,000 from 7.0% to 6.5%, and establishing a new tax rate of 8.75% percent for income between \$350,000 and \$1 million. See "DISTRICT TAXES" in Part 2 for a further description of these and other tax reductions.

Taxpayers may receive tax credits, including for taxes 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."

Federal government employment and contracting provide a foundation for the District's economic base. Over the past year, the District's private sector continued to add jobs and the number of private sector jobs as of June 2014 is about 50,000 greater than when the U.S. recession began in December 2007, with the largest gains occurring in professional services, health, hospitality and non-

profit organizations. The current outlook is for gains in the private sector to continue which may offset reductions that occur in government employment.

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, 000s) ^{(1), (2), (3), (4), (5)}

| <u>Calendar Year</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> ⁽⁵⁾ |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------------|
| Federal Government | 210.6 | 212.2 | 208.3 | 204.7 | 197.0 | 198.5 |
| District Government | 32.5 | 31.1 | 30.8 | 30.7 | 32.7 | 35.9 |
| Public Transportation | 3.8 | 3.8 | 4.0 | 4.3 | 4.3 | 4.6 |
| Trade, Trans. & Utilities | 27.3 | 27.4 | 28.1 | 29.0 | 26.3 | 26.6 |
| Financial Activities | 26.9 | 27.6 | 28.2 | 28.7 | 30.3 | 31.0 |
| Professional & Business Services | 147.7 | 150.4 | 154.1 | 155.6 | 157.9 | 163.0 |
| Other private | 259.5 | 269.9 | 277.3 | 288.0 | 304.8 | 306.7 |
| Total Service-Providing | <u>700.4</u> | <u>713.0</u> | <u>720.2</u> | <u>730.4</u> | <u>738.1</u> | <u>750.4</u> |
| Total Goods-Producing | <u>11.7</u> | <u>13.2</u> | <u>14.6</u> | <u>14.8</u> | <u>15.3</u> | <u>16.0</u> |
| Total Non-Farm | <u>712.1</u> | <u>726.2</u> | <u>734.8</u> | <u>745.2</u> | <u>753.4</u> | <u>766.4</u> |

⁽¹⁾ Reflects place of employment, not place of residence.

⁽²⁾ Not seasonally adjusted. Data may not equal totals due to independent rounding. Industry classification is based on the North American Industry Classification System ("NAICS").

⁽³⁾ 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.

⁽⁴⁾ Proprietors, self-employed individuals, unpaid family and volunteer workers, military personnel, internationally stationed workers, and private household workers are excluded.

⁽⁵⁾ 2015 data represents seasonally adjusted data as of September 2015.

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

Table 2. Unemployment Rates⁽¹⁾

| <u>Calendar Year</u> | <u>District</u> | <u>Washington, PMSA</u> | <u>U.S.</u> |
|----------------------|---------------------|-----------------------------|---------------------|
| 2010 | 9.4% | 6.3% | 9.6% |
| 2011 | 10.2% | 6.1% | 8.9% |
| 2012 | 9.0% | 5.8% | 8.1% |
| 2013 | 8.5% | 5.5% | 7.4% |
| 2014 | 7.8% | 5.0% | 6.2% |
| August 2014 | 7.8% ⁽²⁾ | 5.3% ^(2a) | 6.1% ⁽²⁾ |
| August 2015 | 6.8% ⁽³⁾ | 4.3% ^{(3a)(4)} | 5.1% ⁽³⁾ |

⁽¹⁾ Annual rates are an average of monthly rates for the given year.

⁽²⁾ Seasonally adjusted monthly rate for August 2014.

^(2a) Not seasonally adjusted monthly rate for August 2014.

⁽³⁾ Seasonally adjusted monthly rate for August 2015.

^(3a) Not seasonally adjusted monthly rate for August 2015.

⁽⁴⁾ Preliminary.

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

Table 3. Personal Income Tax Filers and Liability by Income Level
(Fiscal Year 2014)

| <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 | 61,740 | 17.0% | 72.1% |
| \$75,001 - \$100,000 | 29,385 | 8.0 | 9.0 |
| \$50,001- \$75,000 | 49,504 | 13.6 | 9.5 |
| \$25,001- \$50,000 | 83,056 | 22.7 | 7.5 |
| \$10,001 - \$25,000 | 69,113 | 18.9 | 1.8 |
| \$10,000 and lower | <u>72,295</u> | <u>19.8</u> | <u>0.1</u> |
| | 365,093 | 100.0% | 100.0% |

Source: District’s Fiscal Year 2014 CAFR; Statistical Section, Exhibit S-2H.

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

| <u>Source of Income</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net earnings | 70.1% | 69.7% | 68.8% | 68.6% | 68.2% | 68.4% |
| Dividends, interest, and rents | 17.1 | 16.2 | 17.3 | 18.4 | 18.4 | 18.6 |
| Transfer payments ⁽²⁾ | 12.8 | 14.1 | 13.9 | 13.0 | 13.4 | 13.0 |

⁽¹⁾ Each of the years listed is a calendar year.

⁽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 classified as corporations for purposes of federal income taxation) from sources within the District of Columbia, less certain tax credits. In July 2014, the Council adopted legislation that lowered the tax rate from 9.975% to 9.4%, effective January 1, 2015, and established triggers that would lower tax rates further based on the availability of additional recurring revenue. The Council adopted legislation in June 2015 that authorized the use of recurring revenues established in the September 2015 Revenue Estimate to implement further tax reductions effective January 1, 2016, including further reducing the corporate franchise tax rate to 9.2%, effective for the tax year 2016. See “DISTRICT TAXES” in Part 2 for a further description of these and other tax reductions.

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 tables set forth information relating to the Pledged Taxes collected in Fiscal Years 2005 through 2015.

Table 5. Pledged Taxes Collections⁽¹⁾
Fiscal Years 2005 - 2015
(modified accrual basis of accounting, \$ in millions)

| Pledged Taxes Collections⁽³⁾ | | | | | | | | |
|--|---|--------------------|-------------------|------------------------|-------------------|---------------------------|-------------------|--------------------|
| Individual Income Tax⁽⁴⁾ | | | | | | | | |
| Fiscal Year | Total Annual Personal Income⁽²⁾ | Withholding | % of Total | Non-Withholding | % of Total | Business Franchise | % of Total | Total Taxes |
| 2005 | \$30,225 | \$ 919 | 63% | \$229 | 16% | \$317 | 22% | \$1,465 |
| 2006 | 32,817 | 971 | 61 | 262 | 16 | 360 | 23 | 1,593 |
| 2007 | 34,546 | 975 | 56 | 338 | 20 | 417 | 24 | 1,730 |
| 2008 | 37,760 | 1,004 | 57 | 349 | 20 | 419 | 24 | 1,772 |
| 2009 | 37,486 | 995 | 67 | 141 | 10 | 342 | 23 | 1,478 |
| 2010 | 38,031 | 1,074 | 74 | 37 | 3 | 324 | 23 | 1,434 |
| 2011 | 41,079 | 1,221 | 71 | 127 | 7 | 372 | 22 | 1,720 |
| 2012 | 43,215 | 1,322 | 68 | 169 | 9 | 466 | 23 | 1,957 |
| 2013 | 44,442 | 1,391 | 66 | 250 | 12 | 453 | 22 | 2,094 |
| 2014 | 45,627 ⁽⁵⁾ | 1,473 | 70 | 206 | 10 | 415 | 20 | 2,094 |
| 2015 ⁽⁶⁾ | 47,401 ⁽⁷⁾ | 1,549 | 67 | 281 | 12 | 460 | 20 | 2,290 |

⁽¹⁾ All data in this table is on a Fiscal Year basis. The differences between the modified accrual basis of accounting used for budgetary purposes and the cash basis of accounting explain the slight disparities between the “Total Taxes” column in this table and the “All Payments” row in Table 10 – “Pledged Taxes Collections, as received by Collection Agent and by the District.” 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⁾ Components of individual income tax are unaudited.

⁽⁵⁾ Total Annual Personal Income for Fiscal Year 2014 is as of September 30, 2015, the most recent date that such data is available.

⁽⁶⁾ Pledged Taxes Collections for Fiscal Year 2015 are based on the September 2015 Revenue Estimate and preliminary cash collections as of September and are subject to fiscal year-end accrual adjustments.

⁽⁷⁾ Fiscal Year 2015 Personal Income estimated by Moody’s Analytics.

Source: District of Columbia Office of the Chief Financial Officer, except as otherwise noted.

**Table 6. Pledged Taxes Rates
Fiscal Years 2005 – 2016**

| | Individual Tax Rates | | | | | | | | Business | |
|---------------------------|----------------------|-----------------------|-----------------------|-----------------------|---|---------------------------------------|--------------------------------------|-------------------------------------|-------------|----------------|
| | \$0- \$10,000 | \$10,001- \$20,000 | \$20,001- \$30,000 | \$30,001- \$40,000 | \$40,000- \$60,000 ⁽²⁾⁽³⁾ | \$60,000- \$350,000 ⁽¹⁾ | \$350,000- \$1M ⁽¹⁾⁽³⁾ | Greater than \$1M ⁽³⁾ | Corporation | Unincorporated |
| 2005 | 5.00% | 7.50% | 7.50% | 9.00% | 9.00% | 9.00% | - | - | 9.975% | 9.975% |
| 2006 | 4.50 | 7.00 | 7.00 | 7.00 | 8.70 | 8.70 | - | - | 9.975 | 9.975 |
| 2007 | 4.00 | 6.00 | 6.00 | 6.00 | 8.50 | 8.50 | - | - | 9.975 | 9.975 |
| 2008 | 4.00 | 6.00 | 6.00 | 6.00 | 8.50 | 8.50 | - | - | 9.975 | 9.975 |
| 2009 | 4.00 | 6.00 | 6.00 | 6.00 | 8.50 | 8.50 | - | - | 9.975 | 9.975 |
| 2010 | 4.00 | 6.00 | 6.00 | 6.00 | 8.50 | 8.50 | - | - | 9.975 | 9.975 |
| 2011 | 4.00 | 6.00 | 6.00 | 6.00 | 8.50 | 8.50 | - | - | 9.975 | 9.975 |
| 2012⁽¹⁾ | 4.00 | 6.00 | 6.00 | 6.00 | 8.50 | 8.50 | - | - | 9.975 | 9.975 |
| 2013 | 4.00 | 6.00 | 6.00 | 6.00 | 8.50 | 8.50 | 8.95% | 8.95% | 9.975 | 9.975 |
| 2014 | 4.00 | 6.00 | 6.00 | 6.00 | 8.50 | 8.50 | 8.95 | 8.95 | 9.975 | 9.975 |
| 2015⁽²⁾ | 4.00 | 6.00 | 6.00 | 6.00 | 7.00 | 8.50 | 8.95 | 8.95 | 9.4 | 9.4 |
| 2016⁽³⁾ | 4.00 | 6.00 | 6.00 | 6.00 | 6.5 | 8.50 | 8.75 | 8.95 | 9.2 | 9.2 |

⁽¹⁾ As of January 1, 2012, taxable income in excess of \$350,000 became subject to an Income Tax rate of 8.95%. Prior to January 1, 2012, any taxable income in excess of \$60,000 was taxed at the maximum Income Tax rate then in effect.

⁽²⁾ Legislation adopted by the Council in July 2014 reduced the marginal tax rate on individual income between \$40,000 and \$60,000 from 8.5% to 7.0%, and lowers the incorporated and unincorporated business franchise tax rate from 9.975% to 9.4% effective January 1, 2015.

⁽³⁾ Effective January 1, 2016 the marginal tax rate on individual income between \$40,000 and \$60,000 will be reduced further to 6.5%, income between \$350,000 and \$1,000,000 will be taxed at the marginal rate of 8.75% and the incorporated and unincorporated business franchise tax rate to 9.2%.

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 Fiscal Years 2005 through 2015.

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> |
|---------------------------|-------------------------------|--------------------------|--------------------------|----------------------------|
| 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) ⁽¹⁾ | -8.5 |
| 2010 | 1,463,177 | 1,434,131 | (29,046) | -2.0 |
| 2011 | 1,568,883 | 1,656,282 | 87,399 | 5.6 |
| 2012 | 1,774,080 | 1,956,590 | 182,510 | 10.3 |
| 2013 | 2,129,369 | 2,094,179 | (35,190) | -1.7 |
| 2014 | 2,121,334 | 2,094,754 | (26,580) | -1.3 |
| 2015 | 2,234,006 | 2,290,438 ⁽²⁾ | 56,432 | 2.5 |

⁽¹⁾ The variance for Fiscal Year 2009 is due primarily to the recession during calendar year 2008 (income tax receipts for Fiscal Year 2009 are based in part on income earned in calendar year 2008).

⁽²⁾ Fiscal Year 2015 figure is based on preliminary actual tax collections for Fiscal Year 2015 and is subject to accrual adjustments.

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 September 30, 2015, the CFO submitted an estimate for Fiscal Years 2015 through 2019 (the “September 2015 Revenue Estimate”). Forecasted revenues in the September 2015 Revenue Estimate were revised higher compared to the June revenue estimate submitted by the CFO on July 1, 2015 (the “June 2015 Revenue Estimate”). The September revisions reflected one-time gains in Fiscal Year 2015 due to settlement payments from online travel agencies as well as higher revenues associated with real property transaction taxes. In addition to these one-time gains in Fiscal Year 2015, the September 2015 Revenue Estimate identified additional recurring revenues of \$37.7 million in Fiscal Year 2016 growing to \$42.7 million in Fiscal Year 2019 that are used to implement further tax reductions authorized by Council legislation. See “DISTRICT TAXES” in Part 2 for a description of these tax reductions.

Based on the September 2015 Revenue Estimate, as adjusted for certain tax reductions approved by the Council in July 2014 and June 2015, 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 | | | | Available Business Franchise Tax Revenues | Total Available Tax Revenues |
| Fiscal Year | Withholding Only | Non-Withholding | Total | | |
| 2015 | \$1,548,862 | \$281,243 | \$1,830,105 | \$460,333 | \$2,290,438 |
| 2016 | 1,596,214 | 249,135 | 1,845,349 | 433,380 | 2,278,729 |
| 2017 | 1,667,259 | 260,704 | 1,927,963 | 453,548 | 2,381,511 |
| 2018 | 1,740,537 | 264,768 | 2,005,305 | 475,962 | 2,481,267 |
| 2019 | 1,818,848 | 275,489 | 2,094,337 | 475,948 | 2,570,285 |

Source: Estimates of Available Tax Revenues are based on the September 2015 Revenue Estimate adjusted for certain tax reductions approved by the Council in July 2014 and June 2015. Amounts may not total due to rounding.

Table 9 Assumptions

The information included in Table 9 – “Projected Debt Service Coverage” is based on a number of assumptions, which are set forth as follows:

- Debt service amounts in the column titled “Debt Service for All Outstanding Bonds” includes debt service on all outstanding bonds, including the bonds to be refunded through the issuance of the Series 2015A Bonds. Debt service amounts in the columns titled “Total Debt Service for All Outstanding Bonds and the Series 2015A Bonds,” and “Debt Service for Total Bonds in District CIP through 2019” exclude debt service on the bonds to be refunded through the issuance of the Series 2015A Bonds and include debt service on the Series 2015A Bonds.
- Debt service amounts in the columns referenced in the preceding bullet include interest amounts that are net of expected “build America bonds” (“BABs”) direct subsidy payments and qualified school construction bonds (“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 both issued as BABs, and the Series 2010D Bonds, which were issued as QSCBs. The debt service for BABs reflects an assumed federal government sequester reduction in the subsidy payments due to the District of 6.8% in Fiscal Year 2016.
- Debt service amounts in the columns referenced in the preceding bullet include: (a) sinking fund installments for the Series 2010D Bonds, and (b) estimated debt service on the SIFMA Bonds and the \$95,575,000 Series 2015A Bonds in accordance with the Planned Amortization Schedule shown in APPENDIX E of this Official Statement, 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 2019” were calculated using assumed interest rates of 5.50% for Fiscal Year 2016 and 6.00% for all 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 2021 (as set forth in the Fiscal Year 2016 Approved Budget (see “CERTAIN DISTRICT FINANCIAL INFORMATION – Fiscal Year 2016 Budget and Financial Plan” in Part 2) (the “Future CIP Bonds”) (approximately \$925.1 million in Fiscal Year 2016, \$690.4 million in Fiscal Year 2017, \$432.8 million in Fiscal Year 2018 and \$654.3 million in Fiscal Year 2019).
- Debt service coverage for maximum annual debt service (“MADS”) is based on the preceding assumptions, and the projected Available Withholding Tax Revenues and projected Total Available Tax Revenues to occur in the year of maximum annual debt service, assuming a 1% annual growth rate from Fiscal Year 2015.

**Table 9. Projected Debt Service Coverage ⁽¹⁾
(\$000s)**

| Fiscal Year | Outstanding Bonds Debt Service Coverage | | | Series 2015A Bonds Debt Service Coverage | | | All Bonds Debt Service Coverage | | | |
|---------------------|---|---------------------------------|---|--|---|---------------------------------|---|---|---------------------------------|---|
| | Debt Service for All Outstanding Bonds | Withholding Only ⁽²⁾ | Total Available Tax Revenues ⁽²⁾ | Debt Service for Series 2015A Bonds | Total Debt Service for All Outstanding Bonds and Series 2015A Bonds | Withholding Only ⁽²⁾ | Total Available Tax Revenues ⁽²⁾ | Debt Service for Total Bonds in District CIP through 2019 | Withholding Only ⁽²⁾ | Total Available Tax Revenues ⁽²⁾ |
| 2016 | \$283,427 | 5.63x | 8.04x | \$ 2,211 | \$283,258 | 5.64x | 8.04x | \$317,268 | 5.03x | 7.18x |
| 2017 | 308,800 | 5.40x | 7.71x | 8,157 | 308,838 | 5.40x | 7.71x | 421,378 | 3.96x | 5.65x |
| 2018 | 342,365 | 5.08x | 7.25x | 7,138 | 342,402 | 5.08x | 7.25x | 491,618 | 3.54x | 5.05x |
| 2019 | 361,676 | 5.03x | 7.11x | 11,869 | 361,732 | 5.03x | 7.11x | 558,436 | 3.26x | 4.60x |
| MADS ⁽³⁾ | \$383,732 | 4.93x | 6.97x | \$14,713 | \$383,786 | 4.93x | 6.97x | \$589,018 | 3.21x | 4.54x |

⁽¹⁾ All information included in this table is based upon the "Table 9 Assumptions" set forth on the previous page and must be reviewed in the context of such assumptions. Amounts may not total due to rounding.

⁽²⁾ See Table 8 - Withholding Only and Total Available Tax Revenues.

⁽³⁾ Maximum Annual Debt Service ("MADS") for All Outstanding Bonds occurs in 2023; for All Outstanding Bonds and Series 2015A Bonds occurs in 2023; and for All Bonds Debt Service occurs in 2023.

Source: The figures in this table are based on the data in Table 8 above and the September 2015 Revenue Estimate, adjusted for certain tax reductions approved by the Council in July 2014 and June 2015.

Collection Agreement

Pursuant to a collection contract 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 constituted approximately 54% of Available Tax Revenues in Fiscal Year 2015, as shown in the table on the next page) and (ii) estimated quarterly tax payments made by individuals (approximately 21% of Fiscal Year 2015 Available Tax Revenues), corporations (approximately 13% of Fiscal Year 2015 Available Tax Revenues) and unincorporated businesses (approximately 6% of Fiscal Year 2015 Available Tax Revenues).

Available Tax Revenues received by the District as withholding amounts or 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 6% of Available Tax Revenues in Fiscal Year 2015. 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 2015.

The following table shows the amount of Available Tax Revenues collected in the last three Fiscal Years by the District and the Collection Agent.

Table 10. Pledged Taxes Collections, as received by Collection Agent and by District ⁽¹⁾⁽²⁾
 Fiscal Years 2013 – 2015
 (cash basis of accounting, \$ in millions)

| | <u>Fiscal Year 2013</u> | | <u>Fiscal Year 2014</u> | | <u>Fiscal Year 2015</u> | |
|---|------------------------------|-------------------|-------------------------|-------------------|---------------------------------|-------------------|
| | <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) | \$ 1,307 | 53.0% | \$ 1,385 | 56.5% | \$ 1,481 | 54.0% |
| Individual Estimated | 511 | 20.7 | 472 | 19.2 | 579 | 21.1 |
| Corporate Estimated | 318 | 12.9 | 301 | 12.3 | 373 | 13.6 |
| <u>Unincorporated Estimated</u> | <u>152</u> | <u>6.2</u> | <u>139</u> | <u>5.7</u> | <u>154</u> | <u>5.6</u> |
| Total | \$2,288 | 92.7 | \$2,297 | 93.6 | \$2,587 | 94.3 |
| <u>Received Initially by the District</u> | | | | | | |
| Withholding (D.C. Resident Employees) ⁽⁴⁾ | \$ 48 | 1.9% | \$ 50 | 2.1% | \$ 54 | 2.0% |
| Withholding | 49 | 2.0 | 44 | 1.8 | 44 | 1.6 |
| Individual payments with returns | 35 | 1.4 | 31 | 1.3 | 32 | 1.2 |
| Corporate payments with returns | 32 | 1.3 | 20 | 0.8 | 14 | 0.5 |
| <u>Unincorporated payments with returns</u> | <u>15</u> | <u>0.6</u> | <u>11</u> | <u>0.5</u> | <u>11</u> | <u>0.4</u> |
| Total | \$ 179 | 7.3% | \$ 156 | 6.4% | \$ 156 | 5.7% |
| All payments | \$2,467 | 100% | \$2,453 | 100% | \$2,743 | 100% |
| Collections transferred to Trustee | \$2,551⁽⁵⁾ | | \$2,445 | | \$2,743⁽³⁾⁽⁶⁾ | |

⁽¹⁾ The differences between the “All Payments” row in 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 and subsequent reconciliation of receipts and transfers.

⁽³⁾ Actual collections through September 30, 2015, pending final audit adjustments for the Fiscal Year ending September 30, 2015. Fiscal Year 2015 data is unaudited.

⁽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. The District continues to manually transfer these withholding amounts to the Collection Agent.

⁽⁵⁾ Fiscal Year 2013 cumulative transfers, as of September 30, 2013. The variance between total payments received and transfers to the trustee is as a result of a file transfer error at the bank. This problem was identified and rectified by OTR. The error resulted in a duplication of the distribution instructions to the trustee account and, consequently, an over-transfer of funds. OTR performed the necessary due diligence to ensure that the duplicate files did not result in payments being applied twice to taxpayer accounts, and that total cash received and recorded was not affected.

⁽⁶⁾ YTD FY15 collections transferred to Trustee account equal all payments posted to the ledger. This may change as the fiscal year end close is still in progress.

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 0.4% of amounts received.

Retention Procedures

The following describes the retention procedures in effect as to the Series 2015A Bonds as provided for by the Twentieth Supplemental Indenture. For a description of the general provisions of the Master Indenture governing retention procedures, see APPENDIX B hereto.

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 Series 2015A Accumulation Subaccount until the amount on deposit in such account shall equal: (A) commencing on April 1, 2016, 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, 2016, 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, 2016, 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 therein, 100% of the amounts set forth in the following clauses (i) and (ii) for the next ensuing Fiscal Year (i) the principal amount for the next ensuing Fiscal Year as set forth in the Planned Amortization Schedule set forth as APPENDIX E hereto, plus (ii) the aggregate interest due on the Series 2015A Bonds during the next ensuing Fiscal Year based on the Assumed Interest Rate; provided, however, unless, with respect to the Series 2015A Bonds, the District has either (x) previously provided written notice to the Trustee of its intent to refund the Series 2015A Bonds or (y) otherwise taken action, to the knowledge of the Trustee, to refund the Series 2015A Bonds, the Trustee shall, commencing on the 60th day preceding the maturity of the Series 2015A Bonds and continuing on each day thereafter, transfer amounts from the Revenue Account to the Series 2015A Accumulation Subaccount until 100% of such principal maturity of the Series 2015A Bonds is on deposit therein. In addition, on each Adjustment Date, the Calculation Agent shall provide the Trustee with the new Adjusted SIFMA Rate. If the new Adjusted SIFMA Rate is in excess of the average of the Assumed Interest Rates that were used to determine the amounts of the deposits to the Series 2015A Interest Subaccount during the applicable April, May and June collection periods described above (the "Average Assumed Interest Rate"), including the interest deposits made during April, May and June 2015 for the Fiscal Year 2015 interest payments on the Refunded Bonds, which will be applied to the payment of interest due on the Series 2015A Bonds, then, no later than the first Business Day following the Adjustment Date, the Trustee will promptly commence collection from the Revenue Account of the amount of additional weekly interest due on the Series 2015A Bonds attributable to the difference between the Adjusted SIFMA Rate and the Average Assumed Interest Rate until the differential amount has been deposited into the Series 2015A Interest Subaccount.

Pursuant to the Twentieth Supplemental Indenture, (A) at least three days prior to the first Business Day of each month, moneys on deposit in the Series 2015A Accumulation Subaccount shall be transferred to the Series 2015A Interest Subaccount within the Interest Account of the Debt Service Fund representing interest payable on the Series 2015A Bonds on the first Business Day of each month, and (B) unless, with respect to the Series 2015A Bonds, the District has either (x) previously provided written notice to the Trustee of its intent to refund the Series 2015A Bonds or (y) otherwise taken action, to the knowledge of the Trustee, to refund the Series 2015A Bonds, the Trustee, sixty days preceding the December 1 maturity of the Series 2015A Bonds and continuing on each day thereafter, shall transfer moneys on deposit in the Series 2015A Accumulation Subaccount from the Series 2015A Accumulation Subaccount to the Series 2015A Principal Subaccount within the Principal Subaccount of the Debt Service Fund representing principal payable on the Series 2015A Bonds on the December 1 date.

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 2015A Bonds and the Outstanding Bonds on the Trust Estate 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 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 Chief Financial Officer certifying that the issuance of such Additional Bonds does not create a violation of the Debt Ceiling Act (as defined herein) or of Section 603(b) of the Home Rule Act. Solely for the purpose of determining whether Section 603(b) is violated, the Bonds, including the Additional Bonds to be issued, are treated as outstanding general obligation bonds. See "—Statutory Debt Limitations" herein.

The District may issue Subordinate Bonds or incur Subordinate Obligations pursuant to the Master Indenture 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 Limitations

In 2009, the District passed the Limitation on Borrowing and Establishment of the Operating Cash Reserve Act of 2008, effective March 25, 2009, as amended (D.C. Law 17-360; D.C. Official Code §47-334 et seq.) (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 three 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 2015A Bonds, the District will have approximately \$9.6 billion of Tax-Supported Debt outstanding, the debt service on which will produce a Debt Ceiling percentage of approximately 9.8% in Fiscal Year 2015 and will not exceed 12% in each of the next five Fiscal Years, which will comply with the Debt Ceiling Act. See also “CERTAIN DISTRICT FINANCIAL INFORMATION – Indebtedness – Summary of Statutory Debt Provisions” in Part 2.

LITIGATION

There is no litigation pending in any court or, to the knowledge of the Office of the Attorney General for the District of Columbia, threatened, which may have the effect of restraining or enjoining the issuance, delivery or payment of the Series 2015A Bonds or the performance of the obligations of the District or the Mayor under the Indenture, the Series 2015A Bonds or the Act, or which in any way contests or may call into question the validity or enforceability of (a) the Series 2015A 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.

There is no litigation pending in any court, or to the knowledge of the Office of the Attorney General for the District of Columbia, threatened, which would have a material adverse impact on the District’s ability to repay the Series 2015A Bonds or the District’s long-term financial condition.

The District is a party to various litigation including, but not limited to, the following:

The American Council of Life Insurers (“ACLI”) seek declaratory and injunctive relief against the District’s assessment on all insurers to fund the functions of the District’s Health Benefits Exchange. The assessment applies to insurers regardless of whether they are qualified to offer products on the Health Benefits Exchange. In the aggregate, an estimated \$50 million has been assessed. On November 13,

2014, the United States District Court for the District of Columbia granted the District's motion to dismiss ACLI's lawsuit and ACLI appealed the dismissal on December 12, 2014. Oral argument regarding ACLI's appeal is scheduled for January 8, 2016.

TAX MATTERS

In the opinion of Venable LLP, Bond Counsel, under existing law, interest on the Series 2015A Bonds is excludable from gross income for Federal income tax purposes, and is not an item of tax preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations, provided, however, that such interest will be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations. A complete copy of the proposed form of opinion of Bond Counsel is set forth as Appendix A hereto.

Under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), certain requirements must be met subsequent to the issuance of the Series 2015A Bonds in order for the interest on the Series 2015A Bonds to remain excludable from gross income for Federal income tax purposes, including restrictions that must be complied with throughout the term of the Series 2015A Bonds. Such restrictions include, among other things, limitations on the yield of investments acquired with gross proceeds of the Series 2015A Bonds and the periodic payment to the United States of specified portions of arbitrage profit derived from such investments.

In order to comply with the requirements of the Code, the District will execute and deliver a Tax Certificate and Compliance Agreement ("Tax Agreement") on the date of delivery of the Series 2015A Bonds. The covenants and representations in the Tax Agreement are designed to satisfy the requirements of Section 103 and Sections 141 through 150, inclusive, of the Code, and the income tax regulations issued thereunder. In the opinion of Bond Counsel, the covenants and representations in the Tax Agreement are sufficient to meet the requirements (to the extent applicable to the Series 2015A Bonds) of Section 103 and Sections 141 through 150 of the Code. However, Bond Counsel assumes no responsibility for, and will not monitor, compliance with the covenants and representations in the Tax Agreement. In the event of noncompliance with such covenants and representations, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Series 2015A Bonds from becoming includable in gross income for Federal income tax purposes.

Under the Code, in calculating corporate alternative minimum tax, a corporation is required to increase its alternative minimum taxable income by 75 percent of the amount by which its "adjusted current earnings" exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For this purpose, "adjusted current earnings" would include, among other items, interest on the Series 2015A Bonds. In addition, interest income on the Series 2015A Bonds will be includable in the applicable taxable base for the purposes of determining the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States.

Other Federal income tax consequences may arise from ownership of the Series 2015A Bonds, and in connection therewith, attention is directed to the following provisions of the Code: (a) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2015A Bonds or, in the case of a financial institution, that portion of a holder's interest expense allocated to interest on the Series 2015A Bonds, (b) with respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Series 2015A Bonds, (c) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into

account, in determining gross income, receipts or accruals of interest on obligations such as the Series 2015A Bonds, and (d) for S corporations having subchapter C earnings and profits, the receipt of certain amounts of passive investment income, which includes interest on the Series 2015A Bonds, may result in the imposition of income tax on such passive investment income and, in some cases, loss of S corporation status. The foregoing is only a general summary of certain provisions of the Code and does not purport to be complete; prospective purchasers and holders of the Series 2015A Bonds should consult their own tax advisors as to the effects, if any, of the Code in their particular circumstances.

The Internal Revenue Service (the “IRS”) has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for Federal income tax purposes. If the IRS does audit the Series 2015A Bonds, under current IRS procedures, the IRS will treat the District as the taxpayer and the owners of the Series 2015A Bonds will have only limited rights, if any, to participate in the audit process. Any action of the IRS, including but not limited to selection of the Series 2015A Bonds for audit, or the course or result of such an audit, or an audit of obligations presenting similar issues, may affect the market value of the Series 2015A Bonds. Bond Counsel’s engagement with respect to the Series 2015A Bonds ends with the issuance of the Series 2015A Bonds and, unless separately engaged, Bond Counsel is not obligated to defend the District or owners of the Series 2015A Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS.

Payments of interest on tax-exempt obligations, including the Series 2015A Bonds, are subject to information reporting for federal income tax purposes in a manner similar to interest paid on taxable obligations. If a holder is subject to backup withholding for federal income tax purposes, then the payment of interest on the Series 2015A Bonds will also be subject to backup withholding. Those requirements do not affect the excludability of such interest from gross income for federal tax purposes.

Legislative proposals presently before Congress or that are introduced after issuance and delivery of the Series 2015A Bonds, if enacted, could alter or amend one or more of the Federal tax matters referred to above and/or adversely affect the market value of the Series 2015A Bonds. It cannot be predicted whether or in what form any such proposal may be enacted, and there can be no assurance that any such proposal would not apply to obligations issued prior to the enactment of such proposal.

Prospective purchasers of the Series 2015A Bonds should consult their own tax advisers regarding pending or proposed federal and District tax legislation and court proceedings and purchasers of Series 2015A Bonds at other than their original issuance prices should also consult their own tax advisers regarding other tax considerations such as the consequences of market discount, as to all of which Bond Counsel expresses no opinion.

In the opinion of Bond Counsel, under existing law of the District, interest on the Series 2015A Bonds is exempt from District taxation, except estate, inheritance and gift taxes. Interest on the Series 2015A Bonds may be subject to state or local income taxes in jurisdictions other than the District under applicable state or local tax laws. Prospective purchasers of the Series 2015A Bonds should consult their own tax advisers with respect to the state and local tax consequences of ownership of the Series 2015A Bonds, including the taxable status of the Series 2015A Bonds and the interest payable on such obligations in a particular state or local jurisdiction other than the District.

FINANCIAL ADVISOR

First Southwest Company, LLC, Dallas, Texas (the “Financial Advisor”), serves as financial advisor to the District for debt management and certain other financial matters. The Financial Advisor has provided certain services to the District in connection with the issuance of the Series 2015A Bonds and has assisted in the preparation of this Official Statement.

The Financial Advisor has not made an independent verification of, and assumes no 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 2015A Bonds and certain other legal matters are subject to the approving opinion of Venable 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 for the District of Columbia. Bryant Miller Olive P.C., Washington, D.C., Disclosure Counsel to the District, will deliver an opinion to the District and the Underwriter regarding certain matters. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Washington, D.C.

CONTINUING DISCLOSURE

The District will undertake in a Continuing Disclosure Agreement to assist the Underwriter in complying with the provisions of Rule 15c2-12 (the “Rule”), promulgated by the Securities and Exchange Commission (the “SEC”) by providing annual financial information, operating data and 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.

Other than as described below, the District has complied with its continuing disclosure undertakings in all material respects within the last five years.

The District previously determined that it did not timely file a notice of defeasance for its General Obligation Bonds, Series 2002C, which were refunded in 2012. The District has filed the notice and taken steps to ensure that all future such notices will be filed in a timely manner.

On February 28, 2011, the District made a timely filing of its annual financial information and operating data for Fiscal Year 2010 (the “FY 2010 Filing”) for its Deed Tax Revenue Bonds (Housing Production Trust Fund – New Communities Project), Series 2007A (the “Series 2007A Bonds”), and its Deed Tax Revenue Bonds, Series 2010A, Deed Tax Revenue Bonds, Series 2010B, and Taxable Deed Tax Revenue Bonds, Series 2010C (collectively, the “Series 2010 Bonds”). However, the FY 2010 Filing was not properly linked to the Series 2010 Bonds on EMMA. On July 27, 2015, the District corrected this error with respect to the Series 2010 Bonds.

The District filed a notice of a rating upgrade by Standard & Poor's Ratings Services ("S&P") of Assured Guaranty Ltd. ("Assured") dated March 18, 2014, which affected the insured ratings on certain bonds issued by the District and insured by Assured, but failed to include the Mandarin Hotel TIF Bonds among the bonds identified in the notice filing. The notice failure with respect to the Mandarin Hotel TIF Bonds insured by Assured was cured by the District on July 17, 2014.

Continuing Disclosure Filings

The District's continuing disclosure filings since July 2009 are available at www.emma.msrb.org.

RATINGS

S&P, Moody's Investors Service, Inc. ("Moody's") and Fitch have assigned ratings of "AAA," "Aa1" and "AA+," respectively, to the Series 2015A 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 2015A 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 10041; Moody's Investors Service, Inc., 7 World Trade Center, New York, New York 10007; and Fitch Ratings, Inc., One State Street Plaza, New York, New York 10004. 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 2015A Bonds.

UNDERWRITING

Morgan Stanley & Co. LLC (the "Underwriter") has agreed to purchase the Series 2015A Bonds from the District at an aggregate price of \$95,403,050.26, reflecting the aggregate principal amount of the Series 2015A Bonds of \$95,575,000, less the Underwriter's discount of \$171,949.74. The obligation of the Underwriter to purchase the Series 2015A Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement dated November 10, 2015 relating to the Series 2015A Bonds, between the District and the Underwriter. The Series 2015A 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 Underwriter.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, the Underwriter of the Series 2015A Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2015A Bonds.

EXECUTION OF OFFICIAL STATEMENT

This Official Statement has been approved by the District for distribution to prospective purchasers of the Series 2015A Bonds.

DISTRICT OF COLUMBIA

By: /s/ Jeffrey S. DeWitt
Jeffrey S. DeWitt
Chief Financial Officer

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APPENDIX A

FORM OF APPROVING OPINION OF BOND COUNSEL

November 24, 2015

Mayor of the District of Columbia
The Wilson Building
1350 Pennsylvania Avenue, NW
Washington, D.C. 20054

Council of the District of Columbia
The Wilson Building
1350 Pennsylvania Avenue, NW
Washington, D.C. 20054

\$95,575,000
District of Columbia
Income Tax Secured Revenue Refunding Bonds, Series 2015A
(Adjusted SIFMA Rate)

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 \$95,575,000 Income Tax Secured Revenue Refunding Bonds, Series 2015A (Adjusted SIFMA Rate), dated the date hereof (the “Series 2015A Bonds”). We have examined the law and such certified proceedings and other documents as we deemed necessary to render this opinion.

The Series 2015A Bonds are issued pursuant to the provisions of, and in full compliance with, the laws of the District, in particular, the District of Columbia Home Rule Act (Pub L. No. 93-198; 87 Stat. 774; D.C. Official Code §§ 1-201.01 et seq.), as amended (the “Home Rule Act”), the Income Tax Secured Bond Authorization Act of 2008, effective October 22, 2008 (D.C. Law 17-254; D.C. Official Code §§ 44-340.26-36) (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) (the “Income Tax Secured Bond Authorization Act of 2011”) and the Income Tax Secured Bond Authorization Act of 2013, effective December 5, 2013 (D.C. Law 20-46) (the “Income Tax Secured Bond Authorization Act of 2013”) and, together with the Home Rule Act, the Income Tax Secured Bond Authorization Act of 2008 and the Income Tax Secured Bond Authorization Act of 2011, the “Authorizing Actions”), adopted by the Council of the District of Columbia, and pursuant to the Master Indenture of Trust, dated as of March 1, 2009, by and between the District and the Trustee (the “Master Trust Indenture”), as previously supplemented, and as further supplemented by the Twentieth Supplemental Indenture of Trust, dated as of November 1, 2015, by and between the District and the Trustee (the “Twentieth Supplemental Indenture,” and together with the Master Trust Indenture, the “Indenture”). Pursuant to the terms, conditions and limitations contained in the Indenture, the District has reserved the right to issue bonds in the future which shall have a parity lien on the Available Tax

Revenues equal to that of the Series 2015A Bonds. Terms used but not defined herein are defined in the Indenture.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any change in law that may hereafter occur.

As to questions of fact material to our opinion, without undertaking to verify the same by independent investigation, we have relied upon the certified proceedings of the District and certifications by public officials.

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

We express no opinion as to the accuracy, adequacy or completeness of the Official Statement relating to the Series 2015A Bonds.

Based on the foregoing, it is our opinion that, under existing law:

1. The District is a body politic and corporate duly created and organized and validly existing for municipal purposes under the Constitution of the United States of America and the Home Rule Act, with corporate power and authority to enter into and perform its obligations under the Indenture, to issue the Series 2015A Bonds, to apply the proceeds of the Series 2015A Bonds in the manner described in the Indenture and to pledge and assign the Trust Estate to the Trustee under the Indenture.

2. The Series 2015A Bonds have been duly authorized and issued in accordance with the Authorizing Actions and constitute valid and binding revenue obligations of the District, enforceable in accordance with their terms, payable as to principal, premium, if any, and interest thereon solely from the revenues and receipts pledged thereto including the Available Tax Revenues pursuant to the Indenture. The Series 2015A Bonds do not constitute or make a pledge or involve the faith and credit or taxing power (other than with respect to the Available Tax Revenues) of the District, do not constitute a debt of the District pursuant to the Home Rule Act and do not constitute a lending of the public credit of the District for a private undertaking prohibited by section 602(a)(2) of the Home Rule Act.

3. The Indenture has been duly authorized, executed and delivered by the District, constitutes a valid and binding agreement of the District and is enforceable against the District in accordance with its terms. The Indenture creates the valid pledge 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) which it purports to create, which pledge secures the payment of the principal of and interest on the Series 2015A Bonds, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

4. Interest on the Series 2015A Bonds is excludable from gross income for federal income tax purposes under existing law. It is noted that under the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), there are certain requirements that must be met subsequent to the issuance of the Series 2015A Bonds in order for the interest on the Series 2015A Bonds to remain excludable from gross income for Federal income tax purposes, including restrictions that must be complied with throughout the term of the Series 2015A Bonds. The District has made certain representations and certain covenants regarding actions required to maintain the excludability of interest on the Series 2015A Bonds from gross income for federal income tax purposes. In the event of noncompliance with such representations and covenants, the available enforcement remedies may be limited by applicable provisions of law and, therefore, may not be adequate to prevent interest on the Series 2015A Bonds from becoming includable in gross income for Federal income tax purposes from the date of delivery of the Series 2015A Bonds, regardless of the date on which the event causing such taxability occurs. It is our opinion that, assuming compliance with such representations and covenants, the interest on the Series 2015A Bonds will remain excludable from gross income for federal income tax purposes under the provisions of the Code.

Interest on the Series 2015A Bonds is not an item of tax preference or adjustment for purposes of the Federal alternative minimum tax imposed on individuals and corporations. However, in calculating corporate alternative minimum tax, a corporation is required to increase its alternative minimum taxable income by 75 percent of the amount by which its “adjusted current earnings” exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For this purpose, “adjusted current earnings” would include, among other items, interest on the Series 2015A Bonds. In addition, interest income on the Series 2015A Bonds will be includable in the applicable taxable base for the purposes of determining the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States.

5. Interest on the Series 2015A Bonds is exempt from taxation by the District, except estate, inheritance and gift taxes.

Other than as set forth in the preceding paragraphs (4) and (5), we express no opinion regarding the federal, District or state income tax consequences arising with respect to the Series 2015A Bonds.

It is to be understood that the rights of the owners of the Series 2015A Bonds and the enforceability of the District’s obligations under the Series 2015A Bonds and the Authorizing Actions may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally and by equitable principles, whether considered at law or in equity.

Very truly yours,

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APPENDIX B

SUMMARY OF CERTAIN DEFINITIONS AND PROVISIONS OF THE INDENTURE

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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.

Additional Bonds means additional Senior Bonds issued pursuant to the Master 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 Master 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 Master 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 refinancing 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, and the refunding of Outstanding Debt.

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

Closing Date means November 24, 2015.

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 Master 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 47-304.27(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 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 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 the 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 the first Business Day of each month, commencing January 4, 2016.

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.

Master 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.

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 Master 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 Master 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 Master 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 Master 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 Master Indenture.

Record Date means with respect to each payment of principal and premium of and interest on each Bond, the date specified as the “record date” therefor in the Supplemental Indenture authorizing such Bond.

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

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

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 Master 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 Master 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 2015A Bonds means the District's Income Tax Secured Revenue Refunding Bonds, Series 2015A (Adjusted SIFMA Rate), authorized to be issued pursuant to the Twentieth 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 Master 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 Master Indenture or any Supplemental Indenture in accordance with the Master 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 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 hereafter 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 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.

Twentieth Supplemental Indenture means the Twentieth Supplemental Indenture of Trust dated as of November 1, 2015, between the District and the Trustee, which supplements the Master Indenture, and authorizes and secures the Series 2015A Bonds.

Summary of Certain Provisions of the Master Indenture

The following is a general summary of certain provisions of the Master 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 Master 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 containing the information required to be set forth by the Master Indenture and authorizing the issuance of a Series of Bonds.

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 Master 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 Master 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 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 Master 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 Master 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 Master 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,

(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 “Additional Bonds,” below, in lieu of compliance with the second paragraph above.

Additional Bonds

The Master 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 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 "The 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 Master 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 defaults and remedies, 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 defaults and remedies, 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 defaults and remedies. Nothing in the Indenture relating to Supplemental Indentures or to defaults and remedies 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.

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 Master 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 Master 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.

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 pursuant to 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 Master 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 in this Appendix concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2015A Bonds. The Series 2015A 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 Series 2015A 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 Series 2015A 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 Series 2015A 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 Series 2015A Bonds, except in the event that use of the book entry system for the Series 2015A 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 Series 2015A 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 Series 2015A 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 Series 2015A 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 Series 2015A 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 Series 2015A 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 Series 2015A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the Series 2015A 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 Series 2015A 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 Series 2015A 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 Series 2015A 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.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Agreement”) dated November 24, 2015, is executed and delivered by the District of Columbia (the “Issuer”) in connection with the issuance and sale of the Issuer’s \$95,575,000 Income Tax Secured Revenue Refunding Bonds, Series 2015A (Adjusted SIFMA Rate) (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 Underwriter in complying with subsection (b)(5) of the Rule.

Section 1.2. Annual Financial Information. (a) Commencing with the Fiscal Year ending September 30, 2015, the Issuer shall provide to the MSRB no later than February 28, 2016, and no later than each succeeding February 28 thereafter, Annual Finance Information with respect to each fiscal year of the Issuer.

Section 1.3. (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 1.4. 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 1.5. 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 1.6. 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 1.7. 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 1.8. 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 (a) available to the public on the MSRB Internet Web site (currently, www.emma.msrb.org) or (b) 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 (i) 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 (ii) 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, 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) 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, 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 due 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:

(a) "Annual Financial Information" means, collectively, (1) updated versions of the following financial information and operating data contained in the Official Statement, for each Fiscal Year of the Issuer, as follows:

(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

(iii) The tables in the Official Statement entitled (a) Table 5 - Pledged Tax Collections, Fiscal Years 2005-2015, (b) Table 6 - Pledged Taxes Rates, Fiscal Years 2005-2016, (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 Taxes Collections, as received by Collection Agent and by District, Fiscal Years 2013-2015; and

(iv) 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(a) 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.

(b) “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.

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

(d) “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.

(e) “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.

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

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;

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

(7) modifications to rights of Bondholders, if material;

(8) Bond calls, if material, and tender offers;

(9) defeasances;

(10) release, substitution, or sale of property securing repayment of the Bonds, if material;

(11) rating changes;

(12) bankruptcy, insolvency, receivership or similar event;

(13) 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

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

With regard to the reportable event described in subsection 4.1(f)(12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(g) “Official Statement” means the Official Statement dated November 10, 2015, of the Issuer relating to the Bonds.

(h) “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.

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

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

DISTRICT OF COLUMBIA

By: _____
Jeffrey Barnette
Deputy Chief Financial Officer and Treasurer

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APPENDIX E⁽¹⁾

PLANNED AMORTIZATION SCHEDULE

| | Series 2011E⁽²⁾ (2017 Maturity) | Series 2014B⁽²⁾ (2015 Maturity) | Series 2014B⁽²⁾ (2016 Maturity) | Series 2014B⁽²⁾ (2017 Maturity) | Series 2015A⁽²⁾ (2016 Maturity) | Total |
|--------------|---|---|---|---|---|----------------------|
| 12/1/2015 | \$ | \$2,715,000 | \$ | \$ | \$ | \$ 2,715,000 |
| 12/1/2016 | | | 7,135,000 | | 5,415,000 | 12,550,000 |
| 12/1/2017 | 175,000 | | | 7,440,000 | 4,535,000 | 12,150,000 |
| 12/1/2018 | 9,545,000 | | | 7,910,000 | 9,515,000 | 26,970,000 |
| 12/1/2019 | | | | 8,345,000 | 4,985,000 | 13,330,000 |
| 12/1/2020 | | | | 205,000 | 475,000 | 680,000 |
| 12/1/2021 | | | | 200,000 | 470,000 | 670,000 |
| 12/1/2022 | 8,030,000 | | | 695,000 | 10,465,000 | 19,190,000 |
| 12/1/2023 | 12,410,000 | | | 695,000 | 6,630,000 | 19,735,000 |
| 12/1/2024 | 6,395,000 | | | 695,000 | 13,240,000 | 20,330,000 |
| 12/1/2025 | 13,180,000 | | | 700,000 | 7,020,000 | 20,900,000 |
| 12/1/2026 | 6,790,000 | | | 700,000 | 14,045,000 | 21,535,000 |
| 12/1/2027 | | | | 1,065,000 | 610,000 | 1,675,000 |
| 12/1/2028 | | | | 3,850,000 | 2,280,000 | 6,130,000 |
| 12/1/2029 | | | | 4,010,000 | 2,375,000 | 6,385,000 |
| 12/1/2030 | | | | 4,165,000 | 2,460,000 | 6,625,000 |
| 12/1/2031 | | | | 1,830,000 | 5,285,000 | 7,115,000 |
| 12/1/2032 | | | | 4,475,000 | 2,645,000 | 7,120,000 |
| 12/1/2033 | | | | 4,045,000 | 3,125,000 | 7,170,000 |
| Total | \$56,525,000 | \$2,715,000 | \$7,135,000 | \$51,025,000 | \$ 95,575,000 | \$212,975,000 |

⁽¹⁾ Does not include the 2015 planned amortization associated with the Series 2011B and Series 2011E.

⁽²⁾ Balloon Maturity with a planned amortization as shown.

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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 2015A
(ADJUSTED SIFMA RATE)**

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FOR PART 2**

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GOVERNMENT OF THE DISTRICT OF COLUMBIA

RESIDENTS

EXECUTIVE BRANCH

MAYOR

City Administrator

Deputy Mayor for Greater Economic Opportunity

Deputy Mayor for Education

Deputy Mayor for Planning and Economic Development

Deputy Mayor for Health and Human Services

Deputy City Administrator/ Deputy Mayor for Public Safety and Justice

Metropolitan Police Department

Fire and Emergency Medical Services Department

Department of Public Works

Department of General Services

Office of the Chief Technology Officer

Department of Motor Vehicles

Office of Risk Management

Office of Human Rights

Office of Policy and Legislative Affairs

Office of Federal and Regional Affairs

Office of the Secretary

Office of the General Counsel

Office of Partnerships and Grants

Office of Communications: Mayor's Correspondence Unit

Office of Talent and Appointments

Office of Scheduling and Advance

Office of Community Affairs

Clean City Office

Office of Community Relations and Services

Youth Advisory Council

ServeDC

Office of African Affairs

Office of Asian and Pacific Islander Affairs

Office of LGBT Affairs

Office of Latino Affairs

Office of Religious Affairs

Office of Veteran Affairs

Office of Returning Citizens Affairs

Office on Women's Policy and Initiatives

JUDICIAL BRANCH

DC Court of Appeals

DC Superior Court

Joint Committee on Judicial Administration

Commission on Judicial Disabilities and Tenure

Judicial Nomination Commission

Sentencing and Criminal Code Revision Commission

LEGISLATIVE BRANCH

Council of the District of Columbia

DC Auditor

Advisory Neighborhood Commissions

Office of the Chief Financial Officer

Office of Budget and Planning

Office of Tax and Revenue

Office of Finance and Treasury

Office of Revenue Analysis

Office of Financial Operations and Systems

Lottery and Charitable Games Control Board

Office of Budget and Finance

Department of Small and Local Business

Department of Employment Services

Office of African-American Affairs

Commission on Fathers, Men, and Boys

DC Public Schools

Office of the State Superintendent of Education

Department of Parks and Recreation

Public Charter School Board

Public Charter Schools

University of the District of Columbia (including UDC Community College)

Department of Housing and Community Development

Department of Consumer and Regulatory Affairs

Department of Transportation

Office of Planning

Department of the Environment

Department of Insurance, Securities, and Banking

Office of Film, Television, and Entertainment

Commission on the Arts and Humanities

Taxicab Commission

Department of Health

Department of Human Services

Child and Family Services Agency

Department of Disability Services

Department of Behavioral Health

Department of Youth Rehabilitation Services

Department of Health Care Finance

Office on Aging

Office of Disability Rights

Metropolitan Police Department

Fire and Emergency Medical Services Department

Homeland Security and Emergency Management Agency

Department of Corrections

Department of Forensic Sciences

Office of Unified Communications

Office of the Chief Medical Examiner

Justice Grants Administration

Office of Victim Services

Corrections Information Council

Department of Human Resources

Department of Public Works

Department of General Services

Office of the Chief Technology Officer

Department of Contracting and Procurement

Department of Motor Vehicles

Office of Risk Management

Office of Human Rights

Office of Policy and Legislative Affairs

Office of Federal and Regional Affairs

Office of the Secretary

New Columbia Statehood Commission*

Office of the Statehood Delegation

Office of the General Counsel

Office of Partnerships and Grants

Office of Communications: Mayor's Correspondence Unit

Office of Talent and Appointments

Office of Scheduling and Advance

Office of Community Affairs

Clean City Office

Office of Community Relations and Services

Youth Advisory Council

ServeDC

Office of African Affairs

Office of Asian and Pacific Islander Affairs

Office of LGBT Affairs

Office of Latino Affairs

Office of Religious Affairs

Office of Veteran Affairs

Office of Returning Citizens Affairs

Office on Women's Policy and Initiatives

- CHARTER INDEPENDENT AGENCIES**
- Board of Elections (including the Office of Campaign Finance)
 - Public Service Commission
 - Zoning Commission

- INDEPENDENT AGENCIES**
- Alcoholic Beverage Regulation Administration
 - Board of Ethics and Government Accountability
 - Contract Appeals Board
 - Criminal Justice Coordinating Council
 - DC Housing Authority
 - DC Public Library
 - DC Retirement Board
 - DC Water (Water and Sewer Authority)
 - Health Benefit Exchange Authority
 - Housing Finance Agency
 - New Columbia Statehood Commission
 - Not-for-Profit Hospital Corporation
 - Office of Administrative Hearings
 - Office of Employee Appeals
 - Office of the People's Counsel
 - Office of the Statehood Delegation
 - Office of the Tenant Advocate
 - Office of Zoning
 - Public Charter School Board
 - Public Employee Relations Board
 - Real Property Tax Appeals Commission
 - State Board of Education
 - University of the District of Columbia (including UDC Community College)
 - Washington Convention and Sports Authority

- REGIONAL BODIES**
- Metropolitan Washington Council of Governments
 - National Capital Planning Commission
 - Washington Metropolitan Area Transit Authority
 - Washington Metropolitan Area Transit Commission
 - Washington Metropolitan Airports Authority



NOTE: Agencies enclosed within dashed boxes are independent agencies.

* The New Columbia Statehood Commission is co-chaired by the Mayor and the Council Chairman.

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THE DISTRICT OF COLUMBIA

Creation and Charter

The District of Columbia was created in 1791 by an 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. No. 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 on District debt, 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 hospital, a stadium and armory complex, a convention center, a water and sewer system, a housing finance agency 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. Seven members of the Council, including the Chairman, were elected in the general election held on November 4, 2014. A special election was held on April 28, 2015 to fill the vacancies on the Council for Wards 4 and 8, and such Council members were sworn in on May 14, 2015.

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 and the District of Columbia Auditor pursuant to the Home Rule Act described below), 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 with a limited duration, 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 that would exceed in height above the sidewalk the width of the street, avenue, or highway in its front, increased by 20 feet. In addition, the District cannot tax federal properties.

Judicial Branch. The judicial power of the District is vested in a Superior Court and a Court of Appeals (together, 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”) (subject to Council approval and Congressional review), 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. Muriel Bowser was elected as Mayor in the general election held on November 4, 2014 and was sworn into office on January 2, 2015.

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, a Deputy Mayor for Public Safety and Justice, and a Deputy Mayor for Greater Economic Opportunity.

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 with no term limits. 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.

The Attorney General for the District of Columbia. The Attorney General for the District of Columbia (the “Attorney General”) is charged to conduct all law business of the District and handle all lawsuits instituted by and against the District government. The Attorney General is also responsible for upholding the public interest and may intervene in legal proceedings on behalf of the public interest. Until recently, the Attorney General was appointed by the Mayor and confirmed by the Council. Pursuant to an amendment to the Home Rule Act, the Attorney General has become an elected official. Karl A. Racine was elected as Attorney General in the general election held on November 4, 2014 and was sworn into office on January 2, 2015.

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 (excluding industrial revenue bonds).

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 supervises and assumes responsibility for financial transactions to ensure adequate control of revenues and resources and that appropriations are not exceeded, maintains systems of accounting and internal control, supervises and assumes responsibility for levying and collecting all taxes, fees and other revenues, maintains custody of all public funds and all investments and invested funds, and assists 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. Further, the CFO must prepare annual estimates of all revenues of the District which are binding on the Mayor and the Council for purposes of preparing and submitting the annual budget. The CFO also must prepare and submit to the Mayor and the Council, and make public, quarterly re-estimates of the revenues of the District during the year.

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, certain personnel performing financial functions in the District's various agencies (including independent agencies) report to the CFO.

The Mayor, with the advice and consent of the Council, appoints the CFO for a term of five years. Upon confirmation by the Council, the appointment is submitted to the Committees on Appropriations of the Senate and the House of Representatives, 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.

Jeffrey S. DeWitt was sworn in as the District's CFO on January 2, 2014, and his term will expire on June 30, 2017. Mr. DeWitt's term is shorter than the statutory five-year term described above, as he is completing the remainder of the term of the District's prior CFO.

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 Office of the United States Attorney for the District of Columbia.

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. On October 28, 2014, the Council approved the Mayor’s nomination of Daniel W. Lucas as the new Inspector General. He was sworn into office on November 17, 2014.

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.

The District Auditor is also required to certify the Mayor’s estimate of local revenues for purposes of the general obligation bond debt limitation. Kathleen Patterson was sworn in as District Auditor on December 4, 2015, and her term will expire on February 25, 2017. Ms. Patterson’s term is shorter than the statutory six-year term described above, as she is completing the remainder of the term of the prior District Auditor.

Office of Integrity and Oversight. In 2003, the CFO created an Office of Integrity and Oversight (“OIO”) for the purpose of conducting regular audits of the office of the CFO operations, identifying those operational procedures and processes that need to be modified, updated or strengthened, recommending appropriate changes and monitoring the implementation of those changes. Such audits are in addition to the investigative audits conducted by the OIG, the District Auditor and the District’s independent outside auditors.

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, however, 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.

The Authority

Pursuant to the District of Columbia Financial Responsibility and Management Assistance Act of 1995, Pub. L. No. 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 initial Control Period terminated on February 14, 2001 and the Authority 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 issued by the District; (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 unless Congress were to change the law.

Federal Funding

Overview. The federal government assumes the costs of certain District state-like functions, such as the Courts and incarceration of convicted felons, 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 improvements and the Tuition Assistance Grant program, which do appear in the District's budget. In Fiscal Year 2014, the District directly received federal revenues in the total aggregate amount of approximately \$3.55 billion. See Table 1 herein.

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.

The implementation of certain provisions of the Budget Control Act of 2011 (Pub. L. No. 112-25) (the "Budget Control Act"), which was signed into law by the President on August 2, 2011, has adversely impacted the District, although the impact to date has been less than originally anticipated. 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 – was implemented beginning in Fiscal Year 2013, resulting in automatic cuts to federal spending for designated agencies and programs of \$1.2 trillion. These federal spending cuts are to be spread evenly over Fiscal Years 2013 through 2021. Although sequestration reduces the availability of certain federal funds typically received annually by the District, portions of certain federal programs, including Medicaid and federal spending for highways, to the extent otherwise subject to obligation limitations, are currently exempt from sequestration. The District estimates the annual revenue reductions

from the sequestration to be approximately \$20 to \$30 million for Fiscal Years 2014 and 2015. In addition, the District has estimated a potential annual reduction of approximately \$40 million of federal grant revenues, and \$10 million of federal payments for Fiscal Years 2013 through 2021. Even if sequestration is modified, the District may face reduced federal grant awards in future years as a result of overall efforts to control federal spending. The reduction to federal grant revenues is a separate issue from the effects of sequestration, or other potential federal cutbacks, on the District's local funds revenues as a result of reduced federal activity in the District of Columbia and the region, and the resulting overall economic impact.

Federal Direct Subsidy Payments. The District issued its Income Tax Secured Revenue Bonds, Series 2009E, Income Tax Secured Revenue Bonds, Series 2010F and General Obligation Bonds, Series 2010A as BABs (as defined below) (collectively, the "District BABs"). The District issued its Income Tax Secured Revenue Bonds, Series 2010D as QSCBs (as defined below) (together with the District BABs, the "Direct Subsidy Bonds"). Federal direct subsidy payments are available to the District to support debt service payments on the Direct Subsidy Bonds.

As part of the American Recovery and Reinvestment Act of 2009 ("ARRA"), Congress added provisions to the Internal Revenue Code of 1986, as amended (the "Code") that permitted state or local governments to issue bonds as "build America bonds" or "BABs." BABs were required to meet certain requirements of the Code and the related Treasury regulations, and the issuer was required to make an irrevocable election to have the special rule for qualified bonds apply. Interest on BABs is not excluded from gross income for purposes of federal income taxation.

Under the Code, an issuer of BABs could apply to receive direct subsidy payments from the Secretary of the United States Department of the Treasury (the "Treasury"). To receive a direct subsidy payment for BABs, under existing procedures, the issuer of the BABs must file a tax return (designated as Form 8038-CP) between 90 and 45 days prior to the corresponding bond interest payment date, with such issuer to receive the direct subsidy payment contemporaneously with the interest payment date with respect to such bond. Depending on the timing of the filing and other factors, the direct subsidy payment on BABs may be received before or after the corresponding interest payment date.

Under the Code, an issuer also may issue "qualified school construction bonds" or "QSCBs," the proceeds of which may be used to construct, rehabilitate or repair a public school facility, to acquire land, provided that the facility to be constructed with the same issue of QSCBs will be located on the land, and to acquire equipment or furniture provided that the equipment or furniture is to be used in the portion of the public school facility that is being constructed, rehabilitated or repaired with the proceeds of the QSCBs. These bonds may be issued by a state or local government within the jurisdiction in which the public school facility is located and bond proceeds are required to be spent for a facility located within the jurisdiction of the issuer. Issuers of QSCBs may elect to receive direct subsidy payments from the Treasury for interest payments on QSCBs. The District made such an election for its issuance of QSCBs.

The direct subsidy payments paid to the District in Fiscal Year 2015 were \$18.4 million. The direct subsidy payments scheduled to be paid to the District (prior to any impact of sequestration) are approximately \$19.7 million in Fiscal Year 2016. Direct subsidy payments are not reflected in Table 1 herein.

There can be no assurances that the District will receive the direct subsidy payments on the Direct Subsidy Bonds, as such payments do not constitute a full faith and credit guarantee of the United States of America. Direct subsidy payments are required to be paid by the Treasury under ARRA. The amount of any direct subsidy payment is subject to change by Congress. The direct subsidy payments will only be paid if the Direct Subsidy Bonds continue to be qualified under federal requirements. The District is

obligated to make all payments of principal of and interest on the Direct Subsidy Bonds whether or not it receives the direct subsidy payments from the Treasury.

Direct subsidy payments are also subject to offset against certain amounts that may, for unrelated reasons, be owed by the District to an agency of the federal government. Any such offset would occur as part of the Treasury’s Offset Program, which collects delinquent amounts due to federal agencies and states in accordance with 26 U.S.C. §6402(d), 31 U.S.C. §3720A, and other applicable laws. From time to time payments of various amounts due to the District, including direct subsidy payments, have been delayed by the federal government pending resolution of a particular claim or dispute. In each case, the District has promptly resolved the matter.

Sequestration also affected the amount of direct subsidy payments received by the District. According to the Office of Management and Budget, budget cuts resulting from sequestration amounted to a 7.3% reduction in direct subsidy payments in Fiscal Year 2015. Federal budget cuts in Fiscal Year 2016 related to sequestration reduced the expected direct subsidy payments to the District by 6.8% or approximately \$1.3 million.

Table 1. Federal Revenues, by Category
Fiscal Year 2014
(\$ in thousands)

| | | |
|--|-----------|---------------------------|
| Pension Contributions ⁽¹⁾ | \$467,290 | |
| Federal Payments in the District’s Budget, Operating | 52,556 | |
| Federal Payments in the District’s Budget, Capital | <u>0</u> | |
| Federal Payments, Total | | 519,846 |
| Federal Operating Grants | | 2,848,720 |
| Federal Capital Grants | | <u>178,217</u> |
| Total | | <u>\$3,546,783</u> |

⁽¹⁾ 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. No. 105-33.

Source: District’s CAFR for Fiscal Year 2014.

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 of approximately \$151 million in Fiscal Year 2010, \$126 million in Fiscal Year 2011, \$74 million in Fiscal Year 2012, \$59 million in Fiscal Year 2013 and \$53 million in Fiscal Year 2014. In addition to these amounts, the federal government contributed funds for certain retirement programs for District employees, totaling approximately \$519 million in Fiscal Year 2010, \$492 million in Fiscal Year 2011, \$482 million in Fiscal Year 2012, \$496 million in Fiscal Year 2013, and \$467 million in Fiscal Year 2014, 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 certain increases within ARRA) in the amount of approximately \$2.2 billion in Fiscal Year 2010, \$2.4 billion in Fiscal Year 2011, \$2.6 billion in Fiscal Year 2012, \$2.7 billion in Fiscal Year 2013 and \$2.8 billion in Fiscal Year 2014. Capital grants to the District, which are used to purchase or construct fixed assets, such as land, utility plants, buildings and equipment, totaled approximately \$244.3 million in Fiscal Year 2010, \$173.0 million in Fiscal Year 2011, \$261.4 million in Fiscal Year 2012, \$270.8 million in Fiscal Year 2013 and \$178.2 million in Fiscal Year

2014, the bulk of which were United States Highway Trust Fund moneys provided for public infrastructure improvements.

The District also receives Community Development Block Grant (“CDBG”) funds from the U.S. Department of Housing and Urban Development (“HUD”), and the District’s Department of Housing and Community Development (“DHCD”) has been working with HUD to resolve an issue relating to approximately \$28.5 million of CDBG funds received by the District. On June 29, 2015, HUD officially notified DHCD that \$372,000 of the \$28.5 million CDBG grant fund received by the District must be returned to HUD to close this discussion. The District is in the process of returning the funds to HUD.

The District repaid the federal government in Fiscal Year 2015 for disallowances of \$57.6 million of Medicaid claims. These claims date back to Fiscal Years 2003 through 2006 in the Child and Family Services Agency and the District of Columbia Public Schools. Repayment of these claims to the federal government had been accrued as a liability in Fiscal Year 2008, in anticipation of a disallowance based on audited cost reports. This accrual negatively affected the District’s fund balance as reported in the CAFR that year and in each subsequent year. As of Fiscal Year 2014, the federal government had not issued a disallowance letter, therefore the accrual had never been paid. Consequently, the accrual was moved out of the General Fund to long-term liabilities in Fiscal Year 2014, which had the effect of increasing the District’s fund balance at the end of Fiscal Year 2014. In Fiscal Year 2015, the Centers for Medicare and Medicaid Services issued the disallowances, and the District made the repayment from General Fund revenues.

DISTRICT TAXES

Table 2 shows the rates of the major taxes of the District, including the Pledged Taxes (as defined in Part 1 of this Official Statement), and the amount collected for Fiscal Years 2012-2016.

Table 2. Major Tax Rates
Fiscal Years 2012-2016

| | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|---|--------------------------|--------------------------|--------------------------|--------------------------|-----------------------------|
| Property⁽¹⁾ | | | | | |
| Real | | | | | |
| Class 1 | 0.85 | 0.85 | 0.85 | 0.85 | 0.85 |
| Class 2 | 1.65/1.85 ⁽²⁾ | 1.65/1.85 ⁽²⁾ | 1.65/1.85 ⁽²⁾ | 1.65/1.85 ⁽²⁾ | 1.65/1.85 ⁽²⁾ |
| Class 3 | 5.00 | 5.00 | 5.00 | 5.00 | 5.00 |
| Class 4 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| Personal | 3.40 | 3.40 | 3.40 | 3.40 | 3.40 |
| Sales and Use⁽³⁾ | | | | | |
| General⁽⁴⁾ | 0.06 | 0.06 | 0.0575 | 0.0575 | 0.0575 |
| Selective | | | | | |
| Cigarettes⁽⁵⁾ | 2.86 ⁽⁶⁾ | 2.86 ⁽⁶⁾ | 2.86 ⁽⁶⁾ | 2.90 ⁽⁶⁾ | 2.90 ⁽⁶⁾ |
| Motor Fuel⁽⁷⁾ | 0.235 | 0.235 | 0.235 | 0.235 | 0.235 |
| Income and Receipts⁽⁸⁾ | | | | | |
| Individual | 0.04-0.0895 | 0.04-0.0895 | 0.04-0.0895 | 0.04-0.0895 | 0.04-0.0895 ⁽¹⁵⁾ |
| Business | 0.09975 | 0.09975 | 0.09975 | 0.0940 | 0.0920 ⁽¹⁵⁾ |
| 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⁽¹³⁾ | 0.0077 | 0.0077 | 0.0077 | 0.0077 | 0.0077 |
| 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 ("WCCA"), 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 (as defined below) 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⁾ Dollars (\$) per pack.

⁽⁶⁾ Beginning in Fiscal Year 2012, a wholesale surcharge of \$0.36 was added to the \$2.50 per pack stamp tax on cigarettes. This surcharge will be reviewed and adjusted as necessary annually in March. Beginning in Fiscal Year 2015, \$0.04 was added to the cigarette tax.

⁽⁷⁾ Dollars (\$) 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 non-residential 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⁾ \$0.007 per Kilowatt-hour of electricity delivered to end-users in the District.

⁽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 Revenue 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 \$16,000,000, the fee is \$16,500

⁽¹⁵⁾ See further discussion of these tax rates applicable to Fiscal Year 2016 under the caption "DISTRICT TAXES – Tax Reductions – Estimated Impact of Tax Reductions on Local General Fund Revenues."

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

Table 3 shows tax revenues by source, as collected by the District over the last ten fiscal years and presented on a modified accrual basis.

Table 3. Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting, \$ in thousands)

| Fiscal Year | Property Tax | | | Sales and Use | Income and Franchise | Gross Receipts | Other Taxes | Total |
|-------------|--------------|----------|----------|---------------|----------------------|----------------|-------------|-------------|
| | Real | Personal | Rental | | | | | |
| 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 | 34,264 | 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 |
| 2012 | 1,843,918 | 55,734 | 35,134 | 1,218,576 | 1,956,590 | 319,036 | 404,066 | 5,833,054 |
| 2013 | 1,940,169 | 54,878 | 45,450 | 1,247,374 | 2,094,179 | 345,852 | 400,308 | 6,128,210 |
| 2014 | 2,037,905 | 55,413 | 41,719 | 1,282,573 | 2,094,754 | 389,539 | 423,354 | 6,325,257 |

Source: District's CAFR for Fiscal Year 2014; Statistical Section, Exhibit S-1E.

Tax Reductions

Estimated Impact of Tax Reductions on Local General Fund Revenues. As part of the Fiscal Year 2015 Approved Budget, the Council enacted certain tax cuts and changes set forth in the Fiscal Year 2015 Budget Support Emergency Act of 2014, enacted July 14, 2014 (D.C. Act 20-377) (the "Emergency FY15 BSA") and the Fiscal Year 2015 Budget Support Act of 2014, effective February 26, 2015 (D.C. Law 20-155) (the "FY15 BSA", together with the Emergency FY15 BSA, the "BSA"). The BSA sets forth tax cuts and changes that encompass real property taxes, individual and business income taxes and sales taxes. The BSA provides limited property tax exemptions to several properties in the District and allows eligible seniors over the age of 75 who have lived in the District for more than 25 years to defer payment of property taxes at reduced or no interest charge. The changes in the BSA to personal and business income taxes are broader. The BSA reduces the marginal tax rate on individual income of \$40,000 to \$60,000 from 8.5% to 7.0%, and reduces the incorporated and unincorporated business tax rate from 9.975% to 9.4%, effective January 1, 2015.

The BSA also provides tax relief for certain senior citizens based on specified factors, including age and gross income, establishes a single weighted sales apportionment factor for business income purposes, exempts certain entities that trade on their own accounts from the Unincorporated Business Franchise Tax, and institutes an income tax credit for conversion of vehicles to run on alternative fuels and installation of alternative fuel charging stations. In addition, the Fiscal Year 2015 Approved Budget provides for additional staffing at the Office of Tax and Revenue to strengthen and enhance tax collections (primarily income tax and business franchise tax). The BSA also broadens the sales tax base and modifies tobacco taxation. Net revenues are estimated to increase by approximately \$35.2 million in Fiscal Year 2018. The BSA also establishes certain tax reductions and changes that did not have a fiscal impact in Fiscal Year 2015.

Conditional Tax Reductions. The BSA also directs additional tax cuts, including further reduction of individual income tax rates, further reduction of the business franchise tax rate, and an increase in standard deductions and personal exemptions (the "Additional Tax Cuts") based on certain conditions and priorities, including recurring increases in projected revenues under certain circumstances.

The BSA directed that the revenue estimate issued in February 2015 be used to determine whether any Additional Tax Cuts in Fiscal Year 2016 could be implemented. The February 2015 Revenue Estimate established that none of the conditions were met to implement any such tax cuts.

The Council adopted the Fiscal Year 2016 Budget Support Act of 2015, effective October 22, 2015 (L21-36) that authorized the September 2015 Revenue Estimate be used to determine whether the Additional Tax Cuts for 2016 were feasible. Based on the September 2015 Revenue Estimate, revenues are sufficient in Fiscal Years 2016 through 2019 to implement the following Additional Tax Cuts and the new tax rates will take effect on January 1, 2016 (the “Triggered Tax Cuts”).

Table 4. Triggered Tax Cuts Effective in Tax Years Beginning After December 31, 2015⁽¹⁾

| <u>Tax Changes Triggered</u> | <u>Estimated Revenue Reductions in Calendar Year 2016</u> |
|--|---|
| 1) Reduce the rate on the new individual income tax middle bracket of \$40,000 to \$60,000 from 7.0% to 6.75% | \$ (7,116,476) |
| 2) Create a new individual income tax bracket of \$350,000 to \$1 Million at 8.75%, income greater than \$1 Million remains at 8.95% | (4,734,236) |
| 3) Reduce unincorporated and incorporated business franchise tax from 9.4% to 9.2% | (9,692,161) |
| 4) Reduce the new individual income tax middle bracket of \$40,000 to \$60,000 from 6.75% to 6.5% ⁽²⁾ | <u>(7,116,330)</u> |
| TOTAL | <u>\$(28,659,203)</u> |

⁽¹⁾ The BSA set forth a priority list to implement the Additional Tax Cuts. Based on the September 2015 Revenue Estimate, sufficient funds are estimated to be available to implement the Triggered Tax Cuts simultaneously.

⁽²⁾ This was a second reduction in the same tax bracket triggered by the additional revenues as reflected in the September 2015 Revenue Estimate.

Source: District of Columbia Office of Revenue Analysis.

The full priority list may be found in a table accompanying the September 2015 Revenue Estimate.

Table 5 describes the estimated revenue reductions for Fiscal Years 2015 through 2019 upon implementation of the tax reductions and changes, and based on calculation methods applicable to each tax category. The actual changes in tax revenues could vary from these estimates. Table 5 does not include certain non-tax revenue reductions that are estimated to total approximately \$120,000 in each fiscal year through 2019. See Table 7 for information on how Triggered Tax Cuts affect revenue estimates for Fiscal Years 2015 through 2019.

Table 5. Triggered Tax Cuts, Tax Changes and Estimated Revenue Reductions
Fiscal Years 2015-2019
(\$ in thousands)

| <u>Revenue Source</u> | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2019</u> |
|-----------------------|-------------------|-------------------|-------------------|-----------------|-----------------|
| Property Tax | \$ (4,872) | \$ (1,825) | \$ (1,777) | \$ (1,720) | \$ (1,720) |
| Income Tax | | | | | |
| Individual Income Tax | (55,008) | (75,259) | (78,892) | (82,094) | (85,449) |
| Business Income Taxes | (14,635) | (25,813) | (26,867) | (23,611) | (20,695) |
| Sales/Use Tax | 16,200 | 17,379 | 17,561 | 75,399 | 75,399 |
| Excise Tax | - | - | - | \$ 3,116 | 3,116 |
| TOTAL | \$(29,656) | \$(55,486) | \$(58,439) | \$ 3,698 | \$ 4,368 |

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

After the budget and financial plan for Fiscal Year 2016 has been approved or deemed approved by Congress, any recurring revenues in a quarterly revenue estimate preceding any subsequent fiscal year (net of the dedicated deposit to the Pay-as-you-go Capital Account pursuant to D.C. Official Code § 47-392.02(f)), that exceed the local revenue incorporated in the approved budget and financial plan for that fiscal year (the “Excess Revenues”), will be used to continue the implementation of the Additional Tax Cuts (assuming they had not otherwise already been fully implemented) beginning on January 1 of each applicable year in accordance with the priorities set forth in the BSA, and only to the extent that the Excess Revenues equal to or exceed the cost of the Additional Tax Cuts. The actual cost of the Additional Tax Cuts will be recalculated on an annual basis and reported in each applicable February revenue estimates issued by the CFO.

Financial Procedures

Audit and Accounting Practices. The District’s Fiscal Year covers the 12-month period between October 1 of one calendar year and September 30 of the next calendar year. The District uses Generally Accepted Accounting Principles (“GAAP”) for governments, established by the Governmental Accounting Standards Board (“GASB”), to account for its assets, liabilities, equity and results of operations. The budgetary basis of accounting is used to prepare budgetary comparison statements; however, the District’s financial statements are prepared using GAAP. GAAP basis statements include a number of revenue, expenditure and source and use items which are excluded from the budget. Consequently, the GAAP-based presentation provides a more comprehensive view of the activities in the General Fund (the District’s principal operating fund). Since Fiscal Year 1980, the financial statements of the District have been prepared in accordance with GAAP for governments and audited by Independent Certified Public Accountants. Additional information concerning the District’s accounting policies is provided in the disclosures contained in the Notes to the Basic Financial Statements (as set forth in the Fiscal Year 2014 Financial Statements), which explain the items presented in the main body of the financial statements.

Revenue Estimates and Expenditure Projections. The Home Rule Act requires the CFO to submit quarterly estimates of all revenues of the District to the Mayor and Council. The most recent revenue estimates for the District for Fiscal Years 2015-2019 was submitted by the CFO on September 30, 2015 (the “September 2015 Revenue Estimate”). Forecasted revenues in the September 2015 Revenue Estimate, including legislative changes made in June 2015, increased by \$113.5 million in Fiscal Year 2015 and by \$2.7 million in Fiscal Year 2016 from the revenue estimate submitted by the CFO on June 30, 2015. Table 6 below shows the revenue estimates for the District for Fiscal Years 2015-2019, as included in the September 2015 Revenue Estimate.

Table 6. Local Source, General Fund Revenue Estimates

(\$ in millions)

| | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2019</u> |
|--|----------------|----------------|----------------|----------------|----------------|
| September 2014 Revenue Estimate | \$6,660.9 | \$6,869.3 | \$7,091.0 | \$7,311.2 | \$ NA |
| December 2014 Revenue Estimate | 6,577.6 | 6,829.8 | 7,047.3 | 7,332.7 | NA |
| February 2015 Revenue Estimate | 6,614.6 | 6,869.8 | 7,098.7 | 7,347.7 | 7,579.9 |
| June 2015 Revenue Estimate | 6,731.2 | 6,904.8 | 7,134.2 | 7,384.9 | 7,618.9 |
| September 2015 Revenue Estimate ⁽¹⁾ | 6,844.7 | 6,907.5 | 7,137.9 | 7,388.6 | 7,622.6 |

⁽¹⁾ Includes June 2015 legislative changes, primarily attributable to taxation of vapor cigarette products and corporate tax reform related to tax havens. Does not include the effect of the Triggered Tax Cuts.

Sources: CFO’s Revenue Estimates.

The higher September 2015 Revenue Estimate for Fiscal Year 2015 is largely attributable to an increase in sales tax revenue of \$73.6 million which is related to a one-time settlement payment the District received from on-line travel agencies for sales taxes owed in connection with hotel bookings which had not been reflected in previous revenue estimates because the timing and amount of the settlement were uncertain. In addition, local deed recordation and deed transfer taxes, as well as estate taxes, were increased by \$39.3 million. The moneys derived from the settlement payment have already been allocated to expenditures in the supplemental budget for Fiscal Year 2015 and, therefore, will not be available for allocation in the Fiscal Year 2016 Adopted Budget.

Table 6 does not reflect Triggered Tax Cuts for Fiscal Year 2016 pursuant to the BSA. The Triggered Tax Cuts are currently estimated to reduce District revenues by approximately \$28.7 million in Fiscal Year 2016, \$30 million in Fiscal Year 2017, \$31.5 million in Fiscal Year 2018 and \$32.6 million in Fiscal Year 2019. Modest year-over-year revenue increases in each of Fiscal Years 2016-2019 are expected to be realized, despite implementation of the Triggered Tax Cuts. Table 7 below shows the revenue estimates for the District for Fiscal Years 2016-2019 including the Triggered Tax Cuts, as included in the September 2015 Revenue Estimate.

Table 7. September Revenue Estimate Including Triggered Tax Cuts

(\$ in millions)

| Local Source, General Fund Revenue Estimate | Actual | | Estimate | | Projected | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | <u>FY 2014</u> | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2019</u> |
| FY 16 Adopted Budget <i>(Based on the February revenue estimate and includes June legislative changes)</i> | \$6,307.4 | \$6,614.6 | \$6,869.8 | \$7,098.7 | \$7,347.7 | \$7,579.9 |
| <i>Additional revenue since February revenue estimate</i> | | 230.0 ⁽¹⁾ | 37.7 | 39.2 | 40.9 | 42.7 |
| <i>Effect of the Triggered Tax Cuts⁽²⁾</i> | | | (28.7) | (30.0) | (31.5) | (32.6) |
| September Revenue Including the effect of the Triggered Tax Cuts | 6,307.4 | 6,844.7 | 6,878.8 | 7,107.9 | 7,357.1 | 7,590.0 |

⁽¹⁾ Fiscal Year 2015 additional revenues are one-time gains that have been already allocated.

⁽²⁾ See Table 5 for more details regarding the tax categories contributing to the cumulative tax cuts reflected in this table.

Source: September 2015 Revenue Estimate.

The District's revenue outlook is predicated on continuing improvement in the national economy, and assumes that growth in the District's economy will also accelerate, adding both jobs and population over the period of the financial plan. Some significant measures to reduce federal spending are, however, expected to be in effect during the period of the financial plan, with the severity of their impact diminishing over time. Population growth has been a major factor in increasing the District's income and sales tax bases, and is also a major driving force behind rising home values. In the last five years (2009 to 2014), the District's population has grown by 66,665 (11.3%), an increase that has averaged more than 1,000 net new residents per month over this time.

The CFO notes that there has been little change in the outlook for the District's economy since the June 30, 2015 Revenue Estimate (the "June 2015 Revenue Estimate"). With respect to the underlying economic assumptions, in the September 2015 Revenue Estimate, the Office of the CFO notes that such assumptions should be viewed (i) keeping in mind the possible adverse impact on the District's economy of federal fiscal decisions in coming months and (ii) as noted in the June 2015 Revenue Estimate, against a background of an improving national economy, federal spending constraints, and fairly strong employment and income gains over the past several months. The economic assumptions in the September 2015 Revenue Estimate include the following, among others assumptions:

- Job growth increasing from 0.8% in Fiscal Year 2014 to 1.5% in Fiscal Year 2015, and 1.1% in Fiscal Year 2016;
- Population growth continuing at a slightly slower pace (18,100 or 2.8% over Fiscal Years 2015 and 2016) with resident employment growing by 5.0% over that same period; and
- Personal income growth increasing from 2.5% in Fiscal Year 2014 to 4.4% in Fiscal Year 2015 and 4.6% in Fiscal Year 2016.

The District's revenue assumptions reflect a combination of statistical techniques, historical factors, local information and experience with the regional economy. Statistical techniques used in developing some of these revenue estimates include trending, time series analysis, correlation analysis and other common statistical methods. The estimating process requires ongoing communication with local business officials and economists. For example, the Office of Revenue Analysis routinely consults business, trade and research organizations to determine the current status and future course of the various segments of the region's economy. All of these factors are considered and balanced against the past experience of revenue collections in the District. Only the CFO's revenue estimates may be used for the budget.

In preparing gross expenditure projections, the expenditures are categorized by types of spending, which are also referred to as "object classes." Object classes include categories such as personal and contractual services, supplies and materials, energy, telecommunications, rent, other services and charges, subsidies and transfers, capital outlay and debt service. In order to project overall expenditure growth for an agency, the expenditure growth rate for each object class is estimated and then applied to the base level of spending. The rationale for this approach is that growth rates among spending categories will vary since the factors that influence the growth in these areas vary. For instance, rent expenditures may depend upon long-term contract provisions; utilities expenditures may vary with service demands, energy costs and needs; and other expenditures (such as supplies) may change mainly with the rate of inflation.

CERTAIN DISTRICT FINANCIAL INFORMATION

Financial Statements

D.C. Official Code § 47-119 requires that the District's financial operations be audited each Fiscal Year by an independent auditor. The District selected KPMG, LLP as its independent auditor for Fiscal Year 2010 pursuant to a one-year contract that was subject to four annual renewals at the option of the District. District law provides that an audit contract with the same auditor cannot be extended past five years. The District has recently selected SB & Company, LLC as its independent auditor for Fiscal Year 2015, following the solicitation of proposals to provide such services.

As set forth in Part 1, the Fiscal Year 2014 Financial Statements, which are included in the District's CAFR for Fiscal Year 2014, have been incorporated herein by reference. The District's CAFR for Fiscal Year 2014 and the Fiscal Year 2014 Financial Statements can be found on the District's website at <http://cfo.dc.gov/node/995122>, on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("EMMA") system at <http://www.emma.msrb.org> 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. Copies of the District's CAFRs may also 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 District did not require the independent auditor's consent to incorporate by reference herein the Fiscal Year 2014 Financial Statements. The independent auditor did not review or perform any procedures relating to this Official Statement. Further, the independent auditor has not been engaged to perform and has not performed, since the date of the CAFR for Fiscal Year 2014, any procedures on the financial statements addressed in its report as a part of the CAFR for Fiscal Year 2014.

Revenues and Expenditures

The District began Fiscal Year 2014 (October 1, 2013) with a General Fund balance of \$1.749 billion. The General Fund balance at the end of Fiscal Year 2014 (September 30, 2014) was \$1.874 billion. Based upon GAAP principles, the District ended Fiscal Year 2014 with an excess of revenues over expenditures of approximately \$146.6 million in the General Fund, which, when combined with other financing sources and uses in the General Fund of \$21.9 million for Fiscal Year 2014, resulted in a net change of \$124.7 million in the General Fund balance. See Exhibit 2-B in the Fiscal Year 2014 Financial Statements.

Table 8 summarizes, on a budgetary basis, District General Fund revenues and expenditures for Fiscal Year 2014. The difference between the \$146.6 million referred to in the preceding paragraph and the approximately \$203.7 million excess of revenues over expenditures in Table 8 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 Fiscal Year 2014 Financial Statements.

Table 8. General Fund - Schedule of Budgetary Basis Revenues and Expenditures
 Fiscal Year Ended September 30, 2014
 (\$000s)

| | General Fund | | | Variance Positive (Negative) |
|--|---------------------|---------------------|---------------------|------------------------------------|
| | Budget | | Actual | |
| | Original | Revised | | |
| Revenues and Sources: | | | | |
| Taxes: | | | | |
| Property | \$ 2,013,926 | \$ 2,061,889 | \$ 2,074,036 | \$ 60,110 |
| Sales and use | 1,244,868 | 1,251,317 | 1,244,440 | (428) |
| Income and franchise | 2,121,334 | 2,196,070 | 2,094,754 | (26,580) |
| Other taxes | \$ 672,422 | \$ 660,405 | \$ 719,617 | \$ 47,195 |
| Total taxes | 6,052,550 | 6,169,681 | 6,132,847 | 80,297 |
| Licenses and permits | 66,392 | 73,434 | 79,210 | 12,818 |
| Fines and forfeits | 227,672 | 174,958 | 136,794 | (90,878) |
| Charges for services | 69,659 | 64,909 | 77,984 | 8,325 |
| Miscellaneous | 84,028 | 83,407 | 125,220 | 41,192 |
| Other | 516,392 | 459,090 | 463,735 | (52,657) |
| Bond proceeds | 6,000 | 6,000 | 584 | (5,416) |
| Fund balance released from restriction | 99,539 | 246,748 | 98,417 | (1,122) |
| Interfund transfer-from lottery and games | 63,175 | 63,175 | 54,967 | (8,208) |
| Interfund transfer-others | 4,527 | 55,188 | 66,048 | 61,521 |
| Total Revenues and Sources | \$ 7,189,934 | \$ 7,235,806 | \$ 7,235,806 | \$ 45,872 |
| Expenditures and Uses: | | | | |
| Governmental direction and support | 653,931 | 656,562 | 623,249 | 30,682 |
| Economic development and regulation | 341,221 | 397,949 | 338,198 | 3,023 |
| Public safety and justice | 1,035,064 | 1,064,998 | 1,050,890 | (15,826) |
| Public education system | 1,724,425 | 1,542,941 | 1,527,338 | 197,087 |
| Public education AY15 expenditure | - | 210,520 | 210,520 | (210,520) |
| Human support services | 1,750,479 | 1,783,335 | 1,732,676 | 17,803 |
| Public works | 623,396 | 648,625 | 623,032 | 364 |
| Workforce investments | 59,442 | 4,305 | - | 59,442 |
| Wilson building | 4,495 | 4,495 | 3,926 | 569 |
| Repay bonds and interest | 524,082 | 507,907 | 501,901 | 22,181 |
| Repay revenue bonds and interest | 7,824 | 7,824 | 7,824 | - |
| Bond fiscal charges | 6,000 | 6,000 | 983 | 5,017 |
| Interest on short term borrowing | 3,675 | 3,675 | 943 | 2,732 |
| Certificates of participation | 24,619 | 24,619 | 22,623 | 1,996 |
| Settlements and judgments fund | 21,292 | 21,292 | 21,292 | - |
| Convention center transfer | 118,995 | 111,002 | 108,701 | 10,294 |
| Highway trust transfer | 40,306 | 41,488 | 41,488 | (1,182) |
| TIF and pilot transfer | - | 15,127 | 12,627 | (12,627) |
| Operating lease-equipment | 42,677 | 45,636 | 45,617 | (2,940) |
| Emergency and contingency reserve | 5,500 | 23,512 | - | 5,500 |
| Pay-go capital | 44,447 | 59,798 | 59,798 | 15,351 |
| Schools modernization fund | 11,863 | 11,863 | 11,863 | - |
| District retiree health contribution | 107,800 | 86,600 | 86,600 | 21,200 |
| Non-departmental agency | 10,702 | 1,692 | - | 10,702 |
| Total Expenditures and Uses | \$ 7,162,235 | \$ 7,281,765 | \$ 7,032,089 | \$ 130,146 |
| Excess of Revenues and Sources Over Expenditures and Uses | \$ 27,699 | \$ 114,825 | \$ 203,717 | \$ 176,018 |

(1) Numbers may not add due to rounding.

(2) "AY" means academic year.

Source: District's Fiscal Year 2014 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 prior actual experience and 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 to the Council, at such time as the Council directs, a budget, prepared on the basis that proposed expenditures do not exceed resources. Upon approval by the 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 appropriations or authorization, except for certain designated purposes, including, among other things, the payment of debt service on income tax secured revenue bonds, general obligation bonds and general obligation tax revenue anticipation notes, including the TRANs. 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. See Note 15 in the Fiscal Year 2014 Financial Statements. The FY16 BRA (as defined herein), together with the Fiscal Year 2015 Appropriations Act (as defined herein), however, appropriates or authorizes spending of applicable funds as may be necessary for the payment of legal settlements or judgments that have been entered against the District.

Pursuant to the provisions of (i) the federal Anti-Deficiency Act, 31 U.S.C. §§ 1341, 1342, 1349-1351 and 1511-1519 (the "Federal ADA") and D.C. Official Code §§ 1-206.03(e) and 47-105; (ii) the District of Columbia Anti-Deficiency Act, D.C. Official Code §§ 47-355.01 – 355.08 (the "D.C. ADA" and (i) and (ii) collectively, as amended from time to time, the "Anti-Deficiency Acts"); and (iii) Section 446 of the District of Columbia Home Rule Act, D.C. Official Code § 1-204.46, with the exception of repayment of debt service on bonds and expenditures of certain grants, the District cannot obligate itself to any financial commitment in any present or future year unless the necessary funds to pay that commitment have been appropriated by Congress and are lawfully available for the purpose committed.

After Congress appropriates the District's budget, the District's ability to shift funds between major funding categories approved during the appropriations process remains constrained by federal and local law. A request by the Mayor to reprogram funds is subject to approval by the Council, including reprogrammings between agencies within the same appropriation title.

The Office of the CFO monitors spending primarily through a quarterly financial review process. That process involves the submission of a quarterly financial status update from each agency of the District, an analysis of those reports by staff of the Office of Budget and Planning and reconciliation of any differences from forecasted spending. In addition, a monthly Financial Status Report ("FSR") is compiled to provide a "snapshot" of the District's progress in executing the annual operating budget, as well as a quarterly FSR on capital spending. As necessary, follow-up meetings between staff of the Office of Budget and Planning and agency personnel are conducted to explore more fully expenditure control issues and forecasting assumptions. Agency directors and financial managers may be required by the CFO to submit specific action plans, including milestone achievement dates, to eliminate potential overspending. Remedial action plans are required wherever current agency control plans are deemed to be inadequate to ensure budget balance.

Local Budget Autonomy Legislation. The Local Budget Autonomy Amendment Act of 2012, adopted by the District Council on December 18, 2012, was subsequently approved by the District voters (the “Budget Autonomy Act”). The Budget Autonomy Act grants the District, effective January 1, 2014, the right to enact and appropriate its local funds budget without the need for approval by the United States Congress and to establish the District’s fiscal year. The legal validity of the Budget Autonomy Act was challenged in the U.S. District Court for the District of Columbia (the “District Court”), which issued a decision that the Budget Autonomy Act is unlawful and permanently enjoined enforcement of the act. The Council filed an appeal to the U.S. Court of Appeals for the District of Columbia, and on March 23, 2015, Mayor Muriel Bowser, the current Mayor for the District, filed a motion to dismiss the lawsuit, alleging, among other things, that the claims involved in the litigation are not ripe for judicial intervention. The Council and the CFO filed separate responses to the Mayor’s motion, reaffirming their respective positions and seeking judicial resolution. On May 27, 2015, the Appellate Court issued a summary order granting the Mayor’s motion, vacating the judgment from the District Court, and ordering the District Court to remand the case to the Superior Court. The Appellate Court did not rule on the merits of the suit. The case was remanded to the Superior Court on June 23, 2015, which has set the briefing deadlines. On October 13, 2015, the Superior Court issued an order dismissing the Mayor as a named defendant and granting her motion to intervene as a named plaintiff in her official capacity as the Mayor, in this case. The Budget Autonomy Act has no effect on the Fiscal Year 2016 Adopted Budget, but further litigation on the merits of the Budget Autonomy Act is anticipated.

Federal Appropriations for Fiscal Years 2015 and 2016. Generally, the District cannot obligate or expend District funds without a Congressional appropriation. On December 16, 2014, the President signed the Consolidated and Further Continuing Appropriations Act, 2015 (Pub. L. No. 113-235) (“FY15 Appropriations Act”), which provided appropriations for the District for Fiscal Year 2015, and further authorized the District to spend its local budget at the level set forth in the Fiscal Year 2016 Budget Request Act of 2015 (“FY16 BRA”) as submitted to Congress in the Fiscal Year 2016 Adopted Budget (as defined herein), as modified as of the beginning of a period in which neither a continuing resolution applicable to the District nor a Congressional appropriations bill for the District is in effect. On September 30, 2015, the President signed the Continuing Appropriations Act, 2016 (Pub. L. No. 114-53) (the “FY16 CR”) that provided appropriations for the federal government and the District (federal portion) through December 11, 2015, and further authorized the District to spend its local funds at the level set forth in the FY16 BRA as submitted to Congress, as modified as of the date of the FY16 CR. If Congress does not enact an appropriations act for Fiscal Year 2016 or another continuing resolution upon the expiration of the FY16 CR with respect to the District, during such lapse of congressional appropriations, the District is still authorized to expend its local funds at the level of the FY16 BRA, as amended, pursuant to the FY15 Appropriations Act.

The discussion below is based, in part, on projections and forward-looking statements related to Fiscal Year 2016. No assurance can be given that the budget estimates and forward-looking statements discussed below will be realized. The accuracy of the budget estimates and forward-looking statements contained under the caption “FISCAL YEAR 2016 BUDGET AND FINANCIAL PLAN” cannot be verified until after the close of such Fiscal Year and the completion of the related audit. In addition, the accuracy of all projections and forward-looking statements is dependent on a number of factors, including: (1) general economic factors that affect local source revenues such as sales taxes and individual income taxes, (2) the effectiveness of monitoring agency expenditures, (3) the ability of the District to meet spending reduction initiatives, (4) the amount of federally mandated expenditures, (5) year-end accruals of revenues and expenses, and (6) the implementation of new federal legislation or initiatives.

Fiscal Year 2016 Budget and Financial Plan

The Mayor submitted the proposed Fiscal Year 2016 Budget and Financial Plan, including both the operating and capital budgets, to the Council on April 2, 2015 (the “Fiscal Year 2016 Adopted Budget”). The proposed Fiscal Year 2016 Budget and Financial Plan, including both the operating and capital budgets, was approved by the Council, after markup, on May 27, 2015. After Council markup and approval, the Mayor transmitted the Fiscal Year 2016 Adopted Budget, including both the operating and capital budgets, to the President on July 8, 2015, for submission to Congress. For a detailed discussion on Congressional appropriations and the District’s spending authority for Fiscal Year 2016, see “CERTAIN DISTRICT FINANCIAL INFORMATION – Revenues and Expenditures -- *Federal Appropriations for Fiscal Years 2015 and 2016.*”

The figures in the narrative describing the Fiscal Year 2016 Adopted Budget include certain policy proposals. Table 9 does not reflect such policy proposals by fund source, but groups them in the “Revenue Proposals” line (line 15). As a result, the figures in the narrative for each fund source could be higher or lower than the corresponding line item in Table 9.

Since the original approval, the Mayor has submitted a supplemental budget request to the Council. This request was included in the Fiscal Year 2015 and Fiscal Year 2016 Revised Budget Request Adjustment Emergency Act of 2015. The Fiscal Year 2015 and Fiscal Year 2016 Revised Budget Request Adjustment Emergency Act of 2015 was submitted to the Council on September 16, 2015. After review and amendment by the Council, the Fiscal Year 2015 and Fiscal Year 2016 Revised Budget Request Adjustment Emergency Act of 2015 became effective on October 6, 2015 and will expire on January 4, 2016. This emergency act does not require Congressional review and approval.

The Fiscal Year 2016 Adopted Budget calls for General Fund expenditures totaling approximately \$7.94 billion, of which \$7.03 billion is from local funds, \$320.4 million is from dedicated taxes and \$587.3 million is from special purpose non-tax revenue funds. General Fund revenue totals \$7.77 billion, of which \$6.91 billion is from local funds, \$320.9 million is from dedicated taxes, and \$537.0 million is from special purpose non-tax revenue funds. Such revenues include an increase of (i) \$22.7 million of policy proposals impacting General Fund revenues, of which \$2.7 million is from local funds, (ii) \$16.4 million is from dedicated taxes, and (iii) \$3.5 million from special purpose non-tax revenue funds. Total General Fund resources are \$7.98 billion, which consists of \$7.77 billion of revenue, \$133.1 million of fund balance use, \$76.4 million of transfers from other funds and \$6 million of bond proceeds for issuance costs.

The Fiscal Year 2016 Adopted Budget uses \$133.1 million in General Fund balance, comprised of \$92.8 million of local fund balance, \$40,000 of dedicated taxes fund balance, and \$40.3 million of special purpose revenue fund balance. The local fund balance includes additional Fiscal Year 2015 revenue that was not budgeted in the Fiscal Year 2015 Approved Budget but was held for Fiscal Year 2016 use.

Table 9 sets forth, among other things, the District’s General Fund proposed revenues, expenditures, and fund balances for Fiscal Year 2015 (Revised Budget) and Fiscal Year 2016 (Adopted Budget) as reflected in the Fiscal Year 2016 budget book published July 17, 2015. In addition, see tables 4, 5, and 7 for the impact of tax cuts that were triggered by the September 30, 2015 Revenue Estimate; these tax cuts are not reflected in table 9.

**Table 9. District's General Fund
Fiscal Year 2015 (Revised Budget),
Fiscal Year 2016 (Adopted Budget)
(Budgetary Basis, \$ in thousands)**

| | FY 2015 Revised | FY 2016 Adopted |
|---|--------------------|--------------------|
| 1 Revenues | | |
| 2 Taxes | \$6,273,748 | \$6,458,336 |
| 3 Dedicated Taxes | 297,857 | 304,467 |
| 4 General Purpose Non-Tax Revenues | 402,467 | 383,988 |
| 5 Special Purpose (O-type) Revenues | 544,874 | 533,496 |
| 6 Transfer from Lottery | 54,967 | 62,500 |
| 7 Interfund transfer | 0 | 0 |
| 8 Subtotal, General Fund Revenues | \$7,573,913 | \$7,742,787 |
| 9 Bond Proceeds for Issuance Costs | 6,000 | 6,000 |
| 10 Funds set aside from prior year | 108,229 | 67,660 |
| 11 Interfund transfers from Local, O-type, and Dedicated Taxes Funds | 10,079 | 47,175 |
| 12 Transfer from Federal and Private Resources | 2,363 | 2,363 |
| 13 Transfer from Enterprise and Other Funds | 58,479 | 26,872 |
| 14 Fund Balance Use | 128,403 | 65,444 |
| 15 Revenue Proposals | 574 | 22,668 |
| 16 Total General Fund Resources | \$7,888,040 | \$7,980,969 |
| 17 | | |
| 18 Expenditures (by Appropriation Title) | | |
| 19 Governmental Direction and Support | 746,046 | 756,796 |
| 20 Economic Development and Regulation | 416,591 | 435,545 |
| 21 Public Safety and Justice | 1,059,701 | 1,143,971 |
| 22 Public Education System | 1,863,747 | 1,908,452 |
| 23 Human Support Services | 1,878,615 | 1,909,971 |
| 24 Public Works | 708,822 | 735,087 |
| 25 Financing and Other - Selected Agencies | 80,003 | 68,888 |
| 26 Bond Issuance Costs (ZB0) | 6,000 | 6,000 |
| 27 Debt Service (DS0, CP0, SM0, DT0, EL0) | 651,166 | 667,262 |
| 28 Subtotal, Operating Expenditures | \$7,410,689 | \$7,631,972 |
| 29 Paygo Capital (PA0) | 32,115 | 72,466 |
| 30 Transfer to Trust Fund for Post-Employment Benefits (RH0) | 91,400 | 95,400 |
| 31 Repay Contingency Reserve Fund | 3,455 | 0 |
| 32 Transfer to Enterprise Funds | 163,311 | 142,558 |
| 33 Operating Impact of CIP | 0 | 0 |
| 34 Total Expenditures and Transfers | \$7,700,969 | \$7,942,395 |
| 35 Operating Margin Before Reservations | 187,071 | 38,574 |
| 36 Reserved for Subsequent Years' Expenditures | 67,660 | 0 |
| 37 Operating Margin After Reservations | \$119,411 | \$38,574 |
| 38 | | |
| 39 Beginning General Fund Balance | \$1,873,658 | \$1,804,018 |
| 40 Operating Margin before reservations | 187,071 | 38,574 |
| 41 Projected GAAP Adjustments (Net) | (10,000) | (10,000) |
| 42 Fund Balance Use (see lines 10, 11 and 14 above) | (246,711) | (180,279) |
| 43 Ending General Fund Balance | \$1,804,018 | \$1,652,314 |
| 44 | | |
| 45 Composition of Cash Reserves | | |
| 46 Emergency Cash Reserve Balance (2%) | 122,083 | 129,804 |
| 47 Contingency Cash Reserve Balance (4%) | 244,166 | 259,609 |
| 48 Cash Flow Reserve Account (8.33%) | 395,129 | 404,889 |
| 49 Fiscal Stabilization Reserve Account (2.34%) | 180,203 | 185,852 |
| 50 Total Cash Reserves | \$941,580 | \$980,154 |

Note: Numbers may not add due to rounding.

Capital Budgeting and Financing

The following describes the District's six-year capital improvements plan (for Fiscal Years 2016-2021) as set forth in the Fiscal Year 2016 Adopted Budget.

The Mayor's proposed six-year capital improvements plan for Fiscal Years 2016-2021 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, private grants, a local match to the grants from the Federal Highway Administration, sales of assets and local transportation fund revenue, totaling \$6.3 billion of capital funds over the course of the six-year period.

The proposed six-year capital improvements plan assumes approximately \$925 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 2016 and approximately \$4.03 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 2016 through 2021.

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 or 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.

Table 10 summarizes the District's proposed capital improvements plan for Fiscal Years 2016 through 2021, as set forth in the Fiscal Year 2016 Adopted Budget. References to the issuance of bonds to fund the capital improvements plan may refer to either income tax secured revenue bonds or to general obligation bonds, either of which may be issued by the District for such purposes.

Table 10. Fiscal Years 2016-2021 Proposed Capital Improvements Plan Funding Sources
(Budgetary Basis)
(\$ in thousands)

| | <u>FY 2016</u> | <u>FY 2017</u> | <u>FY 2018</u> | <u>FY 2019</u> | <u>FY 2020</u> | <u>FY 2021</u> | <u>FY 2016– FY 2021 Total</u> |
|--|---------------------------|---------------------------|-------------------------|---------------------------|---------------------------|-------------------------|---------------------------------------|
| General Obligation/ Income Tax Bonds ⁽¹⁾ | \$ 925,132 | \$ 690,397 | \$432,826 | \$654,316 | \$784,191 | \$539,173 | \$4,026,034 |
| Master Equipment Lease/Purchase | 16,900 | 6,500 | - | 25,000 | 25,000 | - | 73,400 |
| Pay-As-You-Go | 26,449 | 46,000 | 46,000 | 46,000 | 103,203 | 104,920 | 372,572 |
| Sale of Assets | 13,816 | 24,916 | 1,000 | 1,000 | 1,000 | 1,000 | 42,732 |
| Private Grants | - | 5,000 | - | - | - | - | 5,000 |
| Federal Payments | 6,000 | - | 50,000 | 50,000 | - | - | 106,000 |
| Local Transportation Fund Revenue | 46,017 ⁽²⁾ | 42,580 | 41,363 | 40,004 | 38,791 | 38,791 | 247,546 |
| GARVEE Bonds | - | - | 185,500 | 64,100 | - | - | 249,600 |
| Local Highway Trust Fund | 22,504 ⁽³⁾ | 25,716 | 26,710 | 27,848 | 28,842 | 28,626 | 160,246 |
| Federal Grants | 162,233 | 162,233 | 162,233 | 162,233 | 162,233 | 162,233 | 973,400 |
| Total Funding | <u>\$1,219,051</u> | <u>\$1,003,341</u> | <u>\$945,631</u> | <u>\$1,070,501</u> | <u>\$1,143,261</u> | <u>\$874,743</u> | <u>\$6,256,529</u> |

⁽¹⁾ Does not reflect additional borrowing required to repay the General Fund for capital expenditures prior to a project receiving financing. Planned borrowing for such repayments in Fiscal Years 2016 – 2021 exceeds new capital budget allotments by \$10 million in Fiscal Year 2017, \$12 million in Fiscal Year 2019, and \$20 million in Fiscal Year 2020.

⁽²⁾ Includes local revenues from rights-of-way occupancy fees.

⁽³⁾ Includes local revenues from motor fuel taxes.

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

Table 10 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 – Long-Term Obligations – Economic Development Initiatives of the District” herein.

The Fiscal Year 2011 Budget Support Act of 2010 (D.C. Law 18-223, effective September 24, 2010) (the “Fiscal Year 2011 BSA”) created a Pay-as-you-go Capital Account to be used to reduce future District borrowing for capital purposes. The Pay-as-you-go Capital Account is codified in D.C. Official Code § 47-392.02(f) (the “Pay-as-you-go Capital Account Statute”).

Pursuant to the Pay-as-you-go Capital Account Statute, there is a base year in which the budget for such Fiscal Year, and each subsequent Fiscal Year, must include a Pay-as-you-go Capital Account. The annual amount of local funds to be deposited in the Pay-as-you-go Capital Account must equal the projected local funds revenue of each year, minus the local funds revenue in the budget approved in May of the previous year, multiplied by 25%. The base year described above has been modified by legislation several times. The Fiscal Year 2016 Budget Support Act of 2015, effective October 22, 2015 (L21-36) includes a change to the base year to the Fiscal Year 2019 budget.

Cash Reserves

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 BSA (as defined herein) 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. The Cash Flow Reserve Account, the Fiscal Stabilization Reserve Account, the Emergency Reserve Fund, and the Contingency Reserve Fund are collectively referred to herein as the “Cash Reserves.” See Table 11 for the balances of the Cash Reserves for Fiscal Years 2011-2015.

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 (less the amount necessary to repay draws during the next two Fiscal Years) paid from local funds for the Fiscal Year of the most recently issued CAFR, 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 (i) any department, agency, or office of the District that is administered by a receiver, (ii) shortfalls in any projected expenditure reductions that are included in the budget proposed by the District, or (iii) 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 (less the amount necessary to repay draws during the next two Fiscal Years) paid from local funds for the Fiscal Year of the most recently issued CAFR, 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 the District of Columbia Comprehensive Financial Management Policy (the “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 Policy is described in Appendix A to the District’s annual budget and financial plan.

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.

Cash Flow Reserve Account. The Cash Flow Reserve Account was established by the District in Fiscal Year 2011 and 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. At September 30, 2014, which is the last audited report as represented in the Fiscal Year 2014 CAFR, the cash balance in the Cash Flow Reserve Account was \$343,528,000, which was approximately 4.7% of the General Fund operating budget as of that date. The District has not fully funded the Cash Flow Reserve Account as of the date of this Official Statement.

Fiscal Stabilization Reserve Account. The Fiscal Stabilization Reserve Account was established by the District in Fiscal Year 2011 and may be used by the Mayor for certain purposes for which the Contingency Reserve Fund may be used, as specified in § 1-204.50a(b)(4) of the Home Rule Act, 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. At September 30, 2014, the cash balance in the Fiscal Stabilization Reserve Account was \$164,551,000, which was approximately 2.34% of the General Fund operating expenditures as of that date, representing full funding of the account. To date, the District has never withdrawn funds from the Fiscal Stabilization Reserve Account.

If either of the Cash Flow Reserve Account or the Fiscal Stabilization Reserve Account is 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.

Cash Reserve Fund Balances. In Fiscal Years 2011-2014, all withdrawals from the Emergency and Contingency Reserve Funds (which, by law, must be fully replenished over the two succeeding Fiscal Years), as well as the Cash Flow Reserve Account, were replenished by the close of the same Fiscal Year as the withdrawals. The District anticipates replenishing these reserves in the same way during the Fiscal Year 2015 close. There have been no withdrawals from the Fiscal Stabilization Reserve Account. All of the draws on the Cash Reserves were for authorized purposes, and the respective replenishments were made in compliance with the statutory deadlines.

Table 11. Cash Reserve Fund Balances
(\$ in millions)

| <u>Fiscal Year</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Emergency Reserve Fund | \$110 | \$110 | \$112 | \$116 | \$122 |
| Contingency Reserve Fund | 229 | 229 | 227 | 239 | 244 |
| Cash Flow Reserve Account | 152 | 346 | 295 | 344 | 395 |
| Fiscal Stabilization Reserve Account | 42 | 96 | 156 | 165 | 180 |

Sources: 2011-2014: the District’s CAFRs for the applicable Fiscal Year.
2015: the District’s Fiscal Year 2016 Adopted Budget.

The Fiscal Year 2016 Adopted Budget projects the Fiscal Year 2016 Emergency Reserve Fund and the Contingency Reserve Fund balances to be \$129.8 million and \$259.6 million, respectively. The projection assumes that all draws made during the Fiscal Year will be replenished either during the Fiscal Year or during the Fiscal Year 2016 close.

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 and income tax secured bonds to finance capital projects and to refund indebtedness of the District. Any general obligation bond and income tax secured revenue 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) to which income tax secured bonds have been applied by District statute) during the Fiscal Year in which such issuances are made. 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 the Limitation on Borrowing and Establishment of the Operating Cash Reserve Act of 2008, effective March 25, 2009, as amended (D.C. Law 17-360; D.C. Official Code §47-334 et seq.) (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”).

The District currently has approximately \$9.6 billion of Tax-Supported Debt outstanding, the debt service on which produces a Debt Ceiling percentage of approximately 9.8%, which complies with the Debt Ceiling Act in Fiscal Year 2015.

The projected Debt Ceiling percentages for Fiscal Years 2016 through 2020 are set forth below. Such projections assume the issuance of the bonds, notes, or other obligations set forth in the District’s capital improvements plan for such Fiscal Years with an assumed interest rate of 5.5%. See “CERTAIN DISTRICT FINANCIAL INFORMATION – Capital Budgeting and Financing.”

Table 12. Projected Annual Debt Ceiling Percentages*

| | |
|------|-------|
| 2016 | 9.77% |
| 2017 | 10.26 |
| 2018 | 11.17 |
| 2019 | 11.78 |
| 2020 | 11.85 |

* Debt Ceiling assumptions are preliminary, subject to change.

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

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 or 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. To date, there has never been a voter referendum on the issuance of general obligation bonds.

Long-Term Obligations

General Obligation Bonds. The District currently has approximately \$3.53 billion of general obligation bonds outstanding. With the exception of approximately \$100 million of unhedged variable-rate debt (the Series 2014A Bonds and a small portion of the Series 2014B Bonds, as described in the following paragraph and Table 13), 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 interest rate swap to hedge against interest rate fluctuations.

General Obligation Direct Purchase Bond Program. On June 26, 2014, the District issued the Series 2014A Bonds in the aggregate principal amount of \$99.985 million and Series 2014B Bonds in the aggregate principal amount of \$224.315 million (together, the “Series 2014 Multimodal Bonds”). The Series 2014 Multimodal Bonds were sold on a direct purchase basis to Banc of America Preferred Funding Corporation, and a portion of the proceeds of the bonds financed \$100 million of capital project expenditures in the District’s Fiscal Year 2014 capital improvements plan. The balance of the Series 2014 Multimodal Bonds were used to refund the \$224.3 million Series 2008C Bonds previously held by Wells Fargo Bank, N.A. The Series 2014 Multimodal Bonds are issued under a Master Trust Indenture dated as of December 1, 2004, as supplemented and amended, by and between the District and Wells Fargo Bank, N.A., as trustee. Table 13 provides summary information with respect to such direct purchase obligations.

Table 13. General Obligation Direct Purchase Bonds
as of September 30, 2015

| Series | Par Outstanding | Final Maturity | Index | Reset Mode/Payment Frequency | Direct Purchase Bank | Direct Purchase Agreement Date | Direct Purchase Expiration Date |
|--------------------------------|-----------------------------|----------------|-------|------------------------------|---|--------------------------------|---------------------------------|
| 2014A | \$99,985,000 | 6/1/2039 | SIFMA | 7-Day Reset / Monthly Pay | Banc of America Preferred Funding Corp. | 6/26/2014 | 6/23/2017 |
| 2014B ^{(1), (2), (3)} | \$224,315,000 | 6/1/2027 | LIBOR | Monthly Reset / Monthly Pay | Banc of America Preferred Funding Corp. | 6/26/2014 | 6/23/2017 |
| Total | <u>\$324,300,000</u> | | | | | | |

⁽¹⁾ The District’s Multimodal General Obligation Refunding Bonds (Variable Rate Demand Obligations), Series 2008C were refunded on June 26, 2014 by the refunding portion of the Series 2014B Bonds.

⁽²⁾ The \$224,300,000 refunding portion of the Series 2014B Bonds, which are the subject of a swap agreement, is synthetically fixed where the District pays the associated fixed swap rate of 3.615% plus 0.42% representing the difference between the District’s receipt of 67% of LIBOR pursuant to the swap and the interest rate on the Series 2014B Bonds of 67% of LIBOR plus 0.42%.

⁽³⁾ The \$15,000 new money portion of the Series 2014B Bonds is unhedged variable rate bonds issued in SIFMA Index mode.

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

Income Tax Secured Revenue Bonds. The Income Tax Secured Bond Authorization Act of 2008 (D.C. Law 17-254; D.C. Official Code §§ 47-340.26-36), as amended (the “Income Tax Bond Act”) authorized the District to issue income tax secured revenue bonds (the “Income Tax Bonds”) to finance some or all of the capital projects in the District’s on-going capital improvements program. Income Tax Bonds are secured by a pledge of the revenues generated by the individual income tax and business franchise taxes imposed by the District (the “Income Tax Revenues”), which are generally paid directly to and collected by a collection agent. After transfers in April, May and June of each year by the collection agent to the trustee for the Income Tax Bonds of amounts needed in the upcoming Fiscal Year to pay debt service on such bonds, all remaining income tax proceeds are released to the District. The holders of any Income Tax Bonds have a first lien on and a pledge of Income Tax Revenues superior to that of the holders of tax revenue anticipation notes and general obligation bonds of the District. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” in Part 1.

Prior to the issuance of the 2015A Bonds, the District has approximately \$4.3 billion of Income Tax Bonds outstanding, including \$221.8 million of variable-rate bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS” in Part 1.

Other Long-Term Obligations. For accounting and reporting purposes, the District’s CAFR for Fiscal Year 2014 treats the 20-year lease between the District and S/C 225 Virginia Avenue, LLC as a financing agreement, reports it as Other Loans Payable in the District’s long-term liabilities and includes it in the Debt Ceiling calculations.

The Mayor proposed and the Council approved bonds issued in 2007 (in the initial aggregate principal amount of \$34.1 million), in 2010 (in the initial aggregate principal amount of \$53.2 million) and in 2012 (in the initial aggregate principal amount of \$39.6 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 combined principal amount of approximately \$115.6 million. Based on the Fiscal Year Budget Support Technical Clarification Amendment Act of 2014 (D.C. Law 20-117), beginning in Fiscal Year 2014, New Communities projects selected for financing with bond proceeds will no longer be funded from the Housing Production Trust Fund but will be funded with Income Tax Bonds.

In Fiscal Year 2011, the District issued \$82.6 million of GARVEE bonds to finance a portion of the East Washington Traffic Initiative (the 11th Street SE Bridge project). In Fiscal Year 2013, the District issued \$42.9 million of additional GARVEE bonds for the 11th Street SE Bridge project. The District currently has approximately \$104.4 million of GARVEE bonds outstanding. GARVEE bonds are secured by and payable solely from certain transportation grants received from, or anticipated to be received from, the federal government from moneys available in the Highway Transportation Fund. No District funds are pledged to pay GARVEE bonds and 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), or revenue bonds (including TIF Bonds and PILOT Notes (as hereinafter defined) for special projects, 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 rate 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 entered into agreements only with counterparties that had 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 can elect to terminate a swap, but the counterparty does not have an option to terminate the transactions, and the counterparty is expected to perform through the transaction’s maturity.

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. The District is not required to post collateral support under the swap agreements, and in the event a termination payment is payable by the District, it is payable from the general funds of the District, subject to appropriation. See Table 14 for specific termination trigger events.

The following table provides a brief description of the principal features of each interest rate swap agreement to which the District is a party as of September 30, 2015. For a description of the underlying obligations to which the swap agreements described below relate, see Note 8 to the Fiscal Year 2014 Financial Statements.

Table 14. Interest Rate Swaps - Summary Information⁽¹⁾
as of September 30, 2015

| 1. | Related Bond Series | General Obligation Bonds Series 2001C, 2001D | General Obligation Bonds Series 2004B | Multimodal General Obligation Bonds Series 2014B ⁽²⁾ |
|-----|--|---|---|---|
| 2. | Initial Notional Amount | \$278,080,000 | \$19,525,000 | \$224,300,000 |
| 3. | Current Notional Amount | \$166,770,000 | \$19,525,000 | \$224,300,000 |
| 4. | Fair Value | \$604,863 | (\$1,274,185) | (\$45,075,946) |
| 5. | Termination Date | June 1, 2029 | Two portions terminating with associated bond maturities on June 1, 2016, and 2020 | June 1, 2027 |
| 6. | Type of Swap | Floating-to-Floating | Floating-to-Fixed | Floating-to-Fixed |
| 7. | Rate Paid by Counterparty | 60 to 90% of LIBOR, based on LIBOR rate on reset date | 1.65% and 1.81% plus CPI-U rate | 67% of LIBOR |
| 8. | Rate Paid by District | 67% of LIBOR | 4.794%, and 5.121% | 3.615% |
| 9. | Counterparty | JP Morgan Chase Bank, N.A. | JP Morgan Chase Bank & Co. | Morgan Stanley Capital Services LLC |
| 10. | Counterparty Rating (S&P/Moody's/Fitch) | A+/Aa3/AA- | A/A3/A+ | A-/A3/A |
| 11. | Collateral/Credit Support | None | Assured Guaranty Ltd., insurance for swap payments by District; Guarantee of counterparty by parent | None |
| 12. | 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 |
| 13. | 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 |

⁽¹⁾ **AWC Agreement.** In addition to the swaps summarized in this table, in connection with the issuance of the Anacostia Waterfront Corporation (AWC) PILOT Revenue Bonds issued in September 2007 (the "AWC Bonds"), AWC entered into a floating-to-fixed interest rate swap with Wells Fargo Bank, N.A., formerly 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⁾ **The Series 2014B Bonds.** The Series 2014B Bonds were issued to refund the District's Series 2008C Bonds, which were issued to refund the District's Series 2002B Bonds. The swap agreement was originally entered into by the District in connection with the Series 2002B Bonds.

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

Economic Development Initiatives of the District. The District finances a portion of the costs of certain privately owned, economic development projects and public infrastructure projects through the issuance of tax increment bonds or notes (“TIF Bonds”) and Payment In Lieu of Taxes revenue bonds and notes (“PILOT Notes”). TIF Bonds generally are payable from incremental increases in certain dedicated real property and sales tax revenues generated from the respective project TIF Areas. Some TIF Bonds and PILOT Notes are additionally secured by the Downtown TIF Area. 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”). TIF Bonds and PILOT Notes are not general obligation debt of the District, and do not involve a pledge of the full faith and credit of the District.

Table 15 lists all currently outstanding TIF Bonds and PILOT Notes of the District, as well as additional debt that has been authorized but remains unissued.

Table 15. TIF Bonds and PILOT Notes¹

| Project Name | Initial Issuance Amount | Amount Outstanding as of September 30, 2015 | Authorization Remaining |
|--|--------------------------------|--|------------------------------------|
| <i>Authorized Under the Tax Increment Financing Authorization Act of 1998 (as amended)</i> | | | |
| Gallery Place TIF | \$ 52,365,000 | \$ 46,730,000 | \$ 0 |
| Mandarin Oriental Hotel TIF | 45,995,387 | 15,515,047 | 0 |
| Subtotal | \$ 98,360,387 | \$ 62,245,047 | \$ 0 |
| <i>Authorized Under the Retail Incentive Act of 2004 (as amended)</i> | | | |
| Downtown Retail Priority Area TIF Notes | \$ 13,757,076 | \$ 7,078,491 | 0 |
| Fort Lincoln Retail Priority Area TIF Note | 10,000,000 | 3,300,000 | 0 |
| Great Streets Retail Priority Area TIF Notes | 5,934,731 | 5,045,618 | 0 |
| Subtotal | \$ 29,691,807 | \$ 15,424,109 | \$ 0 |
| <i>Authorized Under the Payment In Lieu of Taxes Act of 2004 (as amended)</i> | | | |
| Anacostia Waterfront Corporation PILOT Revenue Bonds | \$111,550,000 | \$ 62,520,000 | \$ 0 |
| Rhode Island PILOT Note | 7,200,000 | 5,568,116 | 0 |
| Southeast Federal Center PILOT Notes ² | 40,460,000 | 38,289,370 | 49,540,000 |
| Subtotal | \$159,210,000 | \$106,107,486 | \$ 49,540,000 |
| <i>Authorized Under Other Acts</i> | | | |
| Convention Center Hotel TIF/Revenue Bonds | \$176,380,000 | \$175,300,000 | 0 |
| O Street Market TIF | 38,650,000 | 38,650,000 | \$ 3,000,000 |
| Verizon Center Sales Tax Revenue Notes | 50,000,000 | 49,695,000 | 0 |
| Southwest Waterfront TIF/PILOT | 145,445,000 | 145,445,000 | 52,555,000 |
| Skyland TIF | 0 | 0 | 40,000,000 |
| Subtotal | \$410,475,000 | \$409,090,000 | \$ 95,555,000 |
| TOTAL | \$697,737,194 | \$592,866,642 | \$ 145,095,000 |

¹ The Downtown TIF Area is pledged as credit enhancement on seven projects should the footprint tax increment be insufficient to pay debt service: (i) Gallery Place, (ii) Mandarin Oriental Hotel, (iii) Howard Theatre (through the Great Streets Retail Priority Area program), (iv) O Street Market, (v) Verizon Center, (vi) Southwest Waterfront, and (vii) Skyland. Of this group, in the past five years, only the Howard Theatre project has required a contribution from the Downtown TIF Area increment to make debt service payments.

² The District is authorized to issue up to \$90 million in Southeast Federal Center PILOT Note(s) of which a \$5.66 million Foundry Lofts PILOT Note and a \$34.8 million Yards PILOT Note have been issued. As of September 30, 2015, the current outstanding balances on these two Notes are \$5,259,799 and \$33,029,571 respectively.

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

Energy Efficiency Initiative. The District finances the energy efficiency initiative (“PACE Program”) through a special assessment imposed on voluntarily participating real property pursuant to the Energy Efficiency Financing Act of 2010, effective May 27, 2010 (D.C. Law 18-183) (“Energy Efficiency Act”). If an owner of real property located in the District wishes to participate in the PACE Program and meets the qualifications for the program, the Energy Efficiency Act authorizes the District to issue debt for the energy efficiency improvements on the participating property. The debt issued by the District is a special obligation of the District paid solely from the voluntary special assessment imposed on the property based on the amount of the debt issued to finance the energy efficiency improvements and the projected energy savings. Currently, there are three outstanding notes issued by the District under the PACE Program, a \$340,000 note issued to EagleBank with the maturity date of June 1, 2033; a \$156,886 note issued to United Bank with the maturity date of August 5, 2033 and a \$723,192 note issued to Amalgamated Bank with the maturity date of September 30, 2030. The District expects to issue additional notes under the PACE Program in the future, but there are no definite plans for future issuances. If there is sufficient participation at some point in the future, the District may bundle outstanding notes into a single offering.

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 \$22.7 million, was privately placed with PNC Bank, N.A. at a variable rate of interest for a term of three years. In July 2014, the District repaid in full the \$21 million of outstanding Series 2006B-2 Bonds from excess pledged revenues.

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

Master Equipment Lease/Purchase Program. 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 have 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 September 30, 2015, the District had financed approximately \$526 million of its capital equipment needs through the Program since its inception, and there was approximately \$87 million in principal outstanding. Lease payment obligations are payable subject to appropriation, and are neither debt nor general obligations of the District; such obligations, however, are subject to the Debt Ceiling.

Underground Electric Power Lines. The District expects to participate in the financing of undergrounding of a portion of the electric power lines located in the District of Columbia. The electric power line undergrounding bonds are authorized to be issued in a par amount not to exceed \$375 million. The electric power line undergrounding bonds will not be paid from District funds, but, instead, from revenues generated from a nonbypassable electric surcharge (the “Charge”) billed to and collected from electric customers by the public utility (currently Pepco Holdings Inc. (“Pepco”), as servicing agent to the District. The Charge must be approved by the District’s Public Service Commission (“PSC”) through a financing order (“Financing Order”) prior to billing and collection. As such, the obligations arising from this financing are not the District’s debt and will not be subject to the Debt Ceiling. On November 24, 2014, the PSC issued the Financing Order that, among other things, approved the power line undergrounding plan, the Charge, and the allocation of the Charge to different classes of Pepco’s customers. Subsequently, the Apartment & Office Building Association (“AOBA”) filed an appeal in the D.C. Court of Appeals contesting the Charge and the plan. There is no indication at this time as to when the court will decide this case, or a date certain to commence the debt issue to finance the undergrounding of the power lines because of the pending appeal. On April 30, 2014, the Chicago-based Exelon Corporation (“Exelon”) announced its preliminary agreement to purchase Pepco. In September 2014, Pepco shareholders voted to approve the acquisition by Exelon. However, in August 2015, the District’s PSC rejected Exelon’s initial bid to acquire Pepco. On October 6, 2015, the Mayor and Exelon reached agreement as to certain concessions that Exelon would make for the benefit of the District and its residents in order to garner approval of the Pepco acquisition (the “Settlement Agreement”). The District of Columbia PSC will consider the settlement agreement as a part of the application to approve the acquisition of Pepco by Exelon. There is no indication from Pepco or Exelon that the transaction will impact the undergrounding project. On June 24, 2015, the Commissioner of the GSA Public Buildings Service of the United States General Services Administration (the “GSA”) notified the District’s Treasurer that the GSA viewed the Charge as a tax on the end users of Pepco from which the federal government is immune and, accordingly, the GSA would not pay the Charge. The District disagrees with this legal analysis and is considering what steps to take in light of this development.

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 Fiscal Year in which they are issued, in order to finance its seasonal cash flow needs. The District issued tax revenue anticipation notes in Fiscal Years 2011-2015, as shown below. All tax revenue anticipation notes issued in Fiscal Years 2011-2015 were repaid at the end of each respective Fiscal Year.

The District expects to issue approximately \$250 million of Fiscal Year 2016 Tax Revenue Anticipation Notes on or about December 16, 2015 to finance general governmental expenses of the District in anticipation of the collection of receipt of revenues for Fiscal Year 2016. The District expects to repay the tax revenue anticipation notes issued in Fiscal Year 2016 by the end of September 2016.

Table 16 shows the District’s outstanding Tax-Supported Debt.

Table 16. Outstanding Tax-Supported Debt as of September 30, 2015

| <u>Security</u> | <u>Par Outstanding</u> | <u>Percentage⁽¹⁾</u> |
|--|------------------------|---------------------------------|
| General Obligation Bonds | \$3,530,770,000 | 36.48% |
| Income Tax Secured Revenue Bonds | 4,327,855,000 | 44.71 |
| TIFs & PILOTS ⁽²⁾ | 426,531,642 | 4.41 |
| Capital & Master Leases | 184,718,101 | 1.91 |
| Ballpark Revenue Bonds | 467,360,000 | 4.83 |
| HPTF Bonds | 115,565,000 | 1.19 |
| Convention Center Bonds ⁽³⁾ | 621,800,000 | 6.42 |
| Qualified Zone Academy Bonds | <u>4,790,567</u> | <u>0.05</u> |
| TOTAL | \$9,679,390,310 | 100.00% |

⁽¹⁾ Numbers may not add due to rounding.

⁽²⁾ Excludes the TIF financing for the convention center hotel in the outstanding principal amount of \$175,300,000; includes the PILOT financing for the Oyster School in the outstanding principal amount of \$8,965,000.

⁽³⁾ Includes the TIF financing for the convention center hotel in the outstanding principal amount of \$175,300,000.

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

Table 17 shows the District's Tax-Supported Debt for Fiscal Years 2010-2014 on a per capita basis.

**Table 17. Tax-Supported Debt Per Capita
Fiscal Years 2010-2014**

| <u>Fiscal Year</u> | <u>Tax-Supported Debt⁽¹⁾</u> | <u>Tax-Supported Debt Per Capita⁽²⁾</u> |
|--------------------|---|--|
| 2010 | \$6,955,944,000 | \$11,495 |
| 2011 | 7,624,392,000 | 12,305 |
| 2012 | 7,831,218,000 | 12,363 |
| 2013 | 8,393,885,000 | 12,985 |
| 2014 | 8,676,082,000 | 13,168 |

⁽¹⁾ The debt calculation stated in Table 17 is different from and does not necessarily reflect the Tax-Supported Debt for Debt Ceiling purposes.

⁽²⁾ The prior per capita amounts have been updated to reflect revised census population estimates.

Sources: District's CAFR for Fiscal Year 2014; Statistical Section; Convention Center debt was obtained from the District's Notes to Financial Statements from CAFRs for prior Fiscal Years.

THE DISTRICT'S ECONOMIC RESOURCES

Overview

Although the District of Columbia 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 of Columbia covers approximately 61 square miles and had a resident population of 658,893 as of July 1, 2014 according to the 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 of Columbia 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.

The Washington, D.C. 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 of Columbia 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.

Recent Economic Development

Economic development in the District continues to be strong. Currently, there are 9 hotels under construction (representing 1,661 rooms) and six hotels are expected to break ground over the next 12 months (representing an additional 1,456 rooms). Multi-family housing construction grew over the past year. In the second quarter of calendar year 2015, construction started on 4,448 new market rate apartment units, compared to 3,554 units over the prior 12-month period. At the CityCenter DC Project, 20 luxury retailers are now open; three more are expected to open before the close of calendar year 2015. Walmart has also opened three stores in the District, with two others planned to break ground in the next 18 months.

Population

The U.S. Census Bureau estimated that the District of Columbia's population was 658,893 as of July 1, 2014, which is an increase of 9,782 or 1.5%, as compared to July 1, 2013. From April 1, 2009 to July 1, 2014, the District of Columbia experienced a higher rate of population growth (11.3%) than the average rate for the United States (3.3%).

Per capita personal income in the District of Columbia has been consistently higher than all of the 50 states. In 2014, per capita personal income in the District of Columbia was \$69,828 compared to \$46,043 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 2009 through 2013, median household income over that period for District of Columbia residents was \$65,830, compared to \$53,046 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 2.20 persons based upon data collected by the U.S. Census Bureau from 2013), and a large percentage of college graduates employed in highly-skilled occupations. The District of Columbia has a significant number of lower-income residents, with an average of 18.6% of the population below the poverty line in 2013. Based upon data collected by the U.S. Census Bureau from 2009 through 2013, an average of 88.4% of District of Columbia residents age 25 or older are high school graduates, compared to 86.0% nationwide; 52.4% of District of Columbia residents in the same age group had earned a bachelor's degree (or higher), compared to 28.8% nationwide.

Table 18. Demographic Statistics

| <u>Year</u> | <u>Population</u> | <u>Median Age (Years)</u> | <u>Per Capita Personal Income</u> | | |
|-------------|-------------------|---------------------------|-----------------------------------|-------------|------------------------------|
| | <u>D.C.</u> | <u>D.C.</u> | <u>D.C.</u> | <u>U.S.</u> | <u>Ratio of D.C. to U.S.</u> |
| 2010 | 605,125 | 33.8 | \$63,704 | \$40,271 | 158.2% |
| 2011 | 619,624 | 33.7 | 67,354 | 42,446 | 158.7 |
| 2012 | 633,427 | 33.6 | 68,966 | 44,257 | 155.8 |
| 2013 | 646,449 | 33.8 | 68,652 | 44,431 | 154.5 |
| 2014 | | N/A | 69,828 | 46,043 | 151.7 |

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

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 September 2015, total resident employment in the PMSA was approximately 3,121,294 (preliminary), and total resident employment in the District of Columbia was approximately 357,733 (preliminary), which is 11.5% of the PMSA total.

District residence employment, as measured by the 3-month moving average, was up 10,079, or 2.9%, in September 2015 as compared to September 2014. The District's large service sector accounted for 748,800 (preliminary) jobs located in the District of Columbia as of September 2015. Public sector employment in the District of Columbia helped stabilize District employment during the U.S. economic recession that began in December 2007. As of September 2015, there were 234,900 government employees in the District of Columbia, up 0.043% as compared to September 2014.

Income. Wage and salary employment in the District of Columbia, as measured by the three-month moving average, was up 12,933, or 1.7%, in September 2015 as compared to September 2014. In the quarter ended June 2015, District of Columbia personal income grew by 4.2% and estimated wages and salaries of District of Columbia residents grew 4.2%, as compared to the same period one year earlier. The personal income gain was slightly lower than the 4.1% gain experienced by the United States as a whole. For the quarter ended June 2015, wages and salaries earned in the District grew by 4.8%. The increase in wages and salaries earned in the District was largely due to growth in the private sector.

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 Walter E. Washington 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, including 703,000 square feet of exhibit space, 198,000 square feet for meeting space divisible into 77 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 in the Mid-Atlantic region.

With the opening of the Marriott Marquis Hotel (the "Hotel") in 2014, the District has further capabilities for citywide conferences and events with 1,175 hotel rooms, 49 suites and an additional 100,000 square feet of meeting space at the Hotel. A pedestrian connector joins the Convention Center and the Hotel.

In 2014, approximately 18.3 million domestic visitors and 1.9 million international visitors traveled to the District. The District was the eighth most visited destination in the U.S. for international travelers in 2014. 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 of Columbia. In 2014, total visitor spending in the District of Columbia was approximately \$6.81 billion, an increase of approximately \$120 million over 2013.

The District's tourism statistics for 2015 are expected to be released in the summer of 2016 by Destination DC, a private, non-profit corporation that supports the District's travel and tourism sector.

Universities. Several 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 August 2015, there were 333 single family home sales (completed contracts) (2.3% less than the year before) with an average price of \$778,061 (15.6% more than one year before) and 353 condo/co-op sales (completed contracts) (8.6% more than one year before) with an average price of \$482,216 (0.7% less than one year before) in the District of Columbia. For the quarter ending June 2015, the commercial office space vacancy rate in the District of Columbia was 6.9% (excluding sublet space), up from 6.8% for the prior quarter.

Outlook. Federal government employment and contracting provide a solid foundation for the District's economic base. Over the past year, the District's private sector continued to add jobs and the number of private sector jobs in December 2014 is about 61,200 greater than when the U.S. recession began in December 2007, with the largest gains occurring in education, health and hospitality. The current outlook is for gains in the private sector to continue, offsetting reductions that could occur in government employment.

Tables 19 and 20 illustrate the growth and decline of various District of Columbia employment sectors over time, the largest private and non-profit employers in the District and the change in employment over time for the District, the PMSA and the nation.

**Table 19. Top 10 Private Sector Employers in the District^{(1), (2)}
(2014)**

| Employer | Rank⁽³⁾ |
|-------------------------------------|---------------------------|
| Georgetown University | 1 |
| Washington Hospital Center | 2 |
| George Washington University | 3 |
| Children's National Medical Center | 4 |
| American University | 5 |
| Georgetown University Hospital | 6 |
| Howard University | 7 |
| Fannie Mae | 8 |
| Booz Allen & Hamilton Inc. | 9 |
| Allied Barton Security Services LLC | 10 |

⁽¹⁾ This data is produced through the Quarterly Covered Employment and Wage Program, a Bureau of Labor Statistics federal/state cooperative statistical program. Release of data under this program is subject to the Confidential Information Protection and Statistical Efficiency Act of 2002. The District cannot release company specific employment information without the written consent of each of the companies that are included in the release of such data. As a result, only rank information for the top ten principal employers is presented.

⁽²⁾ Table 19 does not include the federal and local government as employers. With the exception of Booz Allen & Hamilton Inc. and Fannie Mae, all of the employers listed above are not-for-profit entities.

⁽³⁾ Ranked by size of workforce.

Source: District's CAFR for Fiscal Year 2014; Statistical Section, Exhibit S-4B.

**Table 20. 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>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|-------------------|-------------|-------------|-------------|-------------|-------------|
| Labor Force | 346,065 | 350,842 | 365,025 | 373,495 | 377,448 |
| Number Employed | 313,508 | 315,159 | 332,013 | 341,753 | 348,049 |
| Number Unemployed | 32,557 | 35,683 | 33,012 | 31,742 | 29,399 |
| Unemployment Rate | 9.4% | 10.2% | 9.0% | 8.5% | 7.8% |

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

Washington, PMSA

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|-------------------|-------------|-------------|-------------|-------------|-------------|
| Labor Force | 3,150,740 | 3,198,176 | 3,237,000 | 3,258,140 | 3,262,248 |
| Number Employed | 2,950,673 | 3,003,103 | 3,050,759 | 3,078,147 | 3,098,615 |
| Number Unemployed | 200,067 | 195,073 | 186,241 | 179,993 | 163,633 |
| Unemployment Rate | 6.3% | 6.1% | 5.8% | 5.5% | 5.0% |

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

United States

(in thousands, other than unemployment rate)

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|-------------------|-------------|-------------|-------------|-------------|-------------|
| Labor Force | 153,889 | 153,617 | 154,975 | 155,389 | 155,922 |
| Number Employed | 139,064 | 139,869 | 142,469 | 143,929 | 146,305 |
| Number Unemployed | 14,825 | 13,747 | 12,506 | 11,460 | 9,617 |
| Unemployment Rate | 9.6% | 8.9% | 8.1% | 7.4% | 6.2% |

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

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